

TRADE MARKS ACT 1994

**IN THE MATTER OF APPLICATION NO. 2060358 BY
SOUTH BEACH CAFE, INC TO REGISTER THE MARK
SOUTH BEACH CAFE IN CLASSES 21 AND 42**

AND

**IN THE MATTER OF OPPOSITION THERETO UNDER NO 46336
BY ST ROSE HEIGHTS DEVELOPMENT LTD**

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DECISION

On 7 March 1996 South Beach Café, Inc applied to register the mark SOUTH BEACH CAFE for the following specifications of goods and services:

Class 21 - drinking vessels; mugs

Class 42 - catering services; restaurant services; café services

The application is numbered 2060358

On 29 January 1997 St Rose Heights Development Ltd filed notice of opposition to this application in the following terms

"1) The Opponent is the proprietor of the following trade mark registration:

No. 2038085 SOUTH BEACH Classes 30, 32 TMJ 6117/2414

2) The mark applied for is confusingly similar to the Opponent's trade mark and the application has been made in respect of goods or services similar to those for which the Opponent's trade mark is protected. There exists a likelihood of confusion on the part of the public, which includes the likelihood of association with the Opponent's trade mark. Registration of the mark applied for would offend against the provisions of Section 5(2).

3) In view of the circumstances, the Opponent requests that the Registrar refuses the application under the provisions of Section 3(6) of the Trade Marks Act, 1994."

The applicants filed a counterstatement denying the above grounds. They also say that the opponents' registered mark is devoid of distinctive character and should not have been registered. However, the registration is prima facie valid (Section 72) and I am not asked to consider a counter claim for invalidity.

Both sides filed evidence. The matter came to be heard on 16 May 2000 along with a related (but unconsolidated) opposition.

The applicants were represented by Ms D McFarland of Counsel instructed by Carpmaels & Ransford, trade mark attorneys. The applicants were not represented at the hearing.

Opponents' evidence

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The opponents filed a statutory declaration by Marc Andrew Godfrey, an investigator with Farncombe International Ltd, a company specialising in intellectual property investigations. He says that his firm was instructed by the opponents' trade mark attorneys "to conduct an investigation with the object of determining whether there was a close connection between drinks and café/restaurant services". The investigation was begun by examining the current Yellow Pages Directory for Central London (Exhibit MAG1) and finding under the heading Cafés and Cafeterias the following chains

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- (a) Arcade Sandwich Bar - 2 outlets
- (b) Aroma - 6 outlets
- (c) Bon Appetit - 3 outlets
- (d) Café Rapallo - 4 outlets
- (e) Coffee Republic - 3 outlets
- (f) Crowbar Coffee Ltd - 2 outlets
- (g) Fresco Café Bar - 6 outlets
- (h) Ideal Sandwich Bar - 5 outlets
- (i) Pontis Café - 5 outlets
- (j) Seattle Coffee Co Ltd - 5 outlets

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Visits were subsequently paid to the following on 21 October 1997

- (i) South Beach Café Baker Street
- (ii) Pret A Manger Baker Street / Selfridges
- (iii) Whittard Coffee House Baker Street / Carnaby Street
- (iv) Seattle Coffee Company Great Marlborough Street
- (v) Lindy's Take Away Argyle Street / Victoria Street
- (vi) Café Rapallo Buckingham Palace Road
- (vii) Ponti's Café Buckingham Palace Road
- (viii) Costa Victoria Station

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The remainder of Mr Godfrey's declaration is a lengthy account of these visits, discussions with staff as to the number of branches and the length of time the businesses had been operating. Mr Godfrey adds that test purchases were made at each of the locations. He exhibits (MAG 2 to 8) photographs of the cafés, samples of paper cups, coffee packets, wrapping and labelling, menus, napkins etc. It will perhaps suffice if I record some of Mr Godfrey's main findings

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South Beach Café - the coffee was served in a paper container printed with the words Espresso or Cappuccino. None of the packaging incorporated the subject company name. A contact (Pamela) at the café is recorded as saying that the company had recently acquired a 'coffee house' in the

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US and would be marketing their own range of coffee beans in the near future

- 5 Pret à Manger - offers customers facilities to eat/drink on the premises as well as a takeaway service. The coffee selection was prefixed with the word 'Pret'.
- 10 Whittards of Chelsea - only one of the two branches visited had a café. A packet of coffee was purchased bearing the Whittard name.
- 15 Seattle Coffee Company - the company supplies coffees for consumption either on the premises or take away and roasted beans. A number of the coffees on offer were prefixed with the name Seattle.
- Lindy's - operates as both a sit down restaurant and a take away. Take away drinks incorporated the Lindy's name.
- 20 Café Rapallo - said to be predominantly an eat in restaurant but with a take away counter. Customers can purchase Café Rapallo coffee either as beans or ground.
- 25 Ponti's Café/Costa Coffee Stall - Ponti's is described as a take away with drinks supplied in cups printed with the name Ponti's. They did not market coffee beans or ground coffee under their name. Costa's sell both cups of coffee and coffee beans both bearing the mark Costa.

30 **Applicants' Evidence**

The applicants filed statutory declarations by

- 35 Thomas Norman Burnham - dated 12 May 1998
John Edward Burgar - dated 1 May 1998
Alexander Carter - Silk - dated 6 May 1998
Christopher Philip Hackford - dated 1 May 1998
Sally Louise Hine - dated 14 May 1998
Andrew Howard - dated 8 May 1998
40 Mark David Meyer - dated 14 May 1998
Peter Edward Moss - dated 13 May 1998

45 There is much in this evidence which seems to me to be of tangential relevance only to this opposition case. In particular much evidence has been filed bearing on recognition of South Beach as a well known geographical area in the US and more particularly the state of Florida; questioning the opponents' intention to trade and noting the absence of actual use; and suggesting that the mark SOUTH BEACH is, prima facie at least, devoid of distinctive

character. I note the existence of this material but do not propose to refer to it in detail in the evidence summary.

5 Mr Burnham is Chairman and Chief Executive of South Beach Café PLC. He firstly describes the company's background. He goes on to describe the nature of the business in the following terms:

"South Beach Café combines three new, exciting, simple and convenience food concepts in one:

10 It is a bagel bar serving fresh-baked soft-style Miami bagels and croissants accompanied by flavoured cream cheeses and deli sandwich ingredients, soups, salads, and other baked/pastry goods, including rich cheesecakes and desserts; and
It offers internet access for free; and
15 It also offers a wide range of beverages including fresh fruit smoothies, fresh veggie drinks, wheatgrass and coffee."

and

20 "We are a service. Any coffee or dinks sold are sold as part of the service. The only product sold which is not a consumable is the promotional merchandise for which we have a trade mark registration and "mugs and drinking vessels" for which the class 21 application is made. The coffee is not sold as a separate product in supermarkets and stores but within the context and the locality of the service.

25 South Beach Café is a combination of new and exciting, high margin, simple food concepts all under one roof. These concepts include a full range of our very own premium estate ground coffees (sold under the trade mark *Café Society*, which is registered in the United States of America and an application has been filed in the UK Trade Marks Registry) and espresso drinks, fresh fruit smoothies and veggie drinks, a
30 wide variety of fresh baked Miami soft-style bagels and homemade spreads, home-baked croissants, fresh gourmets sandwiches, soups and salads, delicious cheesecakes as well as other fresh pastries and baked goods."

35 Turnover and marketing spend figures are supplied covering the UK and USA for the years 1996 and 1997. The figures are expressed in dollars and no breakdown is given for the period up to the material date.

In relation to the users of the respective goods/services Mr Burnham comments

40 "South Beach Café focuses predominantly in the 18-30 age group concentrating on the healthy lifestyle choice offered and the free internet access available in some of the South Beach Café outlets. The outlets are concentrated in busy urban areas and serve office workers and those in transit. The age group of those individuals who would visit South Beach café and purchase coffee may be the same or similar but this is
45 merely coincidental and the respective users of the service offered by South Beach

Café and those who purchase coffee are not the same and therefore there is no likelihood of confusion.

5 Coffee is purchased predominantly in supermarkets. The coffee sold by such outlets as Pret a Manger, referred to in the evidence of St Rose, is not sold outside of their service outlets and cannot be found in the supermarket. The same applies to South Beach Café which only sells coffee through its own outlets."

10 Furthermore he suggests that the respective goods/services are not in competition. He concludes that the opposition should not succeed for the following reasons

15 "The mark *South Beach* as filed by St Rose has no or such a low level of distinctiveness that any use of the mark with a suffix or prefix including the word "café" immediately distinguishes the two marks and therefore the goods and services sold under such marks; or in the alternative

20 the mark *South Beach* has been registered for goods in classes 30 and 32 whereas the application for the mark *South Beach Café* is for services, being class 42 (also *class 21*) such that the mark *South Beach Café* is neither similar to or identical to the previously registered mark *South Beach* which has been registered for dissimilar goods and services so that there therefore exists no likelihood of confusion on the part of the public between the two marks."

25 The remainder of Mr Burnham's declaration deals with his reasons for considering the mark SOUTH BEACH to be devoid of distinctive character and submissions in relation to other geographical marks.

30 Mr Bugar is an investigator with Carratu International. His report deals with the opponent company's trading activities in Canada and the apparent absence of use in the UK.

35 Mr Carter-Silk is a partner with Messrs D J Freeman, Solicitors. His declaration deals with an internal E-mail sent to personnel in his firm to see whether 'South Beach' was associated with any particular, town, location or country and if so which. He exhibits the responses received and concludes that the majority of those questioned identify South Beach as a well known geographical area in the USA and more particularly Florida. A number of those who gave positive responses have filed declarations of their own explaining the basis for their views. These are the declaration from Messrs Hackford, Howard , Meyer and Ms Hine.

40 Mr Moss is a self employed sales and marketing consultant in the travel industry trading as PKN Associates. Approximately 50 per cent of his time is spent as a consultant to the Greater Miami Convention and Visitors' Bureau, an organisation set up to market and develop tourism in Miami. As part of this activity he promotes South Beach. The remainder of his declaration deals with the development of the area and the publicity it attracts.

Opponents' Evidence in Reply

5 This comes in the form of a declaration from Peter John Charlton, a partner in Elkington & Fife, the firm of trade mark attorneys responsible for handling the case on behalf of the applicants. He responds to Mr Burnham's declaration and in particular the latter's claim that café services are quite distinct from coffee, tea and drinks. He exhibits (PJC 1 to 4) the results of searches carried out by Search International into registrations standing in the name of four companies, Pret à Manger, Costa, Seattle Coffee and Ponti's, showing that they have registrations for both goods and services, for instance covering Classes 30 and 42 (coffee, tea on the one hand and café and restaurant services on the other). He notes that these companies were among those visited and discussed in Mr Godfrey's evidence. He also comments on the fact that Mr Burnham's evidence (TNB 2) demonstrates that South Beach Café outlets sell a fruit drink named SOUTH BEACH SLURPIE.

15 That completes my review of the evidence.

20 The grounds of opposition are under Sections 3(6) and 5(2). So far as I can see from the papers the opponents have never explained the Section 3(6) ground. They merely say that the application should be refused 'in view of the circumstances'. In the absence of any further explanation or particularisation I dismiss this ground.

The nub of the case is the objection under Section 5(2). This Section reads:

25 "5.-(2) A trade mark shall not be registered if because -

- 30 (a) it is identical with an earlier trade mark and is to be registered for goods or services similar to those for which the earlier trade mark is protected, or
- (b) it is similar to an earlier trade mark and is to be registered for goods or services identical with or similar to those for which the earlier trade mark is protected,

there exists a likelihood of confusion on the part of the public, which includes the likelihood of association with the earlier trade mark."

35 In doing so I take account of the guidance provided by the European Court of Justice in Sabel BV v Puma AG (1998 RPC 199 at 224), Canon v MGM (1999 RPC 117) and Lloyd Schufabrik Meyer & Co GmbH v Klijsen Handel BV (1999 ETMR 690 at 698).

40 It is clear from these cases that:

- 45 (a) the likelihood of confusion must be appreciated globally, taking account of all relevant factors;
- (b) the matter must be judged through the eyes of the average consumer, of the goods/services in question, who is deemed to be reasonably well informed and reasonably circumspect and observant - but who rarely has the chance to make direct comparisons between marks and must instead rely upon the imperfect picture of them he has kept in his mind;

- (c) the average consumer normally perceives a mark as a whole and does not proceed to analyse its various details;
- (d) the visual, aural and conceptual similarities of the marks must therefore be assessed by reference to the overall impressions created by the marks bearing in mind their distinctive and dominant components;
- (e) a lesser degree of similarity between the marks may be offset by a greater degree of similarity between the goods, and vice versa;
- (f) there is a greater likelihood of confusion where the earlier trade mark has a highly distinctive character, either *per se* or because of the use that has been made of it.

Additionally, whilst the opponents were not represented at the hearing, their trade mark attorneys wrote to the Registry on 29 March 2000 asking that an OHIM decision (534/1999 in opposition number B59966) be drawn to my attention. This decision involved the same parties and the same mark SOUTH BEACH CAFE but appears to have been directed at the Class 42 services only. Although I am being asked to have regard to this decision it transpired at the hearing that the attorneys currently acting for the applicants were unaware of the fact (and were not themselves involved in the OHIM proceedings). Ms McFarland was in the event able to read the decision and react to it but it is in my view unsatisfactory that the applicants were not notified of the existence of this case at the same time that it was made known to the Registry.

The opponents have filed no evidence to suggest that their earlier trade mark has a highly distinctive character because of the use that has been made of it. So far as its inherent qualities are concerned there is a suggestion in the applicants' evidence that because SOUTH BEACH is the name of a particular beach in Florida and would be recognised as such by the UK public it is somehow lacking in distinctive character or at any rate only weakly distinctive. The matter has not been tested by a counter claim for invalidation of the opponents' registration. For my part even allowing for the survey evidence I am not entirely persuaded that the name would be widely known in this country or that, even if it was, it has any implications in relation to the distinctiveness of the name used in relation to the goods or services at issue here. In short I regard it as a mark with at least an average degree of distinctive character. Although the applicants' mark includes the word CAFE that element cannot conceivably be sufficient to differentiate the respective marks given that it is no more than a description of the type of establishment through which the services are offered. I do not think any further analysis of the marks is called for. On the basis of the criteria set out above they are clearly similar.

I go on to consider the respective goods and services bearing in mind the ECJ's remarks in the cases referred to above. The opponents' earlier trade mark (No 2038085) is registered for the following specifications of goods:

- | | | |
|----------|---|--|
| Class 30 | - | coffee; tea; coffee and tea beverages |
| Class 32 | - | non-alcoholic beverages; fruit-flavoured beverages |

The applicants' goods and services are set out at the start of this decision. The opponents have directed their evidence towards establishing the trading link that is said to exist between coffee shops/restaurants and the sale of coffee beans and ground coffee etc. I cannot see that there is any evidence bearing on the issue of similarity of goods so far as the applicants' Class 21 goods are concerned. Different considerations, therefore, arise in relation to each of the Classes covered by the application under attack. I bear in mind also the provisions of Article 13 of the Directive (89/104/EEC).

Guidance on factors to be considered in comparing goods and services was given in *British Sugar plc v James Robertson & Sons Ltd* (the *TREAT* case) 1996 RPC 281 at pages 296/7. Self evidently beverages of the kind covered by the opponents' specifications can be drunk from the drinking vessels and mugs of the applicants' specification but there it seems to me the similarity ends. The nature of the goods and the trade channels are different; they are unlikely to be sold together and are not in competition with one another. In the absence of evidence suggesting that I should come to a different view I find that even allowing for the closely similar nature of the marks there is no basis for finding in the opponents' favour. I note too that the opponents did not direct their opposition against the Class 21 goods in the OHIM opposition. The opposition fails in so far as it covers the Class 21 goods.

In the context of the Class 42 services the opponents have filed evidence from Mr Godfrey, an investigator who was asked to establish whether there was a close connection between drinks and café/restaurant services. I have recorded in the evidence summary brief details of the results of his investigations. It is generally accepted that there can be a natural and close link between certain goods and services. Thus the sale of jewellery in Class 14 is closely associated with jewellery repair in Class 37 and similarly the sale of wine (Class 33) with wine bar services (Class 42). Whether such a close association naturally exists between café/restaurant services and coffee, tea and non-alcoholic beverages is perhaps debatable. However I accept that on the basis of the evidence the opponents have made out a persuasive case that there is certainly a sector of the café/restaurant/sandwich bar market which has developed a trade in goods (particularly coffee beans and ground coffee) as an adjunct to the provision of the core services. It is perhaps not an altogether surprising state of affairs. The applicants' own evidence shows that, no doubt like similar establishments, they offer a wide range of coffees. A satisfied customer in addition to consuming a beverage on the premises may well wish to use the same variety at home or in the office. On that basis it seems to me to be inescapable that confusion will arise if very closely similar marks are used by different traders on the related goods and services.

Ms McFarland put it to me that even if I accepted that cafés and restaurants had developed such a trade it was less likely that traders in the goods would open cafés, coffee bars or the like. There may be some force to this argument though even that much is not beyond dispute as the evidence before me suggests that Whittards (one of the establishments visited by Mr Godfrey) is an old established company specialising in coffee and tea which has opened a café facility. However even if I accept that the trade is mainly one way (that is the goods trade developing from the service rather than vice versa) I cannot see that it helps the applicants. Customers are unlikely to have the means or inclination to consider the matter from that perspective.

There is further support for the trading pattern described above in Mr Godfrey's report of his visit to one of the applicants' own establishments. An employee (Pamela) is recorded as saying that South Beach Café had recently acquired a coffee house in the US and would be marketing their own range of coffee beans in the near future. There is nevertheless an aspect of this which calls for comment. Ms McFarland quite properly drew my attention to the following passage in Mr Burnham's declaration:

"South Beach Café is a combination of new and exciting, high margin, simple food concepts all under one roof. These concepts include a full range of our very own premium estate ground coffees (sold under the trade mark *Cafe Society*, which is registered in the United States of America and an application has been filed in the UK Trade Marks Registry)"

Thus it seems that the applicants' range of coffees are to be sold under a different brand name to that of the cafés. I accept that this may be the case but it seems to me to reinforce the fact that the sale of coffee beans/ground coffee etc is entirely complementary to , and a natural extension of, the provision of the coffee shop, café etc services. The applicants may have elected to carry on the twin elements of their business under separate brand names but the overwhelming thrust of the evidence is that other traders use the same brand name for both the goods and services.

That is not quite the end of the matter as Ms McFarland suggested that, if I were against her on the basis of the Class 42 specification proposed, it was open to me to allow the application to proceed for a more restricted version thereof reflecting the make-up of the applicants' business and that part of it which was not in conflict with the earlier trade mark.

It is said that the concept behind the cafés is to offer a combination of healthy lifestyle products in a relaxed atmosphere and including the provision of access to the internet (a cyber café). Ms McFarland suggested that the provision of coffee and other beverages was in a sense a separate adjunct to the core business and the Class 42 specification could be modified to reflect this situation perhaps by an exclusion of services involving the supply of beverages covered by the opponents' specifications thereby removing any possible conflict with the earlier trade mark.

Attractive though this proposition may seem at first sight and persuasively though Ms McFarland put the case I am not convinced that it offers a way forward. Firstly it seems to me to be an entirely artificial division of the applicants' business. Mr Burnham describes the business as follows:

"South Beach Cafe combines three new, exciting, simple and convenience food concepts in one:

8.1 It is a bagel bar serving fresh-baked soft-style Miami bagels and croissants accompanied by flavoured cream cheeses and deli sandwich ingredients, soups, salads, and other baked/pastry goods, including rich cheesecakes and desserts; and

8.2 It offers internet access for free; and

8.3 It also offers a wide range of beverages including fresh fruit smoothies, fresh veggie drinks, wheatgrass and coffee.

5 South Beach Cafe provides its customers with quality food and drinks at affordable prices with the accent on flavour and health, and to provide the customer with a fun place to meet friends in a relaxed atmosphere."

10 The exhibits (menus etc) draw no distinction between aspects of the business. As one might expect it is the cafe environment and food and drink as a whole that is being promoted. The provision of coffee and other drinks is integral and central to the whole concept. More importantly the provision of non-alcoholic hot and cold beverages is so much at the heart of any cafe or restaurant service that the sort of limitation or exclusion I am being asked to consider can serve no meaningful purpose. Had the conflict been between the Class 42 services and alcoholic drinks then it is conceivable that an exclusion relating to the provision of such items would offer a way forward reflecting a natural distinction in trade between the activities of licensed and un-licensed premises. No such distinction can be drawn here. It is no coincidence that café can mean the place or the drink (coffee). The two are inseparable. Customers have natural expectations as to what cafés and restaurants provide. To attempt to exclude from the applicants' specification something that is at the heart of the services is not a solution I can accept and would not in my view avoid the likelihood of confusion. In the event, therefore, the opposition succeeds in relation to the Class 42 services albeit that I have reached my decision on a somewhat different basis and on different arguments and evidence than the OHIM decision.

25 The result is that the application is not open to objection for the Class 21 goods and will be allowed to proceed to registration if within one month of the end of the appeal period for this decision the applicants file a Form TM21 amending their specification by the deletion of the Class 42 services.

30 If the applicants do not file a TM21 restricting the specification the application will be refused in its entirety.

35 In the circumstances both sides have achieved some success and I do not propose to make any award as to costs. If on the other hand the applicants do not amend their specification then the opposition will have succeeded in its entirety and I will order the applicants to pay the opponents the sum of £635. This sum to be paid within seven days of the expiry of the period allowed for filing a Form TM21 (if no form is filed) or within seven days of the final determination of the case if any appeal against this decision is unsuccessful.

40 Dated this 13 day of June 2000

45 M REYNOLDS
For the Registrar
the Comptroller-General