

TRADE MARKS ACT 1994

**IN THE MATTER OF APPLICATION No 10406 BY
COFFEE TIME DONUTS INC FOR A DECLARATION OF INVALIDITY
OR RECTIFICATION OF THE REGISTER IN RESPECT OF
TRADE MARK No 2043612 IN THE NAME OF
WILLIAM FREDERICK WEBB**

TRADE MARKS ACT 1994

**IN THE MATTER OF Application No 10406 by
Coffee Time Donuts Inc for a declaration of Invalidity
or Rectification of the Register in respect of
Trade Mark No 2043612 in the name of
William Frederick Webb**

DECISION

Trade mark No. 2043612 is registered with the following specification of goods and services:

Class 30

Coffee, tea, cocoa, sugar, artificial coffee; flour, cereals and cereal preparations; bread, pastry, pastries, confectionery, desserts and puddings; prepared meals and snacks.

Class 42

Café, cafeteria, restaurant and bar services; catering services; preparation of foodstuff or meals for consumption off the premises; preparation of beverages.

The mark is in fact a series of two as follows:

0

Coffee Time
Donuts & Desserts

coffeetime
Donuts & Desserts

It stands registered from the filing date of 6 November 1995.

By application dated 16 November 1998 Coffee Time Donuts, Inc of Ontario, Canada applied for invalidation or rectification of the register in the following terms:

"The Applicant contends that trade mark in suit was applied for in bad faith contrary to Section 3(6) of the Act in that the registered proprietor applied to register the trade mark in the knowledge that the Trade Mark was and has at all material times been the property of the Applicant and the registration should accordingly be declared invalid.

Further or in the alternative, the application to register the Trade Mark was made by an agent or the representative of the Applicant who is the proprietor of the mark in a Convention country. As such, in accordance with Section 60(3) of the Act, the registration should be declared invalid or in the alternative the Register of Trade Marks should be rectified by the substitution of the Applicant's name as the proprietor of the Trade Mark."

The registered proprietor filed a counterstatement which indicates that in each and every respect the claims made in the statement of grounds are not admitted.

Both sides ask for an award of costs in their favour.

Both sides filed evidence and the matter came to be heard on 8 May 2001 when the registered proprietor was represented by Mr R B S Robertson of Ansons, Trade Mark Attorney and the applicants by Mr M Malynicz of Counsel instructed by Clifford Chance.

Coffee Time Donuts, Inc., is a Canadian company which is in the business of franchising coffee and donut shapes under the trade names and trade marks "Coffee Time" and "Coffee Time Donuts" (I will use the N. American spelling throughout as the parties both employ this version). The precise date when the operation got underway is not clear. Two of the applicants' declarants refer to being in the employ of the company from 1991 but use of the Coffee Time marks is said to date from "at least as early as January 1992". The company itself is said to have been incorporated in 1983.

Mr Webb, the registered proprietor, is a Northern Ireland business man. His dealings with the applicants began in 1993 at which time he says he was "looking for an alternative business to that in which I was at that time engaged, namely Sovereign Prestige Cars". His evidence is that he decided to consider the food industry and in particular coffee shop outlets. He was aware of coffee shop operations in Canada and selected Coffee Time Donuts, Inc for an approach with a view to a joint venture.

A number of contacts took place over the ensuing few years. Each side gives its own version of events and there is a conflict of evidence in certain key areas. The fact that various meetings, visits and certain other events took place is not in dispute and it will be convenient, therefore, to start with a chronology of events before recording the areas of dispute.

Before coming to this chronology I should record that I have drawn the information from the evidence filed in these proceedings by the following:-

For the applicants

- John McMahon - Vice President of Operations for Coffee Time Donuts Inc (CTD)
- John Logarkis - Vice President of Purchasing and International Development for CTD
- Danny Grammenopoulos - Vice President of CTD from 1992 to October 1995
- Ross Peacock - Sales Manager for Atlas Paper Bag Co Ltd, a supplier of bags to CTD
- Joe Montalbano - Sales Manager for Finest Quality Packaging Inc, a packaging supplier to CTD
- Tom Michalopoulos - sole shareholder, officer and director of CTD
- Jeffrey Parker - the applicants' professional representative in the UK

For the registered proprietor

- William Frederick Webb - the proprietor
- Robert Bruce Spence Robertson - Mr Webb's professional representative

The sequence of key events is as follows

- 7/8 November 1993 - Mr McMahon visits N. Ireland and is taken on a tour of potential sites
- 22 April 1994 - Mr Grammenopoulos and Mr Webb meet at CTD's offices in Toronto to discuss sites and financing
- 25 April 1994 - a master franchise agreement was given to Mr Webb setting out the terms under which Mr Webb would be able to use and sub-licence CTD's trade marks in N. Ireland. Mr Webb says that he was also given names and details of certain of CTD's suppliers to contact.
- 6 November 1995 - Mr Webb applied for what is now the registration under attack
- 27 November 1995 - Mr Webb placed an order for plain bags with Atlas Paper Bag Co Ltd, one of CTD's suppliers. Mr Webb was advised that if he required printed bags a Camera Ready Copy would be needed.
- c 1 December 1995 - Mr Webb visited Canada and met Mr Michalopoulos, Mr McMahon and another CTD representative at a restaurant near Toronto airport.

3 July 1996 - further order placed with Atlas for delivery to Robin Hood Multifoods Inc in Toronto.

One of the principal areas of disagreement between the parties is whether the discussions between them related to a franchising operation or a joint venture. It is perhaps somewhat surprising that parties who were discussing a significant business venture (variously put at sums up to Canadian \$250,000) should not have a clear idea about the basis of their business relationship but that seems to be the case. Thus Mr Grammenopoulos says:

"From late 1993 to early 1994, I spoke to Bill Webb on more than one occasion. The conversation always revolved around Mr Webb obtaining from Coffee Time Donuts Incorporated the master franchise rights for "Coffee Time" donut shops in Northern Ireland and the UK."

Mr Webb, however, says:

"My contact with Tom Michalopoulos resulted in an invitation from him to visit them in Scarborough, Toronto at which time I met Danny Grammenopoulos. That meeting took place in April 1994. During that visit, Danny Grammenopoulos did present me with a set of documents. However since they related to a Franchise agreement, I reiterated to him that I was over to discuss a joint venture and that I was not interested in a franchise agreement. My discussions with him from the start related to a possible joint venture arrangement, and until the details of a joint venture were worked out they could not be incorporated into an agreement. I had selected a possible site in Belfast, namely premises previously occupied by the Ormeau Bakery in Fountain Street. It appeared to be an ideal site for a first outlet, having previously been an eating place and retail shop. I presented the relevant information about the site to the company with details of what I was able to invest and what would be required from them. I am not aware of any subsequent telephone calls from Danny Grammenopoulos relating to the franchise agreement."

Despite the fact that on the basis of their respective claims the parties were unable to agree on the fundamental matter of the nature of their business relationship, contact was maintained. By February 1995 Mr Webb was coming under pressure from the leasing agents for one of the sites under consideration and sent a fax to Mr Michalopoulos. A copy has been filed at WFW1 but is undated. Mr Webb puts the date at 17 February 1995. The fax, on Sovereign Prestige Cars headed paper, requests either a loan or an investment in a joint venture.

Thereafter Mr Webb says

"8. After my fax of February 1995, I had a phone call from Tom Michalopoulos to say that they were looking at the US market and were not interested in the UK market nor in a joint venture with myself. In reply, I told Tom Michalopoulos that I would then proceed by myself. Tom wished me every success and he asked me to keep in touch.

9. Shortly after that 'phone conversation, John McMahon 'phoned me to apologise for the delays and also wished me all success and hoped I would not lose the site. I advised him that I was going to register the trade mark Coffee Time in my own name and he did not raise any objection to that statement."

This account of events is contradicted by Mr Michalopoulos who says

"5. With respect to paragraph 8 of Mr Webb's affidavit, I did not and would never relinquish the rights to the "Coffee Time" trade name, trade mark or concept to anyone. I did not say that I was not interested in the UK market and furthermore would not wish Mr Webb the best of luck after having done so. The trade mark and the copyright in the special font appearing in the registration in suit are priceless assets of my company, and there is no way that we would encourage anyone to usurp them. What we were not interested in was a joint venture with Mr Webb, as we had made clear to him all along. We were however interested in a franchise whereby subject to the legal safeguards as to quality of products and service and ownership of intellectual property rights in our standard franchise agreement, he could operate in the United Kingdom as one or more of our chain of outlets."

A further and final contact took place when the parties met near Toronto airport at or around 1 December 1995. Again somewhat different accounts of events are put forward as follows

Mr Webb

"11. I was travelling to Canada in November 1995 and contacted Tom Michalopoulos in October. He suggested getting together over dinner and bring them up to date on progress. From the conversation, it appeared possible that he could have a rethink. The meeting took place around 1st December 1995 at the Mr. Greek restaurant near Toronto airport. Tom Michalopoulos, John McMahon and the then current Operations director attended. They brought up the subject of the joint venture. I advised them that the situation had changed in that I had done all the spadework and my operation was 'up and running'. Tom Michalopoulos was not happy that I was registering the Trade Mark 'Coffee Time' in the United Kingdom, but did not object, nor did I subsequently receive any communication from him stating that I had no right to register the mark. He was fully aware that he had only registration of the mark in Canada and in the USA and had no rights in the UK through use and his goodwill existed only in parts of Canada and one single state in the USA. The meeting broke up after that."

Mr Michalopoulos

"6. With respect to paragraph 11 of Mr Webb's affidavit, the meeting took place around December 1, 1995 at the Mr. Greek Restaurant near the Toronto airport. Present at that meeting were John McMahon, Peter Maurdev (Vice President of Operations for Coffee Time Donuts Inc. at that time) and myself. Again Mr Webb brought up the possibility of a joint venture with Coffee Time Donuts Inc. due to him

not having sufficient funds to proceed on his own. Once again, we told him that we were not interested in a joint venture whereupon he stated that he had already registered the name "Coffee Time" in the United Kingdom and that if we wanted to come aboard now, we would have to buy in to the rights to "Coffee Time" in the United Kingdom. At this point, I objected vehemently and dismissed him from the table and instructed Peter Maurdev to drive Mr Webb back to his hotel. Upon his departure I advised Mr Webb not to proceed any further. The fact that he had indicated that he had purported to acquire ownership of our trade mark in the United Kingdom was a sinister turn of events, and it was clear that we were not dealing with the sort of individual we would wish to have as part of our franchise system. I did not realize at the time that Mr Webb had filed his application only the previous month and that we would in due course have the opportunity of objecting to registration at the United Kingdom Trade Marks Registry."

A number of other issues are dealt with in the evidence but are in my view of tangential relevance only. I will deal with them to the extent necessary in my decision which follows. But I consider the above to be a sufficient review of the facts and disputed claims that underpin this action. That, therefore, concludes my review of the evidence.

This is an application by CTD for either a declaration of invalidity in respect of registration No. 2043612 or the rectification of the register by the substitution of their name as proprietor in place of Mr Webb. Although it is not expressly referred to in the statement of grounds the invalidity ground is brought initially under Section 47(1) of the Act which reads

"47.-(1) The registration of a trade mark may be declared invalid on the ground that the trade mark was registered in breach of section 3 or any of the provisions referred to in that section (absolute grounds for refusal of registration).

Where the trade mark was registered in breach of subsection (1)(b), (c) or (d) of that section, it shall not be declared invalid if, in consequence of the use which has been made of it, it has after registration acquired a distinctive character in relation to the goods or services for which it is registered."

In fact the second of the above paragraphs has no part to play in these proceedings because the applicants' specific grievance is under Section 3(6) that is to say the registration under attack was applied for in bad faith.

The applicants' alternative position in respect of invalidity or rectification is put under Section 60 but I will concentrate initially on the Section 47(1)/3(6) position. Mr Malynicz referred me to two authorities *Gromax Plasticulture v Don & Low Nonwovens*, 1999 RPC 367 and *New Century Marquees*, an unreported Registry decision under SRIS reference O/018/00. In *Gromax Lindsay J* said

"I shall not attempt to define bad faith in this context. Plainly it includes dishonesty and, as I would hold, includes also some dealings which fall short of the standards of

acceptable commercial behaviour observed by reasonable and experienced men in the particular area being examined. Parliament has wisely not attempted to explain in detail what is or is not bad faith in this context; how far a dealing must so fall-short in order to amount to bad faith is a matter best left to be adjudged not by some paraphrase by the courts (which leads to the danger of the courts then construing not the Act but the paraphrase) but by reference to the words of the Act and upon a regard to all material surrounding circumstances."

The applicants' case simply stated is that they are the proprietors and users of the mark COFFEE TIME (and variations thereon) in Canada and the USA and had been in discussion with Mr Webb with a view to developing a business relationship between them. When that prospective business relationship faltered Mr Webb applied for the mark in question in his own name. Mr Webb on the other hand, says that he understood the applicants were no longer interested in the UK market and raised no objection to him applying for the mark in his own name. The development of the dispute is set out in the evidence summary.

Given the conflicting nature of the claims being made by the parties it is somewhat surprising that neither side has asked for cross-examination although given the number of individuals involved at various times on behalf of the applicants and the fact that they are based in Canada such a course would not have been without difficulty. The absence of cross-examination might in part at least have been counteracted if documentary evidence had been available to clarify matters. But despite the fact that the parties were, over a number of years, discussing a business venture involving significant sums of money there is just a single piece of written evidence bearing directly on these discussions. That is Exhibit WFW1 to Mr Webb's affidavit. As a result there is no documentary evidence before me recording the outcome of the various visits, telephone calls and discussions that took place and no internal memoranda have been filed by way of contemporaneous record of events. I do not find this a very satisfactory basis on which to base a decision but must make the best I can of what is available.

It seems from Mr Webb's affidavit that he initiated contact with CTD and was aware of their operations in Canada. I do not understand the applicants to challenge this claim. Mr Webb says

"From prior commercial investigation, I was aware that Coffee Time Incorporated only operated in Ontario in Canada, and New England in United States of America. They stated that they had no interest at that time in developing markets outside Canada or USA. I had several telephone conversations with Tom Michalopoulos over a period of time."

I do not quite understand why Mr Webb should consider that the applicants had no interest in developing overseas markets as they were clearly interested in talking to him. Perhaps the explanation lies in the fact that CTD may not have been actively looking at other markets but were prepared to consider approaches such as Mr Webb's if they arose. I mention this by way of example because it points up the difficulty inherent in reconstructing the precise turn of

events and conversations several years after they took place. The point is true for both sides.

The dispute over the nature of the venture that was being proposed is a further indication that the parties were some distance apart in their thinking. That said I have no reason to doubt that each side had their own honestly held belief as to what form the venture should take - a joint venture (Mr Webb) or a franchise operation (CTD).

That CTD were at least not unaware of Mr Webb's preferred approach is apparent from paragraph 2 of Mr McMahon's first affidavit relating to events in late 1993 and Mr Grammenopoulos' comments in paragraph 3 of his affidavit dealing with the meeting in Canada in April 1994. Mr Webb's handwritten fax (undated on the face of the document but said to have been sent on 17 February 1995) makes it clear that he was seeking a loan or an investment in a joint venture. It also makes the point that without CTD's assistance the venture would not get off the ground (at least in the form envisaged at the time).

Up to this point, that is to say the early months of 1995, good relations appear to have been maintained between the parties albeit that there was no meeting of minds as to how to proceed. The parties' account of events and interpretation of each other's position differs markedly from this point on. Mr Webb claims that he received phone calls from Mr Michalopoulos and Mr McMahon to the effect that CTD were not interested in the UK market. Both are said to have wished him every success. Crucially Mr Webb says that Mr McMahon raised no objection when told that he (Mr Webb) was going to register the trade mark COFFEE TIME in his own name. This version of events is flatly contradicted by Mr Michalopoulos and Mr McMahon.

Mr Malynicz urged me to take a view on whose version of events is more credible in all the circumstances. Why he wondered, if in February/March 1995 Mr Webb felt that he was free to apply for the mark, did he delay his application until November 1995? Without knowing quite what passed between the parties in telephone conversations these are difficult issues to resolve. I take Mr Malynicz's point about the delay but in itself that is probably not conclusive and it is clear that Mr Webb adjusted his own plans (see paragraph 10 of his affidavit referring to the possibility of setting up self service kiosk operations).

What I do take from the evidence is that, despite the lack of progress, Mr Webb still had hopes of pursuing a business venture with CTD. On his own evidence he took the initiative in contacting Mr Michalopoulos in October 1995 and arranged to meet him on his forthcoming visit to Canada. That meeting was arranged for and took place on 1 December 1995. It was clearly taken seriously by CTD as three senior personnel including the sole shareholder, Mr Michalopoulos, attended. What troubles me about Mr Webb's actions is why, if he foresaw the prospect of reviving discussions with a view to a business venture with CTD, he applied for the trade mark in his own name at the time he did on 6 November 1995 - that is between arranging the meeting (October) and having the meeting (1 December).

It would also have been apparent from the draft franchise agreement (see paragraph of Mr Grammenopoulos' affidavit) that CTD contemplated licensing their marks (not yielding ownership). At the very least if Mr Webb still intended to pursue the joint venture route he

might have been expected to file the UK trade mark application in joint names. Instead he filed it in his own name less than a month before the ill fated final meeting. I note too that the mark applied for and subsequently registered is in substantially the same script and format as is used by CTD (see also Exhibit 1 to Mr Michalopoulos' affidavit and Mr Parker's Exhibit JP 1, the latter being the packaging, cup and bag obtained by an investigator).

The evidence from Mr Peacock and Mr Montalbano, the packaging suppliers, also cast some doubt on Mr Webb's actions and beliefs at the time. There was nothing in itself untoward about Mr Webb contacting the suppliers. He had been put in touch with them by Mr McMahon "to show him the capabilities of Coffee Time Donuts Inc to support him from North America if an agreement regarding a franchise was to be reached." There can in any case have been no objection to Mr Webb purchasing plain bags (or bags with his own design/logo on them) and Mr Peacock's evidence is that that was what initially happened in November 1995 (the order for plain grease-proof sandwich bags etc placed on 27 November 1995). At the same time Mr Webb enquired about prices for printed bags and was advised that he would need to supply camera ready artwork. A subsequent order for 'Coffee Time' bags alerted Mr Peacock to contact Mr Logarkis of CTD.

Mr Montalbano, the Sales Manager of First Quality Packaging Inc, is not specific as to the date of his dealings with Mr Webb. However Mr Webb (paragraph 15) puts his contact with the suppliers at 'no later than October 1995'. That is not entirely consistent with the date given by Mr Peacock but in my view is sufficient to place these contacts in the period October/November 1995. Mr Montalbano says

"2. I was contacted by Bill Webb in 1995. Mr Webb was interested in purchasing "Coffee Time" donut boxes and bags for Ireland. He told me that Coffee Time Donuts Incorporated was expanding into Ireland and that he was going to be handling the expansion."

Thus at or shortly before the time when he was applying for the mark in his own name Mr Webb was telling Mr Montalbano that CTD was expanding into Ireland (there is no suggestion that this could be other than Northern Ireland). That is difficult to reconcile with Mr Webb's expressed belief that from a date sometime after the February 1995 fax he considered CTD were not interested in the UK market and that he was free to act in his own right.

In summary I find that Mr Webb was well aware of the CTD marks and that he adopted not just the words but the format. Given the prospective business relationship between the parties hopes for which had not been finally given up at the time of filing the application it was not open to Mr Webb to file the application in his own name save on the clearest possible indication from CTD that they had no objection. It may have been that Mr Michalopoulos and Mr Mahon wished him every success thinking that he was pursuing a separate venture of his own but it defies belief that they would casually sanction his use of the CTD marks. The evidence is that prior to the lodging of the current action the applicants already had an extensive programme of trade mark filings in a wide range of countries (Exhibit B to Mr Logarkis' affidavit). I accept that protection of their rights was important to them and that

they would have been unlikely to react in the way suggested.

Given the misunderstandings that appear to have bedevilled the parties' dealings with one another it may be that Mr Webb saw nothing wrong in his own actions or that he did not fully explore the implications of his filing the application in his own name. I do not go as far as Mr Malynicz in suggesting that he applied to register the mark as a means of providing leverage in his negotiations with CTD. I cannot and do not need to decide the matter in those terms because it cannot in any case save his position. As Geoffrey Hobbs QC, sitting as the Appointed Person, said in *DEMON ALE Trade Mark*, 2000 RPC 345

"I do not think that Section 3(6) requires applicants to submit to an open-ended assessment of their commercial morality. However, the observations of Lord Nicholls on the subject of dishonesty in *Royal Brunei Airlines Sdn Bhd v. Philip Tan* [1995] 2 A.C. 378 (PC) at page 389 do seem to me to provide strong support for the view that a finding of bad faith may be fully justified even in a case where the applicant sees nothing wrong in his own behaviour."

There is one final point on which I should briefly comment. Mr Robertson suggested in his skeleton argument that:

"In the UK, Unilever Plc and their predecessors in use and registration owned the trade mark COFFEE TIME with and without a device since October 1979, some 12 years earlier than the plaintiff. The defendant's right to the registration derives from consent from this earlier right owned by Unilever Plc and not from the plaintiff."

It seems that Unilever's registrations were raised as citations against Mr Webb's mark at the examination stage but that Mr Webb was able to secure Unilever's consent to the use and registration of No 2043612. I cannot see any merit in the argument that that consent gives Mr Webb rights against third parties. The consent was given, and is only relevant, in relation to Unilever's own registrations. Mr Webb's position in the face of objections from other parties such as, in this case, CTD must be dealt with on its merits.

I find that the applicants succeed under Sections 47(1) and 3(6).

The second issue which arises is whether under Section 60 the applicants should be substituted as proprietors of the registered trade mark. Section 60 implements Article 6 septies of the Paris Convention. It reads

"60.-(1) The following provisions apply where an application for registration of a trade mark is made by a person who is an agent or representative of a person who is the proprietor of the mark in a Convention country.

(2) If the proprietor opposes the application, registration shall be refused.

(3) If the application (not being so opposed) is granted, the proprietor may -

- (a) apply for a declaration of the invalidity of the registration, or
- (b) apply for the rectification of the register so as to substitute his name as the proprietor of the registered trade mark.

(4) The proprietor may (notwithstanding the rights conferred by this Act in relation to a registered trade mark) by injunction restrain any use of the trade mark in the United Kingdom which is not authorised by him.

(5) Subsections (2), (3) and (4) do not apply if, or to the extent that, the agent or representative justifies his action.

(6) An application under subsection (3)(a) or (b) must be made within three years of the proprietor becoming aware of the registration; and no injunction shall be granted under subsection (4) in respect of a use in which the proprietor has acquiesced for a continuous period of three years or more."

The term Convention country is itself defined in Section 55 of the Act. The applicants are based in and have a registrations in Canada and the USA which are Convention countries. They are in fact the proprietors of various pending and registered marks viz COFFEE TIME, COFFEE TIME DONUTS, COFFEE TIME IS ANYTIME etc. The series of marks of the registration under attack is not identical to these marks but is undeniably similar. The issue of marks which are similar but not identical was dealt with in TRAVELPRO Trade Mark 1997 RPC 864. The Hearing Officer held that "In my view if the agent or representative, without the permission of the owner, registers a trade mark which is not identical but only similar to the foreign trade mark then it would be unjust to deny the owner the opportunity to seek redress under this provision." He drew support for this from the view expressed in "Guide to the application of the Paris Convention for the Protection of Industrial Property" by Professor G H C Bodenhausen (paragraph (e) of the commentary on Article 6 septies). On that basis I accept that the series of marks on the UK register can be considered under Section 60 of the Act. Furthermore no issue is said to arise under Section 60(6). The application has been made within three years of the proprietor becoming aware of the registration.

Mr Malynicz made a number of interrelated submissions in respect of this provision. In substance his points were that

- Mr Webb should be regarded as an agent or representative
- the words of the Act should be read to cover 'putative, purported or potential agents' since to do otherwise would provide foreign trade mark owners with less protection where negotiations are abortive than they would have when they are successful
- alternatively the provision can be held to cover fiduciary relationships which are analogous to the position of an agent or representative. Furthermore

fiduciary relationships can arise in the context of negotiations and can subsist even where negotiations break down. He referred me particularly to LAC MINERALS v INTERNATIONAL CORONA RESOURCES LTD 1990 FSR 441.

As the parties themselves conducted their discussions on the basis of either a joint venture or a franchise operation it is also implicit in the above primary submission that such business relationships would bring Mr Webb within the scope of the terms 'agent or representative'.

I have not been pointed to any authorities dealing specifically with the 'agent or representative' provision so I turn to Professor Bodenhausen's Guide which says in this regard

"(b) The Article under consideration deals with a special situation, namely, the relationship between the *proprietor of a mark* and *his agent or representative* regarding *registration or use of the mark by the latter*. In many cases such relationship will be adequately regulated by contract, but in other cases a contract will not exist or it will be silent or inadequate on the subject. It will sometimes be in the interest also of the proprietor of the mark if his agent or representative in a given country, on his own initiative, takes the necessary measures to protect the mark by registration and by using it in view of possible user requirements, but grave difficulties may then arise with respect to the exclusive right to use the mark, or once the relationship between the parties is terminated.

If the application of the provision under consideration is requested in a country of the Union, the competent authorities of such country will first have to determine whether the person who has applied for registration of the mark in his own name in that country *can be considered to be the agent or representative* of the proprietor of the mark in one of the countries of the Union. In view of the purpose of the provision the above wording will probably not be interpreted in a narrow legal sense, so that the provision will also be applied to those who have acted as distributors of goods bearing the mark and who have applied for registration of that mark in their own name.

Although there is no reference to service marks in the history of the provision, the adoption of the word "mark," at the time when service marks were introduced into the Convention, will allow the provision to be applied not only to *trademarks* but also to *service marks*."

The Notes on the Trade Marks Act 1994 (based on the Notes on Clauses used during the Parliamentary process) are also of interest and indicate

"2. **Subsection (1)** defines the scope of the section: - it applies where an application for registration is made by an agent or representative of a person who is the proprietor of the mark concerned in a country which is party to the Paris Convention. "Agent or representative" means in particular a commercial agent or representative (such as a distributor), but can also include a legal agent or representative."

The above guidance suggests that the term 'agent or representative' should not be given too narrow an interpretation and may be held to cover distributors and legal (as well as

commercial) agents. On the other hand business relationships can take many forms - agents, distributors, licensees, franchisees, joint venture partners not to mention other, perhaps more distant, trading contacts such as wholesalers and retailers who are involved in the chain by which goods reach the market. It seems to me that if the Act (and the Convention) had been intended to have the sweeping effect of bringing a wide range of business relationships within the scope of the provision then more explicit drafting would have been employed. A foreign proprietor does of course have more general redress under the provisions of Section 47 if he feels a UK business contact has misappropriated his mark but Section 60 appears to be directed towards a very specific set of circumstances (Bodenhause says 'a special situation') where an agent or representative, that is someone who has been entrusted with looking after the proprietors' interests, applies for a mark in his own name in breach of that trust. A prospective joint venture partner or franchisee may be bound to a proprietor by mutual self interest but cannot in my view be construed as being the proprietors' agent or representative in any conventional sense.

The applicants also face the not insignificant difficulty that there was never a settled or clearly understood basis for the intended relationship between themselves and Mr Webb. Can Section 60 apply where no formal or settled relationship exists written or otherwise? Mr Malynicz suggested that potential relationships can be covered. At one level I have some sympathy with that submission. It would, for instance, seem a curious application of the law if a proprietor (applicant for rectification) could bring an action under Section 60 the day after an agency agreement has been signed but was prevented from doing so the day before notwithstanding that the relationship had by that time been established in principle. More likely perhaps that the nature of the relationship and its stage of development are to be considered on the facts in any particular case. Mr Malynicz sought to deal with this potential area of uncertainty by reference to the Lac Minerals case (referenced above). This was a Supreme Court of Canada case involving former possible joint venture partners where the defendant was said to be in breach of its duty of confidence and also of a fiduciary duty owed to the plaintiff as a result of previously acquired knowledge relating to mineral deposits on an adjacent property. The point Mr Malynicz wanted me to draw from this case is that fiduciary relationships can arise even when parties fall out and negotiations break down and that Mr Webb was in such a position.

I am not persuaded that the Lac Minerals case is of particular assistance either in terms of the issue of law or on the facts of the case before me. It seems to me that it would require me to construe the agent or representative provision of Section 60 to cover a wider set of circumstances where fiduciary relationships might be involved. I can see no justification for placing such a paraphrase on the law. Furthermore on the facts of the case I am extremely doubtful whether I should impute a fiduciary relationship to Mr Webb's dealings with CTD. In particular I doubt that he was made party to privileged or confidential information. He had sight of a draft franchise agreement and was certainly aware of CTD's operating methods (including suppliers). He was, therefore, aware of their business model and supplier contacts but there is nothing to suggest he was privy to commercially sensitive information or in any other way owed a fiduciary duty to CTD.

For all the above reasons (but principally the absence of a settled business relationship and

my doubts about the position of joint venture partners or franchisees in the context of the Section) I find that the applicants fail in their request to have their name substituted for that of Mr Webb.

The application has, however, succeeded under Sections 47(1) and 3(6). In accordance with Section 47(6) the registration will be deemed never to have been made. The applicants are entitled to a contribution towards their costs. I order the registered proprietor to pay them the sum of £1000. 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 5th day of June 2001

M REYNOLDS
For the Registrar
the Comptroller-General