

TRADE MARKS ACT 1994

**IN THE MATTER OF REGISTRATION NO 1311813
IN THE NAME OF EL TORITO RESTAURANTS INC
AND**

**IN THE MATTER OF AN APPLICATION FOR REVOCATION THERETO
UNDER NO 10171 BY CENTRALIZE LIMITED**

TRADE MARKS ACT 1994

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BACKGROUND

1. On 18 June 1998, Centralize Limited applied to revoke trade mark registration No. 1311813 standing in the name of El Torito Restaurants Inc of Irvine, California, United States of America. The registration is in respect of the trade mark **EL TORITO** which stands registered for a specification of services reading:

Restaurant and catering services; cafeteria, café, canteen and snack bar services; all included in Class 42; but not including any such services relating to the provision of alcoholic drinks.

2. The application for registration was filed on 2 June 1987 and the registration procedure was completed on 26 April 1991.

3. The applicants express the basis of their attack in the following terms:

“1. UK Registered Trade Mark Number 1311813 should be revoked because within the period of five years following the date of completion of the registration procedure the mark 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.

2. The registration should therefore be revoked pursuant to Section 46(1)(a).”

4. On 5 October 1998, the registered proprietors filed a counterstatement in which the grounds are denied. In paragraph 1 of their counterstatement the registered proprietors comment as follows:

“1. The allegations contained in paragraph 1 of the Statement of Case of 18 June 1998 are not admitted. Proof of use is provided in the attached affidavit of M.E. Malanaga”.

5. Both parties seek an award of costs. Both parties filed evidence. The matter came to be heard on 6 March 2002 when the applicants were represented by Mr Anthony Martino of

Counsel instructed by Tasselli & Co, Solicitors; the registered proprietors were represented by Miss Denise McFarland of Counsel instructed by J A Kemp & Co, Trade Marks Attorneys.

THE EVIDENCE

6. The following evidence was filed in these proceedings:

Registered Proprietors' evidence

Affidavit of Michael Evans Malanga dated 29 September 1998 and Exhibits MEM4, MEM5 and MEM6 thereto.

Applicants for Revocation's evidence

Affidavit of Mohammad Bagher Sadighi dated 15 March 1999 and Exhibit MSB1 thereto.

7. Ordinarily I would at this point in my decision provide a summary of the evidence filed. However, this case is but one of three inter-related actions between the parties. The applicants for revocation in these proceedings are also the applicants for revocation in respect of trade mark registration No. 1312756 (for the trade mark EL TORITO and device) under No. 10170 and the applicants for invalidation in respect of trade mark registration No. 2129516 (for the same EL TORITO and device trade mark mentioned above) under No. 12445. This revocation action and revocation No.10170 were not consolidated at the applicants' request, because of the presence in the former proceedings of an additional affidavit ie. that of Charles George Rink dated 7 August 2000. That said, with the exception of Mr Rink's affidavit which is not before me in these proceedings, the evidence of the parties is essentially identical (save where it is necessary for them to refer to the respective trade marks). Consequently I propose to adopt the relevant portion of the evidence summary prepared by the Hearing Officer in No. 1312756 (BL 0-119-02) and this is reproduced below:

"The registered proprietor's evidence

8) The evidence consists of an affidavit dated 29 September 1998 by Michael Evans Malanga who is the vice-president of the registered proprietor.

9) Mr Malanga states that the El Torito brand originated in the USA in 1954. It is now a franchised chain of restaurants with franchise deals established outside of the USA in Bahrain, Egypt, Japan, Jordan, Lebanon, Saudi Arabia, Syria, Turkey and The United Arab Emirates. He states that no establishment has been opened in the United Kingdom but that he considers that in the registered proprietor's

franchising attempts and advertising that the trade mark has been used in respect of the services encompassed by the registration.

10) Mr Malanga states that considerable efforts have been made in the previous two years to franchise restaurants under the trade mark EL TORITO, and in particular under the specific device mark, in the United Kingdom. He states that such efforts are continuing. He states that he and other representatives of the registered proprietor attend and make presentations at multi-national franchise conventions and shows at which, and subsequently, they receive inquiries from potential franchisees. He states that the shows attended include:

November 1996 – Milan
March 1997 – Washington DC
September 1997 – Singapore
January 1998 – Barcelona
May 1998 - Chicago

Mr Malanga states that the shows are extremely large, numbering approximately 20,000 – 30,000 attendees of whom many have been from the United Kingdom. He states that the trade mark in suit is used at these shows. He states that it is through these shows that he has actively pursued potential franchisees for the countries listed in paragraph 9 in addition to the United Kingdom.

11) Mr Malanga exhibits at MEM 1 copies of redacted letters that have passed between the registered proprietor and potential franchisees between 4 June 1996 and 17 July 1997. He states that these letters are by way of example. Mr Malanga states that franchise agreements involve long-term, very expensive development and operating commitments with considerable effort and time involved. He states that only franchise candidates that meet stringent requirements can be pursued. He states that, therefore, he is not surprised that no one has been granted a franchise in the United Kingdom yet.

12) All the letters have the details of the addressee removed. The letters dated 2 July 1998, 17 July 1997, 10 June 1997 are similar in content. They are addressed to persons in the United Kingdom, the names of the persons have been removed, and thank them for their interest in franchising opportunities for EL TORITO and advise that a franchising brochure is enclosed. The letters which generated the responses are not adduced into evidence. The letter of 1 July 1997 is to the United Kingdom and advises that Mr Malanga has noted the person's interest in opening speciality franchising restaurants in the United Kingdom. This interest has been aroused by an edition of IFA Insider. The addressee is advised that a brochure will be sent if they furnish a mailing address. The letter of 6 June 1997 is in response to a letter of 28 May 1997, which is adduced into the proceedings.

The letter of 6 June 1997 advises that the registered proprietor is not entering into representation agreements. The letter of 12 May 1997 is in response to a letter of 6 May 1997, which is adduced into the proceedings. The letter of 12 May 1997 advises that the registered proprietor is confused by the letter of 6 May 1997 as it would appear from that letter that the correspondee is acting as broker. The letter of 14 June 1996 is addressed to Miami. It deals with the addressee's discussions with prospective licensees in England. It refers to EL TORITO but emanates from Family Restaurants Inc. The letter of 4 June 1996, which appears to be linked to the letter of 14 June 1996, deals with the prospect of assisting the registered proprietor expand into the United Kingdom. The final letter is dated 20 May, without a year. It indicates that it is from Middlesex and deals with the possibility of opening a franchise either in England or abroad. It does not mention EL TORITO and is addressed to the franchising department of Restaurant Enterprises Group. This enterprise has the same address as Family Restaurants, Inc.

13) Mr Malanga states that not only has the registered proprietor sought franchisees through international franchising conventions but also advertises and actively seeks franchising partners on the world-wide web. He exhibits at MEM 2 copies of pages from the web which he states, all though printed recently, show updating dates prior to March 1998. He states that these pages show use of the trade mark on the registered proprietor's home page and various other pages. He states that these pages are readily accessible from anywhere in the United Kingdom with an Internet link. All the pages are dated 23 July 1998. The pages all bear a copyright year of 1997 and the earliest "most recent update" is 20 February 1997. Included in the web pages is a list of EL TORITO restaurants. The vast majority are in California. There are also restaurants in Arizona, Florida, Oregon and Japan. One of the pages also indicates that there will be franchising opportunities in Turkey from autumn 1997. One page deals with the international franchise overview. The information runs to thirteen lines and can be characterised as being fairly general.

14) Mr Malanga states that the web site was established in early 1997 as a franchising effort. He states that, in addition to the obvious advantages in the United States, it was specifically designed to reach out to the international community, including the United Kingdom. He exhibits at MEM 3 a ledger of web site hits for visitors to WWW.ELTORITO.COM from the United Kingdom between 1 January 1998 and 31 March 1998. He states that in March 1998 there were over two hundred hits from the United Kingdom. He states that the hits from the United Kingdom continue to come in as word of the web site continues to spread throughout the United Kingdom. The total number of hits is recorded as being 215.

15) Mr Malanga states that the exhibits adduced into the proceedings show that the registered proprietor has become renowned for offering a quality restaurant concept which he is loathe to subject to anything other than a capable franchisee candidate who has the ability to both to develop and operate a series of EL TORITO restaurants. He states that the registered proprietor requires any candidate to demonstrate a high level of knowledge and experience in the restaurant industry, as well as the ability to commit significant financial resources to the development and on-going success of a multiple unit franchise endeavour. He states that the registered proprietor is not looking for a “quick money” export that would not stand the test of time. He states that a failed endeavour in the United Kingdom would have a negative effect on the registered proprietor in the United Kingdom. He finishes by stating that it is clear that the registered proprietor has made strenuous efforts to use the trade mark in suit in the United Kingdom but it is through circumstances largely beyond his control that no restaurants bearing the trade mark in suit have yet been set up.

Applicant’s evidence

16) This consists of an affidavit dated 15 April 1999 by Mohammad Bagher Sadighi, who is the managing director of the applicant.

17) Much of the affidavit relates to Mr Sadighi’s business dealings and a dispute with the registered proprietor. In so much as it does it does not go to the issues under consideration in the instant case. I will, therefore, say no more about the evidence in relation to these matters with one exception. Mr Sadighi exhibits at MBS 1 a letter from the trade mark attorneys of the registered proprietor in which the following is claimed:

“Our client has been using these marks for a number of years and has acquired a substantial reputation and goodwill in these marks”.

He states that there is nothing in the affidavit of Mr Malanga which shows that the registered proprietor has put the trade mark in suit to genuine use in the United Kingdom. Mr Sadighi states that although Mr Malanga refers to franchise negotiations and his Internet site he fails to show that the registered proprietor has been involved in the supply of goods or services within the United Kingdom. He states that Mr Malanga has failed to show that there are proper reasons for the non-use of the trade mark in suit. He states that, for example, there is no ban on the establishment of American restaurants in the United Kingdom.

DECISION

8. The ground of revocation is based on Section 46(1)(a) of the Act; Section 46(3) is also relevant. These sections read as follows:

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

(a) that within the period of five years following the date of completion of the registration procedure it has not been put to genuine use in the United Kingdom, by the proprietor or with his consent, in relation to the goods or services for which it is registered, and there are no proper reasons for non-use;”

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

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

9. Section 100 of the Act is also relevant. It states:

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

10. Stemming from Section 100, it is well established that the onus is upon the registered proprietors to establish that genuine use has been made of the trade mark in suit, or alternatively, that there are proper reasons for non-use.

11. The registration under attack was registered on 26 April 1991, consequently the five year period runs from this date. As the application for revocation was filed on 18 June 1998, the period under Section 46(3) of the Act runs to 18 March 1998.

12. In reaching a conclusion in these proceedings, I have of course considered Counsel's Skeleton Arguments together with the oral submissions made to me at the Hearing. However, I now also have the benefit of the Hearing Officer's decision in BL 0-119-02. In this regard, I have already noted that with the exception of the affidavit of Mr Rink

(mentioned above), the evidence in the respective proceedings is identical, the respective specifications of the registrations under attack are the same also. While the marks clearly differ (the registration in suit being for the words EL TORITO alone), nothing appears to turn on this point.

13. Having read the Hearing Officer's decision in BL 0-119-02, it appears to me to be not only a correct statement of the law but also of the facts as they pertain to the circumstances of this particular set of proceedings. To set about redrafting what appears to me to be the correct conclusions stemming from this analysis of the law and the facts is, in my view, unnecessary and I gratefully adopt the Hearing Officer's reasoning in this regard. On the evidence before me in these proceedings and having regard to the submissions made to me, I would have come to the same conclusions. The Hearing Officers' comments in BL 0-119-02 are reproduced below:

“32) Ms McFarland effectively argued under two heads. Firstly, the use shown by the registered proprietor represents genuine use, however, if this head failed then there were genuine reasons for non-use. Ms McFarland considered that the Internet use and the correspondence relating to franchising represented genuine use. In particular she made reference to the nature of use as per section 10(4)(d) of the Act: use of the sign on business papers or in advertising. Mr Martino referred to the issues arising out of Internet use arising from *800-Flowers Trade Mark* [2000] FSR 697. In particular where Jacob J stated:

“I questioned this with an example: a fishmonger in Bootle who put his wares and prices on his own website, for instance, for local delivery can hardly be said to be trying to sell the fish to the whole world or even the whole country. And if any web surfer in some other country happens upon the website he will simply say “this is not for me” and move on. For trade mark laws to intrude where a website owner is not intending to address the world but only a local clientele and where anyone seeing the site would so understand him would be absurd. So I think that the mere fact that websites can be assessed anywhere in the world does not mean, for trade mark purposes, that the law should regard them as being used everywhere in the world. It all depends upon the circumstances, particularly the intention of the website owner and what the reader will understand if he assesses the site.”

33) Mr Martino also made reference to *Euromarket Designs v Peters* [2001] FSR 288, in which decision Jacob J stated:

“It seems to me that “genuine use” must involve that which a trader or consumer would regard as a real or genuine trade in this country”.

34) I do not consider section 10(4)(d) aids the case of the registered proprietor. The use of the sign on business papers or in advertising must still be in relation to the goods or services in the United Kingdom. If he supplied the services in the United Kingdom one could then look to section 10(4)(d) to show use of the sign; but he has not. Mr Malanga effectively states in the last paragraph of his declaration that the registered proprietor has not supplied any of the services encompassed by his registration within the United Kingdom. The registered proprietor has not set up any restaurant in the United Kingdom. The services for which he is registered have not been provided within the United Kingdom. He has not shown that anyone has ordered his services via the Internet from the United Kingdom, and the very nature of the services makes this unlikely anyway. The Internet hits tell me nothing; it could have been, for instance, that the surfer was looking for the business of the applicant. It strikes me that in relation to the services of the registration in suit the registered proprietor is very much in the position of the Bootle fishmonger, one is somewhat unlikely to send a take away meal from California to the United Kingdom – even using express, guaranteed delivery. I can see nothing in the evidence that shows use of the trade mark in the United Kingdom in relation to the services for which it is registered. The proprietor even states that he has not used the trade mark in relation to the services for which it is registered. The services have not been provided, he has not used the trade mark. In the terms of *Euromarket* I do not consider that the registered proprietor has shown that he has had a real or genuine trade in the United Kingdom. As the registered proprietor has shown no use of his trade mark in the United Kingdom he cannot pray in aid to section 46(3) of the Act, which requires use.

35) Consequent upon the above I have no hesitation in coming to the conclusion that the registered proprietor has not proved genuine use of the trade mark in suit within the United Kingdom.

36) However, the matter does not rest there as Ms McFarland claimed in the alternative that the registered proprietor had proper reasons for non-use, the difficulty in getting franchises off the ground. Park J in *Magic Ball* [2000] RPC 439 dealt with the issue of proper reasons for non-use. Park J approved the findings of the hearing officer in *Invermont* [1997] RPC 125 where the latter stated:

“I do not think that the term “proper” was intended to cover normal situations or routine difficulties”.

I consider that the difficulties that the registered proprietor has encountered in relation to finding a franchisee do not represent a situation that is other than normal and does not represent anything other than routine difficulties. The recitals to the Directive state:

“it is essential to require that registered trade marks must actually be used, or if not used be subject to revocation”.

This is a cornerstone of European trade mark law and I consider clearly indicates that proper reasons for non-use must be rigorously scrutinised and must be very convincing. In the instant case the proprietor can point to nothing unusual in the circumstances of his own business or the trade generally as an explanation of his inactivity. Under European law there is a regime of use it or lose it. Not only in the five years following registration but for the period up to the date of the application for revocation, 18 June 1998, the registered proprietor has made no use of the trade mark in suit within the United Kingdom. He has had a considerable period of time to put his trade mark in use. A period of time that goes well beyond what I would expect for negotiations to take place and be finalised in relation to a franchise for the services encompassed by his registration. No evidence has been adduced to show that the enquiries from potential franchisees went any further than general enquiries. No contracts have been adduced into the proceedings, whether completed or not, and there is no proof that any serious negotiations have taken place.

37) Consequent upon the above I find that the registered proprietor has not shown that there are proper reasons for non-use of the trade mark in suit”.

CONCLUSION

14. In view of the above, the application for revocation of this registration on the grounds of non-use of the trade mark under the provisions of Section 46(1)(a) of the Act must succeed. I have concluded that the registration the subject of these proceedings should be revoked in its entirety with effect from 18 June 1998. The applicants for revocation are entitled to a contribution towards their costs. I order the registered proprietors to pay to the applicants for revocation the sum of £835. 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 26 Day of April 2002

**C J BOWEN
For the Registrar
The Comptroller-General**