

Alicante, 05/05/2021

DANUBIA SZABADALMI ÉS JOGI IRODA
KFT.
P.O. Box 198
H-1368 Budapest
HUNGRIA

Notification of a decision to the applicant

<i>Your reference:</i>	V36334-16880/700/1000-LM
<i>Invalidity number:</i>	000042120 C
<i>Contested trade mark:</i>	010683531
	SCIO INTERNATIONAL S.R.L.

Please find attached the decision terminating the proceedings referred to above. The decision was delivered on **05/05/2021**.

Please note that decisions of the Cancellation Division are not signed by the officials responsible but only indicate their full names and bear a printed seal of the Office in accordance with Article 94(2) EUTMR.



Nicole CLARKE

Enclosures (excluding the cover letter): 15 pages.

CANCELLATION No C 42 120 (INVALIDITY)

Mandelay Kft., Gyártelep 12001/33 hrsz., 2310 Szigetszentmiklós, Hungary (applicant), represented by **Danubia Szabadalmi És Jogi Iroda Kft.**, Bajcsy-Zsilinszky út 16., 1051 Budapest, Hungary (professional representative)

a g a i n s t

S.C. Scio International S.R.L., Str. Andrei Muresanu, No. 15, 417495 Sanmartin, judet Bihor, Romania (EUTM proprietor), represented by **Carmen - Augustina Neacsu**, 12/3 Rozelor Street, 430293 Baia Mare, Maramures, Romania (professional representative).

On 05/05/2021, the Cancellation Division takes the following

DECISION

1. The application for a declaration of invalidity is upheld.
2. European Union trade mark No 10 683 531 is declared invalid in its entirety.
3. The EUTM proprietor bears the costs, fixed at EUR 1 080.

REASONS

On 11/03/2020, the applicant filed a request for a declaration of invalidity against European



Union trade mark No 10 683 531 (figurative mark) (the EUTM), filed on 13/02/2012 and registered on 20/08/2012. The request is directed against all the goods and services covered by the EUTM, namely:

Class 10: *Medical apparatus, instruments and articles.*

Class 35: *Marketing of medical apparatus, instruments and articles.*

Class 37: *Repair, maintenance and installation in the field of medical apparatus, instruments and articles.*

The applicant invoked the ground of bad faith under Article 59(1)(b) EUTMR. It also relied on an earlier non-registered trade mark in Hungary, Italy, the Netherlands and Spain 'SCIO' (word mark) for which it invoked Article 60(1)(b) EUTMR in conjunction with Article 8(3) EUTMR and also under Article 60(1)(c) EUTMR in conjunction with Article 8(4) EUTMR and which is claimed for the following goods and services:

Class 10: *Manufacture and sale of medical devices using biofeedback and/or Bioresonance.*

Class 35: *Marketing of medical devices using biofeedback and/or bioresonance.*

Class 35: *Marketing of software for medical devices using biofeedback and/or bioresonance.*

Class 37: *Repair, maintenance and installation in the field of medical devices using biofeedback and/or bioresonance.*

Class 41: *Holding conferences and seminars in connection with medical devices using biofeedback and/or bioresonance.*

SUMMARY OF THE PARTIES' ARGUMENTS

The case for the applicant

The applicant states that the contested sign contains the word component SCIO as well as other word and figurative elements but that the invalidity is specifically directed to invalidate the exclusivity of the proprietor for using the word element SCIO. The applicant provides a history of the interactions between the parties, including opposition proceedings and further ongoing proceedings. It points out that some of the proceedings and exhibits presented in the present case are appealed and presently before the General Court with case number T-86/20. The applicant also points to the Cancellation decision of 07/06/2019, 15 253 C 'SCIO EDUCTOR' which was upheld. It further points to the decision No. 3.P.20.270/2019/28 of the Metropolitan Court of Budapest which upheld the counterclaim of the applicant and invalidated the EU trade marks BHO 5 and Budapest Home Office (016279747 and 016279697, respectively) establishing that these two trade marks were used first by the applicant in connection with the SCIO and EDUCTOR devices, and the court also established that the use of the SCIO trade mark (together with the related trade marks BHO and Budapest Home Office) had an intensity of use above local significance and based on the earlier use in Hungary of these designations by the Applicant and on the bad faith nature of the filing of the concerned applications brought this invalidation decision. This decision is not yet final, the proprietor of the attacked trade marks has filed an appeal against the decision. However, it argues that this decision and its motivation have a very close connection with the present application, although the attacked trade marks were much younger than the contested trade mark, but it dealt with similar facts and principles and the existence of the applicant's rights to the sign SCIO.

The applicant then provides a history of the biofeedback device named SCIO. The applicant claims to have sold the 'SCIO' device since 2002 initially by the predecessor Maitreya Kft and partially also by Ecllosion Kft which merged into Maitreya Kft. The hardware was made by a Hungarian company Pentavox Kft. And the application software required for the use of the product was developed by Maitreya Kft. The products were manufactured by Pentavox Kft. And Maitreya Kft and its sister company had exclusive right to purchase the devices from the manufacturer, with the assistance of Maitreya Kft. The European CE qualification was awarded to the product and later this was issued to Maitreya Kft. This qualification is a condition for bringing this medical device to the EU market.

The applicant explains that due to financial problems in 2011 the position of Maitreya Kft worsened and the company changed owner from Mr Nelson to Mr Zontán Nagy who was owner and Director and Mr Kornél who was a Director since 2003 and lasted until 2012. Mr Nagy was not interested in the sale and distribution of biofeedback devices so due to the lack of interest Mr Tókics under the Czech company Mandelay spol. s.r.o. founded the company Mandelay Kft (the applicant) on 02/11/2011. On 30/12/2011 all of the rights to the SCIO devices were assigned from Maitreya Kft to the applicant. This it claims is how the applicant became the successor in title of Maitreya Kft, which included the previously

merged Eclosion Kft, in the field of biofeedback devices. These assigned rights included the official European quality certificate CE, which covered the hardware and the application software named CLASP32 as the certificate refers to 'biofeedback system' and both the hardware and the software are indispensable for the required operation. These certificates were issued first by Pentavox Kft, later to Maitreya Kft and then to the applicant.

The applicant mentions that 'Mr Sirbu', who is the Director of the proprietor had previously been employed at Eclosion Kft (the predecessor of the applicant). The hardware of the SCIO devices was produced by Pentavox Kft. and the application software named CLASP32 was developed within Maitreya Kft. and this latter company had exclusive distribution and sales right to the products and Pentavox was allowed to sell devices only with the consent of Maitreya Kft. It submits an agreement to prove this point and points out that this agreement states that the SCIO devices were developed by Maitreya Kft. Further similar agreements were concluded between Pentavox Kft and the applicant which were in force until 2017.

The applicant states that the EUTM proprietor had as its main purpose the sale of 'SCIO' biofeedback devices imported from Hungary and acted as a sales agent of the predecessor of the applicant, purchased and imported the SCIO goods (including the CLASP32 software and accessories) either directly from the applicant or by the applicant's consent from the manufacturer Pentavox Kft and later also from the Czech owner of the applicant and enjoyed the CE certificate. There was an agents agreement between the proprietor and Eclosion Kft effective from 01/06/2006 which was concluded for an undefined period. It argues that this agreement shows that the EU and non-EU countries were outside the exclusivity of the proprietor, which was limited to Romania. It argues that there were certain factual errors in the agreement concerning the rights of Pentavox and the ownership of the software which concealed the exclusivity of the distribution rights of the predecessor and also referred to QX Bahamas Ltd erroneously due to the view of tax optimisation the software was sold from the Bahama-based company. It argues that this element in the agreement was done only to provide a basis for the false invoicing of the software from the tax haven and no exclusivity was granted to the proprietor in relation to the software CLASP32. It claims that the proprietor was only an agent of the applicant or its predecessor in title. The proprietor has never requested or received any permission from Maitreya Kft or later the applicant to file any trade marks for the name of the device SCIO or the software CLASP32. This lack of consent it argues is confirmed by the declaration of Mr Tókics.

Initially, following the formation of the Proprietor company, there was a friendly relationship between the Proprietor and Eclosion Kft. and Maitreya Kft. and because it was supposed that the Proprietor would sell devices mainly in Romania, no one objected to the name chosen by the Proprietor: SC SCIO International S.R.L. with the special figure in which the name was embedded and which looked like a coat of arms. Also, the exclusivity was limited to Romania. Therefore, the applicant claims that as the proprietor was aware of the ownership of the SCIO devices and associated software by the applicant and its associated CE registration at the time of filing of the EUTM this filing was done in bad faith. The proprietor was seeking to claim exclusive rights against the original distributor of the products and then launched opposition proceedings B 2 141 946 against the applicant when it filed an EUTM application No 11 191 194 for the sign SCIO. Due to financial problems at the time the applicant did not fight the opposition although it could have launched a counterclaim. A second reason for the tolerance of the contested EUTM was a lack of knowledge in the trade mark field and an under estimation of the significance and power of an EUTM which it regrets. The fact that the proprietor attacked the applicant's registration of the SCIO sign shows bad faith. The proprietor purchased all SCIO devices and accessories and application software either directly from the applicant or with its prior consent and their respective CE certificates are issued for the applicant or its predecessor. Therefore, the proprietor was clearly an agent who filed the mark of the principal.

The SCIO devices cannot be used without software which also belongs to the applicant. The proprietor was well aware of the applicant and its predecessor as it had worked for Eclosion Kft for a long period of time and also through the agent agreement it bought SCIO devices from the applicant. The relationship of the proprietor as an agent did not change after filing the contested EUTM as the SCIO devices purchased by the proprietor all had the CE certificates from the applicant and the goods could not be sold without them. The proprietor also sent warning letters to the distributors of the applicant making reference to its earlier marks to try and stop their activities with the applicant and it includes evidence of this email contact which it argues also proves bad faith.

The applicant submits evidence of the amount of devices sold since 2003 by the applicant and its predecessor, many of these being sold to customers in the EU. The goods are to be used by medically trained people having received a specific training so they are not mass goods sold to the general public, but sold to the professional public. Although the number of devices sold is not very high, in relation to the market and price of the devices, the use must be considered more than merely local. The training courses took place internationally which goes beyond the boundaries of one country and these seminars were carried out yearly. The goods were sold to different EU countries and the use is more than local. In relation to the ground of Article 8(4) EUTMR it states that it relies on Section 6 of the Hungarian law No LVII of 1996 on the 'Prohibition of the Unfair market behaviour and limitation of competition' according to which: "It is prohibited to making, bringing a product into the market or promoting it without the 10 consent of the competitor which has a characteristic appearance, packaging, designation or with other labeling from which the competitor or its products can be recognized". It argues that the competitor who was earlier on the market can prohibit such activities of any later competitor. It claims that as SCIO is not only the name of the product but also has obtained its CE certificates from the applicant and such products could not be used in Hungary without this certificate it has the right to prohibit the use by the proprietor. Moreover the applicant owns the copyright to the software used in the SCIO devices and it is protected in the Berne Union countries and all EU Member States. It argues that the signs are similar as the EUTM contains both of the applicant's signs together and the goods are at least similar for the goods in Class 10 and related services in Classes 35 and 37. Therefore, this ground must also be successful. It requests that the EUTM be invalidated.

In reply to the proprietor the applicant contests the EUTM proprietor's arguments. It repeats and expands its previous arguments. The applicant states that any sales made to third parties by Pentavox were done with the express consent of the applicant. It denies that the proprietor had any earlier rights to the sign. It again provides a history of the device and claims that it had first right to the sign. It insists that it has shown the chain of ownership and transfer of the rights to the applicant. The applicant goes through the proprietor's arguments and contests all of the allegations and the evidence submitted. In particular it denies having signed the agreement that the proprietor submitted in Annex 12. It claims that the proprietor company would have been only less than 3 weeks old at the time and during that time Maitreya Kft purchased more than 100 devices each month from Pentavox so there would be no reason for this contract and how could it include a company registration number that didn't exist at the time on the contract. Only the translation was provided and not the original and it does not sign originals in Romanian. Therefore, it denies the existence and validity of the contract. Therefore, it insists that the EUTM must be invalidated.

In support of its observations, the applicant filed the following evidence:

- Exhibit 1 Maitreya Kft. company extract.
- Exhibit 2 ECLOSION Kft. Company extract.
- Exhibit 3 Mandelay Kft. Company extract.

- Exhibit 4 Maitreya-Mandelay assignments, Agreement dated 30/12/2011 for the transfer of rights to the universal electrophysiological biofeedback devices sold under the name 'SCIO' by Maitreya Magyarország Kft to the applicant with a translation into English.
- Exhibit 5 Official certificates of the European Community CE for the 'SCIO' devices verifying that the devices meet the requirements of the EC Directive, in the name of Pentavox Kft, Maitreya Kft and later the applicant.
- Exhibit 6 Copy of the termination of contract of employment of Mr. Sirbu from Ecllosion Kft (the sister company of the applicant's predecessor) which is dated 30/05/2008 and in which it states that Mr Sirbu was born in Romania but at that time was residing in Hungary.
- Exhibit 7 Pentavox-Maitreya agreement 2004, Sales agreement signed between Pentavox and Maitreya on 01/01/2004 which states that both the manufacturer (to produce) and the principal (to purchase) have exclusivity concerning the 'SCIO' devices, and the Cooperation Agreement signed on 02/05/2012 concerning the same devices in which the applicant has exclusivity for the sale of the devices made by Pentavox Kft and the application software was confirmed property of the applicant and with a translation into English.
- Exhibit 8 Contract between Proprietor and Ecllosion Kft entitled 'Agreement of Sale and Purchase No 4 from 01/06/2006' in which Ecllosion as the seller allows the proprietor as the buyer to buy inter alia SCIO Serial and SCIO USB systems. The electrophysiologic universal system which is the object of the agreement is made up by the electronic interface component produced by Pentavox Kft. The contract states that the proprietor is named 'exclusive SCIO/QXCI Importer-Distributor in Romania'. It further states that the proprietor will buy the devices to resell them in the countries where it has exclusivity given by Pentavox Kft Hungary and QX Bahamas Ltd. However, it also states that the proprietor has the right to commercialise inter alia SCIO Serial and SCIO USB devices outside the countries where it has exclusivity, both in EU and non-EU countries. The agreement is signed for an undetermined period of time. The manufacturers of the electronic interface and software which make up the system alert the proprietor that the exclusiveness is given only in relation to Romania.
- Exhibit 9 Káldi declaration: Declaration made by Pentavox dated 06/02/2014 stating that the sign 'SCIO' belongs to the applicant or its predecessor and a picture of the 'SCIO' device. It further states that Pentavox Kft is primarily the manufacturer but its products have been sold exclusively by the applicant or its predecessor, with the exception of the EUTM proprietor which has purchased the devices not only in this way but also directly from Pentavox Kft or other intermediaries for the sake of further sales. However, it states that when these sales occurred it was always with the consent of the applicant or its predecessor, and that Pentavox Kft. has not given permission to the EUTM proprietor to register the sign 'SCIO' or to have exclusive rights thereon.
- Exhibit 10 Tótics declaration: Declaration of Mr. Kornél Tokic dated 29/06/2017 which states that he was the Managing Director of Maitreya Kft and a high ranking official of its sister company Ecllosion Kft and has been working with these devices since their development back to 1998-2000, and that both companies had the same owners and shared the sale of the biofeedback devices 'SCIO' to different geographical markets, until the two companies merged in 2010 and he became the CEO of the company which is now the applicant. All of the rights to the SCIO device were then transferred to the applicant. From April 2012 it was agreed that the brands 'SCIO' and 'EDUCTOR' were to be owned by the applicant and that Pentavox under authorisation could make direct sale of the devices but only with the applicant's consent. Pentavox Kft was manufacturing the devices and had to obtain market authorisation in the relevant territories and these were issued in 2002. He states that

from May 2004 to May 2008 Mr Sirbu, a Romanian citizen who lived in Hungary, was employed by the company Eclosion Kft and was involved in sales and engineering work concerning the 'SCIO' devices and often worked with Pentavox Kft. After termination of his employment he returned to Romania and established the EUTM proprietor company and still runs it. He also details the development of the 'EDUCTOR' brand, the seminar held in Germany in July 2012 and the sale of the first devices in 2013. This document also contains sales figures for the 'SCIO' and 'EDUCTOR' devices sold from 2003 until at least the beginning of 2017 which range from 23 devices for the initial part of 2017 up to 2964 devices in 2007. In the second annex to this Exhibit is a declaration that he sold a total of 144 SCIO devices and 10 EDUCTOR devices to the EUTM proprietor.

- Exhibit 11 E-mails from distributors indicating that the Proprietor disturbs their free trade. The emails contain warnings from the proprietor posted on Facebook stating that it owns various trade marks containing the element SCIO and that nobody is allowed without its approval to market goods with this indication in the EU and a number of other companies.
- Exhibit 12 Invoices, order forms and delivery documents for purchases by the Proprietor.
- Exhibit 13 Invoices and shipment to the Proprietor after 2012.
- Exhibit 14 EU sales data by the Applicant.
- Exhibit 15 Evidence of sale concerning Europe by other companies than the Proprietor.
- Exhibit 16 Listing of the minimum training requirements.
- Exhibit 17 Brochures of old annual conferences held by the applicant or its predecessors and organised by foreign distributors.
- Exhibit 18 Company extract of Pentavox Kft.
- Exhibit 19: Letter of Danubia, the applicant's legal representative, to the Proprietor's representative on 04/06/2019 trying to reach a settlement in the matter.
- Exhibit 20 Pentavox-Mandelay Contract of undertaking dated 01/01/2004 in English. In which Pentavox was responsible for manufacturing the SCIO devices while Maitreya provided the operation software for the devices.

The case for the EUTM proprietor

The EUTM proprietor contests the applicant's arguments. It claims that the applicant requested the cancellation of only the part SCIO of the contested mark but that the mark has other elements, the figurative element being quite complex and coloured and it occupies more than half the sign. It argues that it would be unfair to cancel the entire mark. It contests the relevance of the prior opposition proceedings B 2 141 946 to the present case and states that each case should be regarded individually. It claims that the applicant does not hold prior rights to the sign SCIO and nobody knows who was the first to use the sign before 2006 which is the year that the proprietor was established. It denies that the applicant has proven that it was the first to use the sign SCIO.

The proprietor goes through the applicant's evidence individually and criticises each piece of evidence. It denies that the evidence submitted by the applicant shows that Maitreya Kft was the predecessor of the applicant. It points to the Hungarian Commerce Register that states that Maitreya Kft. was working in the field of 'other information technology and computer service activities' and 'renting and leasing of other machinery, equipment and tangible goods'. It claims that this proves that Maitreya Kft was using the name SCIO in relation to different goods or services and cannot show use in relation to the contested goods and services. It makes similar claims in relation to Eclosion Kft who it states were involved in the field of film, media and computer consultancy and the applicant who it claims was involved in 'computers and peripheral equipment'. It denies that there was any provision in relation to

trade marks in the agreement between Mandelay Kft. and Maitreya Kft. Moreover, it claims that in the CE certificates for several products, including the SCIO name, it states that Pentavox Kft has the right to sell products in the EU under the name SCIO but claims that this is not a commercial right.

It claims that Exhibit 7 shows that other companies were using SCIO on the market being Maitreya Kft, then Pentavox Kft, Scio International S.r.l. and Mandelay Kft. Therefore, it claims Maitreya Kft could not have had exclusive rights to purchase the devices from Pentavox Kft. Exhibit 8 it claims shows that the proprietor had the right to sell SCIO Serial and SCIO USB in the EU and this shows their entitlement to use the word SCIO as much as anyone else. The emails from clients submitted by the applicant are merely informative and show that the proprietor owns 2 trade marks containing the sign SCIO. It argues that the documents submitted by the applicant show that the proprietor cooperated well with Maitreya Kft and this is further shown via the invoices. The proprietor argues that it is strange to only have a dispute over the trade mark after 8 years in the market and after working in the same field for 11 years. The evidence dated 2007, 2008 and 2010 in the name of QX WORLD Kft filed by the applicant cannot show use of the sign by the applicant.

It argues that the applicant did not start distribution and sale of biofeedback devices until 2012 and provides the Hungarian Commerce Register of the applicant established in 2011 but which states that it is involved in 'computers and peripheral equipment'. Therefore, it claims that it made prior use of the sign. Moreover, it claims that it had the exclusive right to sell SCIO goods in Romania and in the EU. It claims that the other companies were not aware of the importance of a trade mark and did not try and register the SCIO sign but were happy to benefit from selling goods under the sign. It states that the applicant admits that it was regrettable that they did not estimate the power of a trade mark in its observations. They only realised after the proprietor had registered the signs. It denies that the evidence shows that trade mark SCIO was transferred to the applicant. The CE certificates are not trade mark rights. It submits an email dated in 2013 sent by a broker J.J. to the applicant in which it asks the applicant if there is any problem with the proprietor having registered the marks but the applicant did not respond. The applicant waited 8 years from registration to try and cancel their mark. It argues that it was the first to register the trade mark and it has not forbidden anyone to use it. It only opposed the applicant registering similar trade marks but they could produce and sell any product in the field of medical apparatus to anyone in any part of the world but they chose to try and cancel the proprietor's trade mark instead.

It argues that the applicant wants to clean the market and stop all companies using the SCIO sign but has waited too long. The applicant has benefited from the prior use of the sign by all the other companies including the proprietor when all of those companies spent money and human effort to build the trade mark. Finally it claims that the proprietor was the first to register the sign and has used it for 7 years in their commercial name and they have not opposed anyone using similar signs.

In reply to the applicant's observations it claims that as no new facts or evidence were submitted it simply requested the Office to take a decision based on the evidence before it.

In support of its observations, the EUTM proprietor filed the following evidence:

- Annex 1: a partial extract from an unidentified source (the proprietor states it is from the Hungarian Commerce Register for Maitreya Kft) stating that a company is used for 'information technology and computer service activities'. The company cannot be identified or the source of the document from the document submitted.
- Annex 2: A certificate of effect and non-effective company data from an unknown source (the proprietor states it is from the Hungarian Commerce Register) which states that Eclosion kft was registered on 22/05/2002 and is involved in film, reproduction of

recorded media, computer consultancy activities, other information technology and computer service activities.

- Annex 3: A document of unknown origin (the proprietor states it is from the Hungarian Commerce Register for the applicant) which doesn't specify which company it refers to but states that the main activities of the company are the manufacture of computers and peripheral equipment. 3.b states retail sale of computers, peripheral units and software in specialised stores, organisation of conventions and trade shows, retail of medical and orthopaedic goods in specialised stores etc but again it does not mention the company or the source of the information.
- Annex 4: A registration certificate for the EUTM proprietor company name dated 29/11/2005 in Romania.
- Annex 5: Agreements dated 30/12/2011 for the transfer of rights to the universal electrophysiological biofeedback devices and software sold under the name 'SCIO' and the TÜV certificates by Maitreya Magyarország Kft to the applicant in English.
- Annex 6: Certificate from TÜV Rheinland InterCert Kft certifying that the applicant has established and maintains a quality management system for medical devices being the design/development, manufacturing, distribution and servicing of universal electrophysiological biofeedback system. It is dated 23/02/2012 but does not mention SCIO.
- Annex 7: Declaration of Mr. Kornél Tokic dated 29/06/2017 previously submitted by the applicant which does not mention SCIO CLASP32 and in which it highlights the sentence 'Looking back to the period between 2012 and 2016 I can admit that our knowledge in the field of trademarks was very superficial and when I learned that SCIO International SRL filed an EU trade mark application for the term SCIO which a characteristic figure, I did not realise that this was against our interests and was surprised when they opposed our later SCIO word mark application'.
- Annex 8: A mixture of two extracts which would appear to be from the contract with the proprietor in 2008 and a part of what would appear to be an extract from the applicant's arguments.
- Annex 9: A letter from the General Manager of Pentavox Kft dated 13/09/2017 in English stating that it developed and manufactured the hardware known as SCIO from 2002 and that Maitreya Kft, SCIO International SRL and Mandelay Kft were among the companies that distributed these devices from them but that devices manufactured by QX WORLD/QXSUBSPACE were not original devices.
- Annex 10: A document from unknown source but which appears to emanate from the proprietor and contain the same warning submitted by the applicant in the emails and which shows that the proprietor warned that others could not use its SCIO sign on goods as it held trade marks containing SCIO.
- Annex 11: A copy of the previously submitted QX World Conference highlighting that the conferences were run by Mr Nelson for QX World.
- Annex 12: An exclusivity contract between Pentavox Kft and the proprietor dated 12/12/2005 in English for the import, storage and marketing-distribution of the product 'Universal Electrophysiological System Type SCIO/OXCI: SCIO and FETAPHON models' for Romania. It also provides the right 'to market' in Europe. It further states that this extends to the auxiliaries and derivatives of the import, storage and marketing activity in the sense of: service, assistance, and registration of the systems used prior to the granting of the exclusivity (depending on the law). It further states that 'Based on the EXCLUSIVITY granted for the determined territory, the beneficiary of this exclusivity acquires all the rights, abilities and competences of the holder of the industrial property right, which he holds by virtue of his quality, according to the rule of the regulated mandate, both domestically and internationally'. This contract was to conclude five years after its commencement on 12/12/2005. It also contains a clause stating that the proprietor would not infringe the industrial property rights held by Pentavox. The

original contract was not submitted but it would appear to have been in Romanian and the English version was not signed.

- Annex 13: An unidentified extract although it would appear to be from the applicant's arguments and states that they had underestimated the significance and power of a European trade mark which was regrettable.
- Annex 14: A copy of an email from a company BioQuantique Sarl in France to the proprietor stating that they had seen the Scio International trade mark EDUCTOR and wondering if that meant that they could not sell SCIO or EDUCTOR anymore.

The EUTM proprietor denies that an unregistered trade mark or sign has equal rights to a registered trade mark and the greater rights can only be obtained by registration with the EUIPO. It denies that the applicant has proven that it filed the EUTM in bad faith and it insists that the sign was registered in good faith.

ABSOLUTE GROUNDS FOR INVALIDITY – ARTICLE 59(1)(b) EUTMR

General principles

Article 59(1)(b) EUTMR provides that a European Union trade mark will be declared invalid where the applicant was acting in bad faith when it filed the application for the trade mark.

There is no precise legal definition of the term 'bad faith', which is open to various interpretations. Bad faith is a subjective state based on the applicant's intentions when filing a European Union trade mark. As a general rule, intentions on their own are not subject to legal consequences. For a finding of bad faith there must be, first, some action by the EUTM proprietor which clearly reflects a dishonest intention and, second, an objective standard against which such action can be measured and subsequently qualified as constituting bad faith. There is bad faith when the conduct of the applicant for a European Union trade mark departs from accepted principles of ethical behaviour or honest commercial and business practices, which can be identified by assessing the objective facts of each case against the standards (Opinion of Advocate General Sharpston of 12/03/2009, C-529/07, Lindt Goldhase, EU:C:2009:361, § 60).

Whether an EUTM proprietor acted in bad faith when filing a trade mark application must be the subject of an overall assessment, taking into account all the factors relevant to the particular case (11/06/2009, C-529/07, Lindt Goldhase, EU:C:2009:361, § 37).

The burden of proof of the existence of bad faith lies with the invalidity applicant; good faith is presumed until the opposite is proven.

Assessment of bad faith

One situation which may give rise to bad faith is when a commercial entity has obtained some degree of legal protection by virtue of the use of a sign on the market, which a competitor subsequently registers with the intention of competing unfairly with the original user of the sign.

In such instances, the Court of Justice of the European Union (11/06/2009, C-529/07, Lindt Goldhase, EU:C:2009:361, § 48, 53) has stated that the following factors in particular should be taken into consideration:

- (a) the fact that the EUTM proprietor knows or must know that a third party is using an identical or similar sign for an identical or similar product capable of being confused with the contested EUTM;

- (b) the applicant's intention of preventing that third party from continuing to use such a sign;
- (c) the degree of legal protection enjoyed by the third party's sign and by the sign for which registration is sought; and
- (d) whether the EUTM proprietor in filing the contested EUTM was in pursuit of a legitimate objective.

The abovementioned are only examples drawn from a number of factors which can be taken into account in order to determine whether or not the applicant was acting in bad faith when filing the application; account may also be taken of other factors (14/02/2012, T-33/11, Bigab, EU:T:2012:77, § 20-21; 21/03/2012, T-227/09, FS, EU:T:2012:138, § 36).

Bad faith might be applicable when the parties involved have or have had any kind of relationship, such as (pre-/post-) contractual relationships, giving rise to mutual obligations and a duty of fair play in relation to the legitimate interests and expectations of the other party (13/11/2007, R 336/2007-2, CLAIRE FISHER / CLAIRE FISHER, § 24).

The applicant argues that it has rights to prior unregistered signs which are similar to the contested EUTM and which cover goods and services which are identical or similar to those of the contested EUTM. To this extent the applicant has provided evidence in Exhibit 7 to show that its predecessor in title Maitreya Kft. had an agreement to produce and sell, in tandem with the company Pentavox Kft, the 'SCIO' device as early as 2004 and a further agreement was signed in 2012 between the applicant and Pentavox Kft. Moreover, Exhibit 4 also shows the transfer of rights from Maitreya Magyarország Kft (the predecessor in title to the applicant) to the applicant for the universal electrophysiological biofeedback devices sold under the name 'SCIO'. Therefore, the EUTM proprietor's arguments that the applicant was only established in 2011 and could not have held rights to the 'SCIO' sign before that must be rejected, as the succession in title between the applicant and its predecessors has been demonstrated.

As mentioned above, the applicant was involved with the company Pentavox Kft. and Exhibit 9 contains a declaration from Pentavox Kft. that confirms that the parties were working together (or with the predecessor in title) from 2004 to produce the 'SCIO' devices. Pentavox Kft declares that it was the manufacturer and that its devices were sold exclusively by the applicant (and its predecessor). The EUTM proprietor had purchased devices from Pentavox Kft or other intermediaries for the sake of making further sales of their goods, however, these sales were always made only with the consent of the applicant, which confirms the exclusivity clause included in Exhibit 7.

Exhibits 12 and 13 contain invoices and shipping slips for the sale of 'SCIO' and 'EDUCTOR' devices by the applicant (and its predecessor) to clients in a number of different EU countries prior to the date of filing of the EUTM. Sales figures for the devices sold are in Exhibit 14 and the number of sales of 'SCIO' devices made by the applicant to the EUTM proprietor has been provided. The EUTM proprietor did not deny these purchases in its observations.

The various certificates, like the CE certificates, show that the devices were authorised for sale in the EU before the filing of the EUTM. Therefore, the applicant has proven that it was using the sign 'SCIO' in the EU prior to the filing of the EUTM.

The applicant argues that from May 2004 to May 2008, Mr Sirbu, a Romanian citizen who lived in Hungary, was employed by the company Ecllosion Kft, which was a sister company

to the predecessor in title of the applicant and which had the same owner and shared the sales of 'SCIO' devices to different geographical areas. The applicant states that Mr Sirbu was involved in sales and engineering work concerning the 'SCIO' devices and often worked with Pentavox Kft. To this effect the applicant submits a copy of the termination of the sales contract (by mutual consent) of Mr Sirbu dated 30/05/2008. After termination of his employment he returned to Romania and established the EUTM proprietor company and still runs it. As mentioned above, the applicant submitted invoices to show the sales of 'SCIO' devices to the EUTM proprietor. It is noted from the invoices that these devices are rather expensive and therefore this quantity of sales is rather significant. The EUTM proprietor did not deny these facts. Moreover, the applicant has shown that it had an exclusivity contract with Pentavox and that any sales that were made to the EUTM proprietor were only made with the consent of the applicant.

The EUTM proprietor has not denied that Mr Sirbu, established and runs the EUTM proprietor and that he was a former employee in the sister company of the applicant. The EUTM proprietor has furthermore, not denied that Mr Sirbu was working with 'SCIO' devices while employed at Ecllosion Kft and was therefore aware of these goods branded under the 'SCIO' sign. The applicant has provided sales figures for 'SCIO' goods sold to the EUTM proprietor prior to the filing of the EUTM.

The evidence therefore indicates that the EUTM proprietor was aware of the applicant (and its predecessor) and its use of the sign 'SCIO' prior to the filing of the EUTM. The EUTM proprietor argues that there were other companies using the sign 'SCIO' but lists the predecessor to the applicant and the related companies and the applicant itself as well as the proprietor. As was seen from the evidence the applicant is the successor in title and the one in which the rights to the SCIO sign have been validly transferred and the other companies were its predecessor or distributor/manufacturer. However, the fact that the applicant was not registered in 2002 but that other companies began use but transferred the sign to the applicant cannot deny the applicant's rights to the sign. Also, the fact that the proprietor as a distributor was allowed to sell the goods and as such use the sign in Romania or other countries does not mean that it acquires independent rights to the sign but merely that it was permitted to use the sign which belonged to the applicant. The proprietor argues that it has put much money and man power into developing the brand as have the other companies, yet as has been shown above, the rights to the sign lie with the applicant and the other companies involved were the manufacturer of the hardware or software and the proprietor as the distributor. All benefitted in different ways but that does not affect the ownership of the trade mark rights which lie with the applicant.

The applicant has shown that it has used the sign 'SCIO' on types of electrophysiological biofeedback devices or prior to the filing of the EUTM. It further showed that the EUTM proprietor was aware of the existence of this sign for the reasons laid out above.

The contested EUTM is for the figurative sign as shown below:



The contested sign is a figurative mark and includes the verbal element 'SCIO INTERNATIONAL S.R.L.'. The word 'SCIO' is written in a stylised navy typeface at the top of the sign in much larger letters than the other elements and due to its darker colour it stands out also. This word has no exact meaning (without further concrete information) in relation to the contested goods and services and is therefore distinctive to an average degree. All of the elements are contained within a shield like border, shields are commonly used on trade marks and on labels on goods and therefore, this is merely decorative. To the left and right of the word SCIO, although slightly below it, are two figurative insects or cobras standing on top of two wings. These elements do not have any exact meaning in relation to the contested goods and services and as such they are distinctive. Below the word SCIO is a depiction of an atom which is normally distinctive in relation to the goods although it may allude to the physical state or make up of the user. There is a depiction of a person sitting in a meditative lotus stance and sitting on top of the world, again this is normally distinctive although it might infer that the goods will also help the mental or spiritual state of the user and help them feel happy like they are 'on top of the world'. On a banner around the world is the word INTERNATIONAL in standard black uppercase letters and below this is S.R.L. in much smaller standard white letters at the bottom of the world. The term INTERNATIONAL S.R.L. and the depiction of the globe are descriptive of the type of company involved, ie they sell internationally and all around the world and S.R.L is just an indication of the type of company and would translate into English as Ltd (limited liability company). Therefore, these elements are non-distinctive. The different colours used, namely the dark letters of 'SCIO' against the lighter colour of some of the figurative elements, merely highlights the word 'SCIO' and 'INTERNATIONAL'. It is noted that when signs contain both figurative and verbal elements the consumer generally places more importance on the word elements as this is how it refers to and remembers the sign.

In this case there is no element which is more dominant than other elements. However, the most important element of the contested sign is 'SCIO', which is identical to the earlier mark. The fact that the contested sign comprises other elements, which are either weak, non-distinctive or of less importance overall in the sign, does not take away from the similarity between the signs. The signs are deemed to be at least similar due to the coincidence in SCIO in both signs.

The contested sign covers *inter alia medical apparatus, instruments and articles*, in Class 10. The earlier sign 'SCIO' is used in relation to specific types of medical apparatus, namely, electrophysiological biofeedback devices which overlap with the contested goods and are therefore considered to be identical. The contested *repair, maintenance and installation in the field of medical apparatus, instruments and articles* in Class 37 and the applicant's medical devices are similar as they usually coincide in producer, relevant public and distribution channels. Furthermore they are complementary. As far as the services in Class 35 of the contested mark are concerned *marketing of medical apparatus and instruments in the field of medical apparatus, instruments and articles* although these services are generally carried out by other types of advertising companies a certain relationship between the contested goods and services cannot be denied due to the content of the marketing. The applicant does not have to prove that all of the contested goods and services are similar, as there can be bad faith which results in the rejection of the EUTM in its entirety, even where some of the goods or services are dissimilar and in this case even the dissimilar services in Class 35 have a certain relationship with the earlier goods and services.

The EUTM proprietor was aware of the applicant and its sign prior to the filing of the EUTM, which can be seen from the evidence submitted and the EUTM proprietor's owner's prior employment in the sister company of the applicant in which 'SCIO' devices were also sold, and none of these assertions have been expressly denied by the EUTM proprietor. Although the EUTM proprietor had put 'SCIO' in its Romanian company name in 2005, it did so after having direct knowledge of the applicant's sign. The mere fact that the EUTM proprietor has

included the word 'SCIO' in its company name or that it filed other trade marks does not show good faith at the time of filing of the EUTM as claimed by the EUTM proprietor as even the original filing of its company name was done after it had knowledge of the applicant's earlier sign.

The evidence shows that the applicant held prior rights to the sign 'SCIO' for identical goods and some similar services and some related services, and that the EUTM proprietor was aware of these earlier signs due to its employment in the applicant's sister company that sold the same devices containing this software prior to the date of filing. The EUTM proprietor also bought, under consent by the applicant, devices from the applicant's predecessor prior to the date of filing of the EUTM and therefore, was clearly aware of the existence of these earlier signs. The EUTM proprietor then filed for the registration of the contested EUTM which contained its company name but with the most distinctive element being SCIO which it knew belonged to the applicant.

Therefore, both parties have pointed out that the EUTM proprietor opposed the applicant when it tried to register its sign 'SCIO' in the EUIPO which points towards the EUTM proprietor's intentions to restrict the applicant from entering the market and consequently, was putting a barrier in front of the applicant to protect its rights to the sign in the EU and as such its future trading within the EU. It argued that it had not tried to prohibit anyone from using the sign SCIO but yet it filed opposition proceedings against the applicant when it tried to register the sign and posted warnings on social media to warn others not to use the sign as it held the trade mark rights. It argues that it had registered the sign first and therefore was allowing the applicant and others to use the sign but that this wasn't good enough for the applicant. It is noted that the first to file rule has an exception and that is when bad faith is proven. Therefore, the fact that the proprietor filed the trade mark first does not mean it cannot be invalidated if bad faith is proven. Again, as mentioned above, the applicant owned the trade mark rights to the sign and therefore had a right to challenge the registration of the sign and it was aware of this for the reasons pointed out above and this leads the Cancellation Division to conclude that the EUTM proprietor filed the contested EUTM in bad faith.

The EUTM proprietor argues that the applicant did not request the cancellation of the entire mark but only part of the mark, the word SCIO for which it does not want the proprietor to have exclusivity. It argues that the mark is not just comprised of the word SCIO so it would be unfair to cancel the entire mark. The Cancellation Division finds the applicant's request rather strange indeed, however, in its application it indicated that it wished to invalidate the mark and relied inter alia on the ground of bad faith which must invalidate a mark if successful. As the Cancellation Division does not have the ability to merely deem part of a sign as non-exclusive and as the applicant duly requested invalidity of the contested mark it must reject the applicant's request for a non-exclusivity order in relation to the word SCIO. It does not consider that the applicant is only looking to partially cancel the EUTM but that it clearly directs the application against the entirety of the sign and the goods and services. Therefore, this argument is rejected.

The proprietor also argues that there were no registered trade marks called SCIO prior to 2012 when it registered various marks containing the sign, even though many companies were selling goods under the sign. The proprietor claims that it was established in 2005 and this is the moment that the reputation of the word SCIO began to rise and the applicant was not established until 2011 so they could not be the first company entitled to use the sign. The fact that there were no other marks for SCIO is not relevant as the proprietor was well aware that the applicant was using the sign from years before the filing of the EUTM. Moreover, as has been seen from the above examination the proprietor had first hand knowledge of the existence of the rights to the sign on the part of the predecessor of the applicant before the proprietor company was established. It is not the success of the mark but who had the

earlier rights to the sign and they lie with the applicant. The proprietor argues that the applicant must prove that it was the first company to use the sign SCIO in the market for all of the contested goods and services but that they could not prove this as nobody knows who was the first to use the sign and the proprietor was established first. Again, for the reasons laid out above, the applicant has shown that it (or its predecessors) was using the SCIO mark on its medical devices. The applicant had not objected to the use of SCIO in the proprietor's company name when it acted as a distributor in Romania but that did not mean that it consented to the proprietor seeking to register the contested sign to gain exclusive trade mark rights and later to oppose the applicant's filing for the sign SCIO.

The proprietor also points to the Hungarian Commerce Register to argue that Maitreya Kft., the applicant and Eclosion Kft had different business activities and argues that this proves it wasn't making medical devices. However, the fact that some different business activities are on the register does not take away from the fact that there is concrete evidence on file that these companies were involved in the production or sale of medical devices. Indeed the EUTM proprietor is correct in asserting that CE certificates are not trade mark rights. However, as these certificates are necessary in order for medical devices to be sold in the EU they are a good indication of the company responsible for the production of the devices and in this case that company was the applicant (or predecessor). The fact that the proprietor had an exclusivity agreement to sell in Romania and could also market the goods in other countries does not mean that it was allowed to register trade marks in its own name when it was merely a distributor of the applicant. The agreement dated 12/12/2005 in Annex 12 of the proprietor's evidence itself is rather clear when it included a clause stating it would not infringe the industrial property rights held by Pentavox. There was no transfer of intellectual property rights, including trade mark rights to the proprietor. It was merely allowed to sell the goods in a specified territory but not claim the trade mark for the entire EU. Moreover, this contract was for five years from 12/12/2005 which concluded prior to the filing of the EUTM and no evidence was submitted to prove that the agreement continued after this date. Therefore, this evidence does not show that the proprietor had a right to file a trade mark for the contested sign or that any express consent to do this was given.

The proprietor argues that the applicant was aware of the filing of the EUTM for a long time but did not oppose it. However, the evidence is not conclusive as to on which date the applicant or any of the related companies became aware of the filing of the EUTM. In Annex 14 it submits an email from a company which was sent to the applicant but it only refers to the filing of the EDUCTOR trade mark and not a mark containing SCIO so this cannot show knowledge in 2013 of the sign. The declaration mentions that they were not aware of the significance of the trade mark registration and that it was regrettable but it doesn't show when or how they actually found out that the EUTM was registered. The proprietor did not specifically argue acquiescence but did imply it in its arguments. However, there is no evidence to prove the date of knowledge of the existence of the EUTM. Moreover, when a trade mark is filed in bad faith it can be attacked at any time so acquiescence is not a defence in this case. Also the prior proceedings between the parties involve different trade marks and as such there can be no plea of *res judicata* either as the subject matter is different, even if they contain similar rights nor is there any reason to suspend the present proceedings to await an outcome in the other cases. Therefore, these arguments are set aside.

Conclusion

In the light of the above, the Cancellation Division concludes that the application is totally successful and the European Union trade mark should be declared invalid for all the contested goods and services.

Since the application is fully successful on the grounds of Article 59(1)(b) EUTMR, there is no need to further examine the other grounds of the application, namely Article 60(1)(b) and (c) EUTMR in conjunction with Article 8(3) and (4) EUTMR.

COSTS

According to Article 109(1) EUTMR, the losing party in cancellation proceedings must bear the fees and costs incurred by the other party.

Since the EUTM proprietor is the losing party, it must bear the cancellation fee as well as the costs incurred by the applicant in the course of these proceedings.

According to Article 109(7) EUTMR and Article 18(1)(c)(ii) EUTMR, the costs to be paid to the applicant are the cancellation fee and the representation costs, which are to be fixed on the basis of the maximum rate set therein.



The Cancellation Division

Michaela SIMANDLOVA

Nicole CLARKE

Pierluigi Maria VILLANI

According to Article 67 EUTMR, any party adversely affected by this decision has a right to appeal against this decision. According to Article 68 EUTMR, notice of appeal must be filed in writing at the Office within **two months** of the date of notification of this decision. It must be filed in the language of the proceedings in which the decision subject to appeal was taken. Furthermore, a written statement of the grounds of appeal must be filed within four months of the same date. The notice of appeal will be deemed to be filed only when the appeal fee of EUR 720 has been paid.