

Review

Intellectual Property



High Court ruling validates new approach at the Trade Marks Registry

The UK Intellectual Property Office (IPO) has recently changed how it handles trade mark invalidation proceedings. Brand owners need to be aware of this change as it may result in an increase in the cost of managing a trade mark portfolio.

WHAT IS INVALIDATION?

Invalidation is a way in which a registered trade mark may be challenged. If the challenge is successful the trade mark will be removed from the UK register and the owner of the trade mark will lose its trade mark rights.

A trade mark may be challenged on 'absolute grounds' where it is not unique to the proprietor and is not sufficiently distinctive to clearly identify the proprietor's goods or services from those of other traders. Alternatively, or in addition, a trade mark may be challenged on 'relative grounds' where there is an earlier registered or unregistered trade mark which is the same as or similar to the trade mark being challenged and which is being used for the same or similar goods or services. The absolute and relative grounds are set out in sections 3 and 5 respectively of the Trade Marks Act 1994. Anyone may seek to invalidate a trade mark using the absolute grounds. Only the proprietor or licensee of the earlier registered or unregistered trade mark may bring invalidation proceedings using the relative grounds.

A challenge to a trade mark (known as 'invalidation proceedings') may be brought in the Trade Marks Registry (part of the IPO) and/or in the High Court. The Hearing Officer in the Trade Marks Registry will usually decide whether or not a trade mark is invalid by simply looking at the parties' written arguments without holding a formal hearing. This keeps the parties' costs down. Invalidation proceedings in the High Court are considerably more formal and costly. A hearing will be held before a judge and witnesses will be required to attend and give evidence in the same way as in any other court action.

Oral hearings will mean increased costs for brand owners bringing or defending invalidation proceedings

WHY INVALIDATE A TRADE MARK?

A brand owner may want to invalidate a trade mark either to (1) prevent a competitor business having a monopoly over a name or logo that should never have been registered as a trade mark because it does not satisfy the legal criteria for registration; and/or (2) prohibit a competitor from encroaching on its registered or unregistered trade mark rights, for example if it has missed the opportunity to file an opposition to the mark when it was at the published application stage.

A SECOND BITE OF THE CHERRY

Legal proceedings are governed by the principle of 'res judicata'. This means that once a judge has ruled on a legal issue that same issue cannot be opened up for a second time and tried again in any other judicial tribunal. Until recently, res judicata did not apply to invalidation proceedings. This meant that an applicant who made an unsuccessful challenge to the validity of trade mark in the Trade Marks Registry was free to begin proceedings in the High Court asking it to rule on the same question. The applicant had a 'second bite of the cherry' in the hope that the High Court would reach a different decision. The same could happen in reverse where invalidation proceedings had been brought first in the High Court.

A NEW DEVELOPMENT

A recent decision of the High Court in the case of *Evans (trading as Firecraft) v Focal Point Fires Plc* has established that res judicata should apply to invalidation proceedings. In this case the Claimant, Firecraft, had been selling fireplaces under the mark FIRECRAFT for a number of years. Firecraft did not have a registered trade mark but did have unregistered trade mark rights as a result of its use of FIRECRAFT. This meant that it could prevent a competitor using FIRECRAFT for fireplaces by bringing an action for passing off.

Focal Point successfully obtained a trade mark registration for FIRECRAFT for fireplaces and began selling fireplaces under this mark. Firecraft brought proceedings in the Trade Marks Registry seeking to invalidate the trade mark on relative grounds relying on its passing off rights. This required them to prove to the Hearing Officer's satisfaction that they would be likely to succeed in a passing off claim against Focal Point. Firecraft were successful and Focal Point's trade mark was removed from the register.

Despite this, Focal Point continued to sell fireplaces under the FIRECRAFT mark. Firecraft commenced passing off proceedings in the High Court seeking damages and to prevent Focal Point using FIRECRAFT by means of an injunction. Focal Point sought to defend the claim. Firecraft argued that Focal Point should not be allowed to do this. It said that the Hearing Officer in the invalidation proceedings before the Trade Marks Registry had already decided that it had a claim in passing off against Focal Point. Focal Point should be prevented ('estopped') from seeking to act as if that decision had not been made. It would be an abusive use of the High Court to ask it to rule on that same issue again (an 'abuse of process'). The High Court agreed. The Hearing Officer had already ruled that Firecraft had a claim in passing off against Focal Point. Firecraft should not be put to the expense of proving this for a second time. Focal Point could not 'go behind' the Hearing Officer's decision and ask for a second ruling on this issue from the High Court.

THE CURRENT POSITION

The effect of the decision in Firecraft is that res judicata now applies to invalidation proceedings. If the Trade Marks Registry has ruled on whether a trade mark is invalid it is no longer open to the unsuccessful party to bring proceedings in the High Court looking for a different ruling on this issue. The converse will also apply.

CHANGES AT THE IPO

In response to the Firecraft decision, the IPO has announced changes to the way in which it will handle invalidation proceedings from now on. The Hearing Officer's decision will no longer be made 'on paper'. The parties or their legal representatives will be required to attend a full hearing before any decision is made. This is the position only where the challenge to the trade mark is made on relative grounds.

The IPO's announcement is recognition that the decision in Firecraft has serious implications for businesses. A decision of the Hearing Officer on the validity of a trade mark will be final with no possibility of the High Court considering the same issue for a second time. This could pave the way for the proprietor of an invalidated mark to be sued for trade mark infringement and/or passing off and liable to pay substantial damages. In these circumstances, it is important that the Hearing Officer makes an informed and accurate decision.

COMMERCIAL IMPLICATIONS

The move from a decision on paper to oral hearings is likely to mean increased costs for brand owners bringing or defending invalidation proceedings. The introduction of a more formal hearing may be accompanied by the need for an increased amount and improved quality of evidence and for the parties' legal representatives to attend to provide argument on the key legal issues. Brand owners need to be aware of the IPO's new approach and to factor these potential additional costs into their annual trade mark portfolio management budget. They should also ensure that their case before the IPO is as strong as possible in order to avoid the negative ramifications of an adverse decision by the IPO.

FURTHER INFORMATION

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