

## THE HIGH COURT

2006 No. 137 S.P.

**IN THE MATTER OF THE TRADE MARKS ACT, 1963 AND IN THE MATTER OF THE TRADE MARK ACT, 1996 AND IN THE MATTER OF TRADE MARK APPLICATIONS NO. 176475 AND 176476 DATED 8TH NOVEMBER 1995 PURSUANT TO THE TRADE MARKS ACT, 1963 BY THE ZOCKOLL GROUP LIMITED ( FORMERLY PHONENAMES LIMITED) FOR REGISTRATION OF 800 FLOWERS AND 800 FLORISTS AS TRADE MARKS IN CLASS 31 OF THE REGISTER OF TRADE MARKS**

BETWEEN

THE ZOCKOLL GROUP LIMITED (FORMERLY PHONENAMES LIMITED)

PLAINTIFF

AND

THE CONTROLLER OF PATENTS, DESIGNS AND TRADE MARKS AND 1-800-FLOWERS.COM, INCORPORATED

DEFENDANTS

Judgment of O'Sullivan J. delivered on the 17th October, 2006.

**Introduction**

1. The plaintiff appeals the first defendant's decision dated 7th February, 2006 refusing its application (under its former name Phonenames Limited) to register the terms "800 FLOWERS" and "800 FLORISTS" as trade marks in part A of the register in class 31, in respect of the goods natural flowers, dried flowers, wreaths of natural flowers, flower bulbs; plants.

2. The application for registration was opposed by the second defendant on a number of grounds at a hearing before the first defendant which can for now be shortly described as follows:

1. Registration of the Mark would cause confusion between the intended goods and those of the second defendant in respect of which a reputation in this country is claimed;
2. There is no connection in the course of trade between the plaintiff and the intended goods and accordingly the Marks were not "trade marks" as defined;
3. The Marks were not intended to be used by the plaintiff: alternatively any intention of the plaintiff to use the Marks was conditional on the availability to it of the corresponding freephone telephone number: accordingly the applicant did not have the requisite "present and definite" intention to use the Mark;
4. As a matter of discretion registration should be refused because the plaintiff was falsely described as a "Manufacturer and Merchant";
5. As a matter of discretion the registration should be refused because registration was merely a tactic in the plaintiffs' dispute with Telecom Eireann; and
6. As a matter of discretion registration should be refused because the plaintiff's intention was to frustrate the second defendant's legitimate desire to enter the market in this country.

3. The first defendant ruled that there was not a connection in trade between the plaintiff and the intended Mark and also ruled as a matter of discretion that the registration would frustrate the legitimate expansion by the opponent of its business in an unjustifiable manner, but rejected the other grounds of opposition.

4. The plaintiff appeals the first two rulings and the defendant "cross appeals" the rejected grounds of opposition. Both parties agree that I should deal with the three non discretionary issues. In relation to the discretionary issues Mr. Collins S.C. for the plaintiff contends that because they were not formally included in the grounds of opposition they should not have been heard by the first defendant and that I should not consider them. Moreover because they are expressed on the basis that the plaintiff was guilty of *mala fides* which is an allegation which should be formally charged and with particulars it is not sufficient that the plaintiff was given no prior notice of these allegations nor an advance opportunity to deal with them although it did in fact deal with them before the first defendant.

5. Mr. O'Moore S.C. submits that the plaintiff was on notice of these allegations and did deal with them and made findings in relation to them which have been appealed and they should now be dealt with by me.

6. In *Montex Holdings Limited v. The Controller of Patents, Designs and Trade Marks and Anor.*, [2001] 3.I.R. 85 the Supreme Court held that discretionary grounds of opposition should only be dealt with if non discretionary grounds of opposition have not succeeded and because in that case the non discretionary grounds of opposition were successful they declined to consider the discretionary grounds.

7. I am, clearly, bound by this decision and I will therefore proceed to consider the non discretionary grounds of opposition first. However I am also aware that the matter may well be appealed and in that context must bear in mind the often repeated insistence by the Supreme Court that save in the most exceptional circumstances it will deal only with matters which have been determined in the High Court. In deference to this practice and bearing in mind that I am not infallible I consider that, subject to one qualification. I should deal with all issues.

8. The qualification relates to Mr. Collins' point relating to the allegation of *mala fides*. Any allegation couched in terms of *mala fides* or want of good faith or whatever, is a serious matter and indeed has been treated seriously in Trademark jurisprudence (see *Harrison's Trade Mark Application* [2005] F.S.R. 10 at p. 177), where a carefully modulated standard of proof is elaborated. It is not sufficient or fair to an applicant, to characterise its behaviour as bad faith in the course of submissions before the Controller without giving formal, advance notice and particulars in good time to enable the charge to be defended.

9. In my opinion Mr. Collins' point is well made: an allegation suggesting fraud or bad faith is one which should only be dealt with if fully and formally pleaded and particularised and notified to the applicant in advance. If I were the court of final appeal I would accede at this point and simply decline to deal with the discretionary points each of which was made on foot of an allegation of bad faith. However once again I am not infallible and my view on this point might be held incorrect and in those circumstances I feel notwithstanding my view that I should proceed to deal also with the discretionary issues.

### **The Plaintiff's Business**

10. The plaintiff promotes and markets what is known as the alpha-numeric concept. This is the by now familiar concept that one can contact a plumber by phoning on a freephone line using the freephone prefix followed by the buttons on the key pad corresponding to the letters in the word "plumber". This concept originated, apparently, at least as far as the plaintiff's associate companies are concerned, with the "Dyno-Rod" service for emergency drain clearance. The founder of the group of companies to which the plaintiff belonged is James Francis Zockoll with an address in Surrey and he commenced the "Dyno-Rod" service in the mid sixties and has been operating a drain cleaning franchise business in this country for some thirty five years now. Much of Mr. Zockoll's original company network has been sold off and the plaintiff (originally Phonenames Limited) has now been named "the Zockoll Group Limited". This company was formed in 1993 when Mr. Zockoll realised the potential for the generic phone names business and initially potential licensees had to be educated and indeed in the early stages templates were devised to fit over existing telephone keypads which had only numbers and no letters.

11. The plaintiff leases the telephone numbers from service providers and licences them to third parties who pay him a royalty. The plaintiff remains the sole subscriber of the telephone line to the service provider. For example the plaintiff "owns" the telephone number 0800 7586237 in the U.K. which translates to the phone name 0800 PLUMBER. This number will be licensed by the plaintiff to a licensee who then sets up a network of contact plumbers throughout the U.K. When that number is dialled the call can be routed to the appropriate (local) plumber who is part of the network and the service provided. As a matter of policy the plaintiff distinguishes between the freephone numbers (0800 PLUMBER) on the one hand and on the other the Trade Marks (800 PLUMBER).

12. The plaintiff assists the different participants in marketing their business by making use of the same phone name and trade mark but the local participants will be responsible for yellow pages and local promotions. In this way small businesses gain the advantages of scale of a large company while retaining their separate identities. The advantage to the public is that they have access to the appropriate service just by remembering the name of the service or of the product. The value to the individual companies is that they get the benefit of the reputation of a brand which they normally could not afford.

13. In a statutory declaration Mr. Zockoll describes the business the plaintiff built around the foregoing concept as follows:

"The business of (the plaintiff) therefore identifies companies, products and services which fall into a specific business sector, for example, Building Societies. We then identify the generic words used everyday in the business like MORTGAGE and HOME LOANS. We then request from a service provider, like British Telecom, the telephone number from an alpha numeric keypad that corresponds to the letters making up the words MORTGAGE and HOME LOANS (phonenames). When the number is secured, we create from scratch service marks and marketing slogans (otherwise known as "straplines") allied to the Building Society. In the U.K. we then apply for Trade mark registration of the Service Marks, the straplines (where appropriate) and the phone name. To take the example of "MORTGAGE", the phone name would be 800 MORTGAGE, the slogan would be "Dial 'M' for MORTGAGE" or "just call or phone name" and the Service Mark would be a combination of a device Mark (a keypad and a fingertip above it) and the phonename and the slogan or any of these components individually. All these creative ideas are then packaged and presented to Building Societies on a licensing arrangement."

14. The business of the plaintiff, then, commences with the procuring by it of a series of telephone numbers perceived by it to be of particular value in the context of telemarketing. It will then proceed to enter arrangements with licensees along the lines described above. This business has developed in the United Kingdom for the past ten years or so and already in this country I am informed the applicant subscribes to some two hundred and seventy telephone numbers. These include the equivalent of 1800 FLOWERS and 1800 FLORISTS.

15. From the foregoing account it will be seen that licensing agreements will exist between the plaintiff and trading or operating companies. A number of samples of such agreements are exhibited to declarations before the court. There are certain clauses relied upon by the applicant in these agreements as indicating a measure of quality control in relation to the goods (in this case flowers, wreaths etc.). I will return to this aspect in more detail later.

16. Furthermore it will be noted that whilst the applicant subscribes to the telephone numbers equivalent to 1800 FLOWERS and 1800 FLORISTS the application for trade mark registration relate to "800 FLOWERS" and "800 FLORISTS". This according to Mr. Zockoll's declaration is done as a matter of policy, although I understand also that at least in the U.K. the Trade Mark Authorities will not accept for registration complete telephone numbers.

17. It may be recalled that the plaintiff procured those telephone numbers in this jurisdiction by contracting with Telecom Éireann in May, 1995. Six months later Telecom Éireann wrote to the plaintiffs informing them that those and other numbers were all being withdrawn. The plaintiffs brought injunction proceedings against Telecom Éireann in which Kelly J. ordered the restoration of the telephone numbers to the plaintiffs holding, *inter alia*, that the plaintiffs were not engaged in brokering the allocated numbers (as suggested by Telecom Éireann). In the course of that judgment at p. 314 of the report [1998] 3 I.R. 287, Kelly J. said:

"Mr. Zockoll has already acquired substantial quantities of phone numbers in the United Kingdom and his evidence before me is to the effect that it is his intention to enter into franchise arrangements in respect of these numbers in due course. Insofar as the 270 numbers in this jurisdiction are concerned, it will be many years before he fully utilises all of these."

### **The Defendant's Business**

18. The defendant is a Delaware corporation, with its principal place of business in New York. It is a nationwide florist selling flowers and floral products by telephone interactive and on-line services and at retail stores throughout the United States and throughout the world. Through its telemarketing system customers can place orders from any where in the United States for delivery any where in the continental United States simply by dialling 1-800-FLOWERS. The defendant also receives orders from a very large number of other countries around the world including Ireland, although in the case of those countries it is acknowledged that it may be necessary for customers to use the numeric telephone number which corresponds to 1-800-FLOWERS. Tele-representatives take customers' orders at centres throughout the United States (in New York, Massachusetts, Georgia, Arizona, Florida and Texas). If requested they will assist the customer in selecting the appropriate product. They have a very large business and the court has been furnished with ample documentation substantiating this. It is claimed that in the ten years comprising the 1990's the second defendant has progressed from a status of virtual anonymity to become the second largest well known brand in the floral industry in the United States. This is as a result of substantial and sustained marketing, including television advertising and also amongst newspapers, journals and magazines circulating in this country. Approximately ten percent of its sales are derived from the internet. The second defendant has applied to register "1-800- FLOWERS" as a trade mark in this country. It claims that a significant portion of overseas orders were received from customers ordinarily resident in Ireland and that it enjoys a significant reputation amongst a

considerable number of Irish people as well as amongst the thirty thousand or so U.S. citizens resident at any time in this country. I will be dealing later in more detail with the basis upon which the second defendant claims to have a reputation in the name "1-800-FLOWERS" in this country.

### **Confusion?**

19. The concept of a reputation in goods "spilling over" from a foreign jurisdiction into this one without actual trading taking place here is familiar to tort lawyers since *C&A Modes Limited v. C&A (Waterford) Limited* [1976] I.R. 198. This concept also applies in the context of trade mark registration and I adopt as a statement of the test which I should apply on this issue the well known passage from *BALI Trade Mark* [1969] R.P.C. 472 at pp. 496 – 497 where Lord Upjohn observed:

"It is not necessary in order to find that a mark offends against (the section) to prove that there is an actual probability of deception leading to a passing off or (I add) an infringement action. It is sufficient if the result of the registration of the mark will be that a number of persons will be caused to wonder whether it might not be the case that the two products come from the same source. It is enough if the ordinary person entertains a reasonable doubt, but the court has to be satisfied not merely that there is a possibility of confusion; it must be satisfied that there is a real tangible danger of confusion if the mark which it is sought to register is put on the register."

20. The second defendant claims that it has a reputation here which arises from its U.S. based trading in connection with its U.S. trade mark "1-800-FLOWERS". In support of this claim the declaration of Christopher McCann deposes to a very significant amount of trading activity in connection with the U.S. trade mark in that country. The evidence adduced in support of this is impressive and has not seriously been challenged by the plaintiff. The specific question, however, is to what extent that reputation has spilled over into this jurisdiction and in particular whether there is evidence of trading activity in connection therewith in the market to be affected by the plaintiff's proposed registration.

21. The second defendant relies on a number of factors. It has applied to register that trade mark in this country and in at least a dozen other countries outside the U.S. It has a large volume of international sales and exhibits details of such sales for the period June to October, 1995. Orders were filled in Ireland and a significant proportion of those were received, it is stated, from customers ordinarily resident in Ireland. I will return to this in a moment because it appears to offer more specific evidence in support of this claim.

22. Further reliance is placed on the fact that there are on average 30,000 U.S. citizens ordinarily resident in this country at any one time not to mention the hundreds of thousands of U.S. citizens who travel here for holidays. Before passing to the plaintiff's response to this claim I turn first to the more specific aspect of it relating to what Mr. McCann describes as "a significant proportion of (international) orders (which) were received from customers ordinarily resident in Ireland for the period June to October, 1995". He has not analysed this exhibit and no one has done it for me. I have done my own amateur analysis and allowing for duplication of names listed in the exhibit there appears to have been approximately 75 to 80 orders from this country for that period. In a further declaration Mr. McCann exhibits a list of customers in Ireland who placed orders with his U.S. company during each of the years 1990 to 1994 inclusive. This list comprises 36 customers. (Again at least one has been mentioned twice and I have counted him as a single customer). A further list shows that 14 people received flowers etc. from Mr. McCann's company in Ireland during each of the years 1990 to 1994 inclusive. These exhibits appear to show that for the period 1990 to 1994 some three dozen customers in Ireland filled orders for the second defendant's flowers in each of those years whereas for the following four years this number had grown to approximately twice that number. During the earlier period there were some 14 recipients of flowers in each of those five years.

23. Whilst of course the foregoing is not by any means the entire picture it is, I think, nonetheless relevant to the assessment of whether the registration of the plaintiff's mark "...will not be reasonably likely to cause deception and confusion amongst a substantial number of persons?", to use the phrase of Evershed J. in *Smith Hayden and Co. Limited's Application* [1945] 63 R.P.C. 97 at p. 101 or as restated by Lord Upjohn in *BALI*: [1966] R.P.C. 472:-

"Having regard to the reputation acquired by the name..., is the court satisfied that the mark applied for, if used in a normal and fair manner in connection with any goods covered by the registration proposed, will not be reasonably likely to cause deception and confusion amongst a substantial number of persons?"

24. In response to the above claim counsel for the plaintiff made the point that a vast international business did not necessarily mean that the second defendant's trade mark was known to recipients of its flowers because these were delivered through third parties without any reference or mark denoting the second defendant. Whilst describing the numbers relied upon by the second defendant as *de minimis* he makes the point that the addresses shown on the billing addresses of the customers and that therefore the people shown as being from Ireland might actually have been at the time travelling in the U.S.

25. The second defendant also relied on the fact that advertisements for their product appeared in journals and newspapers circulating in this jurisdiction and also that some well known television series (Cosby and Friends are cited) permitted the second defendant's mark to be used to create realism on the sets.

26. This aspect of the claim was carefully examined by Mr. Tim Cleary, an experienced officer acting for the controller. These contentions failed to convince him that there was sufficient evidence to establish a probability of recognition or awareness of the second defendant's trade mark among a substantial number of persons within this jurisdiction. The media (and television) references would be perceived by persons ordinarily resident here as being addressed to someone else, tourists are not part of the resident population and whilst the presence here at any one time of 30,000 U.S. citizens on a temporary residential basis is something which should be taken into account it was not sufficient in his view to establish that the mark was known to a substantial number of persons here given that the goods in question are aimed at consumers generally.

27. I agree with Mr. Cleary's conclusions and with his reasoning (set out fully in his report). The actual numbers of persons dealing with the second defendant, even if they are all taken to have placed orders from within this jurisdiction as distinct from being billed here, in no way indicate that there is a significant or substantial number of persons in a market which is as general and widespread as is the market for flowers. Accordingly I agree with the decision of the first respondent that there is no evidence of a potential for deception or confusion if the plaintiff were to use the marks sought to be registered (as of November, 1995) and accordingly that no question of prohibition of registration under s. 19 of the 1963 Act, arises by reason of deception or confusion.

### **No Connection in the Course of Trade**

28. "Trade mark" is defined (s. 2 of the 1963 Act) where relevant as being:

"a mark used or proposed to be used in relation to goods for the purpose of indicating, or so as to indicate, a connection

in the course of trade between the goods and some person having the right either as proprietor or as registered user to use the mark..."

29. The second defendant says that given the *modus operandi* described above there can be no question that the plaintiff uses or proposes to use the mark "1-800-FLOWERS" in relation to the specified goods so as to indicate a connection in the course of trade between the plaintiff and those goods. The plaintiff is in the business of promoting and marketing phone names as can be seen even from its own account of the way it proposes to do business. It will procure the relevant telephone number; then enter into a franchising agreement with a trading or operating partner which in turn sets up a network of participating local florists who are the ones who actually deal in the goods. The plaintiff fails at the first hurdle because the proposed mark would not satisfy the definition of trade mark at all.

30. The plaintiff says that the concept of a connection in the course of trade has evolved both in the relevant statute law and jurisprudence and that there is a sufficient connection, in particular by reference to the plaintiff's exercise of quality control, between the plaintiff and the goods to satisfy the definition.

31. In order to determine this issue it is necessary to consider the development of the concept of a connection in the course of trade. I will begin, however, by referring to the first defendant's decision on this point.

"Mr. Zockoll has held nothing back in describing the franchising operations pursued by his companies and he cannot be faulted for the open manner in which he has approached the giving of evidence on this aspect of the case. Unfortunately for the applicant, the very clear message of that evidence is that the applicant has never been engaged in the production or sale of goods such as those covered by these applications and nor has it ever been intended that it should be so engaged. The applicant is concerned with the promotion of a concept – the use of words to convey telephone numbers – which is fundamental to the franchise operations of the group of companies of which it is a member. As regards the intended use of the marks that are the subject of the present applications, it appears that any such use would be by the entity that Mr. Zockoll refers to as the "trading company" and, even then, it is far from clear that such use would be for the purpose of indicating a connection between that entity and the relevant goods; it seems to me more correct to say that any use of the marks would be in connection with a service of receiving orders for delivery of flowers and arranging for those orders to be filled but, in any event, I think there can be no doubt but that the present applicant is not the intended user of these marks as Trade Marks for the relevant goods."

32. Mr. Cleary proceeds to refer to correspondence with Irish florists regarding their proposed participation in the flower delivery service operated under the number 1-800 FLOWERS. He notes that this correspondence seems to be from Fingertip Marketing Limited and not the plaintiff (Mr. Collins has pointed out that Fingertip Marketing Limited is a wholly owned subsidiary of the plaintiff). Mr. Cleary considers that Fingertip Marketing Limited fills the role of the trading company described by Mr. Zockoll and also notes that the only mention of the plaintiff in the documentation refers to them as the appropriate recipients of the royalty cheque. This is consistent, however, with Mr. Zockoll's evidence to the effect that the plaintiff is responsible for the promotion and marketing of the phone names business and receives a royalty from its licensees for the use of the trade mark. That manner of trading Mr. Cleary says is not one in which there is any use of the relevant Trade Marks for the purpose of indicating a connection in the course of trade between the goods and the plaintiff.

33. Mr. Cleary also refers to evidence adduced by the second defendant from a Mr. Brady who said that he visited the premises of florists providing the service order flowers on three occasions but did not in a single instance observe the use of the trade mark "1-800- FLOWERS" either in the premises or on the wrappings of the flowers themselves. Mr. Cleary takes this as further proof that the manner of trading described by Mr. Zockoll does not involve the use of the mark for the relevant goods at all.

34. Mr. Collins submits that the controller has missed the point that the flowers were initially ordered by using the telephone number 1-800- FLOWERS and it is that telephone call which establishes the connection in the course of trade between the plaintiff and the product. He also refers to documentation whereby the plaintiff furnishes the participating florists with stickers for use on the flowers to be delivered although this apparently was not done on the occasions referred to by Mr. Brady. Finally on this aspect Mr. Cleary refers to a suggestion that the applicant is also free itself to be engaged directly in the provision of flowers and whilst this might be so there was no evidence that this was likely to occur. Accordingly he concluded that the applicant did not intend to use the Trade Marks for the relevant goods within the statutory definition.

35. It will be seen from the foregoing that this issue turns on the nature of the connection in the course of trade required to satisfy the definition.

36. Mr. Collins submits in the first place that it is clear that there is no need for a physical attachment of the trade mark to the actual goods; secondly, he says that the statutory concept of a connection in the course of trade has evolved so that the original connection is replaced with one which is less proximate; and thirdly, he submits specifically that if the person entitled to use the trade mark exercises some degree of quality control over the goods then a sufficient connection in the course of the trade is established.

37. Mr. O'Moore contends that the analysis by the controller is correct and that there is no use of the trade mark in connection with the goods either in practice or indeed in the proposed business arrangements described by the plaintiff.

38. Mr. Collins submitted that in the mid-nineteenth century the courts had determined that a trade mark could be sold but not separately from the business in connection with which it was used. However the Trade Marks Act 1938 made two changes one relating to assignments and the other to licensing. Sir Raymond Evershed MR described the former as a far-reaching and significant change in trade mark law where it had previously been regarded as fundamental that Trade Marks could not be separated from the business of origin and from the goodwill of that business. (*See R.J. Reuter Company Limited v. Mulhens* [1953] 2 All E.R. 1160). This development was referred to by Nicholls L.J. in *Scandecor Developments AB v. Scandecor Marketing AB*, [2002] F.S.R. 7:

"Now a person might buy a registered mark without the goodwill of the existing business and then use the mark in his own new business. Under the 1938 Act a trade mark was taken to denote only that the goods came from the source comprising the person who was currently the owner of the mark, whoever he might be, and however long or short lasting his period of ownership might be. Customers rely upon the self-interest of the current owner to maintain the value of the mark currently belonging to him."

39. He described the second change relating to licensing brought about by the Trade Marks Act 1938 as cautiously opening the door to licensing although it stopped short of any clear recognition of unrestricted licensing. A somewhat complex system was established

whereby a person might be registered as a registered user at the discretion of the registrar who in the exercise of his discretion could take into account the degree of control which the proprietor would have over the proposed use of the mark. (See *Bostitch Trade mark* [1963] R.P.C. 183). Nonetheless an overriding limitation remains the statutory definition of trade mark and whilst this was widened in the 1938 Act it retained the concept of a connection in the course of trade. The Irish Act of 1963 is virtually identical to the English Act of 1938.

40. Nicholls J. went on, in the *Scandecor* case, to point out that "much legal learning grew up around the scope of the phrase 'a connection in the course of trade'". He cited the 13th (2001) edition of Kerly's Law of Trade Marks and Trade Names to the effect that:

"The cases were never entirely consistent, and it was hard to discern hard and fast rules as to the connection in the course of trade which was required between the proprietor of the mark and the goods of his licensee in order to avoid the mark becoming deceptive."

41. He observed however that it was generally accepted that a bare licence under which the licensor had no control over the quality of the goods sold by the licensee would not suffice. Mr. Collins SC relied further on the judgment of Cross L.J. in *Re G E Trade mark* [1970] R.P.C. 339 who said at p. 394:

"In *RADIATION Trade mark* it was held that 'quality control' fell within the definition of the 1905 Act and whether or not that was right I think that a right to control the standards to be maintained in the manufacture of goods could, in the absence of some special context, be fairly described as a 'connection in the course of trade' between the goods and the person having that right. This view appears to me to be supported by what was said by Lord Mcmillan in *Aristoc Limited v. Rysta Limited* (1945) 62 R.P.C. 65. at p. 80. It was held in that case that there could be no 'connection in the course of trade' between the goods and the owner of the mark after the goods had been sold to the consumer, but Lord Mcmillan remarked that the wording of the 1938 Act was wider than that of the 1905 Act and covered any association with the goods in the course of their production and preparation for the market."

42. Further it is clear that the existence or non-existence of adequate 'quality control' is one of the matters which the registrar is to have in mind in deciding whether or not to permit the registration of registered user agreement... I would have little hesitation in agreeing with the view of the effect of the 1938 Act on the licensing of marks expressed by Lloyd Jacob J. in *BOSTITCH* ... this was, in substance, that, provided that 'quality control' was maintained, licensing of a mark – whether registered or unregistered – did not deprive it of protection in a court of law or, if it was registered, afford a ground for its removal; that it was not necessary for the proprietor of a registered mark to avail himself of s. 28 (the registered user provision in the U.K. Act) in order to grant a valid licence of it; but that if he chose to make use of the section (which was merely permissive) he would obtain certain advantages..."

43. In the Australian case of *Pioneer Electronic Corporation v. Register of Trade Marks* [1978] R.P.C. 716 Aickin J. said that the cases on the topic:

"Demonstrate that the essential requirement for the maintenance of the validity of a trade mark is that it must indicate a connection in the course of trade with the registered proprietor, even though the connection may be slight, such as selection or quality control or control of the user in the sense in which a parent company controls a subsidiary."

44. On the 31st March, 1987, Costello J. (as he then was) delivered an (unreported) judgment in *Bank of Ireland v. Controller of Patents Designs and Trade Marks*. In doing so he referred to general principles established by the jurisprudence to the following effect (p. 10):-

"To fulfil the purpose required by the section (that is, to indicate the 'connection' between the goods and the owner of the mark mentioned in it), it must be shown that the trade mark user was 'trading in' the goods in relation to which the mark is to be used. The concept of 'trading in goods' is to be given a wide meaning. But its use in the section means that an applicant for registration must show that he proposes to use it for the purpose of indicating that there is a connection between him and the goods in relation to which the mark is to be used which arises from the fact that he has been associated with the goods in the course of their production or preparation for the market, or otherwise has been dealing with the goods for the purpose of putting them on the market."

45. Applying the foregoing Irish authority, in light of the cases referred to above, I must ask myself, *inter alia*, whether it is proposed that the plaintiff will deal with the goods (flowers) for the purpose of putting them on the market. In this context it is relevant under the authorities to ask whether it has any control over the quality of the goods.

46. The plaintiff relies on a number of sample proposed licensing arrangements which will be utilised in the event that the mark is registered, as indicating in some detail how the business will operate in practice. He refers to one agreement (the "800 roofing limited independent licensed operator agreement") as reciting that the franchisee was concerned to protect the ethos and maintain the "reputation of its existing franchising network; that it wished to establish and maintain a first class network of professional (roofing) operators; and that it would use "...its best efforts to recruit only professional operators".

47. Under the agreement the franchisor has the obligation to provide the franchisee with advice, know-how and guidance relating to the management, finance promotion and methods of operation to be employed and the franchisee is required to provide a sufficient organisation to employ only experienced and competent personnel and to permit the franchisor to inspect the equipment with reasonable frequency and to "render prompt workmanlike courteous and willing service. Carry out all work to professional standards. Conduct the business of the service in such a manner as not to detract from nor bring into disrepute the name of the franchisor."

48. The franchisee authorises the franchisor to interview customers with a view to verifying that the service being provided is being provided in an efficient manner and that the terms of this agreement have been and are being complied with.

49. The franchisee acknowledges that the franchisor has the proprietary interest in the trade name and all other logos and trade names used by (the franchisor) in the promotion of the (service) and any other name substituted therefor and (the franchisee) undertakes that he will not in any way infringe harm or contest the rights of "the franchise" to such name. In his declaration in connection with the business in the U.K. Mr. Zockoll had said that he would provide a complete franchise to the florists providing all the advertising, promotion and training and everything else required to make the franchise successful.

50. The authorities appear to show that

1. A mark does not have to be physically attached to the relevant goods;
2. The concept "trading in goods" is to be given a wide meaning: the registered owner must show that he has been (or will be) associated with the goods in the course of their production, or preparation for the market, or otherwise has been (or will be) dealing with the goods for the purpose of putting them on the market;
3. Use by a wholly owned subsidiary can be regarded as use by the proprietor;
4. A trade mark indicates that the goods with which it is connected come from the same source which is the proprietor for the time being of the mark;
5. The mark communicates not a guarantee of quality but simply that the consumer can assume that the owner of the mark for the time being has an interest in maintaining the value of the mark;
6. That it is possible (without necessarily endangering the registration) to sell the mark either in connection with or not in connection with the goodwill of the relevant business;
7. The granting of a bare licence (without any provisions regarding control of quality) will normally endanger the validity of the registration of the mark; and
8. Arrangements by the proprietor for the use of the mark by another will normally not endanger registration of the mark provided the proprietor retains a measure of control over the quality of the goods.

51. It is clear from the draft agreements exhibited that some measure of control over the quality of the goods is retained by the franchisor under those agreements. The evidence is that it is the intention of the plaintiff to operate his business in this country using similar agreements. I note that the authorities to which I have referred above do not appear to have been opened to Mr. Cleary. In any event he does not appear to refer to them when reaching his conclusion on this issue at para. 34 of his careful and detailed report. Where relevant at that paragraph Mr. Cleary says:-

"Mr. Zockoll has held nothing back in describing the franchising operations pursued by his companies and he cannot be faulted for the open manner in which he has approached the giving of evidence on this aspect of the case. Unfortunately for the applicant, the very clear message of that evidence is that the applicant has never been engaged in the production or sale of goods such as those covered by this application and nor has it ever been intended that it should be so engaged. The applicant is concerned with the promotion of a concept – the use of words to convey telephone numbers – which is fundamental to the franchise operations of the group of companies of which it is a member."

52. Both of the foregoing propositions would appear to be correct: the applicant is concerned, of course, with the promotion of the use of words to convey telephone numbers and it is also true that the applicant has never been engaged (or at least directly engaged itself) in the production or sale of goods such as flowers. However it does seem to me having regard to the authorities opened that this does not conclude the issue in relation to whether there is a connection in the course of trade between the applicant in this situation and the goods involved: in this case, flowers. In my view the question is whether the applicant has been (or will be) associated with the goods in the course of their production, or proper preparation for the market, or otherwise has been (or will be) dealing with the goods for the purpose of putting them on the market. Specifically in the present situation, is the making of the arrangements described above reasonably described as dealing with flowers for the purpose of putting them on the market? That is, given that the concept of "connection in the course of trade" is to be widely interpreted, can it be said in these specific circumstances that the making by the applicant/plaintiff of the arrangements described above so as to ensure that a particular caller using the phonename FLOWERS will be put in contact with the provider of flowers in the specific locality required, can be reasonably described as dealing with the flowers for the purpose of putting them on the market?

53. With some hesitation I have come to the conclusion that it can be so described. In reaching that conclusion I have borne in mind the evolution of the jurisprudence in relation to this issue and also the specific evidence, such as it is, indicating that a measure of quality control in relation to the end product (flowers) is to be maintained by the applicant. An attempt, however inept, by a franchisor to exercise quality control and provide stickers (even if they are not used) linking the end product with itself supports in my opinion that there is a sufficient connection to certify the definition of "Trade Mark" given that the authorities entitle an outside observer to assume that the holder for the time being of the registered trade mark has an interest in maintaining the reputation of the goods in question. I am encouraged to differ, with great respect, from the conclusion reached by an experienced officer acting on behalf of the Controller in light of the fact that the authorities opened to me do not appear to have been considered by him. The conclusion I reach is that the proposed mark is a trade mark. I think it is fair to add, however, that I reach this conclusion with hesitation.

54. This hesitation arises primarily from two considerations namely, first, because I find myself differing from an experienced and careful officer acting on behalf of the Controller and secondly, because I think there is weight in the distinction he makes between goods and services. However, it does appear that the authorities which have persuaded me were not opened to Mr. Cleary, at least to the same extent as they were opened to me, and secondly, I also think there is merit in the point made by Mr. Collins S.C. to the effect that the connection in the course of trade arises at the moment when a customer lifts the telephone and dials 0800-FLOWERS: in doing so that customer requires goods as much as he requires a service, and if the goods are damaged on receipt the reputation of the holder of the mark is exposed no matter how effectively the delivery arrangements may have been effected.

#### **Conditional Intention and Tactic in Litigation**

55. This point of opposition to the proposed registration arises in the context of the litigation already referred to. It is contended that at the time the registration was sought Telecom Éireann had withdrawn the relevant telephone numbers and therefore any intention to use the trade mark had to be contingent upon the restoration of those numbers. I find it convenient to deal with this ground of opposition in conjunction with the further ground to the effect that the purpose of the registration is not for a statutory purpose but rather as a tactic in the context of the ongoing litigation with Telecom Éireann.

56. Whilst it may be the case that the applicant for registration must have a "present and definite" intention to use the mark at the time of applying for its registration I agree with the authorised officer's conclusion that this does not mean that in the present circumstances where the applicant's subscription to the relevant telephone number had been discontinued and where the applicant in pursuance of an intention to use that number was in the process of taking legal action to have it restored, (which action was successful) that he therefore did not have a present and definite intention of using the trade mark in association with it. If anything I would have said that the plaintiff's action in connection with the telephone number indicated a firm and assertive intention to retain

and recover the relevant telephone number for use. The point has been made in these proceedings that the trade mark is effectively useless without access to the relevant telephone number and the relevance in my view of the plaintiff's litigation in regard to it tends to prove an intention on the part of the plaintiff also to use the mark rather than the reverse. Accordingly, I would agree with the conclusions of the first respondent in relation to these two grounds of opposition.

### **Misleading Description as "Manufacturer" and "Merchant"**

57. The point made here by Mr. O'Moore SC is that not only was it misleading to describe the applicant as a manufacturer and merchant (because he neither makes anything nor is involved in selling or retailing any goods) but that in fact this description far from being a mere oversight was in fact what Mr. O'Moore has described as "relevantly misleading" in that the application was for the registration of a mark in connection with goods rather than in a connection with a service. If the applicant had been described as a "service provider" or something of this kind which would have been more accurate Mr. O'Moore submits, then the application would have put the public immediately on notice that what was being applied for was the registration of a mark in connection with a service: but such an application was not available at the time under our law.

58. Mr. Collins S.C. responds that this was merely a standard form description and that the nature of the application would have been apparent to anyone reading the relevant documents and that in any event the plaintiff was able to establish under the authorities that he was in fact intending to use the mark in connection with goods in the course of trade. This response was without prejudice to his general submission that this allegation was founded on a charge of mala fides and should not even be considered.

59. As already seen I have come to the conclusion that the plaintiff was entitled to register the mark on the basis that he intended to use it in connection with flowers, as goods, in the course of trade. In those circumstances I do not think that the description is "relevantly misleading" as described above. Whilst "merchant" is not described in the Act, the shorter Oxford Dictionary describes a merchant as a "wholesale trader especially with foreign countries or a retail trader". I am not so sure, therefore, that (having regard to the definition of "trade" which includes a transaction, and in the course of business) to hold the description of the applicant as a "merchant" is incorrect, as the first defendant has done, but I agree with him, in any event, that this description (even if it is inaccurate) is not a proper basis for refusing the registration on a discretionary basis and I decline so to do.

### **Frustrating the Business of the Second Defendant**

60. This last ground of opposition was described by the first defendant as the most serious ground upon which bad faith is alleged against the plaintiff.

61. In dealing with it the first defendant concluded that the applicant must have known that there was a likelihood of the second defendant expanding its operations into the Irish market. The background was that the applicant had registered or applied to register other trade marks previously registered or used by the second defendants in the United States (including the slogan JUST CALL OUR NAME). It was clear that the plaintiff knew of the business of the second defendant even before the second defendant's trade mark was registered in the United Kingdom or alternatively in the context of negotiations to enter into a joint venture agreement between the two companies none of which negotiations came to anything.

62. The first defendant concluded that the plaintiff could reasonably have assumed (as of November 1995) that the second defendant would also seek to expand its operation into the Irish market. He therefore asked himself the question as to whether a person acts in bad faith if he seeks registration of a trade mark of a foreign trader in circumstances in which it is reasonable to expect the imminent expansion into this market of the foreign trader's business. In answering this question which he said caused him particular difficulty he ruled out consideration of the fact that the applicant (not the second defendant) already had the relevant free phone numbers and appeared to be the only party that could in practice make use of the corresponding Trade Marks. This, however, he felt was irrelevant to his consideration notwithstanding his acceptance that the number would be critical to any expansion into this market by the second defendant of its business. Accordingly he held that

"Notwithstanding the inherent usefulness of the mark and the fact that the applicant has previously secured the corresponding free phone number, the fact remains that registration of the mark in the name of the applicant would frustrate legitimate expansion of its business by the opponent in an unjustifiable manner".

63. In the hearing before the first defendant Mr. Gallagher S.C. on behalf of the then applicant responded to the foregoing proposition by saying that the applicant was perfectly entitled to establish a business around the free phone telephone numbers that it had legitimately secured from Telecom Éireann and was perfectly justified in using the Trade Marks that go with the use of those numbers. He further submitted that if the then opponent had seriously intended to expand its operations into the Irish market then it behaved it to take steps to secure for itself the relevant free phone numbers and further that neither the applicant nor any other undertaking could reasonably be expected to sit on its hands and do nothing while waiting for its then competitor to decide whether or not to enter the Irish market. This submission was accepted in principle by the first defendant who, nonetheless, came to the conclusion already indicated.

64. Furthermore in the hearing before me it was stressed by Mr. Collins on behalf of the plaintiff that it was clearly incorrect for the first defendant to exclude consideration of the fact that the relevant telephone number was already secured by the plaintiff because that and that alone was the key to the usefulness of the associated trade mark. The fact that the parties had negotiated with each other was neither here nor there and indeed I would conclude myself that that is an argument that cuts both ways insofar as it would have alerted each of the parties to those negotiations of the relevant interests of the other.

65. I am unable therefore to agree with the first defendant that the fact that the plaintiff knew that the second defendant had plans to expand its business into the UK prior to the filing of its present applications in this jurisdiction (in November 1995) was evidence as a result of which the plaintiff could reasonably have assumed that the second defendant would also seek to expand its operations into this market or that it should, in light of this knowledge, have refrained from applying to register the mark.

66. I have already concluded, in agreement with the first defendant, that the second defendant did not have the relevant interest in the mark which would cause a substantial number of people in the relevant market to become confused if the plaintiff's application for registration succeeded. In the circumstances I see no reason for not accepting the averment of James Zockoll in his statutory declaration of 5th November, 1999 where he says

"I categorically deny that these applications were filed by my company on 8th November, 1995 to obstruct the business plans of 1-800 Flowers, Inc or to take advantage of their reputation in the mark 1-800 Flowers in Ireland. I have already established that 1-800 Flowers, Inc, had no reputation in the trade mark at that time (as indeed they do now) and it was my company that had secured rights to the alpha numeric telephone numbers 1-800 FLOWERS and 1-800 FLORIST in Ireland. My company also had a genuine intention to trade under both marks in Ireland, and there will follow an

explanation of the actual use which has been made of both marks to date”.

67. Quite apart from the considerations which relate to the framing of this ground of opposition as an allegation of mala fides, I would conclude that the evidence establishes an intention on the part of the plaintiff to use the trade mark in connection with the relevant product in the course of trade, that there was no clear evidence upon the basis of which it can safely be concluded that the second defendant in November 1995 intended to expand its business into this jurisdiction (or that the applicant should have accepted that such expansion was imminent): indeed the very fact that the applicant had secured for itself the relevant free phone telephone numbers precluded any reasonable conclusion that the second defendants could usefully expand their business into this jurisdiction let alone were imminently about to do so. Accordingly I find myself in disagreement with the conclusion on this issue reached by the first defendant and would reject also this ground of opposition to the proposed registration.

#### **Conclusion**

68. In the result I conclude that there is no basis for opposing the registration by the plaintiff of the terms “800 FLOWERS” and “800 FLORIST” as Trade Marks in part A of the Register in Class 31 in respect of the Goods “natural flowers, dried flowers, wreathes of natural flowers, flowers bulbs: plants” and would propose to make orders appropriate to enable this to be done.