

B e f o r e :

MR JUSTICE FALCONER

Between:

Between:
HERMES SOCIÉTÉ ANONYME

Appellant

- v -

MR. MYALL (Register of Trade Marks)

Respondents

**Transcript of the Handed Down Judgment of John Larking,
Chancery House, Chancery Lane, London WC2A 1QX
Telephone 071-404-7464
(Official Shorthand Writers to the Court)**

**R. A. LUNZER (instructed by Needham & Grant for the appellants
ALASTAIR WILSON (instructed by McKenna & Co.) for the respondents**

Hearings: 19th and 20th November 1981

HTML VERSION OF JUDGMENT

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Mr. Justice Falconer:

1. This is an appeal from the decision of the Assistant Registrar, Mr. Myall, acting for the Registrar, dated 24 April 1981, whereby he refused to rectify the Register of Trade Marks by expunging therefrom the whole entry relating to the registered trade mark No. 683, 468 and left it subsisting in relation to watches. The appeal is that that should be reversed and the appellants ask for an order directing the Registrar to expunge the whole of the mark from the Register.
2. The mark is the word HERMES and is registered in class 14 and the registration as it stands is for watches and clocks.
3. By his decision the hearing officer rectified the entry to the extent of limiting the specification of goods to watches, that is to say, by deleting the specification so far as it referred to clocks. There has been no cross-appeal in regard to clocks and so I am only concerned with watches.

4. The application to rectify is made by a French company, Hermes Société Anonyme, who are the appellants, of course, and seek the order that I have just indicated. The application to rectify is made under section 26(1)(b) of the Trade Marks Act on the grounds of non-use by the registered proprietors in the five years immediately preceding one month before the date of application. The application for rectification was dated 18 April 1977 and, therefore, the relevant five-year period is the five years from 19 March 1972 to 18 March 1977.
5. Section 26(1), which deals with the removal from the Register of marks on the grounds of non-use is as follows, insofar as it is relevant: "Subject to the provisions of the next succeeding section, a registered trade mark may be taken off the Register in respect of any of the goods in respect of which it is registered on application by any person aggrieved to the Court or, at the option of the applicant and subject to the provisions of section 54 of this Act, to the Registrar, on the ground either", and ground (a) is not relevant: it is ground (b) that the application is made under here and (b) is: "that up to the date one month before the date of the application a continuous period of five years or longer elapsed during which the trade mark was a registered trade mark and during which there was no bona fide use thereof in relation to those goods by any proprietor thereof for the time being", and there is a proviso, which is not material for present purposes.
6. The locus of the applicants, who are the appellants, as persons aggrieved is not in dispute.
7. The registered proprietors admit that there was no actual sale of watches and clocks under the mark HERMES in the relevant period, but they claim as part of their case-and this I will deal with more fully a little later-that there was use of the trade mark during the relevant period and the claim in that regard is based on certain advertisements in a directory of trade names, invoices for repairs to HERMES watches and the preparations made in 1976 for a re-launch of HERMES watches on the market and they rely in that regard particularly on certain orders to their suppliers and some price lists which were prepared by the registered proprietors with a view to that re-launch of the HERMES watches on the market. I shall have to examine those alleged uses relied upon more fully in a moment.
8. I should mention, just to get it out of the way, that there was a point taken before the Assistant Registrar under section 26(3) of the Trade Marks Act, which is a section providing for non-use being disregarded in special circumstances (I am using my own wording), but that point has not been relied upon by the registered proprietors in this appeal and, it having been dismissed by the Assistant Registrar in his decision, I am not concerned with it further.
9. So far as the early history of the mark is concerned and insofar as it relates to anything which is material for present purposes, the present registered proprietors acquired the trade mark by purchase in 1954 and the evidence shows that they sold watches under it certainly from 1960 to 1971. During the whole of the time from 1954 they advertised the word HERMES as being their registered trade mark in the annual trade publication, which is called the "Watchmaker, Jeweller and Silversmith Directory of Trade Names and Punch Marks" and I have some extracts from that journal in the years 1954 and 1955 and, indeed, I have copies of the whole journal, I think, dated 1970 and 1972, and, looking at the copies from 1954 and 1955, and, indeed, some of the later ones, those entries do refer to HERMES as a registered trade mark for watches and clocks and give the name of the registered proprietors. Indeed, in the 1954 entry, if my recollection is correct, the registered proprietor is given as the predecessors of the present registered proprietors, the entry no doubt having been ordered before the change-over.
10. Mr. Lunzer contended that those directory entries were not advertisements and he also contended that they were not really entries, even if they were advertisements, made by the proprietors. What he submitted was that they continued to appear due to what he termed the inertia of the directory proprietors.
11. But the evidence of two of the declarants on behalf of the registered proprietors shows that that contention is quite wrong. Mr. Crockett, who is a director of the proprietors and who gave the main declaration on their behalf, states quite specifically in paragraph 6: "During the whole of this period"-and he is talking there of the period from 1954 until March 1977, as he makes clear, because he says it includes the five years ending 18 March 1977-"my company continued to advertise the trade mark HERMES by an insertion in the 'Watchmaker,

Jeweller and Silversmith Directory of Trade Names and Punch Marks' published annually", and he is the one who exhibits some of the example entries which are before me. Another declarant on behalf of the registered proprietors, Miss Blake who is employed by the company which published that particular directory and has had access to all the records, says that the trade mark has been advertised "as being the property of B. H. Ries Limited continuously each year ... since at least the year 1955". So I do proceed upon the basis that, notwithstanding the submission of Mr. Lunzer, these directory entries were advertisements by the proprietors.

12. But I should, before putting it aside for a moment, read a further piece of evidence by Mr. Crockett in his paragraph 12, which deals with the reason for those advertisements being put annually into the directory as entries. He says in that paragraph 12: "I am advised that advertisements featuring the trade mark in relation to the goods and the existence of printed price lists during the five-year period ending 18 March 1977 without there being goods available to meet orders which may be placed as a result of such advertising and issue of price lists may not constitute a complete defence in these proceedings"-and now I come to the part that I am concerned with-"but I wish to make it clear that my company have never abandoned the trade mark and continually advertised it in the way referred to herein"-that is a reference to the directory entries-"in the belief that this would keep the trade mark in the minds of those engaged in the trade and in the belief that this would protect them from any allegation of non-use of the trade mark." That may be a significant piece of evidence to which I shall have to return.

13. The hearing officer, dealing with these directory entries, which I shall call directory advertisements, after considering them, concluded-and I simply read the final sentence of the top paragraph on page 3 of his decision:

"Had the entries in the directories been the whole of the evidence of user in the relevant period I think that there could be no doubt but that it is wholly insufficient to ward off the applicants' attack on the registration."

14. However, before me, Mr. Wilson for the registered proprietors did not contend that these directory advertisements standing alone constituted sufficient use of the registered mark for the purposes of warding off a section 26(1)(b) attack; but he did rely upon them as part of the proprietors' use as a whole, taken with the steps to re-launch in 1976, to which I shall come later.

15. But, in my judgment, the registered proprietors cannot rely upon their directory advertisements at all, either alone or otherwise, on the footing that they are advertisements by them as use for the purpose of defeating section 26(1)(b).

16. In so stating that, I am not to be taken as accepting as correctly stating the law the dictum of the hearing officer Mr. Faulkner in Harold Radford & Company Limited's Application and Austin Motor Company Limited's Application, to which the hearing officer refers at the top of page 3 of his decision. The case is to be found in (1951) 68 R.P.C. 221, the dictum in question being at page 223, lines 39 to 47. The hearing officer, Mr. Faulkner, said this:

"It seems to me that use of a mark in advertising media must be concurrent with a placing of the goods on the market if it is to be regarded as 'trade mark' use within the meaning of section 68. Hence, I must hold that use of a mark in advertising media ... is not 'trade mark' use within the meaning of section 68. I would add that to hold otherwise would seem to me to nullify the effect of certain sections of the Act. For instance, a proprietor of a registered trade mark might, without having any goods to offer, advertise his mark at periodic intervals, and thereby prevent any attack being made upon the mark under the provisions of section 26(1) of the Act."

17. It seems to me that that statement is too narrow. For use of a mark to constitute use which can be relied upon to defeat an attack of non-use under section 26(1)(b) it must be use in the course of trade. That is plain, I think, from the definitions which we find in section 68(1) and (2) of the Act. It will be remembered from section 26(1)(b), which I read earlier, that in order to defeat an application for removal the registered proprietor must show bona fide use of the mark in relation to the goods for which it is registered.

18. Section 68(1), which is the definitions section, defines a trade mark in the following terms, and I leave out the words which are not material for present purposes: "... 'trade mark' means ... a mark used or proposed to be used in relation to goods for the purpose of indicating, or so as to indicate, a connection in the course of trade between the goods and some person having the right either as proprietor or as registered user to use the mark", and the words "in the course of trade" there plainly, in the context, mean in my judgment, in the course of trade in the goods in question.
19. Subsection (2) of section 68 explains the term "use of a mark" in relation to goods as it is used in many sections in the Act. It says this, and again I miss out parts of the subsection which are not relevant for present purposes: "References in this Act to the use of a mark ... in relation to goods shall be construed as references to the use thereof upon, or in physical or other relation to, goods", and if we take those words, "other relation" there-something other than actually being upon the goods or in physical relation to them-that would cover the use of the mark, as it seems to me, for example, in advertisements, in invoices, in orders and so on.
20. Putting those two definitions together, it seems to me that the use of a trade mark must be use upon or in physical or other relation to the goods in the course of trade .
21. Coming back to section 26(1)(b)-I am thinking about the advertisements which I was considering-if one has advertisements put out in the relevant period before the application for removal under section 26(1)(b), if the goods in question are on the market at the time, those advertisements would plainly constitute use of the mark in the course of trade. That is the position that Mr. Faulkner in the Radford case was contemplating and I do not think that the possible use of advertisements for the purposes of section 26(1)(b) is restricted just to that case. I agree with the observation of Mr. Myall, the assistant registrar, in the REVUE Trade Mark, [1979] R.P.C. 27 at 31, lines 12 to 14, where he said:

"I do not, however, think that it is necessary that the goods must exist concurrently with the advertisements."

22. Thus, if the registered proprietor should commence a series of advertisements featuring his mark as part of an introductory campaign, prior to putting his goods on the market under the mark, but before they were actually on the market, in my judgment such use would clearly be use of the mark in the course of trade, not upon the goods or in physical relation thereto, but it would be in other relation thereto, the point being that it would be use in the course of trade in those goods, albeit in advertisements.
23. The directory advertisements in the present case were not advertisements by the proprietors put out in the course of trade in the goods covered by the registration at all. That is plain from the evidence of Mr. Crockett in his paragraph 12, which I have already read. That was not use in the course of trade and, therefore, in my judgment, the registered proprietors cannot rely upon these directory advertisements at all, either standing alone or as part of the use as a whole to be taken account with the use relied upon in the steps of the re-launch.
24. I come now to the other use by the registered proprietors upon which they do rely. The facts are conveniently set out and summarised in the Assistant Registrar's decision in the passage bridging pages 3 and 4 and I propose to read that and adopt it. It reads:

"The registered proprietors do not buy complete watches but buy the components such as dials, hands, movements, cases and bracelets, and these are then assembled in the United Kingdom and sold under various trade marks. As previously recounted, they ordered some components in October 1976 with a view to marketing HERMES watches. The two orders are exhibited at AAC.3. They are for parts to make 2,900 complete watches. Both are headed 'FOR HERMES RANGE' and No. 20401 requests that the dials be marked, inter alia, HERMES. Mr. Crockett says that the watches were delivered to his company on 12 April 1977 although I notice that the invoice which accompanied that consignment, exhibited at AAC.5, is for 606 cases and bracelets only."

If I may interpolate, that was obviously a first consignment.

"Boxes intended to contain the ladies watches to be sold under the trade mark were not ordered until 1 April 1977. A copy of that order is exhibited at AAC.6 and it includes the instruction 'Printed "Hermes" in gold foil on inside lid'. One of these boxes is exhibited at AAC.7 and it bears the HERMES mark in accordance with that instruction. A 'HERMES PRICE LIST' dated November 1976 was prepared, although, because of the delays previously recounted, it was not issued on that date. It contains a list of eight models of ladies bracelet watches and is exhibited at AAC.4. Also exhibited is a more extensive list of 14 models of ladies bracelet watches and is a HERMES PRICE LIST dated February 1978. The first sales of HERMES ladies watches took place on 16 September 1977 and the invoice for this transaction is exhibited at AAC.8.

"Mr. M. Greaves is the merchandise director of Louis Newmark Limited and he confirms that his company supplies the registered proprietors with the necessary material to enable them to produce watches, which they sell under the trade mark HERMES. He confirms that orders for these materials were discussed during April 1976 and that prototypes were prepared shortly after those discussions as a result of which orders were placed on 27 October 1976. He also confirms that the first consignment of such materials was not sent until 12 April 1977, the delay in supply being due to manufacturing difficulties".

25. I have read that as a summary of the evidence and, if I may respectfully say so, a very accurate summary of the effect of it.
26. Mr. Lunzer for the appellants sought to dismiss all that activity insofar as alleged to be use by the proprietors of their registered trade mark HERMES in this way. He said that at most it amounts to an order for goods in October 1976 to be delivered in May 1977 and, for the purposes of section 26 of the Trade Marks Act, that is not a sufficient use. I should perhaps mention at this stage and make it clear that it was not suggested by Mr. Lunzer at any stage that, insofar as any of that activity which I have recounted in the passage from the Assistant Registrar's decision constituted use, it was not bona fide, so I am not concerned with such use, if available to the proprietors for the purposes of section 26(1)(b), was bona fide.
27. Counsel for the registered proprietors, Mr. Wilson, put his case on this use in two ways. He submitted that the orders in exhibit AAC.3-those are the orders to Louis Newmark to which Mr. Greaves refers-themselves constituted a sufficient use of the mark in the course of trade in October 1976 and, therefore, in the relevant period, and he submitted that it did not matter that the goods were not then in existence. It was a use, he submitted, in their order to their suppliers to acquire the goods to be marketed by them under the mark and that, he contended, was use in the course of trade in relation to the watches in question.
28. In my judgment, he is right in that submission. Of course, in those orders it was not a use of the mark upon or in physical relation to the watches, but it was a use in other relation, to take the expression from the definition, that is to say, a non-physical use, as would be a use, for example, in advertisements or an order or an invoice, and it was a use in the course of trade in the watches-their acquisition for future sale.
29. In the second way that he put his case on this particular use, Mr. Wilson based himself on a passage in the decision of Mr. Myall, the Assistant Registrar, in the REVUE case, [1979] R.P.C. 27 at 31 lines 12 to 17. I have in fact read the first sentence of it, but I will read it again to make the whole passage clear.

"I do not, however, think that it is necessary that the goods must exist concurrently with the advertisements. It seems to me that if the proprietor has, by the time an offer for sale is published, taken positive steps to acquire goods marked with the trade mark, he has done enough for his combined actions to constitute use on, or in relation to, goods within the meaning of section 68(2) and thus within section 26."

That passage was cited by Mr. Wilson and he said that he relied on it to the extent that in October 1976 the registered proprietors were taking positive steps to acquire goods to be marketed under the trade mark and it was to be a bona fide use within section 26.

30. In his decision, the Assistant Registrar deals with this argument in the following passage. On page 4 he says:

"I am satisfied that the steps taken by the registered proprietors from April 1976, when they first discussed their requirements with their suppliers, through to September 1977, when they placed their HERMES watches on the United Kingdom market, constitute use of the trade mark in relation to such goods so as to indicate a connection in the course of trade between those goods and the registered proprietors. It seems to me that the phrase 'in the course of' trade must be wide enough to embrace the steps necessary for the production of the goods as well as the actual placing of them on the market. The instructions to Louis Newmark Limited were clear enough: all the watches ordered on 27 October 1976 were to have their dials marked HERMES. The boxes ordered on 1 April 1977 were also to be marked HERMES. In the event watches and boxes so marked were supplied and marketed. It is true that this course of activity was not completed until after the relevant period expired and indeed not until after these proceedings were begun, but it was commenced well before. The period of one year, or thereabouts, from planning a new range of watches to the first sales of them involving along the way the preparation of prototypes for approval, does not seem to me to be unduly protracted and to the extent that there was delay it is adequately explained by Mr. Crockett and Mr. Greaves. Everything done by the registered proprietors from April 1976 to September 1977 constitutes, to my mind, a single course of conduct, all of it in the course of trade and all of it in relation to HERMES watches. In particular, the use of the HERMES mark on exhibits AAC.3 does, in the events which happened, constitute, in my view, use of the mark in non-physical relation to watches within the meaning of section 68(1) and (2) of the Act."

31. I respectfully agree with the Assistant Registrar's reasoning and conclusions in that passage. I would particularly endorse his view that the phrase "in the course of trade" must be wide enough to embrace the steps necessary for the production of the goods as well as the actual placing of them on the market.

32. In the result, in my judgment, the registered proprietors have established a bona fide use by them of their registered trade mark in the course of trade in the relevant period in relation to watches so as to defeat the appellants' application under section 26(1)(b) for removal of the mark in respect of watches. It follows that the appeal must fail.

33. I should, however, deal with the question of discretion, since both counsel addressed argument to me on it.

34. The Assistant Registrar, in the penultimate paragraph of his decision, proceeded to state:

"If I am wrong in holding that there was user in relation to watches I would exercise the discretion so as to preserve the registration for those goods for the following reasons."

He then proceeded to give five reasons.

35. This court is specifically endowed by section 52 of the Act with the same discretionary powers as the Registrar. Section 52 says:

"In any appeal from a decision of the Registrar to the court under this Act, the court shall have and exercise the same discretionary powers as under this Act are conferred upon the Registrar."

36. If I had taken a different view about the registered proprietors' use and had held, contrary to my finding, that there had been no bona fide use in the relevant period, the question of the exercise of my discretion would have arisen. In the event, it does not arise; but in case I should be wrong in holding that there was user in relation to watches in the relevant period I wish to make it clear that I, too, would exercise my discretion in favour of the registered proprietors to allow the mark to remain registered in respect of watches and for much the same reasons as those stated by the Assistant Registrar.

37. As to his first reason, he said:

"First, the registered proprietors did not intend to abandon their mark and took bona fide steps to

revive it which had nothing to do with this application for removal of it from the Register and were taken with ordinary commercial considerations in mind."

In regard to that reason, Mr. Lunzer submitted that in fact the mark had already been abandoned by the registered proprietors.

38. I cannot accept that submission at all. There is the undisputed evidence-Mr. Crockett's declaration, paragraph 5-that watches were sold under the mark while he was with the company from 1960 up to 1971. There is the undisputed evidence that the directory entries had been maintained each year by the proprietors and their predecessors since at least 1954 and throughout the relevant period and, although I have held that that is not use in the course of trade such as can be relied upon by the proprietors under section 26(1)(b), it is very relevant evidence as to whether there was an intention to abandon the mark or whether the mark had been abandoned, and I have, of course, read paragraph 12 of Mr. Crockett's evidence, including the passage where he says:

"I wish to make it clear that my company have never abandoned the trade mark."

I should point out that the appellants have not sought to cross-examine Mr. Crockett or any of the declarants on behalf of the registered proprietors. So I reject Mr. Lunzer's criticism of the first reason given by the Assistant Registrar.

39. The second reason-and I use my own language-was that, although it had been dormant for a number of years, the registered proprietors still have a residual reputation in the mark, and the Assistant Registrar refers particularly to the evidence of Miss Stemp, who had been the secretary of the Watch and Clock Importers Association of Great Britain since 1965, an association formed in 1946 to cater for the importers of watches and clocks, and she says that, notwithstanding that there were no sales by the registered proprietors between 1972 and 1977, the trade mark HERMES has always remained in her mind as being the exclusive property of the registered proprietors in relation to clocks and watches. The Assistant Registrar goes on to point out that "The applicants' own evidence goes some way to confirm this residual reputation" and he refers to a particular incident in the investigation carried out for the applicants for rectification by Mr. Skidmore, which shows that in at least one case where he asked questions the person to whom he spoke was aware that HERMES was a brand name of the registered proprietors. I think I should add to that that Miss Stemp in paragraph 4 of her declaration had also said that she knew of no other company or firm in the United Kingdom using the word HERMES as a trade mark in relation to clocks and watches.
40. In regard to this second reason of the Assistant Registrar, that is to say, that there was still some residual reputation, Mr. Lunzer criticised that reason and said that such reputation as remained must be very limited indeed and asserted that even many years after a mark has been abandoned there may be some residual reputation; but, of course, I have rejected the submission that the mark here was abandoned and, while the residual reputation of the registered proprietors at the end of the relevant period, that is to say, one month before the date of the application, may not have been very great, it does not alter the fact that the evidence does establish a residual reputation.
41. The third reason that the Assistant Registrar gives is stated succinctly in this way:
- "Third, there have been sales of HERMES watches by the registered proprietors since the relevant period ended."
42. Mr. Lunzer, in attacking that finding, said that that fact was not particularly relevant to anything that the Registrar had to consider with regard to the retaining or otherwise of the mark on the Register. If that fact as stated in that sentence stood alone, I agree it would be irrelevant; but I accept Mr. Wilson's submission in regard to it that that short sentence has to be read along with the Assistant Registrar's finding in respect of the preparatory work started in April 1976 and especially the orders of exhibit AAC.3, which led up to the re-launch of the HERMES watch and all that is implicit, I think, and has to be impliedly read into the short sentence which comprises the third reason given by the Assistant Registrar.

43. The fourth and fifth reasons have to be read together and concern the activities of the applicants for rectification themselves. The Assistant Registrar says:

"Fourth, the applicants entered the United Kingdom market and sold watches and clocks under their HERMES marks without, it seems, having taken any steps to ascertain from the public Register of Trade Marks whether anyone had the right to exclude their use of that word as a trade mark for those goods. Their sales of watches and clocks, although stated to have been continuous since 1959, have not made much impact on the U.K. market. According to the evidence of M. Dumas only a limited number of outlets have been used, there being currently only two retail outlets, both in London, and the sales for the four years to 31 December 1977 totalled only £2,000, £6,000, £14,000 and £18,000 respectively, from which I conclude that the sales prior to the recommencement of the registered proprietors' activities in 1976 were very small indeed."

To that I would add the passage in paragraph 4 of Miss Stemp's declaration which I have read that she knew of no other company or firm in the United Kingdom using the word HERMES as a trade mark in relation to clocks and watches.

44. The Assistant Registrar goes on to his fifth reason-I can omit the last sentence of his fourth:

"Fifth, the registered proprietors were not aware of the applicants' sales of clocks and watches in this country under the HERMES marks."

45. Mr. Lunzer said in respect of the fourth and fifth reasons, really putting them together, that the Assistant Registrar was there taking a point on discretion against the applicants when really it was a point in their favour; their Hermes goods had been on the market since 1959 and the fact that there was no activity on the proprietors' part to enquire as to the applicants' Hermes goods and activities, as, for example, by looking at catalogues was part of the evidence, as indicative, as he put it, of the registered proprietors' abandonment of the mark.
46. That seems to me not to stand up as an argument if it be right, as in the fifth of the reasons, that the registered proprietors were not aware of the applicants' sale of clocks and watches in this country under the HERMES mark, which is the effect of the evidence.
47. I would also add that something that has to be borne in mind is that such use of HERMES as the applicants may have made on watches, leaving aside the question of any use on clocks, must have been an infringing use, as, indeed, Mr. Lunzer conceded in argument, and, therefore, unlawful. It seems to me that the Assistant Registrar was entitled to take the fourth and fifth reasons into account in considering how he would exercise his discretion.
48. Subject to those observations which I have made on the reasons, had it been necessary for me to do so, I would have exercised my discretion in favour of allowing the mark to remain on the Register in respect of watches and for the same reasons. But, for reasons already stated, the appeal fails because of the established bona fide use by the registered proprietors of their mark in the relevant period in respect of watches.