

Case No: A3 2006/0744

**Neutral Citation Number: [2007] EWCA Civ 1**

**IN THE SUPREME COURT OF JUDICATURE**  
**COURT OF APPEAL (CIVIL DIVISION)**  
ON APPEAL FROM THE HIGH COURT OF JUSTICE  
CHANCERY DIVISION  
INTELLECTUAL PROPERTY  
THE CHANCELLOR OF THE HIGH COURT

[2006] EWHC 481 (Ch)  
Royal Courts of Justice  
Strand, London, WC2A 2LL

Friday 12 January 2007

**Before:**

LORD JUSTICE CHADWICK  
LORD JUSTICE LLOYD  
and  
LORD JUSTICE LEVESON

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**Between:**

**SPECIAL EFFECTS LIMITED**

- and -

**(1) L'OREAL SA**

**(2) L'OREAL (UK) LIMITED**

- and -

**SPECIAL EFFECTS (a partnership of JENIFER ANN JONES and DAVID CHARLES JONES)**

**INTERNATIONAL TRADEMARK ASSOCIATION**

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(Transcript of the Handed Down Judgment of

WordWave International Ltd

A Merrill Communications Company

190 Fleet Street, London EC4A 2AG

Tel No: 020 7421 4040 Fax No: 020 7831 8838

Official Shorthand Writers to the Court)

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Claimant / Fin

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Responde

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Appellan

Second Par

Defenda

Interven

**Henry Carr Q.C. and Jacqueline Reid** (instructed by **Baker & McKenzie** ) for the **Appellants**

**Richard Meade** (instructed by **Pinsent Masons** ) for the **Respondent**

**Emma Himsworth** ( instructed by **Slaughter & May** ) for the **Intervener**

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## **Judgment**

### **Lord Justice Lloyd:**

1.

This is the judgment of the court. The Claimant is the proprietor of a registered trade mark SPECIAL EFFECTS in respect of goods in Class 3, covering (among others) soaps, perfumery and other cosmetics including hair products. It alleges that the Defendants' use of "Special FX" in relation to a range of hair products sold in the UK infringes its trade mark. The Defendants deny infringement, for a number of reasons, but also seek, if necessary, to counterclaim for a declaration of invalidity of the registered trade mark, and for passing off. They have also obtained the registration of a Community trade mark SPECIAL FX in respect of goods in Class 3, though an appeal is pending and the effect of the registration is therefore suspended.

2.

The Claimant contends that the Defendants are not entitled to challenge the validity of its UK trade mark, because the First Defendant opposed the application for registration on similar grounds, but failed. It is said that this unsuccessful attempt debars the First Defendant, and the Second Defendant as well, from raising again points which were taken in the course of the opposition proceedings, and that the effect of the resulting estoppel also prevents the claim in passing off.

3.

Sir Andrew Morritt, Chancellor, heard preliminary issues arising out of the contention that the Defendants were estopped, and held that the Claimant was correct. On this appeal, for which he himself gave permission, the Defendants argue that his conclusions were wrong.

4.

The point is seen as being of considerable importance, in that, if the Chancellor's decision is right, the practice in relation to opposition proceedings will change in one or both of two ways: either parties will not attempt to oppose or, if they do oppose, they will seek to do so in a much more substantial way, similar to the conduct of litigation in court. The implications of the decision were such that the International Trademark Association intervened, with permission, and the Institute of Trade Mark Attorneys also made a written submission to us. The Trade Marks Registry chose not to intervene. We were much assisted by full, clear and helpful submissions from Counsel for the parties and for the Intervener.

### **The facts**

5.

Although the essential points are of law, it is necessary to bear clearly in mind the facts from which they arise. In order to do justice to some of the submissions made to us, we will set these out in some detail.

The proceedings in the Trade Marks Registry

6.

On 30 June 2000 Mr and Mrs Jones applied to the Trade Marks Registry to register the mark SPECIAL EFFECTS in relation to goods in Class 3 as well as services in Class 42. After initial examination the application was advertised in August 2000. This attracted the attention of L'Oreal. On behalf of the First Defendant, trade mark agents gave notice of opposition to the application in November 2000. The grounds of opposition included the following contentions:

i)

The words SPECIAL EFFECTS were not distinctive in relation to the goods and services in question, because they would be understood as meaning make-up used to produce a special effect such as is used in films and television. Section 3(1)(a) of the Trade Marks Act 1994 (the Act) was relied on in this respect.

ii)

The words were not distinctive as they would be understood as laudatory. Alternatively if the products do not produce a special effect the public would be deceived by the use of the mark. This was said to attract sections 3(1)(a) and 3(3)(b) of the Act.

iii)

L'Oreal had made extensive use of the letters FX in the UK in relation to hair products and had a substantial goodwill and reputation in those letters. They had also used the trade mark in the form SPECIAL FX. Use of the mark SPECIAL EFFECTS would be liable to be prevented by an action for passing off based on L'Oreal's reputation in the letters FX. The relevant provision here was section 5(4)(a).

iv)

L'Oreal had three UK registered trade marks (which we will call the earlier marks), one for FX and a device, and the others for FX STUDIO LINE and a device, for similar or identical goods and services to those in relation to which the application for SPECIAL EFFECTS was made. The earlier marks were similar to SPECIAL EFFECTS because they include the letters FX, phonetically and conceptually identical to the word EFFECTS. Accordingly, the subject of the pending application was similar to the earlier marks and was to be registered for similar or identical goods and services, and there was therefore a likelihood of confusion including a likelihood of association with the earlier marks. This provided the basis for reliance on section 5(2)(b).

7.

Mr and Mrs Jones disputed each of these grounds of opposition. They admitted the registration of the earlier marks but not that FX or SPECIAL FX had been used within the UK or that L'Oreal had acquired any reputation in them. In particular they denied that FX or SPECIAL FX were similar or identical to the mark applied for, so as to be subject to an action for passing off, and that there was any likelihood of confusion on the part of the public or of association with the earlier marks.

8.

In support of the opposition, a declaration was filed on the part of José Monteiro, Chief Trade Mark Counsel for the First Defendant, which he said he referred to as "my Company". In his declaration, dated 10 July 2001, he said that "my Company" had been using the trade mark FX in the UK since September 1995 in relation to hair products. He gave figures for the turnover of such sales for each year from 1995 onwards and for the first four months of 2000, as well as figures for the annual cost of advertising and marketing, with examples of the latest advertising campaign. He also said that "my Company" marketed products under the SPECIAL FX trade mark, exhibiting examples of the

packaging used. He said that the first use of this mark was 1 June 2000, and gave figures for the turnover and advertising in relation to those sales, with examples of the advertisements. He asserted that SPECIAL FX had been launched with a great deal of publicity in the month before the application was filed for SPECIAL EFFECTS, and that therefore there was a great chance of confusion as to the origin of the applicants' product. With hindsight it is clear that only some of his references to "my Company" are to the First Defendant. Those which refer to use of the mark in the UK are to the Second Defendant.

9.

Mr and Mrs Jones put in a declaration in answer. The appeal bundles do not include a copy of this, but its relevant content can be seen from Mr Monteiro's declaration in reply, dated 3 January 2002, and from the terms of the Hearing Officer's decision. They had searched unsuccessfully for examples of relevant advertisements in the magazines mentioned in his first declaration published in the period May, June and July 2000. He put some magazines in evidence, but all were dated after July 2000. He also put in evidence a schedule from L'Oreal's media buyer which was said to record advertising for the FX and Special FX products. This schedule does not show any advertising which can be identified as being for Special FX (as opposed to FX) products before 1 July 2000.

10.

The matter came on for hearing before one of the Registry's Hearing Officers, Mr Allan James, on 8 August 2002. There had not been any application for disclosure or for cross-examination. Each party was represented by trade mark agents. As summarised in their skeleton argument, the applicants contested the points based on confusing similarity and on passing off by putting the use of FX by L'Oreal in context. The context included trade marks L'OREAL and STUDIO LINE, as well as a logo consisting of three squares, and other words of varying significance. There was said to be no evidence that these products were known with reference to FX alone. Even if they were, there would not be confusion with SPECIAL EFFECTS. As to the SPECIAL FX mark, the applicants pointed out that use before 1 July 2000 was not supported by any document, and was therefore only vouched for by Mr Monteiro's uncorroborated statement. The opponent's skeleton argument did not refer to goodwill or reputation in Special FX, but only in FX, but it seems that reliance was placed on Special FX at the hearing.

11.

It appears from the terms of the decision, given on 22 August 2002, that, at the hearing, the opponents were allowed to amend the grounds of opposition so as to rely on section 3(1)(c) rather than, as before, section 3(1)(a) in relation to the first and second points identified above. In relation to distinctiveness the Hearing Officer applied the then latest decision of the European Court of Justice on the point, *Procter & Gamble Co v Office for the Harmonisation of the Internal Market (BABY DRY)* Case C-383/99 P [2001] ECR I-6251, [2002] Ch 82. He rejected both objections under section 3(1), saying this at paragraphs 19 and 21:

"19. It is, of course, the case that descriptiveness can be assessed by reference to the ordinary meanings of words, which can be found in dictionaries. An opponent does not have to show that a mark is already generic in a trade in the goods or services in order to make out an objection under section 3(1)(c). However, the trade mark SPECIAL EFFECTS does not to my mind convey any specific information about the quality or the intended purpose of the goods or services listed in the application. It is an ambiguous term open to various interpretations. In my view it is more likely that the average

consumer would regard it as a fanciful use of a term normally associated with film making.”

“21. Taking the best view I can of the matter on the basis of the sparse material before me, my judgment is that the trade mark Special Effects is not an indication which may serve, in trade, to designate the quality or intended purpose or other characteristics of the goods or services.”

12.

He rejected the point based on section 3(3)(b) for corresponding reasons.

13.

In relation to the ground based on the earlier marks, of which FX was a prominent feature, and on section 5(2)(b), he referred to the fact that the FX mark had been used in conjunction with L'OREAL and STUDIO LINE as well as other phrases such as INVISI SPRAY, and to the absence of any evidence that the goods were known as FX products, or that the FX mark was well known in the UK at the time of the SPECIAL EFFECTS application. He rejected this ground of opposition on the basis that, although there was a degree of aural similarity, there was no visual similarity, and no conceptual similarity that was likely to be apparent to an average consumer, so that there was no likelihood of confusion even on identical goods. That was fatal to the objection under section 5(2)(b).

14.

It was also fatal to the objection under section 5(4)(a) by reference to FX. He therefore had to consider whether the position was different as regards reputation in the mark SPECIAL FX. Mr James accepted that there was a strong phonetic resemblance between this and SPECIAL EFFECTS. The question was whether SPECIAL FX had been used at all in the UK before 30 June 2000. Mr James reviewed the evidence on this in detail. He concluded that none of the documentary material exhibited by Mr Monteiro gave any support for his statement that the first use was on 1 June 2000. Mr James concluded as follows:

“51. Mr Castle accepted that there was no supporting evidence for Mr Monteiro’s claim that L’Oreal launched the product under the name Special FX on 1 June 2000. In the absence of any request to cross-examine Mr Monteiro he invited me to accept the claim at face value. It is for the opponent to make good its claim to have established a goodwill and reputation under the mark Special FX by the relevant date in these proceedings. In order to do so the opponent was required to provide sufficient material from which such a finding could properly be drawn. Unsupported general assertions, even provided under oath, cannot provide sufficient support for the claim that has been made. This is all the more so when some of the material put forward to support the claim actually contradicts it.

52. I conclude that there is no established use of the trade mark Special FX prior to the relevant date. It follows that the ground of opposition under section 5(4)(a) must fail for the reasons already given.”

15.

Thus, the First Defendant’s opposition failed, and the SPECIAL EFFECTS mark was registered. The First Defendant did not appeal against the rejection of its opposition.

## L'Oreal's Community Trade Mark application

16.

On 9 August 2002, the First Defendant applied to the Office for the Harmonisation of the Internal Market (OHIM) for the registration as a Community Trade Mark of SPECIAL FX. The Claimant (by then the proprietor of the UK registered mark SPECIAL EFFECTS) opposed the application on the ground that, because of its similarity to the UK mark SPECIAL EFFECTS, there existed a likelihood of confusion on the part of the public in the UK, including the likelihood of association with the UK mark.

17.

The appeal papers include little material relating to this application, no doubt because it was not directly in issue on the pleadings. We do, however, have the text of OHIM's decision rejecting the opposition, and some papers relating to the Claimant's appeal against that, which is still pending. The grounds for rejection recognised that there was a degree of visual, phonetic and conceptual similarity, but said that the visual differences outweighed the phonetic similarities. It was noted that the UK registration was not on the basis of acquired distinctiveness, and that the words Special Effects would be perceived as descriptive or highly suggestive of the characteristics of the product rather than as an indication of their commercial origin. On that basis the opposition was rejected. The essence of the reasons was as follows:

“Furthermore, it must be noted that there are important visual differences between the marks which clearly outweigh the phonetic similarities. As stated by the Court of First Instance in connection with the goods in class 3, i.e. the goods in question in the present proceedings, the degree of phonetic similarity between the two marks is of less importance in the case of goods which are marketed in such a way that, when making a purchase, the relevant public usually also perceives visually the mark designating those goods ... Hence, the visual aspects of the marks in dispute are predominant over the phonetic ones in the perception of the marks by the relevant public.

As it has been found above, there is nothing original about the idea of referring to “special effects” in connection with the goods at hand. Thus, the consumers are likely to pay more attention to a specific way of representation of that idea in the marks. Namely, the contested sign “SPECIAL FX” will be perceived more as a word-play which will be remembered as such.”

18.

Thus, while L'Oreal was not able to prevent the registration in the UK of SPECIAL EFFECTS, the Claimant in turn was unable (subject to the pending appeal) to prevent the registration as a Community Trade Mark of SPECIAL FX in relation to identical goods, which L'Oreal had been using in the UK since 2000 even if, as found by the Hearing Officer, not until after 30 June 2000.

The infringement proceedings

19.

That situation was bound to lead to conflict. Eventually in May 2005, after some extensive correspondence, the Claimant issued proceedings seeking an injunction against the First and Second Defendants restraining them from infringing the SPECIAL EFFECTS trade mark by using the words Special FX or otherwise. In its Particulars of Claim, the Claimant alleged the infringement of its trade mark by one or both of the Defendants. It mentioned that the Defendants had stated that they would

defend on grounds under section 3(1)(c) and (d) and section 5(4), the latter based on prior use of Special FX. It mentioned the unsuccessful opposition by the First Defendant to the application for registration of the SPECIAL EFFECTS mark, and contended that First Defendant was precluded from challenging validity on the grounds which had been relied on in the opposition proceedings. It also claimed that Second Defendant was also so precluded, being a privy of the First Defendant for these purposes.

20.

The Defendants in their Defence and Counterclaim assert that the Second Defendant has sold in the UK products bearing the sign L'OREAL PARIS SPECIAL FX STUDIO LINE with a device since the launch of the range of products on 31 May 2000. They deny any likelihood of confusion with the SPECIAL EFFECTS mark, because of the composite nature of the Defendants' sign. They also contend that, if there is sufficient similarity between the Defendants' sign and the Claimant's mark, and between the relevant goods, so as to give rise to a likelihood of confusion, then the Claimant's mark is invalid and in that event they counterclaim for a declaration of invalidity, as well as for relief on the basis of passing off. The grounds on which invalidity is asserted are lack of distinctive character, under section 3(1)(b), (c) and (d), the existence of earlier trade marks, under section 5(2)(b), and prior goodwill in SPECIAL FX, under section 5(4)(a). In addition the Defendants relied on other defences which it is not necessary to mention, and they denied that they were precluded from raising the defences mentioned.

21.

In its Reply and Defence to Counterclaim the Claimant made the point, among others, that the claim in passing off was precluded on the same basis as the challenges to the validity of the SPECIAL EFFECTS mark which depended on prior use of SPECIAL FX.

22.

In the Particulars of Claim the Claimant had joined both Defendants on the basis that both had been trading in the UK using the SPECIAL FX mark. The Defendants' solicitors had stated in correspondence that the two companies were the appropriate Defendants to the claim, while explaining their respective responsibilities. In the Defence the relationship between the Defendants was explained as being that the First Defendant holds the relevant trade marks, and the Second Defendant is responsible for the distribution, marketing and sale of products bearing those marks in the UK, for which purpose the First Defendant permits the Second Defendant to use the marks in the UK. Thus the First Defendant owns the marks but does not use them in the UK; the Second Defendant does use them in the UK as a licensee.

23.

That relationship between the companies was more fully explained in Mr Monteiro's evidence put in for the purposes of the preliminary issues. In his witness statement he described L'Oreal's policy as regards securing trade mark protection. The first priority is to secure clearance in advance, by identifying whether there were any conflicting marks, and if necessary addressing them. As regards oppositions, in jurisdictions where they are possible, he said that they were less critical, being regarded as not determinative of use issues. An opposition would only be regarded as critical if the mark in question was very similar to a contemplated core brand of L'Oreal. On that basis, he said:

“L'Oreal SA has adopted a practical and proportionate approach to handling oppositions, and prepares evidence for such oppositions by reference to an assessment of the proximity of the opposed mark to the core brand in issue. L'Oreal SA devotes significantly

greater resources to maintaining its own trade mark portfolio and also to infringement issues involving registered trade marks before the court. ”

24.

In his witness statement he also explained the basis on which the opposition to the application for SPECIAL EFFECTS was conducted. He referred to the evidence which we have summarised, and described the material exhibited to his second declaration as being “the most accessible summary sources of information available at that time and proportionate to the nature of the proceedings involved”.

25.

The Defendants also put in evidence from Francesca Fitzgerald who had been Product Manager for the Second Defendant at the time of the launch of the L’Oreal Paris Special FX Studio Line range. By reference to exhibited documents she described how the launch had been planned since 1999 if not before, and that market tests of three of the products were carried out on a small scale (62 people) over about 2 weeks in time for the results to be reported internally by 7 June 2000. The range had already by then been promoted to supermarkets and other retailers. A launch party was held in London on 31 May 2000, attended principally by representatives of the Press but also by buyers. A Press release was distributed widely at and immediately after this party. (That evidence might explain Mr Monteiro’s statement that the date of first use of the SPECIAL FX mark was on 1 June 2000, though the other evidence put in at this stage suggests that the statement was not correct.) She also exhibited a better copy of the advertising schedule which Mr Monteiro had put in evidence on the opposition. In her witness statement she confirmed the impression given by this schedule, namely that the advertising campaign began in the week commencing 3 July 2000 on the internet, and in the following week in magazines. She referred to the products being sold in a variety of shops where customers help themselves from shelves or stands. She exhibited a photograph of such a stand, from a Morrisons store, dated July 2000.

26.

Evidence was also put in from Christopher White, the Second Defendant’s Customer Services Manager, dealing with the extent of distribution and sales of the Special FX products before 30 June 2000. His evidence, based partly on records retrieved in circumstances which he describes and to which we will refer, seeks to show that there had been both orders and supplies of the range to supermarkets and other stores before 30 June 2000, and that there had been some sales to the general public by then. This evidence is not particularly clear, but it would have enabled Mr Monteiro’s assertion in evidence before the Trade Marks Registry to have been corroborated to some extent. Whether it would be sufficient as the basis for a claim that L’Oreal had a substantial goodwill and reputation in the mark Special FX by 30 June 2000 is another matter, but that is not relevant to this appeal.

27.

Mr White explained that he had been asked to help to find invoices evidencing sales of the Special FX range from May to July 2000. It took some time to get the information because it was kept on a computer system which had not been used on an ongoing basis since January 2002, had been turned off in January 2003 and had been stored since 2004 in a warehouse. It took more time than it would have done in 2002 to access the information in the computer system, with which to identify invoice numbers for retrieval from microfiche records. Clearly this was a difficult and time-consuming task in 2005, but would not have been in 2002 if anyone had sought to do it then.



28.

Thus, the Defendants have some additional evidence relevant to the question whether they had a reputation and goodwill in relation to SPECIAL FX on 30 June 2000, which was not put before the Hearing Officer. If the judge's order stands, they cannot adduce this because they cannot put in issue any matter which would turn on the proposition that they used SPECIAL FX before 30 June 2000.

### **The legislation**

29.

Proceedings on the application for registration are governed, so far as relevant, by sections 37, 38 and 40 of the Act. The Registry first examines the application internally, then, if it passes that process, publishes it, giving the opportunity for others to oppose, and, if satisfied despite any opposition, registers the trade mark.

#### “37. Examination of application

(1) The registrar shall examine whether an application for registration of a trade mark satisfies the requirements of this Act (including any requirements imposed by rules).

(2) For that purpose he shall carry out a search, to such extent as he considers necessary, of earlier trade marks.

(3) If it appears to the registrar that the requirements for registration are not met, he shall inform the applicant and give him an opportunity, within such period as the registrar may specify, to make representations or to amend the application.

(4) If the applicant fails to satisfy the registrar that those requirements are met, or to amend the application so as to meet them, or fails to respond before the end of the specified period, the registrar shall refuse to accept the application.

(5) If it appears to the registrar that the requirements for registration are met, he shall accept the application.

#### 38. Publication, opposition proceedings and observations

(1) When an application for registration has been accepted, the registrar shall cause the application to be published in the prescribed manner.

(2) Any person may, within the prescribed time from the date of the publication of the application, give notice to the registrar of opposition to the registration.

The notice shall be given in writing in the prescribed manner, and shall include a statement of the grounds of opposition.

(3) Where an application has been published, any person may, at any time before the registration of the trade mark, make observations in writing to the registrar as to

whether the trade mark should be registered; and the registrar shall inform the applicant of any such observations.

A person who makes observations does not thereby become a party to the proceedings on the application.

...

#### 40. Registration

(1) Where an application has been accepted and

(a) no notice of opposition is given within the period referred to in section 38(2), or

(b) all opposition proceedings are withdrawn or decided in favour of the applicant,

the registrar shall register the trade mark, unless it appears to him having regard to matters coming to his notice since the application was accepted that the registration requirements (other than those mentioned in section 5(1), (2) or (3)) were not met at that time.

...

(3) A trade mark when registered shall be registered as of the date of filing of the application for registration; and that date shall be deemed for the purposes of this Act to be the date of registration.

(4) On the registration of a trade mark the registrar shall publish the registration in the prescribed manner and issue to the applicant a certificate of registration."

30.

After registration, section 47 allows a person to apply for a declaration that the trade mark is invalid; such an application may be made either to the Registry or to the court:

#### "47. Grounds for invalidity of registration

(1) The registration of a trade mark may be declared invalid on the ground that the trade mark was registered in breach of section 3 or any of the provisions referred to in that section (absolute grounds for refusal of registration).

Where the trade mark was registered in breach of subsection (1)(b), (c) or (d) of that section, it shall not be declared invalid if, in consequence of the use which has been made of it, it has after registration acquired a distinctive character in relation to the goods or services for which it is registered.

(2) The registration of a trade mark may be declared invalid on the ground

(a) that there is an earlier trade mark in relation to which the conditions set out in section 5(1), (2) or (3) obtain, or

(b) that there is an earlier right in relation to which the condition set out in section 5(4) is satisfied,

unless the proprietor of that earlier trade mark or other earlier right has consented to the registration.

...

(3) An application for a declaration of invalidity may be made by any person, and may be made either to the registrar or to the court, except that

(a) if proceedings concerning the trade mark in question are pending in the court, the application must be made to the court; and

(b) if in any other case the application is made to the registrar, he may at any stage of the proceedings refer the application to the court.

...

(6) Where the registration of a trade mark is declared invalid to any extent, the registration shall to that extent be deemed never to have been made:

Provided that this shall not affect transactions past and closed."

31.

Until registered the use of a trade mark does not confer any particular rights, though it may provide the basis for a passing off claim. Once registered, it is an asset of the proprietor. The effect of registration can be seen from sections 2, 9 and 72:

"2. Registered trade marks

(1) A registered trade mark is a property right obtained by the registration of the trade mark under this Act and the proprietor of a registered trade mark has the rights and remedies provided by this Act.

(2) No proceedings lie to prevent or recover damages for the infringement of an unregistered trade mark as such; but nothing in this Act affects the law relating to passing off."

"9. Rights conferred by registered trade mark

(1) The proprietor of a registered trade mark has exclusive rights in the trade mark which are infringed by use of the trade mark in the United Kingdom without his consent.

The acts amounting to infringement, if done without the consent of the proprietor, are specified in section 10.

(2) References in this Act to the infringement of a registered trade mark are to any such infringement of the rights of the proprietor.

(3) The rights of the proprietor have effect from the date of registration (which in accordance with section 40(3) is the date of filing of the application for registration):

Provided that

(a) no infringement proceedings may be begun before the date on which the trade mark is in fact registered; and

(b) no offence under section 92 (unauthorised use of trade mark, &c in relation to goods) is committed by anything done before the date of publication of the registration.”

“72. Registration to be prima facie evidence of validity

In all legal proceedings relating to a registered trade mark (including proceedings for rectification of the register) the registration of a person as proprietor of a trade mark shall be prima facie evidence of the validity of the original registration and of any subsequent assignment or other transmission of it.”

### **Proceedings in the Trade Marks Registry**

32.

Some attention was given in the course of submissions to the contrast between proceedings in court and proceedings in the Registry. We were shown two Tribunal Practice Notes issued by the Patent Office in 2000, applying principles derived from the Civil Procedure Rules to procedure in the Patent Office and the Registry. It seems clear that disclosure and cross-examination are not common in the Registry, but there is provision for either or both to be ordered, if good reason is given. As regards awards of costs, the Practice Note, TPN 2/2000, makes it clear that costs are not awarded as full compensation for the expense to which a successful party has been put, but as a contribution to that expense, and that part of the philosophy of the procedure is that the Registry should be maintained as a low cost tribunal for all litigants, but especially for those who are not represented and for small and medium sized enterprises.

33.

In *Bessant v South Cone Inc*, REEF trade mark, [2002] EWCA Civ 763, Robert Walker LJ said at paragraph 2:

“... where an opposed application for registration becomes the subject of opposition proceedings under section 38(2) of the 1994 Act, hearings are conducted before the

Assistant Comptroller or a Principal Hearing Officer (acting in either case as the authorised delegate of the Registrar). Hearing officers are usually very experienced in the practicalities of trade mark registration but are not normally qualified lawyers. Under sections 69 and 78 of the 1994 Act and the Trade Mark Rules 2000 ... evidence in opposition proceedings is given by affidavit or statutory declaration. Orders for cross-examination of deponents are permissible but have been rare in the past (although counsel suggested that there may be a trend towards their becoming rather less rare)."

### **The decision of the Chancellor**

34.

The hearing before the Chancellor arose as a result of an order for the determination of preliminary issues, made by Peter Smith J. The issues now relevant are the first two, which were stated as follows:

"(1) Whether either or both Defendant(s) is/are precluded by cause of action estoppel, issue estoppel, or abuse of process from challenging the validity of the Claimant's registered trade mark No. 2,237,923 on some or all of the grounds relied upon by them;

(2) Whether either or both Defendant(s) is/are precluded by cause of action estoppel, issue estoppel, or abuse of process from alleging use of the marks complained of herein before the application for the said registered trade mark (a) as part of the basis for a defence under section 11(3) of the Trade Marks Act 1994; (b) as part of the basis for a counterclaim for passing off;"

35.

The Claimant may have been prompted to take the point based on estoppel by the decision of Mr Richard Arnold Q.C., sitting as a Deputy Judge of the Chancery Division, in *Hormel Foods Corp v. Antilles Landscape Investments NV* [2005] EWHC 13 (Ch), [2005] RPC 28. That case was different from the present in one respect; it concerned the effect of a party taking unsuccessful revocation proceedings in the Registry under section 47, and then seeking to take revocation proceedings (on different grounds, but grounds which would have been available at the time of the earlier proceedings) in court. The Defendant was not professionally represented, and though it complained about the duplication of proceedings, it did not for itself take a point about estoppel or abuse of process. Nevertheless the judge considered the point, and held that the second set of proceedings was precluded by cause of action estoppel and abuse of process. Mr Arnold said in terms at paragraph 95 that he was not considering the position which arises in the present case, of an unsuccessful opposition followed by a claim for a declaration of invalidity in court proceedings.

36.

In his judgment in the present case the Chancellor said at paragraph 43 that he would apply the ratio decidendi of the Hormel decision and follow it where its logic led. Mr Carr Q.C. for the Defendants did not argue to the contrary, though he reserved the right to argue that Hormel was wrong in higher courts. (We were told that there had been an appeal in Hormel which was compromised, the appeal being allowed by consent.)

37.

The Chancellor held that, on the facts of the present case, cause of action estoppel applied to preclude the Defendants from raising again in court proceedings the arguments on which they had failed in the opposition proceedings: see paragraphs 48-9. He went on to hold that, if that had not been right, issue

estoppel would have had the same effect: paragraphs 50-1. He expressed no view as to the application of the principles of abuse of process, if neither form of estoppel applied: paragraph 52. He then held that, even though the Second Defendant had not been a party to the opposition proceedings, it was bound by the same estoppels as the First Defendant, being a privy of the First Defendant: paragraphs 53-55. He also held that issue estoppel precluded the Defendants from alleging use of SPECIAL FX before 30 June 2000 either for the purposes of a defence to the infringement claim under section 11(3) of the Act, or for a cross-claim in passing off: paragraphs 58-9.

38.

On that basis he made an order as follows:

“The Defendants are precluded by cause of action estoppel and issue estoppel from relying on the allegations made by them in [certain paragraphs of the Defence and Counterclaim, subject to a specific proviso not now relevant];

The Defendants are precluded by issue estoppel from asserting use of the mark SPECIAL FX before 30 June 2000 whether for the purpose of their defence under section 11(3) or their counterclaim for passing off.”

The paragraphs of the Defence and Counterclaim specified in the order were those relying on absolute grounds of invalidity under section 3(1)(b), (c) and (d), and on relative grounds under section 5(2)(b) and 5(4)(a).

### **The issues on the appeal**

39.

On the appeal Mr Carr, for the Appellants, challenged the Chancellor’s decision on cause of action estoppel, and on issue estoppel, and on privity. Mr Meade, in support of a Respondent’s Notice, argued that the Chancellor should have decided in his favour on abuse of process as well. The primary position of both sides was that a decision of the Trade Marks Registry was capable of giving rise to an estoppel per rem judicatam, as being a judicial tribunal.

40.

This is in contrast with the position of OHIM, which in relation to Community trade marks performs comparable functions to those discharged by the Registry in relation to UK trade marks. The Opposition Division of OHIM has said that its decisions are not binding so as to preclude an unsuccessful opponent from seeking cancellation in OHIM or by way of a counterclaim in an infringement action in a national court: see Budweiser, Decision 1645/2001, as follows:

“On the other hand, the Office is an administrative body and opposition proceedings, in particular, are not conceived as the only and last recourse for the owner of a prior right to protect his rights against a later Community trade mark. On the contrary, opposition proceedings before the Office constitute a particular expression of the so called “right of opposition”, as it is recognised in various countries in trade mark matters. It is generally accepted that, if the opponent fails in his attempt, he can nevertheless file a cancellation action before the Cancellation Division or bring a counter claim in an infringement action before a national court.

In other words, opposition proceedings do not produce *res judicata* effect for any further action that might be taken by an owner of an earlier right, even if he may have lost, for one reason or another, in opposition proceedings. Therefore the aim of the opposition proceedings before the Opposition Division of the Office is not to establish which of the two parties has the best right, this task is reserved for the judicial courts, but to give third parties a swift, expeditious and low cost procedure for preventing the registration of a Community trade mark.”

That was also confirmed by the Cancellation Division of OHIM in *Visionaire*, decision of 1 August 2003. By contrast, a decision of the Cancellation Division may have the effect of an estoppel on the parties involved under regulation 96 of the Community Trade Mark Regulation, to which we refer below (paragraph [61]).

41.

Of course, a decision to that effect by OHIM does not bind a national court to decide that this is the case, but it would be odd and unfortunate, in relation to a Community-wide system of trade marks, if the decisions of one body in relation to pre-grant oppositions were treated as binding as a matter of *res judicata*, but the decisions of another were not, or if different national courts treated such decisions differently. We were told that all Member States other than Austria and Italy have provisions for opposition, as does OHIM itself. That, however, is strictly irrelevant. The appeal before us relates only to a UK trade mark registration, and can only be decided as a matter of English law, though necessarily in the context that much of UK trade mark law is derived from the Trade Mark Directive, 89/104, and that there is a parallel system of Community Trade Marks, governed by the Trade Mark Regulation, 40/94.

42.

Both parties, therefore, contended that a decision of the Trade Marks Registry could be the basis of *res judicata*. We are content to proceed on that basis. The question is whether the decision on the opposition proceedings in the present case does create a cause of action estoppel or an issue estoppel against the First Defendant, or makes it an abuse of process for the First Defendant to raise the relevant points which it seeks to raise in the Defence and Counterclaim, and if so, whether it also precludes the Second Defendant from raising the same points.

43.

As regards the application of the relevant principles in a statutory context, we were shown the decision of the House of Lords in *Thrasylvoulou v Secretary of State for the Environment* [1990] 2 AC 273 in which Lord Bridge said, at 289:

“The doctrine of *res judicata* rests on the twin principles which cannot be better expressed than in terms of the two Latin maxims “*interest reipublicae ut sit finis litium*” and “*nemo debet bis vexari pro una et eadem causa*”. These principles are of such fundamental importance that they cannot be confined in their application to litigation in the private law field. They certainly have their place in the criminal law. In principle they must apply equally to adjudications in the field of public law. In relation to adjudications subject to a comprehensive self-contained statutory code, the presumption, in my opinion, must be that where the statute has created a specific jurisdiction for the determination of any issue which establishes the existence of a legal right, the principle of *res judicata* applies to give finality to that determination unless an intention to exclude

that principle can properly be inferred as a matter of construction of the statutory provisions.”

44.

In the course of their submissions Counsel ranged over a wide variety of points, referring to several provisions of the Trade Marks Act 1994, and of other legislation including the predecessors of that Act, and European legislation relating to trade marks, as well as to decided cases on a number of different points. It is not necessary for us to mention, still less to deal with, every point taken. We will deal first with cause of action estoppel, then issue estoppel, then abuse of process, and last with privity.

#### **Cause of action estoppel**

45.

The Chancellor cited a passage from the speech of Lord Keith of Kinkel in *Arnold v National Westminster Bank plc* [1981] 2 AC 93, at 104, as authoritative for the circumstances in which cause of action estoppel arises, as follows:

“Cause of action estoppel arises where the cause of action in the later proceedings is identical to that in the earlier proceedings, the latter having been between the same parties or their privies and having involved the same subject matter.”

46.

The phrase cause of action estoppel was first used by Diplock LJ in *Thoday v Thoday* [1964] P 181, at 197-8:

“cause of action estoppel ... prevents a party from asserting or denying as against the other party, the existence of a particular cause of action, the existence or non-existence of which has been determined by a court of competent jurisdiction in previous litigation between the same parties. If the cause of action was determined to exist, i.e. judgment was given on it, it is said to be merged in the judgment. If it was determined not to exist, the unsuccessful plaintiff can no longer assert that it does: he is estopped per rem judicatam.”

47.

It is easy enough to identify the cause of action in the present proceedings: the Claimant alleges infringement, and the Defendants (making no distinction between them for present purposes) defend and counterclaim on the basis of invalidity and passing off. What was the cause of action in the opposition proceedings? Mr Carr submitted that there was no cause of action, properly so called, in those proceedings.

48.

He cited in support of that proposition *Buehler AG v Chronos Richardson Ltd* [1998] RPC 609, a decision of the Court of Appeal about whether an unsuccessful opposition in the European Patent Office gave rise to a cause of action estoppel barring the opponent from alleging invalidity as a defence to an infringement action. Aldous LJ held that cause of action estoppel did not apply because the causes of action were not identical. As regards the cause of action in the opposition proceedings, he said this at page 616:



“Before the Opposition Division of the European Patent Office, the cause of action, if it be a cause of action, was whether the patent should be maintained or revoked pursuant to the jurisdiction given to the Opposition Division by articles 100 to 102 [of the European Patent Convention].”

He went on to hold, more fundamentally, that the decision in the opposition proceedings was not final. We will revert to that point.

49.

In our judgment Aldous LJ was right to doubt whether a cause of action was involved in opposition proceedings. Issues certainly arose, but it seems to us that to describe the applicant for registration as having a cause of action for registration would be an inappropriate and artificial use of language. The same is true of the opponent, who does not, it seems to us, have a cause of action at that stage for preventing the registration applied for. We do not consider that cause of action estoppel can apply in the present circumstances.

50.

The same point did not apply in *Hormel*, where the first proceedings were for revocation, and so were the second proceedings.

51.

We would therefore respectfully differ from the Chancellor on this point, which he decided at paragraphs 48 and 49.

### **Issue estoppel**

52.

As we have mentioned, the Chancellor decided against the Defendants on issue estoppel both as regards the grounds of invalidity which had been relied on in the opposition proceedings, and as regards any reliance on prior use of Special FX to found a claim in passing off. Since that prior use was part of the grounds of invalidity, it is logical that, if it cannot be used for that purpose, it should not be used in relation to a passing off claim either. Mr Carr submitted that this is at odds with the proposition in section 2(2) of the Act that “nothing in this Act affects the law relating to passing off”. That, however, seems to be a different kind of point. Nothing in the Act affects that part of the law, but things which happen under the Act might affect the conduct of a claim in passing off.

53.

Having described cause of action estoppel in the passage quoted above from *Thoday v Thoday*, Diplock LJ went on to describe issue estoppel as follows:

“The second species, which I will call “issue estoppel,” is an extension of the same rule of public policy. There are many causes of action which can only be established by proving that two or more different conditions are fulfilled. Such causes of action involve as many separate issues between the parties as there are conditions to be fulfilled by the plaintiff in order to establish his cause of action; and there may be cases where the fulfilment of an identical condition is a requirement common to two or more different causes of action. If in litigation upon one such cause of action any of such separate issues as to whether a particular condition has been fulfilled is determined by a court of competent jurisdiction, either upon evidence or upon admission by a party to the litigation, neither party can, in subsequent litigation between one another upon any cause of action which

depends upon the fulfilment of the identical condition, assert that the condition was fulfilled if the court has in the first litigation determined that it was not, or deny that it was fulfilled if the court in the first litigation determined that it was.”

54.

Issue estoppel is a more flexible doctrine. In *Arnold v. National Westminster Bank* the House of Lords held that in special circumstances it might not prevail. However, like cause of action estoppel, it requires a final decision by a competent judicial tribunal. Mr Carr submitted that there were special circumstances in the present case, but he also said that the decision of the Registry was not final, because it was subject to later proceedings for a declaration of invalidity under section 47.

55.

On this point, too, he relied on *Buehler*. In that case Aldous LJ reviewed the position of the European Patent Office, and opposition proceedings in that Office, and the separate provisions for revocation which were reserved to the national courts by the terms of the European Patent Convention. The Board of Appeal of that Office had itself held that an unsuccessful opposition did not preclude the opponent from initiating revocation proceedings in the national courts, and the *Bundesgerichtshof* had held the same in relation to proceedings in Germany. Several English decisions had held the position to be the same, though without any argument as to estoppel. He concluded at page 620:

“For an estoppel to arise the judgment of the earlier Court, in this case the decision of the Opposition Division of the European Patent Office, must finally and conclusively decide the validity of the patent. That it did not do. Validity is finally decided in revocation proceedings by the Courts of the Contracting States. It follows that no cause of action estoppel arises from the decision of the Opposition Division of the European Patent Office.”

56.

Clearly that decision was influenced by the separation of functions between the EPO and national courts, a characteristic shared by the Community Trade Mark system but not, of course, by the UK trade mark regime. Nevertheless the latter has this in common with that which was under Aldous LJ's consideration, namely that there is provision for opposition before registration, and that even if the opposition fails, there is provision for a second opportunity for attack, by way of a declaration of invalidity under section 47. Mr Carr submitted that this prevents the decision on the opposition proceedings or, more generally, the decision to register notwithstanding the opposition, from being classified as final for these purposes.

57.

We were shown, by way of analogy, some recent decisions of the Federal Court of Australia on similar points under the Australian trade mark legislation. In *Lomas v Winton Shire Council* [2002] FCAFC 413, about the trade mark *Waltzing Matilda*, the Full Court, in considering whether permission to appeal should be granted from a decision of a single judge on appeal from a registrar's decision on opposition proceedings, said at paragraph 18:

“An unsuccessful opponent would always have the opportunity to bring an expungement proceeding if the opposition proceeding fails. In an expungement proceeding, the validity of the trade mark can be fully explored.”

(An expungement proceeding appears to be the equivalent of proceedings for a declaration of invalidity.) In *Clinique Laboratories Inc v Luxury Skin Care Brands Pty Ltd* [2003] FCA 1517 Gyles J commented on the reasoning in this and other decisions as follows at paragraph 13:

“It appears to be a consequence of this reasoning that a party can oppose the grant of a patent or a trade mark, including appeal to the court, causing considerable expense and delay and, even if unsuccessful, then bring expungement or revocation proceedings based upon precisely the same ground as relied upon in the opposition proceedings. ... The opportunity for oppression of an applicant at the hands of a well-resourced commercial opponent is obvious.”

Mr Meade made that very point on the facts of this case.

58.

Most recently, in *Health World Ltd v Shin-Sun Australia Pty Ltd* [2006] FCA 647, where there had been a previous unsuccessful opposition and an unsuccessful appeal, Jacobson J rejected an argument that the same points could not be raised, because of estoppel. He said at paragraph 48:

“However, the effect of what was said in *Lomas* is that under the statutory scheme which relates to opposition proceedings, the decision cannot be said to be final. Because of the nature of opposition proceedings, a decision in an appeal under section 56 of the Act cannot, as a matter of law, finally determine the rights of the parties.”

There were questions as to the standard of proof on opposition proceedings, and there may have been other factors which do not arise under the UK legislation. The cases are not relied on as authoritative but as illustrative, showing the position in relation to a similar legislative regime.

59.

Mr Meade also pointed to section 72(5) of the Patents Act 1977, which is as follows:

“A decision of the comptroller or on appeal from the comptroller shall not estop any party to civil proceedings in which infringement of a patent is in issue from alleging invalidity of the patent on any of the grounds referred to in sub-section (1) above, whether or not any of the issues involved were decided in the said decision.”

That is part of the section dealing with proceedings for revocation of a patent. There is no equivalent to opposition proceedings under the UK patent legislation. Mr Meade submitted that the fact that a need was perceived for this provision in relation to revocation proceedings as regards patents showed that, but for it, an unsuccessful attempt to revoke would estop the losing party from raising the same arguments again in infringement proceedings, and that the same would also apply in trade mark proceedings, by reference both to proceedings for a declaration of invalidity under section 47 and opposition proceedings.

60.

So far as that is concerned, the provision relates only to UK patent proceedings. The absence of any such provision in relation to European patents did not persuade the Court of Appeal in *Buehler* to hold that the unsuccessful opposition in the European Patent Office gave rise to an estoppel. Accordingly, it seems to us that this sub-section in a different statute, with a different subject matter in a somewhat different legislative regime, cannot carry any weight as to the position under the Trade Marks Act.

61.

To take a different legislative provision by comparison and contrast, article 55.3 of the Community Trade Mark Regulation, Council Regulation 40/94, provides that:

“An application for revocation or for a declaration of invalidity shall be inadmissible if an application relating to the same subject matter and cause of action, and involving the same parties, has been adjudicated on by a court in a Member State and has acquired the authority of a final decision.”

Regulation 96.2, by contrast, provides:

“A Community trade mark court shall reject a counterclaim for revocation or for a declaration of invalidity if a decision taken by the Office relating to the same subject matter and cause of action and involving the same parties has already become final.”

These form part of the structure whereby decisions as to validity or invalidity of a community trade mark reached by the competent court in a Member State have binding effect and, correspondingly, decisions in OHIM on opposition proceedings do not, as was recognised in *Budweiser*, cited at paragraph [40] above, whereas decisions in the Cancellation Division of OHIM do have binding effect on the parties.

62.

The Chancellor distinguished *Buehler* on this point because of the division of functions, and held that the co-existence of sections 38 and 47 did not make a decision under section 38 other than final. He said at paragraph 46:

“There is no obligation to take opposition proceedings, nor in the later proceedings is the registrar or court bound to reconsider the decision of the Registrar in opposition proceedings.”

63.

Certainly there is no obligation to take opposition proceedings, and the point cannot arise against a party who has not done so. If, however, proceedings are taken under section 47, the registrar or the court, as the case may be, would be bound to consider all relevant points raised, even if they had been raised on opposition proceedings. Thus, if one party opposed the application before grant, and a different and unrelated party applied under section 47 after registration, no question of issue estoppel arising, the registrar or the court would have to determine the relevant issues, even if they were the same as had been raised in the opposition proceedings. It is therefore at least possible that a different conclusion would be reached on the same points in the section 47 proceedings from that which resulted from the opposition, and that a trade mark which had been registered would be declared invalid and therefore removed from the register. In that sense, at the very least, the result of the opposition proceedings is intrinsically not final. Notwithstanding the failure of the opposition, the trade mark may later be declared invalid, on grounds which would have been available, and may even have been argued, at the opposition stage, so that, as regards the world at large, the trade mark cannot be relied on.

64.

Mr Meade relied on a passage in Spencer Bower, Turner and Handley, *The Doctrine of Res Judicata*, 3<sup>rd</sup> ed. 1996, at paragraph 167 for the proposition that all that is necessary for finality is that the decision should be incapable of revision by the court which pronounced it. We do not doubt that as a general proposition. However, Mr Carr's point is that the decision is inherently not final, because the Act does not give it the necessary quality of finality.

65.

To go back to the reasoning of Aldous LJ in *Buehler*, the question is whether the decision on the opposition finally and conclusively decided the validity of the trade mark. Mr Carr said that the answer to that question is that it did not: the decision did not preclude a challenge to the validity of the trade mark under section 47, either before the Registry or in court proceedings.

66.

Mr Meade's riposte to that point was that the decision does preclude a challenge on the part of the unsuccessful opponent and its privies, even though it does not prevent a challenge by an unrelated party. In *Hormel* Mr Arnold placed a good deal of reliance on a patent case, *Poulton v Adjustable Cover and Boiler Block Co* [1908] 2 Ch 430. In that case the Plaintiff, who held a patent, had sued the Defendant for infringement, and had succeeded despite a defence of invalidity based on prior art. The Plaintiff obtained judgment for an injunction and damages, an inquiry being directed as to their amount. Later the Defendant obtained information about other instances of prior art of which they had been unaware. On that basis they applied successfully for the revocation of the patent. They then sought to establish that their liability for damages under the earlier order should be nil. Parker J rejected that, and the Court of Appeal upheld his order. The Plaintiff's rights under the previous order had merged in the judgment and could not be set aside except on appeal. Therefore, despite the revocation of the patent which was the basis of the previous order, the Plaintiff was still entitled to the benefit of that order as regards damages. Clearly, however, the fact that the patent had been held valid in the previous proceedings did not prevent the Defendant from arguing that it was invalid in the revocation proceedings. Parker J also said this about the injunction (see 25 RPC 532):

"I think it is obvious on the face of it, that a judgment for the revocation of a Patent would in effect put an end to the injunction, because the question whether a Patent has been infringed or not is a question to be tried at the date of the alleged infringement, and, if there is no Patent at that date because it was revoked, that would not be an infringement; so that in effect an Order for revocation of a Patent would in every case put an end to the injunction."

67.

It seems that it may have been significant that the revocation was upon a petition which required the Attorney-General's fiat, and was therefore seen as presented on behalf of the public: see *Re Deeley's Patent* [1895] 1 Ch 687 and the comments on that case in *Shoe Machinery Company v Cutlan* [1896] 1 Ch 108 at 113-4. Thus the petitioner could have been said to be suing in a different capacity from its position in ordinary civil proceedings. In successive civil proceedings, a Defendant unsuccessful on the first occasion is not permitted to relitigate the same point, even on different evidence, in later proceedings: see *Shoe Machinery Company v Cutlan (No 2)* (1896) 13 RPC 141. In that case the prior litigation had been an infringement action in which the Defendants denied both validity and infringement, and succeeded on infringement but failed on validity and were ordered to pay costs of the validity issue. By the time of the second infringement action the Defendants said they had found

new evidence of prior art, but Romer J held that they were not allowed to challenge validity, it having been decided against them in the first proceedings. That is a classic instance of res judicata.

68.

Poulton was followed by the Court of Appeal (by a majority: Peter Gibson LJ and Sir Martin Nourse, Neuberger LJ dissenting) in *Coflexip SA v Stolt Offshore MS Ltd (No 2)* [2004] EWCA Civ 213, where the later proceedings had been brought by a third party. The Defendant in the first proceedings was held to be bound by the order for an enquiry as to damages, notwithstanding the subsequent revocation of the patent.

69.

Thus, there is no conceptual problem in the rules as regards res judicata leading to a position in which a right in rem has been held to be (and always to have been) invalid, but one third party is bound, for certain purposes at least, by an order made on the basis that it was valid. Those purposes include a defence to an infringement action already brought and decided in favour of the holder of the right. On the other hand for other purposes, such as for a continuing injunction (as in Poulton) the same third party will be able to take advantage of the later revocation.

70.

A decision in court proceedings for invalidity will have the effect of binding the unsuccessful party to the extent of past matters, though not for continuing relief. The question is whether a decision of the Registry in opposition proceedings has that effect. Such a decision could at most (as the Chancellor held it did) preclude the unsuccessful opponent from relying on the same grounds in support of invalidity proceedings. If, however, invalidity proceedings were brought, successfully, by a third party, so that the trade mark registration was revoked, there would be no continuing effect of the estoppel against the unsuccessful opponent. That party, like any other, could then proceed with impunity, regardless of the previous registration of the trade mark. In that respect the position would differ from that of a party such as the Defendant in *Coflexip v Stolt*, because the previous proceedings would not have involved any order (other than as to costs) whose effect was not automatically cancelled by the subsequent revocation of the registration.

71.

It seems to us that the co-existence of the provisions for opposition and for a declaration of invalidity has the result that opposition proceedings are inherently not final. They exist at the first stage of the process, before registration. By itself that would not be conclusive, but it seems to us that the fact that, at least, any unconnected third party could challenge the validity of the registration despite an unsuccessful opposition by another, and that, if that challenge were successful, there would be nothing which would bind the unsuccessful opponent (in contrast with the position of a party which had unsuccessfully applied, at any rate to the court, for a declaration of invalidity), shows that the decision of the Registry on opposition proceedings, or more generally a decision to register despite opposition, is not a final decision so as to be capable of being the basis for an issue estoppel. This is true both as regards the grounds of invalidity and as regards the issue of prior use more generally, as relevant to a passing off claim. The same would be true of cause of action estoppel if, contrary to our view expressed above, there was a cause of action at that stage.

72.

In terms of what Lord Bridge said in *Thrasylvoulou*, in our judgment the terms of the legislation are such that, even though the statute has created a specific jurisdiction for the determination of the issue of registrability, which establishes the existence of a legal right, in the sense of leading to the

registration of the trade mark which is itself an item of property, the principle of *res judicata* does not apply to give finality to that determination because the provisions as to a declaration of invalidity show an intention to exclude that principle.

### **Abuse of process**

73.

That makes it necessary to consider the relevant principles of abuse of process, which the Chancellor did not need to address. The proposition is that, leaving aside estoppels as already discussed, it is wrong and unjust to allow a party such as L'Oreal two bites at the cherry of the validity of the trade mark. If it chooses to oppose the registration at the preliminary stage, and fails, it should not be allowed to try again, on grounds which would have been available at the opposition stage, when it comes to court proceedings for infringement and a possible counterclaim as to invalidity. There may be other grounds on which invalidity can be argued, depending on later facts, but the grounds which had been relied on unsuccessfully, and other grounds which could have been relied on at that stage, should not be regarded as still open.

74.

As the Chancellor said, the authoritative statement of the relevant principle is that of Lord Bingham in *Johnson v Gore Wood* [2002] 2 AC 1, at 31:

“But *Henderson v. Henderson* abuse of process, as now understood, although separate and distinct from cause of action estoppel and issue estoppel, has much in common with them. The underlying public interest is the same: that there should be finality in litigation and that a party should not be twice vexed in the same matter. This public interest is reinforced by the current emphasis on efficiency and economy in the conduct of litigation, in the interests of the parties and the public as a whole. The bringing of a claim or the raising of a defence in later proceedings may, without more, amount to abuse if the court is satisfied (the onus being on the party alleging abuse) that the claim or defence should have been raised in the earlier proceedings if it was to be raised at all. I would not accept that it is necessary, before abuse may be found, to identify any additional element such as a collateral attack on a previous decision or some dishonesty, but where those elements are present the later proceedings will be much more obviously abusive, and there will rarely be a finding of abuse unless the later proceeding involves what the court regards as unjust harassment of a party. It is, however, wrong to hold that because a matter could have been raised in early proceedings it should have been, so as to render the raising of it in later proceedings necessarily abusive. That is to adopt too dogmatic an approach to what should in my opinion be a broad, merits-based judgment which takes account of the public and private interests involved and also takes account of all the facts of the case, focusing attention on the crucial question whether, in all the circumstances, a party is misusing or abusing the process of the court by seeking to raise before it the issue which could have been raised before. As one cannot comprehensively list all possible forms of abuse, so one cannot formulate any hard and fast rule to determine whether, on given facts, abuse is to be found or not. Thus while I would accept that lack of funds would not ordinarily excuse a failure to raise in earlier proceedings an issue which could and should have been raised then, I would not regard it as necessarily irrelevant, particularly if it appears that the lack of funds has been caused by the party against whom it is sought to claim. While the result may often be the same, it is in my

view preferable to ask whether in all the circumstances a party's conduct is an abuse than to ask whether the conduct is an abuse and then, if it is, to ask whether the abuse is excused or justified by special circumstances. Properly applied, and whatever the legitimacy of its descent, the rule has in my view a valuable part to play in protecting the interests of justice."

75.

This type of abuse of process argument is generally mounted where a party seeks to put forward a claim, defence or argument which it has not relied on before, but it is said that it could have done on an earlier occasion. Usually, if the point has been taken before, it gives rise to an issue estoppel, if not a cause of action estoppel. In principle, however, it could be an abuse of process to raise the same arguments again, if for some reason the defeat of the point on the first occasion does not preclude it being raised again on grounds of estoppel. No doubt Lord Bingham would have said the same about such a case. In deciding whether trying again would be an abuse it must be relevant to consider why the first attempt is not the basis for an estoppel.

76.

It seems to us that it is also relevant to consider what is at stake at each stage. In opposition proceedings in the Registry, the consequence of failure for the opponent (leaving aside the abuse of process argument) is that the trade mark will be registered, though subject to the possibility of a later declaration of invalidity under section 47, at the suit either of the opponent or of some other party. It does not, as an infringement action could, lead to a financial liability and an injunction to stop the use of the opponent's own marks. In those circumstances it seems to us that the potential opponent could reasonably take the view that more limited resources should be deployed on opposition proceedings as compared with that which would be involved in court proceedings for infringement with a counterclaim for invalidity. That would also be consistent with the attitude that proceedings in the Registry are designed to be economical and expeditious, with limited costs recovery for the successful party.

77.

Given the nature of opposition proceedings as being, essentially, preliminary (so as not to lead to a final decision, as discussed above) and given the manner in which they are generally conducted, as they were in the present case, and applying Lord Bingham's tests in the circumstances of this case, it seems to us that it would be wrong to regard it as an abuse of process for L'Oreal to seek to raise by way of counterclaim the grounds of invalidity on which it relied in the opposition proceedings, or to rely on the prior use which it had alleged in the opposition (and would rely on in support of the claim as regards invalidity) also as the basis of a passing off claim. If, as we have concluded, the legislation does not preclude the same party from seeking a declaration of invalidity, having failed in an opposition, it seems to us that the circumstances would need to be unusual to justify holding that a party who did take advantage of the second opportunity provided by the legislation is abusing the process of the court. We were told that sometimes opposition proceedings are conducted in a manner similar to that of High Court litigation, with Counsel representing the parties and with disclosure and cross-examination. We could imagine the possibility that, if issues had been fought in that way in the Registry on an opposition, it might then be properly regarded as an abuse to fight the same issues again in court.

78.

On the facts of the present case, we hold that it is not an abuse of process for L'Oreal to raise by way of defence or counterclaim, for a declaration of invalidity or for relief on the basis of passing off,



matters which it raised in the opposition proceedings and which were found against it. In so doing, it wishes to take advantage of opportunities expressly afforded by the Act, and it does not seek to do so in a manner which, in our judgment, amounts to an abuse of the process.

79.

Mr Meade submitted that, if the Defendants succeeded on this appeal, one party would have a potentially unlimited number of opportunities to challenge the validity of a trade mark without being caught by principles of *res judicata*. We disagree. In the nature of things there is only ever one opportunity to oppose registration. After that there is the opportunity to apply for a declaration of invalidity, either to the Registry or to the court. We do not decide the position as regards the effect of an unsuccessful application for a declaration of invalidity to the Registry, which was the subject of the *Hormel* case. But proceedings in court clearly do give rise to *res judicata*, in one form or another, and it seems likely that, at the very least, an unsuccessful application for a declaration of invalidity in the Registry would preclude a later attempt to the same effect in the Registry, unless presented in reliance on new grounds not available on the first occasion.

### **Privity**

80.

On that basis, it is unnecessary to decide whether, as the Chancellor held, both the Defendants were precluded from relying on these points, because the First Defendant had raised the points unsuccessfully in the opposition proceedings, and the Second Defendant was its privy. We do not propose to decide this point, but we will say something about it.

81.

The Chancellor's decision on the point was expressed as follows, in paragraph 55:

“The principle to be applied is that formulated by Sir Robert Megarry in **Gleeson v Wippell** and approved by the House of Lords in **Johnson v Gore Wood** ... . What must be ascertained is whether there is a sufficient degree of identity between the First Defendant and the Second Defendant to make it just that the decision in the opposition proceedings should be binding on the Second Defendant in these proceedings. In my judgment the answer to that question is in the affirmative. The Second Defendant could have been joined as a party to the opposition proceedings. In his evidence in the opposition proceedings M. Monteiro evidently regarded the First and the Second Defendants as one person; hence his references to ‘my company’ in contexts which can now be seen to refer to the Second Defendant alone. Both are concerned with marks which are owned by the First Defendant and used by the Second Defendant in its business in the UK, the former as owner the latter as licensee. The dispute with the claimant concerns the validity and use of their rival marks. Both defendants are members of the same group. Even accepting that the First Defendant is not entitled to give directions to the Second Defendant there is no reason to think that the ultimate holding company cannot give directions to both of them. In my view, *prima facie*, each company in a group is to be regarded as the privy of every other company in the group unless it demonstrates the contrary. Otherwise the principles of estoppel will become largely inoperable in a corporate structure.”

82.

It seems to us that in the last two sentences of that paragraph the Chancellor went further than was necessary for his decision. With respect, we could not agree with so general a principle. However, it seems to us that the decision may have been justifiable on a more limited and specific basis, which forms part of the Chancellor's reasoning in his paragraph 55. The First Defendant holds such registered trade marks as there are in the L'Oreal group. It was accordingly appropriate that it should have been the party which opposed the application for registration by Mr and Mrs Jones. The Second Defendant is the operating company in the UK for the L'Oreal group; in the course of its business it uses registered marks under licence from the First Defendant. It was, therefore, the company which did such acts as the Claimant complains of. If a corporate group such as L'Oreal chooses to arrange its affairs, no doubt for good reason, in such a way that matters such as trade mark oppositions, as well as applications and the holding of registered trade marks, are conducted by one company, for the benefit of others in the group, and others then use marks of which the first is the registered holder, or other marks, not yet registered, of which the first would be the holder if a registration was obtained, then it seems to us that it might well be consistent with what Sir Robert Megarry V-C said in *Gleeson v J Wippell & Co Ltd* [1977] 1 W.L.R. 510 at 515 (approved by Lord Bingham in *Johnson v Gore Wood* [2002] 2 AC 1 at 32) to regard any constraint on the first, whether by way of cause of action estoppel, issue estoppel or abuse of process, as applying also to the second as its privy. The proposition enunciated by Sir Robert Megarry was that, "having due regard to the subject matter of the dispute, there must be a sufficient degree of identification between the two to make it just to hold that the decision to which one was a party should be binding in proceedings to which the other is a party". It would be relevant to consider the corporate structure adopted by L'Oreal, and the arrangements of which Mr Monteiro gave evidence within the group. The Claimant could reasonably rely on the fact that information was provided by the Second Defendant and used in the course of the opposition proceedings. In *Gleeson* Sir Robert Megarry said that for employees of one company, not associated with the litigant, to give evidence on behalf of the litigant in the earlier litigation, did not constitute the first a privy of the litigant, but this seems to us a very different relationship, such that the assistance given with the evidence would be relevant. This is also emphasised by the way in which Mr Monteiro spoke of "my Company" in relation to both the First Defendant and the Second Defendant without distinction. We do not decide the point, but it seems to us that the Claimant's contentions as regards privity might have a substantial basis, even though on less general grounds than those expressed by the Chancellor.

### **The decision in Hormel**

83.

Counsel addressed to us various submissions based on the decision of Mr Arnold Q.C. in *Hormel*, referred to above. That case was concerned with successive attempts by the same party to obtain a declaration of invalidity as to a trade mark under section 47, first from the Registry and then, based on different grounds, from the court. The judge expressly distinguished a case involving prior opposition proceedings.

84.

It seems to us that this is a crucial distinction. It does not seem to us to be necessary to decide whether *Hormel* was right. We can see more scope for arguing that it was, at least, an abuse of process to start two successive proceedings for a declaration of invalidity, one in the Registry and the other in the court. But even if that decision was correct, it does not seem to us to follow that the same applies in the case of prior opposition proceedings. We are therefore not persuaded that the decision

in Hormel, if right, requires that the appeal be dismissed, so that it is necessary to decide the correctness of that decision in order to allow this appeal.

**Conclusion**

85.

For the reasons expressed above in relation to cause of action estoppel, issue estoppel and abuse of process, we allow this appeal and set aside paragraphs 1 and 2 of the Chancellor's order.