

TRADE MARKS ACT 1994

**IN THE MATTER OF REGISTRATION NO 1312756
IN THE NAME OF EL TORITO RESTAURANTS INC.**

**AND THE APPLICATION FOR REVOCATION THERETO
UNDER NO 10170
BY CENTRALIZE LIMITED**

TRADE MARKS ACT 1994

**In the matter of registration no 1312756
of the trade mark:**



**in the name of El Torito Restaurants Inc
and the application for revocation thereto
under no 10170
by Centralize Limited**

Background

1) On 18 June 1998 Centralize Limited filed an application for the revocation of trade mark registration no 1312756 standing in the name of El Torito Restaurants Inc. The trade mark was registered on 1 March 1991 in respect of:

“restaurant, cafeteria, cafe, canteen, snack-bar and catering services; all included in Class 42; but not including any such services relating to alcoholic beverages”

The specification has not been amended since registration.

2) On 9 October 1998 the registered proprietor filed a counterstatement contesting the application for revocation. He also furnished evidence in order to show use of his trade mark

3) In his statement of grounds the applicant states that the registration in suit should be revoked pursuant to section 46(1)(a) of the Act as for a period of five years following the date of registration the trade mark in suit had not been put to genuine use within the United Kingdom.

4) The registered proprietor denies the above grounds.

5) Both parties seek an award of costs.

6) Both parties filed evidence.

7) The matter came to be heard on 22 February 2002 when the applicant was represented by Mr Martino of counsel, instructed by Tasselli & Co and the registered proprietor was represented by Ms McFarland of counsel, instructed by J A Kemp & Co.

The registered proprietor's evidence

8) The evidence consists of an affidavit dated 29 September 1998 by Michael Evans Malanga who is the vice-president of the registered proprietor.

9) Mr Malanga states that the El Torito brand originated in the USA in 1954. It is now a franchised chain of restaurants with franchise deals established outside of the USA in Bahrain, Egypt, Japan, Jordan, Lebanon, Saudi Arabia, Syria, Turkey and The United Arab Emirates. He states that no establishment has been opened in the United Kingdom but that he considers that in the registered proprietor's franchising attempts and advertising that the trade mark has been used in respect of the services encompassed by the registration.

10) Mr Malanga states that considerable efforts have been made in the previous two years to franchise restaurants under the trade mark EL TORITO, and in particular under the specific device mark, in the United Kingdom. He states that such efforts are continuing. He states that he and other representatives of the registered proprietor attend and make presentations at multi-national franchise conventions and shows at which, and subsequently, they receive inquiries from potential franchisees. He states that the shows attended include:

November 1996 – Milan
March 1997 – Washington DC
September 1997 – Singapore
January 1998 – Barcelona
May 1998 - Chicago

Mr Malanga states that the shows are extremely large, numbering approximately 20,000 – 30,000 attendees of whom many have been from the United Kingdom. He states that the trade mark in suit is used at these shows. He states that it is through these shows that he has actively pursued potential franchisees for the countries listed in paragraph 9 in addition to the United Kingdom.

11) Mr Malanga exhibits at MEM 1 copies of redacted letters that have passed between the registered proprietor and potential franchisees between 4 June 1996 and 17 July 1997. He states that these letters are by way of example. Mr Malanga states that franchise agreements involve long-term, very expensive development and operating commitments with considerable effort and time involved. He states that only franchise candidates that meet stringent requirements can be pursued. He states that, therefore, he is not surprised that no one has been granted a franchise in the United Kingdom yet.

12) All the letters have the details of the addressee removed. The letters dated 2 July 1998, 17 July 1997, 10 June 1997 are similar in content. They are addressed to persons in the United Kingdom, the names of the persons have been removed, and thank them for their interest in franchising opportunities for EL TORITO and advise that a franchising brochure is enclosed. The letters which generated the responses are not adduced into evidence. The letter of 1 July 1997 is to the United Kingdom and advises that Mr Malanga has noted the person's interest in opening speciality franchising restaurants in the United Kingdom. This interest has been aroused by an edition of IFA Insider. The addressee is advised that a brochure will be sent if they furnish a mailing address. The letter of 6 June 1997 is in response to a letter of 28 May 1997, which is adduced into the proceedings. The letter of 6 June 1997 advises that the registered proprietor is not entering into representation agreements. The letter of 12 May 1997 is in response to a letter of 6 May 1997, which is adduced into the proceedings. The letter of 12 May 1997 advises that the registered proprietor is confused by the letter of 6 May 1997 as it would appear from that letter that the correspondee is acting as broker. The letter of 14 June 1996 is addressed to Miami. It deals with the addressee's discussions with prospective licensees in England. It refers to EL TORITO but emanates from Family Restaurants Inc. The letter of 4 June 1996, which appears to be linked to the letter of 14 June 1996, deals with the prospect of assisting the registered proprietor expand into the United Kingdom. The final letter is dated 20 May, without a year. It indicates that it is from Middlesex and deals with the possibility of opening a franchise either in England or abroad. It does not mention EL TORITO and is addressed to the franchising department of Restaurant Enterprises Group. This enterprise has the same address as Family Restaurants, Inc.

13) Mr Malanga states that not only has the registered proprietor sought franchisees through international franchising conventions but also advertises and actively seeks franchising partners on the world-wide web. He exhibits at MEM 2 copies of pages from the web which he states, all though printed recently, show updating dates prior to March 1998. He states that these pages show use of the trade mark on the registered proprietor's home page and various other pages. He states that these pages are readily accessible from anywhere in the United Kingdom with an Internet link. All the pages are dated 23 July 1998. The pages all bear a copyright year of 1997 and the earliest "most recent update" is 20 February 1997. Included in the web pages is a list of EL TORITO restaurants. The vast majority are in California. There are also restaurants in Arizona, Florida, Oregon and Japan. One of the pages also indicates that there will be franchising opportunities in Turkey from autumn 1997. One page deals with the international franchise overview. The information runs to thirteen lines and can be characterised as being fairly general.

14) Mr Malanga states that the web site was established in early 1997 as a franchising effort. He states that, in addition to the obvious advantages in the United States, it was specifically designed to reach out to the international community, including the United Kingdom. He exhibits at MEM 3 a ledger of web site hits for visitors to WWW.ELTORITO.COM from the United Kingdom between 1 January 1998 and 31 March 1998. He states that in March 1998 there were over two hundred hits from the United Kingdom. He states that the hits from the United Kingdom continue to come in as word

of the web site continues to spread throughout the United Kingdom. The total number of hits is recorded as being 215.

15) Mr Malanga states that the exhibits adduced into the proceedings show that the registered proprietor has become renowned for offering a quality restaurant concept which he is loathe to subject to anything other than a capable franchisee candidate who has the ability to both to develop and operate a series of EL TORITO restaurants. He states that the registered proprietor requires any candidate to demonstrate a high level of knowledge and experience in the restaurant industry, as well as the ability to commit significant financial resources to the development and on-going success of a multiple unit franchise endeavour. He states that the registered proprietor is not looking for a “quick money” export that would not stand the test of time. He states that a failed endeavour in the United Kingdom would have a negative effect on the registered proprietor in the United Kingdom. He finishes by stating that it is clear that the registered proprietor has made strenuous efforts to use the trade mark in suit in the United Kingdom but it is through circumstances largely beyond his control that no restaurants bearing the trade mark in suit have yet been set up.

Applicant’s evidence

16) This consists of an affidavit dated 15 April 1999 by Mohammad Bagher Sadighi, who is the managing director of the applicant.

17) Much of the affidavit relates to Mr Sadighi’s business dealings and a dispute with the registered proprietor. In so much as it does it does not go to the issues under consideration in the instant case. I will, therefore, say no more about the evidence in relation to these matters with one exception. Mr Sadighi exhibits at MBS 1 a letter from the trade mark attorneys of the registered proprietor in which the following is claimed:

“Our client has been using these marks for a number of years and has acquired a substantial reputation and goodwill in these marks”.

He states that there is nothing in the affidavit of Mr Malanga which shows that the registered proprietor has put the trade mark in suit to genuine use in the United Kingdom. Mr Sadighi states that although Mr Malanga refers to franchise negotiations and his Internet site he fails to show that the registered proprietor has been involved in the supply of goods or services within the United Kingdom. He states that Mr Malanga has failed to show that there are proper reasons for the non-use of the trade mark in suit. He states that, for example, there is no ban on the establishment of American restaurants in the United Kingdom.

Further evidence of the registered proprietor

18) This consists of an affidavit dated 7 August 2000 by Charles George Rink, who is the executive vice president of the registered proprietor. Mr Rink refers to that part of the

affidavit of Mr Malanga which deals with the web site www.eltorito.com. He states that the web site at the time did comprise references to the trade mark EL TORITO and the trade mark in suit.

Preliminary issues

19) On 19 February 2002 the Office received a copy of a letter sent from Tasselli & Co to J A Kemp & Co which was headed “ref: REV10170/REV 10171 and other matters”. The letter stated:

“We refer to Mr Ellis-Jones’ affidavit of 13 September 2001.

We note that in Paragraph 7 he states “... our firm advised that there was a possibility that such reasons or activities might not constitute or be held proper reasons for non-use of the earlier UK registration Nos. 1311813 and 1312756 (collectively “the earlier registrations”)”.

You have waived the privilege attached to this information and we now require full disclosure before the forthcoming hearing on Friday 22 February as per Part 31(6) of the CPR. This request is clearly relevant to the Proceedings and in line with the over-riding objective (Part 1 of the CPR). All the more so since you are in possession of this documentation and access can be obtained within a minimum amount of time and expense. We herewith give our undertaking to pay for all your reasonable photocopying charges.

We require copies of all communications (both internal and external including) but not limited to the following: letters, advisory opinions and external memoranda, attendance notes and notes of telephone conversations regarding this or any other matter pertaining to Paragraph 7 of Mr Ellis-Jones’ Affidavit and his statement therein regarding his Firm’s advice.”

20) The affidavit referred to relates to evidence adduced in relation to an application for a declaration of invalidity – no 12445 – which is between the same parties.

21) In response J A Kemp & Co on 21 February 2002 wrote asking for a postponement of the hearing scheduled for the next day as they required to take instruction from their US clients.

22) I advised the parties by e-mail that I would not be postponing the hearing but would deal with the issue of disclosure as a preliminary point before the main hearing.

23) Further to the letter of J A Kemp & Co of 21 February 2002 Tasselli & Co wrote to the former on 21 February 2002, copying the letter to the Office. In this letter they stated:

“For the avoidance of all doubt we confirm that we have not made an application (and do not intend to make an application) for disclosure but a reasonable and simple request for information in your possession (see our letter of 19 February 2002) that you can easily comply with. Should you not provide this information we will consider this as a refusal.”

24) Mr Martino argued at the hearing that no request for an order of disclosure had been made. J.A. Kemp & Co and Ms McFarland saw the letter of 19 February 2002 from Tasselli & Co as a request for disclosure. I see it is such. The terms of that letter are at variance with the gloss given to it in the letter from Tasselli & Co of 21 February 2002. The original letter is peremptory in tone, far more a demand than a request, and specifically refers to the Civil Procedure Rules. It is difficult to see it as being a “simple request for information”.

25) At the hearing Mr Martino did not request an order for disclosure. However, I have needed to deal with this issue as in her submissions Ms McFarland asked that the costs relating to the matter should be taken into account in any award of costs. Owing to the general heading of the letter of 19 February 2002, which included in the heading “and other matters”, and the fact that the affidavit referred to was adduced into invalidity proceedings I also considered the disclosure issue in relation to the application for invalidity, the hearing for which was held on the same day. I consider that the registered proprietor is due some compensation for what I consider to be a late and abandoned request for disclosure. It would seem that the registered proprietor would have incurred little expense in relation to this matter – J A Kemp & Co were effectively awaiting his response. I consider, therefore, that it would be appropriate to compensate the registered proprietor to the sum of £50 in relation to this matter in this case. (A similar amount will be included in the decision in relation to the invalidity action).

26) Mr Martino included with his skeleton argument pages from the registered proprietor’s website. I cannot see how these can be characterised other than as additional evidence. No request was filed to adduce additional evidence. I, therefore, have taken no cognisance of these pages and give no weight to any argument based upon them.

Decision

27) The grounds for revocation are pursuant to section 46(1)(a) which states:

“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;”

28) Section 46(3) of the Act states:

“(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.”

29) Consideration has to be taken, also, of section 100 of the Act which states:

“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.”

30) Consequent upon section 100 the onus is upon the registered proprietor to prove that has made genuine use of the trade mark in suit, or that there are proper reasons for non-use.

31) The registration in suit was registered on 1 March 1991, the five year period runs from this date. The application for revocation was made on 18 June 1998, consequently the period under section 46(3) runs to 18 March 1998.

32) Ms McFarland effectively argued under two heads. Firstly, the use shown by the registered proprietor represents genuine use, however, if this head failed then there were genuine reasons for non-use. Ms McFarland considered that the Internet use and the correspondence relating to franchising represented genuine use. In particular she made reference to the nature of use as per section 10(4)(d) of the Act: use of the sign on business papers or in advertising. Mr Martino referred to the issues arising out of Internet use arising from *800-Flowers Trade Mark* [2000] FSR 697. In particular where Jacob J stated:

“I questioned this with an example: a fishmonger in Bootle who put his wares and prices on his own website, for instance, for local delivery can hardly be said to be trying to sell the fish to the whole world or even the whole country. And if any web surfer in some other country happens upon the website he will simply say “this is not for me” and move on. For trade mark laws to intrude where a website owner is not intending to address the world but only a local clientele and where anyone seeing the site would so understand him would be absurd. So I think that the mere fact that websites can be assessed anywhere in the world does not mean, for trade mark purposes, that the law should regard them as being used everywhere in the world. It all depends upon the circumstances, particularly the

intention of the website owner and what the reader will understand if he assesses the site.”

33) Mr Martino also made reference to *Euromarket Designs v Peters* [2001] FSR 288, in which decision Jacob J stated:

“It seems to me that “genuine use” must involve that which a trader or consumer would regard as a real or genuine trade in this country”.

34) I do not consider section 10(4)(d) aids the case of the registered proprietor. The use of the sign on business papers or in advertising must still be in relation to the goods or services in the United Kingdom. If he supplied the services in the United Kingdom one could then look to section 10(4)(d) to show use of the sign; but he has not. Mr Malanga effectively states in the last paragraph of his declaration that the registered proprietor has not supplied any of the services encompassed by his registration within the United Kingdom. The registered proprietor has not set up any restaurant in the United Kingdom. The services for which he is registered have not been provided within the United Kingdom. He has not shown that anyone has ordered his services via the Internet from the United Kingdom, and the very nature of the services makes this unlikely anyway. The Internet hits tell me nothing; it could have been, for instance, that the surfer was looking for the business of the applicant. It strikes me that in relation to the services of the registration in suit the registered proprietor is very much in the position of the Bootle fishmonger, one is somewhat unlikely to send a take away meal from California to the United Kingdom – even using express, guaranteed delivery. I can see nothing in the evidence that shows use of the trade mark in the United Kingdom in relation to the services for which it is registered. The proprietor even states that he has not used the trade mark in relation to the services for which it is registered. The services have not been provided, he has not used the trade mark. In the terms of *Euromarket* I do not consider that the registered proprietor has shown that he has had a real or genuine trade in the United Kingdom. As the registered proprietor has shown no use of his trade mark in the United Kingdom he cannot pray in aid to section 46(3) of the Act, which requires use.

35) Consequent upon the above I have no hesitation in coming to the conclusion that the registered proprietor has not proved genuine use of the trade mark in suit within the United Kingdom.

36) However, the matter does not rest there as Ms McFarland claimed in the alternative that the registered proprietor had proper reasons for non-use, the difficulty in getting franchises off the ground. Park J in *Magic Ball* [2000] RPC 439 dealt with the issue of proper reasons for non-use. Park J approved the findings of the hearing officer in *Invermont* [1997] RPC 125 where the latter stated:

“I do not think that the term “proper” was intended to cover normal situations or routine difficulties”.

I consider that the difficulties that the registered proprietor has encountered in relation to finding a franchisee do not represent a situation that is other than normal and does not represent anything other than routine difficulties. The recitals to the Directive state:

“it is essential to require that registered trade marks must actually be used, or if not used be subject to revocation”.

This is a cornerstone of European trade mark law and I consider clearly indicates that proper reasons for non-use must be rigorously scrutinised and must be very convincing. In the instant case the proprietor can point to nothing unusual in the circumstances of his own business or the trade generally as an explanation of his inactivity. Under European law there is a regime of use it or lose it. Not only in the five years following registration but for the period up to the date of the application for revocation, 18 June 1998, the registered proprietor has made no use of the trade mark in suit within the United Kingdom. He has had a considerable period of time to put his trade mark in use. A period of time that goes well beyond what I would expect for negotiations to take place and be finalised in relation to a franchise for the services encompassed by his registration. No evidence has been adduced to show that the enquiries from potential franchisees went any further than general enquiries. No contracts have been adduced into the proceedings, whether completed or not, and there is no proof that any serious negotiations have taken place.

37) Consequent upon the above I find that the registered proprietor has not shown that there are proper reasons for non-use of the trade mark in suit.

Discretion

38) Miss McFarland argued that I have a discretion in relation to the application for revocation. The issue of whether there is a discretion in relation to revocation for non-use was dealt with by Neuberger J in *Premier Brands UK v Typhoon Europe* [2000] FSR 767 at page 809 et seq where he came to the conclusion that there is no discretion. I, of course, am bound by Neuberger J's decision and therefore do not consider that I have a discretion in relation to this issue. (For the sake of completeness I would add that if there were a discretion I can see no basis upon the evidence before me to exercise it in the favour of the registered proprietor.)

39) Consequent upon the above I find that the registration should be revoked in its entirety with effect from 18 June 1998. The applicant for revocation is entitled to a contribution towards his costs. I, therefore, order the registered proprietor to pay him the sum of £785 – this sum takes into account a reduction of £50 in relation to the disclosure issue(see above). This sum is 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 14 day of March 2002

**D.W.Landau
For the Registrar
the Comptroller-General**