Trade Mark No. 1994B04412

IN THE MATTER of the Trade Marks Ordinance (Cap. 559)

AND

IN THE MATTER of an application by Brands Inc. Limited for revocation of the registration of Trade Mark No. 1994B04412

in Class 25 of the Register in the name of Kabushiki Kaisha Regal Corporation (Regal Corporation)

DECISION
OF

Ms Ada Leung acting for the Registrar of Trade Marks after a hearing on 23 January 2005.

Appearing: Mr Anthony Evans of Messrs Robin Bridge & John Liu on behalf of the Registered Owner
Mr Andrew Chan of Messrs So Keung Yip & Sin on behalf of the Applicant for Revocation

Background

1. Trade Mark No. 1994B04412 is registered in the name of Kabushiki Kaisha Regal Corporation (Regal Corporation) ("the Registered Owner") in class 25 in respect of boots, shoes and slippers. A representation of the trade mark ("the Subject Mark") appears as follows -

2. On 4 February 2004 Brands Inc. Limited ("the Applicant for Revocation") applied for revocation of the registration of the Subject Mark on the ground of non-use. In its amended statement of grounds dated 8 March 2004, it alleges that the Subject Mark has not been genuinely used in Hong Kong by the Registered Owner or with its consent, in relation to the goods for which it was registered for a continuous period of at least three years before the date of the application for revocation, and there are no valid reasons for non-use. It claims that the registration of the Subject Mark should be revoked pursuant to section 52(2)(a) of the Trade Marks Ordinance ("the Ordinance").

3. The Registered Owner filed a counter-statement on 6 September 2004 denying the allegations of the Applicant for Revocation and contends that the Subject Mark, or a form of it that differs in elements which do not alter its distinctive character, has genuinely been used in Hong Kong during the previous three years by the Registered Owner or with its consent in relation to the goods for which the mark is registered, namely shoes and other types of footwear.

Evidence

4. Evidence in support of the application for revocation consists initially of a statutory declaration dated 1 March 2004 made by Rose-Marie Embleton-Smith, a director of Tangerine Green Limited, which is a company carrying on business in, inter alia, conducting commercial enquiries on behalf of clients in relation to intellectual property protection, the use of trade marks and product counterfeiting. Ms Embleton-Smith said that according to the investigation conducted by her Company, the vast majority of the Registered Owner's production was sold within the domestic market, that is Japan. Small quantities of the goods were exported to Germany and Taiwan. It did not appear that the Registered Owner offered

any men's, women's or children's footwear in Hong Kong. Details of the investigation conducted by Tangerine Green were set out in the report exhibited to Ms Embleton-Smith's statutory declaration.

5. Three statutory declarations were filed on behalf of the Registered Owner to show use made of the trade mark. These include -

(i) The first statutory declaration made by Kazuo Yoshida, the Associate General Manager of International Business Department of the Registered Owner on 3 September 2004, which contains information on the status of affiliated companies of the Registered Owner which were involved in wholesaling, manufacturing and retailing the Registered Owner's goods.

(ii) The second statutory declaration made by Kazuo Yoshida on 26 November 2004. According to Mr Yoshida, the Registered Owner had used the Subject Mark whether as registered or in forms that differ in elements that do not alter the distinctive character of the said mark continuously in Hong Kong in respect of "boots, shoes and slippers" since at least 1999. Copies of commercial documents including purchase orders, invoices, packing lists and bills of lading relating to orders for the goods in question placed with two companies in Hong Kong, Creative Footwear Co. Ltd., and K and W International Co., and export of the goods from Hong Kong to the Registered Owner in Japan between February 2001 and June 2003 were exhibited. Mr Yoshida said that the Subject Mark was and had continuously been used in relation to the goods in question by means of being stamped on the insoles of the goods, and being printed on the individual packaging for the goods and on the outer cartons in which such goods were transshipped through Hong Kong for export to Japan. Photostat copies of samples of such insoles and photographs of the individual packaging of the goods, as well as copies of catalogues showing the designs of the goods and order/production specifications for the designs were exhibited. It was claimed that the Registered Owner had used the Subject Mark in Hong Kong, by transshipping footwear products made in the People's Republic of China through Hong Kong and exporting them to Japan on various dates in 2001 to 2003.

(iii) A statutory declaration made by Leung Sau Fong, the Manager of Creative Footwear Co. Ltd. on 3 December 2004. According to Ms Leung, Creative Footwear was a manufactory engaged in the manufacturing of, inter alia, footwear. Ms Leung confirmed that on various dates from 20 February 2001 to 14 November 2002, Creative Footwear received from the Registered Owner a total of 13 purchase orders for footwear of different designs, manufactured the goods pursuant to the respective goods/production specifications, delivered the goods to Hong Kong and shipped the goods to the Registered Owner or other companies in Japan as instructed by the Registered Owner. Copies of the relevant order/production specifications as well as photostat copies of samples of insoles and photographs of packaging for the goods referred to in the purchase orders were also exhibited.

6. After the Registered Owner had filed the above evidence, the Applicant for Revocation filed a second statutory declaration made by Barry Joseph Yen on 3 March 2005 as additional evidence. The declaration consisted mainly of submissions rather than factual evidence. The same submissions were in fact also made at the hearing by Mr Chan who appeared on behalf of the Applicant for Revocation. As I will deal with Mr Chan's submissions in the following, I do not propose to summarise the contents of Mr Yen's declaration here.

Decision

7. Revocation of the registration of a trade mark is provided for under section 52 of the Ordinance. In particular, section 52(2)(a) provides that the registration of a trade mark may be revoked where "the trade mark has not been genuinely used in Hong Kong by the owner or with his consent, in relation to the goods or services for which it is registered, for a continuous period of at least 3 years, and there are no valid reasons for non-use".

8. The issue before me is whether the evidence shows that the Subject Mark has been put to genuine use in the relevant period, namely the 3-year period before the date of the application for revocation, in Hong Kong in relation to the goods for which it is registered. If there has been no genuine use, there is no suggestion that there are proper reasons for the non-use.

9. Before I turn to consider the issue identified in the above, I should mention that there is no dispute that in the present revocation proceedings, the burden of proving

genuine use lies with the Registered Owner. It is so because of section 82(1) of the Ordinance which provides -

> "If, in any civil proceedings under this Ordinance in which the owner of a registered trade mark is a party, a question arises as to the use to which the trade mark has been put, the burden of proving that use shall lie with the owner."

<u>Genuine Use</u>

10. The Registered Owner's case is that during the relevant period, it placed purchase orders with two companies in Hong Kong, namely Creative Footwear Co. Ltd and K and W International Co., for the supply of footwear products bearing the Subject Mark. The Hong Kong companies would manufacture or procure the manufacture of the goods in China pursuant to the respective orders and production specifications of the Registered Owner, then ship the goods to the Registered Owner in Japan through Hong Kong. I note that in Ms Leung's statutory declaration, she said her company "received the following Purchase Order from Regal Corporation of Japan, manufactured the goods pursuant to the respective order/production specifications, delivered the goods to Hong Kong and shipped the goods to Regal Corporation or other companies in Japan as instructed by Regal Corporation". I also take note that the bills of lading enclosed in exhibit A to the statutory declarations of both Mr Yoshida and Ms Leung show that Hong Kong was the "port of loading" for all shipments concerned. The evidence therefore shows that the goods in question were imported into Hong Kong before they were exported to Japan. The question is whether the importation and exportation in the circumstances amounts to "genuine use" of the trade mark for the purpose of section 52(2)(a).

11. Both Mr Evans and Mr Chan referred me to the rulings of the European Court of Justice in *Ansul BV v Ajax Brandeveiliging BV [2003] R.P.C. 40* where the court considered the meaning of "genuine use" in the context of Art. 10(1) and Art.12(1) of the European Trade Marks Directive[1], which provides for revocation on the ground of non-use.

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[1] Article 10(1) of the European Trade Marks Directive 89/104 of 21 December 1988 provides -
"If, within a period of five years following the date of the completion of the registration procedure, the proprietor has not put the trade mark to genuine use in the Member State in connection with the goods or services in respect of which it is registered, or if such use has been suspended during an uninterrupted period of five years, the trade mark shall be subject to the sanctions provided for in this Directive, unless there are proper reasons for non-use."
Article 12(1) of the European Trade Marks Directive 89/104 of 21 December 1988 provides –
"A trade mark shall be liable to revocation if, within a continuous period of five years, it has not been put to genuine use in the Member State in connection with the goods or services in respect of which it is registered, and there are no proper reasons for non-use."

In particular, the following passages from *Ansul* were cited -

> "36. 'Genuine use' must therefore be understood to denote use that is not merely token, serving solely to preserve the rights conferred by the mark. Such use must be consistent with the essential function of a trade mark, which is to guarantee the identity of the origin of the goods or services to the consumer or end-user by enabling him, without any possibility of confusion, to distinguish the product or service from others which have another origin.
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> 37. It follows that 'genuine use' of the mark entails use of the mark on the market for the goods or services protected by the mark and not just internal use by the undertaking concerned. The protection the mark confers and the consequences of registering in terms of enforceability *vis-a-vis* third parties cannot continue to operate if the mark loses its commercial *raison d'etre*, which is to create and preserve an outlet for the goods or services that bear the sign of which it is composed, as distinct from the goods or services of other undertakings. Use of the mark must therefore relate to goods or services already marketed or about to be marketed and for which preparations by the undertaking to secure customers are under way, particularly in the form of advertising campaigns. Such use may be either by the trade mark proprietor or, as envisaged in article 10(3) of the Directive, by a third party with authority to use the mark.
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> 38. Finally when assessing whether there has been genuine use of the trade mark, regard must be had to all the facts and circumstances relevant to establishing whether the commercial exploitation of the mark is real, in particular whether such use is viewed as warranted in the economic sector concerned to maintain or create a share in the market for the goods or services protected by the mark.
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> 39. Assessing the circumstances of the case may thus include giving consideration, inter alia, to the nature of the goods or service at issue, the characteristics of the market concerned and the scale and frequency of use of the mark. Use of the mark need not therefore always be quantitatively significant for it to be deemed genuine, as that depends on the characteristics of the goods or service concerned on the corresponding market."

12. Mr Evans also referred me to the rulings of the ECJ in *La Mer Technology Inc*

v Laboratoires Goemar SA [2004] FSR 38, where the court apart from reaffirming the approach expounded in the *Ansul* case, held that where it serves a real commercial purpose, even minimal use of a mark or use by only a single importer can be sufficient to establish genuine use for the purpose of Art. 10(1) and Art.12(1) of the European Trade Marks Directive. He further referred me to the UK Court of Appeal decision in *Laboratoire de lar Mer Trade Mark* [2006] F.S.R. 5, where the court considered and applied the ECJ interpretative rulings in both the *Ansul* and *La Mer* case, in an application for revocation under section 46 of the UK Trade Marks Act 1994[2]. In particular, the Court of Appeal held that the ECJ did not rule that the retail or end user market is the only relevant market on which a mark is used for the purpose of determining whether use of the mark is genuine. Trade marks are not only used on the market in which goods bearing the mark are sold to consumers or end users. In that case, it was held that a market exists in which goods bearing the mark are sold by foreign manufacturers to importers in the United Kingdom. The buying and selling of goods involving a foreign manufacturer and a UK importer was evidence of the existence of an economic market of some description for the goods delivered to the importer. That was sufficient use for it to be genuine use on the market although the extinction of the importer had prevented the onward sale of the goods into the supply chain in the retail market.

13. While I note that there are differences in the details of the provisions in Art. 10(1) and Art.12(1) of the European Trade Marks Directive and section 46 of the UK 1994 Act on the one hand and section 52 of the Ordinance on the other, I believe the expositions of the ECJ on the concept of "genuine use" should provide useful guidance in interpreting the same term under the Hong Kong legislation.

14. Mr Chan argued that the dealings between the Registered Owner and its manufacturers in Hong Kong did not constitute use of the Subject Mark on the market. The Registered Owner's goods had never come to the attention of the market in Hong Kong. There had been no use of the mark which was made in order to create or preserve an outlet for the goods or to create a share in the market for the goods in Hong Kong. There is no indication in the Registered Owner's evidence that it had an intention to do so. Mr Chan

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[2] Section 46(1) of the Trade Marks Act 1994 provides: -

"The registration of a trade mark may be revoked on any of the following grounds:

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

(b) that such use has been suspended for an uninterrupted period of five years, and there are no proper reasons for non-use.

..."

accepted that the market does not have to be confined to the end users or consumers. However, he submitted that the manufacturers could not be regarded as being part of the market. They were independent contractors who simply produced the goods according to the Registered Owner's instructions. He also pointed out that there was no change of ownership in the goods in the dealings between the Registered Owner and the manufacturers. Mr Chan further submitted that the Subject Mark did not serve the function of a trade mark i.e. to guarantee the identity of the origin of the goods in the dealings between the Registered Owner and its manufacturers.

15. Mr Chan submitted that Section 52(3)(b) of the Ordinance does not apply in this case as there is no indication in the Registered Owner's evidence that any step, apart from the transshipment, took place in Hong Kong with respect to the goods. The section provides that for the purpose of section 52(2), use of a trade mark in Hong Kong includes applying the trade mark to goods or to the packaging of goods in Hong Kong solely for export purposes. Mr Chan submitted that transshipment activities occurred in Hong Kong could not constitute use of a registered mark under subsection 52(3)(b).

16. Mr Chan submitted that if transshipment in the circumstances of this case is regarded as constituting genuine use, the implication would be that any foreign trade mark owner could maintain a registration of its mark in Hong Kong by simply arranging its goods to pass through Hong Kong during shipment, irrespective of whether the final destination of the goods is Hong Kong. He contended that it is against the public policy that the registrations of such marks should be allowed to remain on the register.

17. Mr Evans pointed out the definitions of the word "use" in different parts of the Ordinance. In particular, section 18(5) sets out various acts which may be regarded as use for the purpose of infringement proceedings. These include, by section 18(5)(f), "imports or exports goods under the sign". He argued that the acts set out in section 18(5) are all common commercial activities and should be regarded as examples of the sort of activities that would constitute use of a mark generally. He also argued that if an unauthorized importer or exporter can infringe by virtue of section 18, it would be irrational and inconsistent if the same kind of acts, if authorized by the Registered Owner, would not be sufficient to defend against a revocation attack under section 52. Mr Evans cited the decision of the UK Trade Marks Registry in *Imaginarium Trade Mark [2004] R.R.C. 30* to support his argument. The hearing officer held in that case that any use of a mark which if undertaken by a third party would be an infringement would, if done by the proprietor, be sufficient to constitute use by the proprietor for the purpose of revocation proceedings. In that case, goods bearing the trade mark subject to revocation proceedings were manufactured

in the United Kingdom under the licence of the registered proprietor and then exported to the registered proprietor in Spain. It was held that section 46(2) of the Trade Marks Act 1994 (which is equivalent to section 52(3)(b) of the Ordinance) applied in the circumstances. The hearing officer found that the use in the United Kingdom was ultimately for the purpose of finding a market on the continent and the use by way of exportation of the goods to the registered proprietor himself was held to be genuine use.

18. Mr Evans also referred me to the English High Court decision in *Waterford Wedgwood Plc v David Nagli Ltd [1998] FSR 92*, where it was held that transshipment of goods via the United Kingdom could constitute infringement of a registered trade mark on the basis that the infringing goods were imported into and exported from the United Kingdom. The court found that it is not practicable in the case of goods and trade marks to distinguish between some types of importation or exportation that would constitute infringing use and others that would not.

19. Mr Evans also argued that as a matter of public policy, it would make no sense if transshipments through Hong Kong could not constitute use of a trade mark. He pointed out that as a matter of commercial reality, manufacturing activities which used to take place in Hong Kong have now moved to China. Goods are manufactured in China and transshipped to their destinations through Hong Kong. If a trade mark owner cannot save a Hong Kong registration by means of transshipment, the result could be that legitimate international trade could be prevented by the simple expedience of a third party registering the mark to protect its own products.

20. I note it is not contended that this was a case of token use by the registered owner, in the sense that the mark was used "serving solely to preserve the rights conferred by the mark". However, it is clear from the ECJ decisions in *Ansul* and *La Mer* that not every case of non-token use qualifies as genuine use. Instead, it is necessary to consider other factors in order to decide whether or not the use of the mark is genuine.

21. Although there is no evidence that the goods in question were exposed to the consumers or end-users in Hong Kong, I do not think that will prevent the mark from being used in a way consistent with the essential function of a trade mark. I am satisfied that the purpose of applying the Subject Mark whether on the insoles of the goods or to the packaging of the goods in this case was to enable the consumers or end-users, whether they might be in Hong Kong or otherwise, to distinguish the goods in question from others which came from a different trader. There is nothing to suggest that the mark were used otherwise than to guarantee the identity of the origin of the goods.

22. According to the decision in *Ansul*, "genuine use" of the mark entails use of the mark on the market for the goods protected by the mark and not just internal use by the undertaking concerned. In this case, the importation of the goods into Hong Kong by Creative Footwear and K and W International with the owner's consent, and the sales and exportation by the two companies of the goods to the Registered Owner in Japan were events external to the Registered Owner. There was no suggestion in the evidence that the transactions between Creative Footwear and K and W International on the one hand, and the Registered Owner on the other, were otherwise than at arm's length. The property in the goods passed from the Hong Kong companies to the Registered Owner as a result of the trading transactions. The use of the Subject Mark in the circumstances was therefore not merely internal use by the Registered Owner. Furthermore, the buying and selling of the goods involving the foreign trade mark owner and the Hong Kong traders shows that there is an economic market of some description for the goods. The mark registered for the goods was used on that market. That was sufficient use for it to be genuine use on the market and in that market the Subject Mark was being used in accordance with its essential function.

23. I note that the provision under section 52(3)(b) of the Ordinance does not apply in this case as the goods in question were manufactured in China and the marks were applied to the goods and their packaging in China, rather than in Hong Kong. However, it is clear that the definition in section 52(3) is not intended to be exhaustive. I note also that section 18(5) of the Ordinance, which sets out the meaning of use for the purpose of considering infringing acts, includes importation and exportation of the relevant goods. In this case, if the registration of the Subject Mark is revoked on the ground that importation and exportation of the goods concerned in the circumstances cannot amount to genuine use for the purpose of revocation proceedings, it will mean that another party could register the Subject Mark or a mark similar to it in Hong Kong and stop the Registered Owner from manufacturing goods under the Subject Mark overseas and shipped them back to Japan through Hong Kong. I do not think it is the intention of the legislature that foreign trade mark owners who wish to have their goods manufactured overseas and shipped them through Hong Kong to their targeted markets should not be able to secure trade mark protection in Hong Kong by obtaining a registration here. This supports my view that transshipment of goods as in the circumstances of this case may constitute genuine use.

24. Looking at the scale and frequency of use of the Subject Mark, I note from the exhibits to the declaration of Mr Yoshida and that of Ms Leung that during the period from February 2001 to June 2001, a total of 3 purchase orders were placed by the Registered Owner with Creative Footwear for shoes marked with the Subject Mark. These involve a

total of 264 pairs of shoes at an invoice value of US$5,270.9 and the goods were exported from Hong Kong to Japan in two shipments. The question is whether this rather minimal amount of use is sufficient to support a finding of genuine use.

25 As the ECJ held in *Ansul* and re-affirmed in *La Mer*, use of the mark need not be quantitatively significant for it to be deemed genuine, as that depends on the characteristics of the goods or service concerned on the corresponding market. The following passages from paragraphs 21 - 23 of the Reasoned Order *in La Mer* are particularly useful -

> "Even minimal use can be sufficient to qualify as genuine, on condition that it is deemed to be justified, in the economic sector concerned, for the purpose of preserving or creating market share for the goods or services protected by the mark.
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> ...
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> The question whether use is sufficient to preserve or create market share for those products or services depends on several factors and on a case by case assessment which is for the national court to carry out. The characteristics of those products or services, the frequency or regularity of the use of the mark, whether the mark is used for the purpose of marketing all the identical products or services of the proprietor or merely some of them, or evidence which the proprietor is able to provide, are among the factors which may be taken into account.
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> Similarly ... the characteristics of the market concerned, which directly affect the marketing strategy of the proprietor of the mark, may also be taken into account in assessing genuine use of the mark."

26. In the present case, the evidence shows that during the period from February 2001 to June 2003, a total of at least 16 purchase orders were placed by the Registered Owner with the two companies in Hong Kong for a total of over 11,000 pairs of shoes at a cost of not less than US$252,000. At lease two different trade marks were used on these goods, one being the Subject Mark and the other a REGAL word mark. 15 different designs of footwear were involved. The Subject Mark was used in relation to 3 designs while the REGAL word mark was used in relation to the other 9 designs. Although no evidence is produced before me for that purpose, I take note that it is not uncommon for traders, including those in the footwear trade, to use different marks on different designs or series of the same type of goods produced by them. Against this background, my view is that the

rather minimal of the Subject Mark in this case is sufficient to qualify as genuine.

Restriction to Export Trade

27. Mr Chan argued that even if transshipment activities were regarded as constituting use of the Subject Mark, the registration of the Subject Mark should nonetheless be restricted to goods for export to Japan only. No authority was cited by Mr Chan to support this argument.

28. Having reviewed the relevant legislative provisions under the Ordinance, I am not satisfied that I should grant an order as suggested by Mr Chan. Apart from the express provision in section 52(6), there is nothing in the Ordinance which indicates that I should distinguish between different types or circumstances of genuine use and different orders should follow accordingly. Section 52(6) provides -

> "Where grounds of revocation exist in respect of only some of the goods or services for which the trade mark is registered, revocation shall relate to those goods or services only."

It is therefore clear that where genuine use has been proved only in relation to some of the goods or services for which a mark is registered, the registration will be saved only to that extent.

On the other hand, I note that section 52(3) provides -

> "For the purpose of subsection (2) -
> (a) use of a trade mark includes use in a form which differs in elements which do not alter the distinctive character of the trade mark in the form in which it was registered;
> (b) use of a trade mark in Hong Kong includes applying the trade mark to goods or to the packaging of goods in Hong Kong solely for export purposes; and
> (c) use of a trade mark in Hong Kong includes, where the trade mark is registered in respect of services, use in relation to services provided or to be provided outside Hong Kong."

There is nothing in section 52 or elsewhere in the Ordinance which suggests that where use of a mark is shown in accordance with one of the provisions under section 52(3), the registration

of the mark should be restricted accordingly. In particular, section 52(3)(b) concerns use of a trade mark on goods or packaging of goods solely for export purposes and there is nothing in the Ordinance which requires that in those circumstances, registration should be restricted to export purposes.

Conclusion

29. I am satisfied that the Registered Owner has discharged its burden of proof in showing genuine use of the Subject Mark during the relevant period in relation to the goods for which it is registered. The application for revocation therefore fails.

Costs

30. The Registered Owner has sought costs. There is nothing in the circumstances or conduct of this case which would warrant a departure from the general rule that costs should follow the event. I accordingly order that the Applicant for Revocation pays the costs of these proceedings.

31. Subject to any representations as to 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 I of the First Schedule to Order 62 of the Rules of the High Court (Cap. 4) as applied to trade mark matters, unless otherwise agreed between the parties.

(Ada Leung)
p.Registrar of Trade Marks
20 March 2006