

Bristows

How do you control - and overcome - the difficulties with pre-acquired trademarks from 3rd parties following *ABP v Voyetra Turtle?*

Jeremy Blum – Partner



What is all the fuss about?

- The case is about the intersection between matters arising in the Trade Marks Act and the civil justice system and the conduct of litigants
- Section 46 allows a revocation application to be made if a trade mark is unused for 5 years and there is a three month period after the 5 year period in which applications can still be made.
- The question in *ABP v Voyetra Turtle* is if a party can circumvent the restrictions in section 46 regarding non use by not spelling out in their original defence that they had acquired a trade mark in order to prevent the claimant from having the benefit of the three month period where they could bring a revocation action.

Key Facts & Background

Claimant – ABP Technology

Sells computer gaming accessories including gaming headphones for multiple platforms

Registered proprietor of 2 UK trade marks

“**STEALTH**” – 6 Feb 2017

“**STEALTH VR**” – 24 March 2020

“audio headsets for playing video games”



**Turtle Beach's
Stealth 700 Headset**

Defendants – Turtle Beach

First Defendant - US company designs manufactures, markets and sells gaming headsets for various gaming platforms

Second Defendant – exclusive UK distributor

Turtle Beach claimed to have c.42% of the global market share for manufacture and supply of gaming headsets and accessories in 2017

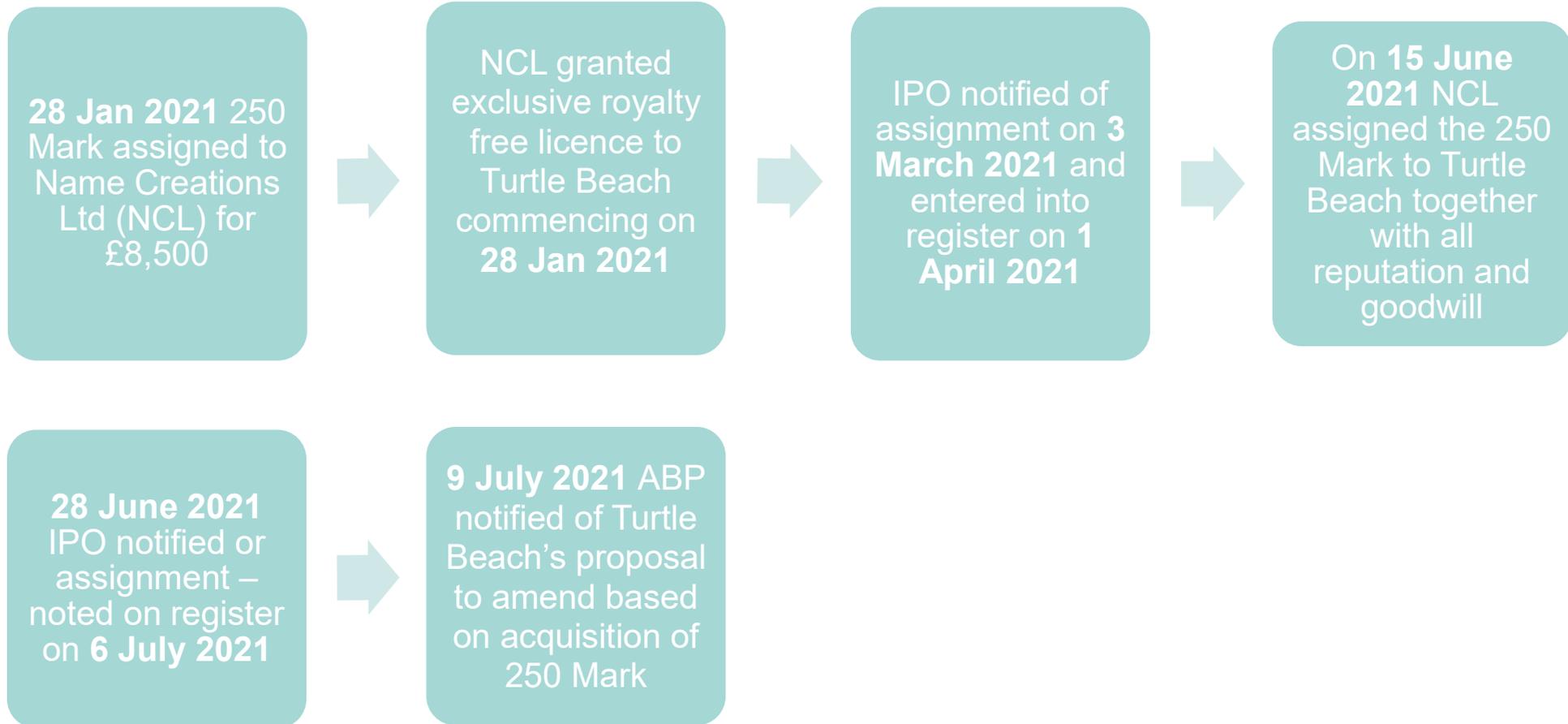
Timeline of key dates and events

17 May 1996	<ul style="list-style-type: none">• Effective date of the STEALTH mark (“250 Mark”) later acquired by Turtle Beach
Mid 2014	<ul style="list-style-type: none">• First use of “STEALTH” in the UK by ABP’s predecessor in title
Aug/Oct 2014	<ul style="list-style-type: none">• Turtle Beach’s first use of “STEALTH” in the UK via retail headphone sales in UK
Feb 2015	<ul style="list-style-type: none">• ABP used the name “STEALTH” in consumer sales of headsets
April 2015	<ul style="list-style-type: none">• Second Defendant became aware of ABP’s use of STEALTH for headphones
6 Feb 2017	<ul style="list-style-type: none">• ABP filed application for Stealth VR mark
16 March 2018	<ul style="list-style-type: none">• Turtle Beach applied to register a UK mark for STEALTH

Timeline of key events

26 Apr 2018	<ul style="list-style-type: none">• Turtle Beach sent letter before action alleging passing off
8 June 2018	<ul style="list-style-type: none">• Turtle Beach applied for declaration of invalidity of STEALTH VR mark
15 Aug 2018	<ul style="list-style-type: none">• ABP opposed Turtle Beach's STEALTH application
16 Sep 2019	<ul style="list-style-type: none">• Hearing Officer's decision – refusing Turtle Beach's DOI and upholding ABP's opposition
17 June 2020	<ul style="list-style-type: none">• Appointed Person's decision – upholding Hearing Officer's decision
24 Nov 2020	<ul style="list-style-type: none">• Claim Form issued
2 Feb 2021	<ul style="list-style-type: none">• Defence filed

The acquisition of the 250 Mark



Summary Judgment

- ABP applied for summary judgment on the basis that the only defence advanced by Turtle Beach in the un-amended defence was honest concurrent use
- ABP argued that the infringement claim was straightforward and the defence of honest concurrent use had no prospects of success, primarily because the period of co-existence did not come close the length of time required based on authorities (*Budvar* and *IPC*) where HCU had been argued successfully.
- Turtle Beach submitted that HCU was arguable and had real prospects of successfully defending the claim on that basis
- Justice Miles agreed with the Turtle Beach and refused the summary judgment application:
 - ABP's claim focused on the period of co-existence, but the authorities did not specify a minimum period of use – arguable that length of use is only one factor relevant to the ultimate question
 - Both parties had used the STEALTH sign prior to registration of ABP's marks and the court would benefit from additional evidence about that use and the perceptions of the average consumer – would be wrong to shut out a defence of HCU without a fuller factual investigation at trial

Permission to amend – Turtle Beach’s position

Turtle Beach applied to amend its pleading as follows:

1. To use the 250 Mark to contest the validity of ABP’s marks under s.47 TMA on the grounds that the 250 Mark is the earlier mark;
2. To allege a defence to infringement on the basis that the use complained of is use of an earlier registered trade mark under s.11(1B) TMA;
3. To rely on the 250 Mark in support of the defence of honest concurrent use
4. To deploy the 250 Mark as the basis to allege infringement by ABP



Permission to amend – ABP’s general objection

- An important point is that the reason behind this rather convoluted history is that the Defendants managed to fall outside the restrictions of s.46(3) of the TMA:

The registration of a trade mark shall not be revoked on the ground mentioned in subsection (1)(a) or (b) if such use as is referred to in that paragraph is commenced or resumed after the expiry of the five year period and before the application for revocation is made:

Provided that, any such commencement or resumption of use after the expiry of the five year period but within the period of three months before the making of the application shall be disregarded unless preparations for the commencement or resumption began before the proprietor became aware that the application might be made.

- By operating under a licence for more than 3 months, the Defendants managed to resurrect the use. Had they assigned it immediately and made the pleading amendments the registration could have failed s46(3) as the Claimants would have filed the action during the 3 month period.

Permission to amend – ABP’s general objection

General objection centred around the scheme to use and acquire the 250 Mark and the timing of the application for permission to amend.

- ABP argued that Turtle Beach engaged in a covert plan that allowed them to “decouple” the use of the 250 Mark from the transfer of legal ownership of the mark.
- ABP claimed that the application to amend was late and would cause them irreparable prejudice because it would deprive them of a non-use attack under s.46 to knock out the 250 Mark and therefore the court should refuse the amendments on discretionary grounds

Permission to amend – ABP’s general objection

Mr Justice Miles rejected ABP’s overarching objection:

- The amendments were not late – proceedings at a very early stage and pleadings not closed.
- Accepted position that Turtle Beach only required to propose amendments once became proprietor of the 250 Mark.
- 250 Mark was always on the register for ABP to search and seek to acquire the mark or revoke the mark.
- Turtle Beach was not under any obligation to disclose commercial plans and the judge held that the scheme to acquire the 250 Mark did not violate or abuse the court process in a way that would prevent reliance on the 250 Mark.

Observations in Miles J's decision

“Moreover, the claimant's complaints must be placed in perspective. Mark-250 was on the register of trade marks and it was always possible for the claimant to search for the mark and seek itself to acquire it or apply for it to be revoked. The claimant says that even had it carried out a search and discovered mark-250, there would have been no reason for it to take any action, as it would have appeared that the mark was unused. But it was always possible that someone (including the defendants) would seek to acquire and use mark-250”.

“the claimant’s real grievance is that the first defendant has managed to acquire the legal title to mark-250, and the defendants also used that mark under licence without disclosing those facts to the claimant until they had been completed. I do not however consider that the non-disclosure to the claimant contravened any procedural requirements or was otherwise abusive of the court’s processes”

Permission to amend – counterclaims and defences

Declaration of Invalidity under s.47

- Section 47 allows an invalidity challenge based on section 3 grounds (e.g earlier rights) provided use conditions are met in s47(2B).

The use conditions are met if—

(a) the earlier trade mark has been put to genuine use in the United Kingdom by the proprietor or with their consent in relation to the goods or services for which it is registered—

(i) within the period of 5 years ending with the date of application for the declaration, and

(ii) within the period of 5 years ending with the date of filing of the application for registration of the later trade mark or (where applicable) the date of the priority claimed in respect of that application where, at that date, the five year period within which the earlier trade mark should have been put to genuine use as provided in section 46(1)(a) has expired, or]

- Cs argued that genuine use requirement could only be satisfied by (i) use by the registered proprietor, (ii) or use by a third party with consent of the proprietor at the relevant time, and Turtle Beach could not establish either.
- Ds argued that s.47(2B)(a) can be satisfied if (a) a party has in fact used the same sign during the relevant 5 year period (i.e. STEALTH in this case); and (b) has subsequently acquired the registered trade mark for the same sign

Permission to amend – counterclaims and defences

- Miles J rejected the proposed amendment on the basis that Turtle Beach could not satisfy the genuine use requirements in s.47(2B)(a) TMA.
- The judge confirmed ABP’s reading of s.47(2B)(a) which requires genuine use of the mark by the registered proprietor at the time, or a third party with consent of the registered proprietor at the time.
- The use requirements in s.47(2B)(a) are “*concerned with objectively ascertainable events occurring in the real world in real time*” – when Turtle Beach used the STEALTH sign they were not the proprietor of the 250 mark and did not use STEALTH with the consent of the registered proprietor at the time.
- To allow the Defendant to rely on its own use would reduce legal certainty.

Permission to amend – counterclaims and defences

s.11(1B)

(1) A registered trade mark is not infringed by the use of a later registered trade mark where that later registered trade mark would not be declared invalid pursuant to section 47(2A) or (2G) or section 48(1).

(1B) Where subsection (1) applies, the later registered trade mark is not infringed by the use of the earlier trade mark even though the earlier trade mark may no longer be invoked against the later registered trade mark

- Defendants sought to rely on this section as a defence to infringement. It now owned an earlier mark.
- ABP argued the defence could only apply if there is a positive case under s.11(1) TMA.
- Miles J rejected ABP's argument and concluded that s.11(1B) was not contingent on a positive case under s.11(1). It was arguable the defence could be triggered so allowed permission to amend.

Permission to amend – counterclaims and defences

Infringement of the 250 Mark

- ABP argued that since its marks were registered and could not be challenged, it had a complete and unanswerable defence to the infringement claim under s.11(1) and by virtue of honest concurrent use.
- Miles J rejected ABP's argument on the basis that the defence had not yet been pleaded and there would be room for debate about the applicability of any pleaded defences. The counterclaim and defence needed to be pleaded out and it would be inappropriate to dismiss the counterclaim at a summary stage.

Permission to amend – counterclaims and defences

Honest Concurrent Use

- Turtle Beach also sought to rely on the 250 Mark in support of HCU defence – claimed the acquisition gave legal effect to the underlying reality that it was using STEALTH from 2014 onwards without knowing of the Claimants' sign
- Refused by Miles J – use in 2014 needs to be considered in historical context and cannot be altered by subsequent actions taken by Turtle Beach after dispute had arisen.

Court of Appeal decision 4 May 2022

- Whether or not the statement of case could be amended is a matter of discretion for the judge. Matters of discretion are notoriously tricky to appeal but permission was granted on the basis although the amendment was a matter of discretion, this is a very unusual case and the appeal was worth the cost given the impact on overall prospects of success.
- The issue on appeal was the judge's approach to the exercise of the discretion allowing the amendments.
- Appeals concerning exercise of discretion will only be interfered with if there is one or more of the following errors:
 - i. Misdirection in law
 - ii. Procedural unfairness
 - iii. The judge took into account irrelevant matters
 - iv. Failed to take into account relevant matters
 - v. The judge made a decision which was plainly wrong

What the appeal was not about

- Worth pointing out that the appeal is not whether Turtle Beach's tactics would be effective. Presume they would be and the circumstances of the acquisition of the trade mark will defeat an application for revocation.
- The fact that the process is permissible in law does not operate as a trump card. The fact it is permissible is relevant but amendments to pleadings can be refused if its unjustified lateness is prejudicial to the other party.
- The appeal was all in the context of making amendments to pleadings.

Assessment of appeal

- Ds admitted the shell company NCL at all times acting on behalf of them. Therefore the s11(1B) defence was available to them from 28 January which was before the original defence filing.
- It was not clear to the judge as it was on appeal that the Ds accept they could have pleaded s11(1B) from the outset. The judge thought two sets of amendments were procedurally messy so makes sense to wait, but that was a wrong premise as the Ds accept they could have pleaded it from the beginning given they had the licence to use.
- The real issue is that the lateness of the amendment deprived the Cs of a defence which they would have had if the point had been raised when it first could have been and not raised late.

Justification for timing?

- Birss LJ was unimpressed the Ds did not produce any evidence to explain the lateness. He said this conduct will not do.
- The real reason no evidence was produced to justify the approach was because to have done so honestly, when written down would have looked deeply unattractive. The story was never explained fully or properly. The fact counsel's submissions accepts objective in not telling the Cs about the amendment until they did was to avoid tipping them off, is no excuse.
- By not having evidence, they have been able to shift position. The shift in position about s11(1B) and when it could have been pleaded is an example of the tactical advantage gained.
- Questions over the Defence and the fact it was wrong and misleading as the shell company owned the mark at the time. Turtle Beach ought to have filed apologetic evidence.
- Total absence justifying the timing of the amendments which required an answer.

Justification for timing

- An answer was required and the absence of that answer ought to have been fatal to the application to amend
- The fact the conduct was legitimate under the TMA did not absolve Turtle Beach as a litigant in civil proceedings from addressing the timing of the step taken.
- The purpose of the timing was to cause prejudice to the Cs and no good reason had been provided for that lateness.
- The debate does not turn about checking the register. The point should not count against them that they did not search the register.
- Turtle Beach has attempted to take advantage of the process of civil justice and to permit the amendments would be to sanction an act of deliberate concealment so the appeal allowed.

Impact - Sharp practice or abuse of the system?

- Every act a party might take in its interests has the potential to cause prejudice- that is just an inevitable consequence. The reason Turtle Beach concealed the timing is it wanted to make full use of the rights acquired so to reveal its position to soon would have undermined that opportunity. A consequence was that it meant ABP could not use the 3 month window to bring a revocation action.
- This does not mean the purpose was to cause prejudice
- Is that any different to other forms of “sharp practice”? For example:
 - validity torpedoes designed to stay domestic infringement proceedings pending ruling on validity of EU marks i.e Starbucks v Sky
 - “straw men” used to conceal the true ownership of a trade mark application.
- All of these have the objective effect of causing prejudice. That is just an outcome of a party exercising its rights.

Guarding against earlier registrations

Due Diligence

- The Court of Appeal has prevented this form of 'abuse' when litigation is underway.
- However it does not prevent a party from using the section 46 process before litigation is commenced.
- So, a key take home is still that it is vital to consider possible invalidity/revocation vulnerabilities when asserting trade mark infringement
- Do check the register for earlier rights that could pose a threat.
- Important to consider taking active steps to check the usage of prior rights and then take appropriate action if earlier rights have not been used

Watch this space?

- Will there be an appeal to the Supreme Court?

Bristows LLP
100 Victoria Embankment
London EC4Y 0DH
T +44 20 7400 8000

jeremy@blum@Bristows.com

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