

CANCELLATION No 19 468 C (INVALIDITY)

Shanghai Balance Automotive Equipment Co. Ltd, Shanghai Automobile City, Anting Town, People's Republic of China (applicant), represented by **Urquhart-Dykes & Lord LLP**, Arena Point, Merrion Way, Leeds LS2 8PA, United Kingdom (professional representative)

a g a i n s t

Tyre Bay Direct Holdings Limited, Saxon House, Little Forge Road, Redditch B98 7SF, United Kingdom (EUTM proprietor), represented by **Hepworth Browne Limited**, 15 St Paul's Street, Leeds LS1 2JG, United Kingdom (professional representative).

On 12/03/2019, the Cancellation Division takes the following

DECISION

1. The application for a declaration of invalidity is upheld.
2. European Union trade mark No 9 713 702 is declared invalid in its entirety.
3. The EUTM proprietor bears the costs, fixed at EUR 1 080.

REASONS

The applicant filed an application for a declaration of invalidity against European Union trade mark No 9 713 694 **UNITE** (word mark) (the EUTM). The request is directed against all the goods and services covered by the EUTM, namely:

Class 7: *Machines and machine tools; air pumps; anti-pollution devices for motors and engines; bending machines; blowing machines for compression, exhaustion and transport of gases; control mechanisms for machines, engines or motors; drying machines; electric hammers; exhausts for motors and engines; filling machines; filters (parts of engines or motors); fuel conversion apparatus for internal combustion engines; fuel economisers for motors and engines; hand tools (other than hand operated); handling apparatus and machines; machine jacks; presses; pumps (parts of machines, engines or motors); radiators for motors and engines; machine robots; shredders for industrial use such as with regard to tyres; silencers for motors and engines; spark plugs for internal combustion engines; spray guns; spray machines; tools (parts of machines); washing installations for vehicles; tyre changer machines; tyre balancing machines, tyre repair machines.*

Class 12: *Tyre consumables, namely tyre valves, balance weights, knock-on-weights, tyre repair patches, repair plugs, namely pull through elements for location in tyre punctures to close such punctures; anti-skid chains; automotive tyres; tyres; brake linings or brake shoes or brakes for vehicles; casings for pneumatic tyres; clutches for land vehicles; inner tubes; adhesive rubber*

patches for repairing inner tubes; repair kits and parts for tubeless tyres and/or inner tubes and/or solid tyres; shock absorbers for automobiles; spikes for tyres; studs for tyres; treads for re-treading tyres; valves for tyres; vehicle wheel trims; vehicle wheels; vehicle wheel tyres.

Class 37: *Motor vehicle maintenance and repair; retreading of tyres; vulcanisation of tyres; replacement, balancing, aligning and repair of vehicle tyres and wheels; vehicle washing.*

The applicant invoked Article 59(1)(b) EUTMR.

EVIDENCE FILED

The applicant filed two witness statements, one signed by Mr Gareth Ian Price, a partner at Urquhart-Dykes & Lord LLP (the applicant's representatives), and the other signed by Mr Cai Xilin, president of the applicant's company. Both witness statements are accompanied by a number of exhibits.

The **witness statement** signed by **Mr Gareth Ian Price** contains a number of affirmations in relation to when the applicant found out (29/11/2017) that the contested mark in these proceedings had been transferred from the party with whom they had a business relationship (Tyre Bay Direct Limited, the former EUTM proprietor) to the proprietor in these proceedings (04/07/2017). On 29/11/2017, the applicant found out, by searching the Register of Companies in the United Kingdom, that the present owner of the contested trade mark was the prior owner's successor in title, and this transfer was carried out at an undervalue (GBP 10). This transfer would be actionable under the provisions of Section 238 of the Insolvency Act 1986. To prove all these claims, the affidavit was accompanied by some exhibits (**exhibit GIP1 to exhibit GIP4**).

The **witness statement** signed by **Mr Cai Xilin** contains the following affirmations.

- The applicant's company is specialised in the research, development and manufacturing of equipment for use in the automotive sector, including products such as tyre changers, wheel balancers and lifting equipment. The company is the owner of Chinese trade mark registration No4 533 275 , which was filed on 11/03/2005 for *tyre changer; tyre balancing machines; auto repair equipment; wind hand tools; hydraulic hand tools* in Class 7 and registered on 28/04/2008. **Exhibit 1** contains a printout of this trade mark registration and an English translation thereof.
- The company entered into a commercial relationship with Tyre Bay Direct Limited (the former EUTM proprietor) in or around 2006. Under this relationship, the applicant's company supplied tyre-changing equipment, wheel balancers and vehicle-lifting equipment to Tyre Bay Direct Limited. **Exhibit 2** consists of an email chain between Terry Shi of the applicant's company and Roger Stote of Tyre Bay Direct Limited in which Mr Stote acknowledges the working relationship between the applicant and Tyre Bay Direct Limited since 2006. **Exhibits 3, 4, 5, 6, 7 and 8** contain copies of contracts between the applicant and Tyre Bay Direct Limited for the sale of a range of tyre-changer products, wheel-balancer products and spare parts, as well as copies of the Export Goods Declarations of Customs of the People's Republic of China (and English translations), copies of bills of lading, copies of bank receipts showing the payment of the balance of the orders

and details of the products sold under the contracts, as well as copies of receipts from the Agricultural Bank of China showing payment of the invoices for the shipments.

- A proof of the good working relationship between the two companies is contained in **exhibit 9**, namely a copy of the invitation letter issued to the Embassy of The People's Republic of China in London in which Mr Roger Stote of Tyre Bay Direct Limited was invited to visit the applicant's company. The purpose of the invitation letter was to allow Mr Stote to obtain a visa to visit China for business reasons. Following this visit, Mr Stote proposed to the applicant's company that they form a joint venture in the United Kingdom under the name 'Unite Europe Limited' or 'Unite EU Limited'. In this proposal, Mr Stote suggested that the European Union trade marks for UNITE owned by Tyre Bay Direct Limited would be transferred to this new joint venture company. The applicant's company did not become aware until this meeting that Tyre Bay Direct Limited had registered UNITE and the UNITE logo as trade marks in their own name. **Exhibit 10** contains a copy of the email correspondence between Mr Roger Stote and the applicant's company from March 2012. The emails in **exhibit 2** show that the applicant's company decided not to form a joint venture with Tyre Bay Direct Limited for the European market as the sale quantities to Tyre Bay Direct Limited were not sufficient for a Europe-wide agreement. In his email of 22/05/2012, Roger Stote offered to sell 45 % of Tyre Bay Direct Limited to the applicant's company for GBP 950 000 or the entire company for GBP 2.4 million, and this would include the registrations. Again, the applicant's company rejected this proposal due to the very high value given to Tyre Bay Direct Limited.
- On 08/01/2014, the applicant's company received a proposal from Tyre Bay Direct Limited for a three-year agreement between the businesses. In return for the applicant's company entering into the agreement, Tyre Bay Direct Limited would transfer the UNITE registrations to the applicant's company, which would also grant an exclusive licence to use these trade marks to Tyre Bay Direct Limited in Ireland, France and the United Kingdom (**exhibit 11**). In January 2017, Connie Kang, the regional manager for Europe of the applicant's company, chased payment of an invoice from Tyre Bay Direct Limited. In response, Neil Stote replied indicating that he would not be in a position to pay the outstanding invoice until an agreement had been reached to transfer the UNITE brand, by which the applicant's company understood Mr Stote to be referring to the contested registrations, to the applicant's company. Mr Stote expressed that he was concerned that this would leave his company without the protection he believed the UNITE registrations gave them and that the registrations had a huge value in the France and the United Kingdom. The applicant's company was forced to threaten to take action to recover payment of their invoice, which led to it being paid. Following this, on 11/02/2017, Connie Kang received another email from Neil Stote, in which he indicated that he would only transfer the registrations in return for the sum of USD 525 000. **Exhibit 12** contains marked copies of this email correspondence. Following further negotiations between the parties, the applicant's company offered to acquire the UNITE registrations for the sum of USD 100 000 plus the payment of all invoices that were in arrears at that time. Following a meeting in March 2017, a counterproposal was made that Tyre Bay Direct Limited would transfer the registrations to the applicant's company if the outstanding sum of USD 166 806 was written off. This deal was rejected as it was considered that the highest value for the registrations was USD 100 000. No agreement was reached at that time. Following further correspondence, Leigh Stote indicated in an email dated 18/08/2017 that Tyre Bay Direct Limited would

only transfer the registration for the sum of EUR 100 000. **Exhibit 13** contains marked copies of this correspondence, which shows the fluctuating value that Tyre Bay Direct Limited attribute to the UNITE registrations in a short period of time. Given that the parties have been unable to reach an agreement, the applicant has been forced to initiate proceedings to invalidate the registrations.

Despite having been granted an extension of its deadline to reply to the applicant's observations, the EUTM proprietor did not submit either arguments or evidence.

ABSOLUTE GROUNDS FOR INVALIDITY – ARTICLE 59(1)(b) EUTMR

General principles

Article 59(1)(b) EUTMR provides that a European Union trade mark will be declared invalid where the applicant was acting in bad faith when it filed the application for the trade mark.

There is no precise legal definition of the term 'bad faith', which is open to various interpretations. Bad faith is a subjective state based on the applicant's intentions when filing a European Union trade mark. As a general rule, intentions on their own are not subject to legal consequences. For a finding of bad faith there must be, first, some action by the EUTM proprietor which clearly reflects a dishonest intention and, second, an objective standard against which such action can be measured and subsequently qualified as constituting bad faith. There is bad faith when the conduct of the applicant for a European Union trade mark departs from accepted principles of ethical behaviour or honest commercial and business practices, which can be identified by assessing the objective facts of each case against the standards (Opinion of Advocate General Sharpston of 12/03/2009, C-529/07, Lindt Goldhase, EU:C:2009:361, § 60).

Whether an EUTM proprietor acted in bad faith when filing a trade mark application must be the subject of an overall assessment, taking into account all the factors relevant to the particular case (11/06/2009, C-529/07, Lindt Goldhase, EU:C:2009:361, § 37).

The burden of proof of the existence of bad faith lies with the invalidity applicant; good faith is presumed until the opposite is proven.

Preliminary remark

As seen above, the applicant filed two affidavits. It must be noted that statements coming from the sphere of the applicant (drawn up by the interested parties themselves or their employees) are generally given less weight than independent evidence. This is because the perception of the party involved in the dispute may be more or less affected by personal interests in the matter (11/01/2011, R 490/2010-4, BOTODERM / BOTOX, § 34; 27/10/2009, B 1 086 240; 31/08/2010, B 1 568 610). Such a statement cannot in itself sufficiently prove genuine use (09/12/2014, T-278/12, PROFLEX, EU:T:2014:1045, § 54)

In the case at issue, however, the affidavits are very detailed and are sufficiently supported by further evidence, such as contracts and email exchanges.

Assessment of bad faith

There is bad faith when the EUTM proprietor 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 relationship where good faith applies and imposes on the EUTM proprietor the duty of fair play in relation to the legitimate interests and expectations of the other party (13/11/2007, R 336/2007-2, CLAIRE FISHER / CLAIRE FISHER, § 24).

The essential question is, therefore, whether the relationship between the parties created a close enough link to suggest that it is fair to expect the EUTM proprietor not to file an identical EUTM application independently without giving the invalidity applicant prior information and sufficient time to take action against the contested EUTM (13/12/2004, R 582/2003-4, EAST SIDE MARIO'S, § 23).

Secondly, if a duty of fair play exists, it must be established whether or not the EUTM proprietor's actions constitute a breach of a duty of fair play, thereby having been made in bad faith.

Finally, what is relevant is the intentions of the party who applied for the contested EUTM; in this case, those of the former EUTM proprietor. The fact that the contested EUTM was subsequently transferred (even if only to a sister company, as proven by the applicant) is not, in principle, relevant for the purposes of assessing bad faith in the context of Article 59(1)(b), which only refers to the intentions of the applicant for the contested EUTM when it filed the application.

Through the documents submitted, the applicant has proved that it owns a trade mark in China that predates the contested mark. In addition, the applicant has proved that there was a business relationship between itself and the former EUTM proprietor for a number of years before the filing of the contested trade mark (the filing date of the contested mark was 04/02/2011, and the evidence of this relationship begins in 2006). As duly documented in exhibits 3 to 8, the business relationship that the parties had was such that there is no doubt that the former EUTM proprietor knew of the earlier mark. In fact, in an email dated 25/04/2012, the chairman of Tyre Bay Direct Limited (the former EUTM proprietor) acknowledges that they started selling the applicant's machines carrying the applicant's trade mark in Ireland and the United Kingdom in 2006 (owner's email of 22/05/2012, contained in exhibit 2).

The business relationship between the parties, as can be inferred from the previously mentioned exhibits, was close enough to suggest that it was fair to expect the former EUTM proprietor not to file, without the applicant's authorisation, a trade mark highly similar to the sign that had been used for a long time by the applicant and covering (at least partially) identical or similar goods and services.

The filing of the contested EUTM by the former EUTM proprietor does constitute a breach of the duty of fair play. It is not in accordance with the usual honest practices of commerce that a company that is distributing or reselling the goods of another company registers a trade mark highly similar to that of the latter in violation of the trust placed in the former EUTM proprietor by the applicant.

In addition, the behaviour of the former EUTM proprietor after the contested EUTM was registered also confirms that its intention when filing was to usurp the applicant's trade mark to gain a better position for negotiating a joint venture or otherwise to obtain a financial advantage. In a string of emails contained in exhibits 2, 11, 12 and 13 (the

content of which are stated in Mr Xilin's affidavit above), the applicant has proved that on several occasions the owner tried to sell the mark to the applicant, at a price that not only fluctuated but was also quite high.

Finally, the EUTM proprietor has not submitted any argument or evidence showing that the conduct of the former EUTM proprietor was justified or followed a legitimate commercial logic in order to counter the clear evidence of bad faith submitted by the applicant.

The only indications in this respect, which are contained in some of the emails of the former EUTM proprietor, are related to the investment made in promoting the brand in the EU. However, justifications exclusively linked to an owner's economic interests, such as the need to protect its investment in setting up a local distribution network and promoting the mark in the relevant territory, cannot be considered valid to justify the breach of the fiduciary duty between two business partners through the registration of the mark in the distributor's name.

Conclusion

In light of the above, the Cancellation Division finds that the former EUTM proprietor was acting in bad faith when it filed the application for the contested EUTM, at least as regards goods such as *tyre changer machines*, that correspond to the goods for which the applicant's Chinese mark is registered.

The application is also successful for the rest of the contested goods and services, given that the protection of the general interest in business and commercial matters being conducted honestly also justifies invalidating an EUTM for goods and services that are dissimilar to those being carried out by the invalidity applicant and do not even belong to an adjacent or neighbouring market. For this reason, a positive finding of bad faith at the time of filing the contested EUTM can only lead to the invalidity of the EUTM in its entirety (11/07/2013, T-321/10, Gruppo Salini, EU:T:2013:372, § 48).

Consequently, the Cancellation Division concludes that the application is totally successful and the contested EUTM should be declared invalid in its entirety.

COSTS

According to Article 109(1) EUTMR, the losing party in cancellation proceedings must bear the fees and costs incurred by the other party.

Since the EUTM proprietor is the losing party, it must bear the cancellation fee as well as the costs incurred by the applicant in the course of these proceedings.

According to Article 109(1) and (7) EUTMR and Article 18(1)(c)(ii) EUTMIR, the costs to be paid to the applicant are the cancellation fee and the representation costs, which are to be fixed on the basis of the maximum rate set therein.

**The Cancellation Division**

José Antonio GARRIDO
OTAOLA

María Belén IBARRA
DE DIEGO

Michaela SIMANDLOVA

According to Article 67 EUTMR, any party adversely affected by this decision has a right to appeal against this decision. According to Article 68 EUTMR, notice of appeal must be filed in writing at the Office within two months of the date of notification of this decision. It must be filed in the language of the proceedings in which the decision subject to appeal was taken. Furthermore, a written statement of the grounds of appeal must be filed within four months of the same date. The notice of appeal will be deemed to be filed only when the appeal fee of EUR 720 has been paid.