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A stealthy acquisition leads to a valid defence in trade mark infringement proceedings

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This case *ABP Technology Ltd v Voyetra Turtle Beach, Inc. & Anor* (Rev1) [2021] – EWHC 3096 (Ch) (19 November 2021) concerns two parties using highly similar/identical marks (STEALTH) on identical goods. This article discusses some key takeaway points arising from their dispute, as well as the tactics that the parties used.

Both parties were involved in UKIPO proceedings where the defendants' trade mark application was rejected because of the claimant's earlier right. Following the successful EUIPO proceedings, the claimant filed an infringement claim against the defendants' use of the STEALTH sign. The defendants pleaded honest concurrent use as the sole basis of its defence.

Whilst the infringement proceedings were pending, the defendants purchased a trade mark registration for the identical word mark STEALTH from a third party. The registration covers highly similar goods and has an earlier application date (May 1996) than the claimant's first use of the mark STEALTH (mid-2014). However, this registration had not been used and is vulnerable to non-use from 17 May 2001 onwards.

Section 46 (3) of the Trade Mark Act 1994 stipulates that the trade mark registration should not be revoked based on non-use if the use is resumed 3 months before the non-use cancellation is filed. However, under the same section, had the cancellation applicant put the proprietor on notice, unless the proprietor has already started to prepare to use the mark before the notice, the use of the mark after the notice would not be relevant to support the registration. In this case, the claimant did not put the proprietor on notice of the potential cancellation action. As long as the defendants can satisfy this 3-month requirement, the validity of the registration would be difficult to challenge.

On 28 Jan 2021, after the issuance of the Claim Form but before the service of defence, an anonymous agent purchased this registration from its previous owner. The assignment recordal was filed on 3 March 2021. This anonymous agent executed a license in favour of the defendants to use this registration on 15 March 2021, but the commencement date of the license is 28 Jan 2021. Exactly three months after, on 15 June 2021, the anonymous agent assigned the registration to the first defendant and the assignment recordal was filed on 28 Jun 2021. On 9 Jul 2021, the defendants' solicitors notified the claimant of their intention to apply for court's permission to amend the defence and counterclaims to introduce the newly acquired registration to the proceedings. On 24 Jul 2021, the claimant filed the non-use cancellation.

The claimant put forward a number of legal arguments against the defendants' application. They also argued that the application for amending the defence was filed in bad faith as the defendants deliberately delayed the application to avoid this registration being cancelled.

The court disagreed with the claimant and granted the permission to amend the defence. The court did not accept the argument that the application for the permission to amend the defence was made in bad faith, as it is not guaranteed that defendants' application would become successful. Even if it was in bad faith, the court would still allow the defendants to amend the defence. However, the court rejected the defendants' application to amend the counter-claim that the claimant's registration should be cancelled because of this senior right. The court held that this senior right was not in use at the filing date of the claimant's registration and therefore there is no prospect that the defendants' counterclaim would succeed.

Conclusion

The key takeaway is that purchasing an older registration and carefully ensuring it is not vulnerable to non-use cancellation is not an abuse of process. It is likely that such tactics will become more and more popular. Whilst there is an argument that by analogy to the *Lindt* decision (C-529/07), acquiring registrations with the sole purposes of blocking another party's use amount to bad faith and should invalidate the registrations, there are too many differences to make counter-arguments that *Lindt* decision is not applicable (e.g. 3D mark vs word mark, blocking another party's use vs validating their own use and defending an infringement claim). It nonetheless indicates that the current law must be changed first in order to address this issue.

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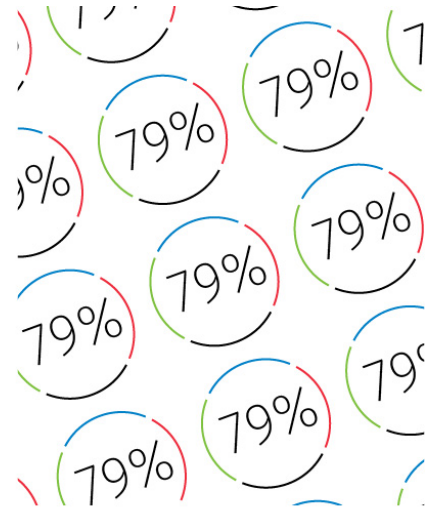
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