

0-134-07

TRADE MARKS ACT 1994

**IN THE MATTER OF AN INTERLOCUTORY HEARING
IN RELATION TO PROTECTED INTERNATIONAL REGISTRATIONS
NUMBERS 739193 & 746883 IN THE NAME OF VIRT-X
EXCHANGE LIMITED & CONSOLIDATED APPLICATIONS
FOR DECLARATIONS OF INVALIDITY
UNDER NUMBERS 16045 AND 16046 BY OXFORD VIRTUAL
MARKETS LIMITED & ADVANCED TRANSACTION
SYSTEMS LTD (JOINTLY)**

TRADE MARKS ACT 1994

IN THE MATTER OF an Interlocutory Hearing in Relation to Protected International Registrations Nos 739193 & 746883 in the name of Virt-X Exchange Limited & Consolidated Applications for Declarations of Invalidity under Nos 16045 and 16046 by Oxford Virtual Markets Limited & Advanced Transaction Systems Ltd (Jointly)

BACKGROUND

1. International Trade Mark Registrations Nos 739193, VIRT-X and 746883, VIRTX, have been protected in the UK from 30 May 2000 and 24 August 2000 subject also to international priority dates of 9 May 2000 and 8 May 2000 respectively. The protected international registrations stand in the name of Virt-X Exchange Limited.

2. By applications filed on 25 June 2004 Oxford Virtual Markets Ltd and Advanced Transaction Systems Ltd (jointly) sought declarations of invalidity in respect of these protected international registrations. The actions have since been consolidated.

3. Both sides have filed their evidence in chief under Rules 33A(1)(a) and 33A(4) respectively of the Trade Marks (Amendment) rules 2004. The issues that gave rise to the interlocutory hearing were triggered initially by the applicant's evidence in reply filed under Rule 33A(5).

4. At this point it will be convenient to set out in some detail the chain of events that led to the hearing. Part of the applicant's reply evidence contained a second witness statement by Bruno Schuetterle paragraph 14 of which reads as follows:

“14 It is worth mentioning that AEH mandated Mrs Bysaeth (lawyer of SWX) to have a settlement – this clearly indicates that they [k]new precisely that something was not kosher. The price they offered was unacceptable to ATS. Further proposals of mine were not considered.”

5. By way of background Mr Schuetterle was a freelance consultant who had in the past done some work for the applicant. AEH (intended, I think, to be AHE) is a reference to one of the registered proprietor's witnesses (Antoinette Hunziker-Ebnetter). SWX is a reference to Schweizerische Effektenbourse (SWX Swiss Exchange) which is said to be a major shareholder in the registrant.

6. On receipt of the applicant's reply evidence containing the above paragraph the proprietor's attorneys, Tillbrook & Co, wrote to the Registry on 19 September 2006 noting that it contained a reference to settlement exchanges (that is to say the above quoted paragraph from Mr Schuetterle) and hence matter that had been regarded as subject to the normal privilege applicable to without prejudice communications between parties. In particular they sought a ruling on the admissibility of the material.

If inadmissible they sought its excision or, if deemed admissible, the proprietor sought leave to introduce the full exchange. The letter of 19 September also touched on a prejudicial press release and material relevant to third party use of VIRTEX.

7. By letter dated 22 September 2006 the Registry invited the applicant to comment on the matters raised. J & A Kemp & Co, the applicant's attorneys, did so by letter dated 6 October 2006. The letter explained the circumstances surrounding the introduction of the disputed paragraph 14 (which was inserted by the witness) and offered to retract the objectionable paragraph in its entirety.

8. That might have seemed an early and sensible way of dealing with the disputed paragraph. However, in response to a further letter from the Registry dated 10 October 2006 the proprietor's attorneys adopted the position that their client would resist any alternation of the evidence in reply and indicated that their clients were minded to pursue their proposal to present the entirety of the exchanges. Tillbrook & Co's letter also noted that J & A Kemp's letter of 6 October 2006 did not deal with the other supplementary evidence points and took this as a sign that the applicant was not objecting to this material.

9. The Registry wrote to the parties on 7 November 2006 giving the preliminary view that Mr Schuetterle's evidence should remain as filed and giving the proprietor leave to file further evidence. On that basis Tillbrook & Co wrote on 20 November 2006 noting the preliminary view and indicating that witness statements were being prepared dealing with:

- settlement exchanges
- prejudicial press release
- third party VIRTEX use

10. On 28 November 2006 the Registry wrote noting that no hearing had been requested on the Registry's preliminary view. The letter set a deadline for submission of the evidence.

11. In the event the proprietor submitted three witness statements by Susan Chapple dated respectively 16, 24 and 26 January 2007.

12. In their letter of 2 February 2007 J & A Kemp & Co objected to the admission of this evidence noting particularly that it contained without prejudice communications. I comment in passing that the correspondence also refers to the evidence not being "strictly in reply". It was common ground at the hearing that the evidence in question falls within the 'further' evidence heading and is not evidence in reply as such.

13. On receipt of J & A Kemp's letter of 2 February the Registry indicated that an interlocutory hearing would be appointed to consider the acceptability of the evidence. The hearing was held on 5 March 2007 when the proprietor was represented by Ms Victoria Jones of Counsel instructed by Tillbrook & Co and the applicant for invalidation by Mr Simon Malynicz of Counsel instructed by J A Kemp & Co. Having heard full submissions I decided that the further evidence would not be admitted to the proceedings and that paragraph 14 of Mr Schuetterle's witness statement should be removed so that there can be no question of without prejudice

material being before the hearing officer who will take the substantive hearing. I declined to make an award of costs in favour of the applicant for invalidity. I am now asked for a statement of grounds for my decision.

Submissions on behalf of the parties

14. Ms Jones, for the proprietor, submitted that the Registry had already issued a decision giving leave to file the evidence so the matter had become *functus officio*. By including paragraph 14 of Mr Schuetterle's evidence the applicant had effectively waived any privilege attaching to the without prejudice communications between the parties and that should be held to cover all of the settlement exchanges that had taken place in relation to the dispute. The admission of the full exchange was necessary to enable the hearing officer to reach a balanced view of the matter. There were also submissions at the hearing as to the effect of any waiver on other privileged material having regard to Malek on Disclosure at 10.34 and in particular whether it covers only the document concerned or the wider 'transaction' though Counsel accept that the authorities on this are inconsistent.

15. In relation to the other evidence that was sought to be adduced Ms Jones submitted that the press release had been submitted in response to paragraph 14 of Mr Schuetterle's statement which in her view attacked the credibility of Ms Ebnetter. The evidence going to third party use of VIRTEX was in response to the assertion that a Ms Crosson had created the name. The evidence had only come to light in July 2006. The significance of the evidence was that it supports the proprietor's claim that the mark is not exclusive to either party. All the further evidence was in her view relevant to the proceedings.

16. Mr Malynicz, for the applicant, submitted that the evidence does not satisfy the normal criteria for further evidence (see below) and in particular is not probative. More specifically, the press report was well after the material dated and there had been no or insufficient explanation for the delay in submitting it. The attempt to put in the entire history of without prejudice communications between the parties is an abuse of the without prejudice privilege and is not relevant to the issues that the hearing officer will have to decide. Finally, the evidence on third party use of VIRTEX fails the established test on grounds of lateness, relevance and lack of probative value. Mr Malynicz raised a further issue in relation to the form of this latter evidence which consists of e-mail exchanges.

DECISION

17. Rule 33A(6) provides as follows:

“(6) The Registrar may, at any time if she thinks fit, give leave to either party to file evidence upon such terms as she thinks fit.”

18. Leave to file further evidence may be requested at any time. In fact the above rule does not use the term 'further evidence' but it is the term used by Counsel in skeleton arguments and submissions so I am content to adopt it here. Most commonly, requests to file such evidence occur after the formal evidence rounds have been completed. It is also normally the case that the evidence that it is sought to have

adduced will be filed simultaneously with the request. The circumstances of this case, are therefore, somewhat unusual in that the request for leave to file evidence preceded the actual filing. Nevertheless, the Registry's letter of 28 November 2006 gave leave for the evidence in question to be filed. It did so on the basis of a very brief description of the subject matter of the evidence namely "settlement exchanges, prejudicial press release and third party VIRTEX use". It was open to the applicant to challenge the direction the evidence was taking and/or the sufficiency of the explanation at that stage but it chose not to do so. Nevertheless, I do not consider that the giving of leave to file evidence is or can be conclusive as to the admissibility of the evidence that is actually filed. It is not difficult to see that if that were the case it would deprive the other party of the right to challenge any aspect of the material so adduced.

19. What further concerns me about this particular case is that the proprietor's request was not accompanied by, for instance, a draft or outline of the evidence to be filed or a fuller indication of the intended content of the evidence. It is true that the proprietor's attorney indicated in relation to the without prejudice material that "Our clients remain minded to pursue their proposal to present the entirety of the exchanges" (letter of 23 October 2006 echoing similar wording in an earlier letter of 19 September 2006). But that left open the question as to whether it was a reference to the particular settlement negotiations referred to by Mr Schuetterle or, as turned out to be the case, all settlement negotiations that had taken place. The reference to other pieces of evidence that it was sought to adduce, namely the press release and third party usage of VIRTEX, are likewise expressed in general terms only. In my view the applicant could not have had a clear idea of the full nature and extent of the evidence that the registered proprietor was minded to file. I am unable to accept Ms Jones' submission that the giving of leave to file the evidence (whatever the merits of that decision) is conclusive as regards the admissibility of the evidence actually filed.

20. It follows that the question of whether to admit the evidence falls to be considered against the well established criteria contained in *Hunt-Wesson's Trade Mark Application (Swiss Miss)*[1996] RPC 233 and *Label Rouge Trade Mark* [2003] FSR 2. The position was summarised in the latter as follows:

"18 The continued applicability of the *SWISS MISS* criteria in the light of these developments was considered by Pumfrey J. in the WUNDERKIND case. Pumfrey J. said that what Laddie J. had said (and also what Sir Richard Scott V.-C had said in Julian Higgins' Trade Mark [2000] RPC 321) had been overtaken by the CPR provisions on appeals, but he accepted that in a trade mark appeal other factors outside the Ladd v Marshall criteria may continue to be relevant provided that it was remembered that the Ladd v Marshall factors were basic to the exercise of the discretion to admit fresh evidence and that those factors had peculiar weight when considering whether or not the overriding objective was to be furthered."

21. The *Ladd v Marshall* criteria referred to in the above passage are

"..... three conditions must be fulfilled: first, it must be shown that the evidence could not have been obtained with reasonable diligence for use at the trial; secondly, the evidence must be such that, if given, it would probably

have an important influence on the result of the case, though it need not be decisive, third, the evidence must be such as is presumably to be believed, or in other words, it must be apparently credible, though it need not be incontrovertible.”

22. The factors held to be relevant in *SWISS MISS* and which overlap in certain respect with *Ladd v Marshall* are:

- “(i). Whether the evidence could have been filed earlier and, if so, how much earlier.
- (ii). If it could have been, what explanation for the late filing has been offered to explain the delay.
- (iii). The nature of the mark.
- (iv). The nature of the objections to it.
- (v). The potential significance of the new evidence.
- (vi). Whether or not the other side will be significantly prejudiced by the admission of the evidence in a way which cannot be compensated, eg by an order for costs.
- (vii). The desirability of avoiding multiplicity of proceedings.
- (viii). The public interest in not admitting onto the register invalid marks.”

23. Although strictly the above cases deal with admissibility of further evidence on appeal they are also relevant to a first instance decision.

24. As noted earlier in the decision the evidence that the proprietor seeks to have admitted falls under three distinct heads. For convenience I will consider the position in relation to each.

The settlement exchanges

25. This is essentially the material exhibited under cover of Ms Chapple’s witness statement of 24 January 2007 but also extends to the without prejudice communications contained in exhibits PR8 and 9 to Ms Chapple’s witness statement of 16 January 2007.

26. The public policy underlying the without prejudice privilege is well understood. It is there to encourage parties to resolve disputes rather than litigate them to a finish. It protects litigants from being embarrassed by an admission made purely in an attempt to achieve a settlement.

27. Ms Jones submitted that the reference to settlement negotiations in Mr Schuetterle’s evidence and the applicant’s failure to object to the proprietor’s further evidence at the time of its request amounted to a waiver of any privilege.

28. Furthermore, she submitted that this extended not just to the specific settlement proposal referred to but all of the settlement exchanges between the parties. Mr Malynicz submitted that there had been no clear waiver of privilege and that in any case to put in the entire history of without prejudice communications between the parties would be a plain abuse of the without prejudice privilege which was not justified by the narrow reference in Schuetterle on which it is based.

29. For ease of reference I will set out again the paragraph in Mr Schuetterle's evidence that has given rise to this issue:

“14 It is worth mentioning that AEH mandated Mrs Bysaeth (lawyer of SWX) to have a settlement – this clearly indicates that they [k]new precisely that something was not kosher. The price they offered was unacceptable to ATS. Further proposals of mine were not considered.”

30. Mr Schuetterle was, as I understand it, a consultant and was not directly involved in settlement exchanges though he may have had a role in effecting introductions between the parties. His comment in paragraph 14 above appears to be in the nature of hearsay and is not supported by any documentary evidence. Nevertheless the applicant appears to accept that it was not appropriate to include the above paragraph in his evidence. In the normal course of events I would have expected the matter to be dealt with by a simple redaction as originally proposed by the applicant.

31. That did not happen. The proprietor's position, indicated in Tilbrook's letter of 23 October 2006, was that, after the initial challenge to its admissibility, they now resisted any alteration to the applicant's evidence and instead wished to introduce the entirety of the exchanges. As already indicated, it was unclear from this whether this simply related to the exchanges referred to in Mr Schuetterle's evidence or all the exchanges that had taken place. In the event the material filed under cover of Ms Chapple's witness statements goes considerably wider and is not obviously linked to the point Mr Schuetterle raised.

32. I am not persuaded that the applicant's apparent passivity should have been taken to mean that it was waiving privilege. Furthermore, I have little doubt that in keeping with the principles on the privilege attaching to settlement communications it would in the normal course of events be inappropriate for this material to be placed before the hearing officer who will hear the substantive case. Ms Jones's skeleton argument indicated that:

“15 The admission of the full settlement exchanges which took place between the parties is necessary in order to enable the hearing officer to make an informed and reasoned view as to the nature in which any offers for settlement were made given that Paragraph 14 alone presents a very one sided view as to SWX's reasons to try and negotiate and as to their reasonableness of their conduct during the negotiations.

33. In her submission simply removing the offending paragraph was not sufficient for three reasons – firstly the hearing officer who will ultimately decide the case is aware that there is a without prejudice issue and will suspect that it relates to settlement negotiations. Secondly, there is an issue as to whether the disputed piece of evidence

has already been made available for public inspection, and thirdly the proprietor has in good faith expended time and effort in preparing the further evidence.

34. I do not find these reasons – individually or collectively – persuasive in support of having the proprietor’s further evidence admitted as opposed to dealing with the matter by having paragraph 14 of Schuetterle redacted in its entirety. The mere fact that the officer who hears the case may be aware that settlement negotiations have taken place is irrelevant and immaterial. Hearing Officers will frequently be aware that there have been settlement negotiations. Indeed, it is to be expected and encouraged that parties should try to resolve their differences by negotiation rather than litigation. The Trade Marks Rules now provide for a “cooling-off” period for just such a purpose. It is the content of such negotiations, not the mere knowledge that they have taken place, that should not normally be before the hearing officer. As to the public inspection point, steps have been taken to ensure that the disputed material is not open to inspection until its status has finally been resolved. I accept that the proprietor has been put to some time and effort in putting together the further evidence but that is not in itself a justification for admitting material that would otherwise not be admitted. I also bear in mind here that the proprietor’s explanation of the material it wished to adduce was extremely brief. I, therefore, conclude that this part of the proprietor’s further evidence should not be admitted and that paragraph 14 of Mr Schuetterle’s evidence should be excised.

The press release

35. The second matter is the Reuters press release of 5 March 2006 reporting the existence of discussions and giving the view of “people familiar with the matter” as to ownership matters relating to the mark VIRTEX. Ms Jones submitted that this material should be admitted:

“The evidence relating to the press release has been submitted in response to paragraph 14 of Mr Schuetterle’s statement which seeks to attack the credibility of Ms Ebnetter and slant the events of the past in a way favourable to the applicants. In the circumstances the proprietor should be entitled to question the credibility and motives of the applicants.”

36. In short the press release is said to be necessary to reach a balanced view of the matter. On the basis that I am directing the removal of the offending paragraph of Mr Schuetterle’s evidence the justification for the press release being part of the evidence in the case falls away. Moreover, it fails to satisfy the *Ladd v Marshall* and *Hunt-Wesson* criteria particularly as regards timing, potential significance and the influence of this item on the outcome of the case. It seems highly unlikely that the Hearing Officer would wish to place reliance on a press report about a dispute when he will have direct evidence from the parties to help him reach a considered view of the matter.

Third party use of Virtex

37. The third item that is the subject of further evidence is what is referred to as third party use of VIRTEX. The material is contained in Ms Chapple’s witness statement of 26 January 2007 and its associated exhibit. Briefly, the exhibited material consists

of e-mail exchanges between Ms Chapple and Mr Stephen Martin, the Managing Director of another company that uses the mark VIRTEX. It appears from the answers given to the questions posed by Ms Chapple that this third party company is in the business of providing “Virtual Shows, Web designs, 3D animations, streamed video, e-commerce web sites and web conferencing”. Mr Martin claims to have been using the mark VIRTEX since 1996.

38. Ms Jones submitted that this evidence could not have been submitted earlier because it was only discovered in July 2006. The proprietor wishes to file it in response to the claim that the applicant created the name VIRTEX. It is considered potentially very significant as it is said to support the proprietor’s proposition that the mark VIRTEX is not exclusive to either party.

39. Mr Malynicz criticised this evidence both in terms of form and substance. The criticism as to form arises from the fact that the exchange with Mr Martin took place by e-mail. Mr Martin has not provided evidence in a form complying with Rule 55 of the Trade Marks Rules 2000 such as would have enabled him to be cross-examined. Ms Jones’ answer to that was to say that it was not defective. It is simply hearsay evidence given by Ms Chapple and hence it is a question of weight not admissibility. If that is the case it must necessarily detract from the value of the evidence because any cross-examination could only be of Ms Chapple and the applicant would effectively be denied the opportunity to dig beneath the surface as it were of Mr Martin’s comments.

40. In terms of the substance, I understand from Ms Jones’ submissions that this particular piece of evidence is directed at showing that VIRTEX is not unique to the applicant and that, in terms of the bad faith claim alleged against the proprietor, it is not improbable that the proprietor could also have created the name.

41. The background to the claim as set out in the applicant’s statement of grounds was as follows:

“5. Furthermore, discussions between OVM and Schweizerische Effektenbourse (SWX Swiss Exchange) regarding ATS’s electronic technology and the mark VIRTEX took place in 1998. SWX Swiss Exchange is a major shareholder in the Registrant and is the prior registrant of International Registration (UK) No 739193. SWX is also the supplier of the trading system which is supplied under the trade mark VIRT-X.

OVM entered into a Confidentiality Agreement with Schweizerische Effektenbourse (SWX Swiss Exchange) dated 12 October 1998 which related to what is now ATS’s electronic exchange technology that the mark VIRTEX and the related technology were owned by the Applicant.”

42. The claim is, therefore, that the proprietor obtained the registrations despite knowing that the mark(s) was owned by the applicant. Ms Jones also referred at the hearing to a claim made by one of the proprietor’s declarants (Mr Romanelli) that VIRTEX was a generic descriptive term. Evidence from a third party as to use of the word in what on the face of it appears to be a different area of trade seems highly unlikely to be of assistance to the Hearing Officer in determining the underlying

issues and would not address or support the proprietor's counterclaim of genericism. In terms of the *Ladd v Marshall* and *Hunt Wesson* test I do not think the lateness of filing this evidence has been adequately explained; it is unlikely to have an important influence on the result of the case and is of little if any probative value in relation to the issues in respect of which it has been filed. It suffers from the added deficiency that the form in which it has been filed would not permit the applicant to cross-examine the individual concerned on the substance of the claims.

Conclusions

43.

In summary my conclusions are:

- Ms Chapple's witness statements of 16, 24 and 26 January 2007 (and accompanying exhibits) will not be admitted into the proceedings.
- paragraph 14 of Mr Schuetterle's (second) witness statement of 21 August 2006 should be excised.
- there should be no award of costs to the applicant in respect of the hearing before me for the reasons I gave in an after hearing letter. I need say no more about this as my understanding is that this latter issue has not been the subject of appeal.

Dated this 18th day of May 2007

**M REYNOLDS
For the Registrar
The Comptroller General**