

O-294-05

TRADE MARKS ACT 1994

**IN THE MATTER OF AN INTERLOCUTORY HEARING IN RESPECT OF
AN APPLICATION FOR REGISTRATION OF A TRADE MARK UNDER
NO. 2276764A IN THE NAME OF LANCASTER INDUSTRIES LLC**

AND

**OPPOSITION UNDER NO. 92985 THERETO BY INTERNATIONAL
LICENSING (CALIFORNIA) CORP TRADING AS HANG TEN
INTERNATIONAL**

**IN THE MATTER OF an
interlocutory hearing in
respect of an application for
registration of a trade mark
under No. 2276764A in the
name of Lancaster Industries LLC
and opposition under No. 92985
thereto by International Licensing
(California) Corp trading as Hang Ten
International**

Background

1. Application No. 2276764A stands in the name of Lancaster Industries LLC (“the applicant”). Registration is sought in respect of the following series of three marks:

HANG TEN
HANGTEN
HANG-TEN

2. Following publication of the application, Duane Morris, on behalf of International Licensing (California) Corp, (“the opponent”) filed a notice of opposition on 25 November 2004. The grounds of opposition were based on sections 3(6), 5(2)(a), 5(2)(b), 5(3), 5(4)(a) and 56 of the Act.

3. The notice of opposition was served on the applicant by the Trade Marks Registry in the usual way and the applicant was allowed until 1 March 2005 to file its defence if it wished to continue with the application. The required documentation was filed by Barlin Associates on behalf of the applicant on 10 February 2005.

4. As the opposition was based at least in part on grounds under Section 5(2) of the Act, the proceedings were then subject of a preliminary indication. The preliminary indication was issued but did not enable the proceedings to be settled. The proceedings therefore continued with the registry allowing the opponent until 6 July 2005 to file its evidence in support of the opposition.

5. On 9 June 2005, the registry wrote to the parties indicating that it appeared that the grounds of opposition based on sections 5(2)(a), 5(2)(b) and 5(3) of the Act were no longer valid grounds for opposition as the registrations on which they were based had been revoked. Barlin Associates replied by way of a letter dated 17 June 2005 agreeing with the registrar’s view and submitted that the same was true of the ground of opposition under section 5(4).

6. By way of a letter dated 23 June 2005, Duane Morris accepted that there was no basis for continuing with the grounds of opposition under sections 5(2)(a), 5(2)(b), 5(3) and 5(4)(a) of the Act. The letter also requested that a change of opponent should be recorded in light of various assignment procedures which had taken place. In addition the letter advised that it was the opponent’s intention to seek to amend the grounds of opposition under section 3(6) and that a further letter on this point would issue shortly.

7. A draft statement of grounds of opposition, which included a proposed amendment objecting under section 3(6), was filed under cover of a letter dated 1 July 2005. The registry issued a letter dated 19 July 2005 advising the parties that the preliminary view was that neither the substitution of opponent nor the amendment of the ground of opposition under section 3(6) should be allowed. The letter stated:

“Request for Change of Opponent

The Registrar’s preliminary view is that the request to change the opponent to ILC Trade Mark Corporation is refused. There are now no relative grounds of opposition and therefore no transfer of interests in any earlier marks relied on. (It is not possible to assign revoked registrations).

Amendment to the Grounds

The Registrar’s preliminary view is to refuse the proposed amendment to the statement of case. There is no reason why the proposed amendment to the 3(6) ground of opposition had not been apparent earlier in the proceedings and no substantial reasons to support the request to amend have been furnished.”

8. The applicant responded by way of a letter dated 26 July 2005 submitting that the amendment should not be allowed as the amendment proposed an allegation that was unarguable. The letter also requested that the original objection under section 3(6) be struck out as showing no cause of action

9. The opponent also responded. In its letter dated 1 August 2005 it said:

“ The Notice of Opposition and Statement of Grounds filed on 23 November 2004 set out a large number of grounds, many of which relied upon the existence of trade mark registrations 900404 and 1014798. When the Grounds were drafted, reliance was placed upon the existence of these registered trade marks. However, following the recent revocation of those registered trade marks the Opponent has had cause to review its Statement of Grounds under Section 3(6), since the Statement of Grounds would have to be amended in any event to exclude reference to the registered trade marks.

The Opponent is mindful of the seriousness of making an allegation of bad faith under Section 3(6) and, accordingly, as part of the process of reviewing the existing Grounds of Opposition, in or around April 2005 the Opponent instructed private investigators to research the status of the Applicant and those who stand behind the Applicant. The information obtained by those investigators, which is set out in the evidence which has been filed and served, became available very recently and, as soon as possible after it became available, it was incorporated into a draft amended Statement of Grounds under Section 3(6). The facts now relied upon by the Opponent as set out in paragraphs 1, 2, 3 and 4 of the draft Amended Grounds of Opposition were not known to the Opponent until after the investigator’s report was received, and in particular those facts were not known to the Opponent at the time the Notice of Opposition was filed (save of course for the fact that it was known that the Applicant is a company incorporated in Delaware, USA).

The remaining facts and matters set out in the proposed amended Grounds were within the Opponent's knowledge at the time of the filing of Form TM7 by the Opponent, but their significance was not appreciated until after the S3(6) issue was reviewed recently following the revocation of the Opponent's trade marks in Class 25.

Mindful of the seriousness of the allegation of bad faith as noted by paragraph 15 of TPN 4/2000 and the case law, the Opponent considered it appropriate to review the issue of bad faith, concentrating on the facts which it will say are relevant to the assessment of the Applicant's intention to use the mark as at the date of the Application herein, The Opponent contends that the proposed amended Grounds establish a strong prima facie case under S3(6)."

10. The letter also contained a request to be heard. Before the hearing took place, the opponent filed a letter dated 13 September 2005 indicating that it wished to further amend the proposed amendment to the objection under section 3(6). By way of a letter dated 14 September 2005, the registry advised the parties that the request would be considered at the hearing.

The hearing

11. The hearing took place before me by videoconference on 20 September 2005. Mr Edenborough of Counsel represented the applicant, Mr Penny of Counsel, represented the opponent. Skeleton arguments were received from both representatives. In a letter accompanying the skeleton argument, the opponent confirmed that the application to substitute the opponent was not being pursued. In addition, it was confirmed that the opposition based on section 56 was withdrawn.

12. Following the hearing I wrote a letter to both parties informing them of my decision. My letter, dated 20 September 2005 stated:

"In addition to the skeleton argument, the opponent filed a letter dated 19 September 2005, which Mr Edenborough confirmed he had seen. The letter indicated that the opponent was withdrawing the grounds of opposition based on Sections 5(2)(a), 5(2)(b), 5(3), 5(4)(a) and 56 of the Act. This left the only ground of attack as one under the provisions of Section 3(6). Mr Penny confirmed at the hearing that the opponent was withdrawing the Section 3(6) objection as originally filed in November 2004, and was seeking to replace it with a separate objection made under the same provisions of the Act. The opponent however, subsequently made a request to further amend the "replacement" objection. The single issue before me, therefore, was the opponent's request to add an objection under Section 3(6), the specific objection being that filed under cover of a letter dated 13 September 2005.

After hearing submissions from both parties, my decision is to refuse to allow the amendment of the statement of ground to include the Section 3(6) objection. I am not satisfied that there is even a prima facie case of bad faith made out and neither am I satisfied for the delay in seeking the request.

The effect of my decision is that, all other objections having been withdrawn, no grounds of opposition remain. That being the case, and subject to any appeal, the application is free to proceed to registration.

The application to amend the statement of grounds and the opposition to the application itself having failed, the applicant is entitled to an award of costs. I consider that an award in the sum of £700, to include £200 in respect of today's hearing, is appropriate. An order in this sum will follow in due course, again, subject to any appeal which may be lodged against my decision."

13. The opponent subsequently filed a Form TM5 seeking a full statement of the reasons for my decision. These I now give.

The Submissions

14. Mr Penny accepted that the application to amend the section 3(6) ground had originally been made without supporting reasons but submitted that persuasive reasons had been provided in the opponent's letter of 1 August 2005. Information about the status of the applicant had arisen in or around April 2005 although it was accepted that the remaining facts were not new.

15. Mr Penny stated the applicant had made no submissions that it would suffer any prejudice by the amendment, at least not one that could not be compensated by an award of costs.

16. Mr Penny submitted that the applicant was a company incorporated in Delaware, USA and that it was well known that Delaware was often used so that details of the company could remain confidential, even perhaps secret. The company was, he said, incorporated and controlled through a Mr Brewster and possibly his wife via a number of intermediary managers and registered agents. Mr Brewster runs a cleaning company which has no material connection with the goods covered by the application in suit. In answer to my question, Mr Penny accepted that the applicant company was a separate legal entity, whoever may or may not have been behind the company.

17. Mr Penny went on to say that the applicant company had never traded, had no income, appears to have no assets and, apart from earlier revocation proceedings, had had no activity. The proposed new ground infers that it has been a non-trading dormant company since its incorporation. Given the applicant company's status, Mr Penny submitted that with no assets or income, it had no financial ability to make use of the trade mark; as it had no employees or distribution network, it had no operational ability to use the trade mark and, given Mr Brewster's cleaning background, it had no knowledge of how to use the trade mark on the goods covered within the specification. With no financial returns and the cloak of secrecy available to Delaware companies, Mr Penny submitted that there were a sufficient number of questions raised which should persuade me to allow the amendment.

18. The breadth of goods for which registration was sought was, said Mr Penny, so wide that there was an obvious inference that the applicant did not have the bona fide intention to use the mark on all goods but merely intended to stop others. Mr Penny

submitted that it was just and appropriate to allow the amendment so that the allegations could be tested.

19. Mr Edenborough submitted that in seeking to add the ground under S3(6) the opponent was clutching at straws. The opponent was seeking an indulgence but had not backed up the request with reasons. Nothing had been provided to show why the enquiries into the applicant's status were made so late in the day. The ground the opponent sought to add was merely speculative. The applicant had indeed been incorporated in Delaware, something often done for tax efficiency reasons but in any event the state was part of the US with a reasonably sophisticated legal system.

20. As to the applicant and those who may be behind the company, Mr Edenborough said that no linkage had been made between them. In any event the applicant was a separate legal entity so the issue was irrelevant and could not be relied on to allege bad faith.

21. Mr Edenborough submitted that the financial status of the company and its knowledge base was also irrelevant. It was, he said, a reasonable and common commercial strategy to have a company that exists simply by licensing to others. It was especially common in Delaware to create such a holding company as it was tax efficient.

22. Mr Edenborough challenged the allegation that the applicant had done nothing since the application was made. He said that the applicant had chosen its mark and then realised that two earlier registrations blocked it. As the company had not wanted to open itself to infringement action, it had made investigations and established that there had been no use of those registrations nor were there any proper reasons for non-use. The company had therefore applied for revocation of the registrations and were successful. This only occurred in April 2005 and consequently it was only then that it was free to use the mark. Despite the successful revocation actions, the applicant wanted to secure its own registration before making use of it, as in order to license it, the registration was needed.

23. Mr Edenborough submitted that the fact that the application was made some four plus years ago and had not been used yet was irrelevant. Whilst there was a five year period allowed to put a mark into use, that period did not begin until the mark was registered.

24. Mr Edenborough stated that the range of goods for which registration was sought was actually quite narrow; the goods were commonly found in one shop. Consequently there was nothing to support the opponent's claim that the breadth of the specification was so wide that the application was made in bad faith.

25. In reply, Mr Penny said that the relevant test was not whether the issue of bad faith had been made out but whether a prima facie case had been raised. He said that there had to be a bona fide intention to use the mark on the goods applied for. It was necessary to consider the controlling mind behind the applicant. In this case, the individual(s) suggested by the opponent as being behind the applicant, has no connection with the goods for which registration was sought.

26. Mr Penny accepted that the opponent should have established the status of the applicant at an earlier stage. Whilst, with hindsight, this should have been done earlier, the fact remained that the case was only reviewed when the section 5 grounds were challenged following the successful revocation action. But the lateness of the request was something that could be compensated for by an award of costs.

The Law

27. There is no dispute that the registrar has the discretion to amend pleadings; the question to be addressed is whether that discretion should be exercised in this case.

28. Tribunal Practice Notice (TPN) 4/2000 provides guidance as to what the registrar would expect to be contained in statements of case and counter-statements. The TPN also sets out the procedure adopted in relation to requests for amendment to these documents:

“Amendments to statements of case and counter-statements

22. As parties will be expected to file focussed statements of case and counter-statements, the Trade Marks Registry will consider requests to amend these documents later in the proceedings. Amendments may include adding or removing a ground of opposition/revocation or invalidity or correcting information contained therein. If an amendment becomes necessary parties should seek leave to make the amendment at the earliest opportunity. When seeking leave to amend full details of the amendment together with the reasons for the amendment should be submitted. Whilst each request to amend will be considered on its merits the Registry will aim to give favourable consideration to such requests on the basis that it is likely to avoid a multiplicity of proceedings and thus help resolve the dispute between the parties quickly and at less cost. If the amendment requires the other party to file an amended counter-statement or additional evidence, an award of costs to cover this may be made.”

29. It is clear from the extract reproduced above that if a party seeks to amend its statement of case or counter-statement it should do so at the earliest opportunity and, when doing so, it should provide reasons to justify the request. The request will be considered on its merits.

30. I also bear in mind the comments of Neuberger J in *Willis Arnold Charlesworth v Relay Roads Limited (In Liquidation)* [2000] R.P.C. 300 which can be summarised as follows:

- When considering a late application to amend the court should have regard to the overriding objective of CPR Rule 1.1. In particular the court should:
 1. exercise its discretion in a way best designed to achieve justice;
 2. consider whether the party could be compensated in costs, but should bear in mind the anxieties and legitimate expectations of

the other party, the efficient conduct of litigation and the inconvenience caused to other litigants;

3. consider whether reasonable diligence has been shown and whether the amendment is likely to have an important influence on the result;
4. consider the features of the case and only accede to the application in exceptional circumstances.

31. The opponent seeks to add a new ground of opposition under section 3(6), that objection having been filed on 13 September 2005, almost ten months after the opposition was filed. During the course of the proceedings, all of the original grounds of opposition have been withdrawn or otherwise fallen away. The opponent admits that it could have made the claim earlier but only did so when the case was reviewed following the removal of some of those original grounds. The request to add the new ground was not therefore made at the earliest opportunity. This was not the first action between the parties; they therefore had prior knowledge of the applicant company. On the basis of the information before me, I was not satisfied that the opponent had shown due diligence or that the delay in seeking the request was justified.

32. The section 3(6) objection originally filed was based on an allegation that the applicant had failed to act in an acceptable commercial manner because it knew of the opponent's earlier (now revoked) registrations. The objection the opponent now seeks to introduce alleges the applicant had no bona fide intention to use the trade mark.

33. The opponent's proposed objection is based on a number of inferences and possibilities. There are inferences as to the business activities of an individual (and possibly his wife) who may or may not be somehow connected with the applicant company. In terms of the bona fides, I need to consider the applicant's intention. I fail to see how, given that the applicant is, as Mr Penny conceded, a separate legal entity with all the rights and responsibilities that entails, these inferences can support even a prima facie claim of bad faith against the applicant itself.

34. The proposed claim also makes inferences as to the trading status of the applicant, and its possible knowledge of the opponent's trading activities. It is inferred that the applicant knew of the opponent's mark, knew that substantial use had been made of it outside the UK, knew that it was likely that the opponent intended to use the mark in the UK at some future stage but nevertheless failed to make inquiries about that intention. The opposition is not based on any grounds under section 5 of the Act and again, I fail to see how such inferences can support a claim of bad faith against the applicant.

35. The opponent seeks to claim that the specification of goods of the application is so wide that the obvious inference is that the applicant can have no bona fide intention to use the mark in relation to the goods especially given Mr Brewster's other business background. As I set out in paragraph 33 above, the intention I need to consider is that of the applicant itself.

36. The application is made in respect of goods within class 18. The specification does not cover all the goods of that class and I agree with Mr Edenborough that the goods are such as may be sold in a single store. I fail to see how the breadth of the specification as applied for could support a claim of bad faith against the applicant.

37. An allegation that an application is made in bad faith is a serious matter. TPN 4/2000 also provides guidance on such claims:

“15. Another ground frequently found is that under section 3(6). The Registrar considers an allegation that an application was made in bad faith to be a particularly serious one, (see *Gromax* [1999] RPC 367). If a party wishes to raise this ground in their statement of case then the Registry will expect the allegation to be particularised and will not accept a general allegation that an application is made in bad faith. An explanation of why the opponent believes the conduct of the applicant was dishonest or fell below the normal standards of commercial behaviour will be expected. The registrar would not expect the statement of case to set out a party’s evidence on this ground but an indication of the basis for the claim should be given. If the allegation is that the applicants do not have the bona fide intention to use the trade mark in relation to the full range of goods or services for which registration is sought then the goods or services in respect of which the allegation is made should be set out.

16. It is not uncommon for opponents to refer to their own earlier rights in support of their objections under Section 3, for example Section 3(3)(b). It has been confirmed in several decisions (see *Euromix O/072/00*) that these sections relate to absolute grounds for refusal, intended to prevent the registration of trade marks with some intrinsic or inherent feature. The question of other parties’ rights in a trade mark fall to be decided by reference to the relative grounds for refusal. Claims of this nature should therefore be made under the appropriate subsection of section 5.”

38. Taking all the submissions and material before me into account, I declined to exercise the discretion and refused the application to amend the statement of ground so as to introduce the amended section 3(6) objection.

39. In the first instance, I was not satisfied that the opponent had shown due diligence and was not satisfied with the reasons for the delay in making the request to amend. As to the claim itself, I was not satisfied that even a prima facie case of bad faith against the applicant had been made out. The overriding objective requires that cases are dealt with justly. Allegations should be based on fact and probabilities and not on inferences and possibilities. They should also be directed against the relevant legal entity.

40. Having refused to allow the introduction of the amended section 3(6) ground, and with all other objections having been withdrawn or otherwise fallen away, there were no outstanding grounds of opposition. I therefore determined that subject to any appeal, the effect of my decision was that the application was free to proceed to registration.

Costs

41. Having refused the application to amend the statement of grounds to include the proposed objection, and, with no outstanding grounds of opposition remaining to be determined, the opposition to the application for registration had failed in its entirety.

42. That being the case and, subject to any appeal, I considered that the applicant was entitled to an award of costs. I determined that an award in the sum of £700, to include £200 in respect of the interlocutory hearing, to be an appropriate amount.

Dated this 1st day of November 2005

**Ann Corbett
For the Registrar
The Comptroller-General**