

TRADE MARKS ACT 1994

**IN THE MATTER OF APPLICATIONS Nos 10709,
10710 and 10711 BY SIZZLERS RESTAURANTS No 1 LIMITED
FOR REVOCATION OF REGISTRATIONS Nos 1282289, 1283621
and 1422203 STANDING IN THE NAME OF
SIZZLER INTERNATIONAL MARKS, INC**

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DECISION

1. The trade mark SIZZLER is registered in the name of Sizzler International Marks, Inc for 'restaurant services' in Class 42. It is numbered 1282289 and stands registered as of the filing date of 1 October 1986.
2. The same proprietors have the trade mark Sizzlers registered in Class 42 for 'restaurants, public house and hotel services'. This registration is numbered 1283621 and stands registered as of the filing date of 1 October 1986.
3. The same proprietors have the following mark registered in Class 42 for 'restaurant services; café, cafeteria and snack bar services; bar and catering services'.

Sizzler
Steak · Seafood · Salad

This registration is numbered 1422203 and has a filing date of 17 April 1990.

4. On 5 May 1999 Sizzlers Restaurants No. 1 Limited applied for these registrations to be revoked under the provisions of Section 46(1)(a) or (b) of the Act.
5. The registered proprietors filed counterstatements denying the above grounds. The precise terms in which they did so are as follows:

"The Grounds of Revocation are denied. The Proprietor will show that negotiations have been conducted with several companies which operate services in relation to restaurants, pubs and hotels in the United Kingdom to enter into a franchise agreement which would include use of the trade mark the subject of United Kingdom Registration No. 1283621¹ ("the Trade Mark") in relation to all the services for which the Trade

Mark is registered. Those negotiations commenced or have continued within the last five years and before the application for revocation was made and thus fall within the provisions of Section 46(3) of the Trade Marks Act 1994.

Should it be decided that genuine use has not been made of the Trade Mark in the United Kingdom by the Proprietor or with the Proprietors consent for a period of five years, or that such use has been suspended for an uninterrupted period of five years, which is denied, the Proprietor will show that there are proper reasons for non-use based on the time required for the development of a suitable franchise.

Further and/or in the alternative, should the Registrar have discretion not to revoke, the Proprietor requests that the Registrar exercise this discretion."

¹Identical counterstatements have been filed but the registration number has not been changed in the body of the statement on the other cases. The headings do refer to the correct registration numbers but in two cases the revocation number has not been changed. These discrepancies do not appear to have been picked up. Equally it is not suggested that they have resulted in any problems in processing the cases. I mention the point in case it arises in the event of an appeal.

6. Only the registered proprietors filed evidence. The matter came to be heard on 20 March 2001 when the applicants for revocation were represented by Mr T Thomas of Harper McLeod. The registered proprietors had indicated their wish to be represented at the hearing but in the event their representative was unable to attend because of transport difficulties on the day.

7. Although these cases have never been formally consolidated the issues and evidence are common to all three and permit a single conclusion to be reached.

8. The relevant parts of Section 46 of the Act read:

"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;

(2) For the purposes of subsection (1) use of a trade mark includes use in a form differing in elements which do not alter the distinctive character of the mark in the form in which it was registered, and use in the United Kingdom includes affixing the trade mark to goods or to the packaging of goods in the United Kingdom solely for export purposes.

(3) The registration of a trade mark shall not be revoked on the ground mentioned in subsection (1)(a) or (b) if such use as is referred to in that paragraph is commenced or resumed after the expiry of the five year period and before the application for revocation is made:

Provided that, any such commencement or resumption of use after the expiry of the five year period but within the period of three months before the making of the application shall be disregarded unless preparations for the commencement or resumption began before the proprietor became aware that the application might be made."

9. Section 100 of the Act is also relevant:

"100. If in any civil proceedings under this Act a question arises as to the use to which a registered trade mark has been put, it is for the proprietor to show what use has been made of it."

It is clear from Section 100 that the onus is on the proprietor to demonstrate use once a challenge has been raised.

10. The registered proprietors' evidence comes in the form of (common form) statutory declarations by James S McGinnis, the Vice President of International Development of Sizzler International, Inc. the proprietors' parent company. He says that for many years he has been the person within Sizzler International primarily responsible for identifying and communicating with prospective franchisees on a worldwide basis.

11. Mr McGinnis explains Sizzler's efforts to establish a trade in the UK in the following terms:

"4. For many years, Sizzler International has been actively searching for prospective franchisees in the United Kingdom. Indeed, since 1989, Sizzler International has had discussions with several potential franchisees in the United Kingdom.

5. It is Sizzler International's regular business practice to send all prospective franchisees copies of its current Uniform Franchise Offering Circular, which is a disclosure document required under U.S. federal law and under the laws of many U.S. states. Now produced and shown to me marked as Exhibit "SIZ1" is a true and correct photocopy of Sizzler International's 1992 Uniform Franchise Offering Circular ("UFOC"). It was Sizzler International's regular business practice to send this document, or a virtually identical document, to the business offices of its prospective franchisees, including the U.K. companies discussed below. The UFOC discusses in detail the trademarks and service marks owned by Sizzler International and its subsidiaries and related companies.

6. Because Sizzler International is interested in operating franchisees in the U.K., it contacted the British Consulate in 1995 and requested information concerning investment in the U.K. Now produced and shown to me marked as Exhibit "SIZ2" is a

true and correct photocopy of a letter dated May 31, 1995 received by Sizzler International regarding investment in U.K. businesses."

12. The remainder of his declaration records his company's dealings with the following firms with a view to a franchise operation in this country - Whitbread & Company plc, Bass Inns & Taverns, Trusthouse Forte Restaurants, Allied Lyons and Scott Foods. The only discussions that have taken place where a date is recorded are those with Whitbread. These discussions took place in February 1992. None of these contacts appears to have resulted in the establishment of any trade franchised or otherwise in the UK. I will comment further on this evidence in what follows.

13. Turning to the decision itself I note that the registered proprietors refer in their counterstatement to Section 46(3) of the Act. I do not altogether understand that reference. There has clearly been no actual use of the mark in the sense that services have been offered to the public. I can only assume it is being suggested that contact with potential franchisees may constitute preparations for use. If that is the case it cannot in itself assist the proprietors. Kerly's Law of Trade Marks (13th Edition) notes at 9-50 that "... the proviso to Section 46(3) draws a clear distinction between use and preparations for use. That is a powerful indicator that preparations for use do not constitute use". In the particular circumstances dealt with in Section 46(3) preparation for use does not of itself save the registration. Rather it serves to validate the actual use that has taken place by demonstrating that use was not simply commenced or resumed for the purpose of defeating a non-use attack.

14. The proprietors' main defence, it seems to me, is that the time required for the development of a suitable franchise operation constituted a proper reason for non-use.

15. The issue of 'proper reasons for non-use' is discussed in Kerly's at 9-62. Reference is made to the guidance given in INVERMONT Trade Mark 1997 RPC 125 and in particular the following passage:

"..... I think it is clear enough that the reasons given by Mr. Denholm are not 'proper' in the sense required. He describes difficulties which by his own admission are normal in the industry concerned and in the relevant market place. I do not think 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 the market, or even perhaps some temporary but serious disruption affecting the registered proprietor's business. 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. Therefore, I do not find that in this case the registered proprietor had any proper reasons for the non-use, during the relevant period."

16. Of the other cases referred to in Kerly's (see 9-63) MAGIC BALL Trade Mark, 2000 RPC 439 appears to be potentially the most relevant although the facts were quite different to those of the case before me. In MAGIC BALL the proprietors claimed proper reasons for non-use having regard to the problems in developing specialist machinery to produce the

goods. Mr Justice Park rejected submissions by Counsel for the appellant/applicant for revocation who relied on the passage in INVERMONT to the effect that the term 'proper' was not intended to cover normal situations or routine difficulties. Park J held that "the problems which Zeta [the proprietor] has experienced in this case are exceptional and that it would be a travesty to describe them as normal and routine". He appears, therefore, to have accepted the underlying proposition put forward in INVERMONT as regards the circumstances which might have a bearing on whether proper reasons for non-use can be said to exist.

17. Where do the registered proprietors stand in the light of the above? Mr McGinnis' evidence describes the nature of Sizzler International's business. He says that discussions have taken place with potential franchisees since 1989. Five UK business contacts are referred to. Three of the five (Trusthouse Forte, Allied Lyons and Scott) are described in very brief terms and without the benefit of any substantiating exhibits or reference to dates, duration of discussions etc. No business relationships have resulted. Sizzler is said to remain interested in developing these contacts but there is no reference to any current or continuing discussions. The contact with Bass Inns and Taverns is evidenced by no more than a photocopied business card. There is nothing to say when discussions started or to suggest that they progressed beyond the initial expression of interest stage. It seems that Bass's own business focus has changed and they are in the process of disposing of a number of pubs. Consequently they have not wanted to pursue a franchise relationship with Sizzler.

18. The only one of the registered proprietors' UK contacts that is described in any greater detail is that with Whitbread & Co plc. A two day meeting took place between the two sides in Los Angeles. The main exhibit in support of this is the visit programme. It is clearly designed to introduce the Whitbread representatives to the various aspects of Sizzler's business. The visit took place between 4 and 6 February 1992. Mr McGinnis concludes by saying that "Whitbread has experienced problems with some restaurant chains that it acquired, thereby making it difficult for it to enter into a franchise relationship with Sizzler International". Thus the position is that none of the contacts made with potential franchisees has progressed beyond initial discussions and no reference is made to any active attempts to find new business partners.

19. It is reasonable to suppose that developing franchises involves a number of sequential but interrelated steps particularly if the franchisee is likely to be responsible for a number of outlets. Potential franchisees have to be identified, contacts made, choice of franchisee(s) settled on, terms agreed, premises found etc. No information has been supplied to indicate what the registered proprietors' experiences have been in other markets or what timescales might reasonably be expected to bring such ventures to fruition. I have no yardstick, therefore, against which to assess the proprietors' position.

20. What can be said with some certainty is that a great deal of time has elapsed since the proprietors first established their interest in the UK market by applying for trade marks. The registrations under attack were filed on 1 October 1986 (two) and 17 April 1990. The registration procedure (for the purposes of Section 46(1)) was completed on 26 February 1990 (for No 1283621), 26 June 1992 (for No 1282289) and 11 September 1992 (for No 1422203).

21. The registered proprietors were not setting out to do anything that they were not familiar with in terms of the franchise process. The substantial Uniform Franchise Offering Circular exhibited at SIZ1 is testimony to the fact that they are experienced operators in this field and well prepared for the process of establishing a franchise operation. Some allowance must of course be made for the need to familiarise themselves with the UK market and any peculiarities it might involve. But I cannot see anything in the proprietors' evidence which suggests that they faced any problems which can reasonably be said to go beyond the 'normal situations or routine difficulties' which it was suggested in INVERMONT might constitute a proper reason for non-use. Identifying the right franchisee(s) may well take a little time but I cannot think that it explains or justifies non-use over such an extended period of time.

22. Recital 8 to the Directive (89/104) indicates that:

"Whereas in order to reduce the total number of trade marks registered and protected in the Community and, consequently, the number of conflicts which arise between them, it is essential to require that registered trade marks must actually be used or, if not used, be subject to revocation"

23. The existence of proper reasons for non-use is an exception to the general principle of 'use it or lose it'. Given the overriding objective set out in Recital 8 I do not think the intention can have been that proper reasons for non-use can apply where a registered proprietor can point to nothing unusual in the circumstances of his own business or the trade generally as an explanation for his inactivity. Whilst it may be that the registered proprietors have a general intention to develop a UK business if a suitable partner can be found there is no indication that any existing contacts have been pursued in recent times, new contacts developed or that alternative strategies have been considered. I have little hesitation therefore in concluding that there are no proper reasons for non-use.

24. There is a reference in the counterstatement to exercise of the Registrar's discretion in the registered proprietors' favour if such a power exists. The question of whether the Registrar has an overriding or general discretion in revocation cases has been considered in a number of cases with two Registry hearing officers coming to different conclusions on the matter (see INVERMONT and ZIPPO 1999 RPC 173). More recently (and after the filing of the counterstatement in this case) the question has been the subject of a High Court decision by Mr Justice Neuberger in Premier Brands UK Ltd v Typhoon Europe Ltd and another (2000 ETMR 1071). I do not propose to record the full text of the part of the judgment dealing with the point but for the benefit of the parties in this case the following are his concluding remarks:

"I do not find it surprising that two members of the Trade Marks Registry come to different conclusions on this difficult point. With diffidence, I have reached the conclusion that the view expressed in ZIPPO [1999] RPC 173, namely that there is no discretion, is to be preferred. For reasons I have given, I do not find any of the reasons supporting either view particularly strong. However, it does seem to me somewhat odd if the legislature has specifically provided for no revocation in the event of there being good reason for the non-use, but nonetheless has left the Court with a residual discretion, particularly without giving any indication as to what factors should

be taken into account when exercising that discretion. Furthermore consideration of the combined effect of Section 46(1)(c) and (d) suggest to me that it is more likely that the legislature intended that those two paragraphs were to represent mandatory, rather than discretionary, grounds for revocation. Section 46(5) and Article 13 tend to point in favour of the conclusion I have reached. The words "may" in Section 46(1) and "liable" in Article 12 are perfectly consistent with the concept of revocation being mandatory but only occurring in the event of an application being made. I also bear in mind that it is not only a privilege for a person to be the proprietor of a registered trade mark, but it represents a monopoly: the Court should not be too ready to perpetuate a monopoly in favour of a person who has not done anything to promote or enjoy it for a period of five years. Decisions of the ECJ to which I have referred show that a major purpose of the trade mark legislation is to protect those who have expended time, effort, ingenuity and money in disseminating a trade mark and building up goodwill in relation to it. It seems to me that the obverse of this approach is that a person who does not use a trade mark for five years or more should lose it."

25. I regard myself as being bound by the view that there is no discretion to exercise. In the event, therefore, the revocation is successful under Section 46(1)(a). The registrations will be revoked in their entirety in accordance with the applicants' request from the dates five years after the completion of the registration procedure (Section 46(6)(b)). These dates are as follows:

No 1282289	26 June 1997
No 1283621	26 February 1995
No 1422203	11 September 1997

26. The applicants are entitled to a contribution towards their costs. I take into account the cost of filing separate applications for revocation; the fact that the applicants did not file evidence; that the registered proprietors' filed essentially a common set of evidence; and the fact that the hearing was brief and dealt with by way of a composite set of submissions. I order the registered proprietors to pay the applicants the sum of £1,200 in respect of the three cases (that is in total). This sum is to be paid within seven days of the expiry of the appeal period or within seven days of the final determination of this case if any appeal against this decision is unsuccessful.

Dated this 3 day of April 2001

M REYNOLDS
For the Registrar
the Comptroller-General