

TRADE MARKS ACT 1994

**IN THE MATTER OF APPLICATION NO 9137
BY CORPORATION HABANOS S.A.
FOR REVOCATION OF
TRADE MARK NO 564663 IN THE NAME OF
CONSOLIDATED CIGAR CORPORATION**

TRADE MARKS ACT 1994

IN THE MATTER OF Application No 9137

By Corporation Habanos S.A.

5 **For Revocation of Trade Mark**

No 564663 in the name of

Consolidated Cigar Corporation

DECISION

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Trade mark number 564663 is registered in Class 34 in respect of “Cigars”.

15 The registration currently stands in the name of Consolidated Cigar Corporation. The mark is as follows:

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By an application dated 14 August 1996, Corporation Habanos S.A. applied for this registration to be revoked under the provisions of Section 46(1)(a) and (b) on the grounds that:

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there has not been any use of the trade mark covered by registration No. 564663 during the period of 5 years and 3 months prior to the date of this application for revocation and there is no proper reason for non-use.

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That having regard to the provisions of Section 46(1)(b) of the Trade Marks Act 1994, registration No. 564663 wrongly remains on the Register.

The registered proprietor filed a counterstatement in which they claim:

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There are proper reasons for non-use of the mark which is the subject of registration No. 564663.

The registered proprietor has used a mark during the relevant period in relation to cigars which incorporates the essential elements of the mark which is the subject of registration No. 564663

5 The registered proprietors request that the application for revocation is not granted. Both sides ask for an award of costs in their favour.

Both sides have filed evidence in these proceedings. The matter came to be heard on 10 December 1998 when the applicants were represented by Mr John Hornby of Clifford Chance, their Trade Mark Attorneys, and the registered proprietors were represented by Mr Michael Edenborough of Counsel.

Applicants' evidence

15 This consists of a declaration dated 3 June 1997 executed by Stephen Keith, a partner in Probe International Inquiry Agents. Mr Keith states that he was engaged by Clifford Chance to carry out investigations into the use of the mark CABANAS HABANA and begins by outlining his investigations. He says that having not found any records of Consolidate Cigar Corporation in the United Kingdom, he contacted the registered office address held on the trade marks register where a receptionist confirmed that the company did not have a UK office, and suggested that he speak to Mr Pierre Beursken, President in charge of sales.

Mr Keith goes on to set out the details of a conversation he had with Mr Beursken, who, he says confirmed that Consolidated Cigar Corporation are manufacturers and wholesalers of premium cigars throughout the world, but that its main market is in the United States. He continues saying that Mr Beurskens said that all of the company's products are manufactured from produce grown in the Dominican Republic from Cuban seed and stock, and that they have three premium brands for the United States market, and two, SANTA DAMIANA and SANTA DIEGO for the United Kingdom market. Mr Keith says that he mentioned the mark CABANAS HABANA and was told by Mr Beurskens that it was not a product of his company.

He continues saying that Mr Beurskens confirmed that he had been President in charge of international sales for 20 years and that in this position there was no one more informed about his company's branding and sales of cigars. He goes on to say that Mr Beurskens informed him that his company was not using the mark now subject to revocation proceedings and could not identify the mark CABANAS HABANA.

Mr Keith next says that his inquiries with cigar stockists in the United Kingdom, including one given by Mr Beurskens did not uncover any selling or that had sold CABANAS HABANA, only a brand known as SANTA DAMIANA. He concludes saying that it was determined that the sole agents for the importation of Consolidated Cigar Corporation products for the past five years is a company named Hunters & Frankau, and confirms that an approach was made to this company

Registered proprietors' evidence

45 The applicants' evidence consists of four statutory declarations. The first, dated 22 November 1996 comes from George F. Gershel Jr, and was filed along with the counterstatement and in

accordance with the proviso to Rule 31(3). Mr Gershel confirms that he has been employed by Consolidated Cigar Corporation since May 1961, and is currently Senior Vice President, a position he has held since April 1976. Mr Gershel confirms that his company is the owner of the mark registered in the United Kingdom under number 564663, and exhibits a copy of the mark, and refers to grounds set out in the application for revocation.

He goes on to say that as a result of the expropriation of land and factories by the government of Cuba, and the subsequent trade embargo imposed by the United States government, his company, being subject to US law, has been precluded from manufacturing cigars bearing the mark in Cuba, or trading with any Cuban manufacturer of cigars. Mr Gershel says that the consequence of this is that his company cannot trade in cigars made in Cuba. He goes on to say that although his company could use the mark in respect of cigars made elsewhere, as it incorporates the word "Habana", (Havana) to do so would have been deceptive and misleading, and for this reason his company has not done so. Mr Gershel concludes by confirming that for at least the last five and a half years, his company has used a mark in the United Kingdom which incorporates the essential elements of mark number 564663, and that the mark was used in relation to cigars..

Three declarations were filed under the provisions of Rule 13(5). The first, dated 24 November 1997 comes from Pierre L. Beurskens, Vice President - International Sales, of Consolidated Cigar Corporation, a position he has held since joining the company on 1 July 1994. Mr Beurskens also confirms the ownership of the mark and refers to the grounds set out in the application for revocation.

Mr Beurskens begins by referring to Mr Gershels' declaration of 22 November 1996 and confirms the statements in that declaration relating to the restrictions on trade with Cuba, which he says are imposed under the Cuban Assets Control Regulations 31 C.F.R. 515 et seq, and the reasons why his company decided not to use the mark. He goes on to say that over the last six years his company has sold cigars under the mark registered in the United Kingdom, numbered 22786, which he says incorporates the words "CABANAS" and "H de Cabanas y Carabajal", and the "monogram" device, all of which are essential elements of the mark now the subject of revocation action. For ease of reference I have reproduced mark number 22786 below.



Mr Beurskens goes on to refer to exhibit PLB1, which consists of samples of labels and packaging of the “CABANAS” cigar brand as sold in the United Kingdom. He continues saying that his company has, since 1991, used Tabac World Ltd, a company located in the Isle of Man, as United Kingdom agent for the importation and sale of the “CABANAS” and two other cigar brands. He refers to exhibits PLB2, which consists of copies of selected invoices from Consolidated Cigar Corporation to Tabac World Ltd. Mr Beurskens next refers to the declaration of Keith P Allen, which he says describes his company's business relationship with Tabac World Ltd, and Tabac World's sale and distribution of CABANAS cigars.

He goes on to review the declaration of Stephen Keith submitted in support of the application for revocation, stating that the information which Mr Keith says was obtained through his investigations and from a conversation with him is inaccurate in several important respects. He makes reference to details in specific paragraphs of Mr Keith's declaration and goes on to give what he considers to be the correct information. Mr Beurskens concludes by restating that his company has for the past six years been using a mark in the United Kingdom which consists of the essential elements of the mark under attack.

The second declaration, dated 17 November 1997 comes from Keith Peter Allen, a director of Tabac World Ltd, a position he has held for eight years. Mr Allen describes his company as a distributor of cigars and other tobacco related products and confirms that since 1991 they have been the United Kingdom agent of Consolidated Cigar Corporation for the importation and sale of cigars under the brand name CABANAS, and two other named cigar brands.

Mr Allen goes on to refer to exhibit KPA1, which consists of documents, eg, invoices, price lists, lists of retail customers in the United Kingdom, all relating to the supply and sale of cigars under the name CABANAS. Mr Allen concludes his declaration by confirming that Tabac World Ltd continue to act as the United Kingdom agent of Consolidated Cigar Corporation.

The final declaration comes from the same George F Gershel Jr referred to earlier in this decision. Mr Gershel begins by confirming his involvement with Consolidated Cigar Corporation and the ownership of the mark the subject of these proceedings. This declaration does not appear to introduce much in the way of new information being essentially a repetition of the information and views given in Mr Beurskens' declaration. He outlines details of how the trade embargo with Cuba affects his company's trade, that his company has used another mark which contains the essential elements of the mark under attack, and a review or refutation of specific points in the declaration filed by Stephen Keith in support of the application for revocation. Mr Gershel refers to exhibit GFG1 which is an extract from the Cuban Assets Control Regulations mentioned by Mr Beurskens, and GFG2, which consists of copies of the documents forming exhibits PLB1, PLB2 and KPA1 referred to earlier in this decision.

Decision

That concludes my review of the evidence, and I turn to consider the respective grounds upon which the application for revocation has been brought. These are found in Section 46(1)(b) of the Act, which reads as follows:

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

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

15 The attack is made under (b) of the above, but I have included (a) because it tells us what “such use” means.

20 Where the registered proprietor claims that there has been use of the trade mark, the provisions of Section 100 of the Act makes it clear that the onus of showing use rests with him. However, in this case the registered proprietor has admitted that there has been no use of the mark in the relevant period although has claimed that there are “*proper reasons for non use*”. The proprietor also says that they have used another mark and claimed a defence under the provisions of Section 46(2), which reads:

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

30 I will consider the matter under Section 46(2) first as this is the most easily disposed of. The registered proprietors refer to another mark registered in their name under number 22786 which they say incorporates the essential elements of, and has been used as a substitute for the mark under attack. Examples of labels and invoices have been exhibited in the registered proprietors' evidence to show that this second mark has been used in the relevant period, albeit in a slightly different form although not materially different from the second mark. Mr Hornby was firmly of the view that the second mark was so different from the mark under attack so as not to warrant serious consideration, and to illustrate his point provided an example of the mark under attack with the elements in common with the proprietors second registration removed. For ease of reference I have set out below the mark under attack (564663), the registered proprietors second mark (22786) and the example with the common elements removed:

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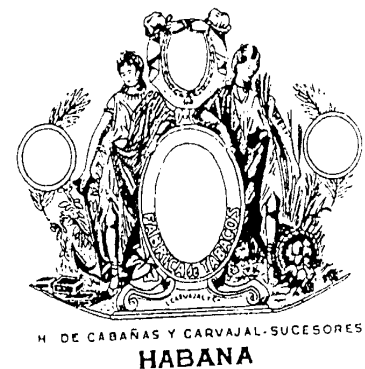
564663

22786

Amended mark



H
DE CABAÑAS
RS
Y
CARBAJAL



Adapting the approach of Mr Justice Lloyd in the ELLE trade mark case [1997] FSR 529, it is plainly obvious that the mark relied upon by the registered proprietor is small part of the mark under attack that when removed what remains is “..at least as much what makes the mark distinctive..”. The remaining mark is a such significant and distinctive mark in its own right that I do not consider the claim to a defence under Section 46(2) as requiring any further consideration and it is accordingly rejected.

I turn now to the defence mounted under Section 46(1)(a), that there are “*proper reasons for non use*”. I have said earlier that Section 100 of the Act places the onus for proving use on the proprietor. Having conceded that they have not used the trade mark but that there are proper reasons for non use, the onus in my view stays with the proprietor to establish this.

The reasons for non use are that the United States trade embargo with Cuba “precludes the corporation from manufacturing cigars bearing the mark in Cuba, or dealing with any Cuban entity for the manufacture”. The cause of the non use of the trade mark is not so much the embargo restrictions, but the fact that the mark contains the name “Havana”, a location with a strong reputation for cigars. They say that the embargo regulations prevent them from using the mark on goods of Cuban origin, and they cannot use the mark on goods of non-Cuban origin as this would be deceptive. I have some sympathy with their position in relation to the use of the mark on goods not of Cuban origin as to do so would potentially leave them open to attack under Section 46(1)(d) as being “...liable to mislead the public, particularly as to the nature, quality or geographical origin of these goods...”. Mr Hornby took the view that the proprietor could have avoided this by using an amended mark, in other words, by removing the reference to Havana. While this was an option it cannot be a deciding factor as the proprietor should be free to use the mark as registered.

The question, therefore, is whether the trade embargo constitutes proper reasons for non use. In the Invermont trade mark case [1997] RPC 130, the Registrar's Hearing Officer considered the meaning of the words “proper reasons for non use”, and drawing a distinction between the wording of Section 26(3) of the Trade Marks Act 1938 and the provisions of Section 46(1)(a) of the 1994 Trade Marks Act said:

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

10 “.....He describes difficulties which by his own admission are normal in the industry concerned and in the relevant market place. I do not think that the term “proper” was intended to cover normal situations or routine difficulties. I think it much more likely that it is intended to cover abnormal situations in the industry or market, or even in perhaps some temporary but serious disruption affecting the registered proprietor's business. Normal delays occasioned by some unavoidable regulatory requirement, such as the approval of a medicine might be acceptable but not, I think, the normal delays found in the marketing function. These are matters within the businessman's own control and I think he should plan accordingly....”.

20 The Hearing Officer concluded that distinct from the decision in James Crean & Sons [1921] 38 RPC 155, the wording of Section 46 of the 1994 Trade Marks Act did not restrict the circumstances to those affecting the trade as a whole, and that disruptive situations affecting the registered proprietor’s business alone could be proper reasons within the meaning of this section of the Act.

25 Mr Hornby took the view that “justifiable in all the circumstances” meant justifiable in the sense of justifying the retention of the mark on the register, which seems to contemplate a situation where the specific cause of the non use may on its own seem reasonable, but taking a “global” view the mark should nonetheless be removed from the register. In the Bulova trade mark case, [1967] RPC 229, Ungood-Thomas J in considering the judgement of Evershed LJ in *Aktiebolag Manus v R.J.Fullwood & Bland* [1948] RPC329, came to the view that it was not necessary that all of the ordinary usages of international trade under which the trade mark might be used be impracticable for there to be “special circumstances” but nonetheless went on to consider alternatives that might have enabled the mark to have been used. In the Bali trade mark case [1966] RPC 387 at 406, Ungood-Thomas J gave further consideration to the matter of “special circumstances” saying:

35 “A trade mark is a commercial asset intended to be used commercially by businessmen, and "special circumstances" have to be understood and applied in a business sense.

40 The Hearing Officer in *Invermont* adopted a similar approach saying “..bearing in mind the need to judge these things in a business sense..”.

45 The language used above seems to suggest that factors beyond the immediate cause should be taken into account, and if as is stated, it is necessary to judge matters in a business sense, it is in my view wholly appropriate to take into account reasonable alternatives that may have enabled the mark to be used, if those alternatives are commercially viable or established practice in trade. It is not uncommon for some regulatory requirement to have to be met before goods can be used,

imported or exported, and it would be nonsensical to accept as proper reasons for non use, a claim to having been prevented from using the mark where the reason exists because the proprietor did not bother to obtain the necessary authorisation.

5 The embargo is enforced by means of the Cuban Asset Control Regulations 31-CFR 515.204/410
which places a general prohibition on persons subject to the jurisdiction of the United States in
dealing or engaging in any transaction involving goods of Cuban origin and extends outside of the
United States. Extracts of the regulations have been filed as part of the registered proprietors'
evidence. Subpart B, paragraph (a) to these regulations says "Except as specifically authorized
10 by the Secretary of the Treasury (or any person, agency, or instrumentality designated by him) to
authorise transactions", and Subpart D 31CFR 515.410 headed "Interpretations" relating back
to Section 515.204 says that "Section 515.204 prohibits, unless licenced..". On the face of it the
regulations seem to envisage trade where authorised or licenced. I have no evidence as to
15 whether it was in fact possible or practicable in the "ordinary usages of international trade" to
obtain such a licence or authorisation, or whether the proprietors ever tried.

The embargo came into force in 1962, some 26 years after the registration of the mark. I find it
a little surprising that despite this long period of time the proprietors have not claimed, let alone
provided evidence of any use made of the mark in the period leading up to the embargo which
20 could have been persuasive in determining whether but for the embargo there would have been
use of the mark. I am also conscious that the proprietors have not stated an intent to use the mark
when circumstances permit, a matter raised by Mr Hornby at the hearing, and to which Mr
Edenborough replied by referring to the size and extent of his clients trade in cigars which is
somewhat different to saying that they have an intention to use the mark.

25 If the proprietors have been precluded from using the mark from the date of the embargo, by the
relevant date the mark cannot have been used for approximately 33 years. Such a period of time
stretches the boundaries of what might be considered a temporary disruption to the extent that
the embargo restrictions could now be considered to be the normal conditions in the trade. With
30 the trade mark having been absent from the market for such a period there is unlikely to be any
residual goodwill from any use which may have taken place prior to the embargo. Certainly there
was no material before me to suggest that might be the case.

I have no evidence to show that there is any immediate prospect of the embargo being lifted and
35 normal trade relations with Cuba being re-established, and as matters stand, there does not seem
to be much likelihood of the mark being used by the proprietor in the foreseeable future. While
it may well be that the situation is out of the proprietors control (although this has not been
established), trade marks on the register are intended to be used, not sit there unused as an
impediment to others. As the Hearing Officer in Invermont said, "...the emphasis which is, and
40 has always been placed on the requirements to use a trade mark or lose it."

For the reasons set out above I find that the registered proprietors have not discharged the onus
placed upon them in establishing that there are proper reasons for non use of the trade mark, and
consequently, that the application for revocation under section 46(1) succeeds.

45 Although not included in the grounds of opposition or the counterstatement, the matter of the
Registrar's discretion was raised at the hearing. Mr Edenborough referred to the decision in

Invermont in which the Hearing Officer decided that the Registrar did have discretion under section 46. The question of discretion was given further consideration by the Registrar's Hearing Officer in the ZIPPO trade mark case [1999] 5 RPC 173. The Hearing Officer in that case concluded that the Registrar does not have discretion under section 46 to maintain a mark on the register when grounds for revocation have been established and I do not therefore need to consider that matter any further. Consequently, there being no use and having found that the proprietor has not established that there are proper reasons for non use, I formally find that the application is successful and the registration will be revoked..

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10 The applicant for revocation, having been successful is entitled to a contribution towards his costs. I order the registered proprietors to pay to the applicant for revocation the sum of £1,470.

Dated this 17 Day of March 1999

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M Foley

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For the registrar

The Comptroller-General