

O-126-08

TRADE MARKS ACT 1994

**IN THE MATTER OF TRADE MARK APPLICATION NOS. 2394061, 2395768
AND 2395771 IN THE NAME OF TV21 CAFÉ BAR LIMITED
TO REGISTER THREE TRADE MARKS IN CLASSES 41 OR 43**

AND

**IN THE MATTER OF OPPOSITION THERETO
UNDER NOS. 93702, 93746 AND 93734 IN THE NAME OF
JORDAN MICHAEL ROYCE**

Trade Marks Act 1994

IN THE MATTER OF Trade Mark Application Nos. 2394061, 2395768 and 2395771 in the name of TV21 Café Bar Limited to register three trade marks in Class 41 or Class 43

And

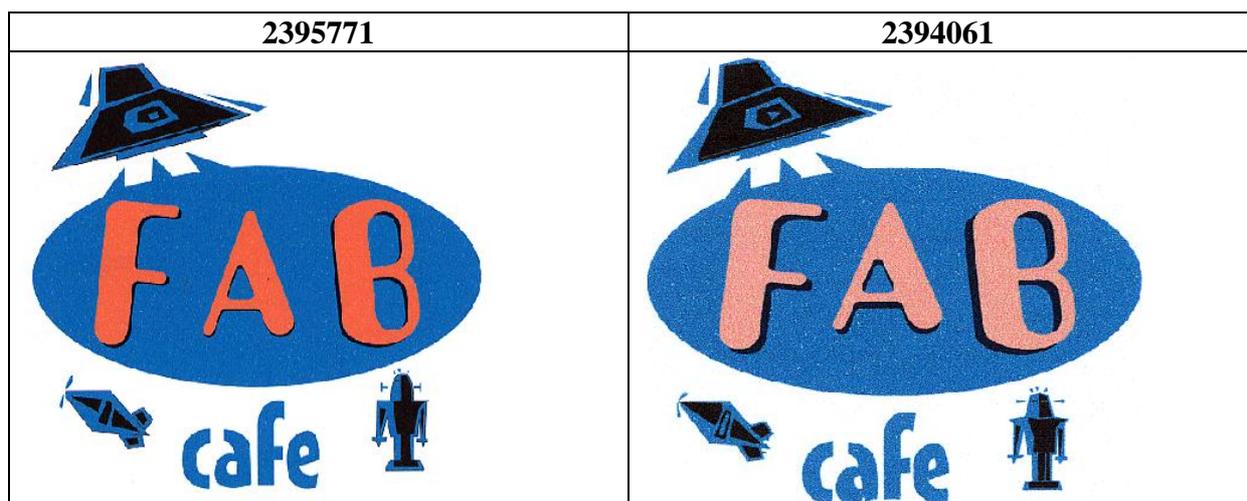
IN THE MATTER OF Opposition thereto under Nos. 93702, 93746 and 93734 in the name of Jordan Michael Royce

BACKGROUND

1. On 10 June 2005, and 30 June 2005, Fab Café Limited, subsequently TV21 Café bar Limited made two application to register a trade marks in Class 41, and one to register the same trade mark in Class 43. The services for which registration is sought are as flows:

- | | | |
|--------------------|----------|---|
| No 2394061 | Class 43 | Bar, café and restaurant services; provision of food and drink. |
| No. 2395768 | Class 41 | Nightclub services. |
| No. 2395771 | Class 41 | Nightclub services. |

2. Trade mark number 2395768 consists of the words FAB CAFÉ. The two other marks are composite marks as follows:



3. Jordan Michael Royce filed notice of opposition to these applications, the ground of opposition being as follows:

1. **Under Section 3(6)** Because the applications were made in bad faith.
2. **Under Section 5(4)(a)** By virtue of the law of passing off
3. **Under Section 5(4)(b)** By virtue of an earlier right other than found in Section 5 of the Act, in particular, the law of copyright, design right or registered designs.

4. The applicant filed Counterstatements in which they deny the grounds on which the opposition is based. They mention that the Directors of the applicant company created the trade mark in 1996 and own the copyright in the mark and all variations thereof. They further assert that the businesses run under the name FAB CAFÉ are held in trust for the applicant, and that they will provide evidence of this. None has been filed. Both sides ask that an award of costs be made in their favour

5. Only the opponent filed evidence, which, insofar as it may be relevant I have summarised below. One set of evidence has been filed for each set of proceedings, but being identical I shall only complete one summary. The matter came to be heard on 9 October 2007, when the opponent was represented by Mr Matthew Kime of Counsel, instructed by Halliwells LLP, their representatives. The applicants were not represented.

Preliminary issue

Prior to the hearing the opponent sought leave to file additional evidence. This consisted of two Witness Statements by the opponent, Jordan Michael Royce, and a Witness Statement from Harvey Stringfellow, the opponent's representative in these proceedings. Having examined the evidence I gave leave for the evidence to be admitted, subject to the applicants being given one month in which to consider its contents and respond. The applicants did not respond so the evidence stands as admitted.

Opponent's evidence

6. This consists of a three Witness Statements from Jordan Michael Royce and one from Harvey Stringfellow. The first of Mr Royce's statements is dated 11 April 2006. Mr Royce confirms that unless indicated otherwise, the facts to which he attests are within his own knowledge.

7. Mr Royce says that prior to 1996 he was friends with Stephen and Paul Petricco, with whom he shared a passion for comic books. He recounts that on the way to a comic book convention, he and Paul discussed the possibility of opening a themed bar based on cult television series of the 60s such as The Prisoner, The Avengers and Dr Who. He says that as the idea developed he suggested that the bar should be called FAB, a buzz word from the 60s. Stephen suggested FAB ONE after the Rolls Royce driven by Lady Penelope in Thunderbirds.

8. Mr Royce recounts that he had expertise in computers and graphic design and started work

designing a logo for the bar. He states that he produced the first logo on 14 November 1995 based on the FAB ONE suggestion, a copy of which is shown as page 1 to Exhibit JMR1. He states that he produced further logos, one of which is the subject of the trade mark application number 2394061. Mr Royce states that copies of the FAB Café logo are shown on pages 2 - 7 of Exhibit JMR1, drawing attention to the identity between the logo at page 7 and the trade marks of the application. Mr Royce also draws attention to his having signed and dated the drawings, claiming that having created them at a time when he did not have any contractual or other obligations he is the owner of the copyright.

9. Mr Royce recounts that on 22 March 1996, a company called Halesden Limited was formed, later changing its name to FAB Leisure Limited. This company traded under the name "FAB Café" and used the FAB Café logo from premises in Manchester, and later from a second venue in Leeds. Mr Royce states that these operated and continue to operate as café bars during the day and nightclubs in the evening. These clubs were allowed to use the name and logo "on an informal basis". Mr Royce states that Fab Leisure Limited went into creditor's voluntary liquidation on 29 January 2004, but the FAB Café Leeds and FAB Café Manchester continued to trade, operated by a company called Fame City Limited with the consent of the liquidator. From 27 November 2004 the FAB Cafés have been operated by Kinetic Red Limited, a company in which Mr Royce is a Director, and the majority shareholder.

10. Mr Royce states he, Stephen Petricco and Paul Petricco were directors and shareholders in FAB Leisure Limited, Fame City Limited, and another company known as 666 Management Limited that operated a venue called Satan's Hollow in Manchester. He recounts there being a break down in the relationship with the Petriccos, and on 27 November 2004 he resigned from the board of Fame City Limited. In the same month he also resigned from 666 Management Limited. Mr Royce says that on 9 December 2004, Fame City Limited and 666 Management Limited brought an action against him, his company Kinetic Red Limited, and Leonora Johnstone (who in the Particulars later referred to is stated to be a co-director of Kinetic Red Limited) that have yet to be concluded. Mr Royce states that 666 Management Limited is now in liquidation, Fame City having been dissolved and struck off the Companies Register, although an application to restore has been made.

11. Exhibit JMR2 is a copy of the Particulars of Claim filed by Fame City Limited in the action. Mr Royce says that whilst the Court proceedings are not directly relevant to this dispute, the Particulars of Claim set out the history of the use of the "FAB Café" name and logo from 1996 to date, Mr Royce highlighting the following extracts:

"FAB Leisure Limited ("FAB") was incorporated as Halesden Limited on 22 March 1996 and used as a vehicle for a joint venture carrying on the business of science fiction and kitsch movie and old television programme theme bars trading under the name "FAB Café" from premises at 111 Portland Street, Manchester ... and 46 Woodhouse Lane, Merion Centre, Leeds...."

"Prior to FAB (Leisure Limited) entering into liquidation, it was agreed between Stephen Petricco, Paul Petricco and First Defendant [Jordan Michael Royce], that a new company would be acquired in order to carry on the cafe bar business of FAB trading under the name "FAB Café...."

Shortly after FAB Leisure Limited went into liquidation, under the terms of an agreement, Fame City Limited commenced to carry on the business of café bars trading under the name of "FAB Café".

“Until 27 November 2004, ... Fame City continued to carry on business from the Portland Street premises [Manchester] and the Leeds premises trading under the name "FAB Café.””

Mr Royce and Leonora Johnstone continuing as Kinetic Red are carrying on business from premises in Princess Street trading under the name of "Satan's Hollow", and from premises in Manchester and the Leeds premises trading under the name "FAB Café".

“Kinetic Red has now acquired the assets of FAB (FAB Leisure Limited)”

12. Mr Royce states that the applicants, TV 21 Café Bar Limited were formerly known as FAB Café Limited, and to his knowledge have not traded yet, the FAB Café businesses in Manchester and Leeds being currently run by Kinetic Red Limited. Fab Leisure Limited and Fame City Limited do not currently exist.

13. Mr Royce says that further evidence of the use of the FAB Café name and logo is shown as exhibit JMR3 (pages 44-48). This consists of:

An advertisement stated to have appeared in the Manchester Evening News on 6 November 1998. The advert shows a logo, if not identical, certainly very close to that of the application. It refers to the appearance of Robert Vaughan at the premises in Portland Street, Manchester on 9 November,

An advertisement stated to have appeared in the Manchester Evening News on 15 May 2000. The advert shows a logo identical to that of the application. It refers the appearance of Danny John-Jules at the premises in Portland Street,
Manchester on 16 May 2000,

An advertisement endorsed as having appeared in Starburst – Fantasy Film Magazine in October 2000. This shows a logo identical to that of the application. It refers to the appearance of Paul Darrow at the premises in Portland Street, Manchester on 7 November 2000. The advertisement also contains a reference to FAB Leisure, and a statement “COMING SEPTEMBER – Another FAB LEISURE Venue – “Satans Hollow” and the description “NEO-DISCOTHEQUE”,

An advertisement from the Yorkshire Evening Post dated 28 November 2003 that shows a logo identical to that of the application. It refers to the appearance of Gerry Anderson at the premises in Leeds on 29 November 2003.

14. The remainder of the exhibit consists of a collection of photographs of the exterior of premises in Manchester and Leeds. These show signage bearing the FAB CAFÉ logo, the Manchester photographs being endorsed that this is as it has been since June 1998, the Leeds

photographs stating that the pictures show the signage as it has been since September 2002. Mr Royce says that the photographs on Pages 51 and 52 of exhibit JMR3 were "...taken yesterday...".

15. Much of the remainder of Mr Royce's Statement consists of submissions on the substance of the case. As such it is not appropriate to be summarised as evidence, but they will be taken into account in my determination of this case.

16. In connection with the allegation of "bad faith", Mr Royce refers to Exhibit JMR4 (pages 53-63) which consists of details of a trade mark number 2394062. This was made by the applicants on 10 June 2005 in relation to Neo Discotheque Satan's Hollow and the logo bearing those words. Mr Royce says that he developed the Satan's Hollow logo, pages 8 and 9 of Exhibit JMR1 being a hand-drawn version endorsed as dating from 9th and 19th February 1998 and signed by "J M Royce". This logo also appears on the advertisement forming part of Exhibit JMR3 at page 46. The case details show the status as "Withdrawn".

17. The second of Mr Royce's Statements is dated 5 October 2007. In this Mr Royce refers to Exhibit JMR1 of his first Witness Statement, which consists of a number of drawings that he says he signed and dated on the day that they were created. Mr Royce confirms that at that time he was (and still is) a British citizen, domiciled and resident in England. He confirms that the drawings were first published in March 1996 in a brochure provided to Carlsberg Tetley who were proposing to supply beer to the proposed bar, and Bruntwood as prospective landlords.

18. Mr Royce's third Statement is dated 8 October 2007. In this he refers to Exhibit JMR5, which consists of documents and items of correspondence, in particular:

Letter and Invoice, both dated 24 November 2004, from Smith Hodgkinson to J M Royce of Kinetic Red, 101 Princess Street, Manchester, for "Whatever right, title, interest the above company [FAB Leisure Limited] has in fixtures and fittings (as per attached inventory) and goodwill." The invoice is stamped as PAID.

Advisory report into Famecity Limited prepared in March 2005 by Grant Thornton UK LLP, Chartered Accountants, including company details for Famecity Limited and Fab Leisure Limited taken from the Companies House website.

19. The final Witness Statement is dated 8 October 2008, and comes from Harvey Stringfellow of Halliwells LLP, the opponent's representative. In this Mr Stringfellow sets out the circumstances by which the documentation came into Mr Royce's possession from his previous legal representatives, and some background to Mr Royce's activities.

20. That concludes my summary of the evidence insofar as it is relevant to these proceedings.

DECISION

21. I will deal first with the ground under Section 5(4)(a). That section reads as follows:

“5.-(4) A trade mark shall not be registered if, or to the extent that, its use in the United Kingdom is liable to be prevented -

(a) by virtue of any rule of law (in particular, the law of passing off) protecting an unregistered trade mark or other sign used in the course of trade, or

(b)

A person thus entitled to prevent the use of a trade mark is referred to in this Act as the proprietor of an “earlier right” in relation to the trade mark”.

22. The requirements for this ground of opposition have been restated many times and can be found in the decision of Mr Geoffrey Hobbs QC, sitting as the Appointed Person, in *WILD CHILD Trade Mark* [1998] R.P.C. 455. Adapted to opposition proceedings, the three elements that must be present can be summarised as follows:

(1) that the opponent’s goods or services have acquired a goodwill or reputation in the market and are known by some distinguishing feature;

(2) that there is a misrepresentation by the applicant (whether or not intentional) leading or likely to lead the public to believe that goods or services offered by the applicant are goods or services of the opponents; and

(3) that the opponents have suffered or are likely to suffer damage as a result of the erroneous belief engendered by the applicant’s misrepresentation.

23. To the above I add the comments of Pumfrey J in *South Cone Incorporated v Jack Bessant, Dominic Greensmith, Kenwyn House and Gary Stringer (a partnership)* [2002] RPC 19 in which he said:

“27. There is one major problem in assessing a passing off claim on paper, as will normally happen in the Registry. This is the cogency of the evidence of reputation and its extent. It seems to me that in any case in which this ground of opposition is raised the Registrar is entitled to be presented with evidence which at least raises a prima facie case that the opponent’s reputation extends to the goods comprised in the applicant’s specification of goods. The requirements of the objection itself are considerably more stringent than the enquiry under Section 11 of the 1938 Act (See *Smith Hayden (OVAX)* (1946) 63 RPC 97 as qualified by *BALI* [1969] RPC 472). Thus the evidence will include evidence from the trade as to reputation; evidence as to the manner in which the goods are traded or the services supplied; and so on.

28. Evidence of reputation comes primarily from the trade and the public, and will be

supported by evidence of the extent of use. To be useful, the evidence must be directed at the relevant date. Once raised the applicant must rebut the prima facie case. Obviously, he does not need to show that passing off will not occur, but he must produce sufficient cogent evidence to satisfy the hearing officer that it is not shown on the balance of possibilities that passing off will occur.”

24. The date at which the matter must be judged is not entirely clear from Section 5(4)(a) of the Act. This provision is clearly intended to implement Article 4(4)(b) of Directive 89/104/EEC. It is now well settled that it is appropriate to look to the wording of the Directive in order to settle matters of doubt arising from the wording of equivalent provisions of the Act. The relevant date may therefore be either the dates of the applications for the marks in suit (although not later), or the date at which the acts first complained of commenced, as per the comments in *Cadbury Schweppes Pty Ltd v The Pub Squash Co Pty Ltd* [1981] RPC 429.

25. It is not disputed that Stephen and Paul Petricco, the persons behind the applicant company, and Mr Royce, were jointly engaged in a business that used the trade marks in suit. This puts the applicants in a position where they would presumably know the relevant facts relating to the conduct of that business, and in a position to challenge Mr Royce if they believed that he is not being accurate or truthful. Apart from a simple rebuttal in their Counterstatement in which they put Mr Royce to proof in establishing his unregistered rights in the mark, the applicants have not challenged Mr Royce, be it by filing evidence themselves or by seeking cross-examination. In *Extreme Trade Mark* (BLO/161/07), Mr Richard Arnold QC sitting as The Appointed Person, considered whether the strict rules of evidence apply to the Registrar’s tribunal. The relevant part of his decision is as follows:

“Unchallenged evidence

33. *Phipson on Evidence* (16th ed) states at paragraph 12-12:

‘In general a party is required to challenge in cross-examination the evidence of any witness of the opposing party if he wishes to submit to the court that the evidence should not be accepted on that point. The rule applies in civil cases as it does in criminal. In general the CPR does not alter that position.

This rule [sic] serves the important function of giving the witness the opportunity of explaining any contradiction or alleged problem with his evidence. If a party has decided not to cross-examine on a particular important point, he will be in difficulty in submitting that the evidence should be rejected.

However the rule is not an inflexible one...’

34. The authority cited in support of this statement of the law is the decision of the House of Lords in *Browne v Dunn* (1894) 6 R 67. The relevant passages from the speeches are set out in the judgment of Hunt J in *Allied Pastoral Holdings v Federal Commissioner of Taxation* (1983) 44 ALR 607, the material parts of which are quoted

in the judgment of the Court of Appeal in *Markem Corp v Zipher Ltd* [2005] EWCA Civ 267, [2005] RPC 31 at [59]-[60].

35. In my judgment the learned editors of *Phipson* are correct to say that the rule is not an inflexible one. There are at least two well-established exceptions to it. The first is that, as the speech of Lord Herschell LC in *Browne v Dunn* makes clear, it may not be necessary to cross-examine on a point if the witness has been given full notice of it before making his statement. As I pointed out in *BRUTT Trade Marks* [2007] RPC 19 at [23], this may be significant in registry proceedings where evidence is given sequentially. The second is that a court is not obliged to accept a witness's evidence in the absence of cross-examination if it is obviously incredible: see *National Westminster Bank plc v Daniel* [1993] 1 WLR 1453.

36. Where, however, evidence is given in a witness statement filed on behalf of a party to registry proceedings which is not obviously incredible and the opposing party has neither given the witness advance notice that his evidence is to be challenged nor challenged his evidence in cross-examination nor adduced evidence to contradict the witness's evidence despite having had the opportunity to do so, then I consider that the rule in *Brown v Dunn* applies and it is not open to the opposing party to invite the tribunal to disbelieve the witness's evidence."

26. As unchallenged evidence the position is quite clear. Unless a claim by Mr Royce goes beyond what would be reasonable, or he could reasonably be expected to know, it will be accepted at face value.

27. The history of the relationship between the parties goes back to 1995, when Mr Royce, Stephen Petricco and Paul Petricco discussed the possibility of opening a themed bar based on cult television series of the 60s. Names suggested revolved around the word FAB, "a buzz word" of the 60s. Mr Royce says that Stephen Petricco suggested FAB ONE after the Rolls Royce driven by Lady Penelope in Thunderbirds. This would seem to be supported by the logo shown on page 1 of Exhibit JMR1, which is signed by Mr Royce as of 14 November 1995. Mr Royce says that he produced the artwork because he had expertise in computers and graphic design, and that he produced further drawings, one of which is the FAB Café logo which is shown on pages 2 - 7 of Exhibit JMR1. The similarity between these drawings and the marks of the applications for the composite marks is plain to see. Each drawing is signed by Mr Royce, and bear dates from 1 February to 10 March 1996. Mr Royce states that all of these logos were produced at a time when he did not have any contractual or other obligations; he was the owner of the copyright.

28. Setting aside the question of copyright which I shall come to later, the act of inventing a name, or a conceptual connection to some image does not, of itself, bring the inventor any rights. In the decision in *Harrods Limited v Harrodian School Limited* [1996] R.P.C 697, Millett LJ at paragraph 711 stated:

"It is well settled that (unless registered as a trade mark) no one has a monopoly in his brand name or get up, however familiar these may be. Passing off is a wrongful invasion of a right of property vested in the plaintiff; but the property which is

protected by an action for passing off is not the plaintiff's proprietary right in the name or get up which the defendant has misappropriated but the goodwill and reputation of his business which is likely to be harmed by the defendant's misrepresentation.”

29. The question is as put by Walton J in *The Athletes Foot Marketing Associates Inc. v. Cobra Sports Limited and Another* [1980] R.P.C 343,

“I think this passage is extremely important in considering the present case, for it makes the distinction between "reputation"--gained possibly as the result of advertising, possibly merely by word of mouth--and "goodwill" which of course can hardly exist without the goods, services or provider of these acquiring a reputation, but which requires something more. Nor, of course, is that passage consistent with any suggestion that the plaintiffs' desire possibly to commence business in this country in the future would have made any difference to the outcome.”

30. On 22 March 1996, a company called Halesden Limited was formed, Mr Royce stating that he, Stephen Petricco and Paul Petricco were directors and shareholders. The Particulars of Claim exhibited as JMR2 give a more detailed account. Whilst prepared by the applicants for use in other proceedings, Mr Royce relies upon the Particulars in support of part of his own case. It would seem reasonable to infer that if they contained any matters of fact that he considered inaccurate or misleading he would have addressed them in his evidence. That said, they are no more than claims and cannot be taken to have evidential value. They do, however provide an insight into the applicant's perspective which, as they filed no evidence and did not attend the hearing, is missing from these proceedings.

31. The Particulars state that on 23 April 1996, Stephen Petricco was appointed a Director of the company, with Paul Petricco becoming Secretary and on 1 June 1998, also a Director. Mr Royce is stated to have been involved with the setting up and running of the company, but did not become a Director until 29 March 2001, the reason stated is that he told the Petriccos that he was legally barred from holding the office. The Particulars confirm that Mr Royce was, from the outset, a shareholder in the company.

32. The Particulars say that on 14 January 1998 the company took a lease on premises in Manchester, and commenced trading in June 1998. It changed its name to Halesden Leisure Limited on 8 June 1998, and to FAB Leisure Limited on 26 March 1999. It also refers to the opening of premises in Leeds in September 2002. Mr Royce states that the companies traded as "FAB Café" using the FAB CAFÉ logo for the premises. It therefore seems that any accrued goodwill originates from 8 June 1998.

33. Fab Leisure Limited went into creditor's voluntary liquidation on 29 January 2004, but the FAB Café Leeds and FAB Café Manchester continued to trade, being operated by a company called Fame City Limited with the consent of the liquidator. The Particulars confirm that the company was incorporated on 21 November 2003, the Petriccos and Mr Royce were appointed Directors on 8 January 2004, and were joint shareholders. They go on to refer to Fame City Limited having reached agreement with the Liquidator of Fab Leisure Limited on, or about 12 March 2004, by which Fame City was to purchase the assets, including goodwill for a total price of £17,625,000 to be paid by instalments. Fame City

Limited subsequently carried on the FAB CAFE business from the same premises in Manchester and Leeds until 27 November 2004. Mr Royce claims that the companies were allowed to use the name and logo "on an informal basis."

34. The Particulars refer to the setting up of another company not mentioned by Mr Royce. This was incorporated under the name Satans Hollow Limited on 11 October 1999 as the vehicle for a joint venture between the Petriccos and Mr Royce in running a nightclub in Manchester under the name Satans Hollow. They further state that "In contrast to the business of Fab, the idea or concept for the "Satans Hollow" nightclub had been that of the First Defendant, and the First Defendant involved himself in the affairs of Satans to a greater extent than he did in the day to day affairs of Fab."

35. The Particulars later refer to Satans (which I take to be the company) having entered voluntary liquidation on 23 August 2002, owing the Fab business £100,000 that had been advanced in an attempt to support its continued trading. They go on to refer to the setting up of 666 Management Limited on 24 May 2002, which, pursuant to an Agreement (not exhibited) was to take over the running of the Satans Hollow nightclub, gaining an assignment of the lease and other assets linked to the nightclub. 666 Management Limited is stated to have traded shortly after the liquidation of Satans Hollow Limited. I mention this to set the scene; it has no direct relevance to the use of the mark in dispute.

36. The Particulars refer to Mr Royce having taken on the task of attending to the formalities of gaining assignment of the leases to the FAB CAFE premises, or alternatively, the grant of new leases. It confirms that at all relevant times up to its liquidation, Fame City Limited paid rent to the landlords.

37. Mr Royce says that he resigned from the board of Fame City Limited on 27 November 2004, and from 666 Management Limited in the same month. He states that 666 Management Limited is now in liquidation, Fame City having been dissolved and struck off the Companies Register, although an application has been made to restore. Mr Royce states that neither Fab Leisure Limited or Fame City Limited currently exist, and to his knowledge TV 21 Café Bar Limited, who were formerly known as FAB Café Limited, have not traded.

38. The Particulars refer to a company called Kinetic Red Limited having been incorporated on 8 September 2004, Mr Royce and Leonora Johnston being Directors. This company is stated to have opened a nightclub under the name Tiger Lounge in competition to the FAB CAFE business. Mr Royce states that from 27 November 2004, Kinetic Red Limited has carried on the businesses of "Satan's Hollow" and "FAB Café", having acquired the assets of FAB Leisure Limited. Mr Royce does not say how Kinetic Red Limited came to acquire these assets, but there is a section in the Particulars relating to the "ANNEXATION OF BUSINESS AND ASSETS OF FAMECITY AND 666". The facts relating to the 666 business appear to mirror those of FAB CAFE, so unless they have some particular relevance I will not comment on that business.

39. The Particulars state that until 27 November 2004, Famecity Limited carried on the FAB CAFE businesses in the belief that Mr Royce had attended to the transfer of the assets of Fab Leisure Limited, and the assignment or renegotiation of the leases of the FAB CAFE premises on behalf of Famecity Limited. However, on 28 November 2004 the Petriccos say

that they discovered that the assets and leases had been transferred to Kinetic Red Limited, and the locks on the FAB CAFE premises were changed. Apparently Mr Royce had arranged the transfer of the assets and leases, but to Kinetic Red Limited rather than Famecity Limited. The Particulars go on to comment in some detail about the acquisition of the FAB CAFE business by Kinetic Red Limited.

40. Mr Royce relies on the Particulars in support of his own case but does not answer the adverse allegations and claims made. Even so, the Particulars are not evidence and have no probative value.

41. Being the originator of the FAB CAFE logo does not, of itself, derive any goodwill for Mr Royce. There is no evidence that he has used the mark in trade himself so cannot personally lay claim to any goodwill. The use has been by a number of companies in which Mr Royce and the Petriccos had an interest. Apart from Mr Royce's claim that this use was authorised by him, which is a matter of dispute, there is no evidence of an agreement whereby the use by these companies was under an arrangement whereby any goodwill accrued to Mr Royce.

42. The Particulars confirm Mr Royce's claim that by 28 November 2004 the assets, including the leases to the FAB CAFE premises had been transferred to Kinetic Red Limited, but assert that this came about in a less than open and ethical manner, namely, that Mr Royce had misled the Petriccos into believing that the outstanding monies to the Liquidator were not a problem, and that Mr Royce was securing the assets for Famecity Limited. They raise a question over whether there was a breach of Mr Royce's fiduciary duty to Famecity Limited, but as I have said, there is no evidence, only unsupported allegations.

43. The FAB CAFE clubs apparently traded throughout the ups and downs of the managing companies, so if there was any goodwill, and I think the answer to that must be that there was, it will have continued to exist. There is no evidence that at the birth of each managing company, or the acquisition of the assets by Kinetic Red Limited, the goodwill of the previous businesses was passed on. In Wadlow's, *The Law of Passing-Off and Unfair Competition by Misrepresentation*, paragraph 3-155 states:

“An assignment of goodwill does not have to be in writing or any particular form, and need not mention goodwill by name. A transaction intended to assign a business as a whole necessarily passes the goodwill to the assignee. A transaction which purports to deal with specific brands or marks may be interpreted as dealing with the goodwill of the business in which they are used. It should be remembered that in construing commercial agreements the golden rule is to give effect to the common intention of the parties, as expressed in the words they have chosen to use, and to that extent words such as “goodwill” may be used in a variety of ways at variance with their strict legal meaning. For an example of the meaning of “goodwill” in a will see *Re Jacobsen (dec'd)*. [1970] V.R. 180”.

44. From this it would seem reasonable to infer that any existing goodwill passed from managing company to its successor, and ultimately from Famecity Limited to Kinetic Red Limited, a fact supported by the letter and invoice shown as Exhibit JMR5 to Mr Royce's third Statement. These specifically mention that the acquisition included the goodwill of

Famecity Limited. The alternative is that it was extinguished when Kinetic Red Limited took over as the new managing company. Whichever is the case, having carried on the FAB Café business since 27 or 28 November 2004, Kinetic Red will, from that date, have generated its own goodwill. So whichever way it is looked at, at the relevant date in these proceedings Mr Royce, as Kinetic Red Limited, was in possession of goodwill in relation to the provision of, inter alia, café services, bar services, night club services and the provision of food and drink.

45. The signs tendered for registration under Nos. 2394061 and 2395771 are composed of words and images that are visually, orally and conceptually the same as that used by the FAB CAFÉ businesses, and therefore the sign in which the opponents can claim goodwill. I do not consider that there can be much question over the goodwill extending to the name FAB CAFÉ without the graphical matter. Although this goodwill is probably centred around Manchester and Leeds, the intent of the application is to use the marks in relation to the services throughout the UK, therefore colliding with the opponent's goodwill. The services of the application are also the same as, or similar to, those for which the opponents can claim goodwill. It therefore must follow that use of the sign applied for in relation to the service for which they state they have an intention to use it would amount to a misrepresentation by the applicant that would lead or be likely to lead the public to believe that the services offered by the applicants are those of the opponent. The potential for damage in this scenario is self-evident, and the ground under Section 5(4)(a) succeeds against all three applications.

46. Turning to the ground under Section 5(4)(b). That Section reads as follows:

“**5(4)** A trade mark shall not be registered if, or to the extent that, its use in the United Kingdom is liable to be prevented -

(a)....

(b) by virtue of an earlier right other than those referred to in subsections (1) to (3) or paragraph (a) above, in particular by virtue of the law of copyright, design right or registered designs.

A person thus entitled to prevent the use of a trade mark is referred to in this Act as the proprietor of an “earlier right” in relation to the trade mark.”

47. At the hearing Mr Kime dropped the objection under Section 5(4)(b) against application number 2395768, for the words FAB CAFÉ. The objection therefore stands against application Nos. 2394061 and 2395771.

48. Section 153 of the Copyright, Design and Patents Act 1988 sets out certain qualification requirements relating to the author of the work (Section 154), or the country of first publication (Section 155) which must be satisfied before any copyright can subsist. Section 153 reads as follows:

“**153.— Qualification for copyright protection.** (1) Copyright does not subsist in a work unless the qualification requirements of this Chapter are satisfied as regards—

(a) the author (see section 154), or

(b) the country in which the work was first published (see section 155), or

(c) in the case of a broadcast or cable programme, the country from which the broadcast was made or the cable programme was sent (see section 156).

(2) Subsection (1) does not apply in relation to Crown copyright or Parliamentary copyright (see sections 163 to 166) or to copyright subsisting by virtue of section 168 (copyright of certain international organisations)

(3) If the qualification requirements of this Chapter, or section 163, 165 or 168, are once satisfied in respect of a work, copyright does not cease to subsist by reason of any subsequent event.”

49. Clearly subsections 1(c) and 2 do are not applicable in this case. Sections 154 and 155 read as follows:

“154.— Qualification by reference to author (1) A work qualifies for copyright protection if the author was at the material time a qualifying person, that is—

(a) a British citizen, a British Dependent Territories citizen, a British National (Overseas), a British Overseas citizen, a British subject or a British protected person within the meaning of the [1981 c. 61.] British Nationality Act 1981, or

(b) an individual domiciled or resident in the United Kingdom or another country to which the relevant provisions of this Part extend, or

(c) a body incorporated under the law of a part of the United Kingdom or of another country to which the relevant provisions of this Part extend.

(2) Where, or so far as, provision is made by Order under section 159 (application of this Part to countries to which it does not extend), a work also qualifies for copyright protection if at the material time the author was a citizen or subject of, an individual domiciled or resident in, or a body incorporated under the law of, a country to which the Order relates.

(3) A work of joint authorship qualifies for copyright protection if at the material time any of the authors satisfies the requirements of subsection (1) or (2); but where a work qualifies for copyright protection only under this section, only those authors who satisfy those requirements shall be taken into account for the purposes of—

section 11(1) and (2) (first ownership of copyright; entitlement of author or author's employer),

section 12(1) and (2) (duration of copyright; dependent on life of author unless work of unknown authorship), and section 9(4) (meaning of "unknown authorship") so far as it applies for the purposes of section 12(2), and

section 57 (anonymous or pseudonymous works: acts permitted on assumptions as to expiry of copyright or death of author).

(4) The material time in relation to a literary, dramatic, musical or artistic work is—

(a) in the case of an unpublished work, when the work was made or, if the making of the work extended over a period, a substantial part of that period;

(b) in the case of a published work, when the work was first published or, if the author had died before that time, immediately before his death.

(5) The material time in relation to other descriptions of work is as follows—

(a) in the case of a sound recording or film, when it was made;

(b) in the case of a broadcast, when the broadcast was made;

(c) in the case of a cable programme, when the programme was included in a cable programme service;

(d) in the case of the typographical arrangement of a published edition, when the edition was first published.”

“155.— Qualification by reference to country of first (1) A literary, dramatic, musical or artistic work, a sound recording or film, or the typographical arrangement of a published edition, qualifies for copyright protection if it is first published—

(a) in the United Kingdom, or

(b) in another country to which the relevant provisions of this Part extend.

(2) Where, or so far as, provision is made by Order under section 159 (application of this Part to countries to which it does not extend), such a work also qualifies for copyright protection if it is first published in a country to which the Order relates.

(3) For the purposes of this section, publication in one country shall not be regarded as other than the first publication by reason of simultaneous publication elsewhere; and for this purpose publication elsewhere within the previous 30 days shall be treated as simultaneous.”

50. These provisions of the Copyright, Designs and Patents Act 1988 were amended by the Copyright (Application to Other Countries) Order 1999 (SI 1999 No. 1751) which extended aspects of the protection granted by the 1988 Act to countries party to specified international conventions and agreements, that are part of the European Community or considered to have adequate legislation. The extension is subject to certain provisions set out in paragraph 2(2) of the Order. The relevant paragraphs read as follows:

“**2. - (1)** In relation to literary, dramatic, musical and artistic works, films and the typographical arrangements of published editions, sections 153, 154 and 155 of the Act (qualification for copyright protection) apply in relation to-

(a) persons who are citizens or subjects of a country specified in Schedule 1 to this Order or are domiciled or resident there as they apply to persons who are British citizens or are domiciled or resident in the United Kingdom;

(b) bodies incorporated under the law of such a country as they apply in relation to bodies incorporated under the law of a part of the United Kingdom; and

(c) works first published in such a country as they apply in relation to works first published in the United Kingdom;

but subject to paragraph (2) and article 5 below.

(2) Copyright does not subsist-

(a) in a literary, dramatic, musical or artistic work by virtue of section 154 of the Act as applied by paragraph (1) above (qualification by reference to author) if it was first published-

(i) before 1st June 1957 (commencement of Copyright Act 1956[2]); or

(ii) before 1st August 1989 (commencement of Part I of the Act) and at the material time (as defined in section 154(4)(b) of the Act) the author was not a relevant person; or

(b) in any work by virtue of paragraph (1) above if-

(i) a date is, or dates are, specified in Schedule 1 to this Order in respect of the only country or countries relevant to the work for the purposes of paragraph (1) above, and

(ii) the work was first published before that date or (as the case may be) the earliest of those dates;

and for the purposes of sub-paragraph (a)(ii) of this paragraph, a "relevant person" is a Commonwealth citizen, a British protected person, a citizen or subject of any

country specified in Schedule 1 to this Order, or a person resident or domiciled in the United Kingdom, another country to which the relevant provisions of Part I of the Act extend or (subject to article 5 below) a country specified in Schedule I to this Order.”

51. The first basic requirement is that the purported owner of the copyright meets the citizenship or domiciliary/residential requirements of Section 154 "at the material time". The second Witness Statement provided by Mr Royce's confirms his citizenship and place of residence, both of which satisfy the requirements. Sub-paragraph 4 defines the "material time" in relation to an unpublished artistic work, which is how I consider the drawings, as being the time "when the work was made or, if the making of the work extended over a period, a substantial part of that period." Mr Royce states that he produced the first logo on 14 November 1995 based on the FAB ONE suggestion, a copy of which is shown as page 1 to Exhibit JMR1. Further logos, one of which is the subject of the trade mark application Nos 2394061 and 2395771 are shown on pages 2 - 7 of Exhibit JMR1, and are signed as dating from February/March 1996.

52. The next matter relates to the work itself, in that section 155 requires that the work be first published in the United Kingdom (or another country to which the relevant provisions extend) in order to qualify for protection. The work claimed to be the subject of copyright is a drawing that was subsequently to be used as the badge of origin for a business in the UK. Insofar as such a work may be "published" this has occurred in the UK by its use in trade and in advertising/publicity activities. In his second Statement, Mr Royce confirms that the drawings were first published in March 1996 in a brochure provided to Carlsberg Tetley who were proposing to supply beer to the proposed bar, and Bruntwood as prospective landlords, so the provisions of this section are also satisfied.

53. Mr Kime reminded me of the provisions of Section 104 of The Copyright, Designs and Patents Act 1988. This reads as follows:

“104.-Presumptions relevant to literary, Dramatic, musical and artistic works.

(1) The following presumptions apply in proceedings brought by virtue of this Chapter with respect to a literary, dramatic, musical or artistic work.

(2) Where a name purporting to be that of the author appeared on copies of the work as published or on the work when it was made, the person whose name appeared shall be presumed, until the contrary is proved-

(a) to be the author of the work;

(b) to have made it in circumstances not falling within section 11(2), 163, 165 or 168 (works produced in course of employment, Crown copyright, Parliamentary copyright or copyright of certain international organisations).

(3) In the case of a work alleged to be a work of joint authorship, subsection (2) applies in relation to each person alleged to be one of the authors.

(4) Where no name purporting to be that of the author appeared as mentioned in subsection (2) but-

(a) the work qualifies for copyright protection by virtue of section 155 (qualification by reference to country of first publication), and

(b) a name purporting to be that of the publisher appeared on copies of the work as first published,

the person whose name appeared shall be presumed, until the contrary is proved, to have been the owner of the copyright at the time of publication.

(5) If the author of the work is dead or the identity of the author cannot be ascertained by reasonable inquiry, it shall be presumed, in the absence of evidence to the contrary-

(a) that the work is an original work, and

(b) that the plaintiff's allegations as to what was the first publication of the work and as to the country of first publication are correct.”

54. In their counterstatements it is stated that “The directors of the applicant company, Paul and Stephen Petricco, created the trade mark in 1996, and the applicant owns the copyright in the mark, and all variations thereof.” Apart from this bare claim, which is refuted by the opponent, they have provided no evidence, either to substantiate their claim, or disprove Mr Royce’s, nor have they sought cross-examination of Mr Royce. The evidence must therefore stand as unchallenged within the terms of the *Extreme* case. By virtue of paragraph 104(2) above, Mr Royce must stand as the author of the design. So the position is that the opponent, Mr Royce, can show a valid claim to copyright in the design that is the same (or all but) that is the subject of application Nos 2394061 and 2395771, dating from February/March 1996. There is nothing that establishes that the statutory exceptions to the ownership of the right apply, for example, it was not created as part of a contract of employment. I therefore conclude that at the date on which the application was made, the opponent was the proprietor of an earlier right by virtue of the law of copyright, and is entitled to prevent the applicant’s use of the two trade mark applications Nos 2394061 and 2395771. The ground under Section 5(4)(b) succeeds.

55. That leaves the ground under Section 3(6). That section reads as follows:

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

56. In terms of the date at which the matter falls to be considered, it is well established that the relevant date for consideration of a bad faith claim is the application filing date or at least a date no later than that (*Hotpicks Trade Mark*, [2004] RPC 42 and *Nonogram Trade Mark*, [2001] RPC 21).

57. In *Gromax Plasticulture Ltd v. Don & Low Nonwovens Ltd* [1999] RPC 367, Lindsay J. considered the meaning of “bad faith” in Section 3(6) of the Act and 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.”

58. In *Harrison v. Teton Valley Trading Co* [2005] FSR 10, the Court of Appeal confirmed that bad faith is to be judged according to the combined test set out by the House of Lords in *Twinsectra v Yardley* [2002] 2 AC 164. Paragraphs 25 and 26 of the Court of Appeal decision are of particular assistance and read as follows:

“25. Lord Hutton went on to conclude that the true test for dishonesty was the combined test. He said:

“36. Therefore I consider 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 sets his own standards of honesty and does not regard as dishonest what he knows would offend the normally accepted standards of honest conduct.”

26. For my part, I would accept the reasoning of Lord Hutton as applying to considerations of bad faith. The words “bad faith” suggest a mental state. Clearly when considering the question of whether an application to register is made in bad faith all the circumstances will be relevant. However the court must decide whether the knowledge of the applicant was such that his decision to apply for registration would be regarded as in bad faith by persons adopting proper standards.”

59. The Privy Council considered earlier authorities in *Barlow Clowes International Ltd (in liquidation) & Others v Eurotrust International Limited & Others*, [2005] UKPC 37. 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:-

“14...[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.”

60. 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 the applicant’s state of mind regarding the transaction if I am satisfied that their 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.

61. Thus, in considering the actions of the applicants, the test is a combination of the subjective and objective. Furthermore, it is clear that bad faith in addition to dishonesty, may include business dealings which fall short of the standards of acceptable commercial behaviour i.e. unacceptable or reckless behaviour in a particular business context and on a particular set of facts.

62. The applicants cannot deny that they were aware of the use of FAB CAFÉ by Famecity Limited, be it in word or logo form, and that the assets of that company had been acquired by Kinetic Red Limited. Does that make the act of applying to register it as a trade mark an act of bad faith? In the *Daawat* trade mark case [2003] RPC 11, the appointed person held as follows:

“93 As noted in para.14 of the principal hearing officer's decision in the present case, the First Cancellation Division in its Decision in the BE NATURAL case (October 25, 2000) adopted the view of UK Trade Marks Registry that a finding of bad faith could properly be made:

"Where the applicant was aware that someone else intends to use and/or register the mark, particularly where the applicant has a relationship, for example as employee or agent, with that other person, or where the applicant has copied a mark being used abroad with the intention of pre-empting the proprietor who intends to trade in the United Kingdom."

63. In this case the applicants were undoubtedly aware that “someone else” had acquired the assets of FAB CAFÉ legally and were operating the businesses. Along with the act of making applications comes the intent to use them in connection with the services specified. These are the same services as those for which the opponent uses the marks, so would deprive the opponent of their name, or the right to use it in the furtherance of their commercial activities. I therefore find that making the application is an act of bad faith and this ground under Section 3(6) also succeeds.

COSTS

64. The opposition having been successful, the opponent is entitled to a contribution towards his costs. Mr Kime mentioned that in the circumstances of this case his client would be seeking an award off the usual scale of costs used in relation to proceedings before the Registrar. Hearing Officers will be prepared to exceed the scale when circumstances warrant it, in particular but not exclusively to deal proportionately with breaches of rules, delaying tactics and other unreasonable behaviour.

65. The Comptroller and hence Hearing Officers acting for him have a wide discretion to award costs under Section 68 of the Trade Marks Act 1994. It is the long-established practice that costs in proceedings before the Comptroller are awarded by a standard published scale and are not intended to compensate parties for the expense to which they may have been put. Rather, an award of costs is intended to represent only a contribution to that expense. It is not possible to indicate all of the circumstances in which an award may justify

a departure from the scale of costs. The overriding factor is to act judicially in all the facts of a case.

66. In his submissions Mr Kime referred me to *Rizla Ltd's Application* [1993] RPC 365, a patents case in which Mr Anthony Watson QC sitting as a Deputy Judge of the High Court held at paragraph 374, that:

"The wording of section 107 could not in my view be clearer and confers on the Comptroller a very wide discretion with no fetter other than the overriding one that he must act judicially. I see no reason why the previously adopted practice could not be altered by the Comptroller in the same way as from time to time an important decision leads the courts to adopt a different attitude to what had previously been accepted practice. Thus, if the Comptroller felt it was appropriate, a form of compensatory costs could become the norm."

He went on to say:

"As a matter of jurisdiction, I entertain no doubt that if the Comptroller were of the view that a case had been brought without any *bona fide* belief that it was soundly based or if in any other way he were satisfied that his jurisdiction was being used other than for the purpose of resolving genuine disputes, he has the power to order compensatory costs."

On page 377, towards the end of his judgement he said:

"Counsel was unable to refer me to any reported case where such a strong order for costs had been made by the Comptroller and therefore there is no established yardstick to measure what might be regarded as exceptional. I believe a case such as the present can only be regarded as exceptional if it can be shown that the losing party has abused the process of the Comptroller by commencing or maintaining a case without a genuine belief that there is an issue to be tried. In my view, this is not shown to be such a case."

Significantly, the Deputy Judge added:

"There are of course a large number of other circumstances such as deliberate delay, unnecessary adjournments *etc.* where the Comptroller will be entitled to award compensatory costs, but it is unnecessary to define what is clearly a wide discretion."

The opponent's legal representatives have provided a schedule of costs that go considerably beyond the scale. Mr Kime appreciated that I would wish to have the benefit of written submissions from both parties before making a decision on the matter of costs. This is particularly so given that the applicants were not represented at the hearing. I therefore direct that both parties shall be allowed one month from the date of this decision in which to make submissions on whether costs should be awarded, and if so, whether the circumstances fall within those that permit an exceptional award. These shall take into account the guidance from *Rizla* that I have set out above. After this period I will issue a supplementary decision.

Dated this 1st day of May 2008

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