

Trade Marks Nos. B2334 of 93,
B2335 of 93 and B861 of 94

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

AND

IN THE MATTER of application by Yantai
Chang Yu Group Co., Ltd. (烟台張裕集團
有限公司) for the rectification of the Register
by removal of

(1) Trade Mark No. B2334 of 93



(2) Trade Mark No. B2335 of 93



(3) Trade Mark No. B861 of 94

至寶

all in Class 5 in Part B in the name of
Shandong Medicines and Health Products
Import and Export Corporation (山東省醫藥
保健品進出口公司)

DECISION

OF

Ms. Fanny Shuk Fan Pang acting for the Registrar of Trade Marks after a hearing on 17-18 October and 29 November 2002.

Appearing : Mr. John Yan instructed by Messrs. Baker & McKenzie for the applicant for removal.

Ms Winnie Tam instructed by Messrs. Lovells for the registered proprietor.

Registration of Trade Mark Nos. B2334 of 93, B2335 of 93 and B861 of 94

1. On 21 June 1988, Shangdong Medicines and Health Products Import and Export Corporation (山東省醫藥保健品進出口公司) became registered under the Trade Marks Ordinance (“the Ordinance”) as proprietor, under trade mark No. B2334 of 1993, of a trade mark in Class 5 for “medicinal wines containing penises of animals”. A representation of the registered trade mark appears below :



2. On 21 June 1988 Shangdong Medicines and Health Products Import and Export Corporation (山東省醫藥保健品進出口公司) became registered under the Ordinance as proprietor, under trade mark No. B2335 of 1993, of a trade mark in Class 5 for “medicinal wines containing penises of animals”. A representation of the registered trade mark appears below :



3. On 6 September 1988 Shangdong Medicines and Health Products Import and Export Corporation (山東省醫藥保健品進出口公司) became registered under the Ordinance as proprietor, under trade mark No. B861 of 1994, of a trade mark in Class 5 for “medicinal wines”. A representation of the registered trade mark appears below :

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(collectively “the suit marks”).

Pleadings and Evidence

4. On 27 June 1998, Yantai Chang Yu Group Co., Ltd. (烟台張裕集團有限公司) (“the applicant for removal”) applied to rectify the register by removal of the suit marks. The amended statements of case accompanying the applications for removal in the three rectification proceedings (they are more or less in identical terms) state that the applicant for removal intends to register its trade marks in Hong Kong which include the marks “至寶”, “中亞”, “至寶三鞭酒”, “TZEPAO SANPIEN JIU”, “至寶三鞭酒 Label” and “至寶三鞭酒 & Device” (collectively “the applicant for removal’s marks”). The applicant for removal claims that the registration of the suit marks should be removed under section 48 of the Ordinance because the registration of them is contrary to sections 2, 9, 10 and 12(1) of the Ordinance.

5. In the counter-statements filed by Shangdong Medicines and Health Products Import and Export Corporation (山東省醫藥保健品進出口公司) (“the registered proprietor”) in the three rectification proceedings (which are more or less in identical terms), save and except that the registered proprietor’s own registration of the suit marks is admitted, the registered proprietor denies each and every allegation in the amended statements of case. The registered proprietor avers that it or its licensee(s)/distributor(s) has for many years carrying on business by reference to the suit marks in respect of the relevant goods in Hong Kong and elsewhere. The registered proprietor has established a substantial reputation and goodwill of the suit marks in respect of the relevant goods in Hong Kong and overseas.

6. The applicant for removal filed three more or less identical sets of evidence for the purpose of the three rectification proceedings under Trade Marks Rules 64 and 25. Each set of evidence consists of a statutory declaration dated 14 April 1999 by Sun Li-qiang (孫利強), the director, general manager and senior economist of the applicant for removal exhibiting and purporting to confirm the contents of a statutory declaration dated 30 March 1999 by Li Sung-lun (李崇倫), the deputy general manager of Lee Yuen Cheung Co. Ltd. (利源長有限公司) which is claimed to be the sole distributor of the applicant for removal’s wine products in Hong Kong. The registered proprietor also filed three more or less identical sets of evidence under Trade Marks Rule 64 and 26. Each set of evidence contains a statutory declaration dated 26 October 1999 by Li Hong-jun (李洪俊), the deputy general manager of the registered proprietor together with exhibits. In reply, the applicant for removal filed three more or less identical sets of evidence under Trade Marks Rules 64 and 27. Each set of evidence comprises a statutory declaration dated 16 May 2000 by Sun Li-qiang (孫利強) together with exhibits.

Preliminary Point

7. Shortly before the hearing scheduled on 17 October 2002, the applicant for removal sought leave from the Registrar for filing a statutory declaration of Li Sung-lun (李崇倫) dated 11 October 2002 together with exhibits on 15 October 2002, a statutory declaration dated 14 October 2002 made by Sun Li-qiang (孫利強) adopting the statutory declaration of Li Sung-lun (李崇倫) dated 11 October 2002 and a statutory declaration dated 16 October 2002 made by Lin Shing Yee (連聖儀), a messenger in the employ of Messrs.

Baker & McKenzie on 16 October 2002 pursuant to Trade Marks Rule 28. The application for leave to file the proposed three statutory declarations was dealt with at the hearing on 17 October 2002 as a preliminary point. Having heard the submissions of counsel for the applicant for removal and the registered proprietor, I declined to grant leave to the applicant for removal to file the three proposed statutory declarations under Trade Marks Rule 28.

8. Before giving the reasons for my decision, I shall give a brief description of the evidence sought to be introduced by the applicant for removal. In paragraph one of the proposed statutory declaration of Li Sung-lun (李崇倫) dated 11 October 2002, he purports to give the updated sales figures of TZEPAO SANPIEN Wine (至寶三鞭酒) in Hong Kong for the years of 2000, 2001 and January to September 2002. What was produced in exhibit "1" to Li Sung-lun (李崇倫)'s statutory declaration is a self-serving letter from Lee Yuen Cheung Co. Ltd. (利源長有限公司) to Messrs. Baker & McKenzie, the agent for the applicant for removal dated 10 October 2002 setting out the sales quantities and figures for both TZEPAO SANPIEN Wine (至寶三鞭酒) and Special Quality SANPIEN Wine (特質三鞭酒) which are not supported by sales invoices or other documentary proof. I am not entirely sure that the proposed further evidence amounts to evidence of up-dated sales of the applicant for removal's wine products in Hong Kong. Even if it does, Mr. Yan has not explained to me the relevance of that piece of post-registration date evidence to the grounds of rectification under section 48(1)(a) of the Ordinance.

9. Ms Tam submitted that Mr. Li Sung-lun (李崇倫)'s proposed evidence was introduced under the guise of providing up-dated sales figures. Paragraph 2 of Mr. Li Sung-lun (李崇倫)'s proposed statutory declaration is the crux that was sought to be introduced by the applicant for removal. In paragraph 2 of his proposed statutory declaration, Mr. Li Sung-lun (李崇倫) says that as far as he is aware, the applicant for removal had ceased to supply the registered proprietor Zhong Ya Brand TZEPAO SANPIEN Wine (中亞牌至寶三鞭酒) since 28 March 1996. Exhibit 2 to Li Sung-lun (李崇倫)'s statutory declaration is a certificate issued by the applicant for removal itself certifying that it had ceased to supply Zhong Ya Brand TZEPAO SANPIEN Wine (中亞牌至寶三鞭酒) to the registered proprietor since 28 March 1996. Mr. Li deposed that if the registered proprietor sold Zhong Ya Brand TZEPAO SANPIEN Wine (中亞牌至寶三鞭酒) in Hong Kong after 28 March 1996, the wine products should be the old stock supplied to it by the applicant for removal on or before 28 March 1996. As far as he is aware, from mid-1999 to date, all the Zhong Ya Brand TZEPAO SANPIEN Wine (中亞牌至寶三鞭酒) sold in Hong Kong was solely the products of the applicant for removal being distributed by Lee Yuen Cheung Co. Ltd. (利源長有限公司). Mr. Yan submitted that the purpose of introducing paragraph 2 of Mr. Li Sung-lun (李崇倫)'s statutory declaration is to describe what is now in the market in Hong Kong which is highly relevant to the grounds for rectification that the suit marks were not the registered proprietor's marks and the use of the suit marks by the registered proprietor would be deceptive. In reply, Ms Tam contended that there is a certain degree of speculation in paragraph 2 of Mr. Li Sung-lun (李崇倫)'s statutory declaration. Mr. Li speaks from what is supposed to be his own knowledge. Whether this is a fact which represents the state of market is yet to be seen. The

registered proprietor has not been given a chance to reply, for example, to state the circumstances leading to the stoppage of supply and subsequent events.

10. Having heard the submissions of both Mr. Yan and Ms Tam on Li Sung-lun (李崇倫)'s statutory declaration, I am not entirely clear about the relevance of the proposed evidence to the present proceedings. I am also not satisfied that the proposed evidence, even if relevant, would have any important influence on the outcome of the rectification proceedings. As pointed out by Mr. Yan, in paragraph 16 of the statutory declaration of Mr. Li Hong-jun (李洪俊) filed by the registered proprietor under Trade Marks Rule 26, Mr. Li deposed that the registered proprietor ceased to appoint the applicant for removal to produce the medicinal wines bearing the suit marks in or about 1995. In the light of that assertion made by the registered proprietor, I do not see any real need of admitting the proposed statutory declaration of Li Sung-lun (李崇倫). It is not in dispute that the applicant for removal had ceased to supply the registered proprietor with the wine since 1995 or 1996.

11. The second proposed evidence of Mr. Sun Li-qiang (孫利強) sought to be introduced by the applicant for removal is a confirmatory statutory declaration of the first proposed statutory declaration of Mr. Li Sung-lun (李崇倫). Mr. Sun says that he has read the proposed statutory declaration of Mr. Li Sung-lun (李崇倫) and the exhibits thereto dated 11 October 2002 and he thereby confirms that the contents of the statutory declaration and the exhibits are true and correct. Therefore, there is no need for me to comment on this piece of evidence and I refused to grant leave for filing this for the same reasons.

12. The third proposed evidence sought to be filed by the applicant for removal is the statutory declaration of Lin Shing Yee (連聖儀) dated 16 October 2002, a messenger in the employ of Messrs. Baker & McKenzie. She says that she bought three boxes of Zhong Ya Brand TZEPAO SANPIEN Pills (中亞牌至寶三鞭丸) at Yue Hwa Chinese Products Co. on 15 October 2002 at a price of HK\$113.1. The three boxes of Zhong Ya Brand TZEPAO SANPIEN Pills (中亞牌至寶三鞭丸) and a copy receipt issued by Yue Hwa Chinese Products Co. were produced as exhibit "1". Mr. Yan submitted that the question of Zhong Ya Brand TZEPAO SANPIEN Pills (中亞牌至寶三鞭丸) was first raised in paragraph 8 of Mr. Li Hong-jun (李洪俊)'s statutory declaration filed by the registered proprietor under Trade Marks Rule 26 in which Mr. Li says that the registered proprietor had exported Zhong Ya Brand TZEPAO SANPIEN Pills (中亞牌至寶三鞭丸) to Hong Kong from 1965 to 1998. No sample of the Zhong Ya Brand TZEPAO SANPIEN Pills (中亞牌至寶三鞭丸) sold has been exhibited. The proposed statutory declaration of Lin Shing Yee (連聖儀) is really to complete the picture which may have some bearing on my exercise of discretion in the present rectification proceedings. Ms Tam contended that it was of not much use for the applicant for removal to exhibit a box of Zhong Ya Brand TZEPAO SANPIEN Pills (中亞牌至寶三鞭丸) purchased recently. One really is concerned with what Zhong Ya Brand TZEPAO SANPIEN Pills (中亞牌至寶三鞭丸) looked like in the market at the relevant time i.e. just before the Zhong Ya Brand TZEPAO SANPIEN Wine (中亞牌至寶三鞭酒) products came into being.

I accept the submissions of Ms Tam and find that the proposed evidence of Lin Shing Yee (連聖儀) is not relevant to the present rectification proceedings.

13. My decision on the lack of relevance or important relevance suffices to dispose of the applicant for removal's application, but, for the sake of completeness, I set out briefly the other reasons for my refusal. It is indisputable that the proposed further evidence could have been filed earlier by the applicant for removal. I was not informed as to any difficulties that the applicant for removal had faced in filing the proposed evidence with the Registrar. No explanation for the late filing was given by the applicant for removal. I also took into consideration the lateness of the application and the inevitable delay that would be caused if I grant the application. Having regard to the above matters, I refused to grant leave to the applicant for removal for filing the proposed further evidence under Trade Marks Rule 28.

Decision

Background, parties and dispute

14. The People's Republic of China had adopted a centralised planned economy from its establishment in 1949 until the introduction of the open door policy in the 1980s. Under the planned economy, there were restrictions in that not every corporation could do export trade. The applicant for removal is a state owned distillery and a maker of Chinese medicinal wines in Yantai, Shandong Province in Mainland China. It produced for export to Hong Kong the Zhong Ya Brand TZEPAO SANPIEN Wine (中亞牌至寶三鞭酒). Under the planned economy, it was not permitted to do export trade, that is, it was not permitted to export the medicinal wines. The medicinal wines were exported by the registered proprietor which specialises in the import and export of medicines and health products produced in Shandong Province. Lee Yuen Cheung Co. Ltd. (利源長有限公司) is a Hong Kong company which was the sole distributor in Hong Kong of the medicinal wine Zhong Ya Brand TZEPAO SANPIEN Wine (中亞牌至寶三鞭酒). In 1988, the registered proprietor applied for registration of the three suit marks in Hong Kong. As a result, the suit marks were registered in the name of the registered proprietor in Part B of the register in respect of medicinal wines. Following the introduction of the open door policy in Mainland China, the export control was lifted and the applicant for removal was permitted to do export trade from August 1992. Subsequently, the relation between the applicant for removal and the registered proprietor broke down and a dispute arose between them as a manufacturer and an exporter respectively as to who should own the suit marks. The present rectification proceedings were commenced by the applicant for removal to rectify the register by removing the registration of the suit marks under section 48(1)(a) of the Ordinance.

The Applicant for Removal's case

15. The applicant for removal claimed that it is and has always been in fact most responsible for the character or quality of the TZEPAO SANPIEN Wine (至寶三鞭酒). The applicant for removal asserted that the TZEPAO SANPIEN Wine (至寶三鞭酒) had its origin in the TZEPAO SANPIEN Pills (至寶三鞭丸) which had been manufactured since the 1930s by the Yantai Pharmaceutical Works (烟台醫藥廠) which is a subsidiary of the applicant for removal. Using the secret formula of the TZEPAO SANPIEN Pills (至寶三鞭丸) as a basis, the skilled staff of the applicant for removal developed the TZEPAO SANPIEN Wine (至寶三鞭酒). The applicant for removal claimed that the formulations of both the TZEPAO SANPIEN Wine (至寶三鞭酒) and TZEPAO SANPIEN Pills (至寶三鞭丸) are confidential to the manufacturers of the respective products but not known to the registered proprietor. All awards, local and international, pertaining to the quality of the TZEPAO SANPIEN Wine (至寶三鞭酒) have been awarded to the applicant for removal, not the registered proprietor. The TZEPAO SANPIEN Wine (至寶三鞭酒) is a “protected” medicinal product such that no one else is allowed to produce medicinal wine under the same name. The registered proprietor was only a trader which “handled” the TZEPAO SANPIEN Wine (至寶三鞭酒) and was not responsible for its production or character and quality.

16. The applicant for removal further claimed that it, not the registered proprietor, would be perceived by the public as being responsible for the character and quality of the TZEPAO SANPIEN Wine (至寶三鞭酒). There have been two types of markings on the packaging and bottles of the TZEPAO SANPIEN Wine (至寶三鞭酒) :

- (i) “中國烟台出品” (manufactured in Yantai China) coupled with “山東省醫藥保健品進出口公司經營” and “Handled by SHANDONG MEDINCINES & HEALTH PRODUCTS IMP. & EXP. CORP.”
- (ii) “中國烟台張裕葡萄釀酒公司出品”; “CHANG YU PIONEER Wine CO YANTAI CHINA”; “出東省醫藥保健品進出口公司經營” and “Handled by SHANDONG MEDINCINES & HEALTH PRODUCTS IMP. & EXP. CORP.”.

17. According to the applicant for removal, marking (i) tells the consumers that the “TZEPAO SANPIEN Wine” was made by an unnamed wine producer in Yantai, China and that the wine produced by the unnamed wine producer is only “經營” or “handled” by the registered proprietor. As the consumers have been told that the wine is made by some unnamed producer in Yantai, China, they would look to that unnamed producer (the applicant for removal) to be ultimately responsible for the character and quality of the wine, not the Respondent, who merely handled it. Marking (ii) makes the position clearer – the consumers were expressly told the name of the proprietor in Yantai, China (the applicant for removal) who produced the “TZEPAO SANPIEN” wine but that the wine is “經營” (“handled”) by the registered proprietor. The consumers would accordingly clearly perceive the applicant for removal to be ultimately responsible for the character and quality of the wine, not the registered proprietor, who merely handled it.

18. The consumers' perception that the applicant for removal is the party ultimately responsible for the character and quality of the wine was further reinforced by advertisements which expressly named the applicant for removal as the producer of the wine without even naming the registered proprietor as the "handler" of the wine.

The registered proprietor's case

19. The registered proprietor claimed that the TZEPAO SANPIEN Wine (至寶三鞭酒) was conceptualised by it as a new product of medicinal wines for the overseas market. It then identified the applicant for removal's factory as a possible manufacturer, gave support to enable it to make and supply the TZEPAO SANPIEN Wine (至寶三鞭酒) for export sales, and went about devising the suit marks. The TZEPAO SANPIEN Wine (至寶三鞭酒) bearing the suit marks and the overseas market for it were created by the registered proprietor between 1965 to 1968. The registered proprietor has single-handedly been responsible for bringing the TZEPAO SANPIEN Wine (至寶三鞭酒) to overseas market including Hong Kong, and has been in a leadership role in marketing the TZEPAO SANPIEN Wine (至寶三鞭酒) overseas.

20. The applicant for approval has always had the China internal sales market, whereas the registered proprietor was the only party in a position to export, in its own right, the TZEPAO SANPIEN Wine (至寶三鞭酒) to overseas market, until the latter exclusive right was shared by agreement, in 1988, such that export by the applicant for removal was done through the registered proprietor as an agent. By agreement between the registered proprietor and the applicant for removal, the packaging for the TZEPAO SANPIEN Wine (至寶三鞭酒) intended for China and that intended to be supplied to the registered proprietor and sold to overseas market are to be different. In respect of the latter, the registered proprietor alone has full control over the manner in which the suit marks are incorporated and how the packaging should look like. This could only be consistent with the conclusion that the suit marks used on the TZEPAO SANPIEN Wine (至寶三鞭酒) bound for places including Hong Kong were and were to be distinctive of the registered proprietor, not the applicant for removal, both by agreement, and as a matter of fact.

Aggrieved person

21. The applicant for removal must first satisfy me, pursuant to section 48(1)(a) of the Ordinance, that it is a "person aggrieved". Ms Tam for the registered proprietor helpfully and properly conceded that the applicant for removal is a "person aggrieved" and entitled to bring these rectification proceedings.

Counsel's submissions on law

22. Strenuous arguments were made by Mr. Yan and Ms Tam as to the proper law which should govern the crucial issue in the present proceedings : rival claims between the applicant for removal as the manufacturer and the registered proprietor as the exporter to the suit marks used in connection with goods manufactured by the former and sold by the latter. In order not to do disservice to Mr. Yan and Ms Tam and to explore the matter thoroughly, I have set out their legal submissions in great details below.

Mr. Yan's submissions

23. Mr. Yan submitted that the main ground relied upon by the applicant for removal is that it is the true proprietor of the goodwill in the suit marks and of the marks so that the registration thereof by the registered proprietor was in fraud of the applicant for removal's rights in the suit marks and the use of the suit marks by the registered proprietor would be likely to deceive or would be disentitled to protection in a court of justice.

24. Mr. Yan submitted that the Hong Kong High Court case *Guangdong Foodstuffs Import & Export (Group) Corporation & Another v. Tung Fook Chinese Wine (1982) Co. Ltd. and Another* [1999] 3 HKLRD 545 is a case directly in point. In the *Guangdong Foodstuffs* case, the first plaintiff (GDF) is a state enterprise in China which exported foodstuffs including rice wine produced by the second defendant, namely "Super Mellow Mijiu" (特醇米酒) and "Shiwan Mijiu" (石灣米酒) from Guangdong to Hong Kong, Macau and other countries. Until January 1995, the first defendant was the exclusive distributor of Super Mellow Mijiu in Hong Kong and the second defendant-by-counterclaim and its predecessor, were the exclusive distributor of Shiwan Mijiu. The two rice wines bore distinctive labels incorporating the GDF's housemark, consisting of the marks, "Pearl River Bridge" (珠江橋牌) and an oval-shaped logo depicting a bridge over a city river (the Pearl River Bridge trade mark) which was registered in Hong Kong in the name of the GDF. Until 1991 the wine labels bore the following words in English, "Production under the supervision of GDF". In January 1995, the first defendant and the second defendant-by-counterclaim introduced for sale in Hong Kong another brand of the Super Mellow Mijiu and the Shiwan Mijiu, namely, the "Zu Miao" (祖廟) brand, which was produced by the second defendant. The first defendant also applied to register its Super Mellow Mijiu label as a trade mark in Hong Kong (the Zu Miao trade mark), omitting the Pearl River Bridge trade mark and GDF's name from the label. The Zu Miao trade mark was registered in May 1995 with a blank space condition. After registration of the Zu Miao trade mark, the first defendant issued warning letters to the trade dealing with the Pearl River Bridge brand Super Mellow Mijiu, threatening legal action against them in passing off and trade mark infringement. The main action in this case is passing off. Mr. Justice Cheung had to deal with the issue of whether the defendants committed passing off, specifically whether GDF was the owner of the reputation and goodwill in the wines and their labels. If GDF was the owner, then there had been passing off by the defendants as the public would be confused by the simultaneous existence on the market of the Pearl River Bridge brand wines and the Zu Miao brand wines. Mr. Yan submitted that Mr. Justice Cheung concluded that as GDF was the owner of the goodwill in the Super Mellow Mijiu wine and its label, the Zu Miao

trade mark belongs to GDF. Therefore the registration by the first defendant should be expunged from the register.

25. I was referred to the following passages at pages 630-633 of the *Guangdong Foodstuffs* case :

“(2) Rectification

The power to rectify entries in the register is governed by s.48 of the Trade Marks Ordinance (Cap. 43) which provides that :

(1) Subject to the provisions of this Ordinance

- (a) any person aggrieved by the non-insertion in or omission from the register of any entry, or by any entry made in the register without sufficient cause, or by any entry wrongly remaining on the register, or by any error or defect in any entry in the register, may apply in the prescribed manner to the Court or, at the option of the applicant and subject to the provisions of s.80, to the Registrar, and the tribunal may make such order for making, expunging or varying the entry as the tribunal may think fit;

I am satisfied that the grounds for rectification have been proved by the plaintiffs :

- (i) The registration was applied for and obtained by Tung Fook (1982) (the first defendant) in fraud of GDF’s right in the label in that the goodwill in the label has been vested with GDF. The label had been in use long before Tung Fook (1982) (the first defendant)’s application in 1993. The label has always been an integral label incorporating the Pearl River Bridge trade mark and GDF’s name in Chinese and English. Section 12(1) of the Trade Marks Ordinance provides that :

- (1) It shall not be lawful to register as a trade mark or part of a trade mark any matter the use of which would be likely to deceive or would be disentitled to protection in a court of justice or would be contrary to law or morality, or any scandalous design.

In *Re Smith Hayden & Co. Ltd.’s Application* (1946) 63 RPC 97, the owners of the mark “Hovis” opposed to an application to register “Ovax” for improvers and moistening agents to be used in making cakes. Evershed J. held :

- (a) (under s.11) [i.e. HK s.12(1)] Having regard to the reputation acquired by the name “Hovis”, is the Court satisfied that the mark applied for, if used in a normal and fair manner in connection with any goods covered by the

registration proposed, will not be reasonably likely to cause deception and confusion amongst a substantial number of persons?

The authors of *Kerly's Laws of Trade Marks and Trade Names* (12th ed.) suggested that the qualification to the principle should be as follows :

It would seem, however, that on the one hand (a) here should rather read : "Having regard to the user of the name 'Hovis' ...", whilst on the other hand the requirement that the deception and confusion be amongst a substantial number of persons is a judicial gloss which needs to be properly and sensibly applied. Also the inquiry must now be directed, both for goods and for services, also to marks for "associated" services or goods.

In *Hong Kong Caterers Ltd. v. Maxim's Ltd.* [1983] HKLR 287, Hunter J. held that in Hong Kong s.12(1) makes the likelihood of deception an independent ground of objection.

- (ii) Tung Fook (1982) was, until 1995, the distributor in Hong Kong of GDF's Super Mellow Mijiu. GDF had, by a licence agreement made in January 1994 licensed Foshan Foods to produce the wine and used the label. Tung Fook (1982) had applied for the registration without notice to or the prior knowledge or consent of GDF.

In *GYNOMIN Trade Mark* [1961] RPC 408, a former agent of a foreign manufacturer, having received in confidence knowledge of the formula of a product of the principal, marketed the product under a trade mark knowing it to be a mark of the former principal, and registered that mark. It was held that in view of the close relationship between the parties and the respondents, knowledge of the information which was communicated to them in confidence, they were not entitled to claim to be the proprietors of the trade mark "GYNOMIN".

- (iii) Tung Fook (1982) is not entitled to claim to be the proprietor of the label because it was merely GDF's distributor of the Super Mellow Mijiu. The reputation and goodwill of the label vested in GDF and not in Tung Fook (1982). Section 13 of the Trade Marks Ordinance enables "any person claiming to be entitled to be registered as the proprietor of a trade mark" to apply for registration. In *Re Inescourt's Trade Mark* (1928) 46 RPC 13, a businessman in Switzerland manufactured and sold self massage rollers under the trade mark "Le Vampire". An English merchant imported the rollers to England and registered the words "Le Vampire" in England. The Swiss merchant applied to expunge the trade mark from the register. The trade mark was struck off, Eve J. said :

The result of the evidence is that the mark was used in this country in connection and as identified with the applicant's goods before the

application to register, and when that application was made it was not open to the respondent to claim successfully any right to the mark for herself.

In the *Australian Law of Trade Mark and Passing Off* by Shanahan, it is stated that :

A manufacturer who has applied a mark to goods to indicate that he or she is the “origin” of the goods is most unlikely to be denied proprietorship because of the activities of some dealer in those goods. The evidence in these cases will generally show that in the hands of the dealer, the mark has retained its initial significance as an indication of the manufacturing source of the product. The dealer does not establish proprietorship by showing only that purchasers look to the dealer as the sole supplier of the goods; they might well do that in recognition of the dealer’s exclusive selling right, while aware all the while that the mark denotes some manufacturing origin. This is particularly likely where the manufacturer is actually identified by the labels or the goods are clearly of foreign origin.

In this case, it is GDF who is identified as the trade source of the wine.”

26. Mr. Yan submitted that the relevant principles pertaining to the determination of the true owner of the goodwill in circumstances such as the present case has been succinctly summarised by the learned author of *Wadlow, The Law of Passing Off* (2nd Edition) 1995 (“*Wadlow*”), in a passage in paragraph 2.53 which has been cited with approval and applied in the *Guangdong Foodstuffs (supra)* at pages 586-590.

27. Paragraph 2.53 of *Wadlow* states as follows :

“Prima facie ownership

Goodwill is legal property. It can be assigned by the owner, dealt with in other ways, and protected against infringement by the action for passing-off. Goodwill is created by trading activities, but it often happens that more than one business is involved in the sequence which results in goods or services being made available to the consuming public. If so, then the question arises of which of those businesses is the owner of goodwill which the law recognises as damaged when a third party passes off his goods or business as those with which the public is acquainted. The problem arises in two main contexts. One is where two or more businesses which have previously worked together fall out. The other is where a passing-off action is brought by a plaintiff who considers himself damaged by the activities of the defendant but who is not, in law, the owner of any relevant goodwill.

The factors which influence the ownership of goodwill were encapsulated by Lord Reid in *Oertli v. Bowman* :

“Bowmans made and marketed the Turmix machines without the appellants [plaintiffs] having controlled or having had any power to control the manufacture, distribution or sale of the machines, and without there having been any notice of any kind to purchasers that the appellants had any connection with the machines.”

There are two distinct, and not necessarily consistent, standards in this passage. One is to ask who is in fact most responsible for the character or quality of the goods; the other is to ask who is perceived by the public as being responsible. The latter is the more important, but it does not provide a complete answer to the problem because in many cases the public is not concerned with identifying or distinguishing between the various parties who may be associated with the goods. If so, actual control provides a less conclusive test, but one which does yield a definite answer.

To expand, the following questions are relevant as to who owns the goodwill in respect of a particular line of goods, or, *mutatis mutandis*, a business for the provision of services :

- (1) Are the goods bought on the strength of the reputation of an identifiable trader?
- (2) Who does the public perceive as responsible for the character or quality of the goods? Who would be blamed if they were bad?
- (3) Who is most responsible in fact for the character or quality of the goods?
- (4) What circumstances support or contradict the claim of any particular trader to be the owner of the goodwill? For example, goodwill is more likely to belong to the manufacturer if the goods are distributed through more than dealer, either at once or in succession. If more than one manufacturer supplies goods to a dealer and they are indistinguishable, the dealer is more likely to own the goodwill.

If none of these gives a result, the goodwill may generally be assumed to belong to the actual manufacturer of the goods.”

28. To summarise, Mr. Yan contended that two main factors must be considered. First, who is in fact most responsible for the character or quality of the goods; and who is perceived by the public as being responsible. If consideration of these factors does not yield a result, the presumption is that the goodwill belongs to the manufacturer. Mr. Yan argued that it must be noted that the passage from *Wadlow* which was cited with approval and applied in the *Guangdong Foodstuffs* emphasises that there is a presumption in favour of the actual manufacturer of the goods. This is re-emphasised in a later message from *Wadlow* in paragraph 2.55 which states as follows :

“Ownership of goodwill has almost always been discussed with reference to specific marks, so that the question “who owns the goodwill of the business in which this mark is used” is equivalent to “of whom is this mark distinctive”. However, the question of ownership of

goodwill is broader and more fundamental because goodwill can exist without being attached to any distinctive trade mark at all. Distinctiveness is a pure matter of fact, but goodwill is legal property. Virtually every business has goodwill, but not all have a name or mark which is distinctive of them.

The cases which do not depend on public recognition are particularly difficult to reconcile with one another, despite the fact that they are relatively few in number. Several in which ownership of goodwill was the crucial issue lack proper reasoning and treat the final result as self-evident. Three dubious presumptions pervade many of the cases, only one of which even reflects a rule of law. This is the presumption in favour of the actual manufacturer of goods. The presumption ought to be displaced if another party has made a greater contribution to their character or quality or is perceived as having done so, but it has sometimes been treated as conclusive.”

29. Mr. Yan said that this presumption in favour of the actual manufacturer of the goods has also been stated and accepted by all the leading textbooks on the subject. I was referred to paragraph 2-21 of *Kerly* which states :

“As pointed out above, there may be cases in which more than one person has a business connection with goods or services and the question may arise whether the mark indicates a connection with business A or business B, or with both.

Where one of the two traders is known to the public as the manufacturer, and the other as only a merchant, the tribunal concerned to decide the question will probably not require very much evidence to show that it is on the producer’s reputation that the purchaser will place reliance, so that the real connection indicated is the connection with the manufacturer. The mere fact that, by contract with the manufacturer, an importer or dealer is given some exclusive right in regard to a particular territory will not normally give the latter any right to the trade mark. On the other hand, a trade mark may indicate the goods of an importer or dealer, although, in fact, it has been applied exclusively to goods of a particular manufacturer. Where an importer, before the trade mark is known at all in the United Kingdom, has honestly registered the mark as his own, his right to the mark will not be displaced by the fact that it may become known that the goods so marked are goods of some foreign manufacturer. The decision in every case depends upon the particular facts, and the use of the *name* of a trader on the goods as sold to the public may be a matter of importance, though not necessarily decisive. The fact that one of the parties invented the mark is not necessarily material, and a servant can have no claim to a trade mark designed by him for his employer.”

30. My attention was also drawn to the textbook *Drysdale & Silverleaf*, *Passing-off Law and Practice*, Second edition 1995, paragraphs 3.13 to 3.14 :

“Reputation as between foreign manufacturer and importer

3.13 It follows that in the case of imported goods, the reputation in the trade marks used is in all cases the reputation acquired in this country and not abroad. Disputes not infrequently arise between the manufacturer and importer over who is entitled to the reputation in England. At

common law as a general rule the owner of the reputation is the foreign manufacturer and not the importer even if the importer is the sole agent or distributor in this country of the goods in question. Thus in *Goodfellow v. Prince* the plaintiff, who was the sole importer of champagne under the label “Le Court et Cie, Reims”, was held not to have a reputation in that name which enabled him to prevent others importing champagne of the same manufacture under it. Similarly in *A/B Manus v R. J. Fullwood & Gland Ltd.* it was held that the reputation in the word “Manus” belonged to the Swedish manufacturer and not to the importer of his goods into England.

3.1.4 However, in some cases the importer has been held to be entitled to the reputation in the mark concerned. This will generally only occur in unusual circumstances, such as where the importer is perceived by the public as the true source of the goods, the fact that they have been manufactured by someone else being unknown to the purchasers and thus irrelevant. Thus, in *J. Defries & Sons Ltd. v. Electric and Ordnance Accessories Co. Ltd.* the defendants had acquired the business of the importers of lamps made to the importers’ order in the USA and sold under the mark “Stewart”. In an action brought by the US manufacturers it was held that the defendants and not the plaintiffs were entitled to the reputation in the mark. A case similar in principle – although here the goods were made in England under licence from the foreign manufacturer – is *Oertli v. Bowman*, where the plaintiffs had granted the defendants an exclusive manufacturing licence to make and sell machines under the mark “Turmix” without first having imported any significant quantities of machines made by them abroad. The plaintiffs exercised no control over the manufacture of machines by the defendants during the term of the licence and it was held that the plaintiffs had accordingly acquired no reputation in the name, nothing having been done by the parties to make the mark distinctive of the plaintiffs. The defendants were accordingly entitled to continue to use the mark after termination of the licence for non-payment of royalties.”

31. The next leading textbook on the subject referred to by Mr. Yan is *Shanahan Australian Law of Trade Marks and Passing Off*, 2nd Edition (“*Shanahan*”). The following passages at pages 41 and 42 of *Shanahan* were quoted by Mr. Yan :

“3. COMPETING CLAIMS OF MANUFACTURER AND DEALER

A dispute as to proprietorship may arise between traders connected in the course of trade in different ways with the same product. Typically, such a dispute will involve the manufacturer of goods and an exclusive importer or distributor of those goods, and the subject is discussed here in that context. However, a conflict of this kind might also occur in relation to a service mark between the performer of the service and the person selling that service, and the stage name cases discussed in Chapter 21 are in this category.

As this problem arises in its most elementary form, the owner of the trade mark is simply the trader whose connection with the product is indicated by the use of the mark. That trader would be the owner at common law, for it would be he or she who could exclude others through proceedings for passing off. But the inquiry will usually be complicated by other factors. One party may have registered the mark or have made some independent use of it before the involvement of the other. The issue may well have been concluded by agreement, either express or to be inferred from the conduct and relationship of the parties. On occasion, indeed it will be found that the mark is jointly owned. But though the problem may sometimes defy any simple

analysis, it will generally be found that if the mark was originally conceived for the purpose of indicating a particular trader's connection with the goods, that trader has managed to retain proprietorship of the mark. The cases fall naturally into two categories, manufacturer's marks and dealer's marks.

Manufacturer's marks

A manufacturer who has applied a mark to goods to indicate that he or she is the "origin" of the goods is most unlikely to be denied proprietorship because of the activities of some dealer in those goods. The evidence in these cases will generally show that in the hands of the dealer, the mark has retained its initial significance as an indication of the manufacturing source of the product. The dealer does not establish proprietorship by showing only that purchasers look to the dealer as the sole supplier of the goods; they might well do that in recognition of the dealer's exclusive selling right, while aware all the while that the mark denotes some manufacturing origin. This is particularly likely where the manufacturer is actually identified by the labels or the goods are clearly of foreign origin.

As Barwick C.J. explained in *Bayer Pharma Pty Ltd v. Farbenfabriken Bayer A.G.* :

It may be that, in some circumstances, what begins as a foreign manufacturer's mark may in time end as the registrable mark of the local distributor of that manufacturer's products or, for that matter, of the distributor's own manufactured goods. But in such cases, at least there must be a clear dissociation from the initial significance of the mark so as to warrant the conclusion that the mark has become exclusively indicative in Australia of the local distributor's goods."

32. My attention was next drawn to *Val's Trade Mark* (1923) 40 RPC 103. A foreign company applied to register a mark consisting of the word "Val" in respect of all substances used as food or as ingredients in food. The application was opposed by the company's sole agent in the United Kingdom on the grounds that the word was invented by him, that the company was instructed to manufacture goods under the mark solely for him for sale within the British Empire, and that the expenses of advertising the mark had been borne by him. It was held by the Comptroller-General that the mere fact of suggesting the word "Val" gave the opponent no claim to registration; (2) that the facts indicated a joint adventure; (3) that the mark should be registered in the joint names of the applicant and the opponent; and that the application should be allowed to proceed on the parties agreeing to this. Mr. Yan said that the registered proprietor in this case more or less relied upon the same grounds as those relied on by the opponent in the *Val's* case. However, it was held that the opponent could not solely own the trade mark on those grounds.

33. A subsidiary and alternative ground relied upon by the applicant for removal is that as the relevant wine exported by the registered proprietor to Hong Kong has, throughout the years since it was first introduced in 1968, always been produced by the applicant for removal, the use of the suit marks by the registered proprietor on wine produced from a different producer would be likely to deceive or cause confusion.

34. I was referred to paragraph 2-22, *Kerly* which states :

“It has been suggested that a mark owned by an importer of foreign goods, whose goods are known (at least to some customers) to be the manufacture of a particular foreign supplier, might be deceptive if used on goods procured elsewhere.”

35. Mr. Yan also relied on the case of “*Diehl*” *Trade Mark* [1970] RPC 435 and quoted to me the following passages by *Buckley J.* at 445-446 :

“The applicant, though anxious to carry on business in this country, has not yet done so. On the other hand, the respondent, though much hampered by the applicant’s refusal to supply the respondent any longer, has managed to obtain some machines and spare parts of the applicant’s manufacture from other sources and has so far managed to continue dealing in and servicing such machines, at any rate to some extent.

Are these changes in the situation such that the use of the DIEHL mark by the respondent is now likely to deceive or cause confusion, and, if so, should it now be expunged from the register or varied?

In *Pan Press Publications Ltd.’s Application* (supra) Wynn-Parry, J. reviewed the authorities and reached the conclusion that where a mark was properly registered in the first instance but has since become calculated to deceive or cause confusion, the court will nevertheless not expunge it from the register if the change is due to circumstances over which the owner of the mark had had no control. The reason for this must, I think, be that the jurisdiction under section 32 is discretionary and the court will not normally in the exercise of its discretion, deprive a registered proprietor of a mark of the benefit of his registration where he has not occasioned or contributed by act or omission to any possibility of deception or confusion which has arisen since the registration.

In the case of *Thorne & Sons Ltd. v. Pimms Ltd.* (1909) 26 RPC 221 the defendant had registered a mark including the words “Glen Thorne, Old Highland Whisky”. The plaintiff had allowed this mark to go on the register upon the footing that, as was then the case, the defendant would only sell whisky of the plaintiff’s manufacture known to the public as Thorne’s Whisky. At the time of registration neither party had any notion that any severance of this relationship between the parties would occur. The defendant subsequently ceased to buy supplies of whisky from the plaintiff and began to sell other whisky under the label which constituted the registered mark. The learned judge held that the label thereupon began to be calculated to deceive; that is to say, to deceive members of the public who bought whisky purveyed by the defendant under the label in question into believing that they were buying whisky made by the plaintiff. The defendant was directly responsible for any deception of this kind which occurred.

In the present case, on the other hand, there is no evidence to suggest that the respondent has sold or intends to sell under its registered mark any machine not manufactured by the applicant. The mark is, in my view, for reasons already indicated in this judgment, distinctive of goods marketed by the respondent, just as *Pimms’* mark was distinctive of whisky sold by *Pimms’*. It may be that, if the respondent were to use its registered mark in relation to goods dealt in by the

respondent but not of the applicant's manufacture, such use would be held to be likely to deceive or cause confusion. That state of affairs has not arisen and I am not called upon to decide the point. So long, however, as the respondent continues to use its mark in respect only of machines or parts made by the applicant, the use of the mark will in no way deceive the public. The respondent's position in the present case is, therefore, very different from that of the defendant in *Thorne v. Pimms*."

36. Mr. Yan submitted that in the present case, the registered proprietor had taken steps to educate the public that the applicant for removal was the manufacturer of the Zhong Ya Brand TZEPAO SANPIEN Wine (中亞牌至寶三鞭酒). The applicant for removal had ceased to supply the medicinal wine to the registered proprietor for export to Hong Kong since 1995. If the registered proprietor now uses the suit marks on the medicinal wine not produced by the applicant for removal, that would deceive the public in Hong Kong. Therefore, the registration of the suit marks should be expunged from the register.

Ms Tam's submissions

37. Ms Tam submitted that the relevant date for the purpose of considering whether the suit marks were capable of distinguishing, or were deceptive, is the date of registration. Evidence of events and circumstances subsequent to the date of registration may only assist in throwing light on the state of affairs on the date of registration, and also the parties' intention and/or agreement on the ownership of the mark, if any. She pointed out that it is trite law that the burden of proof in this application is upon the applicant for removal. Where a mark has been long registered, and the validity of the registration depends on facts which existed at or prior to the date of registration, the court will give the registered owner the benefit of any doubt (see *Kerly*, paragraph 11-67, *In Re Cheseborough Manufacturing's TM* 19 RPC 342 at 354-355 and *In Re Burroughs, Wellcome and Cos. TM* 21 RPC 272 at 225).

38. Ms Tam said that it is not disputed that the tribunal *prima facie* has jurisdiction to entertain the present application. However, even where a case for cancellation is made out, the tribunal always has a discretion whether to expunge the entries in relation to the suit marks from the register (see section 48(1) of the Ordinance and paragraph 11-28 of *Kerly*).

39. Ms Tam contended that in order to make out a case for removal of the suit marks, the applicant for removal has to prove that the suit marks were first used in Hong Kong on the relevant goods by the applicant for removal, not the registered proprietor. This issue involves determining whether the earliest use of the suit marks in Hong Kong was to indicate a connection between the goods and the applicant for removal, or the goods and the registered proprietor. The investigation involves tracing back to the manner of trading in the subject goods during the period between about 1968 up to the dates of registration of the suit marks in 1988.

40. As regards Mr. Yan's reliance on paragraph 2.53 of *Wadlow* and the *Guangdong Foodstuffs* as setting out principles in determining the ownership of goodwill in the suit marks and the *prima facie* presumption in favour of the manufacturer, Ms Tam argued that all these principles are set out in the context of passing-off cases, not in the context of rectification of trade mark cases. Though the *Guangdong Foodstuffs* case dealt with both claims of passing-off and rectification of trade marks, the public perception and the control tests were set out in the case in the context of ownership of goodwill in a passing-off action. In that case, there was no positive evidence for rectification. Therefore, the court relied on the same evidence in passing-off and then found the trade mark was obtained by fraud.

41. Ms Tam submitted that where it is rectification proceedings, the reasoning process and test should not be applied straight away without bearing in mind where the burden of proof lies. Ms Tam referred me to paragraph 2-15 of *Kerly* which states as follows :

“In the earlier days of trade marks, the connection indicated was generally with a manufacturer; and observations may be found in which, no doubt unintentionally, words are used which might suggest that trade marks always indicated a manufacturing source. Such a limitation has never been recognised. There have always been instances in which the reputation behind goods was that of a merchant and not of the actual maker; and in recent times the concept of a trade mark has had a wider scope than that . The 1905 Act listed the various forms for trade connection that it recognised – manufacture, selection, certification, dealing – and since it can hardly be supposed that the present wording is narrower in scope, decisions under that Act admitting marks as trade marks are still of value. Such a list, however, hardly accords with the flexibility of organisation that is now customary. It has been said that

‘There is nothing in the Trade Marks Act ... which requires a proprietor of a registered trade mark to refrain from introducing modifications or variations in the goods to which he applies his mark or in the manner in which they reach the market. If he should find it convenient to transfer manufacture from one locality to another, or procure his supplies from sub-contractors, or arrange for assembly of completed articles by someone of his choice in lieu of doing it himself, these and a vast number of other possible changes in procedure are his sole concern. His mark only becomes vulnerable in this connection if he permits its use in a manner which is calculated to deceive or cause confusion.’ ”

42. In *Guangdong Foodstuffs*, Ms Tam submitted, GDF is very much in a position of trader responsible for arranging processing and production. It is not a wine brewery. The first defendant Tung Fook is like Lee Yuen Cheung Co. Ltd. (利源長有限公司) in the present case. GDF had applied the trade mark intending the public to recognise it as the origin.

43. The following passages in paragraphs 2-15 and 2-16 of *Kerly* were cited by Ms Tam :

“It is in accordance with current business practice that an entrepreneur may do no more than organise the putting of goods upon the market, and yet may cause them to be marked with his

mark. It is submitted that the wording of the present Act is wide enough for that to be use of the mark by him as a trade mark, provided that the purpose of its use is indeed to show that the goods are his and he retains control over the use made of the mark.

Thus a proprietor of a mark who does not himself manufacture the marked goods nor apply the mark, but who retains for himself either the power to control the activities of the trader who actually applies the mark (as where that trader is a subsidiary company of the proprietor), or the power to ensure compliance with manufacturing specifications or standards of quality that he lays down, is sufficiently connected in the course of trade with the goods to which the mark is applied to be properly registered.

The current insistence on control by the proprietor has little logic to it. What matters is that the proprietor is willing, by authorising use of his mark, to put his reputation behind the goods. How he satisfies himself that the goods are suitable for this should no more concern the law of trade marks, than the workshop practices of a manufacturing proprietor do.”

44. My attention was also drawn to the following passage at page 43 of *Shanahan* :

“Dealer’s marks

Notwithstanding the difficulties referred to above, there is a class of case in which the mark is clearly that of the distributor or importer. Here the dealer has “selected” the goods. They have been made to the dealer’s specifications (to the dealer’s “special order”) by a manufacturer (or by several manufacturers) who have applied the mark to the goods at the dealer’s instigation to indicate that the dealer is connected in the course of trade with those goods. In such cases the dealer will usually have nominated the mark to be used; however, the dealer’s proprietorship is not based essentially on that circumstance (though it may well be relevant to the implication of some agreement affecting proprietorship) but on what the mark symbolises, namely, that the goods have been issued under the “aegis” of the dealer.

Effect of registration

Where one party has registered the trade mark, this could affect the issue of proprietorship in two ways. First, it might afford some evidence that the other party had recognised the registered proprietor’s title in the mark (but only where registration was effected with the knowledge of the other party). Secondly, the registered proprietor will have the usual benefits of registration including prima facie validity, prescriptive validity and statutory priority.”

45. My attention was invited by Ms Tam to a number of decisions and I propose to deal with some of them here.

46. In *Radiation Trade Mark* 47 RPC 37, the applicant Radiation Limited applied to register a trade mark consisting of the word “Radiation” in five classes, the applications of which were opposed by the opponents. The applicant Radiation Limited also obtained a trade

mark registration of a similar trade mark in respect of certain gas heating and cooking apparatus. The opponents also applied to rectify this registration. The main grounds for the opposition and rectification were first, the trade mark was not capable of becoming distinctive. Secondly, the mark had not been used as a trade mark and thirdly the applicant had not themselves used the mark as a trade mark within the meaning of the definition of a trade mark in the Trade Marks Act 1905. It was held by the Trade Marks Registry that (1) the word “radiation” was not incapable of becoming distinctive; (2) the word had been used as a trade mark; and (3) the mark had become, in effect, the house mark of the whole group of companies formed by the applicant company and their associated companies, or that, alternatively, the applicant company had used the mark to indicate their “selection” or their “dealing with” the goods within the meaning of the definition in section 3 of the Trade Marks Act 1905. The applications for registration were allowed and the application for rectification refused.

The Comptroller-General observed, at pages 42-43 :

“There remains the question whether the word “Radiation” has been used as a Trade Mark by the Applicants themselves within the meaning of the definition in section 3. It appears that the Applicants hold practically all the shares in a group of associated Companies by whom the gas stoves and other articles are manufactured and marketed, and that apart from such manufacture and sale by the associated Companies the Applicants do not themselves manufacture or sell. The Applicants, however, control the policy of the associated Companies, they decide whether or not a particular article shall be produced and sold by the Companies, and they maintain their own testing establishment and staff of experts who inspect the works of the associated Companies to ensure that the methods of manufacture approved by the Applicants and a certain standard of manufacture are maintained. The Applicants further control the patents worked by the associated Companies and decide whether a patent shall be applied for in respect of any particular invention and by which of the Companies such patent shall be worked.

On behalf of the Opponents it was argued that there is here no user of the word “Radiation” as a Trade Mark by the Applicants, that for the present purpose the Applicants and each of the associated Companies are separate entities, the Applicants merely holding the shares in and receiving the dividends earned by the associated Companies which have their own individual Trade Marks, and that the Applicants have merely licensed the associated Companies to use the Mark “Radiation” and in so doing have destroyed the Mark as a Trade Mark as in *Bowden Wire Limited v. Bowden Brake Company Limited* (1914) 31 RPC 385.”

And at pages 43 to 44 :

“Now I think that I ought to treat this question as a practical one, just as I must so treat the question of distinctiveness of a Trade Mark – See *In re Reddaway’s Application*, (1927) 44 RPC 27 at page 36. If the associated Companies here concerned, although trading separately, had been branches of a single Company or firm, the Head Office of which controlled the branches in the same way as the Applicants control their associated Companies, there is, I think, no doubt that a Trade Mark could properly be held by the Company or firm as a whole, and I think that, treating the question as a practical one, I ought not to say that the form or constitution of the “Radiation” group of Companies is such as to prevent the Applicants from holding a Trade Mark

which indicates the connection of the whole group of Companies with the goods to which it is applied. The Mark “Radiation” in this case becomes in effect the House Mark of the whole group, in addition to which each associated Company (or Branch) may properly use its own individual Mark.

But, even if I am wrong in looking at the group as a whole for the present purpose, I think that the terms “selection” and “dealing with” in the definition of a Trade Mark in Section 3 of the Act of 1905 are wide enough to cover the connection of the Applicants themselves with the goods manufactured and sold by the associated Companies under the conditions I have described. I think that *Mr. Watson* was unduly limiting the scope of the word “selection” when he argued that selection can apply only to goods already in existence. A merchant can, I think, select goods within the meaning of the definition by ordering them to be made by a manufacturer according to a given specification; he could, in such a case, arrange for his Mark to be applied to the goods when they were made and for the goods to be sent direct from the factory to his customer or to his agent to be sold on his behalf. The action of the Applicants in connection with the goods made and sold by the associated Companies is, I think, of an analogous nature. The Applicants select the goods by organising or approving their forms and quality and by taking steps to ensure that the approved standards are maintained by the associated Companies; and the goods are sold by the associated Companies for the ultimate benefit of the Applicants to whom all or substantially all of the profits earned by the associated Companies finally accrue. In these circumstances, I think that it is not extending the meaning of the word “selection” too far to say that it covers this action of the Applicants. But, even if the Applicants do not select the goods within the meaning of the definition, then I think that it may well be that they “deal with” them for the purpose of that definition – it will be observed that the expression is “dealing with” which is I think of a wider nature than the expression “dealing in” which probably covers only buying and selling.”

47. Ms Tam submitted that the *Radiation* case demonstrated that a more remote form of trade connection justifies a claim of proprietorship. She pointed out that the United Kingdom 1938 Trade Marks Act’s definition of a trade mark is wider than that in the 1905 Trade Marks Act.

48. In *Impex Electrical Limited v. Weinbaum* 44 RPC 405, the plaintiffs obtained registration as a trade mark in Classes 8 and 13 of the word “Dario” in respect of thermionic valves. They commenced an action against the defendant for infringing the said trade mark by selling and offering for the sale goods not those of the plaintiffs’ to which the trade mark had been applied. The defendant applied for the rectification of the register by removing the said trade mark therefrom. The defendant contended that, as the plaintiffs imported the goods to which the mark was applied from a foreign manufacturer who was the registered owner in France of the trade mark, the mark was not distinctive of the plaintiffs’ goods, and should not have been registered in their name. It was held by the court that there was no evidence of any user in this country prior to the application for registration of the trade mark or directed to show that the mark was not capable of being distinctive in the United Kingdom or that it was not properly registered, and that there had been *bona fide* user of such mark. The motion to rectify was refused and an injunction to restrain infringement and an enquiry as to damages were granted.

Tomlin J. said at page 410 :

“It seems to me that the whole contention rests on a misapprehension. For the purpose of seeing whether the mark is distinctive, it is to the market of this country alone that one has to have regard. For that purpose foreign markets are wholly irrelevant, unless it be shown by evidence that in fact goods have been sold in this country with a foreign mark on them, and that the mark so used has thereby become identified with the manufacturer of the goods. If a manufacturer having a mark abroad has made goods and imported them into this country with the foreign mark on them, the foreign mark may acquire in this country this characteristic, that it is distinctive of the goods of the manufacturer abroad. If that be shown, it is not afterwards open to somebody else to register in this country that mark, either as an importer of the goods of the manufacturer or for any other purpose. The reason of that is not that the mark is a foreign mark registered in a foreign country, but that it is something which has been used in the market of this country in such a way as to be identified with a manufacturer who manufactures in a foreign country. That, I venture to think, is the basis of the decision in the *Apollinaris* case. It seems to me to be the basis of the decision in the case before Mr. Justice Clauson of *Lacteosote Limited v. Alberman*, and it seems to me to be consonant with good sense.

In the present case, there is no evidence that anybody ever used in this country the word “Dario” in connection with any goods at all or that the word “Dario” has become associated with any goods at all. The only evidence is that, after the plaintiffs had registered their mark, somebody introduced goods into this country with the mark upon them, and why that should not be an infringement of the mark, if it is properly on the register, I am unable to understand. The mark may not have been properly put upon the register because it was not distinctive; but there has been no evidence before me directed to showing that it was not capable of being distinctive. There is no evidence before me upon which I can come to the conclusion under section 37 that the registration was not with a *bona fide* intention to use the same in connection with any such goods. There has in fact been, in my judgment upon the evidence, *bona fide* user in connection with the goods, and that being so, it seems to me impossible to say that a case is made out under section 37 for the removal of this mark.”

49. Ms Tam then cited the case of *Aristoc v. Rysta* 62 RPC 65 in order to indicate the nature and function of a trade mark. Ms Tam submitted that it was held in that case the user in connection with a repair service was not a trade mark user within the meaning of section 68(1) of the United Kingdom Trade Marks Act 1938 as it did not denote a “connection in course of trade” within the meaning of that section. A trade mark had always been used to indicate the origin of the goods, and the Trade Marks Act, 1938 had not changed that fundamental conception of a trade mark. It was not appropriate to use a trade mark to denote a temporary connection with the goods such as a repair service.

Lord Wright observed at page 82 :

“The definition of trade mark in the Act of 1905 was much narrower than that in the Act of 1938. But the Assistant-Comptroller relied on a decision of the Comptroller under the Act of 1905, the *Bradford Dyers* case, reported in 45 RPC, Appendix, page vi; in that case registration of a trade mark for a concern which dyed and finished cloth which it had not manufactured, was upheld.

But two points are to be noted. In that case the applicants were specialists who carried out particular processes in the course of and as part of the manufacture, and did so before the goods were offered to the public in the market. It might thus be said that the goods at the particular stage of the production were the goods of the proprietor of the trade mark by virtue of manufacture, which was enough under the definition in section 3 of the Act of 1905, even though the applicants there were merely sub-contractors to carry out the particular processes which had to be completed before the principal manufacturers could place the goods as vendible goods on the market. The facts of that decision did not therefore furnish any parallel for what the respondents claim to do if they are able to register the trade mark.

The question must now be approached on the basis of the definition in section 68 of the Act of 1938, and in particular the words “used or proposed to be used ... so as to indicate a connection in the course of trade between the goods” and the proposed proprietor of the mark. These are indeed very general words, which replaced the catalogue of specific kinds of connection contained in section 3 of the Act of 1905. They undoubtedly changed the law to some extent, but they did not, in my opinion, change the fundamental idea of the function of a trade mark, which was to indicate the origin of the goods. Lord Macmillan in *Bass v. Nicholson*, [1932] A.C. 130, was fully justified in dwelling on this aspect. I need not repeat the authorities under the old law which support him. I do not think so radical a change in the law could have been intended or can be taken to have been intended by the actual change in language made in the Act of 1938. According to established rules for the interpretation of Statutes, much more specific words would have been necessary. There is a fundamental difference between the “origin” of goods, that is between that which gives them their permanent and essential character before they leave their source of origin, and a mere repair or processing which may be done at any subsequent time and is merely partial and evanescent, like the repair of “ladders” in stockings or the processing or servicing of goods which does not affect their essential character. **The word “origin” is no doubt used in a special and almost technical sense in this connection, but it denotes at least that the goods are issued as vendible goods under the aegis of the proprietor of the trade mark, who thus assumes responsibility for them, even though the responsibility is limited to selection, like that of the salesman of carrots on commission in *Major v. Franklin*, [1908] 1 K.B., 712. By putting them on the market under his trade mark he vouched his responsibility, and the carrots were “his goods” by selection though he was neither the owner nor grower of them. The limitation in the Act of 1938, “in the course of trade”, sufficiently, in my opinion, preserves the essential and characteristic function of the mark. The proprietor is required to be a trader who places the goods before the public as being his goods (my emphasis).** (Ms Tam submitted that this dicta is highly relevant to the present proceedings.) That is the vital connection, not some later partial and ephemeral attribution to someone else. “Trade” is a very wide term : it is one of the oldest and commonest words in the English language. Its great width of meaning and application can be seen by referring to the heading in the Oxford English Dictionary. But it must always be read in its context. That gives it the special connotation appropriate to the particular case. In the Act of 1938 the context shows that “trade” refers to selling or otherwise trading in the goods to which the mark is applied. Thus in section 26(2)(6) we find the words “goods to be sold or otherwise traded in”, the same collocation of words is found in section 31; and again in section 68 in the definition of limitations. These instances show that “trade” is here used in the particular sense of merchanting, selling or the like, which would nowadays include the more modern practices of hire purchase, leasing (for example, of valuable machines), letting out for public use, exporting, etc. But equally it is clear that repairing or processing or the like is not included because it is not trade in the particular sense intended. This construction is consonant with the established user in the past of the word “trade mark” and the established definition of its functions. In my opinion

the Comptroller ought, in exercising his jurisdiction under section 17 of the Act, to have refused to register the trade mark. The registration should in my judgment be held invalid.”

50. Ms Tam submitted that the case *Diehl TM* [1978] RPC 435 is of particular application to the present case. In 1953, the applicants for rectification of the register of trade marks entered into an agreement with the registered proprietors, the respondents on the motion for rectification, whereby the respondents became the sole United Kingdom agents for the sale of the applicants’ DIEHL calculating machines manufactured by the applicants in Germany. Substantial trade was carried out under the agreement before its termination in 1966, the products sold under the mark DIEHL bearing a name plate indicating their manufacture by a German company of that name, as well as a second plate affixed by the respondents bearing their corporate name which included the word “Diehl” and the addresses in London, Birmingham, Manchester and Glasgow. The respondents carried on a substantial service organisation for the maintenance of the calculating machines sold by them, but the German origin of DIEHL goods was known to most of the purchasers. In 1956, the respondents applied without the knowledge or consent of the applicants to register the mark DIEHL. When the respondents had secured the registration they informed the applicants. In 1966 a dispute arose, the agency agreement was terminated, and the applicants ceased to supply the respondents with any more machines. It was held that as by section 46 of the Trade Marks Act the fact of registration was *prima facie* evidence of the validity of the original registration, the onus was on the applicants to displace this *prima facie* evidence. On the evidence it appeared that the mark DIEHL was not manifestly a manufacturer’s mark, but was equally appropriate as an importer’s mark and in these circumstances it was not possible to conclude that the applicants had displaced the *prima facie* evidential effect of the registration of the mark.

51. I was next referred to *J. Defries and Sons Limited v. Electric & Ordnance Accessories Co. Ltd.* (1906) 23 RPC 341. The plaintiffs were the American manufacturers of electrical lamps. In 1896 an English Syndicate called the “Stewart Electrical Syndicate Ltd.” began to sell in England lamps made to their order by the American company, and sold by them under the name “Stewart Arc Lamps”. In 1903, the syndicate was wound up, and in 1904 the Receiver sold its goodwill and its rights to the use of the word “Stewart” in connection with the goods by auction to the defendants, who continued the sale of the goods under that name. The plaintiffs having commenced to sell similar goods under the name “Stewart” sought an injunction to restrain the defendants from selling them under that name. The defendants thereupon counterclaimed for similar relief. It was held that the word “Stewart” as associated with the goods in question was the sole property of the syndicate and its successors the defendants, and the plaintiffs’ action was accordingly dismissed, and an injunction granted to restrain the plaintiffs on the defendants’ counterclaim. (Semble) It seems that “where A in Great Britain orders a certain article to be made for him abroad by B, and it is so made to his special order and imported by him into Great Britain, where he sells it under a name which comes to be associated with it, B cannot stop A from getting the very same article made in Great Britain or elsewhere and selling it under that name”.

Mr. Yan’s submissions in reply

52. Mr. Yan made the following submissions in reply on law. Mr. Yan said that Ms Tam sought to distinguish the *Guangdong Foodstuffs* case and the passages from *Wadlow* by saying that they are to do with passing-off, not to do with ownership of trade mark. Mr. Yan said that this is wrong. If one reads the *Guangdong Foodstuffs* case properly, one would know that Mr. Justice Cheung had to consider both the issues of passing-off and ownership of trade mark in that case. He considered the passing-off action first. He applied the public perception and control tests to the facts of that case and arrived at the conclusion that the goodwill in the trade mark was vested in GDF. He then went on to consider the rectification action and concluded that the trade mark should be rectified by removing it from the register since the goodwill in the trade mark was vested in GDF. When considering competing claims for trade marks between a manufacturer and an exporter as the present case, Mr. Yan submitted that the same public perception and control tests should be applied.

53. Regarding the *Cheseborough* and *Wellcome* cases which were relied upon by Ms Tam in support of her submission that the trade mark registration is *prima facie* evidence of validity, Mr. Yan submitted that they are cases which deal with distinctiveness. Mr. Yan said that if you apply to rectify a trade mark which has been registered for a long time on the ground that the mark was not distinctive as at the date of registration, the court would be very cautious since the test of distinctiveness changes with time. Therefore there is a heavy burden on the applicant for rectification to prove that as at the registration date, the trade mark was not distinctive.

54. Mr. Yan submitted that the *J. Defries* case is totally different from this case. The trade mark in issue in that case is the name of the English Syndicate ordering goods from the American company. Since the mark "STEWART" is the name of the English company, the court held that the trade mark belonged to the English company. The mark "STEWART" had never been the trade mark of the American manufacturer.

55. Mr. Yan submitted that the *Diehl* case is a very problematic case. As pointed out in footnote 30 on page 41 of *Shanahan*, the *Diehl* case has been doubted and much explained in later cases in *Thunderbird Trade Mark* [1976] RPC 285 at 292 (H.C.) and *Tai Muk Kwai v. Luen Hup Medical Company* [1988] 14 IPR 484 at 494 (H.C. of Singapore).

The governing law

56. I have carefully considered the submissions made by Mr. Yan and Ms. Tam and all the legal authorities referred to me by them. To start with, I would like to set out those basic legal principles applicable to these proceedings. Under section 29 of the Ordinance, in all legal proceedings relating to a registered trade mark (including applications under section 48) the fact that a person is registered as proprietor of such trade mark shall be *prima facie* evidence of the validity of the original registration of such trade mark and of all subsequent assignments and transmissions thereof. It is trite law that the burden of proof in these applications is upon the applicant for removal to prove that the entry of the suit marks had been made without sufficient cause as the registered proprietor was not the rightful proprietor of the suit marks.

The relevant date for evidence as to whether the registered proprietor was the rightful proprietor of the suit marks was the date of application for registration (see *Chi Wing and another v. Bensunville Limited* [2002] HKLRD 257 at 270-271). For trade mark nos. B2334 and B2335 of 1993, both of their dates of application for registration are 21 June 1988. Regarding trade mark no. B861 of 1994, the date of application for registration is 6 September 1988. I shall hereinafter refer to these two dates as “the relevant dates” in these proceedings. I cannot take into account post-application matters except those which may assist in throwing light on the state of affairs on the relevant dates.

57. I now go on to consider the substantive law which should govern the present proceedings. Under section 2(1) of the Ordinance, a “trade mark relating to goods” means “a mark used or proposed to be used in relation to goods for the purpose of indicating, or so as to indicate, a connection in the course of trade between the goods and some person having the right either as proprietor or as registered user to use the mark, whether with or without any indication of the identity of that person”. The quoted passage by Lord Wright in the case of *Aristoc v. Rysta* (see paragraph 49 above) gives a very clear explanation of what a trade mark under the corresponding section 2(1) of the Ordinance in UK is and does function. I do not intend to repeat them here.

58. The proprietor of the trade mark relating to the goods is required to be a trader who places the goods before the public as being his goods. “Connection in the course of trade” can be by way of manufacturing, merchanting, selling, leasing, letting out for public use and exporting, etc. In cases in which more than one person has a business connection with the goods like the present one, the mark may indicate a connection with the manufacturer or the exporter, or with both depending on the facts and circumstances of the case. The owner of the trade mark is simply the trader(s) whose connection with the product is/are indicated by the use of the mark.

59. What are the tests to determine the connection that is indicated by the use of the mark? Mr. Yan tried to convince me that they are the control and public perception tests mentioned in *Wadlow* which were cited and applied in the case of *Guangdong Foodstuffs*. In my view, the two tests are appropriate when we determine the ownership of goodwill in the goods or business in the context of a passing-off action. They cannot be adopted directly as the only tests to determine the ownership of the trade mark in the context of the present rectification proceedings. It is clear from the *Guangdong Foodstuffs* case that Mr. Justice Cheung only applied the control and public perception tests in determining the ownership of goodwill in the wine in a passing-off action.

60. Mr. Yan also submitted there is a presumption that the goodwill belongs to the manufacturer of the goods. He said that this presumption has been stated in *Shanahan* and cited with approval in *Guangdong Foodstuffs*. I do not think that Mr. Justice Cheung accepted the presumption as a principle of law in the case of *Guangdong Foodstuffs*. Mr. Justice Cheung said at pages 628 and 629 of the case :

“(7) The manufacturer as owner of the goodwill

Mr. Tang SC referred to *Passing Off Law and Practice* (2nd Ed.) by Drysdale and Silverleaf at para. 3.13 in which it was said that :

... Disputes not infrequently arise between the manufacturer and importer over who is entitled to the reputation in England. At common law as a general rule the owner of the reputation is the foreign manufacturer and not the importer even if the importer is the sole agent or distributor in this country of the goods in question.

In *Van Zeller v. Mason, Cattley & Co* (1907) 25 RPC 37, a wine vineyard known as the Quinta de Roriz and a wine shipping business were originally in the same hands but belonged to different owners at a later date. After the severance, the successors of the wine shipping business registered Kopke Roriz as a trade mark for wine. The owner of the vineyard applied to restrain the owners of the Kopke business of this mark. The defendant shipped to the English market wine of the Kopke Roriz brand although such wine did not contain the products of the vineyard. The court held that the defendants passed off the goods of the defendant as and for the goods of the vineyard.

Many of the cases in this area arose as a result of the dispute between the manufacturer and the importer. However, the conflicting claim of the manufacturer and the importer is not the only situation when one considers the ownership of the goodwill. Hence, I do not find it helpful to rely, as a principle of law, that the goodwill or reputation belongs to that of the manufacturer. Mr. Tang SC is of course right when he said that the mere fact that there was a trade connection between the product and its owner is not sufficient to establish an ownership of goodwill. The trade connection cases relied by the plaintiffs are illustrations of the control exercised by a trade mark proprietor who himself is not the manufacturer. In this case, GDF has clearly satisfied the control test in establishing the ownership of goodwill in the two wines and is successful in its claim based on passing off.”

61. Having said the above, I do not mean that the two tests should be totally ignored in determining the crucial issue of the present case, that is, whether the manufacturer or exporter is the proprietor of the suit marks. It is clear from the various authorities referred to me by Counsel that in determining whether the suit mark indicates a connection in the course of trade between the goods and the applicant for removal as the manufacturer or the registered proprietor as the exporter or both of them, all the facts and circumstances of the case have to be taken into account including the two tests. After all, the decision in every case depends on the particular facts.

62. The factors to be taken into account include who is in fact most responsible for the character or quality of the goods, who is perceived by the public as being responsible, whose reputation the purchasers will place reliance, whether there are agreements, express or implied, between the parties as to the ownership of the trade mark, who has control over the use of the mark and whether one party has made some independent use of the mark before the involvement of the other, etc. However, it is settled law that the exporter or dealer does not

establish proprietorship by showing only that purchasers look to the dealer as the sole supplier of the goods; they might well do that in recognition of the dealer's exclusive selling right, while aware all the while that the mark denotes some manufacturing origin. It was also held in some cases that the fact that one of the parties invented the mark is not necessarily material.

Findings of facts

63. The evidence in these proceedings is voluminous and lengthy submissions on evidence were made by Mr. Yan and Ms Tam. However, I do not think I need to repeat them all here. I prefer to go straight to set out my own findings of facts.

64. Before I set out my findings of facts, I have to first deal with the admissibility of the witness statements attached to exhibit 14 to Li Hong-jun (李洪俊)'s statutory declaration filed by the registered proprietor under Trade Marks Rule 26. Mr. Yan objected to the admissibility of the witness statements. He submitted that none of those statements were made under oath. No weight should be given to them at all since the witnesses cannot be tested by way of cross-examination. In my opinion, the witness statements annexed as an exhibit to the statutory declaration of Li Hong-jun (李洪俊) are undoubtedly hearsay. There is nothing in that declaration explaining why the witnesses could not give the evidence by means of statutory declarations as required by section 83 of the ordinance. As to the admissibility of hearsay evidence in opposition proceedings before the Registrar, I would like to refer to a useful passage found in the decision dated 14 September 2000 of the hearing officer Mr. Kestutis Kripas at pages 13-14 which states as follows :

“53. The applicant bases its entire evidence on the aural dissimilarity in the respective words, relying on the expert opinion of Dr. Kwong. This opinion is contained in a report annexed as an exhibit to the Statutory Declaration of the applicant's solicitor. There is nothing in that Declaration explaining why Dr. Kwong could not give his evidence by means of a Statutory Declaration as required by section 83 of the Ordinance. The purpose of requiring written evidence to be given on oath or by solemn declaration is that it binds the maker to the truth of that evidence on penalty of perjury. This is an important consideration when the tribunal is deprived of observing the demeanor of a witness-in-chief and under cross-examination.

54. Mr. Stewart objects to the admissibility of the report. There is no question that the report is hearsay. In determining whether I can nevertheless admit the evidence and assign what weight I can to it, I must consider the effect of section 15(5) of the Ordinance. That subsection provides that the decision of the Registrar in opposition proceedings shall be subject to appeal to the Court. Section 83(1) of the Ordinance provides that :

‘In any proceeding under this Ordinance before the Registrar, the evidence shall be given by statutory declaration in the absence of directions to the contrary. (There were no directions to the contrary.) ... Any such statutory declaration may in the case of appeal be used before the Court in lieu of evidence by affidavit ...’

55. The effect of this is that, whereas on appeal, the Court could have regard to what Mr. Kam Wai-mei's declares to be true, they could not have regard to the "evidence" of Dr. Kwong as that is "given" otherwise than by statutory declaration, on oath, or by affidavit. It would be wrong in principle that I should have regard to evidence which would not be available to an appellate Court. This view is in accordance with the view taken by Mr. Justice Ferris in *ST. TRUDO Trade Mark* [1995] RPC 370 where he held that the Registrar in the UK was bound by the strict laws of evidence and thereby conducted "civil proceedings". On the law relating to hearsay evidence in civil proceedings as it stood on 13 January 1994 (section 46 Evidence Ordinance Cap. 8) I cannot admit hearsay evidence. For these reasons I consider the evidence of Dr. Kwong as inadmissible."

65. If the tribunal conducts what amounts in law to civil proceedings, it is precluded from, at least at the date of 27 June 1998 (the date of commencing the present proceedings) at which I must apply the law, accepting hearsay evidence. For these reasons, I consider the witness statements inadmissible.

66. I now move on to set out my findings of facts. I find the following facts established by the evidence filed in these proceedings.

67. The registered proprietor was originally named as "中國土產公司青島分公司" which was founded in October 1949. Its name had been changed from time to time. Its name was changed to "中國茶葉土產進出口公司青島分公司" in February 1961 and to "中國山東省土產進出口公司" in April in the same year. It was renamed as "中國茶葉土產進出口公司山東省土產工藝品分公司" in August 1964 and as "中國土產畜產進出口公司山東省土產分公司" in 1972. In November 1986, its name was changed to "中國醫藥保健品進出口公司山東省分公司". In December 1988, its name was changed to the present name of the registered proprietor "山東省醫藥保健品進出口公司" (see paragraph 4 of and exhibit 3 to Li Hong-jun (李洪俊)'s statutory declaration).

68. The registered proprietor was a state-operated corporation and specialised in the import and export of medicinal and health products from the Shangdong province. It handled more than 200 products including Chinese medicinal plants, Chinese patent medicines, medicated liquor, health products, pharmaceuticals and preparations, medical intermediates, medical instruments, biochemical medicines and preparations, medical materials and medical apparatus. Amongst them, more than 20 items were very popular overseas which included Zhong Ya Brand Zanpien (中亞牌三鞭) products consisting of TZEPAO SANPIEN Wine (至寶三鞭酒), TZEPAO SANPIEN Pills (至寶三鞭丸) and TZEPAO SANPIEN Extract (至寶三鞭精) (see exhibit 1 to Li Hong-jun (李洪俊)'s statutory declaration which consists of various catalogues issued by the registered proprietor, in particular page 14 thereof which contains a photograph of all the three aforesaid Zhong Ya Brand TZEPAO SANPIEN products).

69. On page 30 of exhibit 1 to Li Hong-jun (李洪俊)'s statutory declaration which consists of an introduction to a catalogue of products issued by the registered proprietor, it is stated in its first three paragraphs as follows :

“SHANDONG MEDICINES & HEALTH PRODUCTS I/E CORP. located the seashore city Qingdao which is mainly opening port, is a state-operated, large foreign economic and trade specialized corporation with a long history of more than 40 years. It chiefly deals in pharmaceuticals, Chinese traditional medicines, health products, etc.

Foodstuffs & beverage branch, one branch of the corp. not only deals in patent medicine liquor, health products, foodstuffs and beverage, but also deals in the commodities allowed to be freely created by the state policy such as textiles, knitwear, native produce, chemical products, arts & crafts, building materials, etc.

IT's Zhongya Brand Tzepao Sanpien Jiu and Zhanqiao Brand Special Quality Ling Zhi Jiu that are famous for notable curative effect, rich mellowness and steady quality at home and abroad. Our branch has handled the two above-mentioned for more than 20 years and become the largest exporter in China. At the same time, we also keep developing new products with increasing variety and scale.”

In my view, the Zhong Ya Brand TZEPAO SANPIEN (中亞牌至寶三鞭) products were flagship products handled by the registered proprietor which were specifically mentioned in its catalogues.

70. The applicant for removal was established in 1892. As at May 1987, it had two production factories, six production workshops, two maintenance workshops and two grape vineyards. Its main products included brandies, grape wines and medicinal wines (see the feasibility study report in exhibit 15 to Li Hong-jun (李洪俊)'s statutory declaration). It was the producer of Zhong Ya Brand TZEPAO SANPIEN Wine (中亞牌至寶三鞭酒) .

71. There is a great dispute between the applicant for removal and registered proprietor as to their relationship and roles in the developing, producing and marketing of Zhong Ya Brand TZEPAO SANPIEN Wine (中亞牌至寶三鞭酒) . Amongst the evidence produced by the parties, I find that the evidence produced in exhibit 15 to Li Hong-jun (李洪俊)'s statutory declaration is the best evidence in throwing light on the relationship and roles of the parties as at the relevant dates. Unlike many of the other pieces of evidence which were prepared by either the applicant for removal or the registered proprietor after the parties' relationship had broken down and specifically for the purpose of the present proceedings, the documents in exhibit 15 to Li Hong-jun (李洪俊)'s statutory declaration were prepared jointly by both parties at a time when they were still on good terms. More importantly, they were prepared immediately before the relevant dates reflecting the reality at the material time. Last but not least, they were not prepared in contemplation of the present proceedings and were therefore presumably not self-serving.

72. A number of Chinese agreements were produced in exhibit 15 to Li Hong-jun (李洪俊)'s statutory declaration. I propose to deal with them one by one in chronological order :

(1) An agreement entitled “工貿聯營協議書” dated 13 March 1987 (“the 1987 agreement”):

(a) Parties :

The parties to the agreement were set out in Chapter 1 of the 1987 agreement. The applicant for removal was Party A (甲方) and the registered proprietor was Party B (乙方) .

(b) Aim :

The aim of the agreement was clearly set out in its recital which states as follows :

“根據國務院〈關於進一步推動橫向經濟聯合若干問題的規定〉精神，山東烟台張裕葡萄釀酒公司與中國醫藥保健品進出口公司山東省分公司為加強工貿聯合，適應外貿出口發展需要，增加出口貨源，提高藥酒的產量和質量。為國家多創外匯，經雙方充分協商決定，在互惠互利的基礎上，以張裕葡萄釀酒公司藥酒車間為基礎，進行技術改造，建成山東烟台張裕葡萄釀酒公司聯營出口藥酒專廠，雙方達成以下協議：”

It is clear that the aim of the agreement was to set up a joint venture namely, “山東烟台張裕葡萄釀酒公司聯營出品藥酒專廠” between the applicant for removal and the registered proprietor in order to improve the quality of the medicinal wines by reforming the production technology and to increase the quantity of production to meet the needs for export. The joint venture was set up on the basis of the medicinal wine workshop of the applicant for removal.

(c) Business scope and scale of the joint venture :

Chapter 2 of the 1987 agreement states the business scope and scale of the joint venture. The material terms are as follows :

“第二章 生產經營範圍及規模

第五條：聯營企業主要生產經營出口至寶三鞭酒、特質三鞭酒、特質靈芝酒、金雞鐵樹酒等藥酒及其它醫藥保健產品。

第六條：雙方同意對甲方的藥酒車間進行技術改造。設備更新後形成年產2,000噸藥酒的生產能力。聯營後四年內由現有出口的1,300噸，達到2,000噸左右，出口額500萬美元（其中新增至寶三鞭酒700噸）。

第七條：聯營企業的出口產品由乙方負責出口外銷，在完成出口計劃的前提下，出口產品內銷部分由聯營銷售，原有內銷產品的產、供、銷仍由甲方負責，並根據市場銷售情況，努力增加出口新品種，擴大出口外匯。”

The business scope of the joint venture was to produce and export medicinal wines and health products including TZEPAO SANPIEN Wine (至寶三鞭酒). Both the applicant for removal and registered proprietor agreed to reform the production technology of the applicant for removal's medicinal wine workshop in order to achieve a capacity of producing 2,000 tonnes medicinal wine a year within four years after the setting up of the joint venture. I find that it was envisaged that two types of products would be produced under the joint venture: products for export and products for internal sale. For the TZEPAO SANPIEN Wine (至寶三鞭酒) produced by the joint venture for export, the export and sale overseas would be the responsibility of the registered proprietor whereas the internal sale of the surplus of the export products after having fulfilled the target of export would be the responsibility of the joint venture. Regarding the TZEPAO SANPIEN Wine (至寶三鞭酒) produced by the joint venture for internal sale, the sale of it within the Mainland would continue to be the responsibility of the applicant for removal.

(d) Share of capital investment and profits:

Chapter 3 of the 1987 agreement governs the sharing of capital investment and profits. I do not find it necessary for me to go into the clauses in this chapter in detail. The point that I would like to make from those clauses is that both the applicant for removal and registered proprietor were liable to contribute to the capital of the joint venture and share profits therefrom.

(e) Obligations:

Chapter 4 of the 1987 agreement lays down the respective obligations of the applicant for removal (Party A “甲方”) and the registered proprietor (Party B “乙方”) under the joint venture. Clause 13 provides that:

“第13條：聯營企業高級職員由各方推薦，董事會聘用。其它職工由張裕公司配備和推薦，聯營企業接納使用。

甲乙雙方的責任是：

甲方：

1. 聯營企業經上級批准後，甲方負責向工商行政管理局登記註冊，領取管業執照等事宜。
2. 負責聯營企業的基本建設及進口設備和國內配套設備的安裝和調試，提供生產、辦公、生活設備及技術生產管理人員配備。
3. 具體負責聯營企業的經營管理，認真落實和實施各項經濟責任制，不斷提高經濟效益。
4. 向乙方提供符合出口質量的至寶三鞭酒、特質三鞭酒、特質靈芝酒、金雞鐵樹酒等藥酒。並保證上述產品全部提供給乙方出口不再向第三者提供。
5. 負責產品質量的檢測，建立健全檢測機構，採用先進的管理辦法，提高產品質量。
6. 積極開拓新產品出口。
7. 配合乙方搜集國內外市場信息，向乙方介紹推薦客戶。
8. 參加討論引進設備，提供有關資料。

乙方：

1. 負責解決進口設備所需的60萬美元外匯額度和配套人民幣270萬元，負責從國外引進所需設備。
2. 負責聯營企業的產品外銷出口，聯營企業在四年內，藥酒年產量達到2,000噸左右，要按時收購，並執行合理的價格，當原材料價格波動，影響成本1.5%以上，雙方應及時協商。採取切實措施（包括適當調整價格）使聯營廠的利潤平均保持在同行業合理的利潤率水平。

3. 負責聯營企業所需進口原材料的供應，並協助聯營企業解決部分國內緊缺原材物料。
4. 負責提供國外市場信息，及國外樣品，負責新產品的推銷。
5. 積極支持聯營企業發展生產，保證不向第三者提供聯營企業產品生產、經營的有關資料，保證不經營聯營企業以外第三者生產的同種的產品。
6. 負責辦理聯營企業委託的其它事宜。
7. 烟台土產進出口支公司受省公司委託負責工貿雙方聯系事宜提供中間服務。”

It is clear from obligations 2, 3, 4 and 5 of the applicant for removal that it was responsible for the daily running of the joint venture which produced the TZEPAO SANPIEN Wine (至寶三鞭酒). It was also responsible for quality testing of the wine products and supplying the registered proprietor with TZEPAO SANPIEN Wine (至寶三鞭酒) which conformed to the quality for export. As for the registered proprietor, by obligation 1 of the registered proprietor, it was responsible for bringing in the necessary facilities from overseas and raising the necessary funds for importing such facilities. Pursuant to obligation 2, it was responsible for the export sale of the products of the joint venture. It was obliged to buy the products from the applicant for removal at a reasonable price. When the price for the raw materials of the wine fluctuated which affected the production costs by more than 1.5%, the applicant for removal and the registered proprietor would negotiate for practical measures (including price adjustment for the products) to maintain a reasonable profit for the joint venture. Under obligation 3, the registered proprietor was responsible for the supply of imported raws materials for the wine and for assisting the joint venture to solve any problems regarding the lack of supply of raw materials for the wine within China. By obligation 4, the registered proprietor was responsible for providing overseas market information.

(f) Term of the 1987 agreement :

Pursuant to clause 14 of the 1987 agreement, the term of the joint venture agreement was 15 years.

(g) The Board of Directors :

Chapter 6 of the 1987 Agreement provides as follows :

“第六章 董事會

第十五條：聯營企業設立董事會，應在合同批准後一個月內成立。

第十六條：董事會以甲方四名，乙方四名共八名組成。董事長由乙方委派，副董事長一名由甲方委派。董事長、副董事長、董事的任期四年。經委派方同意可連任，均以書面委派和撤換。

第十七條：董事會是聯營企業的最高權力機構，有權決定或處理本企業的一切重大事宜。對於重大問題（在合同章程中另行規定）應根據平等互利的原則，友好協商一致通過決定，對其它事宜可採取六名以上多數通過決定。”

The Board of Directors of the joint venture consisted of eight members, four from the applicant for removal and four from the registered proprietor. The Chairman of the Board would be appointed by the registered proprietor whereas the Vice-Chairman would be appointed by the applicant for removal. The Board of Directors were the highest authority of the joint venture responsible for deciding on and dealing with all the important matters of the joint venture. In my opinion, both the applicant for removal and registered proprietor had equal representation on the Board and none of them had a dominant role.

(2) Feasibility Study Report made in May 1987 :

(a) Parties and Aim :

This report was jointly prepared by the applicant for removal and the registered proprietor. The project name of this feasibility study report is “烟台張裕公司擴大出口三鞭酒技術改造工程”. The parties which were stated to be in charge of the project were the applicant for removal and the registered proprietor. The main purpose of this report was to study the feasibility of improving and reforming the production technology of the applicant for removal’s medicinal wine workshop in order to achieve a target of exporting 2,500 tonnes of medicinal wine including TZEPAO SANPIEN Wine（至寶三鞭酒）. The significance of this feasibility study report for the purpose of these proceedings is that before setting out the feasibility study, the report traced the history of the production of the medicinal wine including TZEPAO SANPIEN Wine

(至寶三鞭酒) as background information. Such background information throws light on the relationship and the roles of the applicant for removal and registered proprietor at the material time.

(b) Material Clauses :

Clause 3 on page 4 of the feasibility study report provides that :

“3. 我廠生產的至寶三鞭酒、特質三鞭酒、金雞鐵樹酒是根據中國醫藥保健品進出口公司山東省分公司提供的國際信息和對產品的具體要求研制成功的。同時對國內緊缺配方原料，包裝物料該公司均負責給予解決，保證供應，產品出口全部由該公司統一經營銷售。”

I accept the submissions of Ms Tam that this clause clearly documents how the TZEPAO SANPIEN Wine (至寶三鞭酒) came to be born. It was created according to the international market situation and concrete requirements provided by the registered proprietor to the applicant for removal. The registered proprietor also guaranteed the supply of raw and packaging materials for the wine. The final products TZEPAO SANPIEN Wine (至寶三鞭酒) were all exported, marketed and sold by the registered proprietor. It appears that Clause 3 was drafted by the applicant for removal as it starts with “我廠” meaning “my factory”.

Clause 4 on page 4 of the feasibility study report states that :

“4. 由于我廠藥酒質量穩定，並且具有治病滋補的雙重作用。深受國外用戶的歡迎。目前出口主銷港澳地區、星加坡、馬來西亞、泰國。其次日本，少量銷往美洲、澳洲等地。近十年來，我公司生產的三種藥酒出口，每年可為國家創匯200萬美元至400萬美元。特別是至寶三鞭酒最高年（1984年）出口量達13萬箱。創匯360萬美元。居全國藥酒出口首位，在全國出口藥酒中各項經濟指標均佔第一位。被列為中國醫藥保健品進出口總公司的骨幹名牌出口商品。”

In my view, it was specifically acknowledged by the applicant for removal in clause 4 that TZEPAO SANPIEN Wine (至寶三鞭酒) is the registered proprietor's holding company's flagship brand. Again, clause 4 appears to have been drafted by the applicant for removal as it starts with “由於我廠” meaning “since my factory”.

Clauses 3, 4 and 5 on pages 5 and 6 of the feasibility study report state as follows :

“三. 研究結論

1. 企業基礎條件

烟台張裕公司建于1892年，產品質量好，聲譽高，三個品種的藥酒是我國獨家生產，並分別為國優和省優產品。經濟效益高，且全部出口，是一個創匯較大的企業。技術力量和工廠設施基礎較好。所用藥材由中國醫藥保健品進出口公司山東分公司，保證供應和本省景芝白酒作原料後盾。形成了本企業生產名優藥酒的明顯優勢是一個具有良好發展條件的企業。

四：銷售預測

我廠生產的藥酒，十幾年來受國外用戶的歡迎，所生產的藥酒產品全部出口均由中國醫藥保健品進出口公司山東分公司統一經營銷售。

五：原料和包裝材料的供應

生產藥酒對國內緊缺的配方原料，均由中國醫藥保健品進出口公司山東分公司負責，對生產優質藥酒提供了保證條件。”

Once again, the applicant for removal acknowledged in the feasibility study report that the supply of the raw materials for producing the TZEPAO SANPIEN Wine (至寶三鞭酒) was guaranteed by the registered proprietor. In a way, the quality of the TZEPAO SANPIEN Wine (至寶三鞭酒) was guaranteed by using good quality raw materials.

(3) 工貿聯營出口藥酒補充協議書 made on 10 May 1988 :

This is the first supplemental agreement to the 1987 agreement (“the first supplemental agreement). It recorded that the joint venture between the applicant for removal and the registered proprietor namely, “烟台張裕葡萄釀酒公司聯營出口藥酒廠” was set up on 4 November 1987.

(a) Parties :

The first supplemental agreement was made between the registered proprietor as Party A (甲方) and the applicant for removal as Party B

(乙方)。There was a Party C (丙方) namely, “山東省土產進出口公司烟台支公司” which I think was a company associated with the registered proprietor. In the first supplemental agreement, a reference to the registered proprietor (Party A) (甲方) included a reference to the associated company (Part C) (丙方).

(b) Aim of the first supplemental agreement :

The aim of the first supplemental agreement was stated in the first paragraph thereof which reads :

“八八年五月十日甲乙雙方經過進一步協商，一致認為，在聯營企業有效期限內，在遵守聯營企業的協議及章程規定的基礎上，雙方願進一步密切合作，共同搞好聯營出口，同時，為適應乙方自營出口的要求，雙方在友好地氣氛中通過充分協商，達成補充協議如下：貨源分配比例，乙方生產的各種至寶三鞭酒、特質三鞭酒、特質靈芝酒、金雞鐵樹酒等藥酒，不分基數內外，實行“三、七”分成。其中甲方70%，乙方30%；雙方各自承擔國家下達的相應比例的收匯指標，上交外匯指標和享受國家給予的人民幣補貼額的三項指標。”

It appears that at the request of the applicant for removal and to prepare the applicant for removal for exporting the TZEPAO SANPIEN Wine (至寶三鞭酒) in its own right instead of selling them all to the registered proprietor, the first supplemental agreement was made (without prejudice to the terms of the 1987 agreement) and it was agreed between the parties that the applicant for removal would allocate 30% of the produced TZEPAO SANPIEN Wine (至寶三鞭酒) to itself and sell 70% of them to the registered proprietor.

(c) Material terms :

(i) As for the export of the TZEPAO SANPIEN Wine (至寶三鞭酒), it was agreed in clause 2 of the first supplemental agreement that :

“二、藥酒出口做法，鑒於乙方目前尚不完全具備獨立出口條件，並考慮到藥酒出口實行外商獨家經銷的傳統方式，且甲方已在國外實行商標註冊，為穩定市場，擴大出口創匯，乙方經營出口的30%貨源，目前仍委託甲方實行代理出口，甲乙雙方均應按國家規定的有關代理出口辦法承擔相應的權利和義務。”

As the applicant for removal had not yet been fully equipped to do export trade on its own and also having considered that the registered proprietor had registered trade marks overseas, the 30% of the produced TZEPAO SANPIEN Wine (至寶三鞭酒) allocated to the applicant for removal would still be exported by the registered proprietor on the applicant for removal's behalf. As a result, the registered proprietor would export 70% of the produced TZEPAO SANPIEN Wine (至寶三鞭酒) in its own right as a principal and 30% of those as an agent for the applicant for removal. It follows that the applicant for removal would be responsible for 30% of the advertising and other necessary expenses for the exported TZEPAO SANPIEN Wine (至寶三鞭酒). However, the overall planning and budgeting for the advertising plans would be the responsibility of the registered proprietor after consultation with the applicant for removal.

(ii) Clause 4 of the first supplemental agreement provides that :

四、關於出口藥酒在國內銷售問題，出口藥酒安排在國內銷售應從包裝、商標、文字說明與外銷產品嚴格區別開來，按工貿聯營補充協議書規定的內銷辦法繼續執行完畢。今後內銷貨源的分配另行研究。”

It was agreed between the parties that as regards the medicinal wine for internal sale within China, their packaging and trade mark should be clearly different from those for export sale.

Certain obligations were laid down on the applicant for removal and registered proprietor in relation to the aforesaid change of products allocation in the first supplemental agreement which I think are not material to the present proceedings. However, it is important to note that the basic obligations of the parties in the joint venture for the production and export of TZEPAO SANPIEN Wine (至寶三鞭酒) remained unchanged after the first supplemental agreement.

(4) 工貿聯營出口藥酒補充協議書 dated 18 December 1992 :

This is the second supplemental agreement to the 1987 agreement (“the second supplemental agreement”). The parties to this second supplemental agreement were the same as those to the first supplemental agreement. As the second supplemental agreement was made well after the relevant dates, I do not think I

need to go through the terms of this agreement in detail. There are, however, two particular clauses I would like to refer to, that is, clauses 5 and 7.

(i) Clause 5 states that :

“五、商標問題和條形碼問題

至寶三鞭酒、特質三鞭酒的商標是“中亞牌”，在國內不屬於三方的任何一方。“中亞牌”商標在國外已由甲方登記註冊，因此屬甲方所有。“棧橋牌”商標，甲方在國內外均已註冊，在國內外均屬甲方所有。在三方聯營工作期間，甲方願無償提供給乙、丙兩方新研製的新商品，不可再使用“棧橋牌”商標和“中亞牌”商標，如需使用以上商標，按商標法規定辦理。

各種規格三鞭酒、靈芝酒、金雞鐵樹酒，已由甲方辦理條形碼的註冊手續，獲得擁有和使用權，在三方合作期間，甲方允許乙、丙使用條形碼，使用前，與甲方簽定協議書。”

In my view, it was acknowledged by the parties in Clause 5 that the trade mark Zhong Ya Brand (中亞牌) for TZEPAO SANPIEN Wine (至寶三鞭酒) had been registered by the registered proprietor in overseas countries and was therefore owned by the registered proprietor. Only Zhong Ya Brand (中亞牌) was mentioned here. In my view, a reference to “中亞牌” (Zhong Ya Brand) here includes a reference to all the suit marks as in actual use, all the three suit marks including “中亞牌” (Zhong Ya Brand) were found on the packaging box and wine label on the bottle of the TZEPAO SANPIEN Wine (至寶三鞭酒) and the parties have all along referred to the trade mark of the subject medicinal wine as Zhong Ya Brand (中亞牌). Presumably, the parties were aware of the registration of the suit marks in Hong Kong in the name of the registered proprietor. At least up to 1992, the parties were in agreement that the registration of the suit marks in Hong Kong belonged to the registered proprietor. Furthermore, it was agreed by the parties that the “中亞牌” (Zhong Ya Brand) for the medicinal wine did not belong to the applicant for removal or the registered proprietor within Mainland China. It is interesting to note from Li Hong-jun (李洪俊)’s statutory declaration filed on behalf of the registered proprietor that while the registered proprietor had registered the suit marks in Hong Kong, they had not obtained any trade mark registration for the suit marks in China which is entirely consistent with the parties’ aforesaid agreement.

(ii) Clause 7 provides that :

“七、包裝物料的供應及彩合落款問題

出口商品包裝（彩合、瓶貼、紙箱）的生產安排、甲方所需包裝仍由甲方自行安排，乙方和丙方的商品包裝按原渠道辦理，包裝差價由各方分擔。

三方同意將原出口藥酒的外包裝上印制的”“中國烟台出品”改為“中國烟台張裕葡萄釀酒公司出品”，對現存包裝進行清點，能使用的繼續使用，不能使用需報廢的，由乙方承擔報廢損失。”

It is clear from the first paragraph of Clause 7 that up to the date of the second supplemental agreement in December 1992, the production of the packaging materials of the medicinal wine for export sale including the packaging box containing the bottle of wine and the wine label stuck on the bottle on both of which the suit marks appear were all arranged by the registered proprietor. It was further agreed by the parties in paragraph 2 of Clause 7 that for the first time, the exact name of the applicant for removal was to be put on the packaging materials of the medicinal wine for export sale as a source of manufacture. That was in 1992, a few years after the relevant dates.

73. Having carefully considered the above Chinese agreements and the feasibility study report, I have come to the conclusion that the TZEPAO SANPIEN Wine（至寶三鞭酒）was created according to the international market situation and concrete requirements provided by the registered proprietor to the applicant for removal. The supply of raw materials for producing the wine was guaranteed by the registered proprietor who was also responsible for providing overseas market information. The actual production of the wine was the responsibility of the applicant for removal who owned the medicinal wine distillery and workshop. The registered proprietor was also responsible for the supply of packaging materials of the wine which bore the suit marks. The final products Zhong Ya Brand TZEPAO SANPIEN Wine（中亞牌至寶三鞭酒）were exported, marketed and sold by the registered proprietor. The wine turned out to be a success in the overseas market.

74. In view of the success of the wine, the parties entered into an agreement on 13 March 1987 to set up a joint venture with a aim to improving the quality of the medicinal wines and increasing the quantity of production to meet the needs for export. The joint venture was formally set up in November 1987.

75. In my judgment, as at the relevant dates, there was a joint venture between the applicant for removal and the registered proprietor for the production, marketing and sale of the Zhong Ya Brand TZEPAO SANPIEN Wine（中亞牌至寶三鞭酒）both within and outside Mainland China. Both parties were responsible for the production of the medicinal wine in that the applicant for removal contributed in the daily running of the medicinal wine workshop

which produced the medicinal wine and tested their quality whereas the registered proprietor contributed in the supply of imported raw materials, machinery, facilities and the knowledge and experience of the overseas market. As to the marketing and sale of the medicinal wine, there was an agreement between the parties that while the applicant for removal had the China internal sales market, the registered proprietor was in charge of the overseas market. The medicinal wine was to be placed in the overseas market by the registered proprietor as its goods. The registered proprietor was free to apply the suit marks on the exported Zhong Ya Brand TZEPAO SANPIEN Wine (中亞牌至寶三鞭酒) and to apply for registration of those trade marks in the overseas market. In my view, the 1987 agreement simply confirmed the then existing status between the parties, reflecting what had been done by the parties in the past years. Save there was a change in the products allocation, the first supplemental agreement in 1988 did not change the terms of the 1987 agreement.

76. I now turn to the evidence regarding the use of the suit marks in Hong Kong. It is not disputed by the applicant for removal and the registered proprietor that Lee Yuen Cheung Co. Ltd. (利源長有限公司) was at the relevant dates a Hong Kong company which was the sole distributor in Hong Kong of the medicinal wine Zhong Ya Brand TZEPAO SANPIEN Wine (中亞牌至寶三鞭酒). The point in dispute is that both parties claimed that Lee Yuen Cheung Co. Ltd. (利源長有限公司) was appointed by them as the sole distributor in Hong Kong. Therefore, the use of the suit marks by Lee Yuen Cheung Co. Ltd. (利源長有限公司) in Hong Kong was use on their behalf and could be attributed to them.

77. In exhibit 16 to Li Hong-jun (李洪俊)'s statutory declaration, a bundle of copy Sole Distributor Agreements (獨家經營合同) made between the registered proprietor and Lee Yuen Cheung Co. Ltd. (利源長有限公司) from 1972 to 1991 were exhibited. The earliest one dated back to 24 April 1972 (see page 20 of exhibit 16). In the 1972 agreement, the registered proprietor agreed to appoint Lee Yuen Cheung Co. Ltd. (利源長有限公司) to sell in the territory of Hong Kong and Kowloon, amongst other products, the TZEPAO SANPIEN Wine (至寶三鞭酒) supplied by the registered proprietor for a half year term and Lee Yuen Cheung Co. Ltd. (利源長有限公司) agreed to accept the appointment. By clause 13 of the 1972 agreement, the advertising and promotion plans would be prepared by Lee Yuen Cheung Co. Ltd. (利源長有限公司) and the contents thereof had to be reviewed and approved by the registered proprietor. The registered proprietor would then appoint Teck Soon Hong to handle the distribution of advertising materials. The advertising charge would be 10% of the value of actual delivery and would be borne by the vendor (the registered proprietor). Pursuant to clause 14(2) of the agreement, throughout the term of the agreement, the registered proprietor would not supply to any other party in the territory of Lee Yuen Cheung Co. Ltd. (利源長有限公司) the TZEPAO SANPIEN Wine (至寶三鞭酒) and Lee Yuen Cheung Co. Ltd. (利源長有限公司) would not deal with other commodities which were identical to or similar to or competitive with the TZEPAO SANPIEN Wine (至寶三鞭酒) not supplied by the registered proprietor.

78. The Sole Distributor Agreement (獨家經營合同) that is closest in time to the relevant dates is dated 18 October 1987 made between the registered proprietor and Lee Yuen Cheung Co. Ltd. (利源長有限公司) (see page 34 of exhibit 16). The term of this agreement was also for a half year up to 15 April 1988. This agreement had similar terms to those of the 1972 agreement save that as to the advertising expenses, both the registered proprietor and Lee Yuen Cheung Co. Ltd. (利源長有限公司) would be responsible. Following the 1987 agreement, an appointment letter (委託書) which was made between the registered proprietor and Lee Yuen Cheung Co. Ltd. (利源長有限公司) on 17 April 1988 was also exhibited on page 298 of exhibit 16. In this letter of appointment, the registered proprietor agreed to appoint Lee Yuen Cheung Co. Ltd. (利源長有限公司) to sell Zhong Ya Brand TZEPAO SANPIEN Wine (中亞牌至寶三鞭酒) handled by the registered proprietor in the territory of Hong Kong for a term of ten years and Lee Yuen Cheung Co. Ltd. (利源長有限公司) agreed to accept the appointment. Clause 2 of the letter of appointment is similar in terms to clause 14(2) of the 1972 and 1987 Sole Distributor Agreements. Clause 5 of the letter of appointment provides that :

“為維護本協議第一條所列商品在經銷地區的權益，甲方需將有關之商標及圖案在上述經銷地區註冊，費用由甲方負責，註冊手續由乙方全權辦理。此外，乙方應負責防止他人假冒及影射，如有類似事件發生，乙方應查明情況，並盡早報告甲方，以便雙方研究採取有效措施；如在乙方認為適當之情況下，乙方可代表甲方採取有效的法律行動以防止侵犯有關商標的權益。”

79. Clause 5 states that in order to protect the interest of Zhong Ya Brand TZEPAO SANPIEN Wine (中亞牌至寶三鞭酒) in Hong Kong, the registered proprietor would register the relevant trade mark and device in Hong Kong. The registration fees should be borne by the registered proprietor whereas the registration procedure should be done by Lee Yuen Cheung Co. Ltd. (利源長有限公司) on the registered proprietor's behalf. Lee Yuen Cheung Co. Ltd. (利源長有限公司) was responsible for preventing other parties from infringing and passing-off the relevant trade mark and device for Zhong Ya Brand TZEPAO SANPIEN Wine (中亞牌至寶三鞭酒). Should Lee Yuen Cheung Co. Ltd. (利源長有限公司) be aware of any passing-off and infringement of the relevant trade mark and device for Zhong Ya Brand TZEPAO SANPIEN Wine (中亞牌至寶三鞭酒), Lee Yuen Cheung Co. Ltd. (利源長有限公司) should investigate the matter and inform the registered proprietor as early as possible in order to take effective measures and actions. If Lee Yuen Cheung Co. Ltd. (利源長有限公司) considered appropriate, it could take effective legal action on the registered proprietor's behalf in order to prevent the infringement of the relevant trade mark and device. This clause is entirely consistent with my finding above that it was agreed between the applicant for removal and the registered proprietor that the registered proprietor had the overseas market and would apply for the registration of the suit marks in the overseas market.

80. A huge bundle of copy sales confirmations, sales contracts, invoices and shipping documents were exhibited in exhibits 8 and 16 to Li Hong-jun (李洪俊)'s statutory declaration which serve to establish the fact that the registered proprietor had sold to Lee Yuen

Cheung Co. Ltd. (利源長有限公司) the Zhong Ya Brand TZEPAO SANPIEN Wine (中亞牌至寶三鞭酒) in the period from 1972 to 1995. Another huge bundle of delivery orders (送貨回單) between 1987 to 1997 showing the delivery of TZEPAO SANPIEN Wine (至寶三鞭酒) by Lee Yuen Cheung Co. Ltd. (利源長有限公司) to a large number of wholesalers and retailers in Hong Kong were produced in exhibit 3 to Li Sung-lun (李崇倫)'s statutory declaration. The sales of the wine in Hong Kong were very substantial. Although the sales figures given by the applicant for removal and the registered proprietor were different (see paragraph 9 of Li Hong-jun (李洪俊)'s statutory declaration and paragraph 3 of Li Sung-lun (李崇倫)'s statutory declaration), I think it would be acceptable to both parties that the sales of the medicinal wine in Hong Kong in 1987 and 1988 amounted to at least over HK\$10 million each year.

81. On the evidence, I find that Lee Yuen Cheung Co. Ltd. (利源長有限公司) was from 1972 to 1995 the sole distributor of Zhong Ya Brand TZEPAO SANPIEN Wine (中亞牌至寶三鞭酒) in Hong Kong appointed by the registered proprietor. The sale of the TZEPAO SANPIEN Wine (至寶三鞭酒) in Hong Kong by Lee Yuen Cheung Co. Ltd. (利源長有限公司) to the local wholesalers and retailers from 1972 to 1995 was all done on behalf of the registered proprietor. This finding is, I think, entirely consistent with my analysis of the various Chinese agreements reached between the applicant for removal and the registered proprietor in that the export, marketing and sale of the Zhong Ya Brand TZEPAO SANPIEN Wine (中亞牌至寶三鞭酒) outside Mainland China would completely be in the hands of the registered proprietor.

82. At this juncture, I think it is convenient for me to come to the evidence on the manner in which the suit marks have in fact been used in respect of the medicinal wine Zhong Ya Brand TZEPAO SANPIEN Wine (中亞牌至寶三鞭酒). The medicinal wine was contained in a glass bottle. A wine label was stuck on each bottle of the medicinal wine. Trade mark no. B2334 of 1993 was more or less a reproduction of the wine label excluding some descriptive wording appearing thereon. Trade mark no. B861 of 1994 consisting of the two Chinese characters “至寶” were found in the wine label but in the form of Chinese simplified characters “至寶”. Each glass bottle of the medicinal wine was individually packaged in a cardboard rectangular box. On one of the four side-panels of the packaging box, there was a drawing of the glass bottle of the medicinal wine with some border design. Trade mark no. B2335 of 1993 was more or less a reproduction of the part of the paper packaging consisting of the drawing of the bottle of medicinal wine and the border design excluding some descriptive wording appearing thereon.

83. It is clear from the evidence that before the relevant dates, there had been only one type of marking on the packaging (paper box) and bottles (the wine labels) as follows :

“中國烟台出品” (manufactured in Yantai, China) coupled with “山東省醫藥保健品進出口公司經營” and “Handled by SHANDONG MEDICINES AND HEALTH PRODUCTS IMP. AND EXP. CORP.”

84. To recapitulate my analysis of the second supplemental agreement made between the applicant for removal and the registered proprietor, it was clearly stated in paragraph 2 of clause 7 of the second supplemental agreement that “三方同意將原出口藥酒的外包裝上印製的“中國烟台出品”改為“中國烟台張裕葡萄酒公司出品”，對現存包裝進行清點，能使用的繼續使用，不能使用需報廢的，由乙方承擔報廢損失。” The second supplemental agreement was made on 18 December 1992. Therefore, it is clear from clause 7 that up to December 1992 well after the relevant dates, so far as the identity of manufacturer was concerned, the markings on the packaging and bottles only consisted of the Chinese characters “中國烟台出品” (manufactured in Yantai, China). The name of the applicant for removal was neither shown on the packaging nor on the bottles. It was agreed for the first time by the applicant for removal and the registered proprietor in the 1992 second supplemental agreement that the marking “中國烟台出品” (manufactured in Yantai, China) should in the future be changed to “中國烟台張裕葡萄酒公司出品” (manufactured by CHANG YU PIONEER WINE COMPANY LIMITED YANTAI CHINA, the former name of the applicant for removal).

85. Mr. Yan argued that the pre-1992 markings on the packaging and bottles tell the consumers that the TZEPAO SANPIEN Wine (至寶三鞭酒) was made by an unnamed wine producer in Yantai, China and that the wine produced by the unnamed wine producer is only “經營” or “handled” by the registered proprietor. As the consumers have been told that the wine is made by some unnamed producer in Yantai, China, they would look to that unnamed producer “the applicant for removal” to be ultimately responsible for the character and quality of the wine, not the registered proprietor who merely handled it. It matters not that the producer in Yantai, China is unnamed. Mr. Yan put a lot of colour on the two characters “經營” or the word “handle” used on the packaging and bottles of the medicinal wine. He submitted that the present case was to be distinguished from the *Guangdong Foodstuffs* case in that the wine labels bore the Chinese characters “廣東食品進出口公司監製” and the English words “production under the supervision of GDF”. Mr. Yan contended that, in the present case, by use of the Chinese characters “經營” and the English word “handle” instead of “監製” and “production under the supervision” as in the *Guangdong Foodstuffs* case, the registered proprietor would not be perceived by the public as being responsible for the character and quality of the wine.

86. I am not convinced by the submissions made by Mr. Yan. According to the Pinyin Chinese-English Dictionary (漢英詞典) 1981 Edition published by Commercial Press (商務印書館), the Chinese characters “經營” mean “manage; run; engage in”. According to 辭海 1979 Edition published by 上海辭書出版社, “經營” means “專指經營辦理經濟事業。如：經營商業”。 As to the meaning of the English word “handle”, according to *Collins English Dictionary (Third Edition)*, it means “11. To have power or control over : my wife handles my

investment. 12. To manage successfully and 15. To trade or deal in (specified merchandise)". I am clearly of the opinion that when the public saw the paper packaging and the wine label which bore the Chinese characters "中國烟台出品" (manufactured in Yantai China) coupled with "山東省醫藥保健品進出口公司經營" and the English words "handled by SHANDONG MEDICINE AND HEALTH PRODUCTS IMP. & EXP. CORP.", the public would understand that the business of producing the wine was managed, operated and run by the registered proprietor. The wine was put on the Hong Kong market by the registered proprietor on their responsibility and with the guarantee of their reputation. I consider that the wine had been known on the Hong Kong market as the registered proprietor's wine with a geographical origin from Yantai, China. In fact, I do not even think that the public would necessarily associate the Chinese characters "中國烟台出品" (manufactured in Yantai, China) with an unnamed producer in Yantai which was a separate entity from the clearly named registered proprietor as argued by Mr. Yan. As a matter of fact, "烟台" (Yantai) is also located in the Shandong province, the same province at which the registered proprietor is located.

87. Even if the public thinks that the registered proprietor is a trader of the wine only as indicated by the use of the Chinese characters "經營" and the word "handle" on the packaging, that does not necessarily change the position as a trader who places the goods before the public as being his goods can establish proprietorship to the trade mark of the goods.

88. I now move on to consider the evidence of pre-relevant dates newspaper advertisements produced in exhibit 10 to Li Hong-jun (李洪俊)'s statutory declaration and exhibit 4 to Li Sung-lun's (李崇倫)'s statutory declaration. Mr. Yan pointed out that the statement "中國烟台出品" (manufactured in Yantai, China) appeared on some of the advertisements. Mr. Yan said that in such advertisements, there was no mention even of the wine being "handled by" the registered proprietor. He argued that this would clearly reinforce the consumers' perception that the party ultimately responsible for the character and quality of the wine is the unnamed producer in Yantai, China. I do not find such submissions acceptable on the evidence. Though there were no individual statements appearing on the advertisements which mentioned that the wine was "handled by" the registered proprietor, a representation of a bottle of Zhong Ya Brand TZEPAO SANPIEN Wine (中亞牌至寶三鞭酒) with the wine label on the surface of the bottle did appear in most of the advertisements. There was mention of the wine being "經營" and "handled by" the registered proprietor on the wine label. In any event, none of the pre-relevant dates advertisements showed the applicant for removal's name as the party with whom the suit marks were intended to be associated. The advertisements only showed the statement "中國烟台出品" (manufactured in Yantai, China). I do not intend to repeat my analysis above as to what the public would think when they saw the Chinese characters "中國烟台出品" (manufactured in Yantai, China).

89. Ms Tam submitted that the entry relating to TZEPAO SANPIEN Wine (至寶三鞭酒) bearing the suit marks in the book entitled "中國藥酒" (Chinese Medicinal Wine) published by Teck Soon Hong Limited shows the registered proprietor as the party supervising the production of the medicinal wine (exhibit 5 to Li Sung-lun's (李崇倫)'s statutory

declaration). Mr. Yan argued that this was the only instance where the registered proprietor was said to have “supervised the production” (監製) the medicinal wine. The book was not published by the registered proprietor but by Teck Soon Hong Limited. One does not know, Mr. Yan submitted, why Teck Soon Hong said “supervising the production” (監製) when the registered proprietor did not say so in its own brochure. As shown by the evidence, Teck Soon Hong Limited was the agent responsible for distributing the advertising materials (see my analysis of the terms of the Sole Distribution Agreements made between the registered proprietor and Lee Yuen Cheung Co. Ltd. (利源長有限公司) in paragraph 77 above). Presumably, the book was published by Teck Soon Hong as advertising materials. Furthermore, the book was exhibited in the evidence filed on behalf of the applicant for removal itself. In paragraph 6 of Li Sung-lun’s (李崇倫)’s statutory declaration filed by the applicant for removal, what were produced in exhibit 5 including the book were said to be advertising materials showing the use of the suit marks in Hong Kong. Therefore, the applicant for removal itself had confirmed in its own evidence that the book was advertising materials showing the use of the suit marks in Hong Kong. I find that there was at least one advertising material which informed the public that the wine was produced under the supervision of the registered proprietor.

Applying the law to the facts

90. It is settled law that the exporter or dealer does not establish proprietorship to the trade mark by showing only that purchasers look to it as the sole supplier of the goods. However, in this case, the registered proprietor was in fact not merely the sole supplier of the Zhong Ya Brand TZEPAO SANPIEN Wine (中亞牌至寶三鞭酒) from China to Hong Kong. As at the relevant dates, there was a joint venture between the applicant for removal and the registered proprietor for the production, marketing and sale of the Zhong Ya Brand TZEPAO SANPIEN Wine (中亞牌至寶三鞭酒). Both the applicant for removal and the registered proprietor were in fact responsible for the character or quality of the wine. As to the marketing and sale of the medicinal wine, there was an agreement between the parties that while the applicant for removal had the China internal sales market, the registered proprietor was in charge of the overseas market. The registered proprietor exported the Zhong Ya Brand TZEPAO SANPIEN Wine (中亞牌至寶三鞭酒) to Hong Kong for sale and appointed Lee Yuen Cheung Co. Ltd. (利源長有限公司) as the sole distributor of the medicinal wine in Hong Kong as early as from 1972 as shown by the evidence. The supply of the packaging materials for the wine including the packaging box and the wine labels bearing the suit marks were all managed and controlled by the registered proprietor. The registered proprietor had used the suit marks in Hong Kong by way of the sale of the Zhong Ya Brand TZEPAO SANPIEN Wine (中亞牌至寶三鞭酒) through Lee Yuen Cheung Co. Ltd. (利源長有限公司), its sole distributor in Hong Kong from 1972 to 1995. As at the relevant dates, the suit marks had been used in Hong Kong by the registered proprietor for 16 years.

91. The Zhong Ya Brand TZEPAO SANPIEN Wine (中亞牌至寶三鞭酒) was brought to the Hong Kong market by the registered proprietor as its products dating back to at

least 1972. All along, the consumers in Hong Kong had been told that the registered proprietor was the party which “經營”, “handle” and “supervise the production of” the Zhong Ya Brand TZEPAO SANPIEN Wine (中亞牌至寶三鞭酒). The registered proprietor had been perceived by the public as being responsible for the character or quality of the wine and it was its reputation that the purchasers would place reliance. With the consent and knowledge of the applicant for removal, the registered proprietor applied for registration of the suit marks in Hong Kong in 1988 and obtained registration thereof. In the circumstances, it would, I think, be impossible for me to come to any conclusion other than this, the registered proprietor is the owner of the suit marks as it was the party whose connection with the wine was indicated by the use of the suit marks. The suit marks had been used by the registered proprietor to indicate and identify the Zhong Ya Brand TZEPAO SANPIEN Wine (中亞牌至寶三鞭酒) coming from it in the Hong Kong market. It follows that the applicant for removal has failed to discharge the burden of proof to show that the registered proprietor was not the rightful proprietor of the suit marks. The applicant for removal failed in its main ground for rectification.

92. As a subsidiary and alternative ground to the proprietorship ground, Mr. Yan argued that the suit marks should be expunged from the register as the use of the suit marks by the registered proprietor on wine produced from a producer different from the applicant for removal would be likely to deceive or cause confusion. In my view, this ground is bound to fail as well. As I have found that the medicinal wine had been sold in Hong Kong under the suit marks to indicate a connection in the course of trade with the registered proprietor, the applicant for removal cannot stop the registered proprietor from getting the very same goods made in Yantai or elsewhere by other parties and selling it under the suit marks. The applicant for removal had never been known to the customers in Hong Kong to be the manufacturer of the medicinal wine in the twenty year period from 1972 to 1992, I do not think that the use of the suit marks by the registered proprietor on wine produced from a producer different from the applicant for removal would be likely to deceive or cause confusion. The applicant for removal also failed in its subsidiary and alternative ground for rectification.

Costs

93. The registered proprietor 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 applicant for removal pays the costs of and occasioned by these proceedings.

94. 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.

Signed

(Ms Fanny Pang)
p. Registrar of Trade Marks
25 March 2003