

O/204/12

TRADE MARKS ACT 1994

**IN THE MATTER OF APPLICATION
No. 2550841
BY RAYMOND ADAIR
TO REGISTER A TRADE MARK
IN CLASS 29
AND**

**IN THE MATTER OF OPPOSITION THERETO
UNDER No. 101031 BY
CATHY HARRIS**

BACKGROUND

1) On 21 June 2010 Rayond Adair applied to register the following trade mark:



2) The application is in respect of the following goods in Class 29: “Soups, preparations for making soups, preparations for vegetable soups, bouillon, bouillon concentrates, broth, broth concentrates; preserved, dried and cooked fruits and vegetables; prepared meals; meat, fish, poultry and game; stews.”

3) The application was examined and accepted, and subsequently published for opposition purposes on 9 July 2010 in Trade Marks Journal No.6843.

4) On 8 October 2010, Cathy Harris filed a notice of opposition. The grounds of opposition are in summary:

a) Mrs Harris contends that she created the mark in suit in 2009. She states that the two parties were in business together and both were shareholders in Davada Limited in order to operate the “souptronic” business. The business relationship soured, Mrs Harris is the majority shareholder in the business, and the business had used the mark upon goods. It is contended that Mr Adair is acting in bad faith in attempting to register the mark as he is aware that this will cause Mrs Harris to have to rebrand and will lose all the goodwill generated in the mark in suit. Mrs Harris contends that the mark offends against Section 3(6) and 5(4)(a) of the Act. Included along with the statement of grounds was a poorly printed brochure with a history of a company called “Natural Balance food Company” which shows the “souptronic” mark on carrier bags, and also a range of labels for soup pouches

5) On 3 March 2011, Mr Adair filed a counterstatement which denied the Mrs Harris's claims.

6) Both sides filed evidence which included comments on the other party's behaviour and speculated on motives. In my summary I have only included elements which are of assistance in my decision. Both parties seek an award of costs in their favour. Neither party wished to be heard although both provided written submissions which I shall refer to, as and when required, in my decision.

Mrs HARRIS'S EVIDENCE

7) Mrs Harris herself filed an affidavit, dated 30 June 2011. She states that she is the majority shareholder of Davada Limited (No. NI068168) incorporated on 21 February 2008. This company trades as "Natural Balance Food Company". The shareholding is split Mrs Harris 90%, Mr Adair 10% and both were directors of the company. Mrs Harris claims that she alone invented the brand "souptronic" in July 2006. She provides the following exhibits:

- CH1 tab 1: A copy of the Memorandum of Association for Davada Limited, which shows Catherine Harrison and Raymond Adair as the shareholders, as of 30 June 2008.
- Ch1 tab 2: A copy of the notification, dated 15 August 2010, sent to Companies House regarding the termination of Mr Adair as a director of Davada Ltd.
- CH1 tab 3: A copy of an invoice for £1138 from Positive Design Consultants Limited to Davada Ltd regarding the "production of artwork and retouching of images for soup packaging", dated 30 November 2009. I note that the email accompanying the invoice is addressed to Cathy Davison.
- CH1 tab 4: An invoice from Foster Packaging, dated 25 February 2010, for soup cartons which shows the customer details as being "A F Davison".
- CH1 tab 6: An invoice, dated 26 February 2010, regarding a hat, a T-shirt, a bag and 3 mugs with the heart device, that appears in the mark in suit ("the heart device"), above the name "Natural Balance Food Company" and below that the word "Souptronic +" .The invoice is addressed to the Natural Balance Food Company.
- CH1 tab 8. Copies of two flyers showing "the heart device" above the name Natural Balance Food Company and below that "Souptronic +". At tab nine is the invoice relating to the flyers, and web site from Kaizen Print and Marketing, dated 8 April 2010, addressed to "Cathy Harris, Natural Balance".

- CH1 tab 10: A copy of the submission provided by Natural Balance Food Company dated 9 December 2009, in relation to the JFC Awards for Innovation in Rural Business competition. This shows use of the word “souptronic” and the mark in suit in respect of soup.
- CH1 tab 10 & 11: A copy of a letter, dated 22 April 2010, which awarded Natural Balance Food Company €500 and advertising to the same sum in the Irish Farmers Journal. A copy of an article from the paper dated 27 March 2010 is included at tab 11. This mentions the company and its products and the mark in suit, it also has a photograph of Mrs Harris with mugs, bags and soup packs showing the mark in suit.

8) Mrs Harris states that the business relationship between herself and Mr Adair began to sour in November 2009 and the production and release of the “Souptronic +” range was put on hold. Subsequently Mr Adair has formed Souptronic Limited and also applied to register the mark in suit.

Mr ADAIR’S EVIDENCE

9) Mr Adair filed an Affidavit dated 29 August 2011. He states that he formed the company Davada Limited in February 2008 and at exhibit RA1 he provides a copy of a statutory declaration made in relation to the formation of the company dated 3 January 2008. It was formed to deal in the manufacture of metal fabrication products and the services of general traders. The shares were originally split Mrs Harris 60% Mr Adair 40% as of 21 December 2007. Mr Adair states that the company memorandum was later amended to include the manufacture of food. He states that the name and logo were created by Positive Design and that he personally paid them. However, he does not provide a copy of the payment or an invoice. He then details the break-up of the business relationship and also details how he then set up his own company trading under the mark in suit.

10) That concludes my summary of the evidence filed, insofar as I consider it necessary.

DECISION

11) I shall first consider the ground of opposition under Section 3(6) of the Act which reads:

“3. (6) A trade mark shall not be registered if or to the extent that the application is made in bad faith.”

12) Section 3(6) has its origins in Article 3(2)(d) of the Directive, the Act which implements Council Directive No. 89/104/EEC of 21 December 1988 which states:

“Any Member State may provide that a trade mark shall not be registered or, if registered, shall be liable to be declared invalid where and to the extent that....

(c) the application for registration of the trade mark was made in bad faith by the applicant.”

13) The Directive gives no more clue as to the meaning of “bad faith” than the Act. Subsequent case law has avoided explicit definition but has not shirked from indicating its characteristics. I refer to case O/094/11 *Ian Adam* where Mr Hobbs QC acting as the Appointed Person said:

“32. Any attempt to establish bad faith must allow for the fact that there is nothing intrinsically wrong in a person exercising *‘the right to apply the rules of substantive and procedural law in the way that is most to his advantage without laying himself open to an accusation of abuse of rights’* as noted in paragraph [121] of the Opinion delivered by Advocate General Trstenjak in Case C-482/09 Budejovicky Budvar NP v. Anheuser-Busch Inc on 3 February 2011. In paragraph [189] of his judgment at first instance in Hotel Cipriani SRL v. Cipriani (Grosvenor Street) Ltd [2009] EWHC 3032 (Ch); [2009] RPC 9 Arnold J. likewise emphasised:

“... that it does not constitute bad faith for a party to apply to register a Community trade mark merely because he knows that third parties are using the same mark in relation to identical goods or services, let alone where the third parties are using similar marks and/or are using them in relation to similar goods or services. The applicant may believe that he has a superior right to registration and use of the mark. For example, it is not uncommon for prospective claimants who intend to sue a prospective defendant for passing off first to file an application for registration to strengthen their position. Even if the applicant does not believe that he has a superior right to registration and use of the mark, he may still believe that he is entitled to registration. The applicant may not intend to seek to enforce the trade mark against the third parties and/or may know or believe that the third parties would have a defence to a claim for infringement on one of the bases discussed above. In particular, the applicant may wish to secure exclusivity in the bulk of the Community while knowing that third parties have local rights in certain areas. An applicant who proceeds on the basis explicitly provided for in Art. 107 can hardly be said to be abusing the Community trade mark system.”

These observations were not called into question in the judgment of the Court of Appeal in that case: [2010] EWCA Civ 110; [2010] RPC 16. They were re-affirmed by Arnold J. in *Och-Ziff Management Europe Ltd v. Och Capital LLP* [2011] ETMR 1 at paragraph [37].

33. The line which separates legitimate self-interest from bad faith can only be crossed if the applicant has sought to acquire rights of control over the use of the sign graphically represented in his application for registration in an improper

manner or for an improper purpose. The appropriate remedy will in that case be rejection of the offending application for registration to the extent necessary to render it ineffective for the purpose which made it objectionable in the first place.

34. In a case where the relevant application fulfils the requirements for obtaining a filing date, the key questions are: (1) what, in concrete terms, is the objective that the applicant has been accused of pursuing? (2) is that an objective for the purposes of which the application could not properly be filed? (3) is it established that the application was filed in pursuit of that objective? The first question serves to ensure procedural fairness and clarity of analysis. The second question requires the decision taker to apply a moral standard which, in the absence of any direct ruling on the point from the Court of Justice, is taken to condemn not only dishonesty but 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'*: Gromax Plasticulture Ltd v. Don & Low Nonwovens Ltd [1999] RPC 367 at 379 (Lindsay J). The third question requires the decision taker to give effect to the principle that innocence must be presumed in the absence of evidence sufficient to show that the applicant has acted improperly as alleged.

35. In assessing the evidence, the decision taker is entitled to draw inferences from proven facts provided that he or she does so rationally and without allowing the assessment to degenerate into an exercise in speculation. The Court of Justice has confirmed that there must be an overall assessment which takes into account all factors relevant to the particular case: Case C-529/07 Chocoladefabriken Lindt & Sprüngli AG v. Franz Hauswirth GmbH [2009] ECR I-4893 at paragraph [37]; Case C-569/08 Internetportal und Marketing GmbH v. Richard Schlicht [2010] ECR I-00000 at paragraph [42]. As part of that assessment it is necessary as part of that approach to consider the intention of the applicant at the time when the application was filed, with intention being regarded as a subjective factor to be determined by reference to the objective circumstances of the particular case: Chocoladefabriken Lindt & Sprüngli GmbH (above) at paragraphs [41], [42]; Internetportal und Marketing GmbH (above) at paragraph [45]. This accords with the well-established principle that 'national courts may, case by case, take account -on the basis of objective evidence -of abuse or fraudulent conduct on the part of the persons concerned in order, where appropriate, to deny them the benefit of the provisions of Community law on which they seek to rely': Case C16/05 The Queen (on the applications of Veli Tum and Mehmet Dari) v. Secretary of State for the Home Department [2007] ECR I-7415 at paragraph [64].

36. The concept of assessing subjective intention objectively has recently been examined by the Court of Appeal in the context of civil proceedings where the defendant was alleged to have acted dishonestly: Starglade Properties Ltd v. Roland Nash [2010] EWCA Civ 1314 (19 November 2010). The Court considered the law as stated in Royal Brunei Airlines v. Tan [1995] 2 AC 378 (PC), Twinsectra Ltd v Yardley [2002] 2 AC 164 (HL), Barlow Clowes International Ltd v. Eurotrust

International Ltd [2006] 1 WLR 1476 (PC) and Abu Rahman v. Abacha [2007] 1 LL Rep 115 (CA). These cases were taken to have decided that there is a single standard of honesty, objectively determined by the court and applied to the specific conduct of a specific individual possessing the knowledge and qualities that he or she actually possessed: see paragraphs [25], [28], [29] and [32]. This appears to me to accord with treating intention as a subjective factor to be determined by reference to the objective circumstances of the particular case, as envisaged by the judgments of the Court of Justice relating to the assessment of objections to registration on the ground of bad faith.”

14) In asserting that the mark was registered in bad faith, the onus rests with Mrs Harris to make a prima facie case. A claim that a mark was registered in bad faith implies some action by Mr Adair which a reasonable person would consider to unacceptable behaviour or, as put by Lindsay in the *Gromax* trade mark case [1999] RPC 10:

“includes some dealings which fall short of the standards of acceptable commercial behaviour”.

15) The issue must be determined on the balance of probabilities. On the basis of these authorities it is clear that a finding of bad faith may be made in circumstances which do not involve actual dishonesty. Furthermore, it is not necessary for me to reach a view on the Mr Adair’s state of mind regarding the application for registration if I am satisfied that its actions in applying for the mark in the light of all the surrounding circumstances would have been considered contrary to normally accepted standards of honest conduct.

16) I am also aware of the comments of Mr Arnold Q.C. (as he was then) acting as the Appointed Person in *BRUTT Trade Marks* [2007] RPC 19 where he said:

“Cross-examination

23. It is the function of cross-examination to assist the tribunal to resolve conflicts of evidence. I agree with the hearing officer in thinking that cross-examination would have assisted him in the present case. It does not follow, however, that cross-examination is essential in a case where bad faith is alleged or that the tribunal cannot assess evidence or make findings of fact in its absence. Fairness requires that adverse findings should not ordinarily be made against a witness, such as a finding that he has acted in bad faith, without the witness having the charge put to him and being given an opportunity to answer it: see *Allied Pastoral Holdings v Federal Commissioner of Taxation* (1983) 44 ALR 607 at 623. It should be borne in mind, however, that in proceedings such as these evidence is served sequentially and that giving a witness a proper opportunity to deal with a point will not necessarily require cross-examination.

More importantly, perhaps, if the opportunity for cross-examination is passed up, the consequence is that the tribunal must assess the evidence on that basis rather than refraining from considering the evidence and reaching a conclusion. It is instructive to remember that OHIM and the courts in most civil law jurisdictions consider themselves perfectly well-equipped to make findings that parties have acted in bad faith without the benefit of cross examination.”

17) It is common ground that the two parties were in business together. Quite when the business was started, and by whom, is immaterial to my decision. What is clear is that both were directors and shareholders in Davada Limited and that Positive Design Consultants were involved in either the creation of the whole of the mark in suit or at least the artwork. Mr Adair contends that he personally paid £10,000 for this work to be carried out, yet he provides no corroboration. Mrs Harris has provided an invoice which shows that Davada Limited paid £1138 in regard to “production of artwork and retouching of images for soup packaging” on 30 November 2009 (CH1 tab 3). I note that at this date Mr Adair was still a director of Davada Ltd, his position not being terminated until 15 August 2010 (CH1 tab 2). Both parties have stated that the business relationship broke down, and it is clear that Mr Adair felt he had no alternative than to start up his own company, which he did in February 2010. However he was still a director of Davada Ltd until 15 August 2010. Therefore, by applying for the mark in suit on 21 June 2010, he was in breach of his fiduciary duty to the company and therefore technically applied for the mark in suit in bad faith.

18) The ground of opposition under Section 3(6) succeeds. Given this finding I do not need to consider the ground under Section 5(4)(a).

COSTS

19) Mrs Harris has been successful and it is therefore entitled to a contribution towards her costs.

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| Preparing a statement and considering the other side’s statement | £200 |
| Preparing evidence | £200 |
| TOTAL | £400 |

20) I order Raymond Adair to pay Catherine Harris the sum of £400. This sum 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 16th day of May 2012

**George W Salthouse
For the Registrar,
the Comptroller-General**