

O-746-18

TRADE MARKS ACT 1994

**IN THE MATTER OF REGISTRATION NO. 3065775 IN THE NAME OF ION IP LTD
IN RESPECT OF THE SERIES OF TWO TRADE MARKS:**

DRYSHOD

AND

DRY SHOD

IN CLASS 25

**AND AN APPLICATION FOR A DECLARATION OF INVALIDITY THERETO
UNDER NO. 501742 BY JAMES K. DONOHUE**

AND

**IN THE MATTER OF INTERNATIONAL REGISTRATION NO. 1352920 DESIGNATING
THE UK:**

DRYSHOD

**IN THE NAME OF JAMES K. DONOHUE
AND THE OPPOSITION THERETO UNDER NO. 410648
BY ION IP LTD**

Background and pleadings

1) ION IP Ltd (“Party A”) is the proprietor of the trade mark registration no. 3065775 in respect of the series of two marks DRYSHOD and DRY SHOD. It is registered in respect of the following list of goods:

Class 25: *Clothing; footwear; headgear*

2) This registration was applied for on 25 July 2014 and it completed its registration procedures on 23 January 2015. On 28 July 2017, James K. Donohue (“Party B”) applied for the registration to be declared invalid. The ground of invalidation pleaded, based upon section 47 of the Trade Marks Act 1994 (“the Act”), is that the registration offends under section 3(6) of the Trade Marks Act 1994 (“the Act”) because:

- Party B is the proprietor of US trade mark registration no. 4717624 DRYSHOD, filed on the 3 January 2014, registered on 17 April 2015;
- Prior to the filing of Party A’s trade mark application, one of its director’s, Mr David Foster was contacted by Party B with a view of providing viable product samples “for use in the registration of the US application by [Party B]”;
- Mr Foster is a former distributor of a footwear brand owned by Party B and has been a friend, business associate and industry contact of Party B for over 20 years;
- Mr Foster was contacted three days prior to Party A filing its contested application;
- Mr Foster failed to produce the requested samples and did not reply to repeated e-mail messages and phone calls;
- Consent was not given by Party B to Party A or Mr Foster to apply for the mark;
- Party A was aware of the potential exploitation of the trade mark by Party B outside the US market, namely the UK;
- Party A had prior knowledge of Party B’s intention to use the trade mark;

- DRYSHOD was not in Party A's plans until such time as it was made aware of the application in the US by Party B;
- The contested application was made "with dishonourable intent" and with no bona fide intention to use the mark in the UK at the time of filing;
- The application is an abuse of the trade mark system because it has been used as leverage against the applicant with Party A stating in correspondence that it is open to discussing a "quid pro quo" agreement over use of the mark via territory";
- Party A's behaviour falls short of the standards of acceptable commercial behaviour observed by reasonable and experienced persons in the particular field.

3) Party A filed a counterstatement admitting that Mr Foster was contacted by Party B on 22 July 2014, was aware of Party B's US trade mark application and that the parties knew each other, but denies the other claims such as Mr Foster had no knowledge of Party B's intention to use his mark in the UK.

4) Party B subsequently applied to register the following International Registration ("IR") designating the UK (hereafter "the designation"):

IR 1352920

DRYSHOD

International registration date: 14 May 2017

UK designation date: 14 May 2017

Class 25: *Footwear*

5) The designation was published for opposition purposes on 28 July 2017. It was opposed by Party A on the following grounds:

- Section 5(1): the mark and the goods are identical to those of its earlier mark detailed in paragraph 1, above;
- Section 5(2)(b): the mark is identical or similar and the goods are identical, or similar, to those of its earlier mark.

6) This registration date of the earlier mark, being the 23 January 2015, is less than five years before the date of publication of the contested designation (28 July 2017). The significance of this is that the proof of use provisions set out in section 6A of the Act do not apply to the earlier mark and Party A is entitled to rely upon the complete list of goods.

7) Party B filed a counterstatement stating that he has applied to invalidate the earlier mark on grounds based upon 3(6) and that if this succeeds Party A will not have grounds to oppose.

8) The application for invalidation and the opposition proceedings were subsequently consolidated.

9) Both sides filed evidence in these proceedings. This will be summarised to the extent that it is considered appropriate. Both sides also filed written submissions that I will not summarise, but I will keep in mind. A hearing took place on 18 September 2018 where Party A was represented by Mr Jamie Muir Wood of Counsel, instructed by Groom Wilkes & Wright LLP and Party B was represented by Mr Nick Zweck of Counsel, instructed by Tennant IP Ltd. Mr Foster and Mr Donohue both appeared for cross-examination.

Party B's Evidence

10) This takes the form of a witness statement by Mr Donohue and he provides evidence in support of his claim that Party A acted in bad faith when making its application to register its mark.

Party A's Evidence

11) This takes the form of a witness statement by Mr Foster in his capacity as director and CEO of Party A. He provides evidence in an attempt to refute the allegations made by Mr Donohue and also provides evidence of the use made of the mark.

Cross examination of Mr Donohue

12) Mr Donohue struck me as an honest witness who attempted to recall the relevant facts as best he could. He struck me as a credible witness.

13) Cross examination was concluded in respect of the nature of the relationship between Mr Foster and Mr Donohue as at June 2014.

14) Mr Donohue explained that he and Mr Foster had a business relationship in respect of *Muck* branded neoprene boots where Mr Foster was the UK distributor. Mr Donohue sold this business in 2002 but continued as a consultant until 2004. He stated he had not been involved in such products since 2004. Mr Foster continued as the UK distributor after that. It was put to Mr Donohue that Mr Foster continued as UK distributor until 2012, but he was not able to confirm this.

15) Whilst Mr Donohue accepted that he met with Mr Foster only "a handful of times" in China between 2004 and 2014 and that there was not much contact between 2002 and 2014, he pointed out that Mr Foster had been his UK distributor for three and half years (until 2002) and he therefore considered him an industry associate and a friend (albeit one that he had had little contact with).

16) Mr Muir Wood established from the written evidence¹ that in Mr Donohue's email to Mr Foster of 23 July 2014 he stated that he did not intend to compete with Mr Foster's Grubs neoprene boots, that he was planning to use the DRYSHOD mark in respect only of a leather boot and sell them only via the Internet (and not use any of

¹ Tab 12, page 61 [EXHIBIT NO?]

his and Mr Foster's "old distributor friends"). Mr Donohue confirmed that that was his thinking at that time. Therefore, at that time, Mr Muir Wood suggested that Mr Foster was entitled to believe that Mr Donohue did not intend to compete in respect of the same goods nor in the UK.

Cross examination of Mr Foster

17) Mr Foster struck me as an honest witness who was able to recall accurately the facts on which he was questioned and was prepared to concede inaccuracies in his witness statement and provide explanations for these inaccuracies.

18) Cross-examination was conducted in respect of the following issues:

- The nature of the relationship between Mr Foster and Mr Donohue as at June 2014;
- Mr Foster's subjective intentions when applying for Party A's mark;
- The alleged use of Party A's mark in the UK.

19) Mr Foster stated that he did "not really have a relationship with Mr Donohue" pointing to the fact that the email address at which Mr Donohue used to contact him in July 2014 was one that he had not actually used for at least 5 years. Mr Zweck took Mr Foster to his email, of 28 July 2014, in reply to Mr Donohue² where he adopts an informal tone, enquiring after Mr Donohue's wife and where Mr Donohue provides, what Mr Zweck describes as a "newsy update" before outlining his idea for resurrecting the DRYSHOD brand. Mr Foster conceded that he and Mr Donohue had "a long-standing relationship, but one that ended when Mr Donohue parted company with *Muck* boots in 2004".

20) Mr Zweck turned to when Mr Donohue and Mr Foster met in China on 10 May 2017, where Mr Donohue discussed his latest plans regarding the DRYSHOD brand, his plan to use two of Mr Foster's old distributors and Mr Foster subsequently emailed the distributors looking to re-establish their relationship. Whilst couched in

² Exhibit JD2 of Mr Donohue's witness statement and Mr Foster's own Exhibit DF11

general terms, Mr Zweck put it to Mr Foster that he was referring to Mr Donohue's plans in relation to his DRYSHOD product. Mr Foster maintained that he had in mind a "restart" of the *Superlite* brand that the distributors had previously been involved with.

21) Mr Zweck addressed Mr Foster on his reasons for not disclosing his own interest in DRYSHOD to Mr Donohue. Mr Foster accepted that he had not provided the whole history of the DRYSHOD brand to Mr Donohue despite knowing more and, in particular, that the UK mark expired in 2013 and he had begun a business in the UK using the name. He explained how he believed that Mr Donohue was probing for information and he also knew more than he was disclosing

22) It was suggested by Mr Zweck that Mr Foster's explanation for his comments in those emails is inconsistent with what he said to Mr Donohue in his email of 20 July 2017³ where his comments regarding illustrate that at the time of writing the email in 2014 he was "acutely aware" (Mr Zweck's characterisation) of the DRYSHOD brand and its ownership status and that Mr Foster had been monitoring it with a view of registering it as soon as it became available in the UK. Mr Foster accepted this but stated that he "did not see, why [he] should disclose that thought to Mr. Donohue when he just had some idea or other."

23) It was suggested to Mr Foster that his withholding of this information in July 2014 was an action that fell below the standards of acceptable commercial behaviour, a claim that he denied.

24) Mr Donohue, in his email of 18 July 2017⁴ expressed disappointment at Mr Foster's conduct upon finding out that he had registered the mark in the UK and, in particular, the failure of Mr Foster to disclose this to him when they were at the same dinner in China a short time earlier. Mr Foster explained that from his perspective he had just found out that Mr Donohue's plans had changed and he was now producing a product in direct competition with his in the USA.

³ Exhibit JD7

⁴ Exhibit JD6

25) Mr Zweck identified Mr Foster's email of 18 July 2017⁵ as where he first disclosed to Mr Donohue that he had used the DRYSHOD brand, something that Mr Foster accepted. Mr Foster was questioned on the claimed development of the DRYSHOD brand by him in 2013 that he disclosed to Mr Donohue in an email a few days later (20 July 2017)⁶ and, in particular, the origins of his DRYSHOD logo. Mr Foster stated that it was designed by himself on a computer (as opposed to being hand drawn) using *Adobe Illustrator*. It was put to Mr Foster that it is "inherently unlikely" that the handwritten information dating the design to 3 April 2013 was added at that time because in the modern world of email, one would not print the design then hand write a note on it⁷. In response, Mr Foster stated that "having grown up in the era before computers, and worked both for Reebok, Rockport and Clark's, when designers used a pencil and drew pictures, we were always required to sign and copyright every item. This is something I still do." In response to Mr Zweck claiming that the document was fabricated for the purpose of strengthening his position against Mr Foster. Mr Foster strongly denied that this was so.

26) Mr Zweck directed Mr Foster to the price list bearing a date in 2013⁸. It was put to Mr Foster that, if the document is authentic, it was misrepresenting to his customers that he was the registered owner of the mark DRYSHOD at that date because of the use of the ® symbol. Mr Foster stated that this was a "simple mistake" regarding something that is "very technical" and he also pointed to the use of the word "Trademark" that also appears in the logo. He accepted that, although it was his understanding that the mark was abandoned, at that time it was still registered in the name of a third party called Global Brands GBM Inc (hereafter "GBMI"). Once again Mr Zweck put it to Mr Foster that the documents purporting to originate from 2013, provided in support of the defence that he was using the mark then, were all fabricated for the purposes of strengthening his position against Mr Foster, something that was again, strongly denied by Mr Foster.

⁵ Ditto

⁶ Ditto

⁷ Exhibit DF2

⁸ Exhibit DF4 and Exhibit DF10

27) Mr Foster stated that these pro-forma invoices⁹ are authentic. He was asked if any of these documents had been provided to him by one of his close associates. He denied this. Mr Zweck referred Mr Foster to his photographs of boxes bearing the DRYSHOD logo¹⁰. Mr Zweck pointed out that these photographs were “oddly smudged” so that it is impossible to see the full name of the Dryshod Boot Co. nor its address. Mr Foster stated that the company’s address is sensitive information and therefore it was redacted. In the same exhibit are further photographs of boots and packaging all bearing the DRYSHOD logo. It was put to Mr Foster that these too had been fabricated for the purposes of these proceedings and that, further, they had either been “mocked-up” or was existing packaging containing non-branded goods from his associates at GBMI or some other third party. Mr Foster denied this, adding that “we supply these in boxes of 10 pairs per size, directly from our factory in China to the UK to customers”.

28) Mr Zweck directed Mr Foster to his statements at paragraph 15 of his witness statement, that the proprietor had sold goods under the DRYSHOD mark through a long list of stores in the UK and to the sales invoices with various dates between 2013 and 2015¹¹. Mr Zweck put it to Mr Foster that there were far fewer invoices than stores listed. Mr Foster explained that this was because the invoices related to sales to his agent who would then sell to the retailers. It was put to Mr Foster that these invoices were also fabricated and this was denied by him.

29) Mr Zweck challenged Mr Foster over the apparent contradiction of referring to Party A as his company but that the evidence illustrates business being done by ION Associates Ltd. Mr Foster explained that Party A holds the IP rights, but that Mr Foster’s trading company is ION Associates Ltd, but he failed to make this distinction in his evidence.

30) Finally, Mr Zweck put the following points to Mr Foster:

⁹ Shown at Exhibit DF5

¹⁰ Exhibit DF7

¹¹ Exhibit DF9

- (i) Mr Foster's intention when applying for the DRYSHOD mark on 25 July 2014 was not to trade under the mark. Mr Foster stated that it was and, further, that the purpose was "to cover the mark that we were already trading under";
- (ii) The intention was in fact to block Mr Donohue from being able to sell into the UK. Mr Foster stated that this was not the case and, further, that Mr Donohue had never sold into the UK;
- (iii) That Mr Foster intended to do this in one of two ways; either to force Mr Donohue "to cut you and your companies in on his business activities under the DRYSHOD mark, or to otherwise force him to pay for the use of the mark. Mr Foster stated that he thought "that [this] is total nonsense" and that "nothing would be further from [his] mind".

DECISION

31) The outcome of Party B's application to invalidate Party A's registration on the grounds of bad faith will also be determinative of Party A's opposition to Party B's application because, if successful, it will remove from the register, the registration relied upon by Party A as its earlier mark in the opposition. It was conceded at the hearing by Mr Zweck, on behalf of Party B, that if he was to be unsuccessful in respect of his bad faith claim then Party A's opposition would succeed. Consequently, I consider Party B's bad faith claim first.

Legislation

32) Section 3(6) of the Act has application in invalidation proceedings because of the provisions set out in Section 47. The relevant legislation is set out below:

47. - (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).

33) Section 3(6) of the act reads:

3. - (6) A trade mark shall not be registered if or to the extent that the application is made in bad faith.

34) The law in relation to section 3(6) of the Act ("bad faith") was summarised by Arnold J. in *Red Bull GmbH v Sun Mark Limited and Sea Air & Land Forwarding Limited* [2012] EWHC 1929 (Ch):

"130. A number of general principles concerning bad faith for the purposes of section 3(6) of the 1994 Act/Article 3(2)(d) of the Directive/Article 52(1)(b) of the Regulation are now fairly well established. (For a helpful discussion of many of these points, see N.M. Dawson, "Bad faith in European trade mark law" [2011] IPQ 229.)

131. First, the relevant date for assessing whether an application to register a trade mark was made in bad faith is the application date: see Case C- 529/07 *Chocoladenfabriken Lindt & Sprüngli AG v Franz Hauswirth GmbH* [2009] ECR I-4893 at [35].

132. Secondly, although the relevant date is the application date, later evidence is relevant if it casts light backwards on the position as at the application date: see *Hotel Cipriani Srl v Cipriani (Grosvenor Street) Ltd* [2008] EWHC 3032 (Ch), [2009] RPC 9 at [167] and cf. Case C-259/02 *La Mer Technology Inc v Laboratoires Goemar SA* [2004] ECR I-1159 at [31] and Case C-192/03 *Alcon Inc v OHIM* [2004] ECR I-8993 at [41].

133. Thirdly, a person is presumed to have acted in good faith unless the contrary is proved. An allegation of bad faith is a serious allegation which must be distinctly proved. The standard of proof is on the balance of probabilities but cogent evidence is required due to the seriousness of the allegation. It is not enough to prove facts which are also consistent with good faith: see *BRUTT Trade Marks* [2007] RPC 19 at [29], *von Rossum v Heinrich Mack Nachf. GmbH & Co KG* (Case R 336/207-2, OHIM Second Board of

Appeal, 13 November 2007) at [22] and *Funke Kunststoffe GmbH v Astral Property Pty Ltd* (Case R 1621/2006-4, OHIM Fourth Board of Appeal, 21 December 2009) at [22].

134. Fourthly, bad faith includes not only dishonesty, but also "some dealings which fall short of the standards of acceptable commercial behaviour observed by reasonable and experienced men in the particular area being examined": see *Gromax Plastics Ltd v Don & Low Nonwovens Ltd* [1999] RPC 367 at 379 and *DAAWAT Trade Mark* (Case C000659037/1, OHIM Cancellation Division, 28 June 2004) at [8].

135. Fifthly, section 3(6) of the 1994 Act, Article 3(2)(d) of the Directive and Article 52(1)(b) of the Regulation are intended to prevent abuse of the trade mark system: see *Melly's Trade Mark Application* [2008] RPC 20 at [51] and *CHOOSI Trade Mark* (Case R 633/2007-2, OHIM Second Board of Appeal, 29 February 2008) at [21]. As the case law makes clear, there are two main classes of abuse. The first concerns abuse vis-à-vis the relevant office, for example where the applicant knowingly supplies untrue or misleading information in support of his application; and the second concerns abuse vis-à-vis third parties: see *Cipriani* at [185].

136. Sixthly, in order to determine whether the applicant acted in bad faith, the tribunal must make an overall assessment, taking into account all the factors relevant to the particular case: see *Lindt v Hauswirth* at [37].

137. Seventhly, the tribunal must first ascertain what the defendant knew about the matters in question and then decide whether, in the light of that knowledge, the defendant's conduct is dishonest (or otherwise falls short of the standards of acceptable commercial behaviour) judged by ordinary standards of honest people. The applicant's own standards of honesty (or acceptable commercial behaviour) are irrelevant to the enquiry: see *AJIT WEEKLY Trade Mark* [2006] RPC 25 at [35]-[41], *GERSON Trade Mark* (Case R 916/2004-1, OHIM First Board of Appeal, 4 June 2009) at [53] and *Campbell v Hughes* [2011] RPC 21 at [36].

138. Eighthly, consideration must be given to the applicant's intention. As the CJEU stated in *Lindt v Hauswirth*:

"41. ... in order to determine whether there was bad faith, consideration must also be given to the applicant's intention at the time when he files the application for registration.

42. It must be observed in that regard that, as the Advocate General states in point 58 of her Opinion, the applicant's intention at the relevant time is a subjective factor which must be determined by reference to the objective circumstances of the particular case.

43. Accordingly, the intention to prevent a third party from marketing a product may, in certain circumstances, be an element of bad faith on the part of the applicant.

44. That is in particular the case when it becomes apparent, subsequently, that the applicant applied for registration of a sign as a Community trade mark without intending to use it, his sole objective being to prevent a third party from entering the market.

45. In such a case, the mark does not fulfil its essential function, namely that of ensuring that the consumer or end-user can identify the origin of the product or service concerned by allowing him to distinguish that product or service from those of different origin, without any confusion (see, inter alia, Joined Cases C-456/01 P and C-457/01 P *Henkel v OHIM* [2004] ECR I-5089, paragraph 48)."

35) It is Party B's case that Mr Foster had prior knowledge of his trade mark registration and his intention to use it in the boot market in both the US and the UK, and that this knowledge is what prompted Mr Foster to apply for Party A's mark. Party B asserts that this is because of an email exchange he had with Mr Foster in July 2014 when Party B was seeking assistance in producing samples of DRYSHOD

branded boots to provide to the USPTO for the purpose of demonstrating his “commercial intent” as required as part of the application process for a US trade mark. Party B exhibits this email exchange¹², the relevant parts of which are:

23 July 2014: Party B writes

“[...] I am contemplating [...] business options at the moment and have a concept that you may or may not want to be involved with.

[...] I was asked [by an unnamed distributor] to think about developing the brand name and product line [of foul weather footwear] and to be ready to put it into action possibly in Fall 2015.

[...] After months of racking my brain [to come up with the right brand name] failed to come up with anything [appropriate to convey the essence of the brand] [...].

I actually did not give up on finding that brand name. I had a particular name in mind for years but it was already taken by another company. [...] I did some research and found the name had been abandoned in 2008. I applied for the name six months ago and was recently awarded the rights to the name by the US Trademark and Patent Office. [...] I currently have six months to provide the proof of my intent to commercialize the name. That means I need to provide samples with the brand name featured on the product.

[...] I was wondering if you might consider helping me with a set of samples marked with the brand name [...]

If you are interested in helping me, the brand name is (drum roll) ... “Dryshod”. [...] Also, to be clear, I do not plan to offer any of our distributor friends with this brand or concept. If I were going to do anything with [it], I would do it on my own and probably focus on online business.

¹² Mr Donohue’s Exhibit JD2

[...] If I hit a comfort level with this, maybe we can have a discussion about sourcing through your company. A long shot I know but, this is a pretty good brand name for the right product line. “Dry” is golden for the waterproof category.”

24 July 2014, Mr Foster replied:

“[...]

Dri-Shod

yes great brand, thought it was part of [GBMI] portfolio of product [...] from my rough knowledge though Dry shod was an early 20th century rubber boot and galosh manufacture based in [the USA]. [...]

Obviously there is a lot of history in Dry shod, would you not use the old logo [...] this is an established and recognised trademark? [...] Noted your plans on Product and retailing on line. [...]

Are you considering selling through your existing customers [...]?

[The company] we work with [...] not overly suitable for this kind of product [...] I’m willing to take it forward but need a bit more information on the product and volumes to move it forward.”

26 July 2014, Party B responded:

“Thanks for bring me up to date and offering some history on DryShod. [...]

[...] I detect an opening for a brand that can hit all the right notes on product features and pricing. I’m not sure if that brand would be DryShod but the name makes perfect sense for the waterproof category.

[...] I’m not sure I would want to [use the former logo]. I think the brand needs a fresh start, a fresh look and solid positioning in the waterproof-footwear category. [...]

As I mentioned before, I need to get a couple of physical samples made so I can firm up the trademark registration. I'm not exactly sure what happens after that. I thought of you first because you are working with rubber and leather models. I was hoping you might have one or two dead designs that we could put some logos on and submit to USPTO. Once the trademark is secure, I would want to speak with you about the strategies I have in mind and see if we might be able to do something together. I am cognizant of the fact you are building the Grubb's brand in the US market but the distribution I have in mind for DryShod products would not conflict with your distribution or price points.

So, would it be possible to have your sources work up a sample or two to submit to the USPTO? [...]"

28 July 2014, 7.79am, Mr Foster replied:

"[...] We [...] have three or four styles we use for SMU work and I can get you a couple of pairs make [sic] up with Dryshod on the side.

28 July 2014, 11.52am, Party B replied:

"[...] Prior to my asking to execute the samples, would it be possible to set up and fund a ledger account to take care of any expenses that might be incurred for samples, materials, shipping, handling, etc."

6 August 2014, Party B chased a response

6 August 2014, Mr Foster answered:

"[...] I will be back [from holiday] on the 18, so I will dart [sic] things then."

36) Party B asserts that these email exchanges are crucial in demonstrating "bad faith" and he states that "at no point" did he mention to Mr Foster "the possibility of a joint venture or anything that would allude to prompting him to apply for a UK trade

mark on my behalf”¹³. Party B states that after this, Mr Foster stopped replying to his emails and phone calls and that he never produced the samples¹⁴.

37) Party B also states that a meeting between Party B and Mr Foster on 10 July 2017 presented the latter with an opportunity to inform the former about Party A’s UK registration for the mark but Mr Foster did not do so despite discussions taking place regarding Party B’s Dryshod products. As part of this conversation, Party B made reference to distributors known to both of them. Party B claims that immediately after this meeting, Mr Foster sent emails to them and, whilst not mentioning his UK registration for the mark, alluded to these distributors that they could team up with him to do business together in respect to boots branded with the trade mark DRYSHOD¹⁵. A copy of Mr Foster’s email is provided¹⁶ and states:

“I met Jim tonight in China, heard the new [sic], Im surprised it took them that long,

I have been through this process as we discussed this evening, it’s a tough haul and you need to come out of the blocks fighting.

Jim will see you during the week and you should talk it through and Give me a call, it would be great to work with you again.”

38) Party B also states that Mr Foster sent an email to him after the meeting saying “Think on what we discussed this evening”. Party B states that this is a reference to them doing business together, but that at no point was mention made of Party A’s UK trade mark registration. Party B claims this illustrates that Mr Foster continued to conceal the “dishonourable registration of the DRYSHOD mark in the UK”¹⁷.

39) Regarding this meeting and subsequent emails, Mr Foster’s version of events is that:

- he was visiting the factory in China that produced Party A’s GRUBS branded boots;

¹³ Party B’s witness statement, para. 11

¹⁴ Ditto, para. 12

¹⁵ Ditto, para. 14 - 18

¹⁶ Exhibit JD4

¹⁷ Mr Donohue’s witness statement, para. 20

- the factory manager took him out for dinner where, unbeknown to Mr Foster, Party B was also attending;
- at dinner, Party B informed him that he was now his competitor. Mr Foster cites Party B's email of 23 July 2014 where he identified a product to which his DRYSHOD trade mark related was a leather boot that would not compete with Mr Foster's market, adding that he would sell online and not through distributors involved with Mr Foster.

40) Party B further claims that, following contact with Mr Foster by email in July 2014 Mr Foster attempted to pre-empt Party B's entry into the UK market by filing his own UK application for DRYSHOD. In its defence, Party A provided evidence of use that predated Party B's email contact. At the hearing, Mr Zweck stated that Party B's primary case is that Mr Foster fabricated or misrepresented the evidence of his early use of DRYSHOD for the purposes of these proceedings and to provide himself and Party A with a plausible explanation as to why the contested application was filed. I summarise Party A's evidence of claimed earlier use below:

- In November 2012, Party A began a search for a replacement to a European sourced PVC boot. A factory was sourced on 25 March 2013 and commenced standards testing¹⁸;
- A new brand name was required for the goods and several options were considered but after research revealed that another mark featuring DRYSHOD had been abandoned;
- Original artwork is provided "as of 3 April 2013"¹⁹. The only date indication is the typed heading to the page "Original design artwork, cased on Apsley Rubber Co, DRY SHOD logo April 3, 2013";
- Sampling was carried out during June – July 2013 and the commercial photography for marketing was completed on 27 September 2013²⁰. Copies of these photographs, as of this date, are provided²¹, but these do not show the mark and are dated in the same way as the previous exhibit;

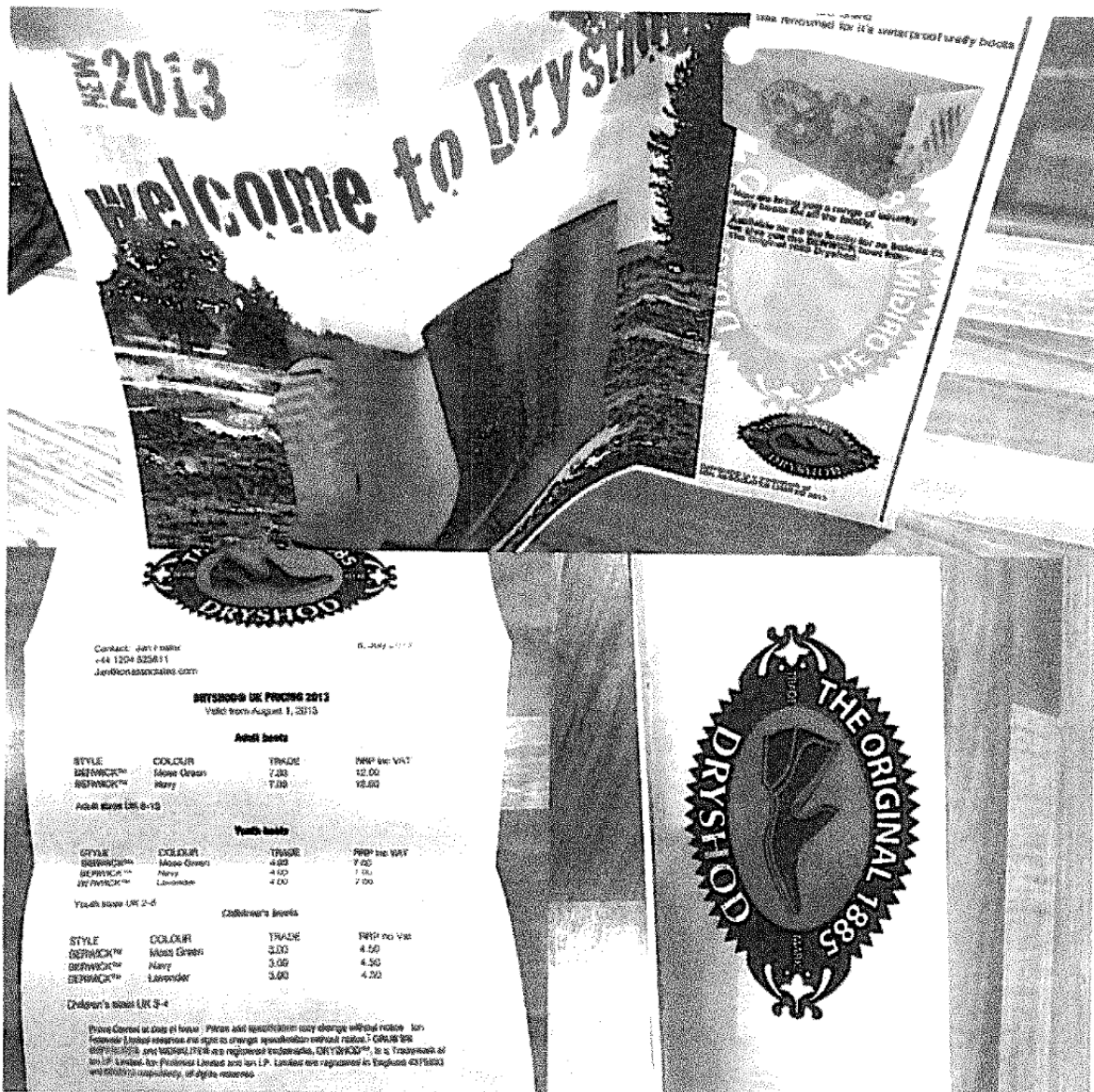
¹⁸ Mr Foster's witness statement, para 4

¹⁹ Exhibit DF2

²⁰ Mr Foster's witness statement, para 8

²¹ Exhibit DF3

- An advertising leaflet was developed with a picture of the goods on one side and a price list on the other and were sent to a list of 58 retailers²². A copy of this leaflet as of 4 October 2013 is provided²³. The front of the leaflet states “NEW 2013 welcome to Dryshod”. The leaflet is shown below:



- An initial order for 8060 pairs of boots was shipped (two containers) and a proforma invoice for the same was received from the supplier on 5 November 2013²⁴ and a copy is provided. This copy is of poor quality, but the date can

²² Mr Foster’s witness statement, para 9 and 15

²³ Exhibit DF5

²⁴ Mr Foster’s witness statement, para 10

be seen, as can part of the address that reads “Olympic House”. The trade mark is not visible. In the same exhibit there is also a copy of an order form from “Ion Associates Ltd” also with an address at “Olympic House” in Bolton. It is dated 13 October 2013. The common occurrence of “Olympic House” in the address details on both documents suggests that it relates to the same order as the proforma invoice and is in respect of an order value of approximately \$55,000. The containers arrived in the UK in early March 2014²⁵;

- The above order was shipped by Party A on 23 January 2014 and the “bill of lading” and “certificate of origin” was sent to Party A upon payment and receipt²⁶. These documents have been provided²⁷. Neither of these documents bear a DRYSHOD trade mark;
- The packaging of these boots bears the DRYSHOD logo and an undated photograph of this is provided²⁸;
- A third container of 3310 pairs of boots was shipped in May 2014²⁹ arriving in the UK in mid-June 2014³⁰;
- Three undated photos of the boots with Party A’s logo version of the DRYSHOD mark are provided³¹;
- A breakdown of 15 orders for Party A’s DRYSHOD boots is provided for the period 2013 to 2017³². The following four are dated before Mr Donohue’s contact with Mr Foster regarding his plans:

Order No.	PO date	Pairs	Transfer Value at date of invoice (USD 1.55 = GBP 1.00)

²⁵ Ditto, para. 14

²⁶ Ditto, para. 11

²⁷ Exhibit DF6

²⁸ Exhibit DF7

²⁹ Mr Foster’s witness statement, para. 13

³⁰ Ditto, para. 14

³¹ Ditto, para 15 and Exhibit DF8

³² Ditto, para. 16

2013			
BER-001	18 Oct 13	4240	£12,085.45
BER-002	19 Oct 13	3820	£9,200.00
		8060	£21,286.45
2014			
BER-003	27 Feb 14	3310	£10,520.00
BER-004	29 Jun 14	4800	£13,503.23
		12110	£24,023.23

- The gross sales value of these orders is also provided and amounts to £38,571.85 for the 2013 orders and approximately £50,000 (a number I have approximated based on the proportion of the total number of boots sold in 2014 that were dated before Mr Donohue’s contact with Mr Foster)³³. A selection of invoices relating to these orders are provided³⁴. Prior to June 2016, all invoices were addressed to “Ion Associates Limited” that, as explained by Mr Foster, then changed its name to Grubs Boots Limited³⁵, however, they all post-date Mr Donohue’s approach in July 2014;
- A pricelist dated 8 July 2013 is provided that prominently shows the device mark featuring DRYSHOD as shown at the sixth bullet point of this paragraph, above³⁶.

41) Mr Zweck made the following criticisms of Party A’s defence:

All of the corroboratory documents are either undated, don’t show the mark in issue, are redacted in a way that provides uncertainty as to their probity or are fabricated for the purposes of these proceedings and were only provided after Party A’s case was criticised by Party B

42) I keep in mind that if Party A/Mr Foster had had prior unregistered rights, it would have been entirely proper, and commercially sensible, to apply for registration in the

³³ Mr Foster’s witness statement, para. 17

³⁴ Exhibit DF9

³⁵ Mr Foster’s witness statement, para. 23

³⁶ Exhibit DF10

UK when Party B informed him of his intentions to revive the brand in the US. Therefore, a finding that Party A's evidence illustrates that it had a prior interest in the mark in the UK would provide it with a sound reason for applying for its registration upon receiving Party B's enquiry in 2014.

43) Party B's claims are that:

- on 14 May 2017, Party B filed an IR for the mark designating a number of countries, including the UK (the subject of Party A's opposition);
- on 16 July 2017, Party B received a letter from the UK IPO informing him of the potential conflict with Party A's mark. He states that this was the first time that he became aware of Party A's UK registration³⁷;
- when Party B challenged Mr Foster regarding his UK mark, he replied by email stating that he had been selling a range of PVC boots under the Dryshod name since the Autumn of 2012, but was unable to register the mark at that time as he was waiting for the required 6 months after the previous owner's mark had expired;
- his research has found no use by Party A³⁸ of a DRYSHOD mark;
- in his written submissions, he criticises Party A's evidence that it used the DRYSHOD mark prior to being contacted by Party B. These criticisms can be summarised as:
 - Exhibit DF1: this is irrelevant as it shows use of a DRYSHOD mark by a third party;
 - Exhibit DF2: these pages "conveniently" contains hand written date indication signed by Mr Foster, and was provided only after Party B's submissions criticising the claimed use;
 - Exhibit DF3: no mention of DRYSHOD, so it is irrelevant;
 - Exhibit DF4: use is marginal within one promotional flyer (page 1 only – no other 3 pages show it prominently)
 - Exhibit DF5: the invoices relate to ION ASSOCIATES LIMITED. Further the invoices relate to a boot branded BERWICK the order forms are

³⁷ Ditto, paras 23 - 24

³⁸ Mr Donohue's witness statement, para. 32

headed “The Dryshod Boot Company Order Form” – only place where the name DRYSHOD appears.

- Exhibit DF6: no mention of DRYSHOD;
- Exhibit DF7: no clear use of the mark on the goods. Cartons show “The Dryshod Boot Company Ltd” – what is relationship with Party A?
- Exhibit DF8: Export packaging – not show use in UK
- Exhibit DF9: as per Exhibit DF5;
- Exhibit DF10: goods sold are branded BERWICK and not DRYSHOD. If genuine, use of ® logo before application date is contrary to s. 95(3).

44) Mr Zweck submitted that these exhibits are all deliberately misleading, in an attempt to demonstrate earlier independent intentions to use the mark. It is clear to me that this evidence is not as conclusive as it might have been in demonstrating use from 2013 in respect of the mark DRYSHOD, but I am not convinced by the submissions made by Mr Zweck, that they are fabricated. As I have commented earlier, Mr Foster appeared to be an honest witness when subject to cross examination and he has made verbal and written statements regarding the veracity of these exhibits. Merely because the documents are not as conclusive as they could have been does not render them false or misleading. I accept that not all of these exhibits support use of the DRYSHOD mark, but others such as the leaflet shown at paragraph 29 (5th bullet point), above, do show use in 2013 and early 2014 (i.e. before the relevant date in these proceedings). Further, the invoices at Exhibit DF8 identify the model of the subject goods as being DRYSHOD. Whilst most of these refer to the import of goods to Ion Associates Ltd, Mr Foster has explained that this is his trading business, whilst Party A is his company that holds the intellectual property. Whilst he failed to make this distinction clear in his witness statement, it does not lend any support to the contention that these documents fail to show that he was actively undertaking a trade in DRYSHOD boots from 2013.

45) Mr Zweck drew attention to the fact that these documents were not brought to light until 2017. Mr Foster has provided an explanation as to why he did not share, with Party B, his own activity and registration of the DRYSHOD mark in the UK. Whilst withholding that information from Party B may not be immune from criticism, it does not automatically lead to a finding that the filing of his registration amounted to

bad faith. The true significance of these documents is not obvious, but they are not inconsistent with Mr Foster's claims and other than Party B's perception of the background, there is nothing about the documents themselves that lead me to a conclusion that they are fabricated and manipulated in a way so as to paint an untrue picture.

46) A claim of bad faith is a serious one that must be distinctly proven and criticisms of the type brought forward on behalf of Party B fail to distinctly prove that these documents support a claim that the filing of Party A's mark amounted to an act of bad faith.

Unchallenged evidence from Party B that he intended that his DRYSHOD brand would be marketed in the UK and the filing of the mark in the UK by Party A was an attempt to pre-empt this

47) Reliance upon a claim that Party B intended to market his mark in the UK is not the key issue in assessing whether Party A's registration was made in bad faith. In order to assess this, it is necessary for a finding that Mr Foster/Party A knew of such an intention. There is nothing in the evidence that demonstrates that this was so. There is no evidence that Mr Donohue had a history of extending his activities to the UK. If there had been, that may have alerted Mr Foster/Party B to the possibility that he may have intentions to do the same with his DRYSHOD brand. Taking these two points into account, together with territorial nature of trade marks and the fact that Mr Foster was aware of the DRYSHOD mark becoming available in the UK after 2013, there is nothing in this factual matrix, including that fact that Party B had made an approach to Mr Foster to assist him in obtaining his US registration, that leads me to conclude that Party A was acting in bad faith when applying for its registration.

48) In reaching such a conclusion, I have kept in mind the guidance of the CJEU in *Malaysia Dairy Industries Pte Ltd v Ankenævnet for Patenter og Varemærker*, Case C-320/12, where it held that merely knowing that a trade mark was in use by another in another jurisdiction did not amount to bad faith under Article 4(4)(g) of the Directive (equivalent to section 3(6) of the Act).

49) Much is made of the close relationship between Mr Foster and Party B, however, I find that there is little to be gleaned from this. Even if I was to accept the highpoint of Party B's case, namely that he and Mr Foster were good friends and close business associates and that, as a result of this, Party B could have expected that either Mr Foster would leave the mark alone, or at least confide in Party B as to what his plans were. In such circumstances, Party B may rightly feel disappointed in Mr Foster, but that does not displace the fact that, in the absence of any knowledge that Party B had plans to extend into the UK, Party A was free to apply for the mark.

50) Party B identifies what he perceives as Mr Foster's continued deception, when meeting in China in July 2017. Mr Foster has explained his reason for not disclosing to Party B that he had been trading under the DRYSHOD mark for some four years in the UK as being that Party B's own disclosure of broader plans to use their mutual distributor contacts and to expand his DRYSHOD range to include rubber boots made him realise that he was suddenly a competitor. It strikes me that Mr Foster's reasons are at least as plausible as Party B's, but I can see that from the perspective of Party B, why this would appear to him as a continued deception. I find that the circumstances surrounding Party B's and Mr Foster's face to face meeting in China is equally consistent to both sides' perceptions and that these circumstances do not enhance Party B's claim of bad faith.

51) Taking all of this into account, I conclude that, whilst it is understandable that Party B may feel aggrieved, I do not interpret the factual matrix as indicating that Party A applied for the DRYSHOD mark in the UK in bad faith. Clearly, Mr Foster's view of his relationship is somewhat different to that portrayed by Party B, such that he felt he did not need to disclose his activities in the UK or his act of filing for the mark in the UK to Party B. Nevertheless, he must have realised the potential for doing this to upset Party B. However, the underlying right of Mr Foster/Party A to apply for the mark is not displaced by this.

52) There is nothing in the evidence to lead me to conclude that Mr Foster knew of any intention on the part of Party B to extend his plans to develop the DRYSHOD brand into the UK at the time of his contacts with Mr Foster in 2014, nor that in the absence of any history of doing so, that Mr Foster should have expected that such

plans existed. Consequently, I cannot find that Party A's actions in filing for the mark were motivated by a desire to pre-empt Party B's plans to enter the UK market.

53) Taking all of the above into account, I find that the case that Party A acted in bad faith when applying to register its UK mark not to be made out. The claim of bad faith fails.

Summary

54) The claim that Party A acted in bad faith fails in its entirety.

55) It was conceded at the hearing, on behalf of Party B, that if the cancellation action is unsuccessful then Party A will succeed in the opposition to Party B's designation of the UK of his International Registration.

56) Consequently, Party A has successfully defended the case against it regarding the claim of bad faith and it may therefore rely upon its earlier mark to succeed in its opposition against Party B's IR, insofar as it designates the UK.

COSTS

57) Party A has been successful in defending itself in the invalidation proceedings and successful in its opposition to Party B's UK designation of his IR. Therefore, it is entitled to a contribution towards its costs, according to the published scale in Tribunal Practice Notice 4/2007. I take account that both sides filed evidence, that both sides filed written submissions and that a hearing was held and that Mr Foster appeared at the hearing for cross examination. With this in mind, I award costs as follows:

Preparing statement and considering counterstatement (including the official fee attached to the opposition proceedings)	£700
Preparing evidence and considering other side's evidence	£1000
Attending hearing	£1300
Total:	£3000

58) I order James K Donohue to pay ION IP Ltd the sum of £3000 which, in the absence of an appeal, should be paid within 14 days of the expiry of the appeal period.

Dated this 21st day of November 2018

Mark Bryant

For the Registrar

The Comptroller-General