European Intellectual Property Review

2010

Case Comment

Attacking a trade mark: the crucial choice of where and when

Susie Middlemiss
Steven Warner

Subject: Intellectual property

Keywords: Cause of action estoppel; Issue estoppel; Opposition proceedings; Passing off; Trade marks; UK Intellectual Property Office; Validity

Cases: Hormel Foods Corp v Antilles Landscape Investments NV [2005] EWHC 13 (Ch); [2005] E.T.M.R. 54 (Ch D)
Evans (t/a Firecraft) v Focal Point Fires Plc [2009] EWHC 2784 (Ch); [2010] E.T.M.R. 29 (Ch D)
Special Effects Ltd v L’Oréal SA [2007] EWCA Civ 1; [2007] Bus. L.R. 759 (CA (Civ Div))

*E.I.P.R. 298  Overview*

Someone facing a potential infringement risk from a mark they regard as invalid has always had a strategic decision to make. Do you attack the mark early by trying to block it with opposition proceedings? This draws attention to your concerns and may invite an infringement attack if the mark survives and is granted. However, it is relatively cheap and has meant that you can have a second bite at the cherry in later proceedings. Alternatively, do you wait until later and attack it in revocation proceedings or in a counterclaim in defence of an infringement action? This has the benefit of keeping your powder dry, especially if the proceedings are in court, but is likely to be considerably more expensive.

Now, following the decision in Evans (t/a Firecraft) v Focal Point Fires Plc (Firecraft) [2009] EWHC 2784 (Ch); [2010] E.T.M.R. 29, there is an extra factor to take into account. If you attack a mark on the basis of earlier rights and establish that you had a passing-off right, you will be entitled to summary judgment in a passing-off claim. This may be a cost effective way to obtain a judgment for passing off. However, an unsuccessful challenge in the registry may similarly leave you unable to bring a subsequent passing-off claim.

In Firecraft, Peter Smith J. held that a decision by the Intellectual Property Office (“IPO”) to invalidate a trade mark on the basis of earlier third-party rights prevented the former proprietor from contesting a subsequent action for passing off brought by the third party. In so deciding, the judge followed Hormel Foods Corp v Antilles Landscape Investments NV [2005] EWHC 13 (Ch); [2005] E.T.M.R. 54. Unlike the Court of Appeal in Special Effects Ltd v L’Oréal SA [2007] EWCA Civ 1; [2007] Bus. L.R. 759, the judge had no doubt that Hormel was right. Indeed, he went further. In Hormel, it was held only that the result of an IPO invalidity action precluded validity from being re-litigated before the court. In Firecraft, the estoppel extended to the grounds on which validity was successfully challenged when relevant to another cause of action.

Background

The claimants in Firecraft were a partnership that had traded for some years under the “Firecraft” name. Under that name, the partnership designed, manufactured and sold fireplaces (but not fires). Focal Point was a substantial operation that primarily supplied fires (and not fireplaces) to a number of large retailers. In February 2000, Focal Point applied to register Firecraft in the United Kingdom for, among other things, heating appliances, gas and electric fires, fire surrounds and fire fronts. The registration was granted. Some years later, the claimants applied to the IPO to invalidate that registration on the grounds that the claimants owned earlier unregistered rights in the Firecraft mark and in February 2000 could have prevented Focal Point from using FIRECRAFT on the basis of passing off.
The claimants succeeded in the IPO and Focal Point's registration was cancelled. The claimants then commenced court proceedings against Focal Point for passing off and applied for summary judgment. The claimants contended that in light of the IPO's decision, Focal Point was barred, whether by cause of action estoppel, issue estoppel or the rule in Henderson v Henderson (1843) 3 Hare 100, from denying liability for passing off. Peter Smith J. agreed, holding that Focal Point was prevented from disputing liability on all three grounds and granting summary judgment.

Estoppels and abuse of process

Cause of action estoppel arises where a competent tribunal has reached a final decision on the existence of a particular cause of action. A party to the proceedings in which that decision was reached may not in subsequent *E.I.P.R. 299* proceedings between the same parties assert (or deny) the existence of that cause of action if doing so would conflict with the earlier decision.

Issue estoppel arises if, in earlier proceedings, a competent tribunal has decided (either on the basis of evidence or admissions) whether or not a particular condition required to make out a cause of action is fulfilled. A party to those proceedings cannot, in subsequent proceedings between the same parties in which the same condition is relevant to a different cause of action, assert (or deny) that the condition is fulfilled if doing so would conflict with the earlier decision.

The rule in Henderson v Henderson --or abuse of process--can apply irrespective of any cause of action estoppel or issue estoppel. The court can prevent a party from raising in subsequent proceedings a matter or issue that both could and should have been raised in earlier proceedings between the same parties.

The Hormel and Special Effects cases

In Hormel, Richard Arnold QC (as he then was) concluded that a party who unsuccessfully applied to the IPO to invalidate a trade mark was barred by cause of action estoppel from subsequently challenging validity in the court. That was so despite the fact that before the IPO, the claimant had relied on relative grounds (i.e. its own prior rights) to attack the mark and before the court relied on absolute grounds (i.e. the alleged descriptiveness of the mark). This estoppel did not prevent a revocation attack, which the judge considered to be fundamentally different. Nevertheless, in the circumstances of that case, the revocation attack was an abuse of process. That attack could and should have been raised in the earlier IPO proceedings.

The claimant in Hormel appealed, but the parties settled and the appeal was allowed by consent, so the Court of Appeal was not called upon to consider the point. The Court of Appeal in Special Effects explicitly did not decide whether Hormel was correct.

In Special Effects itself, the question was whether the result of a trade mark opposition--i.e. a challenge made before the registration of the mark--could estop a subsequent invalidity action or render it an abuse of process. The Court of Appeal decided not. The very fact that the validity of a trade mark can be challenged after registration demonstrates that an opposition decision is inherently not final. An unsuccessful opponent is free to challenge validity on precisely the same grounds once the mark is registered, although the Court of Appeal did speculate that this might be an abuse of process if the failed opposition itself was conducted in a manner similar to court proceedings, with disclosure, cross-examination and representation by counsel. In general, however, oppositions are not conducted in this way and the Court of Appeal considered that parties could reasonably decide to deploy only limited resources in a forum that is intended to be economical and expeditious, with limited costs recovery for the successful party.

The Firecraft decision

Focal Point argued that the IPO application concerned only whether the trade mark registration was valid and did not determine the question of passing off. On that basis, Focal Point argued there could be no cause of action estoppel, even if it was right to say, as in Hormel, that the question of validity was res judicata. Peter Smith J. disagreed. The trade mark was held to be invalid only because the claimants had satisfied the IPO that as at February 2000 they had a cause of action in passing off and could have prevented Focal Point from using its trade mark. The fact that the IPO could not grant relief for passing off was irrelevant. Focal Point was now estopped from denying liability for passing off.
Unsurprisingly in light of this decision, the judge also held that Focal Point was subject to issue estoppel. Before the IPO, the claimants had been required to prove the “classical trinity” of passing off—namely, goodwill, misrepresentation and damage. Having done so to the IPO’s satisfaction, Focal Point was estopped from denying that those conditions were in fact fulfilled.

The judge also held that any attempt by Focal Point to dispute liability for passing off would be an abuse of process. Peter Smith J. noted that the IPO had conducted “a lengthy hearing” (although it appears to have lasted no more than one day so even if lengthy by registry standards it was considerably shorter than most High Court passing-off actions) for which both parties had filed “extensive evidence” with some witnesses being cross-examined, features which the judge noted were “rare”. Ultimately, Focal Point was not restricted—whether by IPO directions or otherwise—from raising any matter it considered relevant in defence of its trade mark. The judge saw no convincing justification for any decision by Focal Point not to deploy all its evidence to resist the invalidity application. Unlike the Court of Appeal in Special Effects, he was unmoved by the fact that IPO proceedings are intended to be economical and give limited costs recovery. In the circumstances, it would be an abuse of process to permit Focal Point to re-litigate the issues.

Summary judgment on the question of liability was granted. The appropriate relief—i.e. the amount of damages and whether any injunction was merited—would be tried another day.

**Difficulties with Firecraft**

The Firecraft IPO proceedings concerned the parties’ rights as at February 2000. The passing-off action was commenced in March 2009. Goodwill changes over time. It can wither as well as grow. The claimants’ goodwill might have withered to a considerable extent in the intervening nine years, whether or not they continued to trade. It is not immediately clear that proving their case against the registration of a competing mark some nine years ago ought to relieve the claimants of the need to prove they still had a cause of action in passing off in 2009.

Similarly, the point in issue before the IPO was whether (in February 2000) a normal and fair use of the registered mark in respect of all the goods covered by the specification was liable to be prevented on the basis of passing off. (The IPO did take account of actual use made of the mark by Firecraft, but that use did not begin until 2001 and was not significant until 2006.) By contrast, the issue in the subsequent passing-off case *E.I.P.R. 300* was whether (in March 2009 and during the preceding six years) Focal Point’s actual use of the mark amounted to a misrepresentation.

It can be inferred from the judgment that Focal Point raised both these issues. The judgment records that the judge accepted the claimants’ submission on the issue as to “notional and fair use” but, unfortunately, does not record what that submission was (or indeed what Focal Point’s submission might have been). Peter Smith J. also appears to have taken the view that any change in circumstances (such as a withering away of the claimants’ goodwill) could be disregarded unless Focal Point showed at least some basis for believing circumstances had changed, which evidently it failed to do. It is unclear whether the judge meant to suggest that Focal Point was subject to an evidential burden of proof, or something more onerous than this.

Peter Smith J. also appears to suggest that any point about changed circumstances is something that ought to have been raised before the IPO if it was to be raised at all. He observes at [40], (emphasis added):

“If there was a sustainable argument that [the claimant’s putative passing-off action] was no longer maintainable by the time of his hearing, the Defendant would have taken that point and the Hearing Officer would not have declared the mark invalid in December 2008 if he did not believe and in effect find that there was a continuing breach [i.e. repeated acts of passing off] down to the date of his hearing.”

On that basis, he might in any case have held it to be an abuse of process for Focal Point to wait until the passing-off action before raising such an issue. However, it is difficult to accept the judge’s reasoning here. The statutory test the IPO is required to apply makes no allowance for circumstances having changed. If in February 2000 Focal Point could have been prevented from using its trade mark, then its registration is invalid. If the claimants’ goodwill has, in the meantime, withered to the point where it would no longer succeed in any passing-off action, that is beside the point. The fact would remain that Focal Point is not entitled to a trade mark registration with a filing date of February 2000.
Firecraft suggests that a trade mark proprietor contesting an IPO invalidity application brought on relative grounds should raise every argument that it might wish to raise in infringement proceedings or face never being able to adduce evidence on those points. Whether the IPO would be prepared to admit such evidence and arguments or reach a decision on such matters is unclear.

**Potential consequences of Firecraft**

The potential consequences of Firecraft are significant. It suggests that any successful challenge to a registered trademark on relative grounds—i.e. on the basis of some prior right, whether registered or unregistered—can, if the contested mark has been used, be followed by an infringement action in respect of which the claimant will be entitled to summary judgment.

The effect would be to give the IPO effective jurisdiction over passing-off and infringement actions for which it has no clear statutory remit. A claimant with a weak infringement case can, it seems, if its opponent has registered its allegedly infringing mark, now effectively bring that case in the IPO without running the risk of an adverse costs order should the case fail. It might well be argued that a claimant whose real complaint is passing off or infringement should bring its action before the court so that all issues can be considered in full by the only tribunal with jurisdiction over every aspect of the dispute and that a claimant who elects to start in the IPO with a validity challenge should not complain at having to prove its infringement case in full when it does finally bring the issue before the court.

**New IPO Tribunal Practice Notice**

In light of Firecraft, the IPO has issued Tribunal Practice Notice TPN 6/2009 (the “Notice”). The Notice provides that invalidity applications—but not oppositions—in which the validity of a registered mark is challenged on relative grounds will now always be decided following a hearing that the parties or their legal representatives will be required to attend. The move has explicitly been made in recognition of the fact that the decision in an invalidity action can now have substantial consequences for the parties in subsequent proceedings.

The IPO has power under the Trade Mark Rules 2008 to require a hearing to be held and to give such “case management” directions as are appropriate. Given Firecraft and the stated rationale for the Notice, it is likely to be difficult for the IPO to justify refusing to adopt more-or-less full High Court procedure in invalidity applications if either side (and especially the trade mark proprietor) requests it. Disclosure, oral evidence, cross-examination of witnesses and the use of counsel may now more often feature in invalidity applications before the IPO. The potential adverse impact of such a development on the cost and speed of IPO proceedings is obvious. Proceedings before the IPO may cease to be “economical and expeditious”, as the Court of Appeal in Special Effects noted they were designed to be.

Those with strong grounds to challenge a registered mark may increasingly feel there is nothing to gain—and quite a lot to lose—from taking their dispute to the IPO. If such an action is unlikely to be substantially quicker and/or cheaper than court proceedings, the challenger may prefer to have its day in court, not least because of the greater costs recovery.

Equally, a challenger, basing its claim on relative grounds, for example passing off, now has a potentially cheap shortcut to a decision on passing off, though it will need to consider in the circumstances whether it has a better chance of success before the registry or the court (where presumably the case is still likely to be dealt with in greater detail).

**Conclusion**

After Firecraft and Special Effects, a party who learns of an application to register a conflicting mark faces an interesting strategic decision. It could oppose the registration, leaving itself free to attack the mark again after registration if the opposition fails (and with the benefit of having obtained some guidance from the *E.I.P.R. 301* opposition decision as to where any weaknesses in its case might lie). The disadvantage of this would be that if the opposition succeeds, any related infringement action would need to be proved again in its entirety. Alternatively, that party could avoid challenging the mark until after it is registered. That will give it only one bite at the cherry, but a favourable IPO decision on relative grounds will apparently entitle it to summary judgment in an infringement action.

The basis for this discrepancy is that the IPO and the court have parallel jurisdiction in relation to validity, while the IPO is the only competent tribunal for oppositions and the question of registrability is
(at least according to the Court of Appeal in *Special Effects*) inherently non-final. However, registrability and validity (as distinct from revocation) are two sides of the same coin. If the IPO concludes a mark must not be registered because use of that mark would amount to passing off, it has, in relation to the question of passing off and the issues required to be proved to make out that cause of action, made precisely the same determination as it would in concluding that a registered mark is invalid on the same basis. The only difference is one of timing. Yet it seems that one decision will leave the former proprietor at risk of summary judgment for passing off while the other will not.

In *Special Effects*, the Court of Appeal suggested that there is no cause of action in an opposition to obtain or prevent the registration of a mark and, as such, no estoppel can arise. But *Firecraft* suggests this is beside the point. It was not the cause of action to invalidate the mark that gave rise to the estoppel in *Firecraft*: rather, the grounds of invalidity advanced before the IPO were themselves taken to be a cause of action determined by the IPO. There is no obvious reason why the same cause of action does not exist—with the same determination being made in relation to it—in the context of an opposition brought on the same grounds.

It remains to be seen whether *Firecraft* undermines the distinction that has to date been drawn between the consequences of oppositions and invalidity actions. This case is unlikely to be the last word on this difficult subject.

E.I.P.R. 2010, 32(6), 298-301

© 2010 Sweet & Maxwell and its Contributors