

Application No. 10920 of 1993

IN THE MATTER of the Trade Marks Ordinance (Cap. 43)

AND

IN THE MATTER of an application for the registration of the trade mark

The logo for DAIWA, featuring the word "DAIWA" in a bold, stylized, sans-serif font. The letters are black with a white outline, and the overall design is centered on the page.

in Class 9 in Part A of the Register by DAIWA ASSOCIATE (H.K.) LIMITED

AND

IN THE MATTER of an opposition by AIWA Co. Ltd.

**DECISION
OF**

Mr Kestutis Stasys Kripas acting for the Registrar of Trade Marks after a hearing on 15, 16, 23 and 24 May 2001.

Appearing : Ms Winnie Tam, counsel instructed by Messrs Baker & McKenzie on behalf of the applicant DAIWA ASSOCIATE (H.K.) LIMITED

Mr David Fitzpatrick, counsel instructed by Messrs Sit, Fung Kwong & Shum on behalf of the opponent AIWA Co. Ltd.

Application for Registration

1. On 14 October 1993, DAIWA ASSOCIATE (H.K.) LIMITED (“the applicant”) applied to register, pursuant to the provisions of the Trade Marks Ordinance (“the Ordinance”) in Part A of the Register in Class 9, the trade mark, a representation of which appears below :-



(“the suit mark”)

2. The goods intended to be covered by the registration, after an authorized amendment, were “Electronic Components all included in Class 9” (“the specified goods”). The Registrar of Trade Marks (“the Registrar”) accepted the suit mark for registration in Part A of the Register unconditionally. The application was advertised in the Hong Kong Government Gazette on 31 March 1995.

Original Notice of Opposition

3. On 24 August 1995 AIWA Co. Ltd. a corporation organized and existing under the laws of Japan (“the opponent”) filed notice of opposition to the application. The opponent, relying on its prior registration of the mark AIWA and its extensive use of and reputation in the mark in Hong Kong and elsewhere, including Japan, the country from which its goods originate, alleged that the suit mark, because of its deceptive similarity to AIWA especially when used on goods of the same description, was unregistrable or should be refused registration in the Registrar’s discretion. Specifically :

- Under section 12(1)

Use of the suit mark would be likely to deceive or would be disentitled to protection in a court of justice.

- Under section 20(1)

The suit mark nearly resembles the opponent's marks registered in Hong Kong in respect of the same or the same description of goods.

- Under Section 23(1)

The suit mark nearly resembles the opponent's marks registered in Japan, the country from which such goods originate, in respect of the same or the same description of goods.

- Under section 13(2)

The suit mark should be refused registration in the Registrar's discretion.

The opponent also sought its costs.

The counter-statement

4. On 31 October 1995, the applicant filed its counter-statement. The applicant admitted the opponent's Hong Kong registrations; its own application to register the suit mark; and that "AIWA" has been used in Hong Kong prior to the application date in respect of audio and visual equipment, but otherwise denied each and every other fact alleged in the notice of opposition. The applicant relied upon the following :

- (1) The Applicant's mark "DAIWA" is derived from its corporate name. The Applicant has been incorporated since 1980 and has at all material times been a company closely associated with Daiwa Industrial Corporation, a company incorporated and existing under the laws of Japan since 1978.
- (2) "DAIWA" is the transliteration of the Japanese name "大和" and means "Great Japan" in the Japanese language. Japanese corporations with international reputation which share the same name

include DAIWA BANK 大和銀行.

- (3) Since 1990, the Applicant has continuously been using the mark “DAIWA” in Hong Kong in relation to electronic components such as germanium diode and semi-fixed resistors, and has built up a substantial reputation in its own right as a manufacturer and exporter of electronic parts for industrial use.
- (4) The Applicant since March 1990 has used the mark “DAIWA” on the same goods as aforesaid in Canada, where the Opponent’s mark “AIWA” has also been used on audio and visual products and as a registered trade mark.
- (5) To date, the Applicant has received no complaints or suggestion that its aforesaid use of the mark “DAIWA” in Hong Kong or in Canada is likely to cause deception.
- (6) The applicant has not and does not propose to use its mark in relation to consumer electronic products.”

5. The applicant asks that the opposition be dismissed with costs against the opponent. In so far as may be necessary, the applicant also claims that it would be proper to allow registration of the suit mark pursuant to the concurrent use provisions of section 22 of the Ordinance.

Evidence rounds preliminary hearing and interlocutory orders

6. The opponent’s evidence-in-chief comprised a statutory declaration of Mr Takashi Okada, the general manager of the Legal & Intellectual Property Department Corporate Affairs Division of the opponent, together with exhibits.

7. The applicant’s evidence, pursuant to Rule 26 of the Trade Marks Rules (“Rule/s”) comprised a statutory declaration of Leung Pak Ching, at the time a director of the applicant, together with exhibits.

8. The opponent's evidence pursuant to Rule 27 comprised the second statutory declaration of Mr Takashi Okada (with exhibits) and a statutory declaration of Megumi Merlo, a freelance interpreter of the Japanese and English language, also with exhibits.

9. The evidence rounds being completed, the Registrar wrote to the parties on 10 December 1999 informally indicating that the date for the hearing of argument could be fixed for 15 February 2000. That date did not suit the applicant. The date was formally refixed for 22 February 2000. Both parties indicated their intention to appear.

10. On 19 January 2000 the applicant advised that it intended to file further evidence. The opponent entered a strong objection to the application. In turn the opponent sought leave to cross-examine Leung Pak Ching. On 11 February 2000 the applicant submitted three draft statutory declarations which it wished to adduce as further evidence pursuant to Rule 28. The Registrar advised the parties that the hearing on 22 February 2000 would now be an interlocutory hearing to consider the outstanding applications. Following the hearing both applications were allowed.

11. The applicant's Rule 28 evidence comprised statutory declarations from Wong Yat Ching, Wong Shiu Sing, Coleman, and Ng Koon Yin, three investigators employed by Fact Finders Limited with exhibits.

12. By way of reply, the opponent filed a statutory declaration of Ho Wai Hong, a solicitor in the employ of the opponent's agents with exhibits.

13. On 1 December 2000, the opponent sought leave to cross-examine the three representatives of Fact Finders Limited. On 21 February 2001 the applicant sought to introduce a second statutory declaration of Ng Koon Yin. It also notified the Registrar that Leung Pak Ching was no longer available for cross-examination, and tendered a statutory declaration of Lau Tak Wan in substitution for that of Mr Leung.

14. On 27 February 2001 the Registrar made orders refusing the request to cross-examine the three employees of Fact Finders Limited, refusing the filing of the second statutory declaration of Ng Koon Yin; granting leave to file the statutory declaration of Lau Tak Wan and struck the evidence of Mr Leung from the record. The applicant was ordered to tender Mr Lau for cross-examination on the first morning of the hearing.

15. The formal hearing was eventually fixed for 15 and 16 May 2001. Mr Lau was cross-examined and re-examined over the course of two days through a Cantonese/English interpreter. During the course of giving his evidence, Mr Lau produced the following additional exhibits :

- The company prospectus of DAIWA ASSOCIATE HOLDING LIMITED marked “OPP-1”
- An original letter dated 1 May 1980 from Daiwa Industrial Corp. marked “OPP-2”
- Return of Allotments for a company D&W Crystal Limited dated 14 May 1980 marked “APP-1”
- File copies of an application for shares in D&W Crystal Limited and acceptance of directorship in that company, both dated 14 May 1980 for the signature of Toshimoto Hayashi marked “APP-2”
- Transfer of shares in D&W Crystal Limited from Toshimoto Hayashi to Leung Pak Ching dated 13 October 1981 marked “APP-3”

The evidence filed comprises many hundreds of pages, and, as I have said, the cross-examination and re-examination of Mr Lau took two days. Much of the evidence, in view of the viva voce evidence, is no longer relevant. I attempt to set out below a summary of the background information relating to the parties. Findings of fact will be made as appropriate throughout the decision.

Background of opponent

16. The opponent was established under the name of Aiko Denki Sangyo Co. Ltd. in 1951 as a manufacturer and supplier of microphones and other electric and communication equipment. It has used the present corporate name AIWA Co. Ltd. since 1959. The company has been listed on the Tokyo Stock Exchange since May 1975. It first registered an “AIWA & device” mark in Class 9 in Hong Kong in 1960. Use of the mark in Hong Kong commenced at about that time, though use is not proven before 4 December 1990

(invoices marked "TO-5"). The opponent registered a second mark in Class 9 "AIWA" in 1971 and commenced thereafter to use this mark upon its products. By the date of the applicant's application to register (14 October 1993) the opponent had established a world-wide presence in audio-visual consumer products. Use of the AIWA trade mark in Hong Kong has been proven in respect of microphones, stereo systems, television sets, speakers, karaoke machines portable CD players, turntables, cassette tape decks, portable cassette tape players, headphones, video cassette recorders, portable stereo systems, mini-hi-fi systems, back-up tape systems for computers, laser disc players and DAT players. The success of the opponent's products can be seen from the following table of Hong Kong and International sales.

| <u>Year</u> | <u>HK Sales</u> (HK\$) | <u>World-wide</u> (US\$) |
|-------------|------------------------|--------------------------|
| 1989 | 345,442,443.00 | 654,652,000.00 |
| 1990 | 318,070,076.00 | 898,373,000.00 |
| 1991 | 326,552,921.00 | 1,097,837,000.00 |
| 1992 | 393,646,118.00 | 1,231,556,000.00 |
| 1993 | 468,506,025.00 | 1,518,483,000.00 |

17. Amounts spent promoting the opponent's products in the above period were :

| <u>Year</u> | <u>Hong Kong</u> (HK\$) | <u>World-wide</u> (Million US\$) |
|-------------|-------------------------|----------------------------------|
| 1989 | 4,827,781.00 | 21.8 |
| 1990 | 6,414,858.00 | 20.4 |
| 1991 | 7,709,494.00 | 12.7 |
| 1992 | 9,538,789.00 | 16.8 |
| 1993 | 12,031,439.00 | 20.7 |

18. The promotion took the form of newspaper and magazine advertisements, product pamphlets, radio and television commercials, sponsorship of certain entertainment events, and joint promotions with credit card companies and a bank. The number of retailers in Hong Kong stocking the opponent's products exceed 100. In 1987 AIWA

International Ltd. was established in Hong Kong. The success of the opponent is not confined to Japan and Hong Kong. It has registered its mark throughout the world and has established production plants in Singapore, Wales and Malaysia.

19. The opponent, whilst endeavouring to register its mark in the UK faced a citation in respect of an earlier registered mark DAIWA (no connection to the applicant). To overcome the citation, the opponent acquired the mark which was then associated with the opponent's mark AIWA upon registration of the latter.

20. The opponent sources a large proportion of the parts it uses in the manufacture of its consumer products from local sources, but it does manufacture some very fine components for use in mechanisms. Assembly of such tiny precision components is fully automated through use of assembly equipment of the opponent's design. It does not sell electronic components to the public.

21. Since 1969, the opponent has been a subsidiary of Sony Corporation, but has continued its own product development and marketing presence under the AIWA name. In about 1991-2, the opponent adopted a new representation of the AIWA mark.

Background of applicant

22. The applicant's history may be traced back to before 1980. Mr Lau Tak Wan, then a social worker, met a Japanese businessman by the name of Toshimito Hayashi who was involved with three companies DAIWA ELECTRONIC Ltd, DAIWA Industrial Corp. and another. Mr Lau performed some translation services for Mr Hayashi and they became friends. The Japanese DAIWA companies were engaged in the distribution of electronic components. It distributed un-branded diodes that it had acquired under the name DAIWA, and distributed semi-fixed resistors which it had purchased from a company New Cosmos Electric Co. Ltd. In 1980 it was suggested that the Hong Kong market for electronic components would be better served if DAIWA established a local presence. Mr Hayashi instructed Mr Lau to establish such a presence in the most economical way. Mr Lau registered a sole proprietorship under the name DAIWA Electronics (HK) Corporation and a company D&W Crystal Limited. The latter's shares were divided between Mr Leung, Mr Hayashi (on trust) and one other. The two enterprises shared the same premises and were, to all intents and purposes, one business. Profits were retained in the business. Between 1980 and 1985, profits increased ten-fold. In July 1985, the firm DAIWA

Electronics (HK) Corporation became incorporated as the applicant. Mr Hayashi was paid out of D&W Crystal Ltd and transferred his shares to Mr Leung. About that time New Cosmos Electric Co. Ltd. found production costs too expensive in Japan. Its plant was moved to China and it licensed the use of the Cosmos name to the applicant. By June 1986 the applicant had an operational plant in Dongguan manufacturing semi-fixed and variable resistors under the Cosmos name. It sourced un-branded diodes from Russian and other sources. It sold these under the DAIWA name, first contemporaneously with the un-branded diodes from Japan and latterly as sole manufacturer.

23. Meanwhile, Mr Hayashi's companies got into difficulties and in time these were liquidated. They abandoned use of the DAIWA mark. The applicant's business increased, the floor area of the plant in Dongguan was increased, a joint venture was formed with Daiwa Zhaoqing which manufactured rectifier diodes and small signal transistors.

24. In addition the applicant held non-exclusive distributorships for Toshiba Electronics Asia Ltd, SGS-Thomson Microelectronics Pty. Ltd. and Sino-America Silicon Products Inc. and was a manufacturer of consumer electronic products under OEM sub-contracting arrangements. It has not manufactured consumer electronic products under its brand names Cosmos and DAIWA.

25. From the outset, Mr Lau's sole proprietorship and then the applicant, supplied its components in boxes marked with the suit mark whatever their source. Their main outlets were electronic equipment manufacturers, though some sales were to wholesalers. No sales were made directly to the public.

Amended pleadings

26. During the course of the hearing, the opponent elected to proceed with its opposition under section 20 in preference to its opposition under section 23. Leave was also granted to add further grounds of objection

- Under section 12(1)

That in view of the opponent's registration of DAIWA in the UK and the provisions of the Trade Descriptions Ordinance, registration of the suit mark

would be contrary to law.

- Under section 9(1)(d)

As 大和 means Great Japan, the transliteration, “DAIWA” would have a direct reference to the character or quality of the goods as having originated from Japan and/or has a geographical significance.

27. The applicant was granted leave to delete paragraph 10(2) from its counter-statement (the reference to 大和 meaning Great Japan in the Japanese language – see paragraph 4 hereof).

28. I have not attempted to summarize the survey evidence (the three employees of Fact Finders Limited and the reply by Ho Wai Hong who attempted to verify the survey). There are numerous flaws in the methodology adopted and the information extracted during the course of the survey such that the weight to be attached to such evidence was minimal. I had indicated my view to counsel during the course of their submissions and accordingly they did not address me on the survey questionnaires. I do not draw any inferences from Mr Ho’s verification attempts.

29. I shall deal with the evidence of Megumi Merlo at the appropriate time.

Decision

30. Before turning to the traditional grounds for opposing registration I need to deal with a number of other objections raised by Mr Fitzpatrick.

Opposition under section 9(1)(d) of the Ordinance

31. Section 9 of the Ordinance is a restrictive provision. For the suit mark to be registered in Part A of the Register it must not only fall within the terms of at least one paragraph of section 9, but it must also be distinctive. Mr Fitzpatrick’s objection under this section is firstly that DAIWA is disqualified by the provisions of paragraph 1(d) as it is not a word having no direct reference to the character or quality of the specified goods; and

secondly, it is, accordingly to its ordinary signification, a geographical name. The effect of the first limb of the objection being sustained would be to disqualify the suit mark from registration in Part A of the Register (though it might still be considered for registration in Part B pursuant to section 13(3) of the Ordinance). The effect of the second limb of objection being sustained would be to disqualify the mark from registration in either Part.

32. Both objections are dependent upon a finding that DAIWA means Great Japan. If I were to so find, then the suit mark would have a direct reference to the character or quality of the specified goods – namely as having a Japanese origin. Furthermore, since the decision in *York Trade Mark* [1984] RPC 231, a mark comprising of a geographical signification could not be regarded, in law, as capable of being distinctive.

33. To make good the proposition that DAIWA means Great Japan, Mr Fitzpatrick pointed to two pieces of evidence. The first was the statutory declaration of Megumi Merlo, a freelance translator and interpreter of English into Japanese and vice versa. Her evidence is that “大和” means “Japan” as the ancient name of the nation and that “DAIWA” is the common English transliteration of the Japanese words “大和” as used in Japan and in many parts of the world including Hong Kong and understood by people as such. She supports this view by comparing the names of companies in Hong Kong which incorporate the word DAIWA as found in the English white pages of the telephone directory with the entries as they appear in the Chinese white pages. To take one example the DAIWA BANK Ltd appears in the Chinese white pages as 大和銀行.

34. The second piece of evidence was paragraph 10(2) of the applicant’s counter-statement, which I have set out in full in paragraph 4(2) hereof. The applicant there “relies” upon the matters set out in paragraph 10 as supporting his application (see Rule 24(1)).

35. Mr Lau Tak Wan disavowed that clause as Mr Leung Pak Ching had also done previously. Ms Tam applied for leave to amend the counter-statement by deleting paragraph 10(2). I granted the application. Mr Fitzpatrick submitted however that as the paragraph was a declaration against interest I was nevertheless entitled to have regard to it and draw the inference that the statement truthfully reflected the view the applicant took of the meaning of DAIWA until the applicant was alerted to the consequences of taking that view by the first statutory declaration of Mr Okada. Having carefully considered the matter I am unable to find that this is the irresistible or only inference that can be drawn.

36. I need to refer to the chronology of the application. In October 1993, the applicant was represented by Messrs Chan, Lau & Wai. By the time the applicant filed its counter-statement (31 October 1995), it was represented by Messrs Chung & Partners. Mr Leung Pak Ching, a former director of the applicant now emigrated, was responsible for liaising with its legal representatives regarding the opposition to registration of the suit mark. Mr Leung was the declarant of the applicant's evidence filed pursuant to Rule 26. By the time Mr Leung made his statutory declaration (29 May 1997), the view expressed in clause 10(2) of the counter-statement was thought to be incorrect. Mr Leung attributed blame for this statement to his former solicitors and exhibited a letter from Baker & McKenzie in Japan who opined that DAIWA had no special meaning. Mr Lau who stepped in for Mr Leung by filing a replacement statutory declaration in identical terms was unable, in cross-examination, to explain who had first suggested the contents of clause 10(2) of the counter-statement. Messrs. Chung & Partners no longer exists as a firm and Mr Leung had parted company with the applicant some time before the hearing so the true explanation could not be ascertained.

37. The counter-statement was prepared and signed by Messrs Chung & Partners on behalf of the applicant. It is not improbable that the clause was inserted by Messrs Chung & Partners on their own initiative and that the applicant approved the document without questioning the clause. The matter however which tips the balance is that neither the applicant nor those from which it drew its name at any time adopted the characters which mean Great Japan. I turn to the evidence. On 27 March 1980 Mr Lau completed and signed an application for business registration of the firm DAIWA Electronics (HK) Corporation. The transliteration of DAIWA in that document was “台和” (exhibit “LTW-2”). The same transliteration is to be found on “LTW-3”. These documents pre-date the counter-statement by some 15 years. Clause 10(1) of the counter-statement explains that the applicant has been a company closely associated with Daiwa Industrial Corporation of Japan. Mr Lau in cross-examination stated that that company also transliterates its corporate name by use of the characters “台和” rather than “大和”. Finally the applicant itself uses “台和” rather than “大和” as can be seen in exhibit “LTW-5”. It is difficult in the light of these matters to conclude that clause 10(2) of the counter-statement truthfully reflects the applicant's transliteration of DAIWA and its understanding of the word's meaning.

38. This is not however determinative of the issue, but simply determinative of why I am unable to draw the inference urged upon me by Mr Fitzpatrick. I am left with the evidence of Megumi Merlo. Ms Tam points out that Ms Merlo had lived in Hong Kong for less than 8 years and was not qualified to express an expert opinion on how “大和” would be transliterated by Hong Kong people or if transliterated as DAIWA, that DAIWA would be

understood by local people to mean Japan. The applicant's own transliteration is a case in point. As Ms Tam illustrated, if she said to a friend that she had just returned from a holiday in DAIWA, the response would inevitably be, where? The criticism is in my view not without merit, but is not entirely dismissive of Ms Merlo's view. To his credit, Mr Lau acknowledged that local people of the older generation would probably be aware of the meaning, he for one was aware of it, but he expressed the opinion that the younger generation would not be aware of it. It seems to me however, that it is not necessary for me to make a finding on this point.

39. The question to be resolved is whether the English word DAIWA is, **accordingly to its ordinary signification** a geographical name. Plainly it is not. DAIWA is not a dictionary word, and appears in no atlas I have access to as an equivalent for Japan (though NIPPON has been used in Atlases from the 1950s). The opinion that DAIWA is a common English transliteration of the Japanese words 大和 does not mean DAIWA, in English, according to its ordinary signification, means Japan. A transliteration is after all merely a representation of word(s) in the closest corresponding letters of a different alphabet or language. It is not a translation.

40. This finding also disposes of the first limb of the objection. The applicant has accordingly defeated the opposition under section 9(1)(d) of the Ordinance.

Opposition under section 12(1) "contrary to law"

41. Under this head Mr Fitzpatrick advanced a novel objection which is not without difficulty. To understand the objection fully I need to recite certain provisions of the Trade Descriptions Ordinance Cap. 362 ("TDO") as they were in force at the application date.

42. Section 2(1) TDO defined "trade mark" in the following terms :

"trade mark" means –

- (a) a trade mark relating to goods registered in Hong Kong under the Trade Marks Ordinance (Cap. 43);

- (b) **a trade mark registered in the register of trade marks kept under or preserved by the Trade Marks Act 1938;**
- (c) a trade mark –
 - (i) registered, or in respect of which an application for registration has been made, in a British territory or a Convention country; and
 - (ii) capable of registration in Hong Kong under the Trade Marks Ordinance (Cap. 43) as a trade mark relating to goods; and
 - (iii) in respect of which a period of 6 months has not expired since the date of the application for the registration thereof in a British territory or a Convention country.

43. Section 9 TDO provided :

9. Offences in respect of trade marks

- (1) Subject to the provisions of this Ordinance, any person who –
 - (a) forges any trade mark;
 - (b) falsely applies to any goods any trade mark or any mark so nearly resembling a trade mark as to be calculated to deceive;
 - (c) makes any die, block, machine or other instrument for the purpose of forging, or of being used for forging, a trade mark;
 - (d) disposes of or has in his possession any die, block, machine or other instrument for the purpose of forging a trade mark; or

- (e) causes to be done anything referred to in paragraph (a), (b), (c) or (d),

commits an offence unless he proves that he acted without intent to defraud.

- (2) Subject to the provisions of this Ordinance, any person who sells or exposes or has in his possession for sale or for any purpose of trade or manufacture, any goods to which any forged trade mark is applied, or to which any trade mark or mark so nearly resembling a trade mark as to be calculated to deceive is falsely applied, commits an offence.

- (3) For the purposes of this section, a person shall be deemed –

- (a) to forge a trade mark who either –

- (i) without the assent of the proprietor of the trade mark, makes that trade mark or a mark so nearly resembling that trade mark as to be calculated to deceive; or

- (ii) falsifies any genuine trade mark, whether by alteration, addition, effacement or otherwise;

- (b) falsely to apply to goods a trade mark who without the assent of the proprietor of that trade mark applies that trade mark to goods,

unless he proves that he acted without infringing the right of the proprietor of the trade mark conferred by section 27 or 67 of the Trade Marks Ordinance (Cap. 43), and “forged trade mark” shall be construed accordingly.

- (4) In any prosecution for an offence under subsection (1)(a) or (b) the burden of proving the assent of the proprietor shall lie on

the defendant.

44. The opponent became the proprietor, in 1977, of a registered trade mark in the UK in Class 9 in respect of : “sound recording, sound reproducing apparatus and parts and fittings therefor included in Class 9; and magnetic tapes for use as sound recording media”. The mark comprises, in ordinary bold capital letters, the word “DAIWA”. It matters not for this purpose that the opponent was obliged to acquire the mark to overcome a citation, nor that it does not use the mark in the UK or elsewhere. The UK mark was nevertheless a “trade mark” for the purposes of section 9 TDO by virtue of the extended definition contained in section 2(1) TDO. The making, or the application of the suit mark to goods, with knowledge of the opponent’s UK mark without the assent of the opponent, would, argues Mr Fitzpatrick, constitute an offence contrary to section 9(1)(a) and (b) TDO. Section 12(1) of the Trade Marks Ordinance provides, inter alia, that it shall not be lawful to register as a trade mark any matter **the use of which** would be contrary to law.

45. I also need to say that, pursuant to the Adaptation of Laws (No. 14) Ordinance (Ordinance No. 65 of 2000), paragraph (b) in the definition of “trade mark” in section 2(1) of the TDO was deemed repealed from 1 July 1997.

46. There is a paucity of authority on what the expression “contrary to law” in section 12(1) was intended to prohibit. It seems accepted by the learned authors of textbooks that the prohibition relates only to matters intrinsic or inherent in the mark itself. The authority cited for this proposition is *Arthur Fairest Ltd.’s Appln.* (1951) 68 RPC 197. There Lloyd-Jacob J. was dealing with an objection that two-thirds of the applicant’s business related to activities which the Betting and Lotteries Acts were concerned to make illegal. Of the objection under [our section 12(1)] he said at p. 208 :

“It is to be observed that in this connection that would not give any rise to any objection under [our section 12(1)] of the Act, because the reference in the Act to disentitlement to protection in a court of law is, in my view, relating to something intrinsic or inherent in the mark itself.”

47. A similar approach was adopted by Plowman J in *NOVA Trade Mark* [1968] RPC 357 though there the opponent unsuccessfully alleged that it would be contrary to morality to allow the applicant, a foreign Government organ that had nationalized the opponent’s business, to obtain registration of his mark. Plowman J. relied upon *Arthur*

Fairest to hold that the immorality referred to in section 12(1) must be inherent in the mark itself.

48. In *Hassan-el-Madi's Appln* 71 RPC 281 at 295 Lloyd-Jacob J. again, in relation to the expression “disentitled to protection in a court of justice” stated that this “is to be related to something inherent in the mark applied for”. The reason was not only that the phrase was qualified by “by reason of its being likely to deceive or cause confusion or otherwise” (such reasoning not being applicable to our section 12(1) because of the difference in wording) but also because :

“[our section 12(1)] introduces as proper for consideration any matter arising out of the **form and nature** of the mark applied for which could properly be objected to as unsuitable for inclusion in the Register.” (my emphasis)

The point did not arise on appeal (71 RPC 348).

49. I am of the view that such a construction is not only logical but also practical. The duty of the Registrar lies in registering qualifying marks. It is the business of the court, not of the Registrar, to prevent abuse where the abuse lies, not in legitimate registration, but in dishonestly using the trade mark. It might be different if registration were merely a step in a fraud and nothing more – see Lord Loreburn in *Bagot-Hutton & Co. Ltd.'s Appln* (1916) 33 RPC 357 at 369.

50. The same point was made by Lloyd-Jacob J in *Arthur Fairest* at p. 208 line 46.

“I am of course conscious that the Trade Mark Registry is an unsuitable tribunal to determine questions under the Betting and Lotteries Act and, having said that, I suppose in frankness I should add that this court also is conscious of its limitations in that regard, at any rate in the absence of full argument.”

51. Indeed much argument was directed, during counsel's submissions, to the impossible task the Registrar would face if Mr Fitzpatrick's proposition were correct. The Registrar would need to determine hypothetically that the applicant would firstly use the suit

mark and that such use of the suit mark by the applicant would result in the applicant being criminally charged. Furthermore the Registrar would need to determine that none of the defences provided in section 9 TDO would be successful and that the applicant would inevitably and properly be convicted. That determination would be all the more difficult as it is uncertain how the defence provided in section 9(3) TDO would apply to a foreign trade mark, the proprietor of which having acquired no rights in Hong Kong which could be infringed. The effect of the TDO in such circumstances would, in the extreme case, give an applicant for registration of a trade mark in Belarus (a Convention country), more protection against forgery than the proprietor of a mark registered in Hong Kong. One construction that could be placed on section 9 TDO that would avoid that result is suggested by the opening words of section 2(1) TDO namely : “In this Ordinance, unless the context otherwise requires –” If the application of the extended definition of “trade mark” leads to what could be described as an unsatisfactory result in the application of section 9, it could be argued that the extended definition does not apply. However, this would then render the extended definition nugatory in the context of TDO. I prefer the view of Lloyd-Jacob J. that there must be something inherently contrary to law in the mark itself for the prohibition to apply.

52. If I am wrong in that view, I further find that, whatever the case may have been leading up to 1 July 1997, the objection is no longer available to the opponent. Fundamental to Mr Fitzpatrick’s objection is that the matter must be considered on the basis of the law that applied at the application date, because registration, once effected, will backdate to 14 October 1993. I do not share that view. In my view the true construction of section 12(1) of the Ordinance requires the Registrar to consider the position, not only at the date of application but also at the date of the decision and beyond. The section opens with the words : “It shall not be lawful to register ...” which would seem clearly to operate at the moment of registration, notwithstanding that a completed registration will take effect from the application date as a result of section 17(1) of the Ordinance. Some support for this view can be found in paragraph 10-27 of *Kerly’s Law of Trade Marks and Trade Names* (12th Ed.) :

“In relation to an application for registration, the primary question to be decided is whether the mark was deceptive (or otherwise “disentitled to protection”) at the date of the application to register. It is submitted, however, that registration ought to be refused if the mark is deceptive at the date of decision whether or not to register, regardless of the position at the date of application.”

The converse must also be true for a mark, the registration of which is arguable contrary to law at the date of application, but not so at the date of decision.

53. The view that the Registrar must consider the likelihood of deception arising even **after** the date of decision is, furthermore, implicit in the test of applying fair and normal use under section 12(1). As Lord Diplock said in *GE Trade Mark* [1973] RPC 297 at 320-1.

“But the question whether the use of any matter as a trade mark would be likely to deceive or cause confusion arises in connection with a prohibition upon registration contained in section 11 of the Act of 1938. It is a hypothetical question which first arises on an original application for registration. It looks to the future use of the matter as a trade mark and embraces any normal and fair use which as registered proprietor the applicant would be entitled to make of it in the ordinary course of trade in respect of goods of the class for which it is registered. Thus, in the case of the *BALI Trade Mark* [1969] RPC 472, it was held by this House that although the current use of the *BALI* mark sought to be expunged was upon ready-made corsets which were not in competition for the same market as tailor-made corsets for which the *Berlei* mark was currently used, consideration must be given to the fact that registration of the two marks in respect of the same class of goods would entitle the proprietors of each of them to use their respective marks in the future on both ready-made and tailor-made corsets which would be in competition for the same markets.”

54. There is no argument for saying that the relevant date for the application of section 12(1) of the Ordinance is different when considerations of “deception” arise from when considerations of “contrary to law” arise. Both must be considered not only from the point of view of the past but also from the point of view of the present and, to the extent that it is possible to predict, from the point of view of the future.

55. Furthermore, although section 17(1) of the Ordinance does fix the date of registration for the purposes of the Ordinance, it does nothing more. It does not, in my view, fix the application date as the only relevant date for all purposes. To make good this view I refer to, firstly, *BON MATIN Trade Mark* [1989] RPC 537. That case is authority for the proposition that the period of 5 years to mount an application for removal of a trade mark for non-use (section 37(1)(b) of the Ordinance) is calculated from the date of registration not

from the application date. Secondly, an action for infringement may not be commenced until the mark is on the Register, notwithstanding that registration, once achieved, will date back to the application date – see *Henry Denny & Sons Ltd. v United Biscuits (UK) Ltd.* [1981] FSR 114 and *McGregor-Doniger Inc. v Sterling McGregor Ltd.* [1981] FSR 299. Thirdly, the Registrar can accept for registration a mark opposed under section 12(1) if an earlier conflicting mark has been removed from the Register between the date of the application and the date of actually entering the mark in the Register. See *Texas Co.'s Appln* (1915) 32 RPC 442; *POLYMAT Trade Mark* [1968] RPC 124; and *KERAION Trade Mark* [1977] RPC 588.

56. For the reasons stated above, the applicant has defeated the opposition under this head of section 12(1) of the Ordinance.

Opposition pursuant to section 13(1) of the Ordinance

57. This ground of opposition was not covered by the amendments made to the pleadings but arose out of counsel's argument. Mr Fitzpatrick referred to it as a section 41(4) objection, while Ms Tam categorized it as a proprietorship objection. As a breach of section 41(4) leads to a proprietorship objection, I shall treat it as the latter. The thrust of the opponent's opposition under this head has its genesis in the manner by which the applicant assumed rights in the suit mark from the earlier proprietors thereof. At the risk of being repetitive, I need to refer to the history of the mark to ground the objection. The name DAIWA had originally been applied to un-branded diodes purchased from third parties by Daiwa Industrial Corporation and/or Daiwa Electronics Ltd, both of Japan, and on-sold to Mr Lau's firm DAIWA Electronics (HK) Corporation. Daiwa Electronics (HK) Corporation had been formed as a trading arm of the aforesaid Japanese companies to facilitate trade in Hong Kong. As to what form the mark "DAIWA" took on these components, it has not been disclosed (there is an earlier form seen on "OPP-2" and "LTW-3"), but it would appear that the mark was not registered in Japan or elsewhere.

58. In or about 1984-5 Daiwa Electronics (HK) Corporation commenced manufacturing its own germanium diodes and distributing these, with the assent of the Japanese DAIWA companies, under the suit mark. Initially there was a simultaneous trade in these components marked DAIWA whether manufactured in Japan or, by Daiwa Electronics (HK) Corporation in China. In 1985 Daiwa Electronics (HK) Corporation became incorporated as the applicant. The financial interest of the Japanese DAIWA

companies ceased at this point. Thereafter the applicant continued to use the suit mark without complaint from the Japanese companies. There was no formal documented licence agreement. There is nothing to prevent Daiwa Industrial Corp. from using the mark.

59. Mr Fitzpatrick submitted that in the circumstances the provisions of section 41(4) of the Ordinance would be breached. Section 41(4) provides that a trade mark shall not be, or be deemed to have been assigned in a case in which, as a result of an assignment, there would subsist a situation where exclusive rights in more than one person existed in the mark in respect to the same description of goods. If, by reason of there being no formal assignment or the assignment being invalid by reason of section 41(4), the applicant could not, it is argued, at the application date, claim that it was entitled to be registered as proprietor of the suit mark pursuant to section 13(1) of the Ordinance.

60. In my view there was one more relevant fact in the chronology of use which is determinative of the point. Mr Lau, in cross-examination, confirmed that the Japanese companies with which the applicant and its predecessor were previously associated, had, prior to the application date, stopped using the mark on Japanese sourced components when the manufacturers from whom they purchased these un-branded components ceased production. When asked by Mr Fitzpatrick whether the former proprietors of the mark had abandoned use of the DAIWA trade mark, Mr Lau replied in the affirmative. The Japanese DAIWA companies were then liquidated. Only the applicant, in 1993, supplied any component under or by reference to the trade mark DAIWA.

61. It seems therefore that, as a result of the abandonment and subsequent liquidation, the situation envisaged by section 41(4) does not arise and the applicant was accordingly able to claim, in October 1993, to be entitled to be registered as proprietor of the suit mark.

62. I now turn to the traditional grounds of opposition.

Opposition based on section 20(1) of the Ordinance

63. At the application date, section 20(1) of the Ordinance insofar as it relates to goods provided :

20. Prohibition of registration of identical and resembling trade marks

- (1) Except as provided by section 22, no trade mark relating to goods shall be registered in respect of any goods or description of goods that is identical with or nearly resembles a trade mark belonging to a different proprietor and already on the register in respect of –
- (a) the same goods
 - (b) the same description of goods; or
 - (c) ...

64. Section 2(4) of the Ordinance, which is relevant to the definition of “nearly resembles”, provides that a near resemblance of marks is one “so near as to be likely to deceive or cause confusion”.

65. The two preliminary issues for determination are : whether any of the goods for which the suit mark is sought to be registered, the same goods or goods of the same description as any of those of the opponent’s registrations; and if so, is the suit mark identical to, or does it so nearly resemble any one of the opponent’s marks as to be likely to deceive or cause confusion? If I find the answer to both these questions is in the affirmative, a further question arises as to whether the applicant can rely on the provisions of section 22 of the Ordinance, namely upon honest concurrent use.

66. At the date of the application to register, the opponent had, extant, two registered marks in Class 9. The first, chronologically, Trade Mark No. 799 of 1960 was in respect of “microphones, pick-ups, phonometers, radio sets, television sets, and other electric machines and instruments, and parts thereof”. The second, Trade Mark No. 1984 of 1971 was in respect of “scientific, nautical, surveying, electrical apparatus and instruments (including wireless), photographic, cinematographic, optical, weighing, measuring, signaling, checking (supervision), life-saving and teaching apparatus and instruments; coin or counter-freed apparatus; talking machines; cash registers; calculating machines; fire-extinguishing apparatus”.

67. It is timely to reiterate that the applicant seeks to register the suit mark in respect of “electronic components; all included in Class 9”.

68. Mr Fitzpatrick argues that the applicant’s goods, if not the same goods, are at least the same description of goods as those protected by the opponent’s registrations. He bases this argument on two propositions. Firstly, that the expression “electronic components” (even when limited to those properly placed in Class 9) encompasses a much wider range of goods than those which the applicant has historically manufactured – semi-fixed resistors, rectifier diodes, rotary and slide potentiometers and small signal transistors, or has distributed on behalf of other manufacturers. The expression is wide enough to encompass any device which could reasonably be described as one based on electronics. He gives as examples, a modem or a computer hard disk. The risk of confusion would arise should the applicant expand its business to such devices, and there is evidence to suppose that is the applicant’s intention. He referred me to page 25 of the exhibit “OPP-1”.

69. The second proposition, which Mr Fitzpatrick fairly concedes is a bold one, is that, as the opponent’s registration covers each and every item listed in Schedule 4 to the Trade Marks Rules that is classified in Class 9 (the whole class heading), any goods classified in Class 9 must, of necessity, be the same description of goods.

70. Taking Mr Fitzpatrick’s second proposition first, there is some limited support for it in *Newton Chambers & Co. Ltd. v Neptune Waterproof Paper Co. Ltd* (1935) 52 RPC 399. There the plaintiff’s registration covered “chemical substances prepared for use in medicine and pharmacy” (the whole class heading for the old Class 3) and it was held that this necessarily included medicated toilet paper (also classified in that Class) since an “unconditional and unlimited registration for a particular class of goods confers the right to that trade mark for all goods in the class” (at p.406). *Shanahan* in his *Australian Law of Trade Marks and Passing Off* (2nd Ed) comments at p. 52 that the view taken in *Newton* does place some strain on the language of certain of the class headings which appear to be illustrative rather than exhaustive descriptions of goods and services in the particular class. I agree. An obvious example being Class 28 where the class heading is “Games and playthings; gymnastic and sporting articles not included in other classes; decorations for christmas trees”. It is hard to accept that the boardgame Scrabble is the same description of goods as a piece of plastic mistletoe.

71. It should also be noted that *Newton* was an infringement case and Luxmoore J.

was not concerned directly with the issue of same description of goods. Against this it has long been held that the question whether goods are of the same description is one of fact and cannot be decided merely by reference to the Registrar's classification. A single class may contain more than one description of goods, whilst goods of the same description may fall into several distinct classes – see *Kerly* at paragraph 10-11; *Australian Wine Importers' Trade Mark* (1889) 6 RPC 311 at 318; and *Daiquiri Rum Trade Mark* [1969] RPC 600 at 620.

72. I do not accept Mr Fitzpatrick's bold proposition as correctly stating the law. I turn to his first proposition.

73. "Electronic component" is defined in the McGraw-Hill Dictionary of Scientific and Technical Terms (3rd edition) as : "a component which is able to amplify or control voltages for currents without mechanical or other non-electrical command, or to switch currents or voltages without mechanical switches; examples include electron tubes, transistors, and other solid-state devices". The New Penguin Dictionary of Electronics does not define electronic component but defines an "electronic device" as a "device that utilizes the properties of electrons (or ions) moving in a vacuum, gas or semiconductor". The 15th Edition of the New Encyclopaedia Britannica, under the main heading Electronics and sub-heading Components draws a distinction between component parts called "hard-ware" and "software", the name applied to the circuits and systems that use these components. In view of these definitions I am unable to accept Mr Fitzpatrick's submission that the term "electronic components" is broad enough to encompass functional devices in the nature of modems or computer hard discs. That, however, does not dispose of the issue.

74. Section 20(1) is triggered when some goods for which the existing mark is registered and some goods for which the applicant seeks to register are the same (or of the same description). There is no requirement that the respective specifications tally. Nor is there a requirement that the opponent has used the mark in respect of the overlapping goods. Should an applicant find that the opponent's mark has not been used on the goods that have triggered section 20(1), the proper course would be to apply to have those goods expunged from the opponent's specification for non-use.

75. I find that there is an overlap between the opponent's specification for TM No. 799 of 1960 sufficient to satisfy the first leg of the test in section 20(1). That overlap is in parts for microphones, pick-ups, phonometers, radio sets, television sets and other electronic machines and instruments. Such "parts", in 1993 as today, must encompass electronic

components.

76. Ms Tam submitted that “parts thereof” in the specification of the opponent’s Trade Mark No. 799 of 1960 should not be construed so as to include electronic components, but offered no alternative construction. I am unable to accept that submission.

77. For the sake of completeness I find that none of the goods in the opponent’s Trade Mark No. 1784 of 1971 specification are the same goods as electronic components, nor are they the same description of goods. Briefly, Ms Tam, correctly in my view, submits that one must look to the “real nature” of the competing goods – see *JJ Colman Ltd’s Trade Mark* (1929) 46 RPC 126 at 132. The traditional list of factors to be taken into consideration are set out in *Jellinek’s Appln* (1946) 63 RPC 59 at 70. In addition to the nature of the goods (and their composition), Romer J. added : the respective uses of the goods; and the trade channels through which they are sold. Jacob J. in *British Sugar Plc v James Robertson & Sons Ltd* [1996] RPC 281 at 296-7 extended the enquiry further by including in addition, the respective users; whether the goods in self-service stores would be found on the same or different shelves; and the extent to which the respective goods are competitive.

78. There is, in my view, an even more fundamental consideration. It was established in *J. Lyons & Co Ltd.’s Application* [1959] RPC 120 that in order that two kinds of goods may be treated as being goods of the same description there must at least be some expression or known description which is applicable to each kind without also comprehending categories of other goods which in common sense would not be of the same description as either as per (Lord Evershed M.R. at 127; Romer L.J. at 133). No such description was suggested during the course of counsel’s address and I am unable to think of one now.

79. Even if one, more linguistically skilled than I, could find the allusive description, the respective goods fail on all levels of the test set out above. The nature of electronic components is very different from the various apparatus and instruments in which they may be found. Each component has a single function, be it to rectify an electrical current, amplify it, create resistance or store a charge. It must be connected to other components by means of a circuit board to function at all. The design of the circuit controls the desired function. To the circuit are added a power supply and other mechanical parts and the whole encased in a container with controls. At this point the apparatus can perform the task for which it may be purchased i.e. a cassette tape recorder. The nature therefore of

the functional apparatus and one tiny component within it is different as is the composition of the respective items. The users of electronic components are equipment manufacturers in the main. The percentage of hobbyist who may also buy such components is so negligible that I can disregard them. The goods are generally not sold through the same trade channels, they would certainly never be found on the same shelf and they are not in competition with each other. I can find no item in the specification of Trade Mark No. 1784 of 1971 which is the same description of goods as the applicant's electronic components.

80. I turn to the second leg of the section 20(1) test. In determining whether two marks are identical or nearly resembling, the opponent's mark as they appear on the Register are to be compared with the applicant's mark in notional fair use i.e. any normal and fair use which, as registered proprietor, the applicant would be entitled to make of the mark in the ordinary course of trade in respect of goods of the class for which it is registered. I indicated to counsel during their addresses that if I were to accept the suit mark for registration, I would impose a condition that the applicant would have no exclusive rights in the word DAIWA except as it appears on the application form. The fair and notional use test is thus negated.

81. The opponent's mark Trade Mark No. 799 of 1960 is represented on the Register in the following form :




A representation of the suit mark appears below.



82. It is accepted by both counsel that in applying section 20(1) the test is

correctly stated by Evershed J. in *Smith Hayden* (1946) 63 RPC 97 at 97.

“Assuming user by Aiwa Co. Ltd. of their mark  in a normal and fair manner for any of the goods covered by the registration of the mark (and including particularly electronic components covered by the proposed registration of the mark **DAIWA**), is the Court satisfied that there will be no reasonable likelihood of deception or confusion among a substantial number of persons if DAIWA ASSOCIATE (HK) LIMITED also uses their mark **DAIWA** normally and fairly in respect of any electronic components covered by their proposed registration?”

83. The opponent’s mark is a composite mark comprising not only the word AIWA but also a device reminiscent of a lightning bolt or a schematic symbol for electrical current, both enclosed in a circular border. Despite these capricious additions, the leading characteristic of the mark is undoubtedly the word AIWA. I therefore approach the test on the basis that the two marks are word marks.

84. Parker J. in *Pianotist Co’s Appln* (1906) 23 RPC 774, when considering the limitation imposed upon the Registrar’s power to register a mark by section 72 of the Patents, Designs and Trade Marks Act 1883 (a forerunner of section 20(1)), summarized the law in a passage that is now unquestionably accepted as the approach to take when comparing word marks. At page 777 :

“You must take the two words. You must judge of them, both by their look and by their sound. You must consider the goods to which they are to be applied. You must consider the nature and kind of customer who would be likely to buy those goods. In fact, you must consider all the surrounding circumstances; and you must further consider what is likely to happen if each of those trade marks is used in a normal way as a trade mark for the goods of the respective owners of the marks. If, considering all those circumstances, you come to the conclusion that there will be a confusion – that is to say, not necessarily that one man will be injured and the other will gain illicit benefit, but that there will be a confusion in the mind of the public which will lead to confusion in the goods – then you may refuse the registration, or rather you must refuse the registration in that case.”

85. The visual test is generally one of first impressions. When I first glanced at the suit mark I did not recognize it as a word at all, seeing it as a string of strong geometric shapes. Even now despite the fact that the applicant's word incorporates the whole of the opponent's word I have difficulty in seeing a deceptive similarity due in part to the striking geometric impact of the suit mark and the weak and spindly look of the opponent's mark. However, trade marks are not generally seen side by side. I must instead apply the sequential or imperfect recollection test, best summarized in the following passage from *Sandow Ltd.'s Appln.* (1914) 31 RPC 196 at 205.

“The question is not whether if a person is looking at two trade marks side by side there would be a possibility of confusion; the question is whether the person who sees the proposed trade mark in the absence of the other mark, and in view only of his general recollection of what the nature of the other mark was, would be liable to be deceived and to think that the trade mark before him is the same as the other, of which he has a general recollection.”

86. There is no direct evidence before me of how members of the public in Hong Kong would react on seeing the suit mark in the circumstances described above. Accordingly I place myself in the position of the average purchaser and ask myself would I, as a person having familiarity with, but an imperfect recollection of, the opponent's mark, upon seeing the suit mark applied to electronic components, have reason to wonder whether they came from the same source? I am unable to come to a conclusion different from my first impressions of the suit mark. One must not only see the suit mark as a word but must dissect it, in the manner of an exponent of word games, to find another word within. This is not the habit of the average shopper.

87. I turn to the sound of the respective marks and the test approved in the case of *Aristoc Ltd. v Rysta Ltd.* (1945) 62 RPC 65.

“The answer to the question whether the sound of one word resembles too nearly the sound of another so as to bring the former within the limits of section 12 (our section 20) of the Trade Marks Act 1938, must nearly always depend on first impression, for obviously a person who is familiar with both words will neither be deceived or confused. It is the person who only knows the one word, and perhaps has an imperfect recollection of it, who is likely to be deceived or confused. Little assistance, therefore, is to be obtained from a

meticulous comparison of the two words, letter by letter and syllable by syllable, pronounced with the clarity to be expected from a teacher of elocution. The court must be careful to make allowance for imperfect recollection and the effect of careless pronunciation and speech on the part not only of the person seeking to buy under the trade description, but also of the shop assistant ministering to that person's wants."

88. Aurally, the presence of the strong consonant "D" is quite significant. It is hard to mis-pronounce DAIWA in such a way that the "D" sound is lost, under-emphasized, not articulated or slurred. There is evidence before me that the Cantonese speaking population of Hong Kong would refer to the applicant's mark as "Oi wah" (corresponding to the transliteration adopted by the opponent in its own advertising 愛華), whereas the applicant's mark would be pronounced "toi wo" (corresponding to the transliteration they adopt 台和). I find there is no reasonable likelihood of aural confusion between the two marks, whether articulated in English or in the Cantonese dialect.

89. The goods to which the respective marks are to be applied are, in the case of the applicant, electronic components, and in the case of the opponent, microphones, pick-ups, phonometers, radio sets, television sets, and other electric machines and instruments and parts thereof. I have already found that the only overlap occurs in "the parts thereof" items of the opponent's specification. There is an artificiality that occurs when applying the recognized tests to the peculiar circumstances of this case. In considering the respective goods to which the competing marks are to be applied and more particularly in considering the nature and kind of customer who would be likely to buy those goods, the artificiality is highlighted.

90. I need to return to the evidence. Mr Lau was quite clear in saying that not one piece of the electronic components sold by the applicant under the suit mark was sold to the general public. Its main market is to equipment manufacturers and many items are produced to the manufacturer's specifications. Such manufacturers buy directly from the applicant and expect to receive goods carrying the DAIWA assurance of quality and conformity to specification. The opponent, though it may produce some components, does not sell components to the general public. In its Annual Report for 1994, the applicant advised its shareholders that "Locally procured parts account for a large portion of the final product – approximately 90% in the case of Malaysian made NSX series MINI compo," this being its top product in fiscal 1995. In its Annual Report for 1998 : "Materials and parts account for the bulk of cost of sales, so cost-cutting through international procurement is vital

to competitiveness ... These days, most parts originate in Southeast Asia, with the exception of high-tech parts such as micro computers, which are manufactured in Japan’.

91. In summary, Aiwa procures parts from local suppliers for its own manufacturing plants and the applicant supplies its goods directly to manufacturers and wholesalers. There is evidence (“LTW-13”) that in fact in 1997, the applicant supplied components to a subsidiary of the opponent. One must ask, who in these circumstances is placed in a situation where confusion is possible?

92. Mr Fitzpatrick properly elicited in cross-examination of Mr Lau that the applicant has no control of where its goods may end up when the components are sold to wholesalers. A proportion of such parts may end up for sale to the general public. Mr Lau responded by saying that with some items the component is so small that one would need machinery costing \$1 million or more to install it. For other parts, they are neither marked with a trade mark (because of their size) nor sold to the hobbyist by reference to it. The hobbyist market, negligible as it is, has no means of knowing who manufactured a particular component and in all probability, does not care.

93. I had earlier mentioned p. 25 of the exhibit “OPP-1” in relation to Mr Fitzpatrick’s concern that deception will occur if the applicant expands its operation to include, particularly, audio products. Page 25 of the prospectus is headed “Licensed Manufacturing of Consumer Electronic Products and Electronic Components”. The text then details the capacity, within the “Group”, to manufacture audio products, telecommunication equipment, household electrical appliances and electronic toys. These are, however, manufactured under licence. They would not therefore bear the DAIWA name or mark. Indeed, as Mr Lau said in his evidence, the manufacture of audio products would be suicidal as the applicant would then be in direct competition with its customers. This exhibit does not assist the opponent.


94. Considering all the surrounding circumstances, I am unable to find a class of person who could be confused, in the main, because of the limited trade channels through which the respective overlapping goods pass. However should market conditions change in the future, then the visual and aural dissimilarity between the two words would ensure no reasonable likelihood of confusion would arise. The onus is upon the applicant to show that there would be no reasonable likelihood of deception or confusion arising if its mark were used upon electronic components. I find that the applicant has discharged this onus.


95. Before I leave this topic, Mr Fitzpatrick reminded me that the UK Registry imposed an association condition when it accepted AIWA in view of the earlier DAIWA mark on the Register. I was urged to take into consideration the similarity of the UK Trade Marks Act 1938 and the Hong Kong Ordinance and the uniformity in applying trade mark law both there and here. Against this, I could take into account that the Hong Kong Registry, though their search strategy disclosed both of the opponent's Class 9 marks, found no reason to cite either against the application. It would be pure speculation on my part to try to suggest the reasons for the difference in approach, and I decline to do so.

Opposition under section 12(1) – likely to deceive

96. Before an opponent can mount an opposition under this section, it must first overcome the burden of establishing that its mark or marks are known to a substantial number of persons in Hong Kong. That reputation is not restricted to a reputation in the goods the applicant wishes to protect, and includes protection where the confusion is not with the opponent's mark, but merely with its name. Ms Tam has not suggested that the opponent's objection falls at this hurdle. It clearly does not. The name AIWA could be considered a household word with a strong consumer cognizance.

97. Section 12(1) is aimed at protecting the public from deception or confusion rather than the opponent. The onus of proving no reasonable probability of deception is upon the applicant. If I have any doubt I must refuse the mark.

98. The test for deceptive similarity is much the same under section 12(1) as it is under section 20(1) save that the applicant's mark is considered in fair and notional use (as before) but the opponent's mark is considered as it is actually used. However, as I have previously indicated, the suit mark will be restricted, if registration is allowed, to the form  and it is this use that I shall consider.

99. In use, by the application date, the opponent's mark has been modified to  In my view nothing turns on this.

100. It is well established that the test to be used in applying section 12(1) is that stated by Evershed J in *Smith Hayden* (supra), modified by Lord Upjohn in *BALI's Trade Mark* [1969] RPC 472 at 496. Adapted to this application, the test is :

Having regard to the user of **aiwa** is the court satisfied that **DAIWA** , if used in a normal and fair manner in connection with any of the goods covered by the registration proposed, will not be reasonably likely to cause deception and confusion among a substantial number of persons?

The standard of proof required is best set out in the judgment of Lord Upjohn in *BALI* (supra) at p.496 :

“It is not necessary in order to find that a mark offends against section [our 12(1)] to prove that there is an actual probability of deception leading to 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 cause 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.”

101. I have extensively dealt with the visual and aural dissimilarity between the marks, the goods to which they are applied and the likely purchasers of the respective goods in paragraphs 81 to 94 hereof. There is nothing further that comes for consideration under section 12(1) which would affect the conclusions I reached there. In the particular circumstances of the trade of the applicant the public would have no reasonable opportunity to be deceived as they are unlikely to encounter the applicant’s mark.

102. Mr Fitzpatrick also submits that the applicant’s mark could be regarded as deceptive as to the quality, character or geographical origin of the goods. That submission relies upon the word DAIWA meaning Great Japan. I have already found this not to be the case.

103. I find that the applicant has defeated the opposition under section 12(1) of the Ordinance.

Section 22 – honest concurrent use

104. As the applicant has defeated the opposition under sections 20(1) and 12(1) of the Ordinance, it is not necessary for me to consider whether the evidence has established honest concurrent use. So much however of the evidence from the opponent and so much of the cross-examination of Mr Lau was directed at whether the applicant had used the suit mark at all prior to the application date, that I feel I must make brief mention of it.

105. The evidence filed by the applicant was woefully short in crucial areas such as how the suit mark was chosen, the use made of the mark and how the applicant's business was established and operated, even though the opponent had foreshadowed its attacks in these areas. The opponent relied heavily upon positive statements, drawn from the 1994 Prospectus for DAIWA ASSOCIATE HOLDING LIMITED that "at present no product is produced under the DAIWA trade mark". The prospectus is dated 24 March 1994. Despite Mr Fitzpatrick's criticisms of Mr Lau's lack of preparedness to meet these challenges, I found him to be a witness of truth who tried to answer, as fully as he could, questions directed at the events that occurred some 15-20 years earlier.

106. Though the explanation relating to the prospectus entries were less than convincing, I was unable to say they were fabricated. Had it been necessary, I would have found that there had been use of DAIWA in a trade mark sense on a limited number of items and that use of the mark had been honest.

Registrar's discretion

107. The exercise of discretion pursuant to section 13(2) of the Ordinance arises when opposition under sections 12(1) and 20 fails and the mark is acceptable for registration under sections 9 or 10, but nevertheless, for some reason not relating to the qualification for registration, registration would not be in the public interest. Had, for example, the applicant been convicted of TDO offences and the law had not been changed from 1 July 1997, I would have no hesitation in refusing registration in my discretion. To do otherwise would amount to providing the applicant with a possible defence to what would otherwise be illegal activity. That however is not the case. I remind myself that the register has been created by the Ordinance for the purpose of enabling marks to be entered therein. If no proper reason can be advanced why registration should be refused for a qualifying mark, the exercise of discretion should not be adverse to the applicant. The opponent has offered no reason to

invoke my discretion against registration that I have not already covered, so I do not exercise it.

Costs

108. The applicant has sought costs and there is nothing in the circumstances or conduct of this case which would warrant a departure from the general rule that the successful party is entitled to his costs. I accordingly order that the opponent pays the costs of and occasioned by these proceedings.

109. Subject to any representations as to the amount of costs or calling for special treatment, which either party makes within one month from the date of this decision, costs will be calculated with reference to the usual scale in Part 1 of the First Schedule to Order 62 of the Rules of the High Court (Cap. 4) as applied to trade mark matters, with one counsel certified, unless otherwise agreed between the parties.

Order

110. After the expiration of three months from the date hereof, the applicant may apply for the entry of the suit mark in the Register and the issue of a certificate of registration. A condition is imposed to acceptance namely that registration shall give the proprietor no exclusive right to the use of the word DAIWA save in the form that appears herein.

(K.S. Kripas)
p. Registrar of Trade Marks
15 June 2001