DECISION
of the Cancellation Division
of 08/06/2010:

IN THE PROCEEDINGS FOR A DECLARATION OF INVALIDITY

OHIM reference number:	3197 C
Community trade mark:	4 151 891 ACCELA-COTA
Language of the proceedings:	English
Applicant	**BWI PLC** Kitling Road Knowsley Mersida L34 9JS United Kingdom
Representative	**URQUHART-DYKES & LORD LLP** Tower North Central Merrion Way Leeds LS2 8PA United Kingdom
Community trade mark proprietor	**Thomas Engineering Inc.** 575 West Central Road 60195 Hoffman Estates, Illinois United States of America
Representative	**BUREAU GEVERS** Brussels Airport Business Park Holidaystraat, 5 1831 Diegem Belgium

THE CANCELLATION DIVISION

composed of Alexandra Apostolakis, Stephan Hanne and Magnus Ahlgren has taken the following decision on 08/06/2010:

1. **The Community trade mark No 4 151 891 is declared invalid.**

2. **The Community trade mark proprietor bears the costs incurred by the applicant for cancellation.**

3. **The amount of the costs to be paid by the Community trade mark proprietor to the applicant shall be: EUR 1 150 (EUR 450 - representation costs - and EUR 700 - invalidity fee -).**

FACTS AND ARGUMENTS

(1) The Community trade mark No 4 151 891 ACCELA-COTA (word mark) ("the CTM") was filed on 01/12/2004 and registered on 14/12/2005 for the following goods "*machines for applying coating materials on pharmaceutical and confectionary tablets*" in class 7.

(2) On 16/10/2008, the applicant lodged a request for a declaration of invalidity of the CTM for all the goods registered, alleging that the CTM proprietor was acting in bad faith (Article 52(1)(b) Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community trade mark ("CTMR")), and as an unauthorized agent or representative when filing the CTM application (Article 8(3) in conjunction with Article 53(1)(b) CTMR). In addition, the applicant claimed that the CTM is passing off its reputation and goodwill acquired by its use of an identical sign in particular within the United Kingdom (Article 8(4) in conjunction with Article 53(1)(c) CTMR).

(3) On 21/10/2008, the CTM proprietor was notified of the request. In accordance with Article 57(1) CTMR, both parties have been invited by the Cancellation Division to submit observations.

(4) The applicant's submissions can be summarized as follows with regard to the relevant issues of the present decision: The CTM proprietor acted in bad faith, since the application for the CTM was contrary to the longstanding contractual relationship between the parties according to which the CTM proprietor was barred from distributing their products within the Community. The CTM proprietor and the legal predecessor of the applicant concluded an exclusive sub-licence contract in 1968 ("1968 sub-licence contract") concerning a patent for the manufacture and sale of a tablet coating machine, which entitled the legal predecessor *inter alia* to sell these machines throughout the world, except in some American states and territories. After expiry of the respective patent, the parties entered into a distributorship agreement in 1996 ("1996 agreement"). Amongst others, it defined the parties' territories essentially, according to the previous sub-licence contract, and mutually granted exclusive rights to resell the products manufactured by the other party within these territories. The applicant asserts to have extensively marketed tablet coating machines marked until 2002 and from 2006 onwards with the sign "ACCELA-COTA" within the Community. In the meantime, its machines were rebranded as "XL COTA".

(5) In support of its request, the applicant filed the following material:

- A witness statement of the director of the applicant, dated 11/03/2009, outlining the business relationship of the parties and the commercial activities of the applicant.

- A copy of the 1968 sub-licence contract.

- Catalogues and advertising material for “Accelacota” tablet coating machines.

- Tables concerning “COATER ORDERS” from 1999 to 2002 listing *inter alia* customer, market, machine, serial nos., order nos. and net prices.

- A copy of the 1996 agreement.

(6) The CTM proprietor claims that the second submission of the applicant cannot be taken into consideration, since it contains new documents and a witness statement which were not provided with the notice of cancellation as required by Rule 37(a)(iv) of Commission Regulation (EC) No 2868/95 of 13 December 1995 implementing CTMR (“CTMIR”). Furthermore, after termination of cancellation proceedings No 2602C, it is the second cancellation action initiated by the applicant against the CTM.

(7) As to the merits, the CTM proprietor claims to have invented the mark “ACCELA-COTA” for the technology licensed to the applicant. It is owner of the US mark “ACCELO-COTA” since 1969, which it used to market tablet coating systems in the US. This demonstrates that this sign had formed part of the CTM proprietor’s worldwide trade mark portfolio for many years before the parties concluded the 1996 agreement. It was always the parties’ common understanding that the “ACCELO-COTA” sign belonged to the CTM proprietor. Even though it has not been explicitly mentioned in the 1996 agreement, it is evidently included in “The Thomas Trade Marks” as defined in this agreement, which prohibits the applicant to lay any claim on the sign. The CTM proprietor asserts to have sold directly without any involvement of the applicant within the Community coating apparatus marked with the sign in question. The applicant’s use of the sign was always under license and depending on the parties’ business relationship. After its termination, the applicant was obliged under the 1996 agreement to assist the CTM proprietor in maintaining its rights and was prohibited to file any applications on its own. This is the reason why the applicant never filed for a sign corresponding to the CTM. It is also confirmed by the adoption of the “XL-COTA”-mark by the applicant and the marketing expenditures for promoting this new mark in the period before the 1996 agreement came to an end in 2006. The CTM proprietor also relies on the principle of “first-to-file” incorporated by Article 8(2) CTMR.

(8) Furthermore, the CTM proprietor claims that the applicant has not filed sufficient evidence in support of its claims. The affidavit has little probative value since it was not sufficiently corroborated by evidence, and the witness has no personal experience concerning the business relationship of the parties in the 1960s.

(9) In support of its allegations, the CTM proprietor filed, amongst others, the following evidence:

- A copy of the 1996 agreement.

- Excerpt of the registration of US word mark “ACCELA-COTA”, owned by the CTM proprietor, filed in 1969 and registered in 1970 for “*machines for applying coating materials on pharmaceutical and confectionary tablets by means of a tumbling action*”.

- Excerpt of the registration of UK word mark “MANESTY”, owned by the applicant, filed in 1973 and renewed until 2018, for “*punches and dies, all for use in machines*” in class 7.

- A witness statement of the director and chairman of the CTM proprietor, dated 15/05/2009, outlining the business relationship of the parties and commenting upon the witness statement filed by the applicant.

GROUNDS FOR THE DECISION

On the admissibility

(10) The invalidity request complies with the formal requirements prescribed in the CTMR and the Commission Regulation (EC) No 2868/95 of 13 December 1995 implementing CTMR (“CTMIR”), in particular as laid down in Article 56 CTMR and Rule 37 CTMIR.

(11) The provision of Article 56(3) CTMR does not render the request inadmissible. Whilst the Office applies Article 56(3) CTMR by way of analogy not only in relation to court decision but also to its own decisions (see decision of the Boards of Appeal of 12/03/2010 in case R 361/2009-4 – SCHACHBRETTMUSTER, at paragraph 23), this provision requires in any case that the cause of action has “acquired the authority of a final decision”. The former cancellation proceeding, however, has been terminated on mere account of the applicant’s withdrawal of its request. The Office’s subsequent decision that the case is closed only had declarative character since the parties can fully dispose of the continuation of the proceedings if they wish.

(12) It follows that the request for a declaration of invalidity is admissible.

Bad faith

(13) The request is well-founded since the CTM was filed for in bad faith in the sense of Article 52(1)(b) CTMR by the CTM proprietor with regard to the parties’ mutual obligations arising from their 1996 agreement.

(14) There is no precise legal definition of the term ‘bad faith’. It allows in fact various definitions (see, as regards on overview of various approaches towards assessing bad faith in the Member States, Opinion of Advocate General Sharpston, in Case C-529/07, at paragraphs 51 *et seq.*). With regard to the very wording of “bad faith”, in any case, the basis of it are the subjective intentions of the applicant when filing the Community trade mark.

Such intentions are often qualified as dishonest in case-law. As a general legal rule, however, mere intentions are not subject to legal consequences.

(15) Case-law indicates some case groups. For instance, the Community trade mark application can be measured against (unwritten) rules of honest practices in industrial or commercial matters. An example of this can arise when a commercial entity has obtained some degree of legal protection by virtue of the use of a sign on the market, which a competitor subsequently registers with the intention to compete unfairly with the original user of the sign (see, to this effect, the judgment of the Court of Justice of 11 June 2009 in Case C-529/07 *Chocoladefabriken Lindt & Sprüngli AG* v *Franz Hauswirth GmbH* ('Lindt Goldhase') [2009] ECR publication pending, at paragraph 47).

(16) A dishonest practice in industrial or commercial matters can also arise when the Community trade mark applicant intends, through registration, to lay its hands on the trade mark of a third party with whom it had contractual or pre-contractual relations, or any kind of relation where good faith applies, and imposes on the Community trade mark applicant the duty to fair play in relation to the legitimate interests and expectations of the other party (see decision of the Boards of Appeal of 13/11/2007 in case R 336/2007-2 – CLAIRE FISHER / CLAIRE FISHER, at paragraph 24).

(17) The burden of proof for the existence of bad faith rests on the invalidity applicant; good faith is presumed until the opposite is proven. As the notion of bad faith is based on the subjective intentions of the Community trade mark proprietor at the time of filing the mark, which are usually not apt to be proven directly by the invalidity applicant, all the objective circumstances of the case, including before and after the filing, have to be taken into consideration as well.

(18) In the present case, the invalidity applicant bases its assertion of bad faith on part of the CTM proprietor, on the latter's contractual obligation to refrain from an application for the sign which the invalidity applicant used within the Community. The parties argue about the proper interpretation of individual clauses of the 1996 agreement which, like the 1968 sub-licence contract, does not explicitly refer to the sign at hand. As regards the contractual obligations of the parties, it should be noted first that Article 52(1)(b) CTMR, does not serve to enforce any type of contractual obligation in relation to the sign in question. The case group at hand rather is based on legitimate interests and expectations arising from a commercial relationship according to honest practices in industrial or commercial matters.

(19) As to the commercial relationship, at the time of the filing for the CTM in 2004, the parties were contractually affiliated for more than 35 years. The 1968 sub-licence contract granted the applicant an exclusive sub-licence to make and sell within the Community certain tablet coating apparatus based on the licensed patent. This contract does not contain any provision regarding trade marks. The 1996 agreement, which according to the CTM proprietor was terminated in 2006, imposed various obligations on the parties which basically set out the markets where the parties were entitled to distribute their competing products, both their own as well as those of the other party as an exclusive reseller. Throughout the whole period of the parties' business affiliation, the applicant's territory included the Community where in consequence of this agreement the CTM proprietor was not entitled to

distribute its own goods. The territorial split follows in particular from the definitions of the respective territories in combination with Articles 2(1), 3(1) of the agreement.

(20) In contrast to the obligations as stipulated in the 1996 agreement, the CTM proprietor claims to have distributed its own goods marked with the sign ACCELA-COTA also within Europe. The CTM proprietor did not quantify such sales, nor did it provide any evidence to support this assertion. In consequence, the Cancellation Division cannot assume for its decision that such sales have taken place before the application for the CTM. Moreover, in the absence of any evidence, it appears that the applicant did not distribute the CTM proprietor's goods within the Community to a commercially relevant extent. The territorial split, as stipulated by the 1996 agreement, appears to be the critical point of this contract.

(21) As to the trade marks used for the competing products, the 1996 agreement defines each party's trade marks by reference to the actual marks used for their respective goods and it lists some examples thereof without, however, mentioning the ACCELA-COTA sign. Under Article 13(3) of the 1996 agreement, each party was barred from altering, obscuring, removing, cancelling or otherwise interfering with the other party's markings when distributing the other party's goods in their own territory. By virtue of Article 13(5), each party was also obliged to co-operate fully to protect and maintain the other party's trade marks and any effective registrations thereof and give assistance in registering them. Furthermore, the parties were prohibited from applying or registering the other party's trade marks.

(22) In the Cancellation Division's view, contrary to the CTM proprietor's assertion, it cannot be inferred from the 1996 agreement that the ACCELA-COTA mark exclusively belonged to the CTM proprietor. Even if the CTM proprietor invented the term and registered it first in the US, taking the territorial split and the apparent lack of commercially relevant sales of the CTM proprietor's products marked with a sign corresponding to the CTM within the Community into consideration, it rather follows that the parties were independently using the same sign during their business affiliation. Nothing in the evidence indicates that the parties had a different common understanding as claimed by the CTM proprietor.

(23) Against this background, in the case that the applicant had continued to use the ACCELO-COTA sign until at least the date when the CTM was filed in 2004, due to the continuing affiliation of the parties there would have been no doubt that the filing for the CTM at this time would haven been against honest practices, and therefore in bad faith according to Article 52(1)(b) CTMR.

(24) Therefore, the key issue to decide upon in the present case is whether the fact that the invalidity applicant stopped to use the ACCELO-COTA sign within the Community at the end of 2002 sheds a different light as to the filing of the CTM. In the Cancellation Division's view, this is not the case, mainly for two reasons: First, the 1996 agreement was still in force at the time of the application for the CTM. It obliged the parties to respect each other's territory and their signs used in the course of trade. Secondly, as the invalidity applicant's "Accelacota" tablet coating machines were evidently intended for long-term use, it is reasonable to assume that they were still in use in 2004 within the Community and, for example, required maintenance and repair. In

this respect, it should also be noted that a trade mark does not only fulfil its function to indicate a commercial origin of the respective product at the time of sale but also, as the case may be, thereafter.

(25) The Cancellation Division therefore concludes that the CTM proprietor has applied for the CTM in bad faith.

(26) As the CTM is to be declared invalid in its entirety based on Article 52(1)(b) CTMR, the other invoked grounds do not need to be assessed.

COSTS

(27) Pursuant to Article 85(1) CTMR and Rule 94 CTMIR, the party losing cancellation proceedings shall bear the fees and costs of the other party. The CTM proprietor, as the party losing the cancellation proceedings shall bear the fees and costs of the applicant.

(28) The amount of the costs to be paid by the CTM proprietor to the applicant pursuant to Article 85(6) CTMR in conjunction with Rule 94(3) CTMIR shall be: EUR 1 150 (EUR 450 - representation costs - and EUR 700 - invalidity fee).

THE CANCELLATION DIVISION

Alexandra Apostolakis	Stephan Hanne	Magnus Ahlgren

<u>Notice on the availability of an appeal:</u>

Under Article 59 CTMR any party adversely affected by this decision has a right to appeal against this decision. Under Article 60 CTMR notice of appeal must be filed in writing at the Office within two months from the date of notification of this decision and within four months from the same date a written statement of the grounds of appeal must be filed. The notice of appeal will be deemed to be filed only when the appeal fee of EUR 800 has been paid.

<u>Notice on the review of the fixation of costs:</u>

The amount determined in the fixation of the costs may only be reviewed by a decision of the Cancellation Division on request. Under Rule 94(4) CTMIR such a request must be filed within one month from the date of notification of this fixation of costs and shall be deemed to be filed only when the review fee of EUR 100 (Article 2 point 30 of the Fees Regulation) has been paid.