

**TRADE MARKS ACT 1994**

**IN THE MATTER OF TRADE MARK REGISTRATION NO. 3005461 IN THE  
NAME OF SICUT ENTERPRISES LIMITED**

**AND IN THE MATTER OF CANCELLATION NO. CA501363 IN RELATION  
THERE TO BY AXION STRUCTURAL INNOVATIONS LLC**

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**DECISION**

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**Introduction**

1. This is an appeal against the decision of Ms Al Skilton, acting on behalf of the Registrar, dated 16 August 2018 (O-508-18) in which she upheld the application for invalidity under section 3(6) of the Trade Marks Act 1994 (“*the 1994 Act*”).
2. On 10 May 2013 an application was made to register ECOTRAX as a registered trade mark in respect of a variety of different goods in Class 19 (“*the Trade Mark*”). The Trade Mark was registered on 29 November 2013. The registered proprietor is Sicut Enterprises Limited (“*Sicut*”).
3. On 3 October 2016 Axion Innovations LLC (“*Axion*”) applied under section 47 of the 1994 Act for the trade mark registration to be declared invalid. The grounds for invalidation were that the trade mark was applied for in bad faith contrary to section 3(6) of the 1994 Act.
4. On 12 December 2016 Sicut filed a counter-statement which denied all of Axion’s claims.
5. Both parties filed evidence. The evidence included a witness statement of Mr Aggarwal, the Executive Chairman of Sicut, which was filed on behalf of Sicut in answer to the application for invalidity.
6. A hearing took place on 30 November 2017 at which Axion was represented by Mr Dan McCourt-Fritz instructed by Abel & Imray; and Sicut was represented by Ms Ashton Chantrielle instructed by Aaron & Partners LLP. At the hearing Mr Aggarwal was cross-examined.

## **The Hearing Officer's Decision**

7. The Hearing Officer first identified by reference to the pleadings the basis for the claim under Section 3(6) of the 1994 Act. For reasons that will become apparent it is necessary to quote these paragraphs in full (emphasis added):

3. . . . [Axion] relies on the following matters to support its claim under s. 3(6):

*"1. Axion Structural Innovations LLC (hereinafter referred to as 'Axion' to include, where appropriate, its predecessors in title Axion International Holdings, Inc and Axion International, Inc) manufactures and sells high quality composite building materials made from recycled materials. **Axion created the mark ECOTRAX in 2011 and has, since 1 May 2011, manufactured and sold in the United States and elsewhere railroad ties or sleepers under the mark ECOTRAX** ('the ECOTRAX products'). It sought registration of the mark in August 2011 in the United States and was granted a registration of the mark ECOTRAX under United States Registration No. 4339342 ECOTRAX.*

*2. Both Axion and Sicut were until recently licensees of Rutgers University, which is located in the United States, in respect of technology which, in combination with other processes, is used for the manufacture of products incorporating recycled plastics. One such line of products is composite railroad ties and sleepers, marketed and sold under the ECOTRAX trade mark which Axion adopted and that was the case at the date of filing of United Kingdom Trade Mark Registration No. 3005461. **The licence from Rutgers University granted the parties the right to use the technology and sell and manufacture products made from the technology. The licence did not include or incorporate the trade mark ECOTRAX**, all of the rights in which belong exclusively to Axion and which was adopted by Axion years after the licence granted to it.*

*3. **In countries where Axion was licensee of the technology, it manufactured and sold railroad ties under the mark ECOTRAX directly to end consumers.***

*4. **In countries where Sicut was licensee (Australia, Switzerland, China, the EU, India, Mongolia, New Zealand, Turkey and Ukraine), that company has never manufactured any products incorporating the licensed technology for use as railroad ties. In those countries Axion was the sole manufacturer of the products incorporating that technology and agreed that Sicut could act as its agent in selling Axion's ECOTRAX product to end users.***

**5. Whilst Axion was happy for Sicut to use the mark ECOTRAX to promote the railroad tie products which Axion had manufactured, it never consented to Sicut's registration of the mark, or any use of the mark ECOTRAX on products not manufactured by Axion, which would be misleading to the relevant consumer.**

6. Axion became aware of Trade Mark Registration No. 3005461 ('the Registration') in November 2014 but was unable at the time for financial reasons to take action against the Registration."

4. Having provided the background to its case, Axion submits the following regarding its claim that the proprietor has acted in bad faith:

"10. Given the factual circumstances described above, **Sicut was fully aware that Axion was the legitimate proprietor of the mark ECOTRAX at the time it filed the application which resulted in the Registration.** Evidence will be provided to show correspondence between the parties and material from Sicut's website which refer to Axion's ECOTRAX product and mark, together with an advert placed in the UK periodical Urban Transport Agenda by Axion, which Axion forwarded to Sicut on 25 October 2012, prior to the date of application of the Registration.

**11. In addition, evidence will be filed to show that Sicut has, subsequently, consistently misappropriated Axion's proprietary product literature and promotional materials in order to mislead consumers into thinking that Sicut is the manufacturer of the ECOTRAX products.**

12. Sicut has had, to the best knowledge of the Applicant, no manufacturing capacity and relies on third parties to manufacture all of the products it sells. **Axion uses a particular proprietary manufacturing process for its ECOTRAX rail ties and sleepers in addition to the technology licensed from Rutgers University and those products have been tested and duly certified by the relevant railway authorities.** Use of the mark ECOTRAX on railroad ties and sleepers not manufactured by Axion would be misleading to the relevant consumer.

**13. In seeking registration of Axion's mark ECOTRAX, Sicut clearly had in mind to misappropriate the mark ECOTRAX and subsequently hinder Axion's ability to sell its ECOTRAX products through other third parties or, alternatively, directly to UK customers. That constitutes dishonest behaviour which,**

**at the very least, 'falls short of the standards of acceptable commercial behaviour'.**

14. *In view of the factual circumstances described above, Sicut was acting in bad faith at the time it filed the application leading to the Registration. The mark was accordingly registered contrary to Section 3(6) of the Act and should therefore be declared invalid under Section 47(1) of the Act.*”

5. On 12 December 2016, Sicut filed a counter-statement in which it denies all of Axion’s claims.

**“9. Paragraph 10 of Axion's statement of grounds is disputed. Axion had and still has no rights in the mark ‘Ecotrax’ in the UK. Axion has not used the mark, has not built any goodwill in the mark and is not known as the proprietor of the mark in the UK.**

10. *We fail to see how Axion's comments in paragraph 7 of its statement of grounds, relating to its registration of the trade mark ‘Ecotrax’ in the USA (solely for non metal railroad ties), and its limited use of the mark ‘Ecotrax’ in various jurisdictions outside the UK provide it with sufficient rights to be afforded protection in relation to the mark within the UK. Furthermore, Axion's statement in paragraph 7 of its statement of grounds that it used the mark in France is incorrect as the interaction it is referring to was purely at Sicut's request in order to arrange delivery of products to one of Sicut's customers.*

**11. Sicut contends that it used the mark ‘Ecotrax’ in the UK for the marketing and sale of railway sleepers and railroad cross ties prior to any other party using an identical mark (or any other confusingly similar mark) in the UK.**

12. *Axion has admitted that it was aware (from the date that Sicut contracted with Axion to manufacture goods for Sicut using the Rutgers Technology) that Sicut was using the mark Ecotrax in the UK (and other territories in which Rutgers had granted Sicut an exclusive licence to use the Rutgers Technology) in relation to railway sleepers and railroad cross ties at the same time that Axion was using the same mark in the USA. During this time, **Sicut sold products incorporating the Rutgers Technology in the UK under the name ‘Ecotrax’ and as a result built up goodwill and a reputation in relation to the products sold using the mark ‘Ecotrax’ within the UK and EU. As a result, the mark ‘Ecotrax’ has become synonymous in the rail industry in the UK and EU with the products sold by Sicut. No objection was raised by Axion to Sicut's use of the mark ‘Ecotrax’ or attempt made to register the mark***

**'Ecotrax' in the UK and no request was made to Sicut to enter into a licence for its use of the mark 'Ecotrax'.** It would be common for any commercial enterprise that believes it has rights in a trade mark to require anyone using such a mark to enter into a licence and to place restrictions upon how such marks are used. No such agreement was ever proposed or entered into. For the reasons set out in this paragraph, paragraph 7 of Axion's statement of grounds is disputed.

13. Paragraphs 11 and 12 of Axion's statement of grounds are disputed. Whether Sicut manufactures the products sold under the mark 'Ecotrax' or instructs a third party to manufacture them on its behalf is irrelevant. **Sicut has spent significant time and money in developing and building goodwill in the mark 'Ecotrax' and it is clear to the public that Sicut is (i) the proprietor of the goods sold under the mark 'Ecotrax'; and (ii) the sole source of railway sleepers and railroad ties made using the Rutgers Technology and sold under the mark 'Ecotrax' in the UK and EU.**

14. Paragraph 13 of Axion's statement of grounds is disputed. Notwithstanding the points raised above, **Axion was and is prohibited from selling the products that it manufactures under the name 'Ecotrax' in the UK on the basis that these products incorporate Rutgers Technology, which Axion is not licenced to use in the UK (whether directly or indirectly).** If Axion were to change the product so as not to use the licenced technology then this would be a new product in which it has no goodwill. Furthermore, it has no goodwill in the word 'Ecotrax' at all in the UK as it has never traded in the UK. **Sicut had no requirement to obtain the consent of Axion to register the mark 'Ecotrax' in the UK.** Axion had not used the mark in the UK, had no reputation in relation to the mark in the UK and was prevented by the terms of the Rutgers licence from selling in the UK or the EU the products that it packaged under the 'Ecotrax' mark registered in the USA.”

8. The Hearing Officer then summarised the evidence that was before her and identified the relevant law by reference to Arnold J's summary as set out in paragraphs [131] to [138] of his judgment in Red Bull GmbH v. Sun Mark Limited and Sea Air & Land Forwarding Limited [2012] EWHC 1929 (Ch) before turning to her analysis of the relevant facts.
9. The Hearing Officer first considered the origin of the ECOTRAX trade mark and its use by Axion. She found, on the basis that it was not disputed by Sicut, that Axion: (1) was the originator of the mark ECOTRAX; (2) had registered the mark in the US; and (3) sold products directly to its customers in its territories specified in the Rutgers technology licence under the mark ECOTRAX (paragraph [32] of the Decision).

10. Having considered Axion's business the Hearing Officer turned to consider the manufacture of goods sold under the ECOTRAX trademark. The Hearing Officer identified two points of dispute:
  - (1) That Sicut had manufactured goods under the trade mark prior to filing the ECOTRAX trade mark in the UK; and
  - (2) That Sicut had instructed Axion to manufacture ECOTRAX goods to Sicut's own specification.
11. As to the first point as stated in paragraph 39 of the Decision '*Under cross-examination Mr Aggarwal eventually accepted that Sicut had not manufactured composite sleepers itself prior to applying for the trade mark ECOTRAX in the UK.*' That finding was reiterated in paragraph [46] of the Decision.
12. With regard to the second point the Hearing Officer found at paragraph [41] of her Decision:

. . . that Axion was the sole manufacturer of goods sold under the ECOTRAX trade mark and that goods ordered from Axion by Sicut were manufactured to Axion's own specifications. It is Axion which was responsible for the safety and technical licences for the product and it was its own proprietary manufacturing process which was used. Furthermore, that process was not shared with Sicut at any point during their relationship.
13. The Hearing Officer then turned to the registration of ECOTRAX in the UK. The Hearing Officer made the following findings on the basis of the cross-examination of Mr Aggarwal:
  - (1) That Rutgers University had no interest in the mark ECOTRAX and could not licence the mark (paragraphs [42] and [48] of the Decision);
  - (2) That Axion came up with the ECOTRAX mark and used it in territories that were licensed to Axion by Rutgers University (paragraph [42] of the Decision); and
  - (3) That Sicut had not provided evidence to demonstrate that it had used ECOTRAX before the date upon which it had applied for the trade mark and accordingly had no goodwill in the mark (paragraphs [46] and [49]).
14. The Hearing Officer considered the three bases upon which Sicut suggested that it has the right to register the trade mark ECOTRAX in the UK.

15. The first basis was that the application was made with the consent of Axion. This point was raised for the first time during the cross-examination Mr Aggarwal during which he contended it had been agreed between Axion and Sicut that ‘*They would market ECOTRAX in their territory, we would register the mark in our territory and build the reputation of the technology*’ (paragraph [43] of the Decision). This was expressly rejected by the Hearing Officer at paragraph [47] of the Decision where she found as follows:

47. I do not accept that Sicut had an agreement with Axion that Sicut could register the ECOTRAX mark in the UK and develop a market under the mark in that that territory. If that were the case, given that these proceedings are founded entirely on a s. 3(6) ground for which Sicut’s knowledge is a key factor, I find it incredible that such a reason would have been omitted from Sicut’s counter-statement and all of its written evidence and submissions, being raised for the first time when Mr Aggarwal was being cross-examined. I find favour with the point made by Axion’s counsel, that if true, this would have been Sicut’s first line of defence.

16. The second basis was that Sicut believed that it had a right to use the ECOTRAX mark in the UK as such use was inextricably linked with the Rutger’s technology. However as the Hearing Officer observed this mixes up the right to use Rutger’s technology with the right to use the ECOTRAX mark and was rejected by the Hearing Officer in paragraph [48] of her Decision on the basis of the cross-examination of Mr Aggarwal above.
17. The third basis was that Sicut believed that it has the right to protect the goodwill that it had built up in the mark ECOTRAX in the UK. However, the Hearing Officer found that neither Sicut nor Axion had, on the evidence filed, demonstrated that they had acquired goodwill under the ECOTRAX mark in the UK (paragraphs [49] to [51] and [60] of the Decision).
18. The Hearing Officer then went on to make findings with regard to the post-filing conduct of Sicut, which was in the form of information contained on Sicut’s website, as follows at paragraph [57] of her Decision:

. . . The case law is clear that where such conduct casts a light backwards it can be relevant and I find that to be the position here, because it shows a propensity on the part of Sicut to exploit Axion’s technical data and testing records for products sold under the ECOTRAX mark to its own commercial advantage.

19. With regard to the finding of *prima facie* case of bad faith the Hearing Officer found as follows:

60. Leaving aside the licence agreements, which I will return to shortly, on a strict application of the law, Axion had no protectable rights in the UK at the date on which Sicut applied for the ECOTRAX mark in the UK. Axion's business and trade mark registration in the US do not give it any 'overflowing' rights in the UK.

61. However, it is clear from the evidence that Sicut must have known, at least, that Axion was the only manufacturer of the goods sold under the ECOTRAX trade mark, that Axion was responsible for gaining the testing certificates for the goods and that Axion has kept its manufacturing process to itself and has not shared it with any third parties, including Sicut.

62. Regardless of Sicut's specific knowledge regarding the patents and their coverage in various jurisdictions, Sicut must have known, at the outset of the licence agreement with Rutgers, when the patents for the technology would expire. Given that the US patents expired in August 2016 and any onward filings from those patents could not be in force for longer than 12 months after that date, Sicut must have had a reasonable expectation that all of the Rutgers technology licences would expire some time in 2017.

63. The products at issue here are of international appeal and the market is a discreet one. Furthermore, Sicut knew that Axion sells its goods under the ECOTRAX mark directly, where it can. Taking all of these factors into account, I find it hard to believe that Sicut did not expect Axion would enter the UK market, with the goods that it manufactures, under its own trade mark, as soon as it was free to do so.

64. In addition, it is clear from the evidence filed regarding Sicut's website content that Sicut claims to be responsible for ECOTRAX goods successfully tested in France between 2009 and 2012 and claims responsibility for ECOTRAX goods nominated for an award in 2014. The evidence has shown Sicut to have had no manufacturing capability during this period, nor any knowledge of the manufacturing process, which Axion has not shared. Such behaviour is consistent with the trade mark application being part of a pattern of behaviour intended to take unfair advantage in the UK of Axion's international reputation under the ECOTRAX mark.

65. I find that Sicut's application for the trade mark ECOTRAX on 10 May 2013 was, in light of all of the relevant factors, partly a pre-emptive move to prevent the applicant from entering the UK market and partly motivated by a desire to take advantage of the standing of ECOTRAX products in other markets.



20. Having reached her conclusion on the *prima facie* case the Hearing Officer then turned to the question of Sicut's belief that it was entitled to register the trade mark ECOTRAX on the basis that Axion would not and could not trade in the UK by reason of the Axion's licence agreement for the Rutger's technology and a non-infringement agreement that had been agreed between the parties. This was rejected by the Hearing Officer at paragraphs [68] to [72] of the Decision in which she concluded on the balance of probabilities that as of the filing date Sicut knew that there was no such restriction on Axion entering into the market in the UK.

21. As a result of these findings the Hearing Officer concluded as follows (note the numbering is as was contained in the original Decision):

73. Earlier in this decision I found that Axion was using the ECOTRAX mark outside the UK in relation to goods of appeal to a niche international market. Sicut knew that the applicant would wish to enter the EU/UK market once it knew it was free to do so and Sicut had no goodwill under the mark ECOTRAX at the relevant date.

74. The applicant's intention at the relevant date appears to have been to register ECOTRAX with a view to preventing the applicant from entering the UK market and motivated by a desire to take advantage of the standing of ECOTRAX products in other markets. I find that this behaviour fell below the standards observed by reasonable people in the relevant field of business. Subject to the effect of the licences and agreements, the trade mark application was therefore an act of bad faith.

76. The licence agreements cover the technology used in the goods sold under the mark, but not the ECOTRAX mark itself. These licences and the non-infringement agreement depend on the existence of enforceable patents. Sicut knew there were no enforceable patents preventing Axion from marketing and selling its products in the EU, directly. Even if, as Sicut claims, it did not know, it knew in 2013 that any patents were coming to an end. Either way, it knew that the applicant would probably want to enter the UK market under ECOTRAX in the foreseeable future. Sicut cannot therefore have reasonably believed, as it claims, that Axion was prevented from using its mark in the UK.

77. In conclusion, Sicut has no effective answer to the charge of bad faith through pre-empting the entry into the UK market so as to secure an unfair advantage in the UK market.

78. The application under section 3(6) succeeds.

### **The Appeal**

22. On 8 November 2018 Sicut filed an appeal against the Hearing Officer's Decision pursuant to section 76 of the 1994 Act.
23. In the Grounds of Appeal four errors were identified by way of summary as follows:
  - (1) That the Hearing Officer erred by failing to consider the key questions in her assessment of bad faith.
  - (2) That the Hearing Officer had made errors of principle in her assessment of the evidence of Axion.
  - (3) That the Hearing Officer had made errors of principle (both live and documentary) in her assessment of whether Axion had demonstrated a *prima facie* case of bad faith.
  - (4) That the Hearing Officer had made errors of principle in her assessment of the evidence of Sicut (and in particular Sicut's evidence of intention).
24. Extensive particulars of each of the above Grounds were given.
25. No Respondent's Notice was filed.
26. At the hearing of the appeal as below Sicut was represented by Ms Ashton Chantrielle instructed by Aaron & Partners LLP and Axion was represented by Mr Dan McCourt-Fritz instructed by Abel & Imray.

### **Standard of review**

27. An appeal against decisions taken by the Registrar is by way of review. Neither surprise at a Hearing Officer's conclusion, nor a belief that he or she has reached the wrong decision suffice to justify interference in this sort of appeal. Before that is warranted, it is necessary for me to be satisfied that there was a distinct and material error of principle in the decision in question or that the Hearing Officer was wrong. See Reef Trade Mark [2003] RPC 5; and Actavis Group PTC v. ICOS Corporation [2019] UKSC 1671 at [78] to [81].
28. Moreover where the decision below involves the making of a value judgment the decision maker on appeal must be especially cautious about interfering with that judgment on appeal: see most recently Actavis (above) at [80]:

80. What is a question of principle in this context? An error of principle is not confined to an error as to the law but extends to

certain types of error in the application of a legal standard to the facts in an evaluation of those facts. What is the nature of such an evaluative error? In this case we are not concerned with any challenge to the trial judge's conclusions of primary fact but with the correctness of the judge's evaluation of the facts which he has found, in which he weighs a number of different factors against each other. This evaluative process is often a matter of degree upon which different judges can legitimately differ and an appellate court ought not to interfere unless it is satisfied that the judge's conclusion is outside the bounds within which reasonable disagreement is possible:

*Assicurazioni Generali SpA v Arab Insurance Group (Practice Note)* [2002] EWCA Civ 1642; [2003] 1 WLR 577, paras 14-17 per Clarke LJ, a statement which the House of Lords approved in *Datec Electronic Holdings Ltd v United Parcels Service Ltd* [2007] UKHL 23; [2007] 1 WLR 1325, para 46 per Lord Mance.

29. In Fage UK Ltd v. Chobani UK Ltd [2014] EWCA Civ 5; [2014] E.T.M.R. 26 at paragraph [115] Lewison LJ said:

115 It is also important to have in mind the role of a judgment given after trial. The primary function of a first instance judge is to find facts and identify the crucial legal points and to advance reasons for deciding them in a particular way. He should give his reasons in sufficient detail to show the parties and, if need be, the Court of Appeal the principles on which he has acted and the reasons that have led him to his decision. They need not be elaborate. There is no duty on a judge, in giving his reasons, to deal with every argument presented by counsel in support of his case. His function is to reach conclusions and give reasons to support his view, not to spell out every matter as if summing up to a jury. Nor need he deal at any length with matters that are not disputed. It is sufficient if what he says shows the basis on which he has acted. These are not controversial observations: *see Customs and Excise Commissioners v A* [2002] EWCA Civ 1039; [2003] Fam. 55; *Bekoe v Broomes* [2005] UKPC 39; *Argos Ltd v Office of Fair Trading* [2006] EWCA Civ 1318; [2006] U.K.C.L.R. 1135.

30. It is necessary to bear these principles in mind on this appeal.

### **Decision**

31. The first ground of appeal was concerned with the correct approach to the assessment of bad faith. On this appeal it is submitted that the correct approach to the question of bad faith is that as set out in paragraph [8] of the decision of Geoffrey Hobbs QC

sitting as the Appointed person in ALEXANDER Trade Mark (O-036-18) which states as follows:

The key questions for determination by the Hearing Officer were: (1) what, in concrete terms, was the objective that CKL had been accused of pursuing? (2) was that an objective for the purposes of which the contested application could not properly be filed? (3) was it established that the contested application was filed in pursuit of that objective? The first question serves to ensure procedural fairness and clarity of analysis. The second question requires the decision taker to apply a moral standard which, in the absence of any direct ruling on the point from the CJEU, is taken to condemn 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 Plasticulture Ltd v. Don & Low Nonwovens Ltd* [1999] RPC 367 at 379 (Lindsay J). The third question requires the decision taker to give effect to the principle that innocence must be presumed in the absence of evidence sufficient to show that the applicant has acted improperly as alleged.

32. Whilst I agree that the approach to assessment identified by Mr Hobbs in ALEXANDER TM is of great assistance for the purposes of the analysis of the questions for determination in cases such as the present, it does not seem to me (and all the more so when the decision in ALEXANDER TM was issued on a date after the hearing below albeit on a date prior to the decision under appeal being issued) the mere fact that the decision in ALEXANDER TM is not referred to in the Decision; and/or that the issues for determination are not identified by reference to the specific questions identified in that and earlier cases cannot in and of itself constitute a valid ground of appeal. To take such an approach would in my view be to allow an appeal on the form rather than the substance of the decision made below.
33. I therefore turn to the substance of the complaints on this appeal.
34. By reference to the first key question identified ALEXANDER TM it is stated in the Grounds of Appeal that the Hearing Officer failed to identify what the objective was that the proprietor was accused of pursuing. This was quite rightly not pressed at the hearing of the appeal. It seems to me that the Hearing Officer had firmly in mind what the objective was namely to *'misappropriate the mark ECOTRAX and subsequently hinder Axion's ability to sell its ECOTRAX products through other third parties or, alternatively, directly to UK customers'*. I am of this view because firstly the Hearing Officer had in paragraph [4] of her Decision set out the Grounds from the TM26(I) and in paragraph 13 of those Grounds the objective is identified clearly and in concrete terms; secondly she summarised what the objective was in paragraph [58]

of her Decision; and thirdly made express findings in paragraphs [64] and [77] of her Decision by reference to the objective.

35. By reference to the second and third key questions identified in ALEXANDER TM it was submitted that the Hearing Officer had failed to consider the questions correctly. In particular it is said that the Hearing Officer: (1) failed to find that applying to register a trade mark to prevent a party from trading will only in certain circumstances constitute bad faith; (2) that the correct question the Hearing Officer should have asked was whether Sicut was intending to use the Trade Mark or whether it was Sicut's sole intention when registering the Trade Mark to prevent Axion from entering the market; and (3) as a result of this did not give sufficient weight to the evidence of Sicut's intentions at the time of making the application for the trade mark.
36. The starting point for consideration of in cases such as the present is that trade mark protection is granted to the 'first to file' subject to an objection on either absolute or relative grounds (see Case T-82/14 Copernicus-Trademarks Ltd v. EUIPO EU:T:2016:396 at paragraphs [26] and [27]).
37. In the present case the objection is on the absolute ground that the application was filed in 'bad faith'. There is no definition of 'bad faith' in the relevant legislation at the EU or national level. However 'bad faith' is an EU law concept which must be given a uniform interpretation throughout the EU.
38. As Advocate General Sharpston stated in paragraph 60 of her Opinion in Case C-529/07 Chocoladefabriken Lindt & Sprüngli v. Franz Hauswirth GmbH EU:C:2009:14, 'bad faith' refers to the subjective motivation of the applicant seeking the registration of the trade mark at issue, namely a dishonest intention or other sinister motive, entailing conduct departing from accepted principles of ethical behaviour or honest commercial and business practices. See also Copernicus (above) at paragraph [28].
39. On this appeal, it was not disputed on the part of Sicut that the Hearing Officer correctly directed herself to the relevant principles for the determination of the second key question by reference to the judgment of Arnold J. in Red Bull GmbH v. Sun Mark Ltd [2012] EWHC 1929 (Ch) which contains a summary of the general principles concerning 'bad faith' by reference to the case law.
40. With regard to the applicant's intention to prevent a third party from marketing a product, in the eighth consideration listed in the Red Bull judgment and included in the quotation set out by the Hearing Officer in her Decision, it is made clear by reference to the judgment of the CJEU in Case C-529/07 Chocoladefabriken Lindt & Sprüngli AG v. Franz Hauswirth GmbH EU:C:2009:361 at [43] to [45] that:

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).

41. It is apparent from the paragraphs quoted above that the Hearing Officer appreciated that the starting point for her assessment should be that the intention to prevent a party from marketing a product *may* be an element of bad faith. There is nothing in her Decision to suggest that she proceeded on the basis that an application to register a trade mark to prevent a party from trading was in and of itself an element of bad faith.
42. Further, whilst it is correct that in the Lindt judgment (above) that it is stated that particular support for such a case can be found where the applicant did not intend to use the mark, his sole objective being to prevent a third party from entering the market; there is no, and never has been, any suggestion on behalf of Axiom that Sicut had no intention to use the Trade Mark in the UK.
43. That proposition formed no part of Axiom's case. In fact quite the contrary was alleged. As noted above the objective relied upon in the present case was to *'misappropriate the mark ECOTRAX and subsequently hinder Axion's ability to sell its ECOTRAX products through other third parties or, alternatively, directly to UK customers'*. Therefore the particular situation, which was in any event only given by way of an example in paragraphs [44] and [45] of Lindt, in support of an allegation of bad faith has no application to the analysis in the present case.
44. Sicut also referred to the reference, in paragraph [59] of the Decision, to the decision of Geoffrey Hobbs QC in Daawat Trade Mark [2003] RPC 11, as demonstrating that the Hearing Officer had not approached the questions before her from the correct perspective. It does so, on the basis of certain criticisms that are made of the summary given by the Hearing Officer.
45. I do not accept those criticisms. The three questions that had been decided by the Hearing Officer in the affirmative and were the subject of the appeal (see paragraph

[37] of the Decision of Geoffrey Hobbs QC), were not in the same terms as those pleaded and noted in the headnote, but as set out in paragraph [31] of the Decision of Geoffrey Hobbs QC as follows:

(i) whether the respondent had knowledge of the applicant's use of the mark DAAWAT in India prior to the date of its application for registration of the same mark in the United Kingdom?

(ii) where the respondent had reasonable grounds to believe that the applicant intended to enter the UK market for rice under the DAAWAT mark?

(iii) whether the respondent applied to register the mark DAAWAT in order to take unfair advantage of its knowledge of the applicant's plans?

On appeal the affirmative answer to these three questions was upheld as was the finding of bad faith. Whilst it is perhaps unfortunate that the Hearing Officer in paragraph [59] of her Decision identified the points in two bullet points rather than the three points identified above, it does not seem to me that there was a material difference; and certainly not a material difference for the purposes of the Hearing Officer's analysis in the present case.

46. In this connection it is important to recognise that whilst much of the grounds and argument have been focussed on the eight consideration in Red Bull the Hearing Officer was required to have regard to all the other considerations identified in that case and in particular the requirement for the tribunal to '*make an overall assessment, taking into account all of the factors relevant to the particular case*' see Red Bull paragraph [136].
47. In these circumstances, I reject the suggestion made on behalf of Sicut on this appeal that the correct question the Hearing Officer should have asked was whether Sicut was intending to use the Trade Mark, or whether it was Sicut's sole intention when registering the Trade Mark to prevent Axion from entering the market. That was quite simply not the pleaded case that was advanced on behalf of Axion.
48. However, that is not to say that Sicut's intentions at the time of filing the application for the Trade Mark were not relevant to the assessment of all the relevant factors that the Hearing Officer had to make as is made clear in the case law referred to above and as is reflected in the analysis carried out by the Hearing Officer.
49. In the light of my findings above it seems to me that the Hearing Officer adopted the correct legal approach to the issues that she had to decide in the present appeal.

50. I now turn to consider the further issues that have been raised in the present appeal namely whether the Hearing Officer: (1) correctly assessed the evidence that was before her; and (2) on the basis of that assessment gave such evidence appropriate weight when reaching her conclusions under questions (2) and (3) as identified in the ALEXANDER TM case.
51. Ground 2 of the Appeal was concerned with the assessment of Axion's evidence and in particular as stated in the Grounds of Appeal the findings at paragraphs [53], [54] and [56] of the Decision relating to whether the goods manufactured by Axion for Sicut were made to Axion's specification or Sicut's specifications ("*the specification issue*"). It should however be pointed out that these paragraphs are largely directed to the question of post-filing conduct and the content of certain pages of Sicut's website. The main findings with respect to the specification issue are at paragraphs [36] to [41] of the Decision.
52. There are two points raised on the specification issue. First the weight given to Axion's evidence. The evidence given on behalf of Axion on this issue was in the form of the statements of Mr Silverman and Mr Brown which are relevantly set out in full by the Hearing Officer in her Decision. What is said on this appeal is that the Hearing Officer should have disregarded the evidence of Mr Brown on the basis that such evidence was obviously wrong: see the decision of Richard Arnold QC (as he then was) sitting as the Appointed Person in Tripp Limited v. Pan World Brands Ltd (O-161-07). Second it is said that the Hearing Officer did not refer in her Decision to the evidence of Mr Aggarwal who was cross-examined and whose evidence was not said to be untruthful.
53. With regard to the weight given to Mr Brown's evidence, firstly no request was made on behalf of Sicut to cross-examine him. Secondly, it would appear that there is no challenge to the acceptance by the Hearing Officer of the evidence of Mr Silverman. Thirdly, the evidence filed on behalf of Axion was supported by documentary evidence in particular in the form of purchase orders. Fourthly, prior to the appeal it was not suggested on behalf of Sicut that Mr Brown's evidence was obviously wrong or incredible.
54. With regard to the evidence of Mr Aggarwal it is clear that his evidence was not found to be satisfactory in two main respects: (1) under cross-examination there were a number of points that he ultimately accepted as correct contrary to his initial evidence including with regard to the manufacture of product, see for example paragraphs [39], [42] and [49] of the Decision; and (2) under cross-examination Mr Aggarwal gave for the first time new evidence which the Hearing Officer found to be '*incredible*' and rejected see paragraph [47] of the Decision. In so far as the evidence related to Axion's consent to the trade mark application by Sicut I note that in paragraph 15 of the Counterstatement it is expressly averred that '*Sicut had no requirement to obtain the consent of Axion to register the mark "Ecotrax" in the UK*'.



55. Turning specifically to the question of the whether product manufactured by Axion was to Axion's specification or to Sicut's specification it is correct that Mr Aggarwal asserted under cross-examination by reference to the purchase orders exhibited by Mr Silverman that the goods were produced in accordance with Sicut's specification and referred to schedule 3 (transcript page 12). However (1) the specification in schedule 3 was referred to in Schedule 1 as '*Supplier's [Axion's] 2013 Ecotrax Material Performance Specification attached*'; and (2) he later referred to the goods as being produced in accordance with '*Rutgers' formulation*' (see paragraph 28 of the transcript). Mr Aggarwal also accepted under cross-examination that Sicut had not manufactured any product prior to the filing of the trade mark (see paragraph [39] of the Decision).
56. Although it is true that the Hearing Officer did not refer to the cross-examination of Mr Aggarwal on the specification issue it seems to me that it was open to her to make the findings she did on the basis of the documentary evidence that was before her and in particular on the basis of the purchase orders that were exhibited to Mr Silverman's affidavit.
57. Additionally, Sicut sought to rely on the fact that Axion had taken a patent licence from Sicut in relation to design patent in respect of which royalties had been paid. The evidence from Mr Brown was clear that since mid-2012 the product sold under and by reference to the ECOTRAX trade mark by Axion had not incorporated the patent. Under cross-examination Mr Aggarwal asserted that '*all sleepers sold, I believe, until recently have used our design patent*' (Transcript page 30) but provided no further details. Nor does it appear to have been explained at any stage what relevance this had to the specification or any other issue that was before the Hearing Officer. In the circumstances it is perhaps unsurprising that the Hearing Officer did not refer to the issue and all the more so given the evidence set out in paragraph 56 above.
58. In the premises, it seems to me that it was open to the Hearing Officer to find as she did at paragraph [61] of her Decision that the only manufacturer of the goods sold under the ECOTRAX trade mark was Axion; that Axion had kept the manufacturing process to itself and that it had been responsible for obtaining testing certificates for the goods that it had manufactured.
59. Under Ground 3 of the Appeal it was contended that the Hearing Officer erred in her assessment of whether there was a *prima facie* case of bad faith. In particular it was contended in the skeleton argument submitted on behalf of Sicut as follows:
40. Axion relied on three reasons to support its allegation that Sicut sought to prevent Axion from entering the market:  
(1) Sicut was fully aware that Axion was the legitimate

proprietor the (sic) mark ECOTRAX (2) Sicut has misappropriated Axion's literature and (3) Sicut has no manufacturing ability and used Axion. The Hearing Officer correctly identified these reasons at [4] of the Decision.

41. First of all, none of these reasons, even if true, would give rise to a finding that Sicut did not intend to use the Trade Mark and that its sole objective was to prevent Axion from entering the market.

60. However as noted above it was never at any point suggested that Sicut did not intend to use the mark and that its sole objective was to prevent Axion from entering the market. As indicated above the position was quite to the contrary i.e. it was submitted that on behalf of Axion that Sicut did indeed intend to use the mark with one of its objectives in applying for registration being to '*misappropriate the mark ECOTRAX*'. Therefore this ground falls away.
61. Further and in any event it seems to me that on the basis of the materials that were before her and for the reasons set out above that it was open to the Hearing Officer to make the findings that she did in relation to the points set out in paragraph [4] of her Decision for the reasons she gave.
62. In particular, when making her assessment of bad faith the Hearing Officer clearly had in mind:
- (1) On the basis that it was undisputed by Sicut that Axion: (a) was the originator of the mark ECOTRAX; (b) had registered the mark in the US; and (c) sold products directly to its customers in its territories specified in the Rutgers technology licence under the mark ECOTRAX (paragraph [32] of the Decision).
  - (2) That neither Axion nor Sicut had, *on the evidence filed*, demonstrated that they had acquired goodwill under the ECOTRAX mark in the UK (paragraphs [49] to [51] and [60] of the Decision). See further below.
  - (3) That the unchallenged evidence relating to the content of Sicut's website was that it contained Axion's technical data; a claim to have been responsible for ECOTRAX goods being successfully tested in France between 2009 and 2012; and a claim to be responsible for ECOTRAX goods nominated for an award in 2014 (see paragraphs [57] and [64] of the Decision). In this connection it is suggested on this appeal that these findings were contradicted by the live evidence of Mr Aggarwal. However that is not what the cross-examination referred to demonstrates. Instead the cross-examination of Mr Aggarwal referred to on this issue demonstrated that the claims on the website, to which he was taken, related to sales of railway sleepers by Polywood (a company

purchased by Sicut) in other jurisdictions which were not, as confirmed by Mr Aggarwal elsewhere in his oral testimony and contrary to the representations on the website, branded ECOTRAX.

63. Sicut also relied upon a number of further points in relation to the Hearing Officer's assessment of the evidence as providing, contrary to her findings, support for Sicut's objectives and commercial logic behind the filing of the application for the Trade Mark such that the Hearing Officer should not have made a finding of bad faith. These were in substance that: (1) Sicut applied for the trade mark in suit to protect its investment against third parties; (2) Axion was not permitted to trade in the UK; and (3) Axion was aware (and had agreed) that Sicut could use the mark in the UK.
64. With respect to point (1) under cross-examination Mr Aggarwal asserted for the first time that there had been '*sales activities*' prior to the filing date. The re-examination of Mr Aggarwal contained the following exchange which is relied upon on this appeal in relation to such activities:

MISS CHANTRIELLE: Thank you. Mr Aggarwal, you were questioned right at the beginning about whether Sicut had sold any of Ecotrax' goods before 10th May 2013. You have used the words, "They undertook sales activities". Can you, please, explain what you meant by that?

A. Yes. Selling to the railways is a long process. So we flew over two from Rutgers to go and meet the clients, namely, Network Rail and London Underground. So we had several meetings with both clients, specifically with London Underground. They went through the whole due diligence, speaking to Rutgers about the performance, looking at the history, going back into 20 years in the track installation of Polywood sleepers. So that process took some years.

Q. This, you say, was done before the application of the trade mark?

A. Yes.

Q. Had the mark ECOTRAX been used during that time by Sicut?

A. Yes.

Q. Had that use been in the UK?

A. Yes.

65. The Hearing Officer did not refer to the live evidence of Mr Aggarwal on this point. I do not however consider that is a material omission because :
- (1) Mr Aggarwal had already accepted under cross-examination that '*We have not provided the evidence to demonstrate that we used the mark before the filing date*' and that he had the records of the company available to him when his evidence was prepared (Transcript page 8). See also the finding in paragraph [46] of the Decision.

- (2) There is no challenge to the finding at paragraph [49] of the Decision that *‘Not a single document has been put in evidence by Sicut which shows any sales or marketing of ECOTRAX goods in the UK prior to the relevant date’* (paragraph [49] of the Decision).
  - (3) Under re-examination Mr Aggarwal did not suggest that any sales had been made prior to the filing date and he had accepted under cross-examination that Sicut had not made any product as of that date.
  - (4) Mr Aggarwal’s first answer in re-examination did not refer to any use of the mark ECOTRAX.
  - (5) Mr Aggarwal’s first answer in re-examination referred to Polywood sleepers which he had accepted, as noted above, were not sold under the ECOTRAX brand (Transcript page 16).
  - (6) The finding paragraph [61] of her Decision that the only manufacturer of the goods sold under the ECOTRAX trade mark was Axion; that Axion had kept the manufacturing process to itself and that it had been responsible for obtaining testing certificates for the goods that it had manufactured.
  - (7) The findings of the Hearing Officer with regard to the specification issue as noted above.
  - (8) The Hearing Officer’s other findings noted above with regard to Mr Aggarwal’s testimony.
66. In the circumstances, it seems to me that it was entirely open to the Hearing Officer to reach the conclusion that there was no protectable goodwill (or investment) in the mark ECOTRAX in the UK prior to the filing date thereby implicitly rejecting the bare assertion of use in the context of sales activities under the mark made in the course of re-examination by Mr Aggarwal and relied upon on this appeal.
67. Turning to point (2), it is submitted that Sicut believed that Axion was not permitted to trade in the United Kingdom and could therefore file the application for the trade mark in suit. In support of this Sicut rely upon (a) the Rutgers Technology licence agreements; and (b) the Non-Infringement Agreement referred to in the Decision.
68. With regard to the agreements relied upon by Sicut it is important to appreciate, as the Hearing Officer clearly did, that none of them contain any reference to the trade mark ECOTRAX.
69. This is not surprising given that: (1) it was not disputed by Sicut that Axion was the originator of the mark ECOTRAX (paragraph [32] of the Decision); (2) it was

accepted by Mr Aggarwal under cross-examination that the mark ECOTRAX was created and first used by Axion in 2011 (paragraph [48] of the Decision); (3) the licence agreements for the Rutgers's technology was entered into by Sicut in 2006 and Axion in 2007 and the Non-infringement agreement in 2006 (paragraphs [24] and [48] of the Decision); and (4) it was admitted by Mr Aggarwal under cross-examination that Rutgers University had no interest in the mark ECOTRAX and could not licence the mark (paragraphs [42] and [48] of the Decision).

70. Put simply, the agreements relied upon by Sicut do not regulate the use and/or registration of the mark ECOTRAX by either party. The subject matter of the agreements was limited to the Rutgers technology. As the Hearing Officer held Mr Aggarwal's approach '*mixes up the right to use the Rutgers's technology with the right to use the ECOTRAX trade mark*'. See the findings in paragraph [48] of the Decision.
71. What is said on the present appeal on behalf of Sicut is that Sicut believed that Axion was not permitted to trade in the UK. In fact that is putting the case too broadly. In paragraph 14 the Counterstatement it is pleaded that '*Axion was and is prohibited from selling products that it manufactures under the name "Ecotrax" in the UK on the basis that these products incorporate Rutgers Technology, which Axion is not licenced to use in the UK (whether directly or indirectly)*'. There is therefore no suggestion in the Counterstatement that Axion was not and is not permitted to sell products that did not require a licence to use Rutgers Technology in the UK; or that Axion was not entitled in the absence of the Trade Mark to carry on business under and by reference to the mark ECOTRAX in the UK.
72. In paragraph [72] of the Decision the Hearing Officer found that the Non-infringement Agreement was dependent upon there being registered patents protecting the Rutgers technology in the EU. In that connection I note that the Non-infringement Agreement is said to apply '*to all current and future patents, and new technologies allocated to both companies in the future by Rutgers University*'. See the quotation in paragraph [71] of the Decision. Under cross-examination Mr Aggarwal confirmed that the Non-infringement Agreement was restricted to the Rutgers technology licence (Transcript page 26).
73. In his first Affidavit Mr Silverman gave evidence that there were no EU patents covering the relevant Rutgers technology. This was not disputed by Sicut or Mr Aggarwal in his written evidence in answer. Mr Silverman also gave evidence that, in the Rutgers technology licence agreement between Axion and Rutgers, the know-how section in the licence was left blank and that Axion had not received the benefit of any knowhow from Rutgers. That is to say his clear evidence was that the only subject matter licensed under the licence between Rutgers and Axion was in the form of patents.

74. With regard to his cross-examination Mr Aggarwal simply made very general statements with regard to the existence of ‘*patents*’ and refused to accept that there was any reason why patent coverage for the Rutgers technology/licence agreement would end at any stage (or at a minimum for a further 20 years). He did not refer to any specific knowhow. He was not prepared to provide a straightforward answer the question whether Axion would enter into the UK market for sleepers under its own ECOTRAX trade mark as soon as it was lawfully able to which was said to be the position by both Mr Silverman and Mr Brown.
75. It is submitted on appeal that the effect of the Hearing Officer’s finding with regard to the patents is in effect a finding of invalidity of such patents a finding that she was not entitled to make. I do not accept that is a correct characterisation of the position. Whilst it is correct that the Hearing Officer referred to ‘*no valid patents protecting the Rutgers technology*’ in paragraph [72] of her Decision in other contexts, in particular paragraph [76] of her Decision, she refers to ‘*no enforceable patents*’ but in either case this was a short hand for her findings of fact that at no stage had the licensed patents been naturalised beyond the US and that there were therefore no patents in existence in the EU i.e. she accepted the evidence of Mr Silverman.
76. Given the material that was before her I reject the suggestion that the Hearing Officer was speculating. It seems to me that it was open to the Hearing Officer to find on the basis of the materials that were before her that (1) Sicut expected ‘*Axion would enter the UK market with the goods that manufactures, under its own trade mark [ECOTRAX], as soon as it was free to do so*’ (paragraph [63] of the Decision); (2) that Sicut was aware that there were no EU patents protecting the Rutgers technology in the EU as at the filing date (paragraphs [68], [70] and [72] of the Decision) and/or that (3) Sicut was aware from that the patents for the Rutgers technology would expire (paragraph [62] and [76] of the Decision).
77. In any event even if the Hearing Officer erred in making the findings that she did with regard to the patent position I do not believe it is a material error given that in paragraph [76] of her Decision she makes clear that her finding that ‘*Sicut cannot therefore have reasonable believed, as it claims, that Axion was prevented from using its mark in the UK*’ was also based on her finding that ‘*The licence agreements cover the technology used in the goods sold under the mark, **but not the ECOTRAX mark itself***’ (emphasis added).
78. With regard to the issue that Axion was aware (and had agreed) that Sicut could use and/or register the mark in the UK the following are relevant:
- (1) This was not pleaded in the Counterstatement. Indeed I note that in paragraph 15 of the Counterstatement it is expressly averred that ‘*Sicut had no requirement to obtain the consent of Axion to register the mark “Ecotrax” in the UK*’.

- (2) The findings set out above that the only sleepers manufactured and sold under the mark ECOTRAX was by Axion; and that the sleepers supplied by Axion to Sicut were supplied in accordance with Axion's specification.
  - (3) The statement by Mr Aggarwal under cross-examination that Sicut had not told Axion that it was going to file the application even though it could have done (Transcript pages 24, 25).
  - (4) The findings by the Hearing Officer with regard to 'consent' referred to above.
79. In the premises, it seems to me wrong to suggest that the Hearing Officer erred in rejecting the suggestion that at any stage Axion was aware (and had agreed) that Sicut could use and/or register the mark in the UK in the manner put forward by Sicut.
80. With regard to Ground 4 of the Appeal this can be dealt with shortly. In summary, it is averred that the Hearing Officer failed to ask herself whether Sicut had an intention to use the mark and had she done so she would have held that Sicut had applied for the trade mark to protect its own investment and with the belief that Axion could not and would not trade in the UK. For the reasons set out above firstly, it was never alleged by Axion nor suggested by the Hearing Officer in her Decision that Sicut did not intend to use the Trade Mark; and secondly it is my view that the Hearing Officer was entitled to reject the commercial rationale put forward on behalf of Sicut to justify its application for the trade mark in issue.
81. In the circumstances I have come to the view that, having considered the issues from the legal perspective she did and having assessed *all* the evidence that was before her and given such weight to the evidence as she considered appropriate, it was open to the Hearing Officer to find in answer to the second and third questions posed in ALEXANDER TM that the application for registration was '*partly a pre-emptive move to prevent the applicant from entering into the UK market and partly motivated by a desire to take advantage of the standing of ECOTRAX products in other markets*' and '*that this behaviour fell below the standards observed by reasonable people in the relevant field of business*'. It follows from that conclusion that the Hearing Officer was correct to allow the application for invalidity made on the grounds of bad faith.

### **Conclusion**

82. To conclude, for the reasons set out above, it does not seem to me that there is any error of principle or material error in the Hearing Officer's decision. It was in my view open to the Hearing Officer to make the decision that she did. In the result the appeal fails and is dismissed.

83. Neither of the parties has asked for any special order as to costs. Since the appeal has been dismissed Axion is entitled to the costs of the Appeal. I will therefore make an order that Sicut pay to Axion a contribution of £1,500 towards its costs of the appeal. This sum should be paid in addition to the costs of £1,900 ordered by the Hearing Officer below. I therefore order Sicut Enterprises Limited to pay to Axion Structural Innovations LLC £3,400 within 14 days of this decision.

Emma Himsworth QC  
Appointed Person

18 June 2019