TRADE MARKS ACT 1994

IN THE MATTER OF Application No 2022551
by Glycosport Soft Drinks Limited to register
the trade mark GLYCOSPORT

and

IN THE MATTER OF Opposition thereto under No 46080
by Health Innovations (UK) Limited

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BACKGROUND

On the 31 May 1995 Health Innovations Limited of Shoreham, Sussex, applied under Section 37 of the Trade Marks Act 1994 for the registration of the Trade Mark GLYCOSPORT in Class 32 in respect of:

> "Beverages; preparations and concentrates for making beverages; all containing glucose."

On the 28 September 1995, the Registrar received an application on Form TM16 to record a registrable transaction under Section 25 of the Trade Marks Act 1994. The application was to record that the proprietor of application no. 2022551 had changed from Health Innovations Limited to Glycosport Soft Drinks Limited of Altrincham, Cheshire, with effect from 15 September 1995. As a result of this the application was subsequently published for opposition in the name of Glycosport Soft Drinks Limited.

On 13 December 1996, Health Innovations (UK) Limited filed Notice of Opposition to the application. The grounds of opposition are, in summary as follows:

1. The opponents are the proprietors of an earlier right by virtue of their substantial use of the trademark GLYCOSPORT since early in 1993. The application should therefore be refused under the provisions of Section 5(4)(a) of the Trade Marks Act 1994 because use in the United Kingdom of the trademark applied for is liable to be prevented by virtue of the law of passing off protecting the opponents' trademark;

2. Because of the opponents' earlier use of the trademark, use of the trademark applied for is likely to deceive the public as to the origin of the goods and registration will therefore be contrary to Section 3(3)(b) of the Trade Marks Act 1994;

3. The application for registration of the trademark as constituted in the name of the present applicant, was made in bad faith and/or the trademark applied for is not the applicants' mark in respect of at least some of the goods covered by the application. The application should accordingly be refused by virtue of Section 3(6) of the Trade Marks Act 1994;

4. The applicants' mark would not, for the reasons stated above, be distinctive of the applicants' goods within the meaning of the Trade Marks Act 1994;

5. If, and insofar as the applicants seek to rely upon a purported assignment of the trademark dated 15 September 1995, the same is of no effect and should be set aside for the following reasons;

5.1 The assignment was not executed by the opponents;

5.2 If, contrary to the opponents primary contention, the assignment affects the opponents, it was to the knowledge of the applicants, executed without the authority of the Board of Directors of the opponents and is accordingly of no legal effect;

5.3 Further, or in the alternative, the terms of the purported assignment did not accord with what had been discussed between the applicants and the opponents or with any agreement between them and represented a misappropriation of the opponents' right title and interest in the trademark to the knowledge of the applicants;

5.4 Further, or in the alternative, the purported assignment was executed by a single Director in breach of his fiduciary duties owed to the opponents and so executed to the knowledge of the applicants;

5.5 Further, or in the alternative, if contrary to the opponents primary contention, the assignment has any legal affect at all, the applicants hold the trademark as constructive trustees for the opponents. The applicants have been requested to transfer the trademark and the application to the opponents as the true owners thereof, but have declined to do so. Accordingly, the application should be refused under Section 3(4) and/or under Sections 5(4)(a) and/or (b) of the Trade Marks Act 1994 on the ground that use of the trademark by the applicant in the U.K. is liable to be prevented by the law of constructive trusts and the obligations and liabilities arising therefrom.

6. The Registrar should refuse the application in the exercise of his discretion.

The opponents also requests that an award of costs be made in their favour. The applicants subsequently filed a counterstatement denying each of the grounds of opposition and contending that the benefit of the earlier right in the trademark had indeed been assigned to them by virtue of an assignment dated 15 September 1995. The applicants also seek an award of costs.

The opponents subsequently filed evidence in these proceedings. The applicants have not filed evidence. The Registrar subsequently reminded both parties of their right to be heard in the matter, but neither side asked to be availed of this opportunity. I therefore propose to reach a decision in this matter on the basis of a careful examination of the papers before me.

Opponents' evidence

The opponents' evidence consists of a Statutory Declaration by Brian Morris Newman dated 27 May 1997. Dr Newman states that he is a Doctor of Medicine and a Fellow of the Royal College of Surgeons. He further states that he is the sole Director of Health Innovations (UK) Limited. Dr Newman's evidence indicates that the opponents supplied a drink in the United Kingdom under the name GLYCOSPORT from early 1993. The drink was supplied in concentrate form whereby the consumer mixed it with fruit juice and/or carbonated spring water to form a beverage. Dr Newman states that the drink was supplied to well-known outlets, including Boots the Chemist and Holland & Barrett, as well as other health products and sports goods outlets. He further says that in addition to sale through retail outlets products under the name GLYCOSPORT were, and still are, available from Health Innovations (UK) Limited by mail order.

Dr Newman provides details of the opponents use of the mark GLYCOSPORT since early 1993. He states that from that date to March 1997 the opponents sold, in total, 18,222 units of the drink under the name GLYCOSPORT. He further states that this turnover represents sales of more than £800,000 at wholesale prices and over £1,000,000 at retail prices. Dr Newman indicates that sales of GLYCOSPORT have been made throughout the United Kingdom.

In relation to the sale of GLYCOSPORT by mail order, Dr Newman provides details of mail shots to prospective customers promoting goods under the mark. He states that in the years 1993 and 1994 the opponents undertook three mail shots per year to around 30,000 potential customers on each occasion. He further states that there were a further two such mail shots in 1995 directed at around 10,000 potential customers throughout the United Kingdom.

Dr Newman further states that the opponents spent in excess £500,000 on the promotion of the mark GLYCOSPORT, and he provides details of various publications within which the trademark has appeared. Exhibit BMN-1 to Dr Newman's declaration consists of copies of advertisements and articles featuring goods under the name GLYCOSPORT which appeared in various health and fitness magazines in the period 1993 and 1994.

Dr Newman further states that the trademark GLYCOSPORT has been promoted at trade exhibitions, notably the Health Products Exhibition in Brighton in 1993 and the Helfex Exhibition in Wembley in 1994 and at the National Exhibition Centre in Birmingham in 1995. He also provides details of various sponsorship arrangements agreed with prominent sports personalities, including Sally Gunnell, Stephen Redgrave and Mary Brayley. Dr Newman also states that the GLYCOSPORT drink was the subject of a radio advertisement campaign particularly during 1994. He says that the trade mark and the beverage sold under it were the subject of radio broadcasts on Southern Radio, Radio Mercury and on the Radio Station then known as LBC. He says that one such advertisement comprised a voice-over endorsement of GLYCOSPORT by Sally Gunnell. It is Dr Newman's belief that the advertisement was broadcast on the local radio stations more than 100 times.

Dr Newman goes on to explain that by the summer of 1994 he and a Mr Axelsen (who was co-Director of the opponents at the time), considered that there would be an advantage if the GLYCOSPORT drink were to be supplied to the marketplace as an already diluted soft drink

rather than in concentrate form.

Dr Newman goes on to explain how, on 19 September 1994, he and Mr Axelsen met a Mr Michael Paul Percy, who he states had experience in the drinks industry. Dr Newman says that it was agreed that a shelf company would be formed to facilitate a joint venture between Mr Percy, Mr Axelsen and himself, and that it was further agreed that all three would be Directors and equal shareholders of this new company. Dr Newman states the new company was the applicants, Glycosport Soft Drinks Limited. Dr Newman states that Mr Percy, Mr Axelsen and himself met again on 15 June 1995, and that at that meeting the share certificates in Glycosport Soft Drinks Limited were issued to the three persons concerned.

Exhibit BMN-4 to Dr Newman's declaration includes a copy of the minutes of that meeting. Dr Newman notes that the document refers to the three persons concerned being Directors, and specifically refers to him as the Chairman. However, Dr Newman states that he was never appointed a Director or Chairman of Glycosport Soft Drinks Limited. Dr Newman states that a further meeting was held between Mr Axelsen, Mr Percy and himself on 31 August 1995. He says that Mr Percy prepared some draft minutes of that meeting and these are included in exhibit BMN-4 to his Declaration. In paragraph 2 of those draft minutes the following appears:

> *"2. Glycosport Soft Drinks Limited* (GSD)*/Health Innovations Agreement.*
>
> *It was suggested by MP that the trade name Glycosport and all of the sales be transferred to G.S.D.*
>
> *In principle this was agreed but BN stated that there should be consideration paid for the brand name and the previous work involved in selling the concentrate. It was therefore agreed that BN and KA would discuss this and put a suggestion forward."*

Dr Newman states this is not a wholly accurate account of what was discussed. He says it suggests that more was agreed than actually was. In particular, as far as concerns the GLYCOSPORT trade mark, he states that there was nothing sufficiently specific, in commercial terms, in Mr Percy's proposal which would have enabled it to have been agreed whether in principle or otherwise. Dr Newman further states that in or about March of 1995 the opponents acquired a wholly owned subsidiary which was then called Health Innovations (UK) Limited. On the 6 April 1995 the companies swapped names. Dr Newman states that the subsidiary, called Health Innovations Limited after 6 April 1995, never traded.

Exhibit BMN-5 to Dr Newman's Declaration consists of a copy of an assignment document dated 15 September 1995. The document purports to show that the trade mark GLYCOSPORT was assigned from Health Innovations Limited to Glycosport Soft Drinks Limited for the sum of £10. The assignment records the transfer of the trade mark GLYCOSPORT "*together with the full and exclusive benefit and all rights, privilege and advantages appertaining thereto, but without the goodwill of the business concerning the goods in respect of which the trademark will be registered.*" The assignment document is signed by Mr Kenneth Axelsen who is described as being Managing Director of Health Innovations Limited. Dr Newman states:

> *"At the material time, in September 1995, the Board of Directors of both Health Innovations (UK) Limited and the subsidiary comprised Mr Axelsen and me. Mr Axelsen did not consult with me*

as his co-Director or Health Innovations (UK) Limited and the subsidiary, whether before or after he purportedly executed the purported assignment. On the contrary, he knew from what I informed him at the time that I was not in favour of any assignment of the trademark to GSD, still less one at a nominal consideration. It follows that neither formally at a board meeting or otherwise, was any authority given to Mr Axelsen to execute the purported assignment. He did not seek such authority and he was not given it. He was not therefore authorised to sign the document by the Board of Directors of the subsidiary or Health Innovations (UK) Limited. At that time Mr Axelsen was also a Director of GSD. Accordingly, GSD knew from the imputation to it of Mr Axelsen's knowledge that he was not authorised to sign the document by the Board of Directors of the subsidiary or Health Innovations (UK) Limited."

"Only a few days prior to Mr Axelsen signing the purported assignment on or about 15 September 1995 Mr Percy, Mr Axelsen and I met on 31 August 1995 ..... At that meeting I had made it very clear, as Mr Percy recognised from the minutes of the meeting which he himself prepared, that there would only be an assignment at all of the GLYCOSPORT trademark if full consideration was first agreed which consideration would have to recognise Health Innovations (UK) Limited's contribution in promoting the GLYCOSPORT trademark in the course of selling the GLYCOSPORT concentrate."

"Accordingly, Mr Percy knew that Mr Axelsen did not have my authority and therefore did not have the authority of the Board of Directors of either the subsidiary (which did not own the trademark in any event) or Health Innovations (UK) Limited (which did own the trademark) to execute the purported assignment or at least he was on notice of, or on enquiry that was likely to be so, and he wilfully shut his eyes to the obvious. That is so because Mr Percy knew that the document which he presented to Mr Axelsen for signature did not reflect at all what the three of us had discussed only a few days previously."

"Moreover, having regard to the knowledge imparted to Mr Percy of the substantial expenditure incurred by Health Innovations in advertising, promoting and enhancing the value of the GLYCOSPORT trademark and the substantial goodwill and value which accordingly attached to it as at September 1995, Mr Percy must have realised that Mr Axelsen was acting in breach of his fiduciary duties which he owed to Health Innovations in purporting to execute a document which purported to transfer the ownership of that asset for a mere £10, or at least Mr Percy was on notice or on enquiry as to the likelihood of that being so and/or wilfully shut his eyes to the obvious and/or failed to make the enquiries which a reasonable man would have made."

Dr Newman concludes by noting that the soft drink which the opponents are supplying under the GLYCOSPORT name is on sale in Boots and Holland & Barrett and other retail outlets. He says that as far as he is aware such sales have not been supported by any or any significant advertising campaign. Yet he believes that the soft drink is selling at least reasonably well for otherwise multiples such as Boots and Holland & Barrett would not continue to stock it. Dr Newman states that he believes the reason that the GLYCOSPORT soft drink is selling reasonably well, or perhaps very well, without any or any significant advertising, is because of the goodwill already attached to the GLYCOSPORT trademark by reason of Health Innovations (UK) Limited's promotional, marketing and advertising activity and "earlier right". Dr Newman states that he believes the above represents the full measure of the effect of the attempted misappropriation by the opponents of Health Innovations (UK) Limited's trade mark.

The opponents have also filed a Statutory Declaration dated 3 June 1997 by Kenneth Axelsen. Mr Axelsen says that from 21 December 1990 until 21 October 1996 he was a Director of the

opponents, Health Innovations (UK) Limited. He states that the Statutory Declaration is based upon his own knowledge and that the contents are true to the best of his knowledge, information and belief. He adds that although he is no longer a Director of the opponents, a company controlled by him, namely Cambrian Technologies Limited, continues to own 50% of the shares of the opponents. Mr Axelsen further states that from 9 September 1994 he has been a Director of the applicants in these proceedings, Glycosport Soft Drinks Limited. Mr Axelsen states that he has read in draft form a copy of the Statutory Declaration made by Dr Newman on behalf of the opponents. He confirms the accuracy of that Statutory Declaration insofar as the facts and matters referred to in it are within his own knowledge. Mr Axelsen further states:

> *"I was persuaded by Mr Percy to sign the purported written assignment by his threat unilaterally to cancel the soft drinks project. I realise in retrospect that it was imprudent of me to have done so for Mr Percy did not at that time control GSD and would not have been in a position to have carried out his threat. I thought at the time that no harm would come of my signing the document because Mr Percy would agree to pay a market value consideration for the assignment as the three of us had discussed on 31 August 1995, or that Dr Newman and I would be in a position to compel him to do so. In the events which have happened I now appreciate that I was mistaken in that belief and that I should have not signed the document especially as it did not at all accord, as Mr Percy knew, with what he, Dr Newman and I had discussed on 31 August 1995. "*
>
> *"In fact, as appears from what I have set out above ..... the purported assignment was in any event ineffective because it was drafted as an assignment of the GLYCOSPORT trademark by the subsidiary, which by then had the name Health Innovations Limited, and the subsidiary never owned the GLYCOSPORT trademark."*
>
> *" Before signing the purported assignment I did not discuss it with Dr Newman who was my co-Director in the subsidiary (and Health Innovations (UK) Limited). I did not consult Dr Newman at all. I was not therefore authorised to sign the document by the Board of Directors of the subsidiary (or Health Innovations (UK) Limited). After I signed the document I did not inform Dr Newman that I had done so. "*
>
> *"In signing the purported assignment I never intended to damage Health Innovations. I did not therefore believe that I had acted in breach of my duty as a Director or Health Innovations. I believed at the time that the reference in the document to the sum of £10 was some form of legal technicality and that Dr Newman and I, together with Mr Percy, would agree to payment by GSD to Health Innovations of full market value for the trademark. No sensible Director would, or would be expected to, give away a valuable trademark for a mere £10. Mr Percy must have realised that. Mr Percy could not have believed that that was what I intended to do in signing the document. On the contrary, he knew that the proposal on the table was for the payment to Health Innovations (UK) Limited by GSD of the lump sum consideration of £250,000 plus a royalty which had yet to be specified, negotiated or agreed. We had also to discuss and agree when and how the consideration was to be paid."*

That concludes my summary of the opponents' evidence.

DECISION

The opponents have filed no evidence in support of their grounds of opposition under Section 3(3)(b) of the Act; nor have they filed any evidence which would suggest that the trade mark applied for is not distinctive within the meaning of the Act. Accordingly, I reject these grounds of opposition. Further, I find that the ground of opposition under Section 3(4) of the Act is not made out. Section 3(4) of the Act does not, in my view, extend to situations where relative grounds of opposition are concerned. I further find that the opponents' ground of opposition under Section 5(4)(b) of the Act is not made out. In my view, the opponents' evidence has not established any "earlier right" in the mark, other than the possibility a of passing off right which falls to be considered under the ground of opposition under Section 5(4)(a) of the Act.

Accordingly, I consider that the only possible relevant grounds of opposition are under Section 5(4)(a) of the Act, and under Section 3(6) of the Act. Essentially, the opponents' case is that:

1) the application has been made in bad faith because the current applicants are not the true owners of the trade mark;

2) and the opponents earlier use of the mark would have given them a passing off right at the relevant date and allowed them to prevent the proposed use of the mark by the opponents.

As I indicated earlier in this decision, the application was originally filed in the name of Health Innovations Limited. An application to register a change of proprietor was received a few months later on 20 September 1995. Section 25 of the Act is as follows:

> 25(1) An application being made to the register by-
>
> (a) a person claiming to be entitled to an interest in or under a registered trademark by virtue of a registrable transaction, or
>
> (b) any other person claiming to be affected by such a transaction,
>
> the prescribed particulars of the transaction shall be entered in the register.
>
> 25(2) The following are registrable transactions-
>
> (a) an assignment of a registered trademark or any right in it;

Section 27(3) of the Act is as follows:

> (3) In Section 25 (registration of transactions affecting registered trademarks) as it applies in relation to a transaction affecting an application for the registration of a trademark, the references to the entry of particulars in the register, and to the making of an application to register particulars, shall be construed as references to the giving of notice to the Registrar of those particulars.

Where the Registrar receives such notice after an application has been filed but before it is

published for opposition purposes, it is the Registrar's practice to publish the application in the name of the new proprietor. This ensures that the new proprietor is in a position to defend his application in the event of any opposition. It appears to me that for the opponents to succeed under either of the above headings they must be able to establish that the assignment dated 15 September 1995 is not valid. I therefore propose to consider first whether or not the assignment is valid. The opponents claim that the assignment was invalid because:

(a) The assignment of the trademark was at no time agreed by the Board of Directors of Health Innovations (UK) Limited or by the Board of Directors of its subsidiary Health Innovations Limited.

(b) The terms of the assignment were not in line with those discussed by the parties only a few days before the assignment was signed.

(c) In signing the assignment document Mr Axelsen was acting in breach of his fiduciary duty to Health Innovations (UK) Limited and its subsidiary, in that the consideration paid for the trade mark by the opponents bore no relation to the true market value of the trade mark;

(d) The assignor, Health Innovations Limited (the subsidiary) was not in any event the proprietor of the trade mark at the relevant date (or at any other time).

The evidence of Dr Newman and Mr Axelsen (who I note is also a Director of the applicants) supports the above claims. The applicants, as I have already mentioned, have filed no evidence in these proceedings. Accordingly, there is no challenge to the evidence of Dr Newman and Mr Axelsen. In these circumstances I accept the evidence of Mr Axelsen and Dr Newman. Consequently, I find that the assignment dated 15 September 1995 is invalid, and that the notice given to the Registrar under Section 27 of the Act should be regarded as ineffective.

I next consider the implications of this on the opponents' grounds of opposition under Section 3(6) and 5(4)(a) of the Act.

Section 3(6) of the Act is as follows:

> A trademark shall not be registered, if or to the extent that, the application is made in bad faith.

Section 5(4)(a) is as follows:

> A trademark shall not be registered if, or to the extent that, its use in the United Kingdom is liable to be prevented-
>
> (a) by virtue of any rule of law (in particular, the law of passing off) protecting an unregistered trademark or other sign used in the course of trade.

It appears clear to me that Sections 3(6) and Section 5(4)(a) of the Act, when read in conjunction with Articles 3(2)(d) and 4(4)(b) of EC Directive 104/89 (upon which they are based), require the questions of whether an application has been made in bad faith and whether an opponent has an

'earlier right', to be posed as at the date of application.

This presents a difficulty because the application was made by Health Innovations Limited, the opponents' subsidiary, and not the current applicants, Glycosport Soft Drinks Limited. It appears to me that the opponents case is not that Health Innovations Limited made the application in bad faith, or that the opponents had an enforceable right to prevent that company using the trade mark at the relevant date, but that the subsequent assignment of the mark to Glycosport Soft Drinks Limited was filed in bad faith and that, as a result of this, the application is proceeding to registration in the name of the wrong company.

In the light of my earlier finding that the assignment document filed in September 1995 was invalid, I find that this aspect of the opponents case is made out. The consequence of that finding would appear to be that the application should be considered to be still in the name of Health Innovations Limited, the opponents' subsidiary.

It appears from the evidence that the subsidiary was not the proprietor of the trade mark at the date of application, and the filing of the application in the name of the subsidiary was an error.

Having decided that the conditions for refusal under Sections 3(6) and 5(4)(a) did not exist at the relevant date, and that the other grounds for opposition are not made out, there would appear at first sight to be no statutory basis for granting the opponents the relief they seek. I have not overlooked the opponents' request that the application be refused in the exercise of the Registrar's discretion, but the Registrar has no general power to refuse an application under the Trade Marks Act 1994.

However, it is clear from the evidence that the original applicants (in whose name I now consider the application stands) are a subsidiary of, and are under the control of the opponents, Health Innovations (UK) Limited. Section 39(1) of the Act provides that an applicant may, at any time, withdraw an application. It appears to me that, in these circumstances, the relief sought amounts to no more than a request by the opponents, that the application filed in error in their subsidiary's name should not now proceed to registration. In view of the provisions of Section 39 of the Act, I see no obstacle to granting that request. The application will not proceed to registration.

The opposition having succeeded, the opponents are entitled to a contribution towards their costs. I therefore order Glycosport Soft Drinks Limited to pay the opponents the sum of £600 as a contribution towards their costs.

Dated this 17th Day of March 1998

ALLAN JAMES
for the Registrar
the Comptroller General