

O-096-06

**TRADE MARKS ACT 1994
IN THE MATTER OF APPLICATION No 2348105
BY WENDY SCHIAZZA
TO REGISTER THE TRADE MARK
NAIL CITY
IN CLASS 44
AND IN THE MATTER OF OPPOSITION THERETO
UNDER No. 92501
BY MRS TARLOCHAN SINGH KAUR**

BACKGROUND

1) On 7 November 2003, Wendy Schiazza of 1A Moy Road, Roath, Cardiff, CF24 4SG applied under the Trade Marks Act 1994 for registration of the trade mark NAIL CITY, in respect of the following services:

In Class 44: “Hygienic and beauty care services; nail care services; manicure services; pedicure services; nail extension services; nail varnishing services; application of artificial nails and nail art; application of jewellery to parts of the body; hair dressing services; hair removal services; hair care services; sun tanning services; sun tanning salons; provision of solarium [sun tanning] facilities; advisory and consultancy services relating to the aforesaid”.

2) On 20 May 2004 Mrs Tarlochan Singh Kaur of 52 Llanedeyrn Road, Penylan, Cardiff, CF23 9DY filed notice of opposition to the application. The opponent filed a statement and various documents. These will be summarised in the opponent’s evidence as there is considerable repetition between this statement and that filed later. The grounds of opposition are in summary:

a) The opponent ran her own business under the name NAIL CITY from the premises of the applicant. The application was made in bad faith and offends against Section 3(6) of the Trade Marks Act 1994.

3) The applicant subsequently filed a counterstatement denying the opponent’s claims. The applicant also filed documents substantiating their case which I shall refer to in my summary of their evidence.

4) Both sides filed evidence in these proceedings. Both sides ask for an award of costs. Neither side wished to be heard although both sides provided written submissions which I shall refer to as and when they are relevant in my decision.

OPPONENT’S EVIDENCE

5) The opponent filed a witness statement, dated 22 April 2005. From the combination of the original statement of grounds and this statement the following facts can be elicited:

- The applicant owned a tanning salon under the name TAN CITY. The opponent worked for a company operating within the applicant’s premises under the name NAIL TIPS (offering manicure services) from September 2001 until April 2002. This manicure business was not owned by the applicant but by a third party.
- When NAIL TIPS ceased trading in April 2002 the opponent leased space within the applicant’s premises and offered manicure services under the name NAIL CITY. She registered an incorporated company under the name NAIL CITY LTD on 2 October 2003.
- The opponent has provided evidence that she traded under the name NAIL CITY prior to incorporation. This consists of a copy of a bank statement,

dated February 2003, in the name of “SINGH KAUR MRS T. T/A NAIL CITY”, a telephone bill, dated April 2003, showing the opponent t/a NAIL CITY, and an invoice, dated May 2003, showing that she was trading from the applicant’s premises as stated.

- The opponent became aware that the applicant and members of her family were undertaking manicure training and so moved to a new location and continued to trade under NAIL CITY.
- In October 2003 the opponent received a letter from the applicant’s solicitor stating that the trading name NAIL CITY belonged to the applicant under a franchise agreement. The applicant filed its trade mark application in November 2003. There then followed an exchange of letters between the parties culminating in these opposition proceedings.
- The opponent claims “The application to register the Trade Mark is unfair, unjust and is a means to trade on a business built on by years of hard labour by myself and my husband with a view to unlawful gain by the applicant”. She also states “When the applicant and her husband realised that their chance of success in the Tanning trade is [sic] limited, they made this application in bad faith to register the name of Nail City, built up by ourselves over the years as their own trade mark”.

APPLICANT’S EVIDENCE

6) The applicant filed a statement, dated 20 July 2005. The applicant states that in May 2001 she and her husband met with Peter Finlay of Goldencare Ltd to discuss the purchase of a franchise under the name TAN CITY. The purchase was made in August 2001 and the business opened on 22 October 2001. At exhibits 1 & 2 Ms Schiazza provides a letter from Goldencare Ltd describing the TAN CITY franchise which relates to tanning salons, and a subsequent invoice in the applicant’s name, dated 15 August 2001, for £58,691 relating to the fitting out of a TAN CITY SALON in Cardiff. Also filed as part of the counterstatement was a letter, dated 22 January 2004 from Peter Finlay on “Goldencare” headed notepaper. This letter confirms that Mr & Mrs Schiazza purchased a franchise package to use the marks TAN CITY and NAIL CITY. He states that since 1998 his business established 50 salons throughout the UK using these names. He states that “We have never under any circumstances allowed anyone to trade as Nail City without owning their own Tan City salon”. The applicant states that Goldencare is now in liquidation.

7) Mrs Schiazza states that initially she rented space to Jackie Minto who ran a business called Nail Tips at the tanning salon for three weeks. Mrs Schiazza then asked the opponent, who worked for Ms Minto, if she would like to rent the space on a self-employed basis. Mrs Schiazza states that at this time the fascia of the salon had the names TAN CITY and NAIL CITY both with device elements over them and the letter “A” in each mark coloured in. At exhibits 3 & 4 she provides photographs of the fascia. Exhibit 4 is a valuation dated 20 March 2002 . There is a difference between the photographs in that the windows above the shop front in the first photograph are blocked up whilst in the second photograph they are reinstated. At the request of the

opponent the words “by Tara” were added to the name “NAIL CITY” on the front of the premises.

8) Mrs Schiazza states that the opponent started her self employment in December 2001 (not April 2002 as claimed). She claims that the opponent can be seen in the upstairs window in exhibit 4, however, I am unable to make out any figure from the photograph. Mrs Schiazza states that in July 2002 she found out that the opponent had opened a business account in the name of NAIL CITY without her permission. She claims that the opponent informed her that she could do anything she liked, even opening a shop next door. Mrs Schiazza states that she needed the rent to help pay her mortgage and so reached a compromise that when and if the opponent ceased to rent space in the salon then she would cease to use the name NAIL CITY.

9) Mrs Schiazza states that she went on a manicuring training course in September 2002 and informed the opponent of this development. She states that it was her intention of building up a male client base, and that at the time that the opponent left the premises some 10 months later the opponent was the only one carrying out female nail treatments. Because of the tensions between the parties Mrs Schiazza states that she suggested a legal contract, and to this end claims that both sides drew up their own drafts. The opponent’s draft is provided as exhibit 6 with the applicant’s draft as exhibit 7, they have not been challenged by the opponent. Broadly, these drafts show that the opponent was to be the only person carrying out beauty and nail treatments at the premises. In the opponent’s draft at item 7 is the following:

“7. In the event of the sale of the freehold / lease of the above property [21 Wellfield Road] the name of Nail City will remain the property of T Singh.”

10) The response in the applicant’s draft is as follows:

“7. The name “Nail City” is legally owned by Mr and Mrs Schiazza, it being part of the Franchise purchased by them in September 2001. As no formal permission to use the said name was given – written or verbally – Mrs Singh must agree to relinquish the name on her Business Bank Account and on any other Business Documentation unless an agreement is reached on the purchase of the name.”

11) According to Mrs Schiazza after the draft documents were drawn up the matter was not discussed again between the parties. On the 4 July 2003 Mrs Schiazza states that the opponent gave her a week’s notice that she was leaving the premises and handed her a letter confirming this. This letter is provided at exhibit 8 and is dated 30 June 2003 and states that a week’s notice is being given as of 6 July 2003. In the letter is the request “I would appreciate if you would kindly remove my name from the window” and it ends “Best Wishes Tara”.

12) Mrs Schiazza states that the opponent set up in premises close to hers under the name “CITY NAILS by Tara” and this is shown in a photograph of a A-board outside the opponent’s new premises. However, the telephone directory entry showed the name NAIL CITY for this new address. At exhibit 13 she provides a copy of an invoice from Aston & Fincher beauty Warehouse, dated 15 September 2003, which

shows the name “CITY NAILS” but with the applicant’s address instead of the opponent’s new address. At exhibit 17 a photograph of a price list from the opponent’s new premises is provided. This is partly obscured but the first word of the new name appears to be CITY whilst clearly visible underneath is “(formerly known as Nail City)”. Mrs Schiazza states that “Towards the end of November 2003, the opponent left 9 Wellfield Road”, trading this time as “Nails by Tara”. At exhibit 18 is a price list which shows this heading.

13) That concludes my review of the evidence. I now turn to the decision.

DECISION

14) The single ground of opposition is under Section 3(6) which reads:

“3.(6) A trade mark shall not be registered if or to the extent that the application is made in bad faith.”

15) Section 3(6) has its origins in Article 3(2)(d) of the Directive, the Act which implements Council Directive No. 89/104/EEC of 21 December 1988 which states:

“Any Member State may provide that a trade mark shall not be registered or, if registered, shall be liable to be declared invalid where and to the extent that...

(c) the application for registration of the trade mark was made in bad faith by the applicant.”

16) The Directive gives no more clue as to the meaning of “bad faith” than the Act. Subsequent case law has avoided explicit definition, but has not shirked from indicating its characteristics. In *Gromax Plasticulture Ltd v Don & Low Nonwovens Ltd* [1999] RPC 367, Lindsay J stated at page 379:

“I shall not attempt to define bad faith in this context. Plainly it includes dishonesty and, as I would hold, includes also some dealings which fall short of the standards of acceptable commercial behaviour observed by reasonable and experienced men in the particular area being examined. Parliament has wisely not attempted to explain in detail what is or is not bad faith in this context; how far a dealing must so fall-short in order to amount to bad faith is a matter best left to be adjudged not by some paraphrase by the courts (which leads to the danger of the courts then construing not the Act but the paraphrase) but by reference to the words of the Act and upon a regard to all material surrounding circumstances.”

17) More recently the Privy Council considered earlier authorities in *Barlow Clowes International Ltd (in liquidation) & Others v Eurotrust International Limited & Others*, (Privy Council Appeal No 38 of 2004 on which judgment was delivered on 10 October 2005 - not reported at the time of writing). In particular, their Lordships considered a submission from Counsel that an inquiry into the defendant’s views about standards of honesty is required. The following passage from Lord Hoffman’s judgment sets out the position as follows:-

“[Counsel for the defendant] relied upon a statement by Lord Hutton in *Twinsectra Ltd v Yardley* [2002] 2 AC 164, 174, with which the majority of their Lordships agreed:

“35. There is, in my opinion, a further consideration which supports the view that for liability as an accessory to arise the defendant must himself appreciate that what he was doing was dishonest by the standards of honest and reasonable men. A finding by a judge that a defendant has been dishonest is a grave finding, and it is particularly grave against a professional man, such as a solicitor. Notwithstanding that the issue arises in equity law and not in a criminal context, I think that it would be less than just for the law to permit a finding that a defendant had been ‘dishonest’ in assisting in a breach of trust where he knew of the facts which created the trust and its breach but had not been aware that what he was doing would be regarded by honest men as being dishonest.

“36. I consider that the courts should continue to apply that test and that your Lordships should state that dishonesty requires knowledge by the defendant that what he was doing would be regarded as dishonest by honest people, although he should not escape a finding of dishonesty because he set his own standards of honesty and does not regard as dishonest what he knows would offend the normally accepted standards of honest conduct.”

15.....Their Lordships accept that there is an element of ambiguity in these remarks which may have encouraged a belief, expressed in some academic writing, that *Twinsectra* had departed from the law as previously understood and invited inquiry not merely into the defendant’s mental state about the nature of the transaction in which he was participating but also into his views about generally acceptable standards of honesty. But they do not consider that this is what Lord Hutton meant. The reference to “what he knows would offend normally accepted standards of honest conduct” meant only that his knowledge of the transaction had to be such as to render his participation contrary to normally acceptable standards of honest conduct. It did not require that he should have had reflections about what those normally acceptable standards were.

16....Similarly in the speech of Lord Hoffmann, the statement (in paragraph 20) that a dishonest state of mind meant “consciousness that one is transgressing ordinary standards of honest behaviour” was in their Lordships’ view, intended to require consciousness of those elements of the transaction which make participation transgress ordinary standards of honest behaviour. It did not also require him to have thought about those standards were.”

18) On the basis of these authorities it is clear that a finding of bad faith may be made in circumstances which do not involve actual dishonesty. Furthermore, it is not necessary for me to reach a view on Ms Schiazza’s state of mind regarding the transaction if I am satisfied that her action in applying for the mark in the light of all the surrounding circumstances would have been considered contrary to normally accepted standards of honest conduct.

19) In the original pleadings the opponent's position was quite clear, in that it was claimed that the opponent had traded under the mark in suit and owned the goodwill and reputation that had been accrued through such use. It was contended that the applicant has never used the mark in suit. However, the position has changed somewhat in the opponent's written submissions. Whilst it is still claimed that the opponent used the mark prior to the applicant the opponent is now seeking to claim that :

- the applicant is only able to use the term NAIL CITY under licence from Goldencare Ltd;
- there are over 50 salons throughout the UK trading under the names Tan City and Nail City, and as Goldencare began trading in 1998, it is reasonable to assume that others were using the name NAIL CITY prior to the applicant.
- the sign NAIL CITY is not a distinctive mark which identifies or creates an association with the particular products and services of the applicant's business.

20) I will firstly deal with the case as pleaded, that the opponent is the true owner of the mark in suit, that the applicant was aware of this and therefore filed the application in bad faith.

21) It is not disputed that the applicant purchased a franchise to use the marks TAN CITY and NAIL CITY and that the salon was furnished in August 2001. There is a photograph with a valuation dated 20 March 2002 which shows the name NAIL CITY clearly on the fascia and window of the premises. The opponent claims to have started her business in April 2002. If the applicant's date is used then clearly the mark was in use prior to the opponent starting her business. Unusually, the applicant has stated that the opponent began in business at an earlier date than that claimed by the opponent. The applicant gives a date of December 2001. In this case the valuation photograph is not conclusive. However, I note that the applicant refers to a request to have the words "by Tara" added to the fascia of the premises and that when giving notice that she was leaving the premises the opponent asked in her letter that "her name" be removed from the window of the premises. If the mark in suit was hers one would have expected a request to remove the whole of the mark "NAIL CITY by Tara" from the front of the premises. Further, I note that the opponent has subsequently used the mark CITY NAILS and latterly "Nails by Tara".

22) The version of events provided by the applicant has not altered and the exhibits provided in evidence would appear to corroborate the applicant's version of events. It seems to me that the applicant purchased the franchise and then consented to the mark being used by the opponent whilst the opponent was trading out of the applicant's premises. It is clear that the two businesses were interlinked with the applicant carrying out receptionist duties for the opponent, and they derived a mutual benefit as customers of one would be potential customers for the other. The section 3(6) ground as originally pleaded therefore fails.

23) Although not pleaded I will consider the aspect of the 3(6) ground raised in the opponent's submissions.

24) The fact that the applicant originally purchased a franchise from Goldencare Ltd which included permission to use the marks “Tan City” and “Nail City” does not mean that the applicant is precluded from applying for a trade mark registration. They could have negotiated with the company or the liquidator for permission to register the mark. This point cannot be tested as it was never raised in the original statement of grounds and so the applicant never provided evidence in reply to the charge. It is not clear that the application was made in bad faith.

25) Similarly, the fact that others are using the mark in and around the country and they might have used the mark prior to the applicant is no bar to the application on bad faith grounds. In not pleading the issue the opponent did not require the applicant to offer evidence showing that its application did not transgress against section 3(6). In any case, simply knowing about another's use does not make adopting and registering it as your trade mark an act of bad faith, for as stated in *Harrods Ltd v Harrodian School Ltd*, unless registered as a trade mark, no one has a monopoly in their brand name or get-up, however familiar these may be. Therefore, it is not clear that the application was made in bad faith.

26) The fact that a company, Goldencare Ltd, was selling franchises to trade, inter alia, under the mark in suit, and the fact that there were other traders who had also purchased a franchise to trade under the mark in suit does not automatically result in a situation where the mark in suit cannot identify services as originating from the applicant. Even if this were the case it would not offend against Section 3(6) of the Trade Marks Act which was the only ground pleaded.

COSTS

27) As the applicant is successful it is entitled to a contribution towards its costs. I order the opponent to pay the applicant the sum of £1,500. 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 10th day of April 2006

**George W Salthouse
For the Registrar,
the Comptroller-General**