

O-035-15

TRADE MARKS ACT 1994

TRADE MARK REGISTRATION 2618902

IN THE NAME OF ABU KASS UK LTD

AND

APPLICATION 500092 BY

SALEH ABDULAZIZ BABAKER SONS CO. FOR TRADING AND CONTRACTING

FOR THE TRADE MARK TO BE DECLARED INVALID

Background and pleadings

1. The following trade mark was applied for on 12 April 2012 and entered in the register on 27 July 2012.



2. The mark was applied for and registered in the name of Abu Kass UK Limited ("AK UK").

3. The mark is registered in respect of 'rice' in class 30 and 'dates' in class 31.

4. On 8 July 2013, Saleh Abdulaziz Babaker Sons Co. For Trading and Contracting ("Babaker") applied under section 47 of the Act for the trade mark registration to be declared invalid and cancelled. The sole ground for invalidation is that the trade mark was applied for in bad faith contrary to s.3(6) of the Act. Babaker relies on the following matters to support this claim.

- Babaker has marketed rice under the trade marks shown below in Egypt, Bahrain, Indonesia, Jordan, Kuwait, Lebanon, Qatar, Saudi Arabia, UAE and Yemen since at least as early as 1997.



- The old mark was used up until 2010 when the new version of the mark was introduced.
- Babaker has generated significant turnover under these marks and promoted them internationally, including in the UK, through advertising on TV and over the internet.
- Babaker's rice has been imported into the UK and sold here by third party wholesalers and retailers *"for at least 5 years"*.
- The above marks are well known to Saudi Arabian nationals, other Arab nationals and Indonesian nationals resident in the UK as a result of longstanding use of the marks abroad.
- AK UK's mark is identical, or almost identical, to Babaker's old mark and must have been copied from that mark.
- AK UK must have been aware that Babaker's marks were well known in the UK amongst the resident Saudi, wider Arab and Indonesian communities and that registration in its name would cause confusion and block Babaker from importing and marketing its own rice under its marks in the UK.

5. AK UK filed a counterstatement denying the ground for invalidation. I note, in particular, that:

- It is denied that its mark was copied from Babaker's old mark (although it conceded that the marks are similar).
- It is denied that Babaker's marks had a reputation in the UK amongst the Saudi, wider Arab or Indonesian communities, or at all.
- It is denied that AK UK had any knowledge of the claimed reputation of Babaker's marks abroad, and it is pointed out that AK UK only trades in the UK.
- It is claimed that AK UK has traded in the UK under the registered mark for 5 years (this statement was made in September 2013) without having come across rice or other products being sold under Babaker's marks.
- It is claimed that AK UK first found out about Babaker's marks when it was notified of rice being imported into the UK branded with infringing marks.

6. Both sides seek an award of costs.

The evidence

7. Babaker's evidence takes the form of two witness statements from Omar Saleh Babaker and two witness statements from Nabil Chaban. Mr Babaker is the Managing Director and proprietor of Babaker. Mr Chaban is a partner in a firm called DamasGate Wholesale, which claims to have imported Babaker's rice into the UK under the marks shown above since around 2005.

8. AK UK's evidence takes the form of a single witness statement by Osman Muktar Abdi, who is a Director and shareholder in the company.

The Hearing

9. A hearing was held on 17 December 2014 at which Babaker was represented by Mr Alan Bryson of Counsel instructed by J.A.Kemp. AK UK was not represented. Babaker requested to be heard on 12 November. However, it was not until 9 December that it sought an order that Mr Abdi attend the hearing for cross examination. There was insufficient time to resolve that application before the scheduled hearing date. Consequently, the hearing went ahead and, as a preliminary matter, I considered Babaker's request (which had been copied to Mr Abdi) for an order for cross examination. I accepted that application, heard Mr Bryson's submissions on the written evidence and on the law, and subsequently wrote to Mr Abdi as follows.

"1. At a hearing held on 17 December 2014 I considered a request from the applicant for invalidation to order that you attend a reconvened hearing for cross examination on your witness statement of 17 April 2014. The applicant identified the purpose of this cross examination as being to test the credibility of your evidence and, in particular, your evidence that you independently created the registered trade mark [from options given to you by a friend called Abdullah].

2. You did not appear at the hearing on 17 December, nor were you represented. I accepted that the applicant's application for cross examination was justified. I therefore heard the applicant's submissions on the merits of the application to invalidate the trade mark and then postponed the hearing to a later date so that you could attend for cross examination.

3. In accordance with Rule 65 of the Trade Mark Rules 2008, I order you to:

i) attend a reconvened hearing on 15 January 2015 at 10am at the IPO's London Office at 1st Floor, 4 Abbey Orchard Street, LONDON, SW1P 2HT.

ii) confirm in writing to the registrar, and to J.A. Kemp, the applicant's legal representative, by 17.00pm on 9 January 2015, that you will attend the reconvened hearing.

4. Unless I receive such confirmation by 9 January, I will assume that you will not appear for cross examination. The consequence of this will be that:

- i) the reconvened hearing to deal with cross examination will no longer be necessary and will be cancelled;
- ii) your written evidence will be treated as hearsay and may be given less weight than if you had responded to the order to appear for cross examination.

10. Mr Abdi did not respond to this letter. Consequently, there was no need to reconvene the adjourned hearing. Mr Abdi's refusal to attend a hearing for cross examination on his evidence means that his evidence cannot be tested and must therefore be treated as hearsay. Section 4 of the Civil Evidence Act 1995 permits hearsay evidence in civil proceedings but provides the following guidance as to the weight to be accorded to such evidence:

“Considerations relevant to weighing of hearsay evidence.

(1) In estimating the weight (if any) to be given to hearsay evidence in civil proceedings the court shall have regard to any circumstances from which any inference can reasonably be drawn as to the reliability or otherwise of the evidence.

(2) Regard may be had, in particular, to the following -

(a) whether it would have been reasonable and practicable for the party by whom the evidence was adduced to have produced the maker of the original statement as a witness;

(b) whether the original statement was made contemporaneously with the occurrence or existence of the matters stated;

(c) whether the evidence involves multiple hearsay;

(d) whether any person involved had any motive to conceal or misrepresent matters;

(e) whether the original statement was an edited account, or was made in collaboration with another or for a particular purpose;

(f) whether the circumstances in which the evidence is adduced as hearsay are such as to suggest an attempt to prevent proper evaluation of its weight.”

11. There is nothing to indicate that it was impractical for Mr Abdi to attend the hearing as a witness. Further, given the nature of the allegation against him, his unwillingness to appear for cross examination may have been an attempt to conceal

the truth. I will bear these matters in mind when deciding what weight to give to his written evidence.

Without prejudice material

12. Mr Bryson quite properly drew my attention to the possibility that Mr Babaker's second witness statement, which introduced copies of email communications between the parties, might be covered by the 'without prejudice' rule. This excludes statements made in negotiations from being used as evidence in related proceedings. However, he submitted that the documents in question were admissible because they fell within one of the exceptions to the rule; namely, the exception where the application of the normal rule would act as a 'cloak' for perjury, blackmail or 'unambiguous impropriety'.

13. I have looked at the documents in question. They are not headed 'without prejudice', but it is well established that such labelling is not required in order for the rule to apply if the communications were part of genuine negotiations intended to reach a settlement. In my view, these communications fell within that description. It is well established that the exception should be applied strictly in line with the public interest in encouraging attempts at settlement¹. Mere inconsistency between an admission made in negotiations and a pleaded case is not sufficient to justify setting aside the rule unless it reveals the abuse of a privileged position. There is nothing of that sort here. Therefore I find that these emails are covered by the rule and consequently are inadmissible as evidence, except as to costs. I therefore attach no weight to them and have put their contents out of my mind so far as the merits of the invalidation application are concerned.

Findings of fact

Did Babaker's marks have a reputation in the UK amongst the resident Saudi, wider Arab and Indonesian communities?

14. Mr Babaker's evidence is that an earlier version of its marks was first used as a brand for rice in Saudi Arabia in 1987. The brand is highly successful in that country. Sales in 2012 under the 'new' version of the mark amounted to \$170m. According to a report by a market research firm called Neilsen, Babaker's 'new' mark accounted for 16% of the total market for rice in Saudi Arabia in 2012².

15. Rice is also sold under the mark in various other Arab countries and also in Indonesia. However, the level of sales in these countries is much less. In 2012, sales of rice under the mark in all these countries together amounted to around \$3m.

¹ See, for example, *Savings and Investment Bank Ltd (in liquidation) v Fincken* [2003] EWCA Civ 1630.

² See exhibit OSB3

16. Babaker's marks have been heavily promoted in Saudi Arabia, including through TV commercials. The marks have also been promoted via a TV advertisement shown on Youtube and via satellite channels, which can be accessed from the UK.

17. Babaker itself had not exported rice to the UK prior to the date of AK UK's application for registration. However, Mr Chaban's evidence is that his company had. DamasGate imports Arabic and Eastern European products, primarily foodstuffs, under brand names which are well known in the Middle East and Eastern Europe for sale to Arabic and Eastern European communities resident in the UK. His company's expectation is that those familiar with the brand names will wish to purchase them locally in the UK.

18. Mr Chaban says that the goods marketed by his company are sold particularly in London, Leicester, Birmingham, Manchester and Sheffield where there are significant resident Middle Eastern communities. According to Mr Chaban, Babaker's mark is one of the best known rice brands in the Middle East and he therefore expected it to sell well in the UK, particularly to those already familiar with the brand. The company therefore started to import rice under the brand in 2005 from a supplier of Babaker's rice based in Lebanon. At that time it was uneconomic to import the product directly from Babaker because it would only supply a minimum of one container load, equivalent to 16 pallets, whereas DamasGate only wanted to purchase 2-3 pallets at a time. Further, importing the product from Lebanon meant that there was no import duty. Mr Chaban states that although his company was buying the product from a source in Lebanon, it was clear that it was buying (and selling) genuine Abu Kass rice.

19. Mr Chaban provides turnover figures for rice sold in the UK under Babaker's marks for the years 2009-2012. These show that around 7000 cases were sold in each of the years 2009-2011 creating an income of around £80k per annum. The level of sales more than doubled in 2012, but only sales in the period prior to the date of AK UK's trade mark application on 12 April 2012 ("the relevant date") count for this purpose. It is clear from these sales figures that DamasGate conducted a modest, but not negligible, trade in the UK in Babaker's branded rice over a period of at least 3-4 years prior to the relevant date³.

20. Mr Abdi took issue with Mr Chaban's evidence that the goods sold by his company in the UK came from Lebanon. He suggested that AK UK had at one time supplied DamasGate with Abu Kass branded rice. However, in his second statement Mr Chaban makes it clear that his company has never knowingly purchased rice

³ These figures are supported by relevant invoices dated between 2009 and 2012: see exhibit NC1.1 note that the goods in question are coded as 'ABO KAS' in these invoices. Mr Chaban says that this is just the way that the ABU KASS mark was recorded on the computer system.

from AK UK⁴ and that all the Abu Kass branded rice purchased prior to 2013 came from a supplier in Lebanon, albeit that the goods were shipped to the UK via Syria.

21. I accept Mr Chaban's evidence that DamasGate's sales in the UK prior to the relevant date were of Babaker's ABU KASS rice.

22. I note Mr Chaban's evidence that his company did not undertake any promotional activity in relation to Babaker's rice beyond placing the word element of it on price lists etc.

23. Considering the evidence as a whole, I find that Babaker's marks had a modest reputation in the UK for rice at the relevant date. Most of this reputation was as a result of recognition of Babaker's marks by a section of the resident Arabic community as a leading brand for rice in Saudi Arabia. By contrast, DamasGate's UK sales of ABU KASS rice were modest and would have made only a minor contribution towards the reputation of Babaker's marks in the UK.

Did AK UK trade in rice or dates and have a reputation in the UK under the registered mark at the relevant date?

24. Mr Abdi's written evidence included the following.

“5. The Registrant was incorporated as a company in England and Wales on 1 December 2010, however, it has been trading since 2006.

6. The Registrant has at all times been a wholesale trader of rice, dates and other foodstuffs and has a customer list spanning 7 whole sellers: Starlite Trading Ltd, Goods Food Ltd, Hamar Food Ltd, Fodge Ltd, Tawakal Ltd, Salem Food, as well as Dames Gate; around 10 restaurants including Shabel, Jazeera, Safa, laman, Blue ocean and Hodan in the UK as well as one in Sweden and one in the Netherlands, The Registrant's products are marketed by the whole sellers.

7. The Registrant's products are sourced from India and Pakistan.

8. As well as its ABU KASS' brand for rice (which is depicted in the UK Trade Mark in issue), the Registrant owns a number of other brands including Arabian Date.

9. The Registrant is well known in the wholesale foodstuffs industry and has an excellent reputation as a wholesaler of top-quality goods.”

And

⁴ As to which I return below in the section dealing with AK UK's claimed trade in the UK

“12. We started selling rice under the Registration in 2010. I have customer invoices that I am prepared to show if necessary.”

25. I note that Mr Abdi claims that his company has had a successful wholesale business since 2006 (despite not having been incorporated until 2010) and that it trades under a number of marks, including ABU KASS. I also note that Mr Abdi has not provided any particularisation of his assertion to have traded under the mark ABU KASS in relation to rice, such as sales figures for the years 2010-12, or supporting documents, such as invoices.

26. Mr Bryson pointed out that AK UK’s annual accounts filed at Companies House show that the company was dormant up until 31 December 2011⁵. Doubtless, this was one of the matters that Mr Bryson would have put to Mr Abdi in cross examination if he had had the opportunity of doing so. The company’s accounts for the year ending 31 December 2012 show a turnover of £70k on stock bought for £48.7k. Mr Abdi’s evidence is that following the registration of the trade mark his company filed a customs notice with HMRC in order to ensure that any infringing goods entering the UK “*were caught and dealt with*”. Mr Babaker’s evidence is that his company’s first shipment of ABU KASS rice to the UK in October 2012⁶ was detained by customs in Folkestone on the basis of AK UK’s customs notice. Babaker did not wish to bear the cost of warehousing the goods whilst the customs notice was in operation, so it sold the shipment to AK UK. Mr Abdi’s evidence is that the rice in question was subsequently sold to Starlight UK Ltd (who sold at least some of it to Damasgate in 2013).

27. Mr Bryson submitted that all of these facts are consistent with AK UK having first traded in rice in October 2012, after the relevant date, after buying and selling Babaker’s first direct shipment of rice to the UK. I accept that submission. I reject Mr Abdi’s evidence of AK UK having conducted a pre-existing UK trade under the registered mark in relation to rice since 2010. I find that AK UK had no established reputation in the UK at the relevant date.

Was AK UK aware of the reputation of Babaker’s marks amongst the resident Arabic community?

28. I find that Mr Abdi (and hence AK UK) was aware of the reputation of Babaker’s marks in relation to rice amongst Saudi Arabians resident in the UK. This is because of the combination of the following factors:

⁵ Copies of the accounts were sent to Mr Abdi on 9 December 2014 when the request to cross examine him was made.

⁶ He actually states October 2013, but it is clear from other events described in his evidence that he meant October 2012.

- Mr Abdi says that his company has been a wholesale trader in rice since 2006. It is therefore plausible that he would be aware of marks used outside the UK.
- Mr Abdi has offered no explanation for the use of the name ABU KASS UK which explains why that name was chosen for a UK company trading in rice in the absence of any knowledge of the reputation of Babaker's ABU KASS rice.
- Before having conducted any trade in rice under the mark itself, AK UK filed a customs notice aimed at stopping imports into the UK under its registered mark. This suggests that it was aware of use of the mark outside the UK.
- Mr Abdi failed to attend the hearing for cross examination on his version of events.

Was AK UK's mark copied from Babaker's 'old' mark?

29. Mr Abdi's written evidence is that:

"I was involved in choosing the brand design as depicted in the registration. An acquaintance of mine, Abdulla, in or around 2006 showed me a number of designs including some which showed stylised images of a bird. In the end I choose the design contained now in the registration because I wanted to convey a positive message and the trophy is a sign of victory. I was drawn to the colour green as well because it is a colour associated with Islam.

The only explanation I have for the similarity in the marks in issue are that my friend must have pulled the images he was showing me as options from something like Google images. He charged me for the design and so I was not aware of any existing use of the brand or any similar brand at all."

30. I take this to mean that Mr Abdi no longer disputes that the registered mark was copied from Babaker's mark, but claims that he (and therefore AK UK) was unaware that it had been copied.

31. I do not accept this evidence for three reasons. Firstly, this is the principal fact on which Babaker sought to cross examine Mr Abdi. His failure to attend for cross examination undermines the weight of his written denial. Secondly, although it is *prima facie* (just about) credible that Mr Abdi was not aware of the Babaker brand and did not know that his friend Abdulla had copied it, this evidence is unsupported by any documentary evidence, or any evidence from 'Abdulla' himself. Thirdly, it is, in my view, undermined by Babaker's evidence showing that in 2013 AK UK marketed rice under the registered mark from a website hosted by a trading partner

called Suheila Trading⁷. This is because another screenshot from the same website shows use of the 'new' version of Babaker's Abu Kass mark, including the name 'Babaker'.

32. Mr Abdi's explanation for this in his witness statement is that the website in question was developed in 2005 by a third party called Yumo.com. He says that he had no idea where the developer obtained the image of Babaker's mark that appeared on the website used by his company. Once he realised that it included Babaker's mark, he had it removed. So his explanation is that, unbeknown to him, a friend or acquaintance copied Babaker's old mark which AK UK then adopted in good faith, and another third party is responsible for the new version of Babaker's mark appearing on a website used to promote AK UK's goods. In combination, I find those explanations incredible, even without taking into account the fact that the new version of Babaker's mark was not created until 2010 and so could not have been on the version of the website developed by Yumo.com for AK UK in 2005.

33. I find that AK UK copied, or arranged for the copying, of the 'old' version of Babaker's mark.

The law

34. Section 47(1) of the Act states:

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

Section 3(6) of the Act states:

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

35. The law in relation to section 3(6) of the Act ("bad faith") was summarised by Arnold J. in *Red Bull GmbH v Sun Mark Limited and Sea Air & Land Forwarding Limited* [2012] EWHC 1929 (Ch):

"131. First, the relevant date for assessing whether an application to register a trade mark was made in bad faith is the application date: see Case C- 529/07 *Chocoladenfabriken Lindt & Sprüngli AG v Franz Hauswirth GmbH* [2009] ECR I-4893 at [35].

132. Secondly, although the relevant date is the application date, later evidence is relevant if it casts light backwards on the position as at the application date: see *Hotel Cipriani Srl v Cipriani (Grosvenor Street) Ltd*

⁷ See exhibit OSB6

[2008] EWHC 3032 (Ch), [2009] RPC 9 at [167] and cf. Case C-259/02 *La Mer Technology Inc v Laboratoires Goemar SA* [2004] ECR I-1159 at [31] and Case C-192/03 *Alcon Inc v OHIM* [2004] ECR I-8993 at [41].

133. Thirdly, a person is presumed to have acted in good faith unless the contrary is proved. An allegation of bad faith is a serious allegation which must be distinctly proved. The standard of proof is on the balance of probabilities but cogent evidence is required due to the seriousness of the allegation. It is not enough to prove facts which are also consistent with good faith: see *BRUTT Trade Marks* [2007] RPC 19 at [29], *von Rossum v Heinrich Mack Nachf. GmbH & Co KG* (Case R 336/207-2, OHIM Second Board of Appeal, 13 November 2007) at [22] and *Funke Kunststoffe GmbH v Astral Property Pty Ltd* (Case R 1621/2006-4, OHIM Fourth Board of Appeal, 21 December 2009) at [22].

134. Fourthly, bad faith includes 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": see *Gromax Plasticulture Ltd v Don & Low Nonwovens Ltd* [1999] RPC 367 at 379 and *DAAWAT Trade Mark* (Case C000659037/1, OHIM Cancellation Division, 28 June 2004) at [8].

135. Fifthly, section 3(6) of the 1994 Act, Article 3(2)(d) of the Directive and Article 52(1)(b) of the Regulation are intended to prevent abuse of the trade mark system: see *Melly's Trade Mark Application* [2008] RPC 20 at [51] and *CHOOSI Trade Mark* (Case R 633/2007-2, OHIM Second Board of Appeal, 29 February 2008) at [21]. As the case law makes clear, there are two main classes of abuse. The first concerns abuse vis-à-vis the relevant office, for example where the applicant knowingly supplies untrue or misleading information in support of his application; and the second concerns abuse vis-à-vis third parties: see *Cipriani* at [185].

136. Sixthly, in order to determine whether the applicant acted in bad faith, the tribunal must make an overall assessment, taking into account all the factors relevant to the particular case: see *Lindt v Hauswirth* at [37].

137. Seventhly, the tribunal must first ascertain what the defendant knew about the matters in question and then decide whether, in the light of that knowledge, the defendant's conduct is dishonest (or otherwise falls short of the standards of acceptable commercial behaviour) judged by ordinary standards of honest people. The applicant's own standards of honesty (or acceptable commercial behaviour) are irrelevant to the enquiry: see *AJIT WEEKLY Trade Mark* [2006] RPC 25 at [35]-[41], *GERSON Trade Mark* (Case R 916/2004-1, OHIM First Board of Appeal, 4 June 2009) at [53] and *Campbell v Hughes* [2011] RPC 21 at [36].

138. Eighthly, consideration must be given to the applicant's intention. As the CJEU stated in *Lindt v Hauswirth*:

"41. ... in order to determine whether there was bad faith, consideration must also be given to the applicant's intention at the time when he files the application for registration.

42. It must be observed in that regard that, as the Advocate General states in point 58 of her Opinion, the applicant's intention at the relevant time is a subjective factor which must be determined by reference to the objective circumstances of the particular case.

43. Accordingly, the intention to prevent a third party from marketing a product may, in certain circumstances, be an element of bad faith on the part of the applicant.

44. That is in particular the case when it becomes apparent, subsequently, that the applicant applied for registration of a sign as a Community trade mark without intending to use it, his sole objective being to prevent a third party from entering the market.

45. In such a case, the mark does not fulfil its essential function, namely that of ensuring that the consumer or end-user can identify the origin of the product or service concerned by allowing him to distinguish that product or service from those of different origin, without any confusion (see, inter alia, Joined Cases C-456/01 P and C-457/01 P *Henkel v OHIM* [2004] ECR I-5089, paragraph 48)."

36. I remind myself that the essence of Babaker's bad faith claim is that AK UK registered its mark knowing that it "*would cause confusion* [amongst those who knew of its reputation] *and block Babaker from importing and marketing its own rice under its marks in the UK*".

37. As to the first point, it is important in the context of a bad faith claim to distinguish between the situation where the applicant to register a trade mark knew that another party used that mark in a different territory and that there was some spillover reputation in the UK, and the situation where the applicant is aware that the other user already has customers in the UK.

38. Given the modest scale of DamasGate's trade in the UK in Babaker's ABU KASS rice, and the lack of any public promotion of such goods in the UK, I have no reason to believe that Mr Abdi or AK UK was aware that Babaker's mark had acquired any local goodwill in the UK by the relevant date. In this connection, I note that Babaker has not pleaded any relative grounds for invalidation based on an earlier UK right to the mark. In examining the ground it has pleaded, based on bad faith, it is necessary to take account of "*what the defendant knew about the matters in question*". As Babaker has not established that AK UK knew about DamasGate's use of Babaker's marks in the UK, such local use and goodwill is irrelevant to the question of whether AK UK applied to register its mark in bad faith.

39. Thus the first part of Babaker’s pleading must be examined solely on the basis that because of the reputation of Babaker’s marks in Saudi Arabia (which I have held that Mr Abdi did know about), AK UK’s use of the registered mark was liable to cause confusion about the trade source of AK UK’s goods amongst the UK resident Saudi Arabian community. The proposition behind this part of Babaker’s pleading being that AK UK acted in bad faith in seeking to take advantage of such confusion for its own benefit. In examining this pleading it is necessary for me to keep in mind that Babaker has not claimed that its old or new marks are entitled to protection in the UK as well known marks under the Paris Convention and/or the WTO Agreement⁸.

40. I note that in *Technopharma Ltd V Unilever*⁹, Ms Amanda Michaels, as the Appointed Person, reviewed the case law concerning applications to register marks which have a reputation in the UK, but no established goodwill here. Mr Michaels said:

“51. I should not lose sight of the fact that the protection offered by section 3(6) is based upon Article 3 of the Directive and so is an absolute ground of protection; it is not based upon the existence of (or conflict with) any earlier third party rights. The protection may not, therefore, arise only in conjunction with an objection based upon section 5 of the Act. Nevertheless, in my view the question which arises in this case is whether an application may be deemed to have been made in bad faith if it is liable to affect in some way a foreign business which has no trade mark protection or goodwill in the UK given the terms of the Directive, for it contains a further optional provision in Article 4(4)(g), which provides that a 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:

“the trade mark is liable to be confused with a mark which was in use abroad on the filing date of the application and which is still in use there, provided that at the date of the application the applicant was acting in bad faith.”

The United Kingdom has not enacted Article 4(4)(g).

52. *Malaysia Dairy (supra)* which was cited by Mr Landau, concerned a reference from Denmark as to the effect of Article 4(4)(g). The CJEU had to consider specifically the position where a third party which had been using a mark only outside the EU sought to invalidate another’s Danish trade mark registration on the grounds that it had been registered in bad faith, when Danish law contained a provision based upon (but – problematically - not identical to) Art 4(4)(g). The issues for the CJEU were whether the concept of bad faith must be given a uniform interpretation in EU law and whether it was sufficient, to establish that the applicant was acting in bad faith, that he knew

⁸ See ss 55 and 56 of the Act.

⁹ BL O/532/14

or should have known of the foreign mark, as Danish law provided. To that extent the case is not applicable to the position in the UK, for as explained above, there is no equivalent national provision in the 1994 Act. Having decided that the concept of bad faith is to be given a uniform interpretation, the Court held that mere knowledge that a third party was using a confusingly similar mark abroad at the time of filing an application is not sufficient to prove bad faith. It summarised the position at [36-7]:

“ 36 ... In order to determine the existence of bad faith, it is necessary to carry out an overall assessment, taking into account all the factors relevant to the particular case which pertained at the time of filing the application for registration, such as, inter alia, whether the applicant knew or should have known that a third party was using an identical or similar sign for an identical or similar product. However, the fact that the applicant knows or should know that a third party is using such a sign is not sufficient, in itself, to permit the conclusion that that applicant is acting in bad faith. Consideration must, in addition, be given to the applicant's intention at the time when he files the application for registration of a mark, a subjective factor which must be determined by reference to the objective circumstances of the particular case ...”

53. The question therefore arises, in my view, as to whether it is only when Art 4(4)(g) is enacted in national law that protection is given to the proprietor of solely foreign rights. This was a point which Mr Hobbs QC had considered much earlier, in *DAAWAT Trade Mark* [2003] R.P.C. 11: an application for invalidity was made on the basis that the respondent had been a customer of the applicant which traded in India. The respondent was aware of the applicant's extensive foreign goodwill in relation to rice and of its intention to establish an office to market its goods in the UK in the near future. The Hearing Officer held that merely having "a vague suspicion that a foreign proprietor may wish to extend its trade to the UK" would not have sufficed to found an objection under section 3(6). However, he found that the application to register the mark in the UK had been made in order to improve the respondent's prospects of obtaining an agency or distribution agreement for the sale of goods under the mark in the UK. The mark was declared invalid in relation to rice and similar goods, but not in relation to other foods within the specification. Mr Hobbs held:

“100 It was open to Parliament under Art.4(4)(g) to provide that the registration of a trade mark should be regarded as objectionable on the ground of conflict with an earlier right “where and to the extent that ... the trade mark is liable to be confused with a mark which was in use abroad on the filing date of the application and which is still in use there, provided that at the date of the application the applicant was acting in bad faith.”

101 The question is whether the omission of this relative ground of objection from the 1994 Act indicates that conduct of the kind in issue

in the present case is meant to be unobjectionable in the United Kingdom.

...

103 It was pointed out that Arts 3(2)(d) and 4(4)(g) of the Directive both contain optional provisions. The applicant contended that Art.4(4)(g) was a sub-set of Art.3(2)(d) which Member States would not need to adopt if they opted for the broader “bad faith” objection contained in Art.3(2)(d). The second respondent contended that the “bad faith” objection contained in Art.3(2)(d) applies only to matters arising between applicants and the registrar and does not apply to matters arising between an applicant and a third party (especially one asserting a relative right of the kind envisaged by the unimplemented provisions of Art.4(4)(g) of the Directive).

104 It seems to me that Art.4(4)(g) was conceived as a provision which would, if adopted, add to the operation of the “bad faith” objection prescribed by Art.3(2)(d) (s.3(6) of the Act) and likewise add to the operation of the “well-known mark” objection prescribed by Art.4(2)(d) (s.6(1)(c) of the Act).

105 But what would it add to the operation of those objections if it was adopted? In order to answer that question it is necessary to identify the mischief at which Art.4(4)(g) is directed. My conclusion is that the Article focuses upon the propensity of a mark to cause confusion outside the Member State in which it has been put forward for registration and treats that propensity as a vice if the applicant for registration can be shown to have been seeking to capitalise upon it and was therefore acting in bad faith. It thus provides a measure of domestic redress for harm in the form of a likelihood of foreign confusion (*cf. Walker & Sons Ltd v Henry Ost & Co Ltd* [1970] R.P.C. 489).

106 By contrast, Arts 3(2)(d) and 4(2)(d) (ss.3(6) and 6(1)(c) of the Act) revolve around matters which touch and concern the acceptability of claims for protection in respect of trading activities within the territorial limits of the disputed registration *cf. Ajlan Bin Abdullaziz Al-Ajlan & Bros Application* [2000] E.T.M.R. 710. They do not purport to legislate for the acceptability of claims elsewhere and do not treat foreign legitimacy or illegitimacy as conclusive of the position in the Member State where registration has been requested. The non-implementation of Art.4(4)(g) in the 1994 Act appears to confirm that Parliament intended to create no extra protection for foreign interests.”

Mr Hobbs QC concluded that the application had been made in bad faith.

54. *Daawat* was decided well before *Lindt* and *Malaysia Dairy*, and the question of the interplay or overlap of Arts 3(2) and 4(4)(g) remains undecided by the CJEU. In my view, although there is clearly some force in holding that the absolute ground of objection of s 3(6) may be relied upon to deny the

statutory protection of trade mark registration to an applicant who has acted in bad faith, even if the party raising the objection has no local IP rights, in the light of *Lindt* the position is not absolutely clear. It was submitted on behalf of Unilever that were I minded to overturn the Hearing Officer's decision on the basis that it had no intellectual property rights in the UK I ought to refer the point to the CJEU. However, I have come to the conclusion that I do not need to decide the point, or to make a reference, as for the reasons given below it seems to me that it is right to allow the appeal on other grounds."

41. Ms Michaels decided that the Hearing Officer in that case was wrong to have found that the opponent's mark had a reputation in the UK. It was therefore unnecessary for her to make a reference to the CJEU in order find out whether the factors which would justify the application of the bad faith provision set out in article 4(4)(g) of the Directive would also justify the application of article 3(2), which is implemented in the UK by s.3(6) of the Act.

42. Mr Bryson sought to persuade me that article 4(4)(g) of the Directive is effectively a sub-set on article 3(2) which Member States are free to choose as an alternative to the broader bad faith provision. Consequently, evidence that the mark is in use abroad combined with AK UK's bad faith should be enough to justify the application of s.3(6). However, even if that is right, it is clear from the *Malaysia Dairy* case that a finding of bad faith requires more than knowledge that the trade mark is in use abroad. It is still necessary to examine, in particular, the applicant's intentions at the time of filing the application for registration.

43. Given the territorial nature of trade mark rights, I am unsure whether an intention to take advantage in the UK of the reputation of a trade mark known to be used by someone else abroad is sufficient, without more, to constitute bad faith for the purposes of s.3(6).

44. However, this is not the full extent of Babaker's case and I therefore move on to examine the second part of the pleaded case – that AK UK's trade mark application was intended to block Babaker from exporting its own rice to the UK and marketing it under its marks.

45. In normal circumstances, filing a customs notice to protect a registered mark from infringing imports is an entirely normal precaution and no adverse inferences could be drawn from it. However, the fact that AK UK knew of the reputation of Babaker's marks abroad, had identified that this reputation had a certain commercial value in the UK, and importantly, had filed a customs notice to catch infringing imports before itself selling even a grain of rice in the UK under the registered mark, point to the conclusion that one of AK UK's intentions in registering the mark was to block imports of Babaker's rice into the UK.

46. I infer from the filing of the customs notice in the above circumstances that AK UK knew that Babaker was liable to enter the UK market under the same mark it used abroad. I find that one of AK UK's intentions in registering the trade mark was to facilitate the filing of that customs notice so as to pre-empt and effectively block Babaker from entering the UK market. This would have allowed AK UK alone to exploit the commercial value in the UK of Babaker's reputation for rice abroad and place AK UK in a strong position to dictate the terms of Babaker's entry to the UK market. Pre-emption of this kind is behaviour which, in my view, falls below "*the standards of acceptable commercial behaviour observed by reasonable and experienced men in the particular area being examined*". I therefore find that the application to register the contested trade mark was made in bad faith, at least to the extent that the application covered rice.

47. The application also covered 'dates'. It is possible for a trade mark to be applied for partly in good faith and partly in bad faith. This is reflected in the wording of s.3(6) itself. However, I find that AK UK's intentions in registering the contested mark in this case were likely to have been the same as regards both rice and dates. Although there is no evidence that Babaker's marks have an existing reputation for dates, this is a foodstuff widely associated with the Middle East. Therefore, taking account of the highly distinctive nature of Babaker's marks, it is highly likely that those Saudi Arabian residents in the UK who were aware of the established reputation in Saudi Arabia of Babaker's marks for rice would assume that the contested mark indicated that Babaker has expanded its product range and was exporting dates to the UK. I have little doubt that this was AK UK's calculation. It follows that AK UK's intentions included blocking Babaker from exporting goods to the UK under its marks that a significant number of UK residents would see as a natural extension of Babaker's trade in rice. I find that this is behaviour which falls below "*the standards of acceptable commercial behaviour observed by reasonable and experienced men in the particular area being examined*". I therefore find that the s.47(1) ground for invalidation succeeds in relation to both the products for which the mark is registered.

Outcome

48. Subject to appeal, AK UK's mark will be declared invalid and cancelled.

Costs

49. Mr Bryson asked to be permitted to make submissions on costs after seeing this decision. I agreed. I therefore allow Babaker 21 days from the date of this decision to make written submissions on costs. Any request for off scale must be justified and supported by a breakdown of the actual costs.

50. I will allow AK UK 14 days to provide written comments on any such submission, or to ask to be heard on that matter. I will then issue a final decision, which will also cover costs.

Status of this decision

51. This is a preliminary decision. The period for appeal against my final decision on the invalidation application, and on costs, will run from the date of the final decision.

Dated this 23rd day of January 2015

**Allan James
For the Registrar**