

O-046-06

**TRADE MARKS ACT 1994**

**IN THE MATTER OF TRADE MARK REGISTRATION No. 1190836  
IN THE NAME OF GALLERY COSMETICS LIMITED**

**AND**

**IN THE MATTER OF AN APPLICATION FOR REVOCATION  
THERE TO UNDER No.81822 BY NAUGHTY HOLDINGS LIMITED**

## **TRADE MARKS ACT 1994**

### **IN THE MATTER OF Trade Mark Registration No. 1190836 in the name of Gallery Cosmetics Limited**

**and**

### **IN THE MATTER OF an Application for Revocation thereto under No. 81822 by Naughty Holdings Limited**

#### **BACKGROUND**

1. On 26 July 2004, Naughty Holdings Limited applied to revoke registration No. 1190836 standing in the name of Gallery Cosmetics Limited. The registration is in respect of the trade mark NAUGHTY NAILS and is registered in Class 3 for the following specification of goods:

Polishing materials included in Class 3; polishing preparations; all for the care of the human nails.

2. The application for revocation is made under Section 46(1)(b), and alleges that in the five year period prior to 30 August 2002, there had been no use of the trade mark in relation to nail products by the registered proprietor.

3. On 2 November 2004, the registered proprietors filed a Counterstatement in which they responded to the allegations of non-use. They refer to evidence showing that the mark has been in use, but concede that during the five year period from 30 August 1997 to 30 August 2002, the mark had not been put to use.

4. Both sides seek an award of costs. Both sides filed evidence.

5. Neither side took up the offer of a hearing although the applicants for revocation provided written submissions in lieu of a hearing. After a careful study of the papers and evidence I go on to make my decision.

#### **Registered proprietors= evidence - Rule 31(3)**

6. This consists of a Witness Statement dated 28 October 2004, and comes from Michael Daniel Shenton, Managing Director of Liberty Cosmetics Limited, an employee of the company for 26 years, 10 of which have been in his current position.

7. Mr Shenton states that his company was incorporated in 1975 as a manufacturer and supplier of cosmetics, perfumes and toiletry gift sets. He recounts his company having

acquired the business of Gallery, including all of its intellectual property rights, by means of a Sale & Purchase Agreement dated 7 May 1999. Exhibit MDS1 consists of details from the Companies House database relating to Gallery Cosmetics Limited, showing the company as having been incorporated on 7 February 1978, as active, and having a registered office address shown to be the same as that of Liberty Cosmetics Limited. The exhibit does not state what the relationship with that company is, but Mr Shenton says that Gallery still exists as a separate legal entity but is a dormant, non-trading company. He goes on to say that both Liberty and Gallery have adopted the trading style of Liberty Gallery Cosmetics Group.

8. Mr Shenton states that for financial reasons Liberty has not recorded itself as the registered proprietor of the subject trade mark registration, but the legal and beneficial transfer of ownership to Liberty gives the company the effective consent of Gallery to continue to exclusively use any trade mark for which Gallery is recorded as proprietor. He says that Liberty has used several such trade marks, including NAUGHTY NAILS.

9. Mr Shenton states that he is not able to produce evidence of use of the subject trade mark by either Liberty or Gallery in the five years to 30 August 2002, as specified in the application for revocation. This, he says, is because use of the mark commenced or resumed after the expiry of this period, but prior to the three months immediately preceding the date of application for revocation. He further says that over the last 18 months Liberty has been developing a range of mascara, liquid eye-liner, eye-shadow and nail polish under the general brand NAUGHTY GIRLS, and launched sub-brands including NAUGHTY NAILS nail polish at the Birmingham International Spring Fair held in February 2004. He says the launch has resulted in a modest level of orders with some 5,000 NAUGHTY NAILS nail polishes being sold to date, although he does not say what the position was at the relevant date.

10. Exhibit MDS2 consists of a collection of invoices from Liberty Cosmetics Ltd, for, inter alia, NAUGHTY NAILS nail enamel and/or NAUGHTY EYES eye cosmetics. The earliest invoice listing NAUGHTY NAILS is dated 23 February 2004. Exhibit MDS3 consists of an extract from the Liberty website. This states that the company has been in existence since 1975, and refers to the purchase of the share capital of Gallery Cosmetics which allowed the company to bring together the well known brands of both companies. The final page relates to a range of cosmetics sold under the brand NAUGHTY GIRLS which is stated to be new for 2004, and which includes NAUGHTY NAILS nail polish.

#### **Registered proprietors= evidence - Rule 31A(4)**

11. This consists of a Witness Statement dated 17 May 2005, from Michael Daniel Shenton.

12. Mr Shenton relates that on 7 May 1999, his company, Liberty Cosmetics Limited, entered into an arrangement for the sale and purchase of the entire issued share capital of Gallery Cosmetics (International) Limited, a copy of the Agreement being shown as exhibit MSA1. The Agreement relates inter alia, to the purchase of the shares of Gallery

Cosmetics (International) Limited by Liberty, and whilst it specifically states that the transfer includes the trade marks owned by Gallery, it does not give details of what these are. Mr Shenton refers to exhibit MSA2, which he says establishes that on 30 April 1998, the assets of Gallery Cosmetics Limited, including their rights as proprietors of the subject registration, were transferred to Gallery Cosmetics (International) Limited, and consequently, the rights to the trade mark NAUGHTY NAILS became his company=s when it acquired Gallery Cosmetics (International) Limited.

### **Applicants= evidence-Rule 31A(5)**

13. This consists of a Witness Statement dated 28 July 2005, by Kathleen Rose O=Rourke, a solicitor and trade mark attorney employed by Dechert L.L.P, the applicants= representatives in these proceedings.

14. Ms O=Rourke refers to the Witness Statement of Mr Shenton, dated 17 May 2005, stating that the evidence does not substantiate the claim that ownership of the subject trade mark has been transferred to Liberty, or that there has been use of the mark within the five year period prior to the commencement of the revocation action. She says that the registered proprietors were made aware of a possible application for revocation of the subject registration by way of a letter dated 4 October 2002, and a commencement of use after that date can not be genuine as required by Section 46 of the Trade Marks Act 1994.

15. That concludes my review of the evidence insofar as it is relevant to these proceedings.

### **DECISION**

16. The statutory provisions of Section 46 under which this application has been made are as follows.

**46.**-(1)The registration of a trade mark may be revoked on any of the following grounds-

- (a) that within the period of five years following the date of completion of the registration procedure it has not been put to genuine use in the United Kingdom, by the proprietor or with his consent, in relation to the goods or services for which it is registered, and there are no proper reasons for non-use;
- (b) that such use has been suspended for an uninterrupted period of five years, and there are no proper reasons for non-use;
- (c) that, in consequence of acts or inactivity of the proprietor, it has become the common name in the trade for a product or service for which it is registered;

(d) that in consequence of the use made of it by the proprietor or with his consent in relation to the goods or services for which it is registered, it is liable to mislead the public, particularly as to the nature, quality or geographical origin of those goods or services.

(2) For the purposes of subsection (1) use of a trade mark includes use in a form differing in elements which do not alter the distinctive character of the mark in the form in which it was registered, and use in the United Kingdom includes affixing the trade mark to goods or to the packaging of goods in the United Kingdom solely for export purposes.

(3) 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.

(4) An application for revocation may be made by any person, and may be made either to the registrar or to the court, except that-

(a) if proceedings concerning the trade mark in question are pending in the court, the application must be made to the court; and

(b) if in any other case the application is made to the registrar, he may at any stage of the proceedings refer to the application to the court.

(5) Where grounds for revocation exist in respect of only some of the goods or services for which the trade mark is registered, revocation shall relate to those goods or services only.

(6) Where the registration of a trade mark is revoked to any extent, the rights of the proprietor shall be deemed to have ceased to that extent as from-

(a) the date of the application for revocation, or

(b) if the registrar or court is satisfied that the grounds for revocation existed at an earlier date, that date."

17. Section 100 is also relevant. It reads:

"100.- If in any civil proceedings under this Act a question arises as to the use to which a registered trade mark has been put, it is for the proprietor to show what use has been made of it."

18. The opposition is based on Section 46(1)(b), the attack having a number of strands. The applicants allege that there is no evidence to support the claim to ownership of the trade mark by Liberty, or that shows use of the trade mark in the five years between 30 August 1997 and 30 August 2002, but even if there is evidence of use of the trade mark, this commenced after the registered proprietors had been made aware of a potential revocation action.

19. The first question I shall address is whether Liberty can claim to be the beneficial owners of the registration, and if not, whether any use of the mark by Liberty is with the implicit or implied consent of the proprietor. The rationale for this avenue of attack is presumably based on the contention that if there has only been use of the trade mark NAUGHTY NAILS by an entity other than the registered proprietors, but there is nothing that shows this to have been with their consent, this does not constitute use as required by Section 46.

20. There is, and can be no dispute that Gallery Cosmetics Limited were the original owners; they are, after all, the registered proprietors of a trade mark filed back in February 1983. Exhibit MSA2 consists of the Report and Accounts of Gallery Cosmetics (International) Limited for the year ending 30 April 1998. In the section headed "Directors' Report", it states that on 30 April 1998, the assets including the trade marks owned by Gallery Cosmetics Limited, a subsidiary of Gallery Cosmetics (International) Limited, were transferred to the parent company. There is no dispute that this event took place. By an Agreement dated 7 May 1999, all of the assets of Gallery Cosmetics (International) Limited, including any intellectual property rights, were acquired by Liberty Cosmetics Limited. The report of the investigations carried out in 2002 on behalf of the applicants (annexed to the Statement of Case) confirms that the merger of Gallery and Liberty took place some three years ago, placing this in 1999.

21. Mr Shenton says that following its acquisition by Liberty, Gallery Cosmetics Limited still existed as a separate legal entity, but became dormant, which raises the question of whether this was a merger or simply an acquisition. But whatever is the case, in my view there is sufficient evidence to be able to infer that at the relevant date in these proceedings, if Liberty Cosmetics Limited could not claim to own the trade mark that is the subject of these proceedings, it must certainly have been using it in the full knowledge of the proprietors of record.

22. The registered proprietors admit that there was no use of the mark within the five year period stated, but say that genuine use commenced or recommenced after the expiry of the period and more than three months prior to the application for revocation being made, in other words, invoking the provision contained in subsection (3). They are, however, silent

on the final part of that subsection, which states that the commencement or resumption of use of a trade mark must have begun before the proprietor became aware that the application for revocation might be made. Consequently, if the registered proprietors were aware of the potential revocation before making use of the trade mark, the date on which the use commenced becomes immaterial and they cannot take advantage of the provisions of subsection (3).

23. I will turn first to the question of whether the evidence shows there to have been any genuine use of the mark in relation to the goods for which it is registered? In Case C-40/01, *Ansul BV v Ajax Brandbeveiliging BV* [2003] RPC 40 the European Court of Justice considered the question of what constitutes genuine use in the following terms:

"Genuine use must therefore be understood to denote the use that is not merely token, serving solely to preserve the rights conferred by the mark. Such use must be consistent with the essential function of a trade mark, which is to guarantee the identity of the origin of goods or services to the consumer or end user by enabling him, without any possibility of confusion, to distinguish the product or service from others which have another origin."

24. The *Ansul* decision stated genuine use entails use of the mark on the market for the goods or services protected by that mark, be in relation to goods or services that are already on the market, or about to be marketed and for which preparations are underway to secure customers, for example, advertising. The assessment of whether there has been genuine use must take into account all of the facts and circumstances relevant to establishing whether there has been a real commercial exploitation of the mark, which may include consideration, inter alia, to the nature of the goods or services at issue, the characteristics of the market concerned, and the scale and frequency of use; although as stated above, the use need not always be "quantitatively significant" for it to be deemed genuine.

25. In the *Police* trade mark case [2004] RPC 35, the Appointed Person considered that the *Ansul* judgement did not limit the factors to be taken into account in establishing whether use was genuine only to the three areas specifically mentioned. The judgement had stated that all facts and circumstances relevant to establishing whether there had been real commercial exploitation should be included in the equation, and that the size of a proprietor's undertaking may be relevant.

26. Further guidance on the scale and frequency of use can be found in *La Mer Technology Inc v Laboratoire Goemar SA's* trade mark case 2004 WL 2945720. This is the decision of a resumed appeal hearing following a reference to the ECJ on various questions relating to the meaning of "genuine use". In his decision Blackburne J stated:

"31. Whether in any given case the proven use amounts to genuine use ("whether the commercial exploitation of the mark is real" as paragraph 38 of *Ansul* puts it) will depend on all of the facts and circumstances relevant to establishing such a state of

affairs, including the characteristics of the market concerned and of the products or services in question, and the frequency or regularity of use of the mark. Even minimal use will be sufficient if, in the market concerned, the proven use is considered sufficient to preserve or create a market share for the goods or services protected by it. Thus, the sale or offering for sale (in, say, a trade magazine) of a single exceedingly costly and highly unusual item carrying the mark in a specialised market, for example a very large and complex piece of earth-moving equipment, may very well be considered by itself to be sufficient in the market for such equipment to preserve or create a market share for items of that kind which carry the mark whereas the sale of a low priced everyday product in a widespread market, for example a single jar of face cream bearing the mark or the exposure for sale of, say, half a dozen such jars for sale on a shop shelf, would almost certainly not be. It would be irrelevant to this conclusion that, in the latter example, the purpose of the proprietor of the mark (or of some third-party acting with the proprietor's consent) when offering the jar of cream for sale was to create a share in the market for face cream sold in jars bearing the mark."

27. Mr Justice Blackburne referred back to the decision of Jacob J in the earlier part of the appeal:

"15. Jacob J himself ventured an answer to those questions. At paragraph 29 of his judgment ([2002] FSR 51 at 29) he said this:

"I take the view that provided there is nothing artificial about a transaction under a mark, then it will amount to "genuine" use. There is no lower limit of "negligible". However, the smaller the amount of use, the more carefully must it be proved, and the more important will it be for the trade mark owner to demonstrate that the use was not merely "colourable" or "token", that is to say done with the ulterior motive of validating the registration. Where the use is not actually on the goods or the packaging (for instance it is in advertisement) then one must further enquire whether that advertisement was really directed at customers here. ...

Nor do I think that the absence of a *de minimis* rule significantly affects the policy behind the legislation. Yes, marks must be used within the relevant period, but there seems no reason to make a trader who has actually made some small, but proper, use of his mark, lose it. Only if his use is in essence a pretence at trade should he do so. And of course, if he has only made limited use of his mark it is likely that the use will be only for a limited part of his specification of services. If he has a wider specification, that can and should be cut back to just those goods for which he has made use ..."@

28. In his evidence, Mr Shenton says that over the last 18 months his company had been developing a range of mascara, liquid eye-liner, eye-shadow and nail polish under the general brand NAUGHTY GIRLS, and launched sub-brands including NAUGHTY NAILS nail polish at the Birmingham International Spring Fair held in February 2004. Given that

his Statement is dated October 2004, this would indicate that work to put a NAUGHTY NAILS product on the market has been in progress since around April 2002. Goods such as nail enamel are not new innovations, or particularly technical, and as can be seen by the invoices, are available from Liberty in forms other than the NAUGHTY NAILS range. I do not, therefore see why it should take 18 months to put such goods on the market, but in any event, there is not one shred of evidence to support this claim.

29. Mr Shenton says the launch has resulted in a *Amodest@* level of orders with some 5,000 NAUGHTY NAILS nail polishes being sold to date, but this does not tell me what the position was at the relevant date. What factual evidence there is relating to the use of the mark is thin to say the least, consisting of a small collection of invoices found in exhibit MDS2, and a print from the proprietors' website forming part of exhibit MDS3. The earliest of the invoices dates from 23 February 2004 which ties in with the date of the launch given by Mr Shenton. By my reckoning these invoices, which cover a period of around seven months, show 11 instances of sales amounting to some 66 units with a value of less than , 1,000. That there is no evidence as to the exact quantities sold does not help- do the invoices relate to single bottles or packs of *AX@* quantity? It seems most likely to be the latter, but in reality whichever is the case, the quantity sold is still very small in relation to the probable market for such goods to the extent that I would say to describe it as *Amodest@* would be somewhat of an overstatement.

30. Whilst I accept that the use need not always be "quantitatively significant" for it to be deemed genuine, where the use is limited, the more conclusive the evidence needs to be. There is not one order number on any of the invoices, most are left blank, and where anything has been entered it is a forename. In every instance the purchaser details on the invoices have been blanked out, which means that it is not possible to determine whether they relate to sales to a single entity, or the geographical extent of the trade, and consequently, the likely exposure of the mark to the public. Whilst the applicants assert that the invoices are irrelevant because they post-date the non-use period they specify, they do not challenge their authenticity, or that the sales took place.

31. Apart from the Birmingham trade show, which would have had little, if any, impact on the consumer, and the mention on the Liberty website, the effect of which has not, and cannot be quantified, there is no evidence that goods under the NAUGHTY NAILS trade mark have been promoted to the public.

32. Whilst the evidence does leave a number of questions unanswered, it does appear to show a trade having been conducted in a nail enamel under the NAUGHTY NAILS trade mark, with effect from 23 February 2004. Whilst this trade may have commenced after the period of non-use specified, by virtue of the provisions of the first paragraph of subsection (3) of Section 46, it is not, as the applicants assert, irrelevant use. But this does, of course leave the second paragraph of that subsection, which asks whether the use commenced only after the trade mark owner became aware of a potential action to remove the registration from the register?

33. In the Statement of Case, the applicants state that on 4 October 2002, a letter was sent to the attorneys for Gallery Cosmetics Limited, enquiring whether Gallery would voluntarily cancel the registration, which stood as a barrier to the applicants' own application, or alternatively, grant consent to the applicants' application. The Statement of Case refers to further correspondence being sent in October 2002 and September 2003. The applicants say that all letters went unanswered. In her Witness Statement, Ms O'Rourke refers to this correspondence stating that the letter of 4 October 2002, warned the proprietors of a possible application for revocation. Neither the Statement of Case, or Ms O'Rourke's Witness Statement included a copy of any of the correspondence referred to.

34. In lieu of a hearing, Ms O'Rourke filed written submissions, paragraph 2 of which refers to the letters mentioned above. The reference to the correspondence as being ongoing suggests that this was two way. The paragraph also refers to a final letter, dated 18 February 2004. Copies of the letters of 4 October 2002 and 18 February 2004 were included with the submissions. To have evidential value these letters should properly have been filed in evidence, such as exhibits to Ms O'Rourke's Witness Statement. Their inclusion with the submissions is, in effect, introducing new evidence. However, their contents have been clearly foreshadowed in the documentation and evidence filed in these proceedings, and I do not see that what these letters say will come as any surprise to the registered proprietors. They have had ample opportunity to consider and address their worth and to deny any allegations or assertions made. Given the means by which these letters come to be before me, I do not consider it appropriate to regard them as evidence which, of itself can form the basis of my decision. But in any event, they do no more than provide corroboration of the statements made in evidence, and in view of the registered proprietors' silence, only have bolstered the decision I would have made in their absence.

35. The first letter dated 4 October 2002 does not warn of possible revocation of the subject registration. It does no more than enquire about the possibility of Gallery Cosmetics Limited agreeing to voluntarily cancel their registration, or alternatively, giving consent to the registration of the applicants' application. It could be argued that this is an implied warning that in the absence of agreement, revocation action would follow; but I consider this would be going too far. However, the second letter, dated 18 February 2004, refers back to a previous letter and specifically warns of an imminent application for cancellation of the subject registration. Whether or not the earlier letters made the consequences of not reaching an agreement clear, there can have been no doubt in the registered proprietors' minds on receiving this letter. The letter pre-dates the date of first use shown by Liberty. If there was earlier use, or preparations for use, the onus is on the registered proprietors to prove this; they have not done so. Despite having had several opportunities they have not denied that they were aware of a possible application for revocation prior to the date of first use, in fact, it would be easy to infer that they have positively avoided doing so.

36. On the facts before me I consider that the registered proprietors have not discharged the onus placed upon them by Section 100, nor can they claim the safe harbour of subsection (3) of Section 46. As the applicants have not asked for an earlier date, the registration will

be revoked with effect from 26 July 2004, the date on which the application for revocation was made.

### **Costs**

37. For the reasons given above the application for revocation succeeds. The applicants are therefore entitled to an award of costs. I order the registered proprietor to pay to the applicant the sum of , 1,300. This sum to be paid within seven days of the expiry of the appeal period or within seven days of the final determination of this case if any appeal against this decision is unsuccessful.

**Dated this 13 day of February 2006**

**Mike Foley  
for the Registrar  
the Comptroller-General**