

**TRADE MARKS ACT 1938 (AS AMENDED) AND
TRADE MARKS ACT 1994**

**IN THE MATTER OF CONSOLIDATED APPLICATIONS
(Nos 8184, 8185 AND 8186) BY PARASOL PORTRAIT
PHOTOGRAPHY LIMITED FOR RECTIFICATION OF THE
REGISTER OF TRADE MARKS IN RESPECT OF
REGISTRATIONS Nos 937859, 1073298 AND 1073299
IN THE NAME OF MEGASTAR FOTOLABOR GmbH**

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(Nos 8184, 8185 and 8186) by Parasol Portrait
Photography Limited for Rectification of the
Register of Trade Marks in respect of Registrations
Nos 937859, 1073298 and 1073299 in the name of
Megastar Fotolabor GmbH**

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15 **DECISION**

On 3 September 1994 Parasol Portrait Photography Limited applied under Section 26(1)(b) of the Trade Marks Act 1938 for rectification of the register in respect of the following trade marks:

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No	Mark	Class	Specification
937859	PIXYFOTO	16	Photographs and photographic portraits
1073298	pixyfoto	9	Cameras and parts and fittings therefor
1073299	pixyfoto	16	Photographs

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The registrations stand in the name of Megastar Fotolabor GmbH.

The ground for rectification is that the trade marks have not been used during a continuous period of five years up to the date one month prior to the date of the applications. The applicants say they have sought the voluntary cancellation of the registrations but the registered proprietors have failed to do so. They ask for removal of the registrations in their entirety.

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The registered proprietors filed counterstatements denying the above ground and saying in each case that the marks have been used in relation to the goods at issue and also in relation to photographic services. Furthermore they do not admit that the applicants have any intention to use the trade mark they have applied for, namely PIXIFOTO.

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It seems that at the time these rectification actions were launched the registered proprietors were shown as being Pixyfoto GmbH but that as a result of assignments the proprietors are now Megastar Fotolabor GmbH (formerly known as Photodienst Munchen Kindergarten - und Schulphotographie GmbH). Megastar Fotolabor are therefore interveners in these proceedings.

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The three sets of proceedings have been consolidated.

Both sides filed evidence and the matter came to be heard on 3 March 1999. At the hearing the registered proprietors/interveners (for ease of reference I will refer to them hereafter as
5 registered proprietors) were represented by Miss F Clark of Counsel instructed by Stevens Hewlitt & Perkins, Trade Mark Attorneys and the applicants by Mr R Arnold of Counsel instructed by Intelmark Titmuss Sainer Dechert, Solicitors.

By the time this matter came to be heard, the old Act had been repealed in accordance with
10 Section 106(2) and Schedule 5 of the Trade Marks Act 1994. These proceedings having begun under the provisions of the Trade Marks Act 1938 however, they must continue to be dealt with under that Act in accordance with the transitional provisions set out at Schedule 3 of the 1994 Act. Accordingly, all references in this decision are references to the provisions of the old law, unless otherwise indicated.

15 Applicants' evidence

The applicants filed a statutory declaration dated 30 November 1995 by Paul Zarecky a senior
20 investigator at Zarecky International, a commercial investigation company. He says that he conducted enquiries with the Royal Photographic Society, the British Institute of Professional Photography, the German Embassy, the German Chamber of Trade and Pixy Foto GmbH. He exhibits, PZ1 and PZ2 copies of the reports he produced dated January 1994 and November 1995. His instructions related to Pixy Foto of Köln, Germany, a factor which has some bearing on subsequent events.

25 Mr Zarecky reports in PZ1 that his enquiries established that the mark was applied by the subject company as a trading title for their various photographic establishments in the United Kingdom until May 1989 but that it has not been used since that time. This information appears to have come from a Herr Rompf, a director of the company. According to
30 Herr Rompf the six photographic shops that existed in major cities in this country had not been successful and had been closed down. There were no plans to reopen any shops in this country. Herr Rompf is also reported as saying that the mark was used as a trading title for the retail outlets and that it had never been applied to any of the products sold by the company. Enquiries with The Royal Photographic Society and the British Institute of
35 Professional Photography, the German Embassy and the German Chamber of Trade in London did not produce any information regarding the company or its trade marks.

Instructions were subsequently received to conduct further enquiries with Pixy Foto of Köln. These enquiries appear to have confirmed the position as previously stated but with the
40 footnote that the company had moved its head office address and was now known as Pixy Diamant but still with Herr Rompf as its principal.

Registered proprietors' evidence

45 The registered proprietors filed a statutory declaration by Bernd Michael Weinhart, the sole shareholder of Megastar Fotolabor GmbH.

He says that his company acquired the rights to the trade mark PIXYFOTO from Pixyfoto GmbH of Köln through the then official receiver, the auditor Mr Bahner. In order to conduct the photographic business under the trade mark he says he founded a new company on 25 July 1996 under the name Pixifoto GmbH of Lachhamer Schlag 17, Gräfelting, Germany. The acquisition of the business involved several countries throughout Europe and so, he says, his time was divided between establishing and developing the photographic business in those countries including the United Kingdom.

He describes his company's activities in this country in the following terms:

"As part of my efforts in building the photographic business in the UK my co-managing director of Pixifoto GmbH, Mr Christian Ammon and I made repeated visits to England between 1990 and 1994 during which we attended international photographic exhibitions at Wembley, London. There is now produced and shown to me as Exhibit BMW1 a copy of a ticket receipt confirming my flight from Munich to London on 13 November 1993, copies of travelcards for use on the London Underground dated 13 and 14 November 1993 and copies of hotel receipts for two rooms confirming a one night stay in each case on 13 November 1993. There is further produced and shown to me as Exhibit BMW2 a copy of the conference registration form for the Professional Photo and Lab Expo at the Wembley Conference and Exhibition Centre that I attended on 14 November 1993 along with a receipt for goods issued by Bob Rigby Photographic who had a stand at the Conference. A similar visit took place in 1991.

In addition, I held separate meetings in 1993 with Mr Bruce Palmer of Dent & Woods Inc and Mr Bernd Tischer of International Lucht Inc both of whom were actively involved in the UK photographic business at that time. The purpose of these meetings was to introduce these people to my Company's business under the Trade Mark and to discuss ways in which the market under the Trade Mark could be developed in the UK. During these meetings business cards bearing the Trade Mark were handed out together with associated literature and other printed matter such as brochures for photographic prints etc all bearing the Trade Mark. There is now produced and shown to me as Exhibit BMW3 an example of the type of business card that was produced during these meetings as well as a sample of a folder used in marketing the photographic business of my Company that would also have been produced during the meetings.

The samples shown in Exhibit BMW3 are in German because they are used in my Company's business in Germany. I can confirm though that the discussions that took place with Bruce Palmer and Bernd Tischer were about use of the Trade Mark in the UK in relation to a UK based photographic business. It was my intention to produce similar documentation for use in the UK. Production of the English documentation was delayed, however, because I decided it would be easiest to run the UK side of the business from a UK subsidiary company. I therefore, delayed producing the English documentation until I had set up a UK subsidiary company and so could quote the UK

registered address on the stationary (sic) and other marketing literature. There is now produced and shown to me as Exhibit BMW4 examples of the UK literature that was subsequently produced."

5 He concludes by saying that the business took longer than normal to establish because of the competing demands on his time in other countries. However he says that he has not abandoned the UK part of his company's business under the mark.

That concludes my review of the evidence.

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Section 26(1)(b) of the Act reads as follows:-

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26(1) Subject to the provisions of the next succeeding section, a registered trade mark may be taken off the register in respect of any of the goods in respect of which it is registered on application by any person aggrieved to the Court or, at the option of the applicant and subject to the provisions of section fifty-four of this Act, to the Registrar, on the ground either -

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(a)

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(b) that up to the date one month before the date of the application a continuous period of five years or longer elapsed during which the trade mark was a registered trade mark and during which there was no bona fide use thereof in relation to those goods by any proprietor thereof for the time being:

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The applications were filed on 3 September 1994. The relevant period is, therefore, 3 August 1989 to 3 August 1994. Although different classes of goods are covered it is common ground that the registrations stand or fall together.

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The applicants must first of all satisfy me that they are persons aggrieved. As they have an application of their own for a near identical mark for the same or similar goods I do not think there can be any doubt that they have the necessary status. For the record, therefore, I confirm that the applicants are persons aggrieved.

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It is well established that only if an applicant makes out a prima facie case of non-use does the burden of proving use of a mark pass to the registered proprietors. The applicants' position was hotly contested at the hearing. Their case rests on the declaration of Mr Zarecky and the results of his enquiries as recorded in the exhibits to his declaration. Ms Clark made a number of detailed criticisms of this material both in terms of form and substance. Her main points were that:

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S the evidence involves hearsay and not necessarily just first hand hearsay.

S Mr Zarecky's enquiries were in part made during the relevant period.

S his reports fail to explain the basis of selection for the trade and other enquiries, precisely when the enquiries were made, who the individuals contacted were or what their records contained.

5 S there is no evidence from relevant equipment or service providers to corroborate the position.

S a number of questions were raised about Herr Rompf's reported comments.

10 I was also taken to the REVUE, 1979 RPC 27, and FLASHPOINT, 1988 RPC 561, decisions where it was held that applicants had failed to make out a prima facie case of non-use. Ms Clark's contention was that the applicants had not discharged the onus on them and the action must, therefore, fail on this basis alone.

15 In the light of the submissions it is worth recording the following extract from the REVUE case in relation to the approach to trade evidence:

20 "Mr. Platts-Mills argued that the applicants' evidence did not establish a prima facie case of non-user by the registered proprietors and that the applicants had accordingly failed to discharge the onus which is on them. Had the matter rested on the evidence of Messrs. Schmechtig and Bels, I should have had no hesitation in agreeing with this submission. However, the evidence of Mr. Ford, which just covers the whole of the relevant period, is that he has no experience of the registered proprietors' use of the name REVUE in the photographic trade. He knew of the applicants' use of the name
25 although, as their evidence in reply shows, that use was not on any large scale. It would, I think, have been better if Mr. Ford's evidence had received some independent corroboration, since I am unable to view the evidence of Messrs. Schmechtig and Bels as providing any sort of confirmation. Mr. Ford states that he has been associated with the photographic trade for upwards of 6 years. His declaration was made on 20th
30 November 1974 so that his experience would appear to date from some time late in 1968 which is only just before the relevant period began. While his evidence goes some way toward discharging the onus that is on the applicants I do not consider it sufficient to shift that onus onto the registered proprietors. If a registered proprietor is to be made to assume the burden of showing the extent to which he has used his mark
35 over a 5-year period and of showing, in appropriate cases, that other goods within his registration are of the same description as those in relation to which he is able to show use, it should, in my opinion, rest on more than the testimony of one individual, unless he were a person particularly well-placed and knowledgeable in the trade, such as, for example, an official of the relevant trade association might be, especially if the industry
40 concerned were one which kept a record of marks in use such as is referred to in paragraph 130 of the Mathys Report, Cmnd. 5601. In my opinion the applicants' case fails at the threshold."

45 In a similar vein the FLASHPOINT action failed on the inadequacy of the evidence from the Managing Director of the applicant company and a supporting declaration from a trader connected with an automotive accessory shop. The hearing officer commented:

5 "Each case will be decided on its own facts but in general I see no reason why a prima
facie case could not be made out by a single person provided he satisfied the tribunal
as to the nature and extent of his enquiries. I do not think a registered proprietor
should be made to defend his registration on a bald assertion that enquiries have been
made and no evidence of use has been found. In this case I find the evidence of Mr.
Guy [the trade declarant] of no value. He can speak for only the minor part of the
relevant five year period and I do not know how his questionnaire evidence was
obtained; nor whether other questionnaires were issued and with what result. Mr
10 Lyons' first declaration contains the plain statement that he has made enquiries but
found no indication of use. Other than that he is the managing director of the applicant
company. I know nothing about Mr. Lyons, I have no idea whether the enquiries he
made were extensive or perfunctory. In their rule 50 evidence, the registered
proprietors dispute Mr. Lyons' statement and in response in his second declaration he
15 refers to the absence of any listing of the registered proprietors' mark in the "where to
buy directory" in Lighting Equipment News for October 1985 and November 1986.
But these two dates are outside the relevant five year period and I have no knowledge
of the standing in the trade of the magazine. If this is representative of the standard of
Mr. Lyons' enquiries, I would hesitate to place any weight on them. In the event, I
20 decide that the applicants for rectification have not made out a prima facie case of non
use and their application therefore fails."

What these cases show, I think, is a certain reluctance on the part of hearing officers to place
too much reliance on the views of representatives of applicants for rectification (as self
25 evidently they have an interest in a particular outcome) unless corroborated by evidence from
the trade and even then to exercise caution unless a body of such evidence exists or an
individual deponent is clearly well placed to offer a knowledgeable and independent view. It is
notable that the extract from the REVUE case suggests that an official from the relevant trade
association might well meet the latter criterion. The applicants in the case before me have,
30 through Mr Zarecky, instituted enquiries with trade associations. However I must, I think,
accept Ms Clark's criticisms about the hearsay nature of the enquiries and the way they have
been reported. I will return to this point in reaching my conclusions on the issue.
Nevertheless I think it is perhaps an overstatement to say that the trade associations contacted
may not even be the relevant ones for goods or services of the kind at issue. Suffice to say
35 that in the absence of evidence as to their activities and membership I cannot see that they are
obviously the wrong choices. The relevance of enquiries with the German Embassy and
Germany Chamber of Trade was also questioned and rightly said to be open to the same
criticism as to form and content. I would simply say by way of general observation that it is
certainly not unusual for Embassies and Chambers to maintain information on their nationals
40 who might be commercially active in the country concerned. Equally it would be surprising if
their records were anything like complete particularly where smaller companies are concerned.
Such evidence, even if free of the criticisms that apply here, is therefore likely to be of limited
value on its own.

45 This brings me to the enquiries made with Pixy Foto GmbH and Herr Rompf who is described
as that company's director and principal. Mr Zarecky's enquiries in 1994 and 1995 were
unwittingly but understandably directed towards Pixy Foto GmbH of Köln, the previous
proprietor (and still at that point the proprietor of record in the UK trade mark register). At

first sight it seems more than a little curious that Herr Rompf did not disclose the fact that his company was no longer the proprietor of the PIXYFOTO marks and had not been since 23 August 1989. The reasons for this cannot be determined with certainty from the evidence but in my view it is possible to draw certain inferences from Herr Rompf's reported comments taken together with Herr Weinhart's evidence. It seems that Herr Rompf's company got into some financial difficulties which resulted in Megastar (called Photodienst at the time) acquiring the trade marks from the official receiver. Subsequently Herr Rompf appears to have started in business afresh under the name Pixy Foto Diamant or Pixy Diamant Portrait. It is not altogether surprising therefore that when Mr Zarecky made his enquiries in 1994/5 (and bearing in mind the guarded nature of commercial investigation enquiries) the full background was not revealed. Moreover as Herr Rompf was still in the same line of business he would have avoided saying anything that might have had the effect of directing potential business to a competitor. It is against this background that I think the results of Mr Zarecky's enquiries have to be considered. The substance of Herr Rompf's comments of course relate to what he knew about events up to May 1989 when his company closed their shops in the United Kingdom. As that date falls just outside the relevant period in these proceedings it can of course be said that it is of limited relevance. Moreover his reported comments to the effect that they had no plans to re-open any shops in this country must refer to his new company and cannot in itself be indicative of Megastar's position. However short of explaining that Pixyfoto of Köln went into receivership and the marks were now in different ownership (even assuming that this was known to Herr Rompf) it is difficult to see what further direction this particular line of enquiry could have taken.

Making the best I can of the above I have come to the following views:-

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- S** I can give little weight to the results of Mr Zarecky's enquiries with the trade associations, the German Embassy and German Chamber. The material is beset with difficulties and the failure to properly identify sources of information or to provide any supporting explanation renders it incompatible with the Practice Direction (of 20 June 1995) on hearsay.
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- S** the most that can be said for this aspect of Mr Zarecky's declaration is that it is evidence that enquiries were directed to a number of different potential sources of information.
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- S** the results of the enquiries with Pixy Foto of Köln are not above criticism and should for instance have been better substantiated in terms of dates and times of telephone calls. Importantly, however, the individuals contacted by Mr Zarecky are identified by name and in the case of Herr Rompf is unquestionably someone of authority in the company.
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- S** given that the enquiries with Herr Rompf were directed at possible removal from the UK register of trade marks thought to be owned by his company it is hardly to be expected that his comments were capable of substantiation by separate evidence.
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5 S taken as a whole the evidence suggests that the applicants have made a genuine effort to establish the use position. Enquiries directed towards the purported proprietors seem to me to be an important indicator of the seriousness of their intention. Whilst the results of such enquiries may not always withstand subsequent evidence from registered proprietors in defence of their position it is, I think, a significant element in making out a prima facie case of non-use.

10 S no criticism can be made of the applicants as a result of the failure on the part of Megastar as proprietors by assignment to record their title.

S the circumstances are quite different from REVUE and FLASHPOINT. Accordingly I do not feel bound by either of those decisions.

15 For the above reasons and despite Ms Clark's persuasively made out case I have come to the view that the applicants have made out a prima facie case and have thus done enough to transfer to the proprietors the burden of proving use.

20 I was referred to a number of authorities and passages from Kerly's Law of Trade Marks and Trade Names dealing with what constitutes use and what is necessary to establish that use is bona fide. Mr Arnold took as his starting point paragraphs 11-39 and 11-42 of Kerly's. The former indicates that 'there is a clear distinction between actual use of a mark on samples and a mere intention to use such as may be expressed in a letter'. The latter, in dealing with isolated instances of use, indicates that:-

25 "It should be noted that where any bona fide use whatever has been made of the mark, for the goods or services and within the period concerned, there is no discretion to remove it; but it has been questioned whether a single act of sale was sufficient to prevent removal. In the same case, it was held that alleged isolated instances of use must be most convincingly proved: once the applicant for removal makes out a prima facie case of non-use, the burden of proof shifts to the registered proprietor. But in 30 these days, the Court asks for more: "a real commercial use on a substantial scale"; and "*Nerit*" (*ante*, § 2.04) goes even further."

35 The reference to "a real commercial use on a substantial scale" comes from *Levi Strauss v Shah* 1985 RPC 371. A footnote in Kerly's acknowledges that this case "like *Nerit* was a case of token use to avoid non-use: where the use is in the ordinary course of trade, something less should be adequate".

40 Ms Clark said that the test I had to consider was whether any use was bona fide and having regard to the circumstances of the case referred me to the following official ruling in 61 RPC 148:

45 "For the purpose of resisting an application under Section 26 of the Act for the rectification of the Register on the ground of non-use of the mark, the registered proprietors (an Australian company) tendered evidence that they had, with the object of establishing a market for their goods in the United Kingdom, exported thereto

certain samples in relation to which the mark was used. The samples were supplied to an associated company here in the course of negotiations for a marketing of the goods by them.

5 On the issue as to whether or not the use in relation to these samples was such a *bona fide* use of the mark in relation to the goods as is mentioned in paragraphs (a) and (b) of Section 26(1), the *Registrar* (Sir *Frank Lindley*) gave the following Ruling:-

10 "Further, use in relation to these samples was, I think, use in the course of trade within the meaning of Section 4 and Section 68(1) and (2) of the Act. It is not, in my view, necessary for this purpose that the goods on or in relation to which the mark is used shall be goods that are themselves being at the time directly offered for sale in this country. It is enough, it seems to me, if the mark is used upon, or in physical or other relation to, samples which are
15 supplied by the proprietors of the trade mark to another firm with a view to obtaining some channel, such as an agency or wholesale purchaser, for the supply of goods to this market." "

20 That ruling was subsequently applied in VAC-U-FLEX 1965 FSR 176. She also referred me to ELLE Trade Mark 1997 FSR 529 (albeit under the Trade Marks Act 1994) where, although the registered proprietors failed for other reasons, it was held that use of a mark in advertising would not fail to qualify as a defence against a non-use action even though the advertisement(s) may not have produced a single sale. I also find the following passage from BON MATIN of assistance in considering the issue of substantiality within the context of
25 whether bona fide use has been established. The Registry decision is reported at 1988 RPC 553 and the High Court decision on appeal at 1989 RPC 537. The following passage is from Mr Justice Whitford's decision:

30 "..... the substantiality of the use is undoubtedly a relevant factor to be considered and at the end of the day one has got to consider every relevant factor. It must always be remembered that what one is directed to by section 26 of the Act is the question as to whether there has been bona fide use. Although the extent of the use is one factor which may be of significance, some of those factors may lead to the conclusion that although the use could not in the commercial sense be described as anything other than
35 slight, nonetheless it may be appropriate to reach a conclusion, in the light of the circumstances as a whole, that the use ought to be regarded as bona fide."

40 I take the view that substantiality of use is a factor to be considered within the overall test of whether bona fide use has been established and not a separate hurdle that a registered proprietor must overcome. The significance to be attached to substantiality is likely to be dependent on the circumstances pertaining in individual cases.

45 In the evidence summary I have recorded verbatim Herr Weinhart's account of his company's activities in this country in the years following the acquisition of the marks at issue. It seems to me that the material referred to in the first of the paragraphs quoted - that is to say the travel documents, conference registration form and receipt for goods purchased - is almost wholly without value in establishing use of the mark. There is no indication that the goods

purchased from Bob Rigby Photographic were for use in connection with a trade to be conducted under the mark PIXYFOTO and, as Mr Arnold pointed out, the invoice is made out to Photodienst and Bernd Michael Weinhart.

5 The matter, therefore, rests on the second and third paragraphs quoted above which deal with meetings with Mr Palmer and Mr Tischer regarding possible business developments in this country. As part of his attack on this aspect of the proprietors' case Mr Arnold said that there was a fundamental difficulty in that it was not clear where the meetings took place. Mr Palmer's and Mr Tischer's companies are both <nics' suggesting that they might be US
10 firms. He speculated that the meetings could have taken place in the US, the UK or Germany. Ms Clark recognised the difficulty but said that the matter could be clarified by further evidence and formally asked me to consider admitting such evidence. Not surprisingly this was resisted by Mr Arnold. After hearing submissions on the matter I decided not to admit further evidence at such a late stage. The registered proprietors caused some difficulty by
15 failing to have their title to the marks recorded and only became a party to the proceedings by means of a late intervention request. Their evidence was filed thereafter and they should in my view have been alerted to the need to fully substantiate their position particularly as it is based on such slender material. I must, therefore, make what I can of the material before me. I think there is some force to Ms Clark's submission that even without further evidence I should
20 bear in mind the context (proceedings in the UK) within which Herr Weinhart's evidence has been made. I note also that Herr Weinhart says more than once that the discussions were about developing a business in this country. It is the content of the discussions and the market to which they related that is important rather than where the discussions took place. However the matter still turns on what I make of the meetings to discuss business development and the
25 exhibits relating thereto in the form of business cards and folders. It seems to me that the mere fact that discussions took place with Mr Palmer and Mr Tischer does not take the registered proprietors very far. It is not clear whether the meetings were held during the course of Herr Weinhart's attendance at photographic exhibitions though it seems quite possible that this was the case. If there was substance to these discussions rather than simply
30 passing contact it is not apparent from the evidence and neither Mr Palmer or Mr Tischer have made declarations to shed light on the matter. Mr Arnold characterised the discussions as being desultory and that seems to me to be not far wide of the mark. I am unable to conclude from the mere fact that the meetings took place that there was anything other than some contingent intention to develop a trade in this country. There is, however, exhibit BMW3
35 containing the business cards and sample folders. The business cards, even allowing for the fact that they refer to <München - Wien - London', are of little assistance. The registered proprietors' case therefore comes down to the two sample folders for holding or presenting photographs and how I view these in relation to the Official Ruling in 61 RPC referred to above. It seems from the registered proprietors' evidence, particularly BMW4, that their
40 interest is in both the provision of photographic services and the resulting photographs and related goods. The samples referred to are simply cardboard or stiff paper folders of relatively simple construction. The limited amount of text is in German and addresses are given in München and Gräfelfing. It is conceded that these items are used in the German business but Herr Weinhart says that it was his intention to produce similar documentation for use in the
45 UK. The folders were thus not in themselves suitable for the UK market but were merely indicative of the type of presentation folder that could be produced if a UK business came into existence.

The only other item available in Exhibit BMW4 is what appears to be a specimen order form prepared for use in this country subsequent to the establishment of the UK subsidiary company. There is no indication when that company was formed. Mr Arnold indicated that this information was available as a result of separate proceedings between the parties but it is not in the evidence before me. As BMW4 is undated and the registered proprietors make no claim that it falls within the relevant period I take the view that it is of no assistance to their case. In the event therefore, I have come to the view that whilst the registered proprietors have asserted an interest in the UK market they failed to establish bona fide use of their mark within the relevant period.

The registered proprietors do not make any claim that there were special circumstances in the trade constituting reasons for non-use (see Section 26(3)). Therefore the final matter I have to consider is Ms Clark's submission that, if I were against her on other grounds, I should nevertheless exercise discretion in favour of her clients. Kerly's deals with the matter of discretion as follows (at 11-40):-

"It is to be observed that the whole section is governed by the words in section 26(1) "may be taken off". The word "may" involves a discretion not to remove. It is clear, however, when section 26(1) is read with its proviso, that only in exceptional circumstances should removal be refused: the words in the proviso, that in certain cases (see below) the tribunal "may refuse the application," carry the unavoidable implication that in other cases, prima facie, the application ought not to be refused."

She suggested that I should have regard particularly to the efforts made by the registered proprietors to establish a trade under the mark within the relevant period coupled with events after this period (it seems to be accepted in this respect that the formation of the UK company comes into this category). In support of this proposition she referred me to the ROUTE 66 case, an application for revocation under the Trade Marks Act 1994 (SRIS 0-026-98) where the hearing officer considered whether a residual discretion existed under Section 46(1) of the 1994 Act. The point Ms Clark asked me to take from that case was that it was held that preparations for commencement of use started within the relevant period but not concluded until after the date of application for revocation constituted in the circumstances of that case a sufficient reason for an exercise of discretion in the registered proprietors' favour. The circumstances were that the registered proprietors had opened negotiations with a major UK cigarette manufacturer and finalised licensing arrangements after the application date. The Hearing Officer took the view that on the facts of the case substantive preparations were being made and the subsequent conclusion of the agreement was evidence of the genuineness of their intentions and the fulfilment of their plans. It can be said in favour of the registered proprietors in the case before me that visits to this country had been made prior to the launching of these proceedings. However as I have already indicated the discussions with Messrs Palmer and Tischer lacked substance (or, if that is too strong, suffer from lack of proper substantiation) and there is no evidence that any trading activity ever resulted. The setting up of a company in this country suggests that more significant efforts were being made but again lacks evidential support as to when this approach was first conceived, when the company was established and what its role and activities have been. I have, therefore, come to the view that I have no good reason for exercising discretion in favour of the registered proprietors.

I therefore order these registrations to be removed from the register.

The applicants for rectification having been successful are entitled to a contribution towards their costs. I order the registered proprietors to pay the applicants the sum of **£1000**.

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Dated this 22nd day of March 1999

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M REYNOLDS

15 **For the Registrar**
the Comptroller-General