

TRADE MARKS ACT 1994

**IN THE MATTER OF AN INTERLOCUTORY HEARING HELD IN
RELATION TO REVOCATION No. 80161 BY FENCHURCH
ENVIRONMENTAL GROUP LIMITED OF REGISTRATION No. 2027376 IN
THE NAME OF AD TECH HOLDINGS LIMITED**

DECISION

Introduction

1. This is an interlocutory appeal from a decision of Mr Bowen, the Hearing Officer acting for the Registrar, dated the 30th September 2004. By that decision the Hearing Officer declined to strike out proceedings for revocation of United Kingdom registered trade mark no. 2027376 in the name of Ad Tech Holdings Limited (“Ad Tech”).
2. The proceedings for revocation were brought by Fenchurch Environmental Group Limited (“Fenchurch”) and based upon the alleged non use of the trade mark. Ad Tech disputed the allegation of non use, but also sought to have the proceedings struck out on the basis that they constituted a breach of a contractual agreement between the parties. The Hearing Officer declined to strike the proceedings out on essentially two grounds. First, the agreement did not, on its proper construction, prohibit the bringing of proceedings for revocation for non use. Secondly, if the agreement did prohibit such

proceedings, then the agreement was invalid and unenforceable for being an unreasonable restraint of trade. Ad Tech now appeal against that decision.

Background and the agreement in dispute

3. On 29th November 1996 trade mark no. 2027376 was registered in the name of Ad Tech as of the 18th July 1995 in respect of the following specification of goods in classes 1, 5 and 10:

Class 1: Chemical preparations and substances for use in industry and science.

Class 5: Pharmaceutical and sanitary preparations and substances; anti microbial and antiseptic preparations and substances; disinfectants; fungicides.

Class 10: Surgical, medical and dental apparatus and instruments; prosthetic devices.

The trade mark consists of the words BACTI GUARD and device.

4. On the 30th May 1996 Fenchurch filed an application to register the trade mark BACTIGUARD under application no. 2101455 in respect of anti-microbial air filters in Classes 7, 11 and 21. Ad Tech opposed the application contending that it conflicted with their earlier trade mark registration no. 2027376. The opposition was resolved in June 1978 when the parties entered into the following agreement:

AGREEMENT

1. Ad Tech will withdraw its opposition number 46623 to Fenchurch application for BACTIGUARD, number 2101455, pending in the United Kingdom and will not oppose or cancel other applications or registrations for the mark BACTIGUARD, so long as the exclusion set forth below in paragraph 4 is included in any such application or registration, the application or registration is otherwise consistent with the terms of this agreement, and the application or registration does not include a device confusingly similar to the device that is part of Ad Tech's registration number 2027376.

2. Fenchurch agrees not to use or register the mark BACTIGUARD in relation to antimicrobial additives of any type in class 5, or any other medical products, devices, equipment or applications registrable in classes 1, 5 or 10, or as these classes may change in the future to cover medical products, devices, equipment or applications, including, but not limited to, filters of any type specifically designed for use or sale for any medical product, device, equipment or application.

3. Fenchurch agrees that it can use and register its BACTIGUARD mark only in relation to goods in classes 7, 11 and 21, or as these classes may change in the future, and as long as these goods are not expressly designed for or sold only for medical, hospital or health authority use.

4. Fenchurch specifically agrees to exclude medical products, devices, equipment and applications from the goods of any pending trademark application to the extent not already excluded.

5. Fenchurch agrees not to object to Ad Tech's use and registration of the marks BACTI GUARD and BACTI GUARD and device for any medical product, device, equipment or application, including but not limited to those in classes 1, 5 and 10, or as these classes may change in the future.

6. Ad Tech agrees that it will not use or register the mark BACTI GUARD and BACTI GUARD and device in relation to antimicrobial air filters made from various filter fibres including synthetic fibres, microfine glass or glass paper for use in vacuum cleaners, cooker hoods, re-circulating air cleaners, humidifiers, deep fat fryers and other domestic appliances in class 7; antimicrobial air filters made from various filter fibres including synthetic fibres, microfine glass or glass paper for use in air conditioning systems, ventilation systems and air cleaning machines for non medical products, devices, equipment and applications in class 11 or antimicrobial air filters made from various filter fibres, including synthetic fibres, microfine glass or glass paper for use in various household appliances in Class 21.

7. Ad Tech agrees not to object to Fenchurch's use and registration of the mark BACTIGUARD in relation to antimicrobial air filters made from various filter fibres including synthetic fibres, microfine glass or glass paper for use in vacuum cleaners, cooker hoods, re-circulating air cleaners, humidifiers, deep fat fryers and other domestic appliances in Class 7; antimicrobial air filters made from various filter fibres including synthetic fibres, microfine glass or glass paper for use in air conditioning systems, ventilation systems and air cleaning

machines for non medical products, devices, equipment and applications in class 11 or antimicrobial air filters made from various filter fibres, including synthetic fibres, microfine glass or glass paper for use in various household appliances in Class 21.

8. The benefits and obligations hereunder shall be mutually binding upon and inure to the benefit of the respective successors, assigns and licensees of the parties hereto. The terms of this agreement shall be made known to these successors, assigns and licensees.

5. The agreement is clearly a delimitation agreement aimed at avoiding litigation whereby each party agreed to restrict its use of the mark BACTI GUARD (and slight variations of it) to its respective sphere of operation. In substance, Fenchurch agreed not to use or register the mark BACTIGUARD in relation to antimicrobial additives or other medical products, devices, equipment or applications (clause 2). Ad Tech agreed not to use or register the mark BACTI GUARD in relation to antimicrobial air filters for use in non medical applications (clause 6).
6. The parties also sought by the agreement to bring the position regarding their potential objection to use and registration of the mark into line with the user constraints. So Fenchurch agreed not to object to Ad Tech's use and registration of the mark BACTI GUARD for any medical product, device, equipment or application (clause 5). Correspondingly, Ad Tech agreed not to object to Fenchurch's use and registration of the mark BACTIGUARD in relation to antimicrobial air filters for non medical applications (clause 7).
7. Clause 1 and clause 4 of the agreement also inter-relate. Ad Tech agreed to withdraw its opposition to the Fenchurch application and not to oppose or cancel other applications or registrations for the mark BACTIGUARD so long as the exclusion of clause 4 was included in any such application or registration (clause 1). Fenchurch agreed to exclude medical products, devices, equipment and applications from the goods of any pending trade mark application (clause 4).

8. Following execution of the agreement it seems that Fenchurch ceased using the trade mark BACTIGUARD in relation to antimicrobial additives and subsequently adopted the mark BACTI G for such products. It applied to register that mark under application no. 229037 but the application was met with an opposition by Ad Tech based upon its own registration no. 2027376. This prompted the present proceedings for revocation which commenced on 30th November 2001. In these proceedings Fenchurch contends that within the period of 5 years following the date of completion of the registration procedure (that is to say, 29th November 1996) trade mark no. 2027376 was not put to genuine use within the United Kingdom, by the proprietor or with its consent, in relation to the goods for which it is registered, and there are no proper reasons for that non-use.

Events leading to the interlocutory hearing and the decision of the Hearing Officer

9. Following the commencement of proceedings for revocation Ad Tech filed a counter-statement. It contends that the mark has been used in the United Kingdom by or with its consent and relies on a witness statement of Paul Glazier dated 11th March 2002, which it described as initial evidence. In addition, it relies upon the 1998 agreement and contends that, in filing the application for revocation, Fenchurch is in breach of clause 5.
10. On 26th March 2002 the Registry served the form TM8 and counter-statement together with the witness statement and exhibits of Mr Glazier upon Fenchurch and allowed it until the 26th June 2002 to file evidence in support of the application. Under cover of a letter dated the 21st June 2002, Fenchurch filed a witness statement of Marjorie Nicholson dated 20th June 2002 together with one exhibit.
11. By an official letter dated 3rd July 2002, Ad Tech was allowed until the 21st September 2002 to file any further evidence it considered appropriate. By letter dated 20th September 2002 Ad Tech indicated that no further evidence would be filed and stated its belief that the present action was in

breach of the contractual agreement between the parties. It requested the action be struck out.

12. On the 27th March 2003 the interlocutory hearing of the strike out application took place before the Hearing Officer. By a letter dated 30th May 2003 the Hearing Officer communicated his decision. The letter was addressed to Ad Tech, but sent to both parties. In that letter the Hearing Officer appeared to suggest that he shared the view of Ad Tech that the revocation proceedings were contrary to clause 5 of the agreement but that any agreement which sought to avoid the consequences of non use of registered trade marks ought to be considered unenforceable. Following the issue of the letter, Ad Tech requested a written statement of the grounds of the decision. A written decision was provided on the 30th September 2004.

13. The written decision elaborated the reasoning of the Hearing Officer and essentially reached the same conclusions, save in one respect. Contrary to the impression given by the letter of the 30th May 2003, in his written decision the Hearing Officer concluded that there was nothing in the agreement suggesting that either party had turned its mind to what would happen if the marks on which the agreement was based were not used. He reached the following final conclusions:
 - (i) on the pleadings, it was open to Ad Tech to seek to have the application for revocation struck out;
 - (ii) while on its face the agreement appeared to suggest that Fenchurch would not challenge Ad Tech's registered trade mark, the agreement was formulated in the context of the parties' trading activities at the time and in reality neither party had actually turned its mind to the question of what was open to it to do (or not to do) if a particular trade mark became vulnerable on the basis of non-use; accordingly the agreement did not prohibit the application for revocation;
 - (iii) trade mark law in relation to potentially unused marks was absolutely clear. Trade marks should be used, and if not used, should be subject to revocation. Any agreement which seeks to avoid this consequence should be considered in restraint of trade.

Issues on the appeal

14. There are essentially two issues arising on the appeal:
 - (i) the proper construction of clause 5 of the agreement and, in particular, whether it prohibits revocation proceedings for non use;
 - (ii) if clause 5 does prohibit revocation proceedings for non use, whether the Hearing Officer was right to conclude on this strike out application that the clause 5 is invalid as an unreasonable restraint on trade.

The proper construction of clause 5 of the 1998 agreement

15. It is now well established that the proper approach to contractual interpretation is to seek to ascertain the meaning which the document would convey to a reasonable person having all the background knowledge which would reasonably have been available to the parties in the situation in which they were at the time of the contract.
16. In the present case there is no real issue between the parties as to the relevant background knowledge which bears on the issue of construction. The parties entered into the agreement to resolve the opposition proceedings concerning Fenchurch's application number 2101455 but also to regulate their trading activities for the future and so avoid the possibility of further legal or commercial conflict. The way in which they did so is, to my mind, reasonably clear from the principal clauses of the agreement which I have summarised above.
17. Before dealing with the central dispute on clause 5 it is convenient first to dispose of a subsidiary issue. Fenchurch contends that clause 5 was not intended to apply to registrations and applications pending or in existence at the date of the agreement and was only intended to apply to future use and future applications and registrations. Existing applications and registrations were, it was argued, covered by clause 1.
18. I am unable to accept this submission. Clauses 2 and 5 of the agreement go hand in hand. Fenchurch agreed not to use or register the mark BACTI

GUARD in relation to antimicrobial additives or other medical products (clause 2). In line with this user restraint, Fenchurch also agreed not to object to Ad Tech's use and registration of the mark BACTI GUARD (and BACTI GUARD and device) for any medical products (clause 5). I consider it would make a nonsense of clause 5 to exclude from its scope registration no. 2027376 upon which the opposition was based and which consequently underpinned the agreement. Clause 1 of the agreement is of no assistance to Fenchurch because it only imposes obligations on Ad Tech and was necessary to deal with the resolution of the opposition proceedings.

19. The second and more substantive point taken by Fenchurch, and one which was apparently accepted by the Hearing Officer in his written decision, was that, on its true construction, the reference to "use and registration" in clause 5 meant, in effect, use and entry on the register. In other words, it is directed to the parties attacking each other's marks in opposition proceedings or under section 47 of the Trade Marks Act 1994 on the grounds that they are too close to co-exist. Further, it was argued, there was nothing in the agreement to suggest that either party was attempting to prohibit an application for revocation in respect of any of the circumstances contemplated by section 46 of the Act including, in particular, an application for revocation for non use.

20. This, to my mind, is a much more powerful argument but nevertheless it is one which, after careful reflection, I have been unable to accept. The words of clause 5 are clear. Fenchurch agreed without limitation not to object to Ad Tech's registration of the mark BACTI GUARD (and BACTI GUARD and device) for any reason at all. The words offer no basis for distinguishing certain grounds of attack which are prohibited from other grounds of attack which are not. It is also important to read clauses 5 and 7 together with the user restraints contained in clauses 2 and 6. All four clauses are unlimited in time and have the apparent objective of regulating the use of the BACTI GUARD mark so as to prevent confusion between the parties' respective business activities, preserving their respective trade mark rights and avoiding litigation as to whether or not their respective trade mark registrations are invalid for any reason. Accordingly, I have reached the conclusion that the

wording of clause 5 does prohibit these proceedings for revocation for non-use.

Restraint of trade

21. The Hearing Officer found that any agreement which prohibits a party from revoking an unused trade mark should be considered in restraint of trade. Fenchurch supports this conclusion. Ad Tech, on the other hand, contends that the agreement it seeks to enforce was the settlement of a genuine dispute and that it was designed to define the boundaries of the parties' respective trading activities. Accordingly, it is entitled to expect the agreement to be enforced. The presumption is that the restraints it contains, having been agreed between the two parties, represents a reasonable division of their interests.

22. There are three important authorities which bear on this issue. I will deal with them chronologically. The first is that of the European Court in Case 35/83, *BAT v E.C. Commission* [1985] E.C.R 363. That case concerned an agreement between BAT, which owned the trade mark "Dorcet", and a small Dutch firm called Segers, which owned the trade mark "Toltecs". Under the agreement Segers agreed with BAT not to market fine cut tobacco in Germany under the "Toltecs" mark. In addition, Segers undertook to claim no rights as against BAT arising from the registration and use of the "Toltecs" mark even if BAT did not use its "Dorcet" mark for more than five years. The justification put forward by BAT for these restrictions was the risk of confusion with its "Dorcet" mark. This mark was registered in Germany but it was dormant. In fact the registration was liable to be cancelled for non-use. The Court held that the restraint on Segers was contrary to Article 85 and, at paragraph 33 of the decision, explained the general approach to delimitation agreements:

"The Court acknowledges that ... agreements known as 'delimitation agreements' are lawful and useful if they serve to delimit, in the mutual interest of the parties, the spheres within which their respective trade marks may be used, and are intended to avoid confusion or conflict between them. That is not to say, however, that such agreements are excluded from the application of Article 85 of the Treaty if they also have the aim

of dividing up the market or restricting competition in other ways ... [The] Community system of competition 'does not allow the improper use of rights under any national trade mark law in order to frustrate the Community's law on cartels.'

23. At paragraph 37 it concluded:

".. it is clear that the agreement ... enabled BAT, on the basis of a contrived conflict involving trade mark law, to interfere with the conditions of competition. It is indisputable that in the case of imports into Germany from the Netherlands, intra-Community trade was affected. The facts recited by the Commission in its decision also showed that the agreement served no purpose other than that of enabling BAT to control and, in the last analysis, prevent the marketing of tobacco produced by Segers on the German market."

24. Before the Commission BAT had originally contended that the agreement prohibited Segers from challenging the "Dorcet" mark, even after expiry of a five year period of non use: [1983] FSR 327. After receiving the Commission's statement of objections it amended its view to concede that the agreement did not prevent Segers from having the "Dorcet" mark cancelled for non-use, but it maintained that the agreement did prevent Segers from asserting as against BAT the rights which might arise from the use of the "Toltecs" mark in the meantime. The Commission concluded at paragraph 49:

"Mr Segers's contractual renunciation of his right to attack non-use of the "Dorcet" mark must be disregarded for the purposes of the application of Article 85. The overriding public interest in the cancellation of trade marks that are not used or that can be challenged on other grounds requires that neither Mr Segers nor any third party should be prevented from taking steps to obtain such a cancellation with all its repercussions."

25. In *Apple Corp v Apple Computer* [1991] 3 CMLR 49, the Court of Appeal was concerned with a delimitation agreement entered into to save the parties from extensive and expensive litigation whereby each agreed to restrict its use of the mark "Apple" to its respective sphere of operations. In the proceedings, Apple Corp alleged breach by Apple Computer of various clauses of the agreement including a "field of use" restriction and a "no challenge" restriction. Both were unlimited in time. Apple Computer asserted that the clauses of the agreement relied upon by Apple were unenforceable for a

number of reasons; one of these was that the restraints upon trade that they created were unreasonable and accordingly the clauses were unenforceable at common law.

26. It is apparent from the decision that the members of the court considered that the “field of use” restrictions and the “no challenge” restrictions raised similar issues. Neill LJ explained at paragraph 76:

"In order to establish that the 1981 agreement is enforceable it is necessary for Apple [Corp] to prove:

- (a) that the restraints contained in the agreement were imposed for the purpose of protecting their legitimate interests; and
- (b) that the restraints were no more than were reasonably necessary in order to protect those interests."

And at paragraph 80:

"It is plain that in order to enforce either the ‘field of use’ restrictions or the ‘no-challenge’ restrictions in the 1981 agreement it will be necessary for Apple [Corp] to prove that they have used the marks at the relevant times in the course of their businesses. The actual *use* of the marks by Apple [Corp] will be one of the central issues for the court to determine. Having examined the nature and extent of the use (and any likely use) of the marks the court will then consider whether this use could be regarded as a legitimate interest which required protection and whether the restrictions or restraints were no more than were reasonably necessary in order to protect their legitimate interest."

27. Similarly, Nicholls LJ explained at paragraph 102:

"In issue in the action are the nature and extent of the use made or likely to be made by the parties of their respective versions of the name and device as marks in the course of their businesses at the time the agreement was made. Also in issue are whether such use and likely use, and any ensuing goodwill possessed by the parties respectively, constituted a sufficient interest in all the circumstances to justify world-wide and indefinite user restraints on the defendants in the terms contained in the agreement. As part of that issue the court will need to resolve the dispute between the parties on whether, on a proper interpretation of the agreement, particular types of apparatus currently being manufactured and sold by the defendants fall within the definition of ‘Apple goods and services.’ If those issues are resolved in favour of the plaintiffs, then on this part of the case the plaintiffs will succeed: they will succeed in relation to the

user restraints and, if they succeed in relation to the user restraints, they will also succeed in relation to the registration restraints. The latter restraints are consequential upon the former. If the user restraints are valid, so that the defendants are not free to use their versions of the name and device on goods and services which fall within the definition of 'Apple goods and services', then the defendants can have no proper interest in challenging the plaintiffs' registrations in respect of Apple goods and services or in seeking to register their own versions of the name and device in respect of such goods or services or any of them. Conversely, if the user restraints are invalid the registration constraints must also be vitiated. In other words, the two sets of restraints stand or fall together."

And at paragraph 103:

"The plaintiffs could have no legitimate interest in seeking, as against the defendants to preserve registrations of their versions of the name and device in relation to Apple goods and services unless, put shortly, they had acquired a sufficient degree of goodwill or interest in consequence of their user or intended user of those marks for it to be reasonable, in all the circumstances, to restrain the defendants from using their versions of the same name and device in connection with Apple goods and services. A trade mark is an adjunct of the goodwill of the business (see Lord Diplock in *GENERAL ELECTRIC CO. v. GENERAL ELECTRIC CO. LTD*). Registration of a trade mark confers valuable rights on a proprietor, but the basic underlying purpose of the registration system is to facilitate the use of the mark as a mark in the course of business by the duly-registered proprietor. The proper and orderly use of trade marks is in the public interest. But the plaintiffs cannot have a legitimate interest in preserving registrations as such, that is, divorced from the conduct of the business in which the marks are being used or are intended to be used. So, once again, one comes back to the same questions of fact concerning the parties' businesses and their respective use and proposed use of the marks in question in 1981 and the foreseeable consequences of indefinite restraints on those businesses."

28. Finally, Taylor LJ said at paragraphs 148 and 149:

"It is common ground that whether the 1981 agreement is enforceable by the plaintiffs under English law depends upon (1) what legitimate interest they had at the time of the agreement and (2) whether the restrictions imposed by the agreement were no more than were reasonably necessary to protect that interest. Mr Carr contends that unless the precise extent of the plaintiffs' interest is determined - and that includes determining the validity of their trade mark registrations world-wide - the court cannot

decide question (2). I cannot accept that argument in the context of this case for three reasons.

First, this was a settlement agreement. It was made on the footing that each party had *some* legitimate interest in its trade marks and logos which it wished to protect. The agreement was drawn up specifically so as to avoid challenges and contests in a host of countries. It was implicit in such a settlement that the parties were not attempting a finite assessment of all their rights country by country. They adopted a broad brush approach. If one party to such an agreement, dissatisfied with his bargain, can by challenging its enforceability require the court to explore and adjudicate upon the validity and strength of the other's rights country by country, then such an agreement would totally fail to achieve its object of avoiding disputes and litigation. A settlement agreement would settle nothing. It would merely set the stage for the very lengthy and expensive litigation sought to be avoided."

29. Both of these cases were considered by the Court of Appeal in *World Wildlife Fund for Nature v World Wrestling Federation Entertainment* [2002] FSR 33. The claimant ("the Fund") sought summary judgment against the defendant ("the Federation") and enforcement of a contract limiting the Federation's freedom to use the initials WWF in its trade. The Federation had broken the terms of the contract, but claimed to be justified because the relevant terms were void, either at common law as being an unreasonable restraint of trade or by virtue of the provisions of Article 81 of the European Treaty. The judge gave summary judgment for the Fund. An appeal to the Court of Appeal was dismissed. The particular term at issue was a worldwide perpetual prohibition upon the use of the initials "WWF" save in particular circumstances.
30. In giving the judgment of the Court, Carnwarth LJ said, at paragraph 48:
- "To summarise, where the claimant has been party to a settlement of a genuine dispute, designed to define the boundaries of his trading rights as against the defendant, he is entitled to expect that to be enforced. It is not for him to prove that it is reasonable. The presumption is that the restraints, having been agreed between the two parties most involved, represent a reasonable division of their interests. It is for the defendant, seeking to avoid the agreement, to show that there is something which justifies such a course because the dispute was "contrived" (as in the BAT case); or because there was no reasonable basis for the rights claimed (as, apparently, in Apple);

or because it is otherwise contrary to the public interest, for example, going beyond the legitimate purpose of seeking to “avoid confusion or conflict” between the parties.”

31. The court approved the approach of the judge in setting a “threshold requirement”, before any question arises of the claimant having to justify the restraints imposed by the agreement. However, the court declined to identify the circumstances in which the threshold might be crossed in different factual contexts.
32. In the light of these cases I believe that the following general points may be made in relation to the appeal before me. First, there can be no doubt that the agreement in issue represents the settlement of a genuine dispute, and was designed to define the boundaries of the trading rights of Ad Tech and Fenchurch for the future. The agreement resolved a serious opposition to an application to register a trade mark in the light of the earlier registration of a virtually identical mark.
33. Secondly, it follows from the *WWF* case that the presumption is that the restraints which the agreement includes, having been agreed between the two parties most involved, represents a reasonable division of their interests. It is for Fenchurch, in seeking to avoid the agreement, to show that there is something which justifies such a course.
34. Thirdly, and importantly, it seems to me to be tolerably clear from the *Apple* and *WWF* cases that terms which impose perpetual restraints on trading activities or which prevent a party from challenging existing or future trade mark registrations are not necessarily void and contrary to public policy as a matter of English law. An agreement which, having regard to the nature and extent of the respective businesses of the parties and their use of confusingly similar marks, does no more than avoid confusion or conflict between the parties may be useful and lawful.
35. Fourthly, Fenchurch may nevertheless establish that clause 5 of the agreement is void and contrary to public policy if it can show that the restraint extends

beyond any legitimate interest of Ad Tech because, for example, the dispute was “contrived” or because there was no reasonable basis for the rights claimed or because the agreement is otherwise contrary to the public interest.

36. Fifthly, in assessing the extent of any such legitimate interest the tribunal must consider the position of the parties and their respective businesses and their user and proposed user of the marks in issue at the time the agreement was made. The tribunal will, however, take into account what was then reasonably foreseeable.
37. Sixthly, I believe that special care must be taken in relation to a clause which imposes a perpetual restraint on a party from applying to revoke a registered mark for non-use. Such a clause may be particularly vulnerable to the charge that it extends beyond any legitimate interest of the other contracting party. As illustrated by the *Toltecs* case, there is a clear public interest in the cancellation of trade marks that are not used. The tribunal must therefore consider carefully whether the party seeking to enforce the no challenge clause had, at the date of the agreement, a sufficient degree of goodwill or interest in consequence of its user or intended user of the mark in issue for it to be reasonable, in all the circumstances, to restrain the other party indefinitely from challenging its right to use and registration of that mark. To answer the question in any particular case may well require, as it did in the *Apple* case, an investigation of the nature and extent of the use made or likely to be made by the parties of their respective versions of the trade mark in the course of their businesses at the time the agreement was made and the foreseeable consequences of indefinite restraints on those businesses.
38. Fenchurch contends that the no challenge clause in issue imposes a real fetter on its trade and goes beyond any reasonably arguable scope of protection of the intellectual property right in issue. In particular, it contends that there was no reasonable basis for imposing the perpetual no challenge clause upon it and that the clause is contrary to the public interest in going beyond the legitimate purpose of seeking to avoid confusion or conflict between the parties. In this regard it contends that registered trade mark number 2027376 has not been

used at all or only to a limited extent since the completion of registration on the 29th November 1996 and well over a year before the agreement between the parties made in June 1998.

39. Ad Tech, on the other hand, contends that it has used the mark BACTI GUARD and device continuously in the United Kingdom since at least as early as June 1993 and it has filed some, albeit limited evidence to that effect.
40. In my view Fenchurch has raised a serious case that clause 5 extends beyond any legitimate interest held by Ad Tech at the date of the agreement. In order to resolve the dispute the tribunal must consider the extent to which the parties, and Ad Tech in particular, used the mark BACTI GUARD at the relevant times in the course of their businesses. The actual use of the mark by Ad Tech as at the date of the agreement will be one of the central issues. Having examined the nature and extent of the use and the likely use, and any ensuing goodwill possessed by the parties, the tribunal will then be in a position to determine whether Ad Tech had a sufficient interest in all the circumstances to justify the indefinite no challenge provision in the agreement.
41. It follows that the application for revocation should not be struck out. It cannot be said at this stage that there are no reasonable grounds for bringing the revocation proceedings or that they constitute an abuse of process. To this extent I therefore agree with the conclusion of the Hearing Officer. However, for the reasons I have given, I do not agree that clause 5 is necessarily void. The matter must be approached in the manner I have set out and that will require a consideration of the evidence to determine if the clause extends beyond any legitimate interest held by Ad Tech at the date of the agreement.
42. Although I was not addressed in detail upon it I have considered briefly the evidence filed in the revocation proceedings and I have to say I am concerned that it does not elaborate to any great degree the factual circumstances which would enable to a full and proper determination of the issue of validity of clause 5. In particular, the evidence as to the respective use (and likely use) by the parties of the mark in issue and the goodwill which they had generated by

the date of the agreement is rather sparse. Accordingly, and in the rather unusual circumstances of this case, I think it desirable that that Ad Tech be given a short further time in which to supplement its evidence (if so advised) and thereafter Fenchurch a short time to respond before the matter is brought on for further hearing. I also consider it would be desirable to dispose of all the issues relating to the validity of clause 5 and non use at one further hearing.

Conclusion

43. In my judgment the Hearing Officer was right to dismiss the application to strike out the revocation proceedings but I disagree with the reasoning behind his conclusion.
44. First, clause 5 of the agreement does, on its proper interpretation, prohibit Fenchurch from seeking to revoke registered trademark number 2027376 for non use.
45. Secondly, the Hearing Officer fell into error in concluding that such a no challenge cause in a settlement of a genuine dispute should necessarily be considered to be void as being an unreasonable restraint of trade. The presumption is that the restraint, having been agreed between the two parties most involved, represents a reasonable division of their interests. It is for the party seeking to avoid the agreement to show that there is something which justifies such a course.
46. Thirdly, I am satisfied in the present case that there are potential grounds for concluding that there was no reasonable basis for including such a no challenge clause or that the clause is contrary to the public interest because it goes beyond the legitimate purpose of seeking “to avoid confusion or conflict between the parties”. But resolution of these issues requires an investigation of the factual circumstances which has not been undertaken on this strike out application.

47. Accordingly, the appeal must be dismissed. Nevertheless, I direct that the matter be remitted for further consideration by the Registrar in the light of my conclusions.
48. The Hearing Officer made no order as to the costs of the strike out application but indicated that the costs could be taken into account by the Hearing Officer at the conclusion of the proceedings. In my view neither party has been wholly successful on this appeal. The result is essentially a draw between them. In the circumstances I will order that each party bear its own costs of the appeal.

David Kitchin QC

25 August 2005

Mr Julius Stobbs of Boulton Wade Tennant appeared on behalf of the appellant

Miss Fiona Clark instructed by Marks & Clerk appeared on behalf of the respondent