

O-396-03

TRADE MARKS ACT 1994

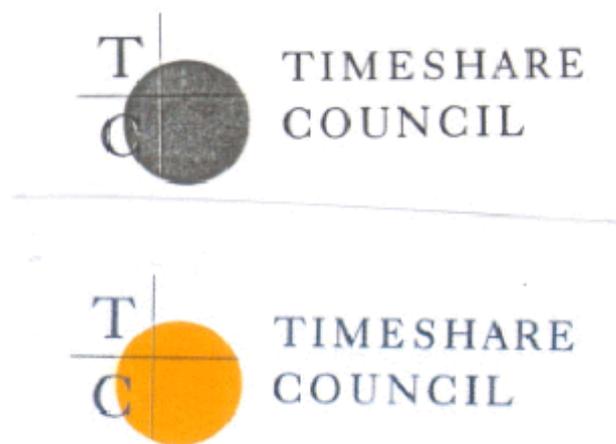
**IN THE MATTER OF APPLICATION NUMBER 81256
FOR A DECLARATION OF INVALIDITY OF TRADE MARK
NUMBER 2148699 IN THE NAME OF
TIMESHARE COUNCIL**

TRADE MARKS ACT 1994

**IN THE MATTER OF application number 81256
for a declaration of invalidity of trade mark number 2148699
in the name of Timeshare Council**

Background

1. Trade mark number 2148699 is registered in respect of the following marks, as a series of two:



2. The applicants claim the colours blue and orange as an element of the second mark in the series.

3. The registration is in respect of the following range of goods and services:

Class 16: Printed matter and printed publications; stationery; instructional and teaching material.

Class 35: Organisation of media events; publication of publicity texts; publicity services; preparation of publicity material; computerised database management; compilation of mailing lists; promotional services; public relations services; market research; market surveys; organisation and operation of incentive schemes, loyalty schemes, bonus schemes and points-based holiday clubs; information and advisory services relating to all the aforesaid services.

Class 36: Timeshare property management and exchange services; issuing and redemption of vouchers, tokens and points of value; information and advisory services relating to all the aforesaid services.

Class 41: Education and training services relating to the timeshare industry; specialist library services; provision of information and advice relating to timeshares; publication of newsletters; organisation, arranging and conducting of conferences, conventions and exhibitions; information and advisory services relating to all the aforesaid services.

Class 42: Conciliation services; provision of legal services; press cutting and monitoring services; lobbying services; leasing of access time to databases; timeshare exchange services; information and advisory services relating to all the aforesaid services.

4. The registration currently stands in the name of Timeshare Council.

5. By an application dated 16 April 2003, The Timeshare Council SL applied for the registration to be declared as invalid under the provisions of Section 47(1) and 2(b) on the basis that the registration had been contrary to the provisions of Section 3(6), and Section 5(4)(a) of the Act.

6. The application was served on the registered proprietors on 24 April 2003, and in response, Fitzpatrick's, the proprietors' trade mark attorneys, responded with a letter dated 12 May 2003 making the following submissions:

The application is an abuse of process or *res judicata* because the application is based on the same grounds under Section 3(6) and Section 5(4)(a) as were dismissed in opposition number 49971. This opposition was dismissed on both grounds by the Hearing Officer in the decision of 17 September 2001 (O/406/01).

The applicants may contend that the application for invalidation should be admitted because it has evidence which was not considered in the opposition but this question of the admissibility of further evidence was considered and rejected by the Appointed Person in her decision of 23 August 2002 (O/372/02).

If this application for a declaration of invalidity is admitted, the proprietors will have to seek security for costs from the applicants because the applicants, as the opponents in opposition number 49971, have not paid the costs awarded in the decision of the Hearing Officer or the Appointed Person, amounting to £3,450 in total.

7. The applicants responded in a letter dated 2 June 2003 stating:

Whilst it is acknowledged that the further evidence was not admitted to the proceedings in relation to opposition number 49971, the subject invalidity action cannot be *res judicata*, because the applicant intends to now produce the previously un-admitted evidence in support of these proceedings. Thus the current proceedings will have to be considered in light of different evidence from the previous proceedings.

8. The Registrar issued her response in a letter dated 19 June 2003, stating that having considered the matter, her preliminary view was that *res judicata* did apply in the invalidity action because the grounds for invalidity are the same as those considered and decided upon in opposition number 49971,

and that in reaching this decision the comments of the Appointed Person in the subsequent appeal against the decision of the Hearing Officer had been taken into account.

9. The parties were offered the opportunity of being heard on the matter; Wilson Gunn M’Caw on behalf of the applicants requested to be heard. The hearing took place on 21 August 2003, at which submissions on behalf of the applicants for invalidity were made, by telephone, by Mr Bruce Marsh of Wilson Gunn M’Caw. The registered proprietors were represented by Ms Denise McFarland of Counsel, instructed by Fitzpatrick’s, their trade mark attorneys.

10. I will turn first to the question of whether *res judicata* applies, for if this is found to be the case, then the question regarding security for costs falls away. *Res judicata* is the general description in English law under which a plaintiff who has prosecuted one action against a defendant and obtained a valid final judgment, is barred from prosecuting another action against the same defendant where the claim in the second action is based on the same grounds that were at issue in the first action, or where the claim is of such a nature as could have been joined in the first action. Whether *res judicata* applies falls to be determined under three heads; cause of action estoppel, strict issue estoppel, both of which protect the public and private interests in the finality of litigation, and where these defences are strictly not available, also to what is generally referred to wider-issue estoppel, where the further proceedings would undermine the finality of an earlier judgement and constitute an abuse of process. The registered proprietors have not been specific as to which applies in this case.

11. In the case of *Arnold and Others v National Westminster Bank PLC* [1991]2 AC 93 Lord Keith of Kinkell gave the following definition of cause of action estoppel:

“Cause of action estoppel arises where the cause of action in the later proceedings is identical to that in the earlier proceedings, the latter having been between the same parties or their privies and having involved the same subject matter.”

12. So cause of action estoppel can be pleaded as a defence where the whole of the legal rights of the parties in relation to that cause of action have already been determined by an earlier judgement of a court or a tribunal.

13. Issue estoppel was considered in the case of *New Brunswick Railway Company v British & French Trust Corporation* [1939] AC where Lord Maugham said

“If an issue has been distinctly raised and decided in an action, in which both parties are represented, it is unjust and unreasonable to permit the same issue to be litigated afresh between the same parties or persons claiming under them; but in my view the doctrine cannot be made to extend to presumptions or probabilities as to issues in a second action which may be, and yet cannot be asserted beyond all possible doubt to be, identical with those raised in the previous action.”

14. Strict issue estoppel arises where a particular point that has already been determined in earlier litigation, is relevant in a subsequent case between the same parties, involving a different cause of action, and one of the parties seeks to reopen that issue.

15. Whereas these two forms of estoppel relate to issues already determined, wider issue estoppel relates to matters that might have been brought forward in earlier proceedings, but were not.

16. In his submissions at the hearing, Mr Marsh accepted that the grounds on which the application for invalidity is based are the same as those alleged in the earlier proceedings, and which were dismissed by both the Hearing Officer and the Appointed Person. On its face, Mr Marsh's admission would seem sufficient for there to be a finding in favour of the registered proprietors. However, Mr Marsh went on to say:

“Clearly the reason why the previous action was dismissed was through poor or insufficient or unconvincing evidence. Our argument clearly is that because of the circumstances surrounding the previous proceedings and the subsequent appeal, there is a presumption that we will simply just file the same evidence again. Given that the same evidence was heavily criticised last time and was insufficient to support our case last time, exactly the same result would arise this time.

Obviously what I am saying is that we are not estopped from bringing a fresh action on the same grounds as long as we can actually provide new or indeed better evidence. Until we are actually provided with the opportunity to submit fresh evidence, no one should be entitled to pre-presume that that evidence is not available, if you follow what I am saying. Our view is that our client learnt their lesson from last time and obviously need to file better evidence. If that evidence is available and it is filed then the case may be considered in a different light this time around.”

17. It would therefore seem that this is a question of cause of action and wider issue estoppel.

18. When questioned regarding the nature of this “new and better” evidence, Mr Marsh confirmed that the evidence put before the Appointed Person would “be a significant proportion” of it, and that he had “urged his clients to produce and make every effort to establish additional information to support the claims that are made in the action, again, on the basis of the lessons learnt from the previous case”. He went on to say that his clients assure him that they have a case, and have evidence to support it, but with the uncertainty over the proceedings, do not wish to incur the expense involved in its preparation.

19. From Mr Marsh's submissions it seems quite clear that the only evidence that is known to be available is the evidence put before, and rejected by the Professor Annand sitting as the Appointed Person in the earlier proceedings. As I see it the question is whether the availability of this, or other “new and better” evidence means that estoppel does not apply.

20. Turning first to the evidence that was put before the Appointed Person. Professor Annand accepted that she had the discretion to admit the evidence, in doing so stating that the *Ladd v. Marshall* criteria ([1954] 1 WLR 1489 at 1491, per Denning L.J.) is central to the exercise of the discretion, although as matters to be taken into account rather than as so-called rules. Other circumstances may be relevant including those listed by Laddie J. in *SWISS MISS* [1996] RPC 233. Ultimately the discretion must be exercised in accordance with the overriding objective to deal with cases justly (CPR 1.1, *Banks v. Cox*, 17 July 2000 (CA)).

21. The criteria in *Ladd V Marshall* regarding the reception of fresh evidence can be put as follows; (1) it must be shown that the evidence could not with reasonable diligence have been obtained for use at the trial; (2) the evidence must be such that, if given, it would probably have an important influence on the result of the case, though it need not be decisive; (3) the evidence must be such as presumably to be believed, or, in other words, it must be apparently credible, though it need not be incontrovertible.

22. In her decision rejecting the application to have the evidence admitted, Professor Annand gave her reasons as follows:

“19. After careful consideration of the papers and after hearing the arguments of the parties and the submissions of the Registrar, I refused the opponent’s application to introduce further evidence on appeal for reasons that I would detail in my written decision. Those reasons are set out below.

20. First, it is clear that the evidence sought to be adduced not only could have been obtained with reasonable diligence but also was readily available for presentation to the Hearing Officer. This was confirmed by the opponent in its skeleton argument and by Mr. Marsh at the hearing of the application. Furthermore, the letter from the opponent’s former advisers, Potts, Kerr & Co., dated 19 January 2000 and exhibited to Mr. Hutchinson’s witness statement of 2 August 2002 indicates that at least letters inviting membership to the opponent’s organisation (now at JH1 of Mr. Hutchinson’s witness statement of 19 April 2002) were intended to be included in the original evidence filed in support of the opposition but were subsequently removed.

21. Second, the explanation given by the opponent for the delay is that Potts, Kerr & Co. advised against filing the further evidence since it contained commercially sensitive information. Assuming the truth of that explanation, the decision as to what evidence to submit in support of an opposition is a matter between the opponent and its advisers. Section 67 of the TMA and rule 51 of the Trade Marks Rules 2000 (formerly rule 45 of the Trade Marks Rules 1994, as amended) provide mechanisms for treating as confidential material supplied in Registry proceedings. The explanation seems to bear little relevance to the company incorporation, domain name and trade mark registration certificates. Moreover, it is by no means evident from Potts, Kerr & Co’s letter of 19 January 2000 that they did advise the opponent as claimed. The letter is equally capable of an interpretation that the idea to withhold the further evidence came from Mr. Hutchinson.

22. Third, I remain unconvinced that the evidence, if given, would probably have an important influence on the result of the case. The applicant’s evidence contains examples of the same letters and correspondence that the opponent now seeks to adduce as further evidence (Exhibit TC6 to the declaration of Mr. Chapman dated 17 April 2000). Mr. Chapman explains that these examples were obtained by the applicant following complaints received by the applicant from timeshare owners and other members of the public on or after May 1997. It was therefore always clear that the opponent had engaged in activity under its logo in the UK from May 1997. Without wishing to anticipate the substantive appeal, the relevant question for section 5(4)(a) of the TMA is whether use of the applicant’s marks in the UK is liable to be prevented

by the law of passing off. Although the date for asking that question is the date of application for registration, where the applicant's mark is already in use, the question needs to be answered by reference also to an earlier date (*Cadbury Schweppes Pty Ltd v. Pub Squash Co Pty Ltd* [1981] 1 All ER 213 (PC)). Mr. Marsh made a bare suggestion at the hearing of the application that the further evidence could have an influence on the Hearing Officer's decision under section 3(6) of the TMA. First, I fail to see how. Second, the opponent does not state in its grounds of appeal that it wishes to challenge the Hearing Officer's decision under section 3(6). In short under this head, I am left with the distinct impression that the purpose of the additional evidence is to meet the criticisms of Mr. Salthouse but would in fact achieve little more (see similar observations by Laddie J in *Dualit*, supra.).

23. Fourth, I am concerned at inconsistencies in the evidence sought to be adduced. Ms McFarland challenged the veracity of the explanation given for the delay in filing. As I have already indicated, Potts, Kerr & Co.'s letter to Mr. Hutchinson of 19 January 2000 is certainly open to alternative interpretations. In his declaration of January 2000 and his witness statement of 2 August 2002, Mr. Hutchinson states that 103,000 letters inviting membership were sent to prospective clients in the UK (Potts, Kerr & Co.'s letter also gives that number). In his witness statement dated 19 April 2002, Mr. Hutchinson states that 50,000 letters inviting membership were sent to UK addressees in February 1997. There is no evidence of any such letter dated earlier than May 1997 and no explanation given for mention of the different figures.

24. Fifth, I have noted the opponent's apparent delays in making the application and assisting the applicant to access the evidence at exhibit JH2 to Mr. Hutchinson's witness statement of 19 April 2002. I have also taken note of the applicant's submission that it has suffered prejudice through having its application for registration outstanding for nearly five years.

Conclusion and Postscript

25. Taking all these factors into account and, in particular, the fact that the opponent has failed to satisfy me on at least two out of the three *Ladd v. Marshall* criteria, the opponent's application to introduce additional evidence on appeal is denied".

23. As in the hearing before me, Ms McFarland drew the Appointed Persons' attention to the observation of Laddie J. in *Dualit Ltd v Rowlett Catering Appliances Ltd* [1999] FSR 865 at 870, which reads as follows:

"In my view, it is of course important that the court should be put in a position to adjudicate fairly on the dispute between the parties and that it should not unreasonably refuse to admit new evidence. But there has to be put against this other important considerations. One piece of evidence which is sought to be put before the court by *Dualit* is new evidence by a Mr Thompson. He gave evidence in the first round and it was used before Mr James. Mr James criticised that evidence because it was in standard form--an objection which has been taken numerous times in the past, and can be found referred to in many decided cases. What *Dualit* proposes now, in the light of Mr James' decision, is to put in a new statutory declaration by Mr

Thompson in his own words so as to counter the criticisms of form made by Mr James.

I give that as an example to explain why, in my view, it is not enough simply to allow in any evidence which can be argued to be relevant and in effect to allow in any evidence which is relevant. If such a low hurdle is imposed, other applicants and opponents will no doubt look at the decision adverse to them in the Registry, redesign their evidence and start again on appeal. But proceedings before the Registry are not a dry run to test out the evidence to see which parts can be criticised so that the evidence can then be perfected for the purpose of the proper run before the High Court. It is important for parties to realise that the function of the Registry is to examine applications and to consider oppositions, and that they must put before the Registry the material which is to be relied upon in support of their cases.

In my view, it is just as important that it is brought home to litigants that they must put the best evidence available to them before the Registry as it is to ensure that the appeal is a fair resolution of the dispute between the parties. It appears to me, therefore, that it is still necessary for the court to consider the issue of how important the evidence is, whether it could have been put in earlier and why it was not and the weight that evidence is likely to have at the appeal”.

24. It is clear that the evidence sought to be introduced at the appeal before the Appointed Person, had been available to the opponents at the time the earlier proceedings were being prosecuted, and could, with diligence, have been presented for consideration by the Hearing Officer. The Appointed Person did not consider that the evidence, if given, would be likely to have an important influence on the result of the case, and was left with the “distinct impression that the purpose of the additional evidence is to meet the criticisms of Mr. Salthouse but would in fact achieve little more”. The Appointed Person made other criticisms regarding inconsistencies in the evidence, and although she did not say so, these inconsistencies must have some bearing on the perceived credibility of the evidence. In my mind, taking these facts into account, and having regard to the guidance provided in *Ladd v Marshall* and the *Dualit* cases, I do not consider that the fact that this evidence is now sought to be introduced into the invalidation proceedings, avoids the allegation that the cause of action asserted in the application for invalidation has already been tried, and determined, and if the matter were to be considered solely on this evidence, I take the view that the applicants are estopped from prosecuting these proceedings.

25. This leaves the matter of any other evidence that may be available to the applicants. As I have already mentioned, Mr Marsh stated that he had urged his clients to produce and make every effort to establish additional information to support their claims, and that they had assured him that they have evidence. It would seem from this that Mr Marsh has neither seen this evidence, nor knows what it is, and consequently, is not able to confirm whether it exists, or as Ms McFarland put it, his clients are out there “on a fishing expedition”. Mr Marsh cited the uncertainty over how, and if the proceedings can be continued, meant that his clients did not wish to incur the expense involved in the analysis and preparation of evidence.

26. Setting aside the question of whether this evidence currently exists, as matters stand, Mr Marsh is not able to say whether it would satisfy or fall foul of the principles provided in *Ladd v Marshall* and the *Dualit* cases, namely, it could not, with reasonable diligence, have been obtained for use in the earlier opposition, or whether it would probably have an important influence. Where, on the facts, an

assertion that res judicata applies seems to have a reasonable basis, and I consider the registered proprietors to have made their case, I take the view that the onus rests with the attacking party to establish at least a prima facie case as to why they are not estopped from taking forward their claims. The applicants for invalidation have failed to satisfy me that they have such a case. My decision is that the application for invalidation be dismissed.

27. At the hearing I gave my decision that in the event of these proceedings being allowed to continue, the applicants be required to give security for costs to the amount of £3,450. In granting the request I was mindful of the applicants' obvious reluctance to pay the costs awarded in the earlier proceedings between the parties, Mr Marsh saying that the registered proprietors could always use the Courts. It seems to me that in this case, history is a reasonable indication of the likely behaviour of the applicants, and that if successful, the registered proprietors would face the same difficulty in obtaining their costs. This sum is the same as the combined amount awarded to the registered proprietors resulting from the initial hearing before the registry, and the Appointed Person, and to me appeared a reasonable yardstick for the costs in the invalidation proceedings, should they run their full course. My decision above removes the necessity for security for costs, save that, in the event of a successful appeal against my decision in relation to res judicata, that the matter of security should also be revisited by the appellate tribunal.

28. No request for costs was made in respect of the hearing and I do not, therefore, intend to make an award.

Dated this 19th Day of December 2003

**Mike Foley
For the Registrar
The Comptroller-General**