

TRADE MARKS ACT 1994

**IN THE MATTER OF
APPLICATION NO. 2100056
IN THE NAME OF ZETA
ESPACIAL S.A.
AND
IN THE MATTER OF
OPPOSITION THERETO
UNDER NUMBER 46130 IN
THE NAME OF SOCIETE
DES PRODUITS NESTLE
S.A.**

DECISION

1. This is an appeal from the Decision of Mr. Foley, acting on behalf of the Registrar, dated 29th April 1999 in opposition proceedings against the registration of application No. 2100056 to register the trade mark MAGIC BALL in Class 30.
2. I shall refer to the Opponents as Nestle and the Applicants as Zeta.
3. The Application for registration was originally in respect of *"Confectionery, chewing gum, bubble gum; candies, sweetmeats, chocolate, chocolates, biscuits, cakes and pastries"*.
4. Subsequently an offer was made to restrict the specification of goods to;
"Confectionery, chewing gum, bubble gum; candies, sweetmeats, chocolate, chocolates"

5. Nestle opposed the application on two grounds, one under section 3(6) and the other under section 32(3).
6. By his decision Mr. Foley held that the opposition under section 32(3) failed but that that under section 3(6) succeeded.
7. It is again this decision that Zeta have appealed. The course of the appeal has been unusual. First, on receipt of the Notice of Appeal to the Appointed Person, Nestle requested, pursuant to section 76(3) of the Trade Marks Act 1994 that this Appeal should be referred to the High Court because a point of general legal importance as to the interpretation of section 3(6) of the Act arose. A preliminary hearing on this request was due to be heard on 13th July 1999 before me. Just prior to that hearing, Zeta and Nestle reached an agreement and the request to refer the matter to the High Court was withdrawn.
8. By letter dated 5th July 2000 from Bird & Bird, Nestle's solicitors, to the Treasury Solicitor, it was stated as follows:

*"A provision of the settlement agreement provides that Nestle will not oppose Zeta's appeal against the decision of the Hearing Officer in relation to Zeta's application for the word mark MAGIC BALL (Application No. 2100056 and Opposition No. 46130 thereto), or, should Zeta decide to abandon its appeal to the Appointed Person and re-submit an application for the word mark MAGIC BALL, Nestle will not oppose any such application, **provided that** whichever of the two routes Zeta decides to take, Zeta will only seek to have the word mark MAGIC BALL*

registered with the following specification of goods; "confectionery, chewing gum and bubble gum, but not including chocolate and not including ice cream".

Therefore, on the basis Zeta is only seeking to have the word mark MAGIC BALL registered in relation to the specification referred to above, Nestle does not intend to take any further part in opposing Zeta's appeal to the Appointed Person nor does it regard it necessary for it to attend the hearing on 28th July 2000. It therefore follows that my clients have no comment to make on the content of Mr. Scott's letter regarding the introduction of new evidence".

9. That last sentence was a reference to Mr. Scott of JY & GW Johnson, the Agents acting for Zeta, who had written to the Treasury Solicitor indicating his client's intention to apply to adduce further evidence on the hearing of this appeal.

10. Following further correspondence between the parties representatives, Bird & Bird wrote to JY & GW Johnson on 26th July 2000 as follows:

"Our client does not object to the suggested form of wording for the specification of goods in respect of your application No. 2100056, MAGIC BALL, that is;

Confectionery; chewing gum; bubble gum; lollipops; excluding chocolate; excluding ice cream. Hereinafter referred to as the "Specification"....

"Therefore, our client's position in relation to the new evidence your client seeks to introduce is unchanged. Our client has no comments to make on this application. It is a matter for the Appointed Person to decide".

11. Accordingly when the appeal came before me for hearing on 28th July, Nestle were not represented and Mr. Scott appeared on behalf of Zeta. His first application was that I should grant leave to admit an affidavit of Ramon Escola Gallart, a member of the Board of Directors of Zeta, a sworn copy of which was produced before me at the hearing. At earlier stages in these proceedings reference has been made to Mr. Gallart only by his first two names, Raymon Escola. For the avoidance of confusion I shall refer to the gentleman throughout this decision as REG.

12. The application arises in the following way. Neither REG nor any other director or employee of Zeta gave evidence before the Registry. The sole evidence given on their behalf was that of Mr. Hale, a partner in JY & GW Johnson, who gave evidence on the basis of information and belief. In paragraph 5 of Mr. Hale's declaration he refers to Zeta's request to file the trade mark the subject of this appeal and refers to a letter of 13th May 1996 signed by REG, which stated the Zeta had a bona fide intention to use the trade mark MAGIC BALL and was proposing a Europe-wide launch of a product under this name in the (then) very near future. Mr. Hale refers to an affidavit by REG dated 13th October 1997 sworn in connection with a co-pending application to revoke an earlier trade mark of Zeta's by Nestle.

13. This affidavit was exhibited to a statutory declaration of Sarah Dixon, on behalf of Nestle, which was served in this opposition.
14. Mr. Foley relied heavily upon paragraph 5 of the affidavit of REG in reaching his conclusion under section 3(6). Mr. Foley stated as follows:

"The Opponent's evidence in these proceedings exhibits copies of the evidence filed in the revocation proceedings launched by the Opponents against the two registrations for the marks MAGIC BALL owned by the Applicants. In particular a copy of the affidavit dated 10th October 1997 by Raymon Escola a director of the Applicant company, stated that they had a particular product in mind for the trade mark "MAGIC BALL", namely a lollipop having a centre filled with gasified candy particles, and goes on to say "it was therefore important that it should have its own particular name namely MAGIC BALL and that the significance of this name should not be diluted or confused by applying it to other products in our range". This, in my view, makes it perfectly clear that at that time the proprietors did not have any intention of using the trade mark on any goods other than the lollipop".

15. It is plain from the Statement of Grounds of Appeal and from the detailed skeleton served in support of this appeal that Zeta do not believe either that this is a fair and proper deduction to make from the affidavit of REG when read as a whole or, indeed, if it is a fair deduction, that such a deduction is in accordance with the true facts.

16. The further evidence which it is sought to introduce deals with the latter of these propositions. Although the draft before me runs to some 16 paragraphs, much of it consists either of argument or of repetition of matters contained in Mr. Hale's earlier evidence. There are however three paragraphs to which Mr. Scott particularly drew my attention, paragraphs 5, 9 and 10 which read as follows:

5. The Hearing Officer is of course entitled to his opinion, however I draw attention to the purport of the whole of paragraph 5 of my affidavit. This paragraph must of course be read as a whole and I believe it can be misleading to pick out isolated phrases from it. I state therefore firstly that the Hearing Officer has misinterpreted the paragraph as it stands. Secondly, I state that the intention of myself and my company were not in fact as the Hearing Officer deduced them to be.

9. From the passage of my affidavit which he quoted, the Hearing Officer purported to deduce the intentions of Zeta and myself. I can state that in fact our intentions on 14th May 1996 were that No 2100056 MAGIC BALL should be used on a variety of products. Once the manufacturing difficulties with the lollipop and the popping candy had been overcome, it was our intention to use the mark first on the lollipops and then on other products. This is a totally different matter from rushing out a substitute product of some kind, before the difficulties had been overcome simply in order to beat the five year non-use deadline which, as explained in my earlier affidavit, we decided not to do. The specification of goods which we now seek therefore by agreement with Nestle who have undertaken not to oppose, is as follows:

Confectionery; chewing gum; bubble gum; lollipops; but not including chocolate and not including ice cream. Since 14th May 1996 we have always had a bona fide intent to use the mark on these goods.

10. I draw attention also to the final words of the passage quoted by the Hearing Officer "and that the significance of this name should not be diluted or confused by applying it to other products in our range (my emphasis). The natural meaning of this, I submit, (and certainly the meaning I intended to convey) was that the mark should not be applied to other products in our existing range at the relevant time (using them as "substitute products" as explained above). I did not mean to say, and did not say, that we had no intent to use the mark on any other product at any time in the future. At the relevant time which I was referring to in my affidavit (namely around the period in 1991 to 1993, see paragraph 11 below) we had no intent to use the mark, for the reasons given, on other products in our then existing range. Our intention was and remained to launch the gasified candy lollipop which we were developing as an important novelty product under the name MAGIC BALL. In the confectionery industry, it would be fatal to use the name on other products before the launch of such novelty product because that would dilute and confuse its impact when the launch came. Once a novelty product has been launched however, it usually has only a short life. This is normal in the confectionery field. Once that life is over, there is no longer any disadvantage in using the name on other products. It was

always our intention, therefore to use the mark MAGIC BALL first on the novelty lollipops and then on other confectionery products".

17. Stripped of the matter which is not evidence but argument, this constitutes plain evidence of an intention to use the mark on lollipops with a contingent intention to use on other confectionery products including those now the subject of the application, once the initial impact of the novelty launch had been achieved. There is no documentary evidence exhibited in support of this intention, it merely consists of a statement of intention on oath.

18. Should this evidence be admitted on appeal? Guidance as to the admission of evidence on appeals from the trade mark registry was given by Laddie in Hunt-Wesson Inc's Trade Mark Application (1996) RPC 233. In that decision, Laddie J. considered the circumstances and identified the following factors as being relevant to the exercise of the Court's discretion;
 - (i) Whether the evidence could have been filed earlier, and, if so, how much earlier
 - (ii) If it could have been, what explanation for the late filing had been offered to explain the delay.
 - (iii) The nature of the mark
 - (iv) The nature of the objections to it
 - (v) The potential significance of the new evidence
 - (vi) Whether or not the other side would be significantly prejudiced by the admission of the evidence in a way which could not be compensated, e.g. by an order for costs.

- (vii) The desirability of avoiding multiplicity of proceedings
- (viii) The public interest in not admitting onto the register invalid marks.

19. I shall deal with each of these in the circumstances of this case. First, it is plain that this evidence could have been filed earlier and the reason that it was not, so Mr. Scott informed me, was that it did not occur to Zeta or its advisers prior to the hearing before Mr. Foley, that Mr. Foley could conceivably interpret REG's affidavit in the way that he did. Secondly, no issue arises on the nature of the mark but the objections to it lie in section 3(6) of the Act, an allegation of bad faith. Plainly this is a serious allegation which parties should be given every opportunity to refute provided that this is consistent with the overriding objective of resolving matters quickly and economically.

20. Thirdly, the potential significance of the evidence is manifest. Mr. Foley has concluded that Zeta had no intention of using the mark on any goods other than lollipops and has therefore concluded, perhaps not unnaturally, that the application was made with a view to frustrating Nestle's trade rather than protecting the trade of Zeta. Had he had this evidence before him and had it remained unchallenged, it would not have been possible for him to reach the finding of fact as to intention that he did and I do not doubt that, without that finding of fact, his decision might well have been different.

21. Next, it is plain in the present case that Nestle are not going to be prejudiced by the admission of the evidence. In effect they do not now

oppose registration of the mark in respect of the category of goods for which registration is sought.

22. I do not believe that anything turns in this case on multiplicity of proceedings and so far as the public interest is concerned, in the Hunt-Wesson case Laddie J. was considering a case where the admission of further evidence might seek to avoid an invalid mark being put on the register. In the present case the further evidence is put forward in order to achieve registration of a potentially valid mark. There is an equal public interest in ensuring that marks which are potentially valid are on the Register.
23. Taking all these factors into account, I concluded that this was an appropriate case to permit the further evidence to be adduced and I so indicated at the hearing. The hearing then proceeded on the basis that the new evidence was before the tribunal.

The Substantive Appeal

24. The mark the subject of this Opposition was applied for on 14th May 1996 following receipt by JY & GW Johnson of a letter dated 23rd April 1996 from Sarah Dixon which indicated that Nestle were considering adopting the mark MAGIC BALL for a range of confectionery. The letter referred to two of Zeta's earlier registered trade marks No. 1240037 and No. 1245907 and requested that those marks be assigned to Nestle. Since Zeta had not use the marks, they appreciated that they were vulnerable to an attack for non-use and as a result Mr. Hale was given instructions to file this application. Nestle's

attack was based upon the fact that Zeta had not used the two earlier registrations and that they had only made the new application in order to thwart Nestle's intentions and not for any bona fide commercial reason.

25. Having concluded that Zeta had no intention of using the mark on any goods other than lollipops Mr. Foley went on to conclude that he could take no other view but that the application was filed, amongst other things, to frustrate the intentions of the applicant for revocation. Accordingly he held that the objection under section 3(6) was made out.
26. Section 3(6) is new in the 1994 Act but has been the subject of judicial consideration both in this country and in relation to Community Trade Marks before OHIM in Alicante.
27. In *Gromax Plasticulture Limited v. Don & Low Non-Wovens Limited* (1999) RPC 367, Lindsay J. concluded that bad faith included acts of dishonesty and also dealings which fell short of the standards of acceptable commercial behaviour observed by reasonable and experienced men in the area being examined.
28. Before OHIM, the First Cancellation Division in *Harte-Hanks Data Technologies v. Trillium Digital Systems Inc.* (28th March 2000) stated as follows:
 - "11. *Bad faith is a narrow legal concept in the CTMR system. Bad faith is the opposite of good faith, generally involving, but not*

limited to, actual constructive fraud, or a design to mislead or deceive another, or any other sinister motive. Conceptually, bad faith can be understood as a "dishonest intention". This means that bad faith may be interpreted as unfair practices involving lack of any honest intention on the part of the applicant of the CTM at the time of filing. In this case, according to the meaning of the term "bad faith", there is clearly no evidence that Trillium Digital was acting dishonestly, or that they intended any similar act or were involved in unfair practices or the like. No evidence of dishonestly has been shown in this proceedings".

29. I believe that, on analysis, the test proposed by Lindsay J. may be more disadvantageous to the applicant than that proposed by the First Cancellation Division. However, for reasons that follow, I do not believe that it is necessary to resolve this question on this appeal and I therefore do not propose to do so.
30. Even if the law is as stated by Lindsay J. I am satisfied on the evidence now before me that the opponents do not make out their case. I now have before me sworn evidence of a concrete intention by Zeta to use the mark in relation to lollipops and a contingent interest in using in relation to other confectionery including all the items now listed in the application. This is sworn evidence which is not challenged.
31. I do not believe that it is otherwise than in accordance with standards of acceptable commercial behavior for traders to apply for registration of a trade mark not only in relation to those goods upon which they have a

current concrete intention to use the mark but also in relation to other similar goods upon which they have a real but contingent interest to use the mark.

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

33. In the circumstances it is not necessary for me to consider whether or not Mr. Foley correctly interpreted the earlier affidavit of REG I have reached my conclusion on material different to that which was before Mr. Foley.

Costs of the Appeal

34. Since Nestle did not appear on the appeal and expressly consented to the making of the order which I have made and since Zeta obtained the indulgence of the admission of further evidence before this Tribunal, it would be inappropriate to make any award of costs on the appeal. Mr.

Scott was unsure whether the award of costs made in favour of the opponents by Mr. Foley had been the subject of the settlement agreement and in those circumstances I am not prepared to interfere with that award. Had the relevant evidence been adduced earlier, the hearing might well have not been necessary.

Costs against the Registrar

35. It is a further unusual feature of this case that Mr. Scott has made an application for an award of costs against the Registrar. The matter arises in this way. Subsequent to the withdrawal of Nestle's application for this appeal to be transferred to the High Court on 13th July 1999, for reasons that are not entirely clear, the Registry formed the view that Zeta's appeal had been dismissed. In accordance with Registry practice, the application was recorded on the Register as being "refused". It took some time and expense on the part of Zeta's agents to have this error corrected so that the mark was recorded, as it should always have remained, as being "under opposition".
36. Mr. Scott drew my attention to a decision of Matthew Clarke Q.C. sitting as the Appointed Person, in the matter of an application No. 2031413 by McDonald & Senior which related to an inadvertence of the Registry. In that case the Registry offered to pay £500.00 towards the costs that had been incurred by reason of that inadvertence. Mr. Clarke stated as follows:

"Miss Jackman also pointed out, quite reasonably, that her client had been put to the cost of the appeal hearing to a significant

extent due to the inadvertence of the registry. Mr. Reynolds offered to pay £500.00 towards Mr. Senior's costs arising from the appeal proceedings. I make no order in that respect but simply record that this seemed a very reasonable and generous gesture for the registrar to make in the circumstances of this case".

37. I invited Mr. Foley to assist me on this matter and he indicated that the Registrar was not minded to make any similar offer in the circumstances of this case and contended that the Registrar was immune from an application of this nature having regard to the provisions of section 70(2) of the Act which provides:

"The registrar is not subject to any liability by reason of, or in connection with, an examination required or authorised by this Act or any such treaty, convention, arrangement or engagement or any report or other proceedings consequent on such examination".

38. This section was new in the 1994 Act and has not, to my knowledge, been the subject of any judicial consideration. If it was intended to give the Registrar complete immunity in respect of all errors and omissions, it is somewhat tortuously worded. There is, for example, no dispute but that I have power in ex parte appeals to the Appointed Person to make an award of costs against the Registrar if, in appropriate circumstances, the decision by the Registrar is overturned. The usual practice is not to make such an award but undoubtedly the power exists. The immunity of the Registrar cannot therefore be absolute.

39. This is however not an appropriate case in which to attempt to interpret section 70(2). There is, in my judgment, a far simpler answer to Mr. Scott's request and that is this.

40. The Registrar is not a party to this appeal. Mr. Foley was acting in a quasi-judicial position in reaching his decision and it is not suggested, nor could it be, that any award of costs should be made against the Registrar if that decision were to turn out to be wrong. What is suggested is that I, sitting as an appellate tribunal reviewing Mr. Foley's decision, have power to make an award of costs against the Register because of a collateral error in making an entry in the Register in relation to the mark the subject of the appeal. I cannot conceive that I have such a power. Whilst there are circumstances where the courts exercise the power to make an award of costs against a non-party, those circumstances are strictly confined and certainly do not extend to the present circumstances.

41. I have therefore no hesitation in rejecting Mr. Scott's submission that an award of costs could be made against the Registrar.

Conclusion

42. For the reasons given however, the appeal succeeds. The opposition falls to be dismissed in relation to the application for the category of goods now proposed. There will be no order as to costs.

Simon Thorley Q.C.

1st August 2000