

O-131-06

**TRADE MARKS ACT 1994**

**IN THE MATTER OF REGISTRATION No. 2114720  
STANDING IN THE NAME OF KEVIN THOMAS ROGERS**

**AND**

**IN THE MATTER OF A REQUEST FOR A DECLARATION  
OF INVALIDITY THERETO UNDER No. 81906  
BY PANRICO SA**

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standing in the name of Kevin Thomas Rogers**

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under No. 81906 by Panrico SA**

### **BACKGROUND**

1. The series of trade marks, DONETTE and DONETTES, was applied for on 5 November 1996. The registration procedure was completed on 16 July 1999. The series of marks stands registered for a specification of goods and services reading:

**Class 30:**

Bakery products; doughnuts; bread; buns; rolls; cakes; cereal preparations; take-away meals consisting of or predominantly of the aforesaid goods; flavourings, coatings, icings, toppings and fillings for all the aforesaid goods.

**Class 42:**

Restaurant, café and snackbar services; catering services for the provision of take-away foods and foods ready for consumption.

2. On 27 October 2004 Panrico S.A. applied for a declaration of invalidity against the above registration. The circumstances that are said to underpin this action can be summarised as being that the applicant has used its trade mark DONETTES in respect of bakery products including doughnuts in Spain and Portugal since 1984. The mark is said to enjoy substantial consumer recognition in those markets (specifically 94.7% in Spain and 75.1% in Portugal). Mr Rogers, the registered proprietor, is said to be an expert in the bakery market and commenced a business relationship with the applicant prior to filing the disputed application/registration without Panrico's consent. It is said that Mr Rogers was "perfectly aware that DONETTES was a famous mark of PANRICO S.A. at the time of filing his application". Mr Rogers commenced an invalidity action in March 2004 against the applicant's CTM registration for the mark DONETTES in Classes 29 and 30 on the basis of the disputed registration.

3. On the basis of these claims a large number of objections were originally raised. By the time of the hearing the matter had been distilled down to a single ground of objection under Section 3(6), that the application to register was made in bad faith.

4. The registered proprietor filed a counterstatement denying this ground. The counterstatement contains a number of points worthy of recording in particular;

- the relevance of a reputation in Spain and Portugal is questioned;

- the applicant sold bakery ingredients to the registered proprietor but not bakery products and that these transactions were conducted on an ordinary wholesale basis;
- the proprietor was unaware of the applicant's claimed reputation or of the rights now claimed. In particular the proprietor has no recollection of ever receiving products, packaging, invoices, letters, correspondence, telephone calls or other verbal communications etc bearing or referring to the word DONETTE or DONETTES.

5. Both sides ask for an award of costs in their favour. Both sides filed evidence. The matter came to be heard on 25 April 2006 when the registered proprietor was represented by Mr P Hillier of Marks & Clerk and the applicant by Mr S Malynicz of Counsel instructed by fJ Cleveland.

### **Applicant's evidence**

6. The applicant filed a witness statement by Irina Costafreda Gimeno, the Legal Director of Panrico S.A. She describes Panrico as Spain's best known producer of quality baked goods and bread with fifteen factories in Spain, Portugal, Greece and China and a turnover of more than 525 million euros in 2001. It is said to have more than 3000 salesmen reaching more than 130,000 sales outlets and a workforce of more than 7000 people.

7. The mark DONETTES was first used in Spain and Portugal in relation to doughnuts in 1984. Ms Costafreda says that "the success of the DONETTES brand lay in the novel concept of a shareable product, adapted to the consumer habits shown by children and teenagers". In support of these claims Ms Costafreda exhibits at IC1:

- a market research certificate by A C Nielsen which is said to show that the trade mark DONETTES "reached 35.4% of the sales in its field in 1996 with an average percentage between 1993 and 2001 of 32.82%";
- an accounts report issued by KPMG, business advisors, showing the advertising costs incurred by Panrico in connection with DONETTES. So far as I can see these costs are only broken down as between Panrico's DONUT and DONETTES marks for the year 2000. It is not possible to extrapolate advertising figures for the DONETTES brand alone in the relevant years up to 1996;
- a report on the sales network for, inter alia, the DONETTES brand. I note, for instance that there are said to be some 161,000 retail customers (including supermarkets, cafeterias etc) in Spain and 13,000 retail customers in Portugal;
- a market research report issued by GfK-EMER relating to the trade mark DONETTES in Spain and Portugal. It is said that the report indicates that DONETTES was known by 94.7% of Spanish consumers and 75.1% of Portuguese consumers in the year 2001. This is said to result from the continuing prominent presence of the DONETTES brand in the market during the previous years going back to before 1996.

8. Also exhibited, IC2, is a CD-ROM of TV commercials advertising the mark DONETTES from 1984 to 2003 along with details of various trade mark registrations.

9. Ms Costafreda goes on to deal with the business relationship between her company and Mr Rogers whom she describes as being “a customer of my company”. Specifically, she says:

“17. I can confirm that my company’s relationship with Mr Kevin Rogers began in late 1996, i.e. prior to the filing date of the application in suit, when my cousin, Andreu Costafreda Escofet (Andreu jr) of Costafreda & Cia, of the Panrico Group, was in contact with Mr Rogers re: the supply of products (i.e. doughnut fillings) to his DUNKIN DONUTS franchise outlet in the UK. Costafreda & Cia was also supplying another franchisee of the DUNKIN DONUTS group in the UK.

18. Costafreda & Cia was later absorbed by a company of the PANRICO group. We continued to supply Mr Rogers after he stopped being franchisee of Dunkin Donuts and set up his own company – Demon Donuts/Donuts & Co. in July 1997. He continued as our customer until 2002.

19. It is in the public domain that, to become a franchisee of Dunkin Donuts, Mr Rogers would have had to demonstrate his eligibility to become a registered franchisee of Dunkin Donuts, the largest baked goods chain in the world. He would have had to put together a detailed business plan to submit to the owners of the DUNKIN DONUTS brand and would have had to operate within the terms of the franchise agreement.

20. In this context, Mr Rogers will have satisfied himself as to the quality and reputation of his supplier’s products, to conform to the stringent conditions of the Dunkin Donuts franchise arrangement. Further, being himself a franchisee of the DUNKIN DONUTS brand, Mr Rogers will have been aware of the value of a brand name and its potential for exploitation. It is submitted that in the context of his activities and the close relationship he built up with Mr. Andreu Costafreda, my cousin, he could not fail to have been aware that we, as the suppliers to his own franchise business, ourselves owned valuable goodwill in our trade marks, including our most prominent mark DONETTES. Mr Rogers could not reasonably have believed that he possessed the goodwill in the DONETTES mark in the UK in 1996 when he filed his application. Instead, I submit that he registered my company’s DONETTES trade mark in the UK as he saw an opportunity to take unfair advantage of his supplier’s plan for expansion, in the knowledge of its highly successful brand profile, elsewhere in Europe.

21. I believe it would be fair to say that at the time of filing the application in suit Mr Rogers, being in a business relationship with my company, would have been aware of my company’s major brands, of which DONETTES was certainly one.”

10. She goes on to refer to items of correspondence from Mr Rogers to Panrico where Mr Rogers professes his knowledge and awareness of “the history of Panrico S.A. and donuts dating back to the 1960’s”. Copies of the letters are exhibited at IC3 and 4. Ms Costafreda suggests that Mr Rogers deliberately withheld from Panrico knowledge of his application for DONETTES in the UK contrary to his assertion in a letter that he kept Ms Costafreda fully informed of his company’s strategies and development.

11. Ms Costafreda says that so far as we (which I take to mean Panrico) are aware there has been no genuine commercial use of DONETTES as a brand in the UK. Exhibited at IC5 is an extract from the Demon Donuts website (Mr Rogers' company) which does not include any reference to DONETTES. By reference to a Companies House print-out (at IC6), she notes that the trade mark application was filed in advance of the company incorporation.

12. Finally Ms Costafreda exhibits at IC7 copies of correspondence between Panrico and Mr Rogers during the period 17 December 2002 to 9 December 2003 culminating in a threat to invalidate Panrico's CTM registration for its DONETTES marks.

13. Ms Costafreda concludes that

“..... in securing a registration in the UK for the trade mark DONETTES without my company's knowledge or consent, Mr Rogers' actions fell short of the standards of acceptable commercial behaviour, having regard to his relationship with my company and Mr A Costafreda, my cousin, the “household” recognition of our DONETTES brand, Mr Rogers' expertise and knowledge of the doughnut industry and his corresponding high level of brand awareness in this field, resulting from his time operating a DUNKIN DONUT franchise.

30. Mr Rogers knew that we would have strongly objected to his actions, had we been made aware of them. Hence, he intentionally withheld the fact of his registration from us, until he identified a situation where he could use it, to our detriment. Mr Rogers knew from his relationship with our company, and his knowledge of us as his supplier, that we intended to expand into the UK in the future and we believe this action was carried out either with the intention of pre-empting our trading plans, or, with a more general intention of putting us at a commercial disadvantage, from which he would profit. Also, as a person with undoubted expertise in and knowledge of the doughnut industry, Mr Rogers was perfectly aware that DONETTES was a famous trade mark of Panrico, S.A., at the time of filing his application in the UK.”

### **Registered proprietor's evidence**

14. Mr Rogers has filed a witness statement, the first part of which challenges the relevance of the applicant's activities and trade in Spain and Portugal.

15. The main points to emerge from the remainder of his statement are that:

- his business relationship was with Costafreda & Cia rather than Panrico until his new company Donuts & Co placed its first order with Panrico in February 2002;
- he was initially an employee of a company called DD UK Limited (DD) which was a franchisee of the US firm Dunkin Donuts. In that capacity he purchased two ingredients from Costafreda, one donut filling and one sugar coating;
- that business arrangement continued when he set up Donuts & Company Ltd (which has traded as Demon Donuts);

- he did not have a close relationship with Mr Costafreda but met him twice as he was passing through London;
- on the occasion of the second visit in 1999 Mr Costafreda was taken to stores where Donuts & Company products were sold (four locations in London). Mr Rogers says that Mr Costafreda could not have failed to see goods offered under the DONETTE/DONETTES brand;
- he was not aware of use of the mark DONETTES in Spain or of Panrico's expansion plans for products sold under the mark and would not have continued to purchase ingredients from a competitor had he known;
- his awareness of Panrico (as referred to in his letter of 19 March 2003, exhibited as IC4 to Ms Costafreda's statement) stems from information supplied to him in connection with Panrico's opposition to his CTM application for the mark Demon Donuts. Prior to that he was aware that Panrico had a bakery goods business in Spain and Portugal but "their use of individual marks was of no interest to me whatsoever and I would not have had anyway of knowing what they were doing in Spain and Portugal in their retail and wholesale bakery business";
- it is suggested that it is his own challenge to Panrico's CTM application and registration that has prompted this action.

### **Applicant's evidence in reply**

16. Ms Costafreda has filed a further witness statement. As it largely consists of submissions/commentary on Mr Rogers' evidence I do not propose to record the details here but bear her comments in mind in reaching my decision.

### **Preliminary Matter**

17. It emerged from Mr Malynicz's skeleton argument that the registration that is the subject of this invalidity action had already been taken off the register as a result of a successful revocation action involving the same parties. That decision was taken following a hearing on 23 March 2005. The Hearing Officer's written decision can be found under reference O/110/05 (revocation No 81905).

18. This state of affairs appeared to me to raise two issues, firstly whether it was open to me to hear and decide an invalidation action when the underlying registration no longer existed and, secondly, whether it was an abuse of process on the applicant's part to pursue separate proceedings in these circumstances with all the attendant additional costs to the proprietor of the mark and the further demands on the tribunal's time and resources. In view of the fact that these issues arose at a very late stage and neither side had adequate time to deal with my concerns prior to the hearing I allowed a week after the hearing date for written submissions on the matter. Both sides provided written submissions within the time allowed.

19. I should say that these rather unusual circumstances appear to have arisen because the parties are engaged in separate proceedings before the Community Trade Mark Office.

Despite this state of affairs neither side had previously considered the implications of having parallel (but not consolidated) proceedings running in the UK. Nor it seems has the Registry sought to intervene and enquire whether it was appropriate for the revocation and invalidity actions to be de-coupled in this way.

20. The registered proprietor's written submissions favour the view that the applicant had failed to ask either for the proceedings to be consolidated or for an earlier date to be applied in the revocation action or for the revocation action to be stayed pending the determination of the invalidity action. As a result the proprietor has had to face two sets of proceedings. In the circumstances it is submitted that the invalidity request is rendered void and I should refuse to proceed with the action. Additionally or alternatively, it is submitted that the invalidity proceedings constitute an abuse of process.

21. The applicant's written submissions refer me to the inherent jurisdiction I enjoy per *Pharmedica GmbH's International Trade Mark Application (Friskies)* [2000] R.P.C. 536 and the position in two other reported cases, *Transpay* [2001] R.P.C. 10 and *Riviera Trade Mark* [2003] R.P.C. 50 which deal with the effect (continuing or otherwise) of a revoked mark. It is submitted that the fact that a mark has been removed from the register is a purely administrative act that has no effect on the validity of the mark ab initio. Accordingly, it is said I am not precluded from declaring the registration invalid ab initio. In relation to abuse of process the written submissions seek to distinguish the case I referred the parties to at the hearing, *Markem Corp v Zipher Ltd* [2005] R.P.C. 31. Unlike the circumstances considered there, this is not a case of bringing successive proceedings, both actions here having been launched on the same day. It is submitted that the only criticism that can be made of Panrico is that it ought to have sought to consolidate the concurrently filed proceedings for case management purposes. If it was not an abuse to launch proceedings separately then it is said it cannot be an abuse to maintain one when success has been achieved in the other.

22. Taking the first of these issues – do I have the power to declare invalid a mark that has already been revoked and removed from the register? I do not derive relevant assistance from the *Transpay* and *Riviera* cases. Both deal with the effect of lapsed marks (in circumstances of non-renewal and revocation) but do not directly address the issue before me where a concurrently filed invalidation action still exists.

23. It was held in the *Friskies* case that:

“Notwithstanding the fact that the registrar is, like the county court, a tribunal which is established by statute, I have no doubt that the registrar has the power to regulate the procedure before her in such a way that she neither creates a substantial jurisdiction where none existed, nor exercises that power in a manner inconsistent with the express provisions conferring jurisdiction upon her.”

24. However, this passage deals with the Registrar's power in relation to procedural matters. I am doubtful whether the issue before me can be said to fall into this category.

25. If one considers the matter from a practical point of view it seems to me that there is force in the argument that the effects of revocation and invalidation are different. With the former a mark is revoked from the date of the application for revocation or an earlier date if the registrar or court is satisfied that the grounds existed at that earlier date (but not earlier than a date five years following the date of completion of the registration procedure) – see Section

46(1) and 46(6). In contrast, as Mr Malynicz has rightly pointed out, an invalidation has the effect of rendering a mark invalid ab initio (“deemed never to have been made” in the words of Section 47(6)).

26. The difference between these positions may be significant in that the rights of the proprietor of a revoked registration continue to exist in respect of the period up to the date at which revocation is ordered (*Riviera*, paragraph 14). The same would not be true in respect of an invalidated mark with the limited exception of the ‘transactions past and closed’ provision contained in Section 47(6). It is not difficult to see that an apparent inequity may result if a proprietor was shielded from the consequences of an invalidity action because the outcome of a successful revocation action had already been put into effect. Would that, for instance, deny a defendant in an infringement action from counterclaiming for invalidation because the mark was no longer on the register despite the fact that the proprietor retained the right to sue in relation to acts occurring in the period prior to the date of revocation? Any such inequity might be further compounded if the party denied the opportunity to bring an invalidation action was not the same party who had brought the successful revocation action. These considerations suggest that there may be force to Mr Malynicz’s submissions that I should not be debarred from dealing with the invalidity action.

27. However, it is difficult to reconcile that reasoning with the provision of regulation 3 of the Community Trade Mark Regulations 1996 (SI 1996 No 1908) which, including the heading, reads in so far as is relevant for present purposes:

**“Determination *a posteriori* of invalidity and liability to revocation**

**3.-(1)** Where the proprietor of a Community trade mark claims the seniority of a registered trade mark which has been removed from the register under Section 43 or has been surrendered under Section 45, application may be made to the registrar or to the court by any person for a declaration that, if the registered trade mark had not been so removed or surrendered, it would have been liable to be revoked under Section 46 or declared invalid under Section 47.”

28. If the provisions in the Act itself are to be construed as allowing for invalidation actions notwithstanding that a mark has already been removed from the register, one might pose the question as to why it was considered necessary to have the above provision dealing with *a posteriori* action in the context of the Community Trade Mark Regulation. The most obvious answer would seem to be that, without such a provision in the Community Trade Mark Regulation, *a posteriori* invalidation or revocation would not be possible.

29. Given what I consider to be an uncertain position based on the existing legislative framework how should the present case be approached? I believe Mr Malynicz was right to remind me that the invalidation and revocation proceedings (Nos 81905 and 81906) between the parties were commenced on the same date and, under the current rules, necessitated separate actions and forms (TM26(I) and TM26(N) respectively). This is not a case of successive actions or, more specifically, a later filed invalidation action. Secondly, it follows that at the time the invalidation action was brought the registration in question was still a live one and susceptible to such an action. It would in my view have been preferable in the interests of efficiency and economy for both cases to be heard on the same day or in the light of the fact that success in the revocation has not exhausted the applicant’s interest in this

separate action, for a decision in the revocation action to be stayed pending the outcome of the invalidation.

30. It is now a matter of record that that did not happen. It is also worth observing in passing that the revocation action was brought to a speedy conclusion when the registered proprietor was held not to have filed a defence. In the circumstance, and without making any wider determination on the tribunal's power to hear an action on an already revoked mark, I think it is right to allow the applicant to bring this particular case to a conclusion notwithstanding my lingering concern as to how such a course sits with the *a posteriori* provisions referred to above.

31. The second matter is whether or not to do so would amount to an abuse of process. A summary of the law in relation to abuse of process can be found in *Markem Corp v Zipher* paragraphs 113 et seq. Jacob L J refers in paragraph 115 to the following passage in *Barrow v Bankside Agency Ltd* [1996] 1 WLR 257 at 260:

“The rule in *Henderson v Henderson* is very well known. It requires the parties, when the matter becomes the subject of litigation between them in a court of competent jurisdiction, to bring their whole case before the court so that all aspects of it may be finally decided (subject, of course, to any appeal) once and for all. In the absence of special circumstances, the parties cannot return to the court to advance arguments, claims or defences which they could have put forward for decision on the first occasion but failed to raise. The rule is not based on the doctrine of *res judicata* in a narrow sense, nor even on any strict doctrine of issue or cause of action estoppel. It is a rule of public policy based on the desirability, in the general interest as well as that of the parties themselves, that litigation should not drag on for ever and that a defendant should not be oppressed by successive suits when one would do. That is the abuse at which the rule is directed.”

and

“*Henderson v Henderson* abuse of process, as now understood, although separate and distinct from cause of action estoppel and issue estoppel, has much in common with them. The underlying public interest is the same; that there should be finality in litigation and that a party should not be twice vexed in the same matter. This public interest is reinforced by the current emphasis on efficiency and economy in the conduct of litigation, in the interests of the parties and the public as a whole. The bringing of a claim or the raising of a defence in later proceedings may, without more, amount to abuse if the court is satisfied (the onus being on the party alleging abuse) that the claim or defence should have been raised in the earlier proceedings if it was to be raised at all. I would not accept that it is necessary, before abuse may be found, to identify any additional element, such as a collateral attack on a previous decision or some dishonesty, but where those elements are present the later proceedings will be much more obviously abusive, and there will rarely be a finding of abuse unless the later proceeding involves what the court regards as unjust harassment of a party. It is, however, wrong to hold that because a matter could have been raised in earlier proceedings it should have been, so as to render the raising of it in later proceedings necessarily abusive. This is to adopt too dogmatic an approach to what should in my opinion be a broad, merit-based judgment which takes account of the public and private interests involved and also takes account of all the facts of the case, focusing attention on the crucial question whether, in all the circumstances a party is misusing or abusing the process of the court by seeking to raise before it the issue which could

have been raised before. As one cannot comprehensively list all possible forms of abuse, so one cannot formulate any hard and fast rule to determine whether, on given facts, abuse is to be found or not ..... While the result may often be the same, it is in my view preferable to ask whether in all the circumstances a party's conduct is an abuse than to ask whether the conduct is an abuse and then, if it is, to ask whether the abuse is excused or justified by special circumstances.”

32. When the current matter is considered in the light of this guidance and in particular the need for a “broad, merit-based judgment” it seems to me that it would be wrong to conclude that the applicant's actions here amount to an abuse of process. Again, the fact that the actions were launched concurrently rather than successively is a relevant consideration. It will also be apparent from the above that this case gives rise to an issue that has not to the best of my knowledge been tested. Furthermore, neither the registered proprietor, nor the Registry during the course of processing the case, raised the issue. I remain of the view that, if the applicant had known as presumably it must have done, that success in the revocation action might not in itself be enough and that it also wanted a decision in the invalidation action there were steps that it could have taken to ensure procedural economy in the running of the two cases. But that lapse cannot in my view be said to amount to an abuse of process. As Mr Malynicz has said, once it is decided that it was not an abuse to launch concurrent proceedings (and this requires separate actions under the current rules) then the applicant's actions in maintaining the invalidity proceedings are not such as to amount to abuse of process.

33. The issues dealt with above arose at a late stage in proceedings by which time arrangements had been made for Mr Rogers to attend for cross-examination. Bearing in mind also that my findings are in any case subject to appeal I decided that it was appropriate and necessary to continue with cross-examination and submission so that, if necessary, both the preliminary matters and the substantive claim can be considered in any appeal. I go on, therefore, to deal with the bad faith claim.

## **DECISION**

34. Section 3(6) of the Act provides that “a trade mark shall not be registered if or to the extent that the application is made in bad faith”.

35. There is as yet no guidance from the European Court of Justice on what constitutes bad faith. So far as the UK Courts are concerned Lindsay J indicated in *Gromax Plasticulture Ltd v Don & Low Nonwovens Ltd* [1999] RPC 367 that:

“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”.

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

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

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

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

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

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

37. 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 Mr Rogers' state of mind regarding the transaction if I am satisfied that his 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. I do not understand the registered proprietor to dissent from these statements of the position in law.

38. 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). It is important in the context of this case that I bear in mind that the relevant date is 5 November 1996. I must consider what Mr Rogers' state of knowledge was at that date.

39. The main areas covered in cross-examination were Mr Rogers' knowledge of, and experience in, the doughnut business; the extent of his knowledge and awareness of Panrico's business, reputation and trade marks; his relationship with Costafreda & Cia and Andrew Costafreda; his visit to Spain and Mr Costafreda's visit to the UK; and the correspondence with Panrico referred to at IC7. I found Mr Rogers to be a credible witness who answered the questions put to him as fully and openly as he could. I did not detect any underlying intention to conceal his state of knowledge or adjust his responses to accord with a pre-determined line. I bear in mind also that, in terms of the relevant date in these proceedings, he was being asked to recollect events from approaching ten years ago. At a number of points in the cross-examination Mr Malynicz's questions bore on issues to do with slightly more technical trade marks issues and matters that are normally the primary responsibility of professional advisers. Understandably, Mr Rogers' answers were more cautious in relation to these issues. It does not change my overall view of his responses or his credibility as a witness.

40. A considerable amount of time was spent in cross-examination dealing with Mr Rogers' correspondence with Panrico in 2002/3 which commenced with a letter from Mr Rogers dated 17 December 2002 seeking assistance with the return of precise details of a 'Bavarian custard filling' that Costafreda (and then Panrico) had been producing so that UK suppliers could match the taste and consistency profile. The correspondence is relied upon on, inter alia, for statements made by Mr Rogers as to his long standing relationship with Andrew Costafreda and the Costafreda company in Spain and that, by inference, he must have had earlier knowledge of the mark DONETTES than he has otherwise admitted to. But the correspondence is simply too long after the relevant date to be a reliable indicator in itself of Mr Rogers' state of knowledge in 1996. It is necessary to start, therefore, with the position at that time in so far as it can be gleaned from the evidence.

41. Mr Rogers was asked about the derivation of the mark and said that it was chosen by himself and a small number of colleagues at DD UK Ltd, the company for which he was working at the time. It was to be used in relation to mini doughnuts (-ETTE being a noun suffix indicating small as in, for instance, cigarette or kitchenette). Mr Rogers said he was familiar with it as a US term (he is from that country). Despite these explanations, Mr Malynicz was right to point out in submissions that it had not been shown or even claimed in evidence that DONETTES was in use as a descriptive term for a small doughnut in this

country. I accept that this is the case. Equally, it does not demonstrate more than a modest degree of invention as a mark to be used in relation to small size doughnuts.

42. Mr Rogers' evidence is that two doughnut ingredients were supplied to DD UK Ltd and later his own company, Donuts & Company Ltd by Costafreda & Cia. That was the position in late 1996 and 1997 when Donuts & Company was established. My understanding from the documentation accompanying the applicant's statement of grounds is that the Spanish registration (No 717388) for the trade mark DONETTES was owned at the time by Donut Corporation Espanola SA, that company having been founded by the Rivera and Costafreda families and Donut Corporation America. The evidence does not say who was responsible for the day to day running of Donut Corporation Espanola SA at that time. It appears that the Spanish trade mark registration was not assigned to Panrico SA until 15 November 2001 (per the documentation attached to the statement of grounds).

43. DD UK Ltd's business at that time was in any case neither with Donut Corporation Espanola SA or the founders of that company but with Costafreda & Cia. It is true that the Costafreda family is said to have been one of the founders of Donut Corporation Espanola SA and that a member of that family was an employee of Costafreda & Cia. But the evidence does not suggest that Mr Andreu Costafreda had any involvement in the business of Donut Corporation Espanola SA. As someone who worked in a business supplying ingredients to the bakery trade he might be expected to be aware of major brands in the doughnut trade in Spain. But I have not been directed to any evidence suggesting that, assuming he had such knowledge, he would have felt obliged to communicate it to a company in the UK that he was merely supplying with ingredients and that had not intimated any interest in the Spanish market. I should also add, parenthetically, that the statement in paragraph 16 of Ms Costafreda's first witness statement that "Mr Rogers was in a business relationship with my company at the time of filing this UK application" (referring to the registration in suit) does not appear to be a strictly correct statement of the position as her company (Panrico) did not take over the business previously transacted with Costafreda & Cia until 2002.

44. Nevertheless, Mr Malynicz made much of statements in the letter of 17 December 2002 (Exhibit IC7) from Mr Rogers to the Managing Director of Panrico. The following are relevant extracts from the letter in question;

"I am writing to you regarding a particular situation that I believe requires your attention. For seven years we have been a customer of Costafreda and then Panrico purchasing a "Bavarian custard filling" produced to our specifications."

and

"I have had a long standing relationship with Andrew Costafreda since we started purchasing from Costafreda. I am aware he no longer works at the company. However, I am contacting him to explain the situation and ask for his assistance in resolving this matter".

45. In cross-examination Mr Rogers indicated that he first met Mr Andreu Costafreda in 1999 at a presentation to suppliers in the UK. The above reference in the letter of 17 December 2002 appears, therefore, to have been a reference to the company Costafreda & Cia. The letter may somewhat overplay the relationship with Andreu Costafreda but it must be remembered that the purpose of the letter was to seek the assistance of the recipient in the

return of ingredient and composition information. Stressing past good relationships with a member of the Costafreda family no doubt served a purpose in this context. But it is all a long way from establishing that Mr Rogers must have been aware of the DONETTES brand at the time he filed the application.

46. As I have said it was not until 1999 that Mr Rogers met Mr Costafreda. This was in the context of a new product presentation to suppliers in London in 1999. Mr Rogers' evidence is to the effect that he kept Mr Costafreda aware of his company's (Donuts & Co) activities from 1999 until 2001 when Mr Costafreda is said to have left Costafreda & Cia. Mr Malynicz suggested that in the light of this it was unlikely that Mr Costafreda would not also have spoken of use of DONETTES in Spain. I do not see why that should be the case. DONETTES was not Mr Costafreda's brand and so far as is apparent from the evidence he did not hold a brief for Panrico or its predecessor in business. The plain fact is that there is not a shred of evidence that DONETTES was mentioned at this time let alone that, if it had been, it must be indicative of Mr Rogers' state of knowledge in 1996.

47. Mr Rogers' evidence for its part seeks to make something of the fact that Mr Costafreda had visited stores in London where doughnuts were being sold under the DONETTE or DONETTES brand. In his view it is significant that no challenge was raised against such usage at the time. I find this to be inconclusive in assisting me to determine the bad faith claim. There was no request to cross-examine Mr Costafreda and it is mere speculation as to whether he did or did not see the brand name in use in the UK. There is in any case no evidence as to how those store visits were conducted and what brands if any were visible. Furthermore, there is in fact no evidence of the use of DONETTE or DONETTES at all in the UK.

48. Mr Rogers was also cross-examined on a further aspect of his letter of 17 December 2002 to Panrico, namely the following statement:

“I will remind you that in 1997 I and several of my colleagues travelled to Costafreda several times to work with the company to duplicate the custard that we were using at the time”.

49. Mr Rogers claimed that he personally only made one visit. I accept that the reference in the letter is ambiguous as to how many visits were made by Mr Rogers himself and how many by his colleagues. But again the letter was not written with these proceedings in mind or with the degree of precision that might have been expected if it was. There is no evidence that Mr Rogers made more than one visit. He said it was for a single day, involved visiting the Costafreda warehouse but also included a visit to a Dunkin Donuts shop. Despite Mr Malynicz's suggestion to the contrary, I do not find it surprising that the DONETTES brand did not come to his attention during the course of a single day visit. The main purpose of the visit was said (in re-examination) to be part of a required routine check on suppliers; was not directed at conducting any sort of trade in Spain itself; and in any case post-dated the filing of the UK trade mark application.

50. The outcome of all this was that Mr Rogers maintained the position that he did not become aware of Panrico's DONETTES mark until 2003 and 2004. The precise date is not clear. Mr Rogers says, in paragraph 25 of his witness statement that it came to his attention “a year or so ago”. As the statement is dated 1 June 2005 that might suggest a date in the early part of 2004. In the end it was conceded that it might have been slightly earlier than

that but Mr Rogers was resolute in maintaining that he learnt about it from his trade mark attorneys when he was advised that Panrico had sought to register DONETTE and DONETTES CRUNCHY at the Community Trade Mark Office (prior to that Mr Rogers had learnt that Panrico was objecting to his own Community Trade Mark application for the mark Demon Donuts).

51. There has also been some debate in the evidence and submission at the hearing about Mr Rogers' general knowledge of Panrico and its business. The thrust of the applicant's case is that because of his dealings with Costafreda & Cia and Panrico's position in the Spanish market, Mr Rogers cannot have failed to be aware of Panrico and by implication its marks. That involves a number of inferences. Mr Rogers' letter of 19 March 2003 to Panrico in IC7 (in relation to the latter's objection to his CTM application for Demon Donuts) indicated that "I am aware of the history of Panrico SA and donuts dating back to the 1960's". In cross examination Mr Rogers could not recall whether Costafreda & Cia or Mr Andreu Costafreda had mentioned Panrico. He would certainly have become aware of Panrico when the latter took over the business previously transacted with Costafreda & Cia. This information will no doubt also have been supplemented as a result of the CTM action against his mark Demon Donuts (early 2003). But none of this addresses his knowledge of Panrico's business, let alone at brand level, in 1996. It is true that Exhibit IC1(a) suggests that the Donettes brand enjoyed a 35.4% share of the market by volume in December 1996 (and 21.2% by value) within what is described as a "closed group of fried pastries" comprising four brands. That state of affairs might come to the attention of someone researching the market but Mr Rogers had not visited Spain on relevant business at that time and his interest was merely in purchasing ingredients for use in the UK.

52. The upshot of all this is that cross-examination suggested that there might be some minor inconsistencies and imprecision in some of Mr Rogers' statements but nothing led me to believe that the fundamental veracity of his claims was to be doubted. On the contrary, I find his statement of the position to be plausible and, importantly, nothing in the applicant's evidence is clearly indicative of a state of knowledge on Mr Rogers' part that would provide a foundation for the bad faith claim.

53. I might just add that even if, contrary to my above finding, Mr Rogers had been aware of the DONETTES brand in Spain, a supplementary issue would arise as to whether it would have constituted an act of bad faith to adopt the mark as his own in the UK. The answer to that might turn on whether he had reasonable grounds to believe that the applicant or more strictly its predecessor in title intended to enter the UK market for doughnuts under the mark in question – see the questions posed in *DAAWAT Trade Mark* [2003] RPC 11 and referred to at paragraph 31 of the appeal decision in that case. To the best of my knowledge any such intention on the part of Panrico or its predecessor in title is a matter of speculation. The challenge to the registration has come about not, it seems, from any immediate desire to enter the UK market but to clear the way for Panrico's own CTM application/registration which have Mr Rogers' registration ranged against them.

54. In *Royal Enfield Trade Mark* [2002] RPC 24 Mr S Thorley, sitting as the Appointed Person, said:

"31. 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 Q.B 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 judgment 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.”

55. I note that Mr Thorley did not rule out the possibility that a finding of bad faith may be founded on a process of inference. Nevertheless, I have come to the clear view that any case against the registered proprietor would involve conjecture rather than reasonable inference. The action under Section 3(6), accordingly, fails.

56. The registered proprietor has been successful and is entitled to an award of costs. I order the applicant to pay the registered proprietor the sum of **£1700**. 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 the case if any appeal against this decision is unsuccessful.

**Dated this 24<sup>th</sup> day of May 2006**

**M REYNOLDS**  
**For the Registrar**  
**The Comptroller General**