

TRADE MARKS ACT 1994

IN THE MATTER OF:

APPLICATION No. 9986

IN THE NAME OF LT OVERSEAS LTD

FOR A DECLARATION OF INVALIDITY

IN RESPECT OF TRADE MARK No.2032467

REGISTERED IN THE NAME OF A1 TRADING LTD.

DECISION

1. On 5 September 1995 A1 Trading Ltd (*“the Respondent”*) applied to register the designations DAAWAT and SONA as trade marks for use in relation to various goods in Class 30.

2. The application relating to the designation DAAWAT proceeded to registration in respect of “biscuits, coffee, cornflour, cornmeal, couscous (semolina), flour-milling products, ketchup (sauce), maize meal, mustard, mustard meal, noodles, oatmeal, peanut confectionery, potato flour for food , rice, salt (cooking), salt for preserving foodstuffs, sauce (tomato), semolina, spices, tea, wheat flour”.

3. The application relating to the designation SONA was accepted for registration in respect of a substantially identical specification of goods. It was opposed following advertisement in the Trade Marks Journal and now appears to

have been withdrawn in circumstances which have not been explained in the evidence before me.

4. On 21 October 1997 the Respondent applied under number 659037 to register DAAWAT as a Community Trade Mark.

5. LT Overseas Ltd (*“the Applicant”*) opposed this application under Articles 8(3) and 8(4) of Council Regulation 40/94 of 20 December 1993 on the Community trade mark. Those Articles provide for objections to registration that are broadly similar to those which may be raised under Sections 60 and 5(4) of the Trade Marks Act 1994. I understand that the opposition was rejected in a decision issued by the Community Trade Marks Office under number 110/2001 on 29 January 2001. I am unaware of the existence or outcome of any appeal against that decision.

6. On 22 February 1998 the Applicant applied to the Registrar of Trade Marks for a declaration to the effect that the trade mark DAAWAT was invalidly registered in the name of the Respondent in the United Kingdom.

7. The application for a declaration of invalidity was made under Sections 3(6) and 47(1) of the 1994 Act. Section 3(6) provides (in accordance with Articles 3(2)(d) and 13 of Council Directive 89/104/EEC of 21 December 1988) that *“A trade mark shall not be registered if or to the extent that the application is made in bad faith”*. Section 47(1) provides for the registration of a trade mark to be

declared invalid on the ground that it was registered in breach of Section 3 of the Act.

8. In its Statement of Grounds the Applicant claimed a declaration of invalidity on the following basis

“(i) The Registrant was aware when making the application that the applicants intended to use or to register the mark DAAWAT. The Registrant was not the proprietor of the mark. Further, the Registrant had, and has had, a relationship with the applicants. The filing of the application was part of a concerted practice and constituted an act of bad faith contrary to Sections 3(6) and 47(1) of the Trade Marks Act 1994.

(ii) In the alternative, the Registrant was aware when making the application that the applicants were using the mark DAAWAT abroad and the Registrant attempted to pre-empt the applicants from using and/or registering their mark in the United Kingdom, this constituting an act of bad faith contrary to Section 3(6) and 47(1) of the Trade Marks Act 1994.

(iii) In the alternative, the Registrant filed the application without any intention of making bona fide use of the mark DAAWAT, this also constituting an act of bad faith contrary to Section 3(6) and 47(1) of the Trade Marks Act 1994.”

The Respondent joined issue with the Applicant upon these contentions and denied that Trade Mark No. 2032467 was invalidly registered.

9. The evidence in support of the application for a declaration of invalidity consisted of a statutory declaration of Mr Vijay K Arora (Managing Director of the Applicant) dated 26 November 1998.

10. Mr Arora gave evidence to the effect that the Applicant had built up and acquired an extensive goodwill and reputation as a supplier of rice and that the designations DAAWAT and SONA were widely known and recognised as trade marks under which the Applicant's rice had been (and continued to be) sold and supplied for distribution in India and elsewhere.

11. He stated that Mr Bob Mann (Sales Director of the Respondent) had on four or five occasions in 1993 and 1994 visited the Applicant's offices in New Delhi as a buyer/agent for the purchase of rice. He also stated that Mr Mann had become aware in the course of those visits: (i) that the Applicant was using the trade marks DAAWAT and SONA; and (ii) that it intended to establish an office for the marketing of its rice in Europe (including the United Kingdom) in the near future.

12. He went on to say that on a number of occasions after the Respondent had applied to register itself as the proprietor of the trade mark DAAWAT in the United Kingdom, Mr Mann had demanded "*either that A1 Trading Limited be appointed my Company's sole distributor in the UK and/or Europe or that my Company should pay a sum of money to A1 Trading Limited to purchase registration No. 2032467*". The demands for payment were said to have varied between £25,000 and £200,000.

13. The Respondent's evidence in answer consisted of a statutory declaration made by its Sales Director, Balbir Singh Mann (Bob Mann), on 26 February 1999.

14. Mr Mann stated that the DAAWAT brand did not exist in the United Kingdom “*until my company started marketing it in 1995*” and that the Applicant “*did not have any trading whatsoever in this country until we introduced customers to them from 1995.*”

15. He maintained that the Respondent’s association with the Applicant started in October 1995 when he visited India with a view to importing brown Basmati rice. According to Mr Mann, the Respondent subsequently agreed at Mr Arora’s request to act as the Applicant’s agent in Europe to sell brown Basmati rice on a commission basis.

16. He gave the following evidence in relation to his visit to the Applicant’s offices in India in October 1995:

“The third party on behalf of the applicants phoned us a few times with a view to introducing the two companies, as the applicants were looking for customers in Europe. For this reason alone during my visit in October 1995 I visited the offices of LT Overseas Limited for the first time. During the conversation at that meeting it became apparent that both of us were promoting the same brand. Mr. Arora indicated that they had registered the trade mark world-wide apart from the U.K. He requested that if I could show him a proof of application which I did by telephoning my office in London and requesting them to fax the same while I was in Mr. Arora’s office. On receipt of this fax Mr. Arora said that we had more reason to work together and said that now it was his prerogative to insist that we should buy rice from their company to pack in our **DAAWAT** brand.”

17. Mr Mann described the application for a declaration of invalidity as sour grapes and attributed it to the fact that the Applicant had missed out on doing

further business with the Respondent as a result of various difficulties which had arisen during the period in which the two companies had been trading with one another.

18. He said that it was from the outset *“very clear to Mr Arora that the DAAWAT brand belonged to AI Trading Limited in the UK”* and *“He had no hesitation to work with us nor did he feel it necessary to raise any objection at the time”*. He also said that *“Mr Arora was always requesting that we could work more closely if we were to let him have our DAAWAT brand in the UK. Nothing ever came of this because we only talked and never put into practice anything that we had discussed.”*

19. These statements appear to have been made in relation to Mr Arora’s evidence as to the Respondent’s demands for sole distributorship or payment for transfer of the registration in suit to the Applicant. It is noticeable that Mr Mann did not specifically controvert the evidence given by Mr Arora in that connection.

20. Exhibit 4 to Mr Mann’s declaration included a letter of 12 February 1996 in which he had written to Mr Arora in the following terms:

“It was nice to meet you in Holland and I hope that you had a pleasant flight back to India.

Further to our discussions on the Daawat brand, I have spoken to my brothers on this matter and in principle we have no objection to the brand being transferred to your company. However, we need you to clarify our future understanding with regards to the Daawat brand and how we intend to work together.

This will clear the way for our common goal and will keep us clear of any future pitfalls.

As a matter of urgency, please let me know the earliest you are able to ship five containers as per our arrangement.”

21. The exhibit also included a letter of 3rd April 1997 in which Mr Mann had written to Mr Arora saying “*we are still awaiting your detailed proposal for Daawat. We would like to inform you that we are at advance stages of tying up the brand with a few local distributors and once we have concluded, we will not be in a position to consider your proposal*”. These letters appear to confirm that the Applicant and the Respondent discussed (without concluding) arrangements for the transfer of the DAAWAT brand and the establishment of a closer commercial association following the dealings between them in 1995.

22. The Applicant’s evidence in reply consisted of a statutory declaration made by Mr Arora on 24 August 1999 in which he asserted that Mr Mann had given false and inaccurate evidence in the statutory declaration that had been filed on behalf of the Respondent.

23. The application for a declaration of invalidity proceeded to a hearing before Mr Allan James, Principal Hearing Officer, acting for the Registrar of Trade Marks.

24. Neither party applied to cross-examine the other’s witness upon the evidence it wished the Principal Hearing Officer to disregard.

25. I regard this as a less than ideal way of proceeding in a case in which: the registration in suit was prima facie valid (see Section 72 of the 1994 Act); bad faith had to be proved by the Applicant; the Respondent was entitled to the benefit of a rebuttable presumption of innocence (see Joseph Constantine SS Line Ltd v. Imperial Smelting Corporation Ltd [1942] AC 154 at 192, 193 per Lord Wright); the written evidence of the parties conflicted in various respects; and the documents selected for use as exhibits to the statutory declarations provided incomplete support for the assertions the witnesses had made narratively.

26. Cross-examination could well have provided the Principal Hearing Officer with the benefit (*familiar to those who are used to hearing witnesses cross-examined in court on written evidence prepared for them by others*) as Ferris J. observed in Lombard Bank Ltd v. Alliance & Leicester Plc 29 October 2001) of a better understanding of the reliability of the statements made in the statutory declarations.

27. I recognise that in other Member States (and in the Community Trade Marks Office) where applications for registration can be declared invalid on the ground of bad faith in accordance with the provisions of Article 3(2)(d) of the Directive (and Article 51(1)(b) of the Community Trade Mark Regulation) the absence of cross-examination is an established or even inescapable feature of the way in which proceedings to determine such objections are conducted.

28. This reinforces me in the view that the absence of cross-examination should not, of itself, be taken to have rendered the case presented by either party

untenable. It did, however, leave the Principal Hearing Officer with no alternative but to consider the evidence carefully and form his own view as to the weight and significance which ought properly to be attached to the points that were, and the points that were not, contradicted in the material that had been put before him. I believe that by requiring the Principal Hearing Officer to proceed on that basis the parties necessarily accepted that he was entitled to consider the plausibility of the positions they had adopted in the context of the evidence as a whole. It was only by doing so that he could examine the contradictions and assess their effect, in substance and reality, upon the Applicant's claim for a declaration of invalidity.

29. The Principal Hearing Officer upheld the claim for a declaration of invalidity for the reasons he gave in a written decision issued on 15 May 2001. His decision is now reported at [2002] RPC 12, p. 297.

30. Having examined the evidence in terms of 'Undisputed Facts' (paragraph 19) and 'Disputed (relevant) Facts' (paragraph 20) he asked himself three questions and answered them in the affirmative.

31. The three questions were (paragraph 21):

- (i) whether the Respondent had knowledge of the Applicant's use of the mark DAAWAT in India prior to the date of its application for registration of the same mark in the UK ?

- (ii) whether the Respondent had reasonable grounds to believe that the Applicant intended to enter the UK market for rice under the DAAWAT mark ?
- (iii) whether the Respondent applied to register the mark DAAWAT in order to take unfair advantage of its knowledge of the Applicant's plans ?

32. In answering these questions in the affirmative the Principal Hearing Officer rejected the suggestion made by Mr Mann on behalf of the Respondent (see paragraph 16 above) that it only became apparent in the course of the meeting in New Delhi in October 1995 that the parties were both promoting the same brand.

33. He considered (paragraph 26) that: *“On the contrary, it seems plain that the application to register the mark DAAWAT in the UK was made so as to improve the [Respondent's] bargaining position with the [Applicant] in the context of a prospective economic relationship between the parties relating to the sale of rice in the UK and/or Europe”.*

34. Looking at the evidence in the round he considered that the Respondent's application for registration of the mark DAAWAT had been made in order to equip it with a tool which it could use to improve its prospects of obtaining an agency or distribution agreement with the Applicant for the sale of Basmati rice in the UK and/or Europe (paragraph 28).

35. He concluded (paragraph 33) that:

“The registered proprietor made its application to register DAAWAT in the UK in order to exploit to its own advantage the knowledge it had gained of the applicant’s plans to extend its trade to Europe. The commercial advantage to be gained by the registered proprietor was to be achieved by closing off the possibility of the applicant extending its use of its DAAWAT mark to the UK without the registered proprietor’s consent”

36. In the result he upheld the application for a declaration of invalidity, but only in so far as it related to the inclusion of rice and similar goods in the specification of Registered Trade Mark No. 2032467. The Respondent was permitted to retain proprietorship of the Registered Trade Mark for “biscuits, coffee, ketchup (sauce), mustard, peanut confectionery, sauce (tomato), tea”. It was none the less ordered to pay the Applicant £850 as a contribution towards its costs of the proceedings.

37. The Respondent gave notice of appeal to an Appointed Person under Section 76 of the 1994 Act contending that the Principal Hearing Officer had:

- (1) erred in point of fact by answering each of the three questions identified in paragraph 31 above in the affirmative; and
- (2) erred in point of law by holding that the requirement for “bad faith” in Section 3(6) of the 1994 Act could be satisfied by behaviour which was not consciously dishonest and which involved no breach of any legal duty,

obligation, prohibition or requirement otherwise binding upon the person who had applied for the relevant registration.

38. The Applicant did not cross-appeal against the Principal Hearing Officer's decision to allow the Respondent to retain registration of the mark DAAWAT for goods of the kind identified in paragraph 36 above.

39. During the pendency of the appeal the Respondent went into liquidation and the liquidator of the company assigned the entirety of its right, title and interest in and to Registered Trade Mark No.2032467 to a new company called A1 Trading (UK) Limited (*"the Second Respondent"*).

40. Mr Mann (in his capacity as Managing Director of the Second Respondent) provided confirmation in writing that the Second Respondent would accept liability for the whole of the costs of the proceedings if it was permitted to pursue the appeal in lieu of the Respondent and the appeal did not succeed. At the commencement of the hearing before me I permitted the Second Respondent to be joined as a party to the appeal in addition to (and not in lieu of) the Respondent. The liquidator of the Respondent had not asked for it to be released from the proceedings and I preferred to keep it in as a party of record. The Second Respondent was (and the Respondent was not) represented at the hearing of the appeal.

41. In the run up to the hearing of the appeal the Applicant sought leave to file additional evidence in the form of: (i) a statutory declaration made by Mr Arora on

18 September 2001; and (ii) a statutory declaration made by Mr Richard Abnett of the Applicant's trade mark attorneys Messrs Reddie & Grose on 30 October 2001. The Second Respondent sought leave to file additional evidence in the form of a statutory declaration made by Mr Mann on 23 October 2001.

42. The Applicant and the Second Respondent agreed to the admission of the further evidence. For that reason and also because I could see that it consisted, in part, of corrections to the evidence which had previously been given I allowed the additional evidence to be adduced.

43. Mr Arora's additional statutory declaration exhibited a letter which Mr Mann had sent to him by fax on 2 October 1995. The letter was addressed to "DEAR VIJAY". It opened with the words: "IT HAS BEEN A LONG TIME SINCE WE LAST SPOKE AND AS YOU ARE AWARE THE SITUATION FOR THE BASMATI RICE HAS CHANGED". It went on to say "OUR DEMAND IS NOW INCREASING AND AS I HAD PROMISED YOU THAT WE WILL DO BUSINESS WHEN THE OPPORTUNITY ARISES. WE ARE NOW IN A POSITION TO BUY FIVE CONTAINERS A MONTH OF YOUR TOP QUALITY BROWN BASMATI RICE". It ended with the statement "WE WOULD APPRECIATE YOUR REPLY TODAY".

44. Mr Abnett's statutory declaration confirmed that the Applicant had registered the trade mark DAAWAT in the United States on the basis of a claim to use in commerce dating back to 1994.

45. In his additional statutory declaration Mr Mann confirmed that he had sent the letter referred to in paragraph 43 above to Mr Arora by fax on 2 October 1995.

46. He went on to identify the ‘third party’ referred to in his earlier declaration (see paragraph 16 above) as Mr Minocha. He said that in September 1995 he was looking for an alternative supplier of rice and, through contact with Mr Minocha, the Applicant was *‘foremost in my mind at the time as a possible alternative supplier’*.

47. He expanded upon this by saying that: *“On a number of occasions in August and September 1995 Mr Minocha telephoned me in conjunction with Mr V K Arora whilst Mr Minocha was visiting the offices of [the Applicant] in India. Mr Minocha would point out that [the Applicant] was looking for buyers in Europe of its bulk rice and that [the Respondent] might be interested in buying bulk rice from [the Applicant]. I indicated that I would keep [the Applicant] in mind if such an opportunity arose.”*

48. In addition to recapitulating upon his own position, Mr Mann exhibited various documents relating to Indian Trade Mark Application No.483,041 for registration of the word DAAWAT in respect of rice in Class 30. The documents indicated that the application had been filed in December 1987 with a claim to use since 1985, but remained subject to opposition and therefore unregistered (contrary to a statement in Mr Arora’s first statutory declaration that the application had proceeded to registration in March 1989). It also appeared that the application for registration had been filed in the names of the partners in a firm

trading as Messrs Lal Chand Tirath Ram Rice Mill and not in the name of the Applicant.

49. I note that although Mr Abnett's statutory declaration was made after this evidence had been served upon the Applicant, he offers no explanation for the discrepancies between Mr Arora's evidence in relation to the Indian application for registration and the documents exhibited to Mr Mann's additional statutory declaration.

50. At the hearing, the Applicant's representative questioned the basis upon which Registry decisions may be regarded as open to alteration on appeal.

51. It is clear from Section 76 (1) that (save as otherwise expressly provided by the Trade Marks Rules) "*any decision*" of the Registrar under the 1994 Act may be challenged by way of appeal and any act of the Registrar in the exercise of a discretion vested in her by or under the Act is to be regarded as a "*decision*" for that purpose.

52. An appeal to the Court or an Appointed Person is an appeal to "*an independent and impartial tribunal established by law*" which, in accordance with the broad ambit of Section 76(1), possesses "*full jurisdiction*" (within the meaning of that expression as used in the case law of the ECtHR relating to Article 6(1) ECHR) to deal with the Registrar's decisions as the nature of the case requires: see paragraphs 86 to 88 and 107 to 115 of the Opinion of Lord Hoffmann in R (on the application of Alconbury Developments Ltd) v. Secretary of State for the

Environment, Transport and the Regions [2001] UKHL 23 (9 May 2001) and paragraphs 87, 88 and 93 of the Opinion of Lord Hope in Porter v. Magill [2001] UKHL 67 (13 December 2001).

53. It is none the less necessary, as emphasised by Lord Nicholls in paragraphs 14 to 20 of his Opinion in Re B (a child) [2001] UKHL 70 (17 December 2001), to bear in mind that courts of appeal exist to remedy mistakes in the first instance process; that a court of appeal is not intended to be a forum in which unsuccessful litigants, where no error occurred at first instance, may have a second trial of the same issue under the guise of an appeal; that before an appeal court can intervene it must be shown that the decision-taker at first instance has erred in some relevant respect: by misdirecting himself on the law or the evidence or by being so plainly wrong that he must have misdirected himself; and that generally speaking, the vaguer the legal standard to be applied and the greater the number of factors which the decision-taker has to weigh up in deciding whether or not the standard has been met, the more reluctant an appellate court will be to interfere with his decision.

54. In the case of Bessant v. South Cone Incorporated [2002] EWCA Civ 763 (28 May 2002) the Court of Appeal reviewed the recent appellate authorities in this area and confirmed that these principles apply to appeals under Section 76 of the 1994 Act. Robert Walker LJ (with whom Buxton and Clarke L.JJ agreed) drew attention (paragraphs 23 to 25) to the distinction between an inference from a number of primary facts which may itself be a simple matter of fact and inferences of the kind which involve a process of evaluation. With reference to the latter, he

noted (paragraph 26) that there is no single standard for determining how reluctant an appellate court should be to interfere with a trial judge's evaluation of, and conclusion on, the primary facts.

55. Allowing for the degree of respect that has traditionally been shown to a hearing officer's specialised experience, and recognising that it had been necessary for the hearing officer in the case before him to make a 'multi-factorial' assessment (albeit without hearing oral evidence) in order to arrive at conclusions as to the likelihood of confusion and the outcome of a notional passing-off claim, Robert Walker L J stated (paragraph 28) that:

“In such circumstances an appellate court should in my view show a real reluctance, but not the very highest degree of reluctance, to interfere in the absence of a distinct and material error of principle”.

56. He further cautioned (in paragraph 29) against treating a judgment or decision as containing an error of principle simply upon the basis of a belief that it could have been better expressed.

57. Consistently with the approach it had laid down for the determination of appeals under Section 76 of the Act, the Court of Appeal unanimously held that the decision of the hearing officer in the case before it should be reinstated on the basis that the decision involved no error of principle and could not be characterised as clearly wrong and so should not have been reversed on appeal to the High Court.

58. I now turn to consider the present appeal in the light of the guidance provided by the authorities to which I have referred.

59. It was submitted on behalf of the Second Respondent that the evidence before the Principal Hearing Officer was too inconclusive and unsatisfactory to enable him to make the findings he did in answer to the questions noted in paragraph 31 above.

60. In this connection I take as my starting point the evidence I have quoted in paragraph 16 above. I understand from this evidence that Mr Mann wanted the Registrar to believe that he (Mr Mann) was, until he visited the offices of the Applicant in New Delhi in October 1995, unaware that the Applicant and the Respondent were both promoting the same brand (i.e. the DAAWAT brand). Counsel for the Second Respondent agreed that this was a fair way of looking at that evidence (Transcript, pages 44 to 46).

61. The suggestion that Mr Mann was unaware of the Applicant's use of the trade mark DAAWAT until October 1995 made it all the more necessary for the Principal Hearing Officer to consider how it could have happened that on 5 September 1995 the Respondent applied under the 1994 Act to register itself as the proprietor of not just one, but two of the trade marks that the Applicant was then using in relation to rice: DAAWAT and SONA.

62. The evidence filed on behalf of the Applicant sought to explain how and why those marks came to be put forward for registration in the name of the

Respondent in early September 1995. The evidence filed on behalf of the Respondent said nothing about the trade mark SONA. As to the adoption of the trade mark DAAWAT, Mr Mann said:

“ We chose DAAWAT as a trade mark after suggesting a list of different names to family and friends. It is common practice in the Asian community to have similar brands in India and in other parts of the world because everybody likes to have a name which is associated with one’s culture”.

I think that in that state of affairs the Principal Hearing Officer was entitled to consider the evidence carefully and conclude (as he did) that the Respondent’s application for registration of the trade mark in issue was made with knowledge of the fact that it was a trade mark used by the Applicant in relation to rice supplied in and for export from India.

63. The Principal Hearing Officer could not have arrived at that conclusion without regarding Mr Mann’s evidence to the contrary effect as implausible. The evidence that has now been brought forward in Mr Arora’s additional statutory declaration (see paragraph 43 above) and in Mr Mann’s additional statutory declaration (see paragraphs 46 and 47 above) reinforces me in the view that the Principal Hearing Officer was right to proceed on that basis.

64. It was submitted that the Respondent could not be found to have been aware in September 1995 that the Applicant was planning to commence sales in the United Kingdom under the DAAWAT brand because there was no firm evidence of the existence of any such plan at that date.

65. However, Mr Arora had given evidence to the effect that in 1994 and 1995 the Applicant had attended trade exhibitions in France and Germany for the purpose of creating awareness of its Basmati rice under the DAAWAT mark. He had also given evidence to the effect that in 1995 the Applicant began to implement its intention to sell its Basmati rice in Europe under the trade mark DAAWAT by setting up an office in the Netherlands. He said that this office had been run by Mr Kapoor, one of the Applicant's employees, and that Mr Kapoor had continued to run the office when it moved to Bishops Stortford in Essex in 1997.

66. The documents exhibited by Mr Mann included: the letter he had written to Mr Arora on 12th February 1996 (see paragraph 20 above) saying *'It was nice to meet you in Holland'*; a letter he had written to Mr Arora on 16th July 1996 saying *'If you want we can arrange for the rice to be delivered to your Holland office'*; and a letter from the Applicant dated 14th September 1996 printed with the address and the telephone and fax numbers of its overseas office in Rotterdam. These references are consistent with an office in the Netherlands operating in 1996 on the basis of forward planning by the Applicant in 1995. It was, moreover, accepted in Mr. Mann's declaration (see paragraphs 14 and 16 above) that the Applicant was looking for customers in Europe, including the United Kingdom, in 1995.

67. In the circumstances I can see no reason why the Principal Hearing Officer should not have accepted Mr Arora's evidence to the effect that Mr Mann was at the relevant time aware from his contacts with the Applicant that the Applicant was intending to market its DAAWAT rice in Europe (including the United

Kingdom) in the near future. Still less can I do so in circumstances where it is acknowledged that such contacts took place in August and September 1995 (see paragraphs 46 and 47 above) and Mr Mann does not actually say that he had no knowledge of any such intention on the part of the Applicant at the relevant date.

68. As I have already noted, Mr Arora's evidence as to the Respondent's demands for sole distributorship or payment for the transfer of the registration in suit to the Applicant was not specifically controverted by Mr Mann. It is not difficult to accept that such demands could have been made in the context of the discussions evidenced by the letters in Exhibit 4 to Mr Mann's declaration (see paragraphs 20 and 21 above). I am satisfied that it was open to the Principal Hearing Officer to accept Mr Arora's evidence in that connection.

69. I do not intend to go further into the evidence in this Decision. My conclusion, having read and re-read the evidence with the Second Respondent's criticisms firmly in mind, is that it was open to the Principal Hearing Officer to make the findings that he did on the basis of the evidence that was before him and that he cannot be said to have erred in making those findings on the basis of that evidence. I consider that the additional evidence admitted on appeal points to the correctness of the Principal Hearing Officer's findings. I am not persuaded otherwise by the unsatisfactory absence of any explanation on the part of the Applicant for the discrepancies relating to Indian Trade Mark Application No. 483, 041 I have referred to in paragraph 48 above.

70. I now turn to consider the Second Respondent's contention that the Principal Hearing Officer's findings were insufficient in point of law to justify a holding of bad faith under Section 3(6) of the 1994 Act.

71. Section 3(6) identifies bad faith as an absolute ground for refusal of registration. It follows that registration in breach of the requirements of that Section can be prevented by the Registrar with or without the objection or consent of any other person under Sections 5(1) to (5) of the Act.

72. The Registrar's power to act autonomously is, uniquely in the context of the absolute grounds for refusal of registration identified in Section 3 of the Act, exercisable post-registration under Section 47(4) of the Act: "*In the case of bad faith in the registration of a trade mark, the registrar may apply to the court for a declaration of the invalidity of the registration*".

73. Section 3(6) implements the optional provisions of Article 3(2)(d) of the Directive. That Article clearly singles out bad faith for adoption as an additional ground of objection to registration. It follows, in my view, that Section 3(6) can serve as a free-standing basis of objection and also that it strikes at behaviour of a kind that need not otherwise be objectionable.

74. I nevertheless consider that the question of how far the concept of bad faith can or should be taken consistently with its Community origins in Article 3(2)(d) of the Directive remains a matter upon which the guidance of the European Court

of Justice likely to be required: Road Tech Computer Systems Ltd v. Unison Software (UK) Ltd [1996] FSR 805 at pages 817, 818 per Robert Walker J.

75. At this point I must emphasise that I was asked by the Applicant and the Second Respondent to determine the present appeal to the best of my understanding without making an order for reference to the European Court of Justice under Article 234 of the EC Treaty or an order referring the case to the High Court under Section 76(3) of the Act.

76. I have done so on the basis that I am not a tribunal of last resort and may therefore proceed without making an order for reference under Article 234 (see Maasland's NV's Application [2000] RPC 893 at pages 900, 901) and also because it appeared to me that the scale of the dispute from a commercial point of view was legitimately reflected in the common desire of the Applicant and the Second Respondent to have the appeal determined by this tribunal.

77. In Gromax Plasticulture Ltd v. Don & Low Nonwovens Ltd. [1999] RPC 367 at 379, Lindsay J. said in relation to Section 3(6):

“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.”

78. In following that approach in Demon Ale Trade Mark [2000] RPC 345 I said (at p. 356):

“These observations recognise that the expression ‘bad faith’ has moral overtones which appear to make it possible for an application for registration to be rendered invalid under section 3(6) by behaviour which otherwise involves no breach of any duty, obligation, prohibition or requirement that is legally binding upon the applicant.”

79. I also said (at p. 356):

“I do not think that section 3(6) requires applicants to submit to an open-ended assessment of their commercial morality. However, the observations of Lord Nicholls on the subject of dishonesty in *Royal Brunei Airlines Sdn Bhd v. Philip Tan* [1995] 2 A.C. 378 (PC) at page 389 do seem to me to provide strong support for the view that a finding of bad faith may be fully justified even in a case where the applicant sees nothing wrong in his own behaviour.”

80. The passage to which I was referring in the judgment of Lord Nicholls in Royal Brunei Airlines was as follows:

“Honesty, indeed, does have a strong subjective element in that it is a description of a type of conduct assessed in the light of what a person actually knew at the time, as distinct from what a reasonable person would have known or appreciated. Further, honesty and its counterpart dishonesty are mostly concerned with advertent conduct, not inadvertent conduct. Carelessness is not dishonesty. Thus for the most part dishonesty is to be equated with conscious impropriety. However, these subjective characteristics of honesty do not mean that individuals are free to set their own standards of

honesty in particular circumstances. The standard of what constitutes honest conduct is not subjective. Honesty is not an optional scale, with higher or lower values according to the moral standards of each individual. If a person knowingly appropriates another's property, he will not escape a finding of dishonesty simply because he sees nothing wrong in such behaviour."

81. In Twinsectra Ltd v. Yardley [2002] UKHL 12 (21 March 2002) the House of Lords considered the requirements for liability for acting as an accessory to a breach of trust in the light of Lord Nicholls' judgment in Royal Brunei Airlines.

82. In paragraph 27 of his Opinion, Lord Hutton (with whom Lord Slynn, Lord Steyn and Lord Hoffmann agreed) said:

"Whilst in discussing the term 'dishonesty' the courts often draw a distinction between subjective dishonesty and objective dishonesty, there are three possible standards which can be applied to determine whether a person has acted dishonestly. There is a purely subjective standard, whereby a person is only regarded as dishonest if he transgresses his own standard of honesty, even if that standard is contrary to that of reasonable and honest people. This has been termed the 'Robin Hood test' and has been rejected by the courts. As Sir Christopher Slade stated in Walker v. Stones [2000] Lloyds Rep PN 864, 877 para. 164:

'A person may in some cases act dishonestly, according to the ordinary use of language, even though he genuinely believes that his action is morally justified. The penniless thief, for example, who picks the pocket of the multi-millionaire is dishonest even though he genuinely considers that theft is morally justified as a fair redistribution of wealth and that he is not therefore being dishonest.'

Secondly, there is a purely objective standard whereby a person acts dishonestly if his conduct is dishonest by the ordinary standards of reasonable and honest people, even if he does not realise this. Thirdly, there is a standard which combines an objective test and a subjective test, and which requires that before there can be a finding of dishonesty it must be established that the defendant's conduct was dishonest by the ordinary standards of reasonable and honest people and that he himself realised that by those standards his conduct was dishonest. I will term this 'the combined test'."

83. The House of Lords held (Lord Millett dissenting on this point) that dishonesty for the purposes of the law relating to accessory liability requires knowledge by the defendant that what he was doing would be regarded as dishonest by honest people, although he should not escape a finding of dishonesty because he sets his own standards of dishonesty and does not regard as dishonest what he knows would offend the normally accepted standards of honest conduct.

84. Lord Millett considered that the law expected the defendant to attain the standard which would be observed by an honest person placed in similar circumstances: it is not necessary that he should actually have appreciated that he was acting dishonestly; it is sufficient that he was.

85. The approach adopted by Lindsay J. in Gromax (see paragraph 77 above) does not necessarily require the "combined test" of dishonesty laid down by the majority of the House of Lords in Twinsectra to be satisfied. On the other hand, the proposition that a person can only be regarded as dishonest if he transgresses his own subjective standard of dishonesty, even if that standard is contrary to that

of reasonable and honest people, seems to be unacceptable on any view of the matter: see paragraph 82 above.

86. The question for consideration is whether the “combined test” for determining whether a person is liable for acting dishonestly as an accessory to a breach of trust also represents the test for determining whether an application for registration has been made in breach of Section 3(6) of the 1994 Act.

87. The question arises in the present case because the Principal Hearing Officer said in paragraph 33 of his Decision

“I do not doubt that Mr. Mann and the other directors of A1 Trading Ltd believed that the conduct they were engaged in was acceptable commercial behaviour. However, as I noted earlier, it is possible for persons to believe they are acting reasonably when most independent observers would disagree. I believe that this is the case here.”

Having described the Respondent’s conduct in the terms I have quoted in paragraph 35 above, he went on to say:

“Viewed objectively, I believe that this course of action, although falling short of outright dishonesty, was unacceptable commercial behaviour. In short, it was unfair to the point of bad faith.”

In this respect his decision was based upon the observations in Gromax and Demon Ale that I have quoted in paragraphs 77 to 79 above.

88. The Second Respondent is entitled on the basis of these findings to say that the Respondent’s conduct in applying for registration of the trade mark DAAWAT

under the 1994 Act was not consciously dishonest. However, that does not appear to me to be an answer to the objection raised against the relevant application under Section 3(6).

89. I say that, because I do not consider that Article 3(2)(d) of the Directive and its counterpart, Article 51(1)(b) of the Community Trade Mark Regulation, exist for the purpose of rendering applications for registration acceptable if they are not consciously dishonest. In my view, they exist for the purpose of ensuring that the opportunity to apply for registration is not abused by applicants claiming protection which they could not in good faith request or invoke, in relation to the relevant mark and specification of goods or services, in the circumstances existing at the date of application for registration. I do not believe that the “combined test” of dishonesty must necessarily be satisfied before an objection under Section 3(6) can be taken to have been made out.

90. I find support for that view in the approach that has been adopted in relation to the abuse of company name and domain name registration procedures. The case law in this area was considered by the Court of Appeal in British Telecommunications Plc v. One In A Million Ltd [1999] FSR 1. At page 12 Aldous LJ observed that it could be misleading to draw an analogy with the law relating to “knowing assistance” in a breach of trust as explained by Lord Nicholls in the Royal Brunei Airlines case. The approach to liability in cases of the kind considered by the Court of Appeal in the One In A Million case does not appear to require the “combined test” for dishonesty to be satisfied.

91. The same appears to be true of the approach adopted in the Community Trade Marks Office under Article 51(1)(b) of the Community Trade Mark Regulation.

92. In the case of Interkrenn Maschinen Vertriebs GmbH's Trade Mark [2002] ETMR 27, p. 312 the First Cancellation Division of the Community Office ruled as follows:

“15. In this specific case, the applicant has shown conclusively that a person linked to the trade mark proprietor obtained knowledge of a planned trade mark of the applicant during a business meeting. The name of this person is contained in the company name of the trade mark proprietor (Krenn/Interkrenn GmbH). In that regard two witnesses were named. The trade mark applicant has not refuted this contention and in this case that may be regarded as an admission. Therefore, what we are dealing with here is a classic case of ‘trade mark theft’.

....

17. Anyone who misappropriates the trade mark of a third party in a manner such as that described above, acts in bad faith within the meaning of Article 51(1)(b) CTMR (c.f. in that respect, also the Decision of BE NATURAL, of 25th October 2000, C000479899/1; now final). Therefore, the registration of Community trade mark No. 382,325 had to be declared invalid.”

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

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

94. Similarly, in paragraph 33 of its decision, in Lancome Parfums et Beauté et Cie’s Trade Mark [2002] ETMR 89, p.281 the First Cancellation Division observed that a finding of bad faith could properly be made where an applicant attempts, by means of registration, to seize the trade mark of a third party with whom he had a contractual or pre-contractual relationship.

95. It is true that in paragraph 32 of its Decision in the Lancome case the First Cancellation Division reiterated the view it had expressed in earlier cases to the effect that bad faith is a narrow legal concept in the Community trade mark system and that it generally involves and brings into play (without being restricted to) fraudulent or other injurious intent. However, it went on to say that:

“This means that it can also be interpreted as an underhand practice involving an absence of honest intent on the part of the Community trade mark applicant at the time of filing of the application ... Bad faith can be understood as being an underhand practice involving an absence of good faith vis à vis the Office on the part of the applicant at the time of filing or as an underhand practice based on actions infringing the rights of third parties.”

96. The approach of the Community Office appears to be consonant with the approach adopted by Lindsay J in the Gromax case and seems clearly to extend to behaviour of the kind that the courts in the United Kingdom have been prepared to

regard as reprehensible, but not necessarily dishonest: see paragraph 9 of the judgment of Pumfrey J in Reef Trade Mark [2002] RPC 19, p.387. It does not appear to require conscious dishonesty of the kind envisaged by the House of Lords in Twinsectra.

97. It was contended that the Respondent should, in any event, be held not to have acted in bad faith: (a) because it could not have been prevented from doing what it did if it had never had any dealings with the Applicant; and (b) because nothing in its dealings with the Applicant could properly be said to have restricted its freedom of action in any relevant respect.

98. To the extent that this contention treats the absence of any relative ground for refusing registration under Section 5 of the Act as a bar to an objection under Section 3(6) of the Act, I believe it to be misconceived for the reasons indicated in paragraphs 71 to 73 and 78 above.

99. It does, however, call into question the significance of the fact that the relative ground of objection identified in Article 4(4)(g) of the Directive is not available as a relative ground of objection under Section 5 of the 1994 Act.

100. It was open to Parliament under Article 4(4)(g) to provide that the registration of a trade mark should be regarded as objectionable on the ground of conflict with an earlier right “*where and to the extent that ... the trade mark is liable to be confused with a mark which was in use abroad on the filing date of the*

application and which is still in use there, provided that at the date of the application the applicant was acting in bad faith.”

101. The question is whether the omission of this relative ground of objection from the 1994 Act indicates that conduct of the kind in issue in the present case is meant to be unobjectionable in the United Kingdom.

102. Following the hearing of the appeal I received detailed and helpful written submissions on behalf of the Applicant and the Second Respondent as to the way in which this question should be answered.

103. It was pointed out that Articles 3(2)(d) and 4(4)(g) of the Directive both contain optional provisions. The applicant contended that Article 4(4)(g) was a sub-set of Article 3(2)(d) which Member States would not need to adopt if they opted for the broader “bad faith” objection contained in Article 3(2)(d). The Second Respondent contended that the “bad faith” objection contained in Article 3(2)(d) applies only to matters arising between applicants and the Registrar and does not apply to matters arising between an applicant and a third party (especially one asserting a relative right of the kind envisaged by the unimplemented provisions of Article 4(4)(g) of the Directive).

104. It seems to me that Article 4(4)(g) was conceived as a provision which would, if adopted, add to the operation of the “bad faith” objection prescribed by Article 3(2)(d) (Section 3(6) of the Act) and likewise add to the operation of the

“well known mark” objection prescribed by Article 4(2)(d) (Section 6(1)(c) of the Act).

105. But what would it add to the operation of those objections if it was adopted? In order to answer that question it is necessary to identify the mischief at which Article 4(4)(g) is directed. My conclusion is that the Article focuses upon the propensity of a mark to cause confusion outside the Member State in which it has been put forward for registration and treats that propensity as a vice if the applicant for registration can be shown to have been seeking to capitalise upon it and was therefore acting in bad faith. It thus provides a measure of domestic redress for harm in the form of a likelihood of foreign confusion c.f. Walker & Sons Ltd v. Henry Ost & Co. Ltd. [1970] RPC 489.

106. By contrast, Articles 3(2)(d) and 4(2)(d) (Sections 3(6) and 6(1)(c) of the Act) revolve around matters which touch and concern the acceptability of claims for protection in respect of trading activities within the territorial limits of the disputed registration of Ajlan Bin Abdullaziz Al-Ajlan & Bros Application [2000] ETMR 710. They do not purport to legislate for the acceptability of claims elsewhere and do not treat foreign legitimacy or illegitimacy as conclusive of the position in the Member State where registration has been requested. The non-implementation of Article 4(4)(g) in the 1994 Act appears to confirm that Parliament intended to create no extra protection for foreign interests.

107. The domestic perspective of the objection under Section 3(6) was correctly recognized in paragraph 17 of the Principal Hearing Officer’s decision: “*In my*

view a vague suspicion that a foreign proprietor may wish to extend its trade to the UK is insufficient to found an objection under Section 3(6).”

108. Whilst it might be possible to interpret Article 3(2)(d) and Section 3(6) restrictively so as to confine their operation to matters arising between applicants and the Registrar, I do not think it would be right to limit the operation of the objection in that way.

109. An applicant for registration wishes, in effect, to restrict the freedom of action of others in the area of economic activity represented by the goods or services specified in his claim for protection. It would be odd if the effect of registration upon other people’s freedom of action had to be disregarded when assessing whether a claim for protection was open to objection on the ground of bad faith under Section 3(6). The objection would, on that basis, be narrower in scope than the claim for protection to which it applied. I cannot believe that the Community legislature intended that to be the case.

110. In my view Section 3(6) allows objections on the ground of bad faith to be raised in relation to matters arising between applicants and third parties as well as in relation to matters arising between applicants and the Registrar. This accords with the practice of the Community Office under the parallel provisions of Article 51(1)(b) of the Community Trade Mark Regulation.

111. I would agree that if Section 3(6) had not been enacted, it *might* have been possible to say that the Respondent’s behaviour in applying to register itself as

proprietor of the trade mark DAAWAT in the United Kingdom was legally unobjectionable.

112. The courts have endeavoured to protect the interests of foreign trade mark proprietors on the basis of limited user in the United Kingdom: see, for example, Chipie Trade Mark [2000] IP&T 735 (PC) at pp. 738, 739 per Lord Clyde. Their interests have also been protected within the scope of Section 56 (protection of well-known trade marks) and Section 60 (acts of agent or representative) of the 1994 Act. However, none of these avenues of protection appear to have been available to the Applicant. And it has not formally relied upon any breach of contract, trust or confidence in support of its objection under Section 3(6).

113. The Second Respondent maintains that the Applicant's objection under Section 3(6) should therefore be regarded as unsustainable. I disagree. The expression "bad faith" as used in Section 3(6) is, in my view, broad enough to cover conduct of the kind in issue in the present case and may be taken to do so without depriving any other provisions of the Act of their intended scope and effect.

114. For the reasons I have given, I uphold the Principal Hearing Officer's decision and dismiss the appeal.

115. The burden of costs occasioned by the appeal appears to me to have been somewhat greater than the burden of costs occasioned by the application before the Registrar.

116. I direct the Second Respondent to pay the Applicant £1,100 as a contribution towards its costs of the unsuccessful appeal.

Geoffrey Hobbs Q.C.

10 June 2002

Mr. Richard Abnett of Messrs Reddie & Grose appeared on behalf of the Applicant.

Mr. Michael Hicks instructed by Messrs Nabarro Nathanson appeared as Counsel on behalf of the Second Respondent.

The Respondent was not represented at the hearing.

The Registrar was not represented at the hearing.