

TRADE MARKS ACT 1994

**IN THE MATTER OF REGISTRATION NO 2129516
IN THE NAME OF EL TORITO RESTAURANTS INC.**

**AND THE APPLICATION FOR A DECLARATION OF INVALIDITY
THERE TO UNDER NO 12445
BY CENTRALIZE LIMITED**

TRADE MARKS ACT 1994

**In the matter of registration no 2129516
of the trade mark:**



**in the name of El Torito Restaurants Inc
and the application for an application for a declaration of invalidity
thereto under no 12445
by Centralize Limited**

Background

1) On 4 April 2001 Centralize Limited filed an application for a declaration of invalidity of trade mark registration no 2129516 standing in the name of El Torito Restaurants Inc. The trade mark was filed on 15 April 1997 and registered on 23 January 1998 in respect of:

“restaurant and catering services; cafeteria, café, canteen and snack bar services”

The specification has not been amended since registration.

2) On 23 May 2001 the registered proprietor filed a counterstatement contesting the application for a declaration of invalidity.

3) a) In his statement of grounds the applicant states that he is the proprietor of an earlier right within the meaning of section 5(4) of the Act and that his unregistered trade mark or sign EL TORITO satisfies the conditions set out in section 5(4)(a) of the Act.

b) The applicant states that he trades and has traded continuously since February 1996 under the name or style EL TORITO. He states that he owns and/or operates restaurants/cafeterias at Cheam, Esher, Twickenham and Richmond upon Thames under the name or style EL TORITO.

c) The applicant states that he serves an eclectic range of Mediterranean and Mexican inspired food. He states that the staff wear a company tie with the EL TORITO logo. He states that the name or style EL TORITO is prominently displayed on the restaurants’

fascia, menus, match books, letterheads/compliment slips, business cards, menu covers, bill heads from the tills, yellow pages, recruitment advertising and any other advertising done, gift vouchers, company brochure, internal memos, fax cover sheets, employee handbook, employee food safety/health declaration forms, all internal notices from employees and on particulars of employment (employment contracts) and on the web sites www.eltoritouk.com and www.el-torito.co.uk.

d) The applicant states that his restaurants receive about three thousand customers a week. He states that customers come not only from the areas immediately surrounding the restaurants but also from other parts of the United Kingdom and Spain, Italy, Germany and France.

e) The applicant states that the approximate annual turnover of each of the restaurants since trading began in February 1996 is as follows:

Cheam	£750K
Esher	£1m
Twickenham	£700K
Richmond upon Thames	£750K

f) The applicant states that the trade mark in suit is identical with or similar to his trade mark(s). He also states that the respective services are either identical or similar. He states that he has not consented to the registration of the trade mark in suit.

g) The applicant states that in a letter dated 11 January 2001 he asked the registered proprietor to withdraw his registration and that the latter did not respond.

h) The applicant states that the registration in suit is likely to deceive customers or potential customers, leading them to mistakenly to believe his restaurants are those of the registered proprietor or are otherwise affiliated, connected, sponsored, vouched-for or approved by the registered proprietor. Consequently the applicant is likely to suffer loss and/or damage through use of the trade mark in suit.

i) The applicant also states that the application for the registration in suit was made in bad faith within the meaning of section 3(6) of the Act.

j) The applicant states that the registered proprietor is the owner of earlier trade marks identical with or similar to the registration in suit, namely registration numbers 1312756 and 1311813. He states that the aforementioned registrations are the subject of revocation proceedings for non-use by him.

k) The applicant states that the registered proprietor first wrote to him threatening infringement and passing-off actions in a letter dated 20 February 1998 which was after the date of the registration of the registration in suit.

- 4) a) The registered proprietor denies that the applicant is the proprietor of an earlier right within the meaning of section 5(4) and accordingly it is denied that the trade mark in suit is invalidly registered.
- b) The registered proprietor states that insofar as the applicant may be providing restaurant services he admits that these are similar to the services of the registration in suit.
- c) The registered proprietor denies the grounds of opposition lodged.
- d) The registered proprietor states that he is the owner of United Kingdom trade mark application no 2244509 for EL TORITO filed on 1 April 1996 as a Community Trade Mark application and subsequently converted to a United Kingdom application. He states that the application has been opposed by the applicant. He states that he believes that the existence of this application is relevant to the applicant's claim to an earlier right within the meaning of section 5(4)(a) of the Act.
- 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 applicant's evidence

- 8) Various witness statements have been adduced into the proceedings by the applicant. I first turn to the witness statement of Stewart Taylor dated 11 July 2001. He states that he works as a musician with his wife in El Torito Restaurant in Esher. He states that he commenced working for El Torito on 7 June 1996. The next witness statement is dated 11 July 2001 by Tina Louise Taylor. She effectively makes the same statement as Mr Taylor.
- 9) The next witness statement is dated 13 July 2001 and is by John Stephen Tasselli. Mr Tasselli is a solicitor. He states that he has known Mr Mohammad Bahdger Sadighi since 1991. Mr Tasselli deals with Mr Sadighi's earlier position as a franchisee of Pizza Express. Mr Tasselli states that Mr Sadighi discussed with him a plan to set up a chain of themed restaurants with a Mediterranean/Mexican flavour. He states that in 1995 Mr Sadighi advised him that he had come up with the name EL TORITO. He states that he had no idea of the existence of an American chain of restaurants with that name.
- 10) Mr Tasselli states that in 1995 he received instructions from his previous firm to carry out conveyancing work relating to the granting of the new lease for premises at 57 High Street Esher, where the first EL TORITO restaurant was to be set up. He states that

the lease was in the name of Centralize Limited, a company established by Mr Sadighi's accountants. He states that although the company was called Centralize Limited he was aware that the intention was to trade under the EL TORITO name.

11) Mr Tasselli states that after the lease had been acquired he was aware, from conversations with Mr Sadighi, that the latter had put considerable effort into creating a branded image. Mr Tasselli states that shortly after the restaurant opened he attended an opening party which was probably in February or March 1996. He states that at the time he went to the party he can confirm that both externally and internally the restaurant looks as it did when he signed the witness statement. He states that, in particular, the words EL TORITO were in large letters on the sign outside and also appeared on the menu.

12) The final witness statement is dated 13 July 2001 by Mohammad Bahdger Sadighi. Mr Sadighi is the managing director of the applicant. Mr Sadighi exhibits at MBS1 an annual report and financial statement for the year ended 31 March 1997 as well as other financial information regarding the restaurant. He exhibits at MBS 2 copies of various correspondence and invoices.

13) The director's report included in the annual report states that the principal activity of the company is the operation of the EL TORITO restaurant at 57/59 High Street, Esher. The report also refers to the transfer of shares to El Torito Limited. The report states that the profit on ordinary activities for the year was £30, 331. For 1996 it refers to a loss of £17, 505. The annual report gives the turnover for 1997 as £800, 250 and for 1996 £166, 088. It states that in 1997 there were 34 staff in total and in 1996 26 staff in total. The report shows £9, 953 and £5, 373 spent in the years 1997 and 1996 respectively on advertising. Included in MBS 1 are VAT returns for June 1996, December 1996 and March 1997. All the VAT returns are addressed to Centralize Limited, El Torito, 57-59 High Street, Esher, Surrey. Also included in MBS 1 are two telephone bills dated 10 June 1996, and one dated 28 June 1996. They relate to different telephone numbers and are all addressed to Centralized t-a El Torto (sic).

14) Included in MBS 2 are:

- details of the signage for EL TORITO dated 16 October 1995
- a letter confirming an order for fitting shop front, bar and doors dated 1 December 1995.
- correspondence relating to planning permission for external signage and a canopy dated 17 November 1995 and 13 January 1996
- correspondence re approval of building plans emanating from 5 February 1996 and 19 January 1996
- correspondence in relation to an area to be licensed within the footway, this emanates from 29 April 1997
- a letter from Gordon Dadd solicitors dated 6 March 1998 which states that two restaurants operating under the name EL TORITO are owned and operated by a

related undertaking to Centralize Limited. The Esher restaurant would appear to be in the ownership of Centralize Limited.

- six invoices from Informer Publications Ltd which relate to EL TORITO, dated 11 February 1996, 18 February 1996 and 25 February 1996
- an advertising receipt from the “Evening Standard” dated 24 January 1996
- an invoice from “Yellow Pages” dated 20 February 1996
- various invoices from Cinema Media – all dated before the date of application of the registration in suit and relating to cinemas in Esher, Kingston and Staines - the majority are for Esher
- an invoice from Carlton Screen Advertising dated 11 April 1997 in relation to a cinema in Esher
- a publication entitled “What’s Cooking” dated August 1997 – an article inside states that EL TORITO opened in Esher in February 1996, in February 1997 a second EL TORITO restaurant was opened in Ealing and in May 1997 a third in Twickenham.
- there is an exhibit which deals with the history and philosophy of the El Torito restaurants
- a copy of a menu which bears on the front an EL TORITO logo
- various items of stationary
- copies of various invoices – including several for press advertisements

15) Mr Sadighi refers to instructing Mr Tasselli in April 1995 re the conveyancing of his premises in Esher. Mr Sadighi states that an opening party was held at the Esher restaurant in 1996. He states that when he set up the applicant he was not aware of the existence of the registered proprietor in the United Kingdom nor of its restaurants.

16) Much of Mr Sadighi’s statement relates to his exhibits. As I have already given a summary of these I will not deal with them again here.

17) Mr Sadighi rehearses much of what was stated in his statement of case in relation to the use of the name or style EL TORITO. In his witness statement he links certain of his comments to the exhibits.

18) Mr Sadighi’s witness statement also deals with his first becoming aware of the registered proprietor and his subsequent conflict with him. I do not consider that this goes to the issues I have to consider in relation to the grounds of invalidity and so will say no more about this part of Mr Sadighi’s evidence.

Registered proprietor’s evidence

19) This includes an affidavit dated 19 September 2001 by J Marc Mushkin, who is the vice president of international franchising of the registered proprietor. Mr Mushkin states that he attended the first annual Master Franchise Conference on 6 and 7 April 2001 during the British and International Franchise Exhibition at the Wembley Conference and Exhibition Centre on behalf of and as a representative of the registered proprietor. He exhibits at JMM 1 a bundle of documents in relation to his attendance at the conference. He describes the documents exhibited at JMM 1 as:

- the package given to visitors seeking information about El Torito's franchising opportunities
- a flyer used for informational purposes at franchise sales events
- documentation of his registration and attendance at the event

I consider the above a fair summary of the exhibit.

20) I turn now to a statutory declaration dated 13 September 2001 by Patrick George Armine Ellis-Jones. Mr Ellis-Jones is a trade mark attorney.

21) Mr Ellis-Jones states that the registered proprietor is the owner of United Kingdom registrations 1311813 and 1312756. The former registration is for the trade mark EL TORITO simpliciter and the latter is the same as the trade mark in suit. Mr Ellis-Jones states that the registered proprietor has not yet commenced trading in the United Kingdom under its EL TORITO trade marks. He states that the registered proprietor has been using the EL TORITO trade marks in the USA for a number of years. Mr Ellis-Jones states that the registered proprietor operates a franchise chain of restaurants in the USA and has established franchise deals in Bahrain, Egypt, Japan, Jordan, Lebanon, Saudi Arabia, Syria, Turkey and the United Arab Emirates. He adds that the proprietor has been actively making endeavours to locate suitable franchises for its EL TORITO concept in the United Kingdom.

22) Mr Ellis-Peters states that his firm advised the registered proprietor that registration numbers 1311813 and 1312756 might be revoked for non-use. Therefore, his firm advised that, as a precautionary measure, the registered proprietor should file fresh applications to register the EL TORITO trade marks and this was done on 15 April 1997. Mr Ellis-Peters then comments on the correspondence between the parties that took place prior to the filing of the instant application for a declaration of invalidity.

23) Mr Ellis-Peters states that the registered proprietor is also the owner of United Kingdom trade mark application no 2244509 of EL TORITO. He states that this has a filing date of 1 April 1996 and is under opposition by the applicant for invalidity.

24) Mr Ellis-Peters claims that the history surrounding the EL TORITO trade marks is relevant to whether the applicant has an earlier right as defined by section 5(4). Mr Ellis-Peters states that his firm also advised the registered proprietor that any earlier right which might be claimed by the applicant as of 15 April 1997 would likely to be confined to a specific geographical locality and in giving this advice his firm considered the comments in Wadlow. He exhibits at PEJ/4 a copy of pages from Wadlow. Mr Ellis-Peters states that the witness statement of Mr Sadighi and the attached exhibits indicate that as of 15 April 1997 only one restaurant was operating under the name EL TORITO; the restaurant at 57-59 High Street, Esher, Surrey.

25) In relation to the issue of bad faith Mr Ellis-Peters states that his firm advised the registered proprietor that to make fresh filing applications would be a prudent commercial and legal step to take. He states that from his experience as a trade mark

attorney it is a not uncommon practice to re-file where a proprietor has a real and present interest in the trade mark, has no intention of abandoning it and wishes to protect his position. He states that this view has been supported by Mr Thorley QC, sitting as the appointed person, in *Magic Ball*. Exhibited at PEJ/5 is a copy of the decision.

26) Mr Ellis-Peters states that the registered proprietor does have a bona fide intention to use the trade mark in suit but has had difficulties in finding suitable franchisees. He states that evidence of this was filed in defence of the proprietor's earlier registration no 1312756 in the affidavits of Mr Malanga and Mr Rink. He exhibits these affidavits at PEJ/6.

27) The affidavit of Michael Evans Malanga is dated 29 September 1998. Mr Malanga is the vice-president of the registered proprietor.

28) 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.

29) 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

30) 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 28 in addition to the United Kingdom.

31) 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 who 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.

32) 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 the proceedings. 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 knowledge has been gleaned from 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 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.

33) 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 worldwide 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.

34) 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.

35) 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 such 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.

36) The affidavit of Charles George Rink is dated 7 August 2000. Mr Rink 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

37) 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."

38) The affidavit referred to relates to evidence adduced into the instant proceedings.

39) 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.

40) 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.

41) 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."

42) 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".

43) 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 the instant invalidity proceedings I also considered the disclosure issue in relation to the these proceedings; the hearing for which was held on the same day as the revocation proceedings. 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 revocation action).

44) 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.

45) Mr Martino submitted that the statement of case of the applicant represented evidence. I do not consider that Mr Martino is correct in this assertion. The issue of written evidence before the registrar is governed by The Trade Mark Rules 2000. The relevant rules (rules 55(1) and 55(3)) allow for three types of written evidence: statutory declaration, affidavit and witness statement; that the statement of case includes a statement of truth does not make it a witness statement. (I also note that in proceedings governed by the Civil Procedure Rules that a statement of case verified by a statement of truth may only be used as evidence in an interim application – CPR 32PD). Consequently the statement of case's relevance in relation to the proof of issues only arises where claims are accepted. In the instant case all the key issues in the statement of case are either denied or the applicant is put to proof to justify them. Consequently the only effect that the statement of case has in the instant proceedings is to outline the case of the applicant. To justify the claims in the statement of case the applicant needs to have adduced evidence as per rules 55(1) and 55(3) and it is only evidence that has been so adduced that I take into account in reaching my decision.

Decision

46) The applicant claims that the registration in suit should be declared invalid as per section 47 of the Act on the basis of the provisions of sections 3(6) and 5(4)(a) of the Act. The relevant parts of the Act are as follows:

47.- (1) The registration of a trade mark may be declared invalid on the ground that the trade mark was registered in breach of section 3 or any of the provisions referred to in that section (absolute grounds for refusal of registration).

Where the trade mark was registered in breach of subsection (1)(b), (c) or (d) of that section, it shall not be declared invalid if, in consequence of the use which has been made of it, it has after registration acquired a distinctive character in relation to the goods or services for which it is registered.

(2) The registration of a trade mark may be declared invalid on the ground -

- (a) that there is an earlier trade mark in relation to which the conditions set out in section 5(1), (2) or (3) obtain, or
- (b) that there is an earlier right in relation to which the condition set out in section 5(4) is satisfied,

unless the proprietor of that earlier trade mark or other earlier right has consented to the registration.

(3) An application for a declaration of invalidity may be made by any person, and may be made either to the registrar or the court, except that -

- (a) if proceedings concerning the trade mark in question are pending in the court, the application must be made to the court; and
- (b) if in any other case the application is made to the registrar, he may at any stage of the proceedings refer the application to the court.

(4) In the case of bad faith in the registration of a trade mark, the registrar himself may apply to the court for a declaration of the invalidity of the registration.

(5) Where the grounds of invalidity exist in respect of only some of the goods or services for which the trade mark is registered, the trade mark shall be declared invalid as regards those goods or services only.

(6) Where the registration of a trade mark is declared invalid to any extent, the registration shall to that extent be deemed never to have been made:

Provided that this shall not affect transactions past and closed.

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

Section 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,

Bad faith

47) Lindsay J in *Gromax Plasticulture Limited v. Don and Low Nonwovens Ltd* [1999] RPC 167 stated:

“I shall not attempt to define bad faith in this context. Plainly it includes dishonesty and, as I would hold, includes some dealings which fall short of the standard of acceptable commercial behaviour observed by reasonable and experienced men in the particular field 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.”

In *Royal Enfield* BL 0/363/01 Mr Simon Thorley QC, sitting as the Appointed Person, held:

“An allegation that a trade mark has been applied for in bad faith is a serious allegation. It is an allegation of a form of commercial fraud. A plea of fraud should not lightly be made (see Lord Denning M.R. in *Associated Leisure v. Associated Newspapers* (1970) 2 QB 450 at 456) and if made should be distinctly alleged and distinctly proved. It is not permissible to leave fraud to be inferred from the facts (see *Davy v. Garrett* (1878) 7 Ch. D. 473 at 489). In my judgement precisely the same considerations apply to an allegation of lack of bad faith made under section 3(6). It should not be made unless it can be fully and properly pleaded and should not be upheld unless it is distinctly proved and this will rarely be possible by a process of inference. Further I do not believe that it is right that an attack based upon section 3(6) should be relied on as an adjunct to a case raised under another section of the Act. If bad faith is being alleged, it should be alleged up front as a primary argument or not at all.”

In *SMILEY DEVICE trade marks* BL 0/313/01 Mr Hobbs QC, sitting as the Appointed Person, stated:

“In the present proceedings the propriety of the application is to be presumed in the absence of evidence sufficient to displace the presumption. That appears from the observations of Lord Wright in *Joseph Constantine SS Line Ltd v. Imperial Smelting Corporation Limited* [1942] AC 154 at 192, 193”

“In addition, the ordinary rule is that a man is not held guilty of fault unless fault is established and found by the Court. This rule, which is sometimes described as the presumption of innocence, is no doubt peculiarly important in criminal cases or matters, but it is also true in civil disputes ... There is, for example, no presumption of fraud. It must be alleged and proved. So also of other wrongful acts or breaches of contract If the matter is left in doubt when all the evidence

has been heard, the party who takes upon himself to affirm fault must fail.”

In *LOADED Trade Mark* BL 0/455/00 Mr Thorley QC, sitting as the appointed person, stated that “bad faith is a serious allegation and must be strictly proved”.

48) It is clear from the authorities that bad faith is a serious allegation that must be strictly prove. It cannot be inferred or conjectured upon from the evidence. In the instant case the onus rests squarely upon the applicant to justify his claim. The basis of the claim from the submissions of Mr Martino is that the registered proprietor did not have a bona fide intention, at the date of application, to use the trade mark in suit in respect of the goods for which it is registered. Mr Martino connected this with the statement in the affidavit of Mr Ellis-Jones that his firm advised the proprietor to file fresh applications for trade marks as a prudent commercial and legal step to take. In the instant case the trade mark is identical to one for which a revocation action for non-use action has been made.

49) I have found nothing in the evidence before me to suggest, let alone prove, that the registered proprietor at the date of the filing of the registration in suit did not have a bona fide intention to use it. The claims of Mr Martino are based on the fact that the proprietor has not used his trade mark, including the earlier one which is the subject of a revocation action, after the passing of a considerable period of time. I see no reason why I should conclude that because he has not used it that he did not have a bona fide intention to use the trade mark at the date of the application. A declaration was signed to this effect on the application form. In his affidavit of 19 September 2001 Mr Mushkin states that the proprietor has been making efforts to find franchisees in the United Kingdom. If a franchisee was found the trade mark in suit would be being used under license. I, therefore, find nothing that suggests that the proprietor did not have, at the date of the filing of the application in suit, a bona fide intention to use the trade mark.

50) In relation to the “prudent commercial” step of filing an application for a trade mark, an earlier registration for which is the subject of an attack for non-use, the issue was dealt with by Mr Thorley, sitting as the appointed person, in *Magic Ball* BL 0/297/00 where he stated:

“I have no doubt, and indeed Mr. Scott did not contend to the contrary, that one of the reasons for applying for the new registration was because of a perceived vulnerability of the old registrations and an awareness that Zeta faced a potential competitor in the market using that trade mark. Again I do not believe that that, by itself, is indicative of relevant bad faith. It demonstrates prudent commercial behaviour when coupled with a bona fide intention to use. It is not, in those circumstances, an unfair practice. For all these reasons, I am satisfied that once the new evidence is adduced, this appeal should be allowed and that the opposition to registration in respect of the category of goods for which registration is now sought should be dismissed. I propose so to order.”

The affidavit of Mr Mushkin reinforces the statement of intention to use by the proprietor. The applicant has put forward no evidence to show that there is no intention to use or to challenge the truth of the affidavit of Mr Mushkin. The “prudent commercial” step argument has been accepted by Mr Thorley.

51) I, therefore, find that the applicant has failed to establish that the application for the registration in suit was made in bad faith. The grounds for a declaration of invalidity under section 3(6) are, therefore, dismissed.

Section 5(4)(a)

52) I intend to adopt the guidance given by the Appointed Person, Mr Geoffrey Hobbs QC in the *Wild Child case* [1998] 14 RPC 455. In that decision Mr Hobbs stated that:

"The question raised by the Grounds of Opposition is whether normal and fair use of the designation WILD CHILD for the purposes of distinguishing the goods of interest to the Applicant from those of other undertakings (see Section 1(1) of the Act) was liable to be prevented at the date of the application for registration (see Art. 4(4)(b) of the Directive and Section 40 of the Act) by enforcement of rights which the opponent could then have asserted against the applicant in accordance with the law of passing off".

"A helpful summary of the elements of an action for passing off can be found in Halsbury's Laws of England 4th Edition Vol 48 (1995 reissue) at paragraph 165. The guidance given with reference to the speeches in the House of Lords in *Reckitt & Colman Products Ltd v Borden Inc* [1990] RPC 341 and *Erven Warnink BV v J Townend & Sons (Hull) Ltd* [1979] ACT 731 is (with footnotes omitted) as follows:

"The necessary elements of the action for passing off have been restated by the House of Lords as being three in number:

(1) that the plaintiff'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 defendant (whether or not intentional) leading or likely to lead the public to believe that goods or services offered by the defendant are goods or services of the plaintiff; and

(3) that the plaintiff has suffered or is likely to suffer damage as a result of the erroneous belief engendered by the defendant's misrepresentation."

....."Further guidance is given in paragraphs 184 to 188 of the same volume with regard to establishing the likelihood of deception or confusion. In paragraph 184 it is noted (with footnotes omitted) that; "To

establish a likelihood of deception or confusion in an action for passing-off where there has been no direct misrepresentation generally requires the presence of two factual elements:

- (1) that a name, mark or other distinctive feature used by the plaintiff has acquired a reputation among a relevant class of persons; and
- (2) that members of that class will mistakenly infer from the defendant's use of a name, mark or other feature which is the same or sufficiently similar that the defendant's goods or business are from the same source or are connected.

While it is helpful to think of these two factual elements as successive hurdles which the plaintiff must surmount, consideration of these two aspects cannot be completely separated from each other, as whether deception or confusion is likely is ultimately a single question of fact. In arriving at the conclusion of fact as to whether deception or confusion is likely, the court will have regard to:

- (a) the nature and extent of the reputation relied upon;
- (b) the closeness or otherwise of the respective fields of activity in which the plaintiff and the defendant carry on business;
- (c) the similarity of the mark, name etc. used by the defendant to that of the plaintiff;
- (d) the manner in which the defendant makes use of the name, mark etc. complained of and collateral factors; and
- (e) the manner in which the particular trade is carried on, the class of persons who it is alleged is likely to be deceived and all other surrounding circumstances.

In assessing whether confusion or deception is likely, the court attaches importance to the question whether the defendant can be shown to have acted with a fraudulent intent, although a fraudulent intent is not a necessary part of the cause of action."

53) 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. It is clear from Article 4(4)(b) that the earlier right had to have been "acquired prior to the date of application for registration of the subsequent trade mark, or the date of the priority claimed". The relevant date is therefore the date of the filing of the registration in suit, in the instant case that is 15 April 1997.

54) I consider that the evidence provided by the applicant shows that at the relevant date he ran a thriving restaurant in Esher under the name EL TORITO. He had also done so for more than a year. The evidence shows, inter alia, the company accounts, VAT

returns, signage and advertising. I find that that the applicant has established that he enjoyed goodwill in the name EL TORITO at the relevant date.

55) Ms McFarland questioned the degree of distinctiveness of the sign EL TORITO. This is not a case on a par with *Office Cleaning Services Ltd v Westminster Window and General Cleaners Ltd* [1946] 63 RPC 39. I cannot see how EL TORITO is anything but distinctive for restaurant services in the United Kingdom. It might hint at a Spanish influence owing to the presence of EL, however, this does not stop it being very distinctive. If the public knew of the sign of the applicant I cannot envisage how they would not associate it with the trade mark in suit, and so there would be deception.

56) Mr Martino accepted that the goodwill, if I found that it existed, rested in the business in Esher. This gives rise to the issue of a local goodwill. It is necessary to note, that the registration is a national registration and that the proprietor has not requested as per rule 24 of The Trade Mark Rules 2000 that it should be limited geographically in any way. As the registration includes Esher there is a clear clash in respect of this area. I have no power to limit the trade mark in suit geographically. Article 13 of the Directive relates to limitations of goods and services. Owing to this I consider that if the registration falls foul of section 5(4)(a) in respect of the Esher area it will fall foul in respect of the United Kingdom as a whole; absent a geographical limitation by the proprietor.

57) However, for the sake of completeness I will deal with the issues arising from a local goodwill. This matter is dealt with in great depth by Slade LJ in *Chelsea Man Menswear Ltd v Chelsea Girl Ltd* [1987] RPC 189. At page 205 Slade LJ states:

“There is, in my judgement, no reason in fact or in law why the court, in considering the proper form of relief, should treat them as having a business of which the boundaries will necessarily be confined to the three proposed restricted areas. Immediately after the passage from the judgement of Jenkins LJ in *Brestian v Try* cited above, he continued (supra at page 170):

‘Moreover, reasonable scope for the expansion of the Plaintiff’s business by the opening of new branches should be allowed, and conversely the possibility of expansion by the Defendant should be taken into account.’”

In the instant case counsel for both parties accepted that Esher is a commuter area. Consequently the knowledge of the business is likely to be carried by the customers into the Greater London area. It is also the case that people travel, the evidence of the applicant refers to diners from other areas of the country. The goodwill of the applicant cannot be mechanistically confined to an area in or around Esher, the goodwill cannot be quarantined. It is also to be noted that the business of the applicant has expanded since the relevant date with the opening of further restaurants. Consequently it is difficult to sustain an argument that at the relevant date that the applicant was only likely to be interested in one place of business. The customers of the applicant will take their knowledge of his business with them. The United Kingdom has a mobile population.

People are also used to the concept of chains of restaurants, whether it be for burgers, pizzas, pasta or French cuisine. There is likely, therefore, to be an association between restaurants trading under the EL TORITO name, whether in device form or not, wherever they are in the country. The limiting factor is not the location of the centre of the goodwill but where the customers are and there is nothing that restricts the customer of the business in Esher to that one area. The customer, if he has visited the restaurant of the applicant, is likely to believe if a restaurant is opened under the trade mark in suit, that the former is responsible for the business of the latter. I, therefore, consider that if the proprietor did geographically limit the registration that this would not affect the issue in relation to passing-off.

58) In a *quia timet* action it is clearly not possible show that damage has been suffered. In *Draper v Trist and Trisbestos Brake Linings* Ld 56 RPC 429 Goddard L.J. stated:

“But in passing-off cases, the true basis of the action is that the passing-off by the defendant of his goods as the goods of the plaintiff injures the right of property in the plaintiff, that right of property being his right to the goodwill of his business. The law assumes, or presumes, that if the goodwill of a man’s business has been interfered with by the passing-off of goods, damage results therefrom. He need not wait to show that damage has resulted, he can bring his action as soon as he can prove passing-off; because it is one of the class of cases in which the law presumes that the Plaintiff has suffered damage. It is in fact, I think, in the same category in this respect as an action for libel. We know that for written defamation a plaintiff need prove no actual damage. He proves his defamation. So, with a trader; the law has always been particularly tender to the reputation and goodwill of traders. If a trader is slandered in the way of his business, an action lies without proof of damage.”

Consequently in the instant case if the applicant has established goodwill and shown deception then damage can be considered as the automatic sequitur and the three elements of the classic trinity of passing-off will be established. Mr Martino also submitted that if the proprietor traded under the sign of the registration in suit there would be the damage of diversion of trade and possibly tarnishment of reputation. I consider that such a submission is reasonable; if there is deception then trade could readily be diverted and if the quality of the service is lower then there would be subsequent tarnishment.

59) I find that the applicant has established the three elements of passing-off and that, therefore, the ground of invalidity under section 5(4)(a) is successful. There are no services encompassed by the registration in suit which are not affected by this, they are all closely connected to the business of the applicant.

60) The registered proprietor made some play as to whether the right of the applicant could be considered as an earlier right as he, the proprietor, had other registrations that pre-dated it. The issue of an earlier right is a relative one. Is the right of the applicant in the instant case earlier than that of the registration in suit? That is all I have to consider

in the instant case. This is not a case where the proprietor can show protection by his own goodwill as per *Habib Bank* [1982] RPC 24 or *Anheuser-Busch Inc v Budejovicky Budvar NP* [1984] RPC 413. I also take into account that the issue before me was whether the applicant had established a right in passing-off which I consider he has. I do not know the circumstances of the other registrations of the proprietor which could be the subject either now or in the future of actions against them. It could, indeed, be that the applicant wished to see the outcome of the instant case before deciding on how to act in relation to other registrations or applications of the proprietor. I have considered the case on its own merits. I do not see that the issues would turn upon whether the proprietor enjoys other trade mark rights. Although I do not exclude that in certain possibilities that such registrations could affect the outcome of proceedings.

61) Under section 47(2) of the Act I find that registration no 2129516 is invalid on the ground that it was registered in breach of section 5(4)(a) of the Act. Accordingly I direct that registration no 2129516 be declared invalid and removed from the Register and, in accordance with section 47(6), be deemed never to have been made.

62) I turn now to the issue of costs. The applicant was successful under section 5(4)(a) but failed under section 3(6), which he pursued through the length of the proceedings. Taking into account the issue of costs relating to disclosure (see above) and the failure of the applicant in respect of section 3(6) I order that the registered proprietor pay the applicant £950. 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 21st day of March 2002

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