

TRADE MARKS ACT 1994

**IN THE MATTER OF CONSOLIDATED APPLICATIONS
NOS 9042 AND 9043 BY NESTLE UK LTD
FOR REVOCATION OF TRADE MARK
NOS 1240037 AND 1245907
IN THE NAME OF ZETA ESPECIAL S.A.**

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IN THE MATTER OF consolidated applications

Nos 9042 and 9043 by Nestle UK Ltd

5 For revocation of trade mark

Nos 1240037 and 1245907 in the name of

Zeta Espacial S.A.

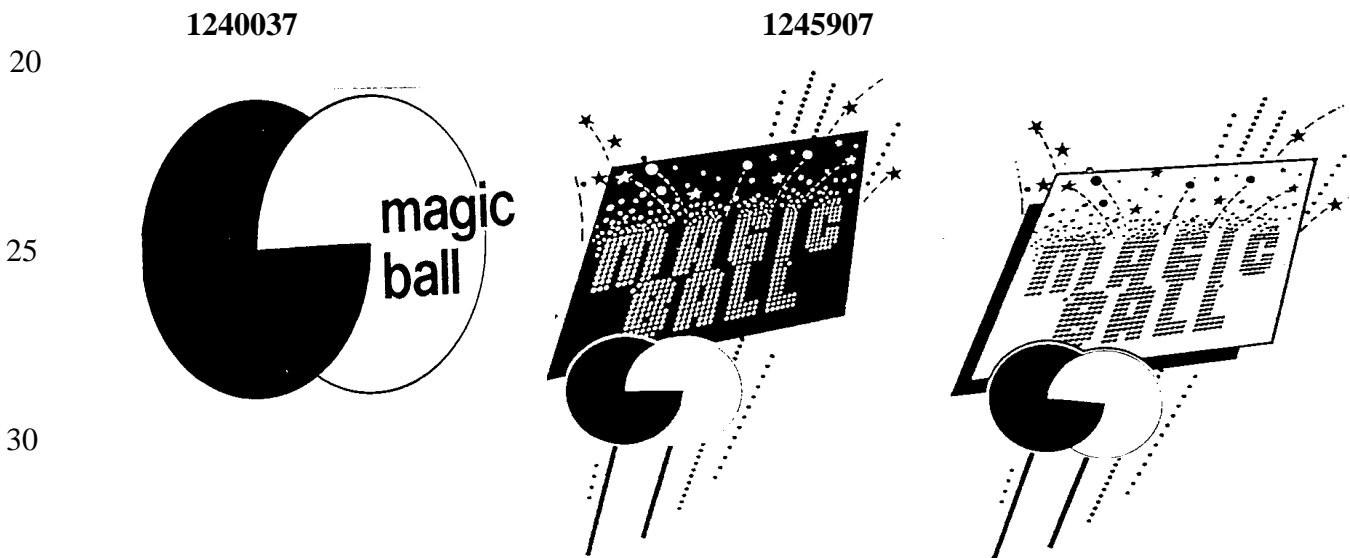
DECISION

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Trade mark numbers 1240037 and 1245907 are registered in Class 30 in respect of:

15 Confectionery, chewing gum and bubble gum, none being medicated; sweetmeats included in Class 30; stickjaws (candy for food); chocolate, chocolates, biscuits (other than biscuits for animals), cakes and pastries.

The registrations currently stand in the name of Zeta Espacial S.A. The marks are as follows:



40 By applications dated 12 June 1996, Nestle UK Ltd applied for these registrations to be revoked under the provisions of Section 46(1) on the grounds that:

45 the mark is not being used in the United Kingdom by the registered proprietor or with his consent in relation to the goods for which it is registered and further, that the mark has not been so used for at least the last five years and that there are no proper reasons for non-use.

The registered proprietor filed a counterstatement in which they claim:

- there are proper reasons for non-use of the marks which are the subject of registrations Nos. 1240037 and 1245907
- the registration should not be revoked in its entirety in view of the existence of similar registrations in the name of the proprietor in other EU states, as, by revoking the registrations and allowing the applicants for revocation to register the same mark in their own name would fractionalise the market and be contrary to the spirit and intent of the common market.

The registered proprietors state that they would be willing to agree to a partial revocation of the registrations in respect of “biscuits, cakes and pastry” which they say are remote from the goods of interest. Subject to this, they request that the application for revocation be refused.

The registered proprietor and the applicants for revocation both ask for an award of costs in their favour.

Both sides have filed evidence in these proceedings. The matter came to be heard on 19 January 1999, when the applicants were represented by Miss Emma Himsworth, of counsel, and the registered proprietors by Mr John Scott of JY & GW Johnson, their trade mark attorneys.

Applicants’ evidence

This consists of a Statutory Declaration dated 26 February 1996, executed by Mr Duncan Howard Mee. Mr Mee states that he is a partner in a firm of enquiry agents trading as The Duncan Mee and IPI Partnership, but at the time of the enquiries referred to in the Declaration he was a partner in a different firm of enquiry agents trading as The MRH Partnership. He confirms that he has been an enquiry agent for fifteen years.

Mr Mee begins by saying that on 18 January 1996, the MRH Partnership was instructed by Sarah Dixon of the Group Legal & Secretarial Department of Nestle UK Ltd to investigate whether the trade mark MAGIC BALL was being used in the United Kingdom upon chocolate, confectionery or similar goods. He states that they were informed that the trade mark was registered by Zeta Espacial S.A. and sets out the numbers and specifications for the two marks that the applicants are seeking to revoke. Mr Mee goes on to detail the initial stages of his enquiries, which took place through international directory enquiries, and several computer databases of confectionery companies. He refers to the search report shown at Exhibit DHM1 and refers to the fact that these identify Zeta Espacial S.A. as a “confectionery manufacturer with particular interest in candy and other confectionery products”.

Mr Mee goes on to say that he telephoned Zeta at their offices in Barcelona, and was given details of the company's United Kingdom distributor, namely, Hannah's of Johnstone, Scotland. He says that he telephoned Hannah's and spoke with Joyce Hood of their sales department, who confirmed that her company did act as distributor for Zeta. Mr Mee said that he enquired whether Ms Hood knew of a product called Magic Ball, and received the reply that her company did sell a Zeta product called Magic Gum, but that they had never sold anything called Magic Ball. Mr Mee says

that Ms Hood described the Magic Gum product as a particulate candy product that fizzed in the mouth and turned into chewing gum, and that this was one of several “popping candy” products made by Zeta and referred to one called Fiz Wiz. Mr Mee says that Ms Hood agreed to send him details of her company's products and these are shown at Exhibit DHM2 which consists of a list of confectionery items, including those produced by Zeta, DHM3 and DHM4 which consists of examples of packaging for the Zeta Magic Gum and Fiz Wiz products, and Exhibits DHM5 to DHM 12, which are examples of sales presenters for the range of Zeta products distributed by Hannah's.

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Mr Mee goes on to say that he between 18 and 23 January 1996, he spoke by telephone with Mr Serra, Export Manager for Zeta Espacial S.A., and states that Mr Serra confirmed that Hannah's were his company's United Kingdom distributors. He goes on to say that when asked if he knew of a product called Magic Ball, Mr Serra said that the product was called Magic Gum and that his company did not make a product called Magic Ball.

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Mr Mee says that in June 1996, he was asked to check the results of his earlier investigations. He says that he telephoned Zeta in Barcelona and spoke to a member of their export department. Mr Mee says that he used the pretext of being interested in exporting Zeta's products to Eastern Europe and the C.I.S. (Commonwealth of Independent States) and was given a detailed description of the product range available, of which only two incorporated the word magic in the name; Magic Gum and Sour Magic Gum. He says that when he asked specifically about Magic Ball he was told that they had not heard of it. Mr Mee states that he was then told that any further enquiries should be addressed to Mr Sean Roe, Zeta's export agent for the area he had specified. He contacted Mr Roe who gave him details of the Zeta product range and countries to which they are sold. Mr Mee says that he asked whether the Zeta product range included a product called Magic Ball, Mr Roe told him it did not. When questioned further, Mr Mee says that Mr Roe thought that a Finnish company called Leaf Confectionery did produce a bubble gum under this name.

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30 **Registered proprietors' evidence**

The registered proprietors' evidence consists of two Affidavits. The first dated 10 October 1997 was executed by Ramon Escola, a member of the Board of Directors of Zeta Espacial S.A. and filed under the provisions of Rule 13(5). He states that he has been associated with the company since 1979 and has held his present position since 1989. Mr Escola explains that his company manufactures a variety of candy products at its base in Spain, and that these are then marketed in Europe and other unspecified parts of the world. He states that as far as possible, his company uses the same trade mark on a product in each market.

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Mr Escola says it has already been admitted that his company has not used the trade mark MAGIC BALL in the United Kingdom. He refers to the evidence submitted by Mr Mee but states that in view of the admission of non-use it does not assist and he does not propose to respond to it. Mr Escola also refers to the counterstatement filed by the registered proprietor, and goes on to reiterate that there are proper reasons for non-use, namely difficulties in manufacturing and bringing to the markets the product for which the MAGIC BALL trade mark had been devised, which he says are set out in detail later in the Affidavit.

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Mr Escola goes on to refer to registration for the trade mark MAGIC BALL in his company's ownership in ten countries besides the United Kingdom, none of which are under attack. He restates his opinion that for another company to obtain a registration for MAGIC BALL in the United Kingdom would split the market in the EU, and as a consequence, would create difficulties and confusion to other manufacturers, distributors and the consuming public.

Mr Escola next goes on to set out the history of the product intended to be marketed under the MAGIC BALL trade mark. He says that in the late 1980s, his company conceived the idea of manufacturing a confectionery product consisting of a lollipop having a centre filled with gasified candy particles, an idea which he says is "unique". Mr Escola refers to the fact that his company is developing the "hygroscopic gasified candy" to be used in the lollipop, and are confident that when perfected will have a dramatic and exciting effect on the consumer. He states that the idea has turned out to be extremely ambitious and his company has spent several years in investigations, research and the hand manufacture of prototypes.

He goes on to refer to the efforts made to find a machinery manufacturer, which on the 23 May 1989 had resulted in an agreement with APV Baker Limited for the manufacture of a hollow filled lollipop depositor for his company. A copy of the agreement is shown at Exhibit REG1 and is headed "Quotation/Order Confirmation" and relates to the supply of machinery as stated by Mr Escola, although there is no mention of the words MAGIC BALL. The agreement stipulates that the machinery is to be ready for despatch no later than 15 May 1990.

Mr Escola continues saying that on 15/16 June 1989, he and a colleague visited APV Baker Limited to discuss the project. He says that in October 1989 he again visited the experimental laboratory of APV to discuss the results of tests, which Mr Escola says were at that stage disappointing and resulted in a considerable exchange of faxes, copies of which are shown in Exhibit REG2. Mr Escola specifically refers to a fax dated 22 August 1990 from Mr Smythe of APV Baker Limited which admits that they are unable to deliver the machinery on time, which resulted in a series of meetings between Zeta Espacial S.A., APV Baker Limited and L Jackson S.A., and the results of a meeting summarised in a fax dated 18 September 1990 from Zeta to APV. Mr Escola states that further discussions took place which on 20 September 1990 resulted in a new contract between Zeta and APV, a copy of which is shown at Exhibit REG3.

Mr Escola says that on 29 September 1990, technicians from APV commenced the installation of a prototype machine at Zeta's factory, and that this also encountered difficulties. He says that APV having encountered difficulties in manufacturing the prototype such that they had not been able to achieve the correct operation, sold Zeta the prototype to avoid further problems. Mr Escola next moves on to explain the efforts made by Zeta to perfect the machinery and bring the MAGIC BALL product to the market and details some of the technical difficulties in producing the lollipop. He says that from 1991 to the present date, members of his company's technical team have been working almost continuously on the inoperative prototype machinery, and gives a chronology of the work undertaken and problems experienced.

Mr Escola goes on to say that in 1989 and 1990 his company undertook an extensive patent filing programme in relation to the lollipop and their manufacture. He sets out details of patents filed in nine countries, including the United Kingdom, one filed in March 1989, the remainder filed between March and February 1990.

Mr Escola next says that as stated in the counterstatement, his company would be willing to agree to a partial revocation of their registration in respect of biscuits, cakes and pastry, having decided that they would not be using the mark MAGIC BALL on these goods. He goes on to say that the arguments given in his Affidavit are good and sufficient reasons why the registrations should not be revoked. He concludes by saying that even if this is not considered to be the case, the Registrar has the discretion to allow the registrations to remain on the register, and that in light of the enormous effort which his company has made to develop the product he urges the Registrar to exercise his discretion to allow the marks to remain on the register.

The second Affidavit dated 27 October 1997 was also executed by Ramon Escola, but using his full family name which is Ramon Escola Gallart.

Mr Escola Gallart refers to the affidavits he had sworn on 10 October 1997, in which he says he has noticed some confusion. At line 10 of page 6 of these Affidavits there is a reference to a facsimile message dated 18 September 1990, sent from Zeta to Mr Clive Tolson of APV. This should, in fact have said from Zeta to Mr Parkinson of APV. He says that there is a similar discrepancy at line 27 of page 6, which should have said that the facsimile reply from Zeta on 18 September 1990 was covered by a cover sheet addressed to Mr Verity of APV, but the communication itself was marked for the attention of Mr Parkinson. Mr Escola concludes the declaration by saying that the undated fax no 1416 from himself and Mr Bayes to Mr Tolson of APV is in Spanish, and refers to Exhibit REG1 which is an English translation.

Decision

With all of the evidence in mind I now turn to consider the grounds of revocation. These are found in Section 46(1)(b) of the Act, which reads as follows:

46-(1) The registration of a trade mark may be revoked on any of the following grounds:-

(a) that within the period of five years following the date of completion of the registration procedure it has not been put to genuine use in the United Kingdom, by the proprietor or with his consent, in relation to the goods or services for which it is registered, and there are no proper reasons for non-use;

(b) that such use has been suspended for an uninterrupted period of five years, and there are no proper reasons for non-use;

Although the applicants have not stated under which part of section 46 they object, the wording used indicates that the matter falls to be considered under subsection (b) of Section 46, but I have included subsection (a) because it tells us what "such use" means.

One defence put forward by the proprietors is that the registration should not be revoked in its entirety in view of the existence of similar registrations in the name of the proprietor in other EU states. The consequence of allowing the application for revocation may well be that the same

mark will exist in different ownerships in different jurisdictions, but there is nothing in the legislation in the United Kingdom which would prevent this, and I dismiss this line of argument.

5 Where the registered proprietor claims that there has been use of the trade mark, the provisions of Section 100 of the Act makes it clear that the onus of showing use rests with him. However, in this case the registered proprietor has admitted that there has been no use of the mark in the relevant period, although has claimed that there are “*proper reasons for non use*”. Having conceded that they have not used the trade mark but that there are proper reasons for non use, the onus in my view stays with the proprietor to establish this.

10 The Act does not set out what are considered to be proper reasons for non use. However, in the INVERMONT¹ trade mark case, the Registrar's Hearing Officer considered the meaning of the words “proper reasons for non use”, and drawing a distinction between the wording of Section 26(3) of the Trade Marks Act 1938 and the provisions of Section 46(1)(a) of the 1994 Trade
15 Marks Act said:

20 “Moreover, the word “proper” appear, rather than the slightly more restrictive word “special”. The reasons do not have to be special, it seems merely “proper”. As can be seen in any English dictionary, “proper” is a word with many meanings. But bearing in mind the need to judge these things in a business sense, and also bearing in mind the emphasis which is, and has always been placed on the requirements to use a trade mark or lose it, I think the word proper in the context of Section 46 means:-“apt, acceptable, reasonable, justifiable in all the circumstances

25 “.....He describes difficulties which by his own admission are normal in the industry concerned and in the relevant market place. I do not think that the term “proper” was intended to cover normal situations or routine difficulties. I think it much more likely that it is intended to cover abnormal situations in the industry or market, or even in perhaps some temporary but serious disruption affecting the registered proprietor's business.
30 Normal delays occasioned by some unavoidable regulatory requirement, such as the approval of a medicine might be acceptable but not, I think, the normal delays found in the marketing function. These are matters within the businessman's own control and I think he should plan accordingly....”.

35 Mr Scott sought to persuade me that the reason for non use was a circumstance affecting the trade as a whole but there is no evidence of this. However, the Hearing Officer in Invermont concluded that distinct from the decision in the James Crean & Sons² trade mark case, the wording of Section 46 of the 1994 Trade Marks Act did not restrict the circumstances to those affecting the trade as a whole, and that disruptive situations affecting the registered
40 proprietor’s business alone could be proper reasons within the meaning of this section of the Act. From this it is clear that the consideration is not who is affected, but whether the reasons for not using the mark are “apt, acceptable, reasonable, justifiable in all the circumstances.”.

¹ [1997] RPC 130

² [1921] 38 RPC 155

The two trade mark registrations were acquired by the current proprietors in 1991, who having obtained the rights proceeded to register MAGIC BALL trade marks in other countries. In his declaration, Mr Escola says that the proprietor had a particular product in mind for this trade mark, namely, a lollipop having a centre filled with gasified candy particles, and it is quite clear from the statement “..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.” that at that time the proprietors did not have any intention of using the trade mark on any other goods. Mr Scott agreed that had been the proprietors intention, but they did not rule out the possibility of using the mark MAGIC BALL on other products, inter alia, chewing gum. Miss Himsworth pointed out that the proprietors already trade in such goods, and that being the case, there can be no proper reasons for not using the trade mark in respect of those goods. I agree with that submission and I dismiss the line of argument advanced by Mr Scott and conclude that if proper reasons for non use exist, it can only be in respect of the lollipops.

The reason for non use put forward by the proprietor is set out in some detail in my summary of the evidence, and essentially comes down to technical difficulties in the development and manufacture of machinery to produce the lollipops. In May 1989 they entered into an agreement with APV Baker Limited, by which that company was to manufacture a depositor machine to produce the lollipops, the delivery date agreed being 15 May 1990. Although a prototype machine was eventually delivered, a series of delays and technical difficulties resulted in a new agreement between the companies. When APV Baker Limited failed to produce a working machine, the agreement was terminated and the prototype bought by the proprietors who have continued the development work themselves. The evidence catalogues in some detail the progress that has been made in developing the machinery, which is claimed to now be able to produce the product, although because of an unacceptable rejection rate is still not commercially viable. The proprietors say that commercial production of the lollipops, and therefore the use of the trade mark will be possible within three years and possibly a much shorter time than this.

Although the goods for which the mark is intended are not in being, this is not fatal to the proprietors case. In the Duckers³ trade mark case, Lord Hanworth M.R. referred to the decision in re Batt's Trade marks, in which Lord Linley said:

“...I put it in the affirmative form - that a man must have an intention to deal, and meaning by the intention to deal some definite and present intention to deal in certain goods or description of goods. I agree that the goods need not be in being at the moment, and that there is futurity indicated in the definition; but the mark is to be a mark which is to be definitely used or in respect of which there is a resolve to use it in the immediate future upon or in connection with goods. I think that the words “proposed to be used” mean a real intention, not a mere problematical intention, not an uncertain or indeterminate possibility, but it means a resolve or settled purpose which has been reached at the time when the mark is to be registered.”

³ [1928] 45 RPC 397

A number of decided cases were referred to, inter alia, the Rawhide⁴ and Thermax⁵ trade mark cases, which, for the following reasons I believe are distinct from this case. There is no challenge to the proprietorship of the mark, and at the time of the acquisition of the two MAGIC BALL trade marks, the proprietors have, I believe, established that they had “a resolve or settled
5 purpose” to use them. They had a particular product in mind and although the use of the marks was contingent on the manufacturing difficulties being resolved, it is not unreasonable to conclude from the evidence that the proprietors had fully expected to be able to produce the goods for which the mark was intended within a couple of years of acquiring the trade marks.

10 In the Bali⁶ trade mark case, Ungood-Thomas J gave consideration to the matter of “special circumstances” saying:

“A trade mark is a commercial asset intended to be used commercially by businessmen, and "special circumstances" have to be understood and applied in a business sense”.

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The Hearing Officer in Invermont adopted a similar approach saying “..bearing in mind the need to judge these things in a business sense, and also bearing in mind the emphasis which is, and has always been placed on the requirements to use a trade mark or lose it,..”. It is clear from the evidence that the proprietor has invested time and money in developing the product to be sold
20 under the mark, and I am reasonably satisfied that but for the technical difficulties may well have placed the goods in the market place. The development of new products can take time and in this case it has taken longer than expected. Consequently, the marks have not been used but there is no suggestion that they have been abandoned. Although it could be argued that the reasons for non use of the mark are within the proprietors own control, when judged in a business sense and
25 consideration given to all of the circumstances, I am satisfied that the reasons for non use of the mark in respect of “lollipops having a centre filled with gasified candy particles” constitute proper reasons for non use. But there is no reason why the mark should not, or could not, have been used on other goods included in the specification.

30 This leaves the matter of the Registrar's discretion. In INVERMONT the hearing officer decided that the Registrar did have discretion under section 46. The question of discretion was given further consideration by the Registrar's Hearing Officer in the ZIPPO⁷ trade mark case. The Hearing Officer in that case concluded that the Registrar does not have discretion under Section 46 to maintain a mark on the register when grounds for revocation have been established
35 and I therefore need not consider the matter further.

In reaching this decision I have paid particular regard to the technical difficulties experienced and the fact that the registered proprietors states that they are withing sight of commercial production of this product. Should this not occur within the next three years as they have indicated then it

⁴ [1962] 5 RPC 133

⁵ [1985 18 RPC 403

⁶ [1966] RPC 387 at 406

⁷[1999] 5 RPC 173

may well be that a different view will be taken if their mark is challenged again.

5 I therefore find the revocation to be successful in respect of all goods with the exception of
“lollipops having a centre filled with gasified candy particles”, and that being the case, under the
provisions of Section 46(5) of the Act, the registration will be revoked in respect of all goods for
which it is registered with the exception of “ lollipops having a centre filled with gasified candy
particles”.

10 The applicant for revocation, having succeeded in respect of the majority of goods for which the
trade mark is registered, is entitled to a contribution towards his costs. I order the registered
proprietors to pay to the applicant for revocation the sum of £835.

15 **Dated this 17 Day of March 1999**

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M Foley
For the registrar
The Comptroller-General

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