

TRADE MARKS ACT 1994

**IN THE MATTER OF APPLICATION NO. 9861
BY ESSEX MATCH COMPANY LIMITED
FOR REVOCATION OF TRADE MARK NO. 927383
IN THE NAME OF LAKSON TOBACCO COMPANY LIMITED**

TRADE MARKS ACT 1994

**IN THE MATTER OF APPLICATION NO. 9861
BY ESSEX MATCH COMPANY LIMITED
5 FOR REVOCATION OF TRADE MARK NO. 927383
IN THE NAME OF LAKSON TOBACCO COMPANY LIMITED**

DECISION

10 Trade mark No. 927383 is registered in Class 34 in respect of “tobacco, whether
manufactured or unmanufactured”.

15 The mark is:



30 It is registered in the name of Lakson Tobacco Company Ltd.

By application dated 3 November 1997 Essex Match Company Ltd applied for this registration to be revoked on the grounds that:

- 35 (i) the mark has not been put to genuine use within the five year period following
the date of completion of the registration procedure and there are no proper
reasons for non-use
- 40 (ii) in the alternative any such use has been suspended for an uninterrupted period
of five years and again there are no proper reasons for non-use.

These grounds go to Section 41(6)(a) and (b) of the Act.

45 The registered proprietors filed a counterstatement in which they make no comment on the
first of the above grounds but admit that there was a five year period of non-use prior to the
date of application for revocation. However they say there are proper reasons for such non-
use.

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

Both sides filed evidence and the matter came to be heard on 30 June 1999 when the registered proprietors were represented by Ms D McFarland of Counsel instructed by Trade Mark Owners Association Ltd., Trade Mark Attorneys and the applicants by Mr J Peacock of Eric Potter Clarkson, Trade Mark Attorneys.

Applicants' Evidence

The applicants filed two statutory declarations - the first is by Philip John Blackledge, their Managing Director. He says that his company's business is that of importing and wholesaling smokers' requisites. He confirms that investigations were initiated into whether the mark at issue has been used and refers to the fact that details of the results of these investigations have been filed separately. The second declaration is by David Lake of Farncombe International, an investigations bureau. He confirms that he was instructed in July 1997 and exhibits, DL1, a copy of his firm's report. He describes approaches made to the Association of Independent Tobacco Specialists and a specialist tobacco retailer, Smiths of Charing Cross, neither of whom were aware of the K-2 brand. An approach was also made to Premier Tobacco Industries in Karachi where contact was made with Farooq Kidwai. Mr Lake records that

“..... Mr Farooq told us that K-2 was the brand name applied to cigarettes which were popular in Pakistan and Bangladesh.. This brand of cigarettes had been manufactured for more than twenty years.

When asked Mr Farooq stated categorically that K-2 cigarettes were not currently exported to the UK nor had they ever been. He went on to say that the company were not even represented in the UK”.

Finally it is said that enquiries were made with the Tobacco Manufacturers Association (Gill Silverman) who advised that the K-2 brand was owned by Premier Tobacco Industries of Pakistan and Dacca Tobacco of Bangladesh; that the tobacco/cigarettes were not shown as being imported into the UK; and that the companies were not represented here.

Registered Proprietors' Evidence

The registered proprietors filed declarations by Tasleemuddin Ahmed Batlay and Ramzanali Halani. Mr Batlay is a Director of Lakson Tobacco. He confirms that the business of Premier Tobacco merged with his company and that application to record the result of this merger has been filed at the UK Trade Marks Registry (by way of assignment). He contends that there are proper reasons for non-use of the mark for the following reasons:

“The European Community's (TAR Yield of cigarettes) Regulation 1991 effective December 1992 limited the tar yield per cigarette to 15 milligrams. This limit was further reduced to 12 milligrams per cigarette effective from December 1997. Neither Premier Tobacco Industries Limited nor Lakson Tobacco Company Limited had or currently have the matching technological facilities to manufacture cigarettes complying with the aforesaid European Community's Regulations without seriously

5 compromising on taste and in the circumstances it was not possible to export cigarettes bearing the trade mark as registered under No. B927383 to the United Kingdom during relevant period. In the circumstances, my Company and its predecessor, Premier Tobacco Industries Limited have not been able to sell goods under the trade mark for reasons beyond their control. There is now produced and shown to be marked "B" a copy of the appropriate EC Regulation 1991.

10 In spite of the fact that there has been no use of the said trade mark in the United Kingdom for the five years preceding the date of revocation i.e. 31 October 1997, nevertheless, the trade mark "K-2" is well known and has a reputation in the United Kingdom. I can confirm that the trade mark "K-2" has been used throughout Pakistan and abroad since 1956. The trade mark "K-2" is one of the largest selling brands of cigarettes in Pakistan and has acquired substantial reputation and goodwill. Such reputation extends to the United Kingdom, at least amongst members of the Pakistani Community, which I believe numbers approximately half a million individuals".

15 Mr Halani is the Company Secretary of Lakson Tobacco Company Ltd. He makes a number of detailed criticisms of the applicants' evidence particularly as regards the precise mark in relation to which enquiries were made. I do not propose to record all these criticisms as they seem to be of tangential relevance only given the registered proprietors' reliance on proper reasons for non-use.

20 That completes my review of the evidence.

25 Section 46 of the Act reads as follows:-

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

- 30 (a) that within the period of five years following the date of completion of the registration procedure it has not been put to genuine use in the United Kingdom, by the proprietor or with his consent, in relation to the goods or services for which it is registered, and there are no proper reasons for non-use;
- 35 (b) that such use has been suspended for an uninterrupted period of five years, and there are no proper reasons for non-use;
- 40 (c) that, in consequence of acts or inactivity of the proprietor, it has become the common name in the trade for a product or service for which it is registered;
- 45 (d) that in consequence of the use made of it by the proprietor or with his consent in relation to the goods or services for which it is registered, it is liable to mislead the public, particularly as to the nature, quality or geographical origin of those goods or services.

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

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

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

20 (4) An application for revocation may be made by any person, and may be made either to the registrar or to the court, except that-

(a) if proceedings concerning the trade mark in question are pending in the court, the application must be made to the court; and

25 (b) if in any case the application is made to the registrar, he may at any stage of the proceedings refer to the application to the court.

30 (5) Where grounds for revocation exist in respect of only some of the goods or services for which the trade mark is registered, revocation shall relate to those goods or services only.

35 (6) Where the registration of a trade mark is revoked to any extent, the rights of the proprietor shall be deemed to have ceased to that extent as from-

(a) the date of the application for revocation, or

40 (b) if the registrar or court is satisfied that the grounds for revocation existed at an earlier date, that date.”

45 The proprietors concede that their mark has not been used. The case turns essentially on whether they can satisfy me that there are proper reasons for non-use. Before addressing this issue I should record that Mr Peacock challenged whether the registered proprietors' case had even got off the ground. His point was that Premier Tobacco Industries Ltd (Premier), the proprietor of record, had, according to the evidence, been dissolved by the time the proceedings were launched. Their successors in title Lakson Tobacco Company

Limited (Lakson) were only recorded as registered proprietors at a later date and had made no application to intervene under Rule 31(5). Rules 31(3), (4), (5) and (6) read as follows:-

5 (3) Within three months of the date on which the registrar sends a copy of the application and the statement to the proprietor, the proprietor may file a counterstatement together with Form TM8 and the registrar shall send a copy thereof to the applicant:

10 Provided that where an application for revocation is based on the ground of non-use under section 46(1)(a) or (b), the proprietor shall file (within the period allowed for the filing of any counter-statement) evidence of the use by him of the mark; and if he fails so to file evidence the registrar may treat his opposition to the application as having been withdrawn.

15 (4) Subject to paragraph (2) above and paragraphs (6) and (7) below, the provisions of rule 13 shall apply to proceedings relating to the application as they apply to opposition proceedings for the registration of a trade mark, save that, in the case of an application for revocation on the grounds of non-use under section 46(1)(a) or (b), the application shall be granted where no counter-statement is filed.

20 (5) Any person, other than the registered proprietor, claiming to have an interest in proceedings on an application under this rule may file an application to the registrar on Form TM27 for leave to intervene, stating the nature of his interest and the registrar may, after hearing the parties concerned if so required, refuse such leave or grant leave upon such terms or conditions (including any undertaking as to costs) as he thinks fit.

25 (6) Any person granted leave to intervene (the intervener) shall, subject to the terms and conditions imposed in respect of the intervention, be treated as a party for the purposes of the application of the provisions of rule 13 to the proceedings on an application under this rule.

30 Mr Peacock argued that the requirement that the proprietor file evidence had not been met as the proprietor company had been dissolved and the successor in title had made no request to intervene. A further issue arose in that he questioned the validity of the instrument of transfer (to Lakson) including whether UK stamp duty requirements had been complied with.

35 I take note of the above points and also, of course, the lateness of the challenge which effectively gave the registered proprietors no opportunity to consider their position. Even so I do not find the (now) registered proprietors' (Lakson) position entirely convincing in relation to the requirements of the Rules. It seems to me that the proper course for them should have been to seek leave to intervene. As a practical matter I cannot see that, as successors in title, there was likely to have been any valid objection to such a request. The timing of the challenge prevented corrective action being taken. There is, however, no time limit on a request to intervene under Rule 31(5) and (6) so even at this late stage it would be possible for

them to do so. The existence of the counterstatement filed on behalf of the then proprietor of record (and predecessor in business) supported by evidence filed by the proprietor by assignment constitute a clear indication of intention to defend the registration. Allowing Lakson to intervene would in practical terms simply mean that they adopt the counterstatement (or at least the terms thereof). In all the circumstances and given the wide powers to allow intervention under Rule 31(5) (and to do so upon such terms and conditions as the registrar thinks fit) it would in my view be wrong not to allow Lakson as proprietor by assignment to defend the registration. If necessary the position could be regularised in this way.

So far as the assignment itself is concerned it has been accepted and actioned by the Registry. Ms McFarland was of the view that I should not look behind the circumstances of the merger which lead to the assignment of the registration in this country (there also being no evidence before me as to the operation of Pakistani law in this area). Moreover she said stamp duty problems, if they exist, are capable of correction and do not make the assignment unenforceable. Whilst I note the applicants' comments I think I should accept the assignment at face value for the purposes of the current proceedings.

Turning to the issue of proper reasons for non-use I indicated at the hearing that in my view a point of law arose in relation to whether this defence was available under Section 46(3). The attack is under Section 46(1)(a) and (b). The period under Section 46(1)(a) is the five year period from the date of completion of the registration procedure, that is to say the period from 16 August 1969 to 15 August 1974. No use is claimed during this period nor have any proper reasons for non-use been identified that are applicable to this period. I do not forget that the registered proprietors say that their mark enjoys a reputation in this country amongst members of the Pakistan community. However this assertion is unsubstantiated and, more importantly, the requirement of the Act is that a registered proprietor shows use. It is not said that reputation, even if substantiated, will suffice absent use. I, therefore, formally find that the registered proprietors have failed to establish a defence in respect of the period that falls to be considered under Section 46(1)(a).

However, the registered proprietors point out that under Section 46(3) "the registration of a trade mark shall not be revoked on the ground mentioned in subsection (1)(a) or (b) if such use as is referred to in that paragraph is commenced or resumed after the expiry of the five year period and before the application for revocation is made." They say that proper reasons for non-use existed during the five year period leading up to the date of application for revocation (that is to say from 3 November 1992 to 2 November 1997) in the form of the Council Directive (90/239/EEC) which limited the tar yield of cigarettes to 15mg per cigarette from 31 December 1992 (with a further reduction from 31 December 1997). These EC provisions were therefore in place for most of the five year period to 2 November 1997 (the Section 46(1)(b) period). Is the Section 46(3) defence in principle available to the registered proprietors?

Section 46(3) refers back to subsection (1)(a) or (b) and to the commencement or resumption of such use as is referred to in that paragraph (my emphasis). Ms McFarland submitted that there must be continuity of interpretation as between subsection (1) and (3) and that by referring back to subsections (1)(a) or (b) it is to be assumed that subsection (3) is covering

both the commencement or resumption of use and the occurrence of proper reasons for non-use. She also found support for this view in Rule 31(3) which likewise refers back to subsection (1)(a) or (b). I have given careful consideration to these submissions but I am not persuaded this is the correct approach. If the wording of Section 46(3) is to be taken as a shorthand reference intended to cover also proper reasons for non-use then it does not sit comfortably with Section 46(1)(b) where it was felt necessary to spell out “and there are no proper reasons for non-use” (and not rely purely on the reference to such use). Taking the statute at face value I do not see why it should be assumed that the legislators intended Section 46(3) to be given a broader meaning when it would have been a relatively simple matter to give expression to that meaning if such had been the intention.

I draw further support for this view from Article 12 of the Directive (89/104/EEC) on which the UK legislation is based. Insofar as is relevant Article 12 reads:

1. A trade mark shall be liable to revocation if, within a continuous period of five years, it has not been put to genuine use in the Member State in connection with the goods or services in respect of which it is registered, and there are no proper reasons for non-use; however, no person may claim that the proprietor's rights in a trade mark should be revoked where, during the interval between expiry of the five-year period and filing of the application for revocation, genuine use of the trade mark has been started or resumed; the commencement or resumption of use within a period of three months preceding the filing of the application for revocation which began at the earliest on expiry of the continuous period of five years of non-use, shall, however, be disregarded where preparations for the commencement or resumption occur only after the proprietor becomes aware that the application for revocation may be filed.

As can be seen from the above, the Directive refers to the commencement or resumption of genuine use during the interval between the expiry of the five year period and the filing of the application as a basis for resisting revocation. However no reference is made to proper reasons for non-use as a defence during this period.

Moreover there are in my view understandable reasons why it may not have been the intention to provide this defence. The commencement or resumption of use after a period of non-use involves a positive act on the part of the proprietor and can constitute a legitimate defence to a charge of non-use. That is quite different to a situation where a proprietor fails to use his mark but seeks to benefit from a circumstance as here that could not have been known or anticipated when the application was filed. In the current case over 23 years had elapsed between the completion of the registration process and the coming into effect of the EC Directive on which the registered proprietors seek to rely for proper reasons for non-use. I do not see why the legislation should be interpreted as providing protection in these circumstances when the wording of Section 46(3) makes no explicit provision for it. The application for revocation, therefore, succeeds on this basis alone.

However as I am not aware of any authorities in relation to the above point it is right that I should consider the registered proprietors' position in the event that on appeal I am found to be wrong on the point of law involved.

The claimed proper reason for non-use rests as indicated above on the introduction with effect from 31 December 1992 of EC restrictions on the tar yield of cigarettes. The registered proprietors say that this represents a reason beyond their control. Both sides referred me to INVERMONT Trade Mark 1997 RPC 125 regarding the construction to be placed on the term proper reasons for non-use and in particular the following passage:

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

Viewed in this light, I think it is clear enough that the reasons given by Mr Denholm are not ‘proper’ in the sense required. He describes difficulties which by his own admission are normal in the industry concerned and in the relevant market place. I do not think the term ‘proper’ was intended to cover normal situations or routine difficulties. I think it must more likely that it is intended to cover abnormal situations in the industry or the market, or even perhaps some temporary but serious disruption affecting the registered proprietor’s business. Normal delays occasioned by some unavoidable regulatory requirement, such as the approval of a medicine, might be acceptable but not, I think, the normal delays found in the marketing function. These are matters within the businessman’s own control and I think he should plan accordingly. Therefore, I do not find that in this case the registered proprietor had any proper reasons for the non-use, during the relevant period.”

Ms McFarland also referred me to remarks in BALI Trade Mark 1966 RPC 387 which (in the context of ‘special circumstances in the trade’ under the preceding law) dealt with circumstances justifying non-use following the lifting of government import restrictions. It seems that the operation of a token import scheme, which required an application to be made from an interested person in this country, effectively prevented the US firm marketing their goods and thus use was impracticable in a business sense. The point that Ms McFarland sought to make is that I should consider the overall circumstances affecting the industry in reaching a view on the registered proprietors’ position. Thus, it is said, in BALI what was important was whether there was an intention to abandon the mark or whether there was a reasonable explanation or excuse for non-use. Two other cases were referred to - Re JELLIED BEEF Trade Marks 1993 FSR 484 and WORTH Trade Marks 1998 RPC 875. I do not derive much assistance from these cases as the circumstances were quite different. The former might appear to have some slight parallels with the case before me relating as it does to a ban that existed in Germany on the import of jellied beef (later held to be in contravention of EEC Rules) but a ban is of much greater significance than restrictions on, or requirements relating to, the production or content of goods.

It is not clear precisely when work on the tar yield Directive commenced. The recitals refer to an EC Council meeting in 1985 followed by a resolution aimed at combatting smoking passed in July 1986. These events appear, therefore, to have provided the initial impetus. The

Directive itself is dated 17 May 1990 and the requirements came into force some two and a half years later in December 1992. I have no doubt that the progress of the Directive was noted with keen interest by cigarette manufacturing companies. I note too that the sixth recital expressly acknowledges the need to introduce the provisions within a timescale that allows “consumers and manufacturers to adapt to products with a lower tar yield”. There is no suggestion that there were widespread problems within the industry in complying with the Directive. The registered proprietors’ position might have been more convincing if there were evidence that they had commenced preparations to use their mark prior to the implementation of the Directive or that they had been selling products that did not comply with the new requirements prior to 31 December 1992. But they make no such claims.

As indicated in the evidence summary the proprietors say that they neither “had or currently have the matching technological facilities to manufacture cigarettes complying with the aforesaid European Community’s Regulations without seriously compromising on taste” I take these comments of Mr Batlay to mean that it is not that the proprietors do not have the manufacturing capability to produce cigarettes, nor indeed that they could not produce cigarettes which comply with the EC Directive requirements. It is merely that to do so would result in some compromise in terms of the taste of the finished product. It thus seems that it was within the company’s power to use the mark and it was merely a corporate decision not to do so for the above reasons. In my view that is very clearly not a proper reason for non-use. In terms of the INVERMONT guidance it is also not a matter that is outside the registered proprietor’s control. Knowing that they would have to comply with the EC requirements (and having been given ample time to do so) it is not unreasonable to expect them to have planned accordingly. Even now there is no evidence that they have taken steps to overcome any technological difficulties (though these are not explained). I, therefore, find that proper reasons for non-use are not made out and accordingly that the application for revocation succeeds.

There remains the question of the date from which revocation should take effect. The applicants have succeeded under Section 46(1)(a) and (b). Section 46(6) permits me to revoke a registration as of the date of application or an earlier date if I am satisfied that grounds existed at that earlier date. I order that revocation should take effect from 15 August 1974 this being the end of the five year period following the date of completion of the registration procedure.

As the applicants have been successful they are entitled to a contribution towards their costs. I order the registered proprietors to pay the applicants the sum of £835.

Dated this 23 day of July 1999

**M REYNOLDS
For the Registrar
the Comptroller General**