

Application No. 09160/97

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

AND

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



in Part A of the register in Class 5 by Lui Wen Leng and Ng Ngee Moi trading as Koong Yick Seng Kee

AND

IN THE MATTER of an opposition by Lui Wing Yee trading as Ling Nam Medicine Factory, Koong Yick & Company Limited, and Koong Yick Medicine Manufactory Limited

DECISION
OF

Miss Lavinia Chang acting for the Registrar of Trade Marks after a hearing on 7 March 2003.

- Appearing :
- Mr Kent Yee of counsel, instructed by Messrs Johnson Stokes & Master on behalf of the applicants, Lui Wen Leng and Ng Ngee Moi trading as Koong Yick Seng Kee
 - Mr Gary Kwan of counsel, instructed by Messrs Richards Butler on behalf of the opponents, Lui Wing Yee trading as Ling Nam Medicine Factory, Koong Yick & Company Limited, and Koong Yick Medicine Manufactory Limited

On 27 June 1997 (the “application date”), Lui Wen Leng and Ng Ngee Moi trading as Koong Yick Seng Kee (the “applicant”), applied to register under the provisions of the Trade Marks Ordinance (the “Ordinance”), in Part A of the register, the mark (the “suit mark”), a representation of which follows:



The application is made in Class 5 in respect of “medicated oil and balm for medical purposes; pharmaceutical, veterinary and sanitary preparations; dietetic substances adapted for medical use, plasters, materials for dressings, disinfectants; preparations for destroying vermin; Chinese herbal medical preparations; all included in Class 5”. The applicant is a partnership formed under the laws of Singapore. The mark was accepted for registration in Part A of the register and was advertised on 28 May 1999 for the purpose of opposition under Trade Marks Rule 22 (“Rule 22”).

Notice of opposition

2. On 9 February 2000, a notice of opposition was filed in the name of three opponents, namely, Lui Wing Yee (“LWY”) trading as Ling Nam Medicine Factory, Koong Yick & Company Limited, and Koong Yick Medicine Manufactory Limited (the “opponents”). The opponents plead that LWY has been using the trade mark incorporating the words “KOONG YICK 公益” in respect of medicated oil in Hong Kong since the 1940s. It is pleaded that LWY’s father, Lui Moon Cheong, agreed in the 1960s that proprietorship of trade marks incorporating the words “KOONG YICK 公益” in Hong Kong be vested in LWY and his companies. Pursuant to this agreement, the father as majority shareholder of the registered proprietor of the Hong Kong registered trade mark “KOONG YICK 公益 & Device”, number 01095 of 1958 (the “Tree Device” mark) abandoned the registration by non-renewal on expiry of protection. As a result, the registration was removed from the Register.

3. The opponents further plead that since incorporation of the 2nd named opponent in 1981, the 1st and 2nd named opponents became joint proprietors of trade marks incorporating the words “KOONG YICK 公益” in Hong Kong. The 2nd named opponent has applied for registration of “KOONG YICK & Device” and “KOONG YICK 公益 & Packaging” in Class 5 (Application Nos. 15547/98 and 15548/98). The 3rd named opponent is the registered proprietor of Trade Mark Registration No. 279427 for “KOONG YICK 公益 & Device” in Mainland China for medicated oils.

4. The grounds of opposition are as follows:

- Section 12(1) and/or section 20(1) by reason that the suit mark and the opponents’ trade marks are identical or nearly resemble one another visually, phonetically and conceptually; that the opponents’ goods and the goods in respect of which the suit mark is applied for are the same goods or goods of the same description; and that the use and registration of the suit mark are calculated to deceive or would be likely to deceive or cause confusion in the trade and the public; and/or would be disentitled to protection in a court of justice.
- Sections 9 and/or 10 by reason that the mark is not a registrable trade mark
- Section 13(1) by reason of the applicant’s false claim or otherwise disentitlement to claim as the proprietor of the suit mark in Hong Kong.
- Section 2 by reason that the suit mark is not a trade mark as defined under that section.
- Section 13(2), namely, that discretion should be exercised to refuse the application.

The opponents sought costs against the applicant.

Counter statement

5. The applicant filed a counter statement on 20 April 2000. The applicant claims, *inter alia*, to have used the suit mark since at least 1973 in Hong Kong and elsewhere. The applicant also claims to enjoy substantial goodwill and reputation in connection with the mark which serves to distinguish the applicant’s goods from those of other traders. The rest of the counter statement consists of non-admissions or denials to which I will make reference in my decision where appropriate. The applicant sought registration and the costs of the opposition.

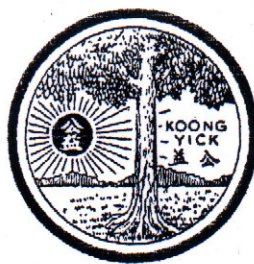
Evidence rounds

6. I should mention at the outset that the evidence on both sides is fraught with ambiguity and inconsistency. Because of the number of deponents involved, I will briefly summarise in the following paragraphs the thrust of the evidence as filed and make findings of fact in the course of coming to my decision.

Opponents' evidence

7. The opponents filed principal evidence by way of three statutory declarations by Lui Wing Yee under Rules 25, 27 and 28 (“LWY I”, “LWY II” and “LWY III”). Supporting statutory declarations were filed respectively by Tseng Fan Bond, Lee Shung Shin, Lam Cheong under Rule 25, and Loy Sai Ling and Lui Weng Kiew under Rule 27.

8. LWY’s evidence is deposed in his capacity as the sole proprietor of the 1st named opponents, and one of the directors and shareholders of the 2nd named and 3rd named opponents. LWY says that “KOONG YICK 公益” medicated oil was manufactured in Singapore since the 1920s by his late father, Lui Moon Cheong (the “late father”) and his business Koong Yick & Company, later incorporated and re-named Koong Yick & Company Limited (“KYCL”), of Singapore. KYCL registered the mark “KOONG YICK 公益 & Device” (“Tree Device” mark) in Class 5 in Hong Kong under Trade Mark No 1095 of 1958, a representation of which appears below:



9. LWY says that in the 1940s, he imported medicated oil in bulk from his father’s business in Singapore. He then packaged and marked the medicated oil with the trade marks “KOONG YICK”, “公益” and/or “device” (not defined in the evidence) in Hong Kong for distribution. In the 1950s, he set up a sales team to distribute and sell medicated oil marked “KOONG YICK”, “公益” and/or “device” on Wellington Street in Hong Kong. LWY says that in the early 1960s, his late father, for and on behalf of his company KYCL, agreed to vest proprietorship in Hong Kong of the trade marks “KOONG YICK”, “公益”, “device” and trade marks incorporating the aforesaid unto the 1st named opponent or his companies in

which he had interest absolutely (the “Trade Mark Assignment”). LWY says that as a result of the Trade Mark Assignment, the late father procured abandonment of KYCL’s Hong Kong registered “Tree Device” mark by not effecting renewal on expiry. The late father and his company ceased exporting medicated oil to Hong Kong from that point onwards. According to LWY, the Trade Mark Assignment, effected by conduct only, was not recorded at the Trade Marks Registry because he and his father were “not aware of the legal issues involved”.

10. LWY says that in about 1965, he began manufacturing medicated oil in Hong Kong. LWY goes on to state the volume of sales made by reference to medicated oil marketed under the trade name “公益” for the period 1990 to 1998. The highest sales volume recorded for that period was in 1990, totalling HK\$12,058,633 which represented a quantity of 224,156 dozens sold or 2,689,872 bottles of medicated oil. Sales dwindled in the subsequent years to a mere HK\$1,736,101 in 1997 (the year this application was made), equivalent to 30,294 dozens sold or 363,528 bottles of medicated oil. These figures appear to include both local and export sales.

11. LWY claims to have over 1,500 retailers, dealers and outlets in all major areas in Hong Kong distributing and selling the opponents’ products.

12. LWY says that, as Lui Wen Leng of the applicant (“LWL”) was an officer and shareholder of KYCL, he had knowledge of and was aware that the late father and KYCL had assigned the trade marks “KOONG YICK”, “公益”, “device” or trade marks incorporating the same to him in the early 1960s in Hong Kong. LWY asserts that the applicant is falsely claiming to be entitled to proprietorship of the suit mark at least in Hong Kong. LWY also asserts that LWL owed fiduciary duties to KYCL as an officer and shareholder of KYCL, until it was wound up in 1999. Because of that, LWL should not have entered into any business that conflicted with KYCL’s business or LWY’s business.

13. The rest of LWY’s statutory declaration consists of argument rather than evidence.

14. Supporting evidence under Rule 25 consists of statutory declarations, summarised below, by Tseng Fan Bond, Lee Shung Shin and Lam Cheong respectively.

15. Tseng is a director of Nam Fung Printing Co., Ltd. Tseng says that for over 30 years he or his company has been printing packaging and instructional manuals for LWY and his companies (the opponents) bearing the trade marks “KOONG YICK”, “公益” and “device” (not defined in the evidence).

16. Lee deposes that he has been in the business of making urea bottle caps in Hong Kong for over 40 years. Lee says that he or his company has been making urea bottle caps with the mark “公益” overprinted on them for the opponents for over 40 years.

17. Lam deposes that he has been in the business of manufacturing glass bottles in Hong Kong for over 40 years. He says that prior to cessation of his business in 2000, he or his company had been manufacturing glass bottles for LWY and his companies bearing the mark “公益” for over 40 years.

18. All three supporting statutory declarations were made on 31 October 2000.

Applicant’s evidence

19. Lui Wen Leng (“LWL”), gives evidence by statutory declaration on behalf of the applicant in his capacity as partner. He states, *inter alia*, that the “KOONG YICK”, “公益”, “Device” (not defined in his evidence) and “Portrait device of founder Lui Moon Cheong” marks (the “KOONG YICK” marks) were first used in Singapore in the 1920s by Koong Yick Seng Kee, a family business owned by his late father. Koong Yick Seng Kee became incorporated in 1957 under the name Koong Yick and Company Ltd (“KYCL”). It was later renamed Koong Yick & Company (Pte) Ltd.

20. LWL states that by an assignment dated 31 December 1997 (the “Deed of Assignment”) (Exhibit LWL-4), KYCL’s successor, Koong Yick and Company (Pte) Limited in Singapore assigned its trade marks including various KOONG YICK marks to the applicant. The marks assigned include one Malaysian registered mark, two Singaporean registered marks and one Taiwan-registered mark. One of the two Singaporean registered marks, No T51/14706B, corresponds to the “Tree Device” mark registered by KYCL in Hong Kong.

21. LWL says at para. 5 of his declaration:

“The Hong Kong Trade Mark Registration No. 1095/1958 was inadvertently lapsed [*sic*]. I therefore applied for registrations of the KOONG YICK Marks in Hong Kong as the owner of the KOONG YICK Marks”.

The applications include, *inter alia*, that for the suit mark. The Hong Kong Trade Mark referred to is the same one as the “Tree Device” mark referred to in the preceding paragraph and in LWY’s evidence for the opponents.

22. LWL says that, contrary to the 1st named opponent's evidence, medicated oils bearing the KOONG YICK Marks were first introduced into Hong Kong by fishermen and sailors travelling between Singapore and Hong Kong.

23. LWL states his version of the relationship between KYCL and the 1st named opponent. According to him, his late father, Lui Moon Cheong was a partner of Ling Nam Embroidery in the 1950s (this information is not in the 1st named opponent's evidence). During that time "bottled medical oils bearing the KOONG YICK Marks from KYCL in Singapore were shipped to Ling Nam Embroidery for sale in Hong Kong". LWL says that the late father later withdrew from the partnership before Ling Nam Embroidery was renamed Ling Nam Medicine Fty, i.e. the 1st named opponent.

24. LWL denied that his late father ever passed the formula for manufacture of the medicated oils to LWY or the opponents, nor did he have any further connections with Ling Nam after withdrawing from the partnership.

25. LWL states that medicated oil branded with the suit mark was exported to Hong Kong through two trading firms (1) Pak Tsun Trading Co. and (2) the applicant, and that the applicant as the "trading arm of KYCL or in its own right as owner", has been continuously using the KOONG YICK Marks in Hong Kong. No evidence though has been filed as to the manner in which the suit mark is applied in relation to the goods claimed.

26. LWL denies ownership of the KOONG YICK Marks by any or all of the opponents. He refers to Exhibit LWY-8 in the opponents' evidence which shows that Ling Nam was holding itself out as the agent of the genuine Singaporean "公益紅花油". LWL says that Trade Mark Registration No. 1098/1958 lapsed because KYCL, his late father's company, did not receive notice of renewal from its Hong Kong trade mark agents, not out of an intention to abandon the said trade mark as the 1st named opponent claimed.

27. LWL alleges that the opponents' use of the KOONG YICK marks on medicated oil in Hong Kong and/or in the PRC is unauthorized, and that it was not until 12 July 1999, that the applicant first became aware of the opponents' conflicting proprietary claim to the KOONG YICK Marks.

Opponents' evidence in reply (Rule 27)

28. This consists of a second statutory declaration by LWY. LWY points out that his late father's (unincorporated) business Koong Yick Seng Kee, and the applicant, also of the

same name but only formed in 1975 (see LWY I, paras 25 and 28), are two separate legal entities. LWY reiterates the assertion in his first statutory declaration that as a director of KYCL, LWL owed fiduciary duties to KYCL. LWY also asserts that, by operating a business using the same trade name and trade marks which belonged to the late father's business and by selling identical goods, namely, medicated oil, the applicant is passing off as the late father's business. LWL has thereby breached his fiduciary duties owed to KYCL and has acted in bad faith.

29. LWY suggests that the applicant was well aware of the assignments by the late father of trade mark rights in the KOONG YICK Marks in Hong Kong and the PRC. He refers to the statutory declarations of Lui Weng Kiew and Loy Sai Ling, who had been shareholders and/or directors of his late father's company for many years, and who could testify that his late father's company had not allowed other persons or companies including the applicants to use the KOONG YICK related marks in Hong Kong and the PRC.

30. LWY explains the use of the words “香港總代理” (literally “Hong Kong main/sole agent”) as stated on Ling Nam Medical Factory's invoices. The phrase, according to LWY, meant that Ling Nam was the wholesaler in charge of distributing various kinds of medicated oils in Hong Kong. LWY claims ignorance of the legal implications or differences between the terms “principal” and “agent”.

31. Supporting evidence was filed by way of two statutory declarations by Loy Sai Ling, a shareholder of Koong Yick & Company (Pte) Limited (i.e. renamed from KYCL in 1975, and which was dissolved on 15 March 1999) and Lui Weng Kiew, a director and shareholder of the same Koong Yick & Company (Pte) Limited.

32. The two deponents testify that their company was the registered owner of Hong Kong Trade Mark No. 1095 of 1958 for the mark “KOONG YICK 公益 & Device” before the registration lapsed. They say that the late Mr Lui Moon Cheong was the largest shareholder in the company, and that in or about the 1960s, the late Mr Lui, for and on behalf of the company, assigned trade mark rights in Hong Kong and the PRC in relation to the trade marks “KOONG YICK”, “公益” or “KOONG YICK 公益 & device” or trade marks incorporating the same to his son LWY or his companies. They say for that reason, their company did not renew the Hong Kong registration for the “Tree Device” mark. The two deponents also confirm that their company had not allowed any other persons or companies including the applicants to use or register KOONG YICK related marks in Hong Kong or the PRC.

Hearing and preliminary issue

33. The proceedings came on for hearing before me on 20 February 2003. On the day preceding the hearing, the opponent sought leave to file a third statutory declaration of LWY. Normally this would fall to be considered as a preliminary issue. On the day of the hearing itself, the applicant first applied for an adjournment to consider the late evidence. The parties subsequently jointly applied for the hearing to be deferred to facilitate settlement negotiations between the parties. I adjourned the hearing to 7 March 2003. The parties by consent asked that costs be reserved.

34. Before I proceed further, I should return to the opponents' application for leave to admit further evidence. Mr. Kent Yee, on behalf of the applicant, indicated at the hearing on 20 February 2003 that the applicant did not intend to take issue with the opponents' application for leave to file further evidence.

35. The opponents' proposed further evidence comprises, as supplementary exhibits to LWY-8, more copies of invoices, delivery and export documents dating back to the early 1980s. I am of the view that its purpose is to amplify material which had earlier been put forward. I find it to be of sufficient moment, in that it would bear upon the opposition under sections 12(1) and 13(1), to warrant grant of leave under Rule 28, and I do so accordingly.

36. As it transpired, the parties failed to reach settlement before 7 March 2003 on which the hearing was to reconvene. The opposition therefore came on for hearing before me again on 7 March 2003.

Section 13(1) opposition – proprietorship objection

37. An applicant must, under section 13(1), be the proprietor in fact of the suit mark as a prerequisite to obtaining registration. The proprietor means one who has the exclusive right to the use of the suit mark in relation to the goods claimed on the relevant date, 27 June 1997 (*Hong Kong Caterers Ltd v. Maxim's Ltd* [1983] HKLR 287 at 297-298). The legal position is that the issue of proprietorship only arises where the suit mark and the mark or marks claimed to have been used from an antecedent date are identical or virtually identical (*Mila Schön Group SpA v Lam Fai Yuen t/a Tung Kwong Co* [1998] 1 HKLRD 682).

Same or virtually identical marks

38. The suit mark consists of the Chinese characters “公益” appearing at the top right position of a scroll device, the same characters appearing in the centre of the mark presented in a stylised form to fit into a circle, as well as the characters “公” and “益” separately appearing in a laurel wreath device each. The two laurel wreath devices are joined in the middle. The transliterated words “KOONG YICK” appear in diminutive form at the bottom of the scroll device and in the bottom right corner. Floral devices are dotted in the lower half of the mark.

39. The opponents contend that the essential feature of the suit mark is the Chinese characters 公益; the scroll device, laurel wreath and floral devices therein are simply background or decoration and therefore non-distinctive. The opponents contend that their prior use of the various “KOONG YICK” marks precludes the applicant from claiming proprietorship because the suit mark shares the same essential features, namely, “KOONG YICK” and “公益”.

40. I do not doubt there is identity of the word marks, but the question of whether there is identity of the marks requires me to take the marks as wholes. The authorities make clear, that “essential feature” is not the test under section 13(1).

41. The author D R Shanahan in *Australian Trade Marks Law and Practice* (2nd edn) draws the conclusion at page 157, under the heading “Non-identical claims to proprietorship”, that in order to raise a prior use claim under the Australian equivalent of section 13(1), the parties must be claiming proprietorship of the same or substantially the same mark.

42. In *Mila Schön Group SpA v Lam Fai Yuen t/s Tung Kwong Co* [1998] 1 HKLRD 682, Gummow J’s views in the Australian decision *Carnival Cruise Lines Inc v Sitmar Cruises Ltd* (1994) 31 IPR 375 at 391, were endorsed in Hong Kong:

“The phrase “substantially identical”, as it appears in s.62 (which is concerned with infringement) was discussed by Windeyer J in *Shell Co of Australia Ltd v Esso Standard Oil (Aust) Ltd* (1963) 109 CLR 407 at 414. It requires a total impression of similarity to emerge from a comparison between the two marks. In a real sense a claim to proprietorship of the one extends to the other. But to go beyond this is, in my view, not possible.”

Windeyer J's test referred to is that

“the marks are to be compared side by side, the similarities and differences noted and the importance of these assessed having regard to the essential features of the registered mark and the total impression of resemblance or dissimilarity that emerges from the comparison ...” (*Shell v Esso* (1963) 109 CLR 407 at 414-415)

43. The comparison I have to make is of the suit mark (Mark “A” below) and all the marks on which the opponents rely, namely, the word marks ‘KOONG YICK’, “公益” or “KOONG YICK 公益” as appear in the evidence (Exhibit LWY-8 and LWY-8a) and the use of the “Tree Device” mark (Mark “B1” below) on instructional leaflets (Exhibit TFB-1) and incorporated as part of the packaging design for the goods (Mark “B2” below) (Exhibit TFB-1).



“A”



“B1”



“B2”

44. Applying the tests set out above, there can be no serious argument that the suit mark is not the same or virtually identical to the word marks “KOONG YICK”, “公益” and mark B1, the “Tree Device”. The issue is whether the suit mark is the same or virtually identical to mark B2.

45. The scroll and floral devices are common to both marks, but the centrepiece of each mark comes across quite differently. The suit mark features a special presentation of the Chinese characters 公益 to fit inside a circle, so that the two characters are not immediately apparent at a cursory glance. The opponents’ device, on the other hand, has a tree device taking up a prominent position, a rural setting and a rising sun device in which the characters “公益” appear. I will ignore the characters “正紅花油” appearing in the lower half of the label as this is non-trade mark matter. In my view, although there is identity of the word elements, it would be straining the language to say that the two composite marks (packaging) are “virtually identical”.

46. In *Mila Schön* (supra), having considered the proprietorship claim, Recorder Kotewall SC came to the conclusion that:

“...ultimately, in my judgment, the applicant fails on the issue of proprietorship since the Australian authorities to which I have referred establish the necessity of an applicant for rectification showing virtually identical marks in respect of identical goods before such an application can succeed. Despite Mr. Garland’s cogent submissions that I should consider simply the device alone, I have not felt able to do so in the face of the Australian authorities which seem to me to make commercial sense and to be consonant with the general tenor and principles of trade mark law.”

I am bound by *Mila Schön* to reach the conclusion that the differences between the two marks on a side-by-side comparison are sufficient to take the opponents outside the ambit of a proprietorship objection based on section 13(1).

47. Before I leave this ground, I should mention that the applicant contends in the alternative that the applicant could not in *bona fides* claim to be the proprietor of the suit mark. I do not see the merits of the alternative argument. If the suit mark is not the same as or virtually identical to any of the opponents’ KOONG YICK marks, then the suit mark belongs to the applicant. Whether it is entitled to register it as a trade mark, however, falls to be decided on sections 2, 9, 10, 12(1), 20(1) and 13(2) of the Ordinance.

Sections 2, 9 & 10

48. The opponents plead that the suit mark is not a trade mark relating to goods, and alternatively, not a registrable mark under the Ordinance because it comprises a combination of non-distinctive features. The opponents contend that the characters 公益 meaning “for the benefit of the public” are directly descriptive of the quality and character of the applicant’s goods, and that the words KOONG YICK are merely the English transliteration of the term. This criticism comes as a surprise since the opponents’ own marks, which they have sought to register (Appn Nos 15547/98 and 15548/98) comprise the exact same elements of “公益” and “KOONG YICK”. What Mr Kwan has criticised as commonplace devices such as scrolls, laurel wreaths and borders in the suit mark are likewise found on the opponents’ own packaging, so *prima facie* the opponents’ marks would equally be objectionable, except that Mr Kwan informed me that the opponents had filed evidence of use to overcome the objection.

49. Alternatively the opponents contend that the suit mark is likely to be identified with the opponents' marks based on their reputation and therefore could not serve as a badge of origin.

50. In *NUCLEUS Trade Mark* [1998] RPC 233, it was held that objections under sections 9 or 10 would conveniently be treated separately from sections 12(1) or 20(1), particularly where identical marks had been used. The long-standing practice of the Registrar is consonant; oppositions under sections 2, 9 and 10 are determined without reference to the opponents' marks.

51. It would be apposite therefore to confine the opposition under these sections to the inherent registrability of the suit mark. I believe that question can be shortly disposed of. The relevant part of section 9(1) of the Ordinance provides:

“A trade mark ... to be registrable in Part A of the register shall contain or consist of at least one of the following essential particulars –

- (d) a word or words having no direct reference to the character or quality of the goods or services, as the case may be, and not being according to its ordinary signification a geographical name or a surname;
- (e) any other distinctive mark...”

The suit mark, being a composite mark, must be examined as a whole. My comments on Mark “A”, *supra*, are equally pertinent here. Whilst it is true that the mark comes with non-distinctive embellishments, nonetheless the centrepiece, namely the stamp or block device made up of the Chinese characters 公益 remains the most prominent or leading element. In my view the Chinese characters 公益 are represented in a stylised and distinctive fashion. The applicant contends that the meaning of 公益, namely “public/community benefit”, is directly descriptive of the quality and character of the applicant's goods. I doubt whether “public/community benefit” would indeed be directly descriptive of the quality or character of medicated oil and balm for medical purposes, etc. The transliterated words KOONG YICK, in any case, are not known words in English and they themselves are not objectionable under section 9(1)(d). Therefore they are distinctive under section 9(1)(e). I believe an objection under section 9(1)(d) will be dispelled when the mark is regarded as a whole, taking into account the overall presentation of the different elements. Speaking of a composite mark which incorporates a non-distinctive representation of the name of a company, Lloyd-Jacob J said in *Arthur Fairest Ltd's Appln* (1951) 68 RPC 197,

“I do not myself regard Sec.9 as offering any bar to registration of a composite trade mark on the ground that a part of it, even if that part be the name of a company not represented in a special or particular manner, may ultimately come to be treated by the public as distinctive. Indeed Sec.9(1)(e) by its very terms contemplates that some names, not represented in a special or particular manner, may well come to be distinctive, because it provides for registration of them upon evidence of distinctiveness. So that in my judgment a mark is not prevented from being a distinctive mark under Sec.9(1)(e) because it includes amongst its integers which in itself is not separately registrable.”

Accordingly, I find the suit mark to be distinctive under section 9(1)(e). No issue then turns on whether it is inherently capable of distinguishing under section 10.

52. The opposition under sections 2, 9 and 10 fails.

Section 20(1) opposition – mark already on the register

53. Section 20, though originally pleaded, was not pursued at the hearing as there was no mark already on the register at the application date on which the opponents could rely.

Section 12(1) opposition – suit mark likely to deceive, etc

54. Section 12(1) of the Ordinance provides:

“It shall not be lawful to register as a trademark 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.”

Under section 12(1) the likelihood of deception is not confined to deception with a registered mark, but it extends to deception with the opponents’ unregistered marks, altogether or for some of the goods concerned, and the opponents’ trade name. Mr Kwan for the opponents said he was relying on all of the opponents’ KOONG YICK marks.

55. The question I have to decide under section 12(1) is as follows:

“Having regard to the reputation acquired by the opponents’ KOONG YICK marks, is the Registrar satisfied that the mark applied for, if used in a normal and fair manner in connection with any goods covered by the registration proposed, namely, “medicated oil and balm for medical purposes; pharmaceutical, veterinary and sanitary preparations; dietetic substances adopted for medical use, plasters, materials for dressings, disinfectants; preparations for destroying vermin; Chinese herbal medicine preparations” will not be reasonably likely to cause deception and confusion amongst a substantial number of persons?” (*Smith Hayden & Co’s Application* (1945) 63 RPC 97 at 101, per Evershed J, as adapted to this matter)

56. Before an opponent can launch an opposition under this provision, it bears the onus of establishing that its mark or marks are known to a substantial number of persons in Hong Kong (*Re Arthur Fairest Ltd’s Application* (1951) 68 RPC 197). The date by which cognizance or awareness in the opponents’ marks must be established is the application date of the suit mark (*NOVA Trade Mark* [1968] RPC 357 at 360). This cognizance or awareness in the relevant market in Hong Kong must not be *de minimis* in order that section 12(1) could bite. Otherwise deception or confusion is unlikely to arise (*Da Vinci Trade Mark* [1980] RPC 237). If the opponents discharges this burden, the onus shifts to the applicant to satisfy the tribunal that there is no reasonable likelihood of deception arising among a substantial number of persons if the mark proceeds to registration (*Eno v Dunn* (1890) 15 App Cas 252 at 261).

57. The opponents’ case is that use of “KOONG YICK”, “公益” and “Device” (the packaging) respectively has been made by Ling Nam Embroidery (and later by Ling Nam Medicine Factory) in Hong Kong prior to the material date. The applicant contends that any such use was unauthorised, since Ling Nam has been holding itself out as sole agent for the late father’s Singaporean business when in fact it had no such authorisation. I shall return to this later, but must first dispose of the question of which marks have been used by the opponents and whether there has been sufficient use of these marks in the Hong Kong market to reach the threshold for launching opposition under section 12(1).

Which marks have the opponents used?

58. The 1st named opponent, Lui Wing Yee, gave evidence that the KOONG YICK and 公益 marks were used by him and his mother in the 1940s through repackaging medicated oil imported in bulk from Singapore. No documentary evidence has been filed in support of antecedent use going back to that period.

59. Tseng Fan Bond, Lam Cheong and Lee Shung Shin all depose that the marks “KOONG YICK”, “公益” and “Device” (not defined or shown in their evidence) have been used for over 30 or 40 years.

60. The evidence of Lam Cheong supports use of the mark “公益” on bottling material for the opponents’ products. Exhibit LC-2 shows altogether orders for 13,587 bottles between 20 September 1984 and 10 May 1989. The evidence of Tseng Fan Bond at TFB-2 shows altogether orders for 637,200 units of packaging, 1,089,200 instruction leaflets and 2,173,000 labels for the bottles between 16 June 1988 and 11 July 1989. The evidence of Lee Shung Shin shows altogether orders for 114,110 red 公益 bottle caps between 17 July 1984 and 29 November 1991.

61. Tseng Fan Bond exhibits sample instructional leaflets he has printed for the opponents. One such leaflet is exhibited at TFB-1 for the product KOONG YICK PAK SHU OIL 公益白樹油. Apart from the words “KOONG YICK” and “公益”, this leaflet also features the “Tree Device” mark. Tseng Fan Bond also exhibits sample packaging he has made for the opponents, but gives no evidence on whether the same packaging design has been used throughout the period of use claimed. Exhibit TFB-1 shows instead sample packaging with expiry dates of “2003.11” and “04 2004” on them. I would be very surprised if medicated oil manufactured in the 1980s (that is as far back as his invoices show) would only reach its use-by-date in 2003 and 2004, so it would be reasonable to assume that this sample packaging was printed in more recent times. That said, I do not understand the applicant to challenge the opponents’ evidence of use save as regard the aspect of authorisation for such use.

62. On the evidence filed, I find that use by the opponents prior to the application or material date, to have been of the marks “公益”, “KOONG YICK”, “Tree Device” and “Tree Device & Packaging”.

Use sufficient to trigger section 12(1)

63. All that goes towards proof of use antecedent to the date of application of the mark, but it has to be coupled with sales in Hong Kong before a reputation can be established. I am inclined to agree with Mr Yee when he remarked that one could not build a reputation in the marks merely by asking a printing house to print masses of packaging labels.

64. Though not entirely clear from LWY's evidence, it appears that para 17 of his first statutory declaration refers to the opponents' gross proceeds for sales of goods marked "公益", "KOONG YICK" and "Tree Device", local and export sales included. A breakdown between annual local and export sales figures is found at Exhibit LWY-7, in respect of the opponents' goods marked "公益紅花油", "公益黑鬼油" and "公益白樹油" (collectively "公益 medicated oil") between 1990 and 1998.

65. Local sales have declined through the years from 92,956 dozens units of 公益 medicated oil in 1990 equivalent to HK\$5,105,033 worth of sales, to 30,294 dozen units in 1997 (the year this application was made) equivalent to HK\$1,736,101 worth of sales. Altogether, total local sales amounted to HK\$19,387,802 over an 8-year period between 1990 and 1997. This works out at an average of a little over HK\$2.423 million each year which is by no account *de minimis* (*Da Vinci Trade Mark* [1980] RPC 237).

66. That may be so, but the documents exhibited at LWY-8 and 8a covering various invoices, export/re-export declaration forms and delivery notes, consist almost entirely of sales to 廣東省深圳市進出口服務公司 (Kwantung Provincial Shenzhen City Import & Export Service Corporation) under a 藥油寄售合同 KW8335 號 (Medicated Oil Sales Outlet Agreement Number KW8335). In other words, the opponent's proven evidence of sales consists entirely of exports. Does this amount to a cognizance of the marks sufficient to launch opposition under section 12(1)? Counsel's comments were not particularly helpful on this point.

67. In a nutshell, the opponents assert that their KOONG YICK marks have been used in Hong Kong since the 1940s as importer and distributor, and since 1965 or thereabouts, as manufacturer. They assert that sales have been made of their goods, and have provided the annual figures and quantities sold (LWY I, para 17), and a breakdown between local sales and export sales (Exhibit LWY-7). The earliest of the invoices and documents adduced date back to August 1981. I am surprised at the opponents' inability to produce random sales invoices or delivery notes to any of its "1,500 local outlets" in support (LWY I, para 19), but I do not understand the applicant to question the veracity of the sales figures asserted.

68. On the evidence available, I have come to the view that the opponents have discharged their evidential burden under section 12(1).

69. I pause here to mention a number of matters in dispute between the parties. Whilst the applicant concedes that use has been made of the KOONG YICK marks by the opponents, it queries the capacity in which the opponents have used the marks and contends in particular, that the opponents' use of the KOONG YICK marks is without proper authorisation. In

reply, the opponents rely on the pre-existing partnership between the late father and LWY, and argue on that basis that the KOONG YICK marks were property belonging to that partnership. Alternatively, the opponents rely on the oral assignment of the late father's company's trade mark rights in Hong Kong to LWY.

70. The parties laboured these points at the hearing but they are really of little relevance to section 12(1). Ultimately, the opponents need not establish that they are themselves entitled as proprietor to the marks to institute opposition proceedings. The opponents may bring such proceedings if the suit mark is likely to lead to confusion in the minds of the public by reason of its resemblance to a mark or marks used by them, for section 12(1) is primarily concerned with public interest:

“[Section 12] is... for the protection of the public and anyone may object, but if he relies only on similarity he must prove the practical likelihood of confusion to the public and this he can only do, for the purposes of the section, by proving the existing user by another, not necessarily by himself, which is likely to cause deception or confusion.” (*Bali Trade Mark* [1969] RPC 472 at 495-6)

Williams J's views in *Seven Up Co v OT Ltd* (1947) 75 CLR 203 at 211 take care of the position of an importer or trader:

“In my opinion the effect of these cases is that in the absence of fraud it is not unlawful for a trader to become the registered proprietor under the Trade Marks Act of a mark which has been used, however extensively, by another trader as a mark for similar goods in a foreign country, provided the foreign mark has not been used at all in Australia at the date of the application for registration. But the position is different if at that date the mark has become identified with the goods of the foreign trader in Australia because those goods have been brought into Australia by the foreign trader himself or by some importer or in some other manner. The court frowns upon any attempt by one trader to appropriate the mark of another trader although that trader is a foreign trader and the mark has only been used by him in a foreign country. It therefore seizes upon a very small amount of use of the foreign mark in Australia to hold that it has become identified with and distinctive of the goods of the foreign trader in Australia. It is not then a mark which another trader is entitled to apply to register under the Trade Marks Act because it is not his property but the property of a foreign trader...”

For the purpose of section 12(1), it is therefore immaterial whether the pre-existing reputation is that of the local importer or foreign trader. If the use and registration of the suit mark is likely to cause deception or confusion with the mark or marks already in use, the suit mark ought not to be registered.

71. The onus thus shifts to the applicant to prove the negative of *Smith Hayden* enquiry (para 55 above).

Comparison of marks

72. It is common ground that the specified goods and the opponents' goods are the same or of the same description, or are closely allied. Both parties are in the business of manufacturing, marketing and distributing medicated oil, pharmaceutical, veterinary and sanitary products and other related products (LWY I, para 8; LWL, para 3). The nature and intended use of the respective products are the same, *viz.* for all-purpose medicinal use. The conclusion that follows logically is that they will likely be sold in the same or similar retail outlets such as chemist shops and stores selling general health care products.

73. There being no evidence before me of instances of actual confusion, the question of likelihood of confusion must be decided on a comparison of the opponents' marks as used, and the suit mark. The reference to the "user" of the opponents' marks and "use in a normal and fair manner" of the suit mark requires a comparison of the suit mark notionally applied to the goods covered by the specification, against the actual use that has been made of the opponents' marks.

74. In *Shell Co of Australia Ltd v Esso Standard Oil (Australia) Ltd* (1963) 109 CLR 407, the test for deceptive similarity of trade marks has been put in the following way:

"The marks are not now to be looked at side by side. The issue is not abstract similarity, but deceptive similarity. Therefore the comparison is the familiar one of trade mark law. It is between, on the one hand, the impression based on recollection of the plaintiff's mark that persons of ordinary intelligence and memory would have; and, on the other hand, the impression that such persons would get from the defendant's television exhibitions. To quote Lord Radcliffe again (*de Cordova v Vick Chemical Co* (1951) 68 RPC 103 at 106):

‘The likelihood of confusion or deception in such cases is not disproved by placing the two words side by side and demonstrating how small is the chance of error in any customer who place his order for goods with both the marks clearly before him It is more useful to observe that in most persons the eye is not an accurate recorder of visual detail, and that marks are remembered rather by general impression or by some significant detail than by any photographic recollection of the whole.’”

It is the impression or recollection that is retained which forms the basis of any mistaken belief that the challenged mark or device is the same. (*Australian Woollen Mills Ltd v FS Walton & Co Ltd* (1937) 58 CLR 641 at 658, per Dixon and McTiernan JJ.)

75. Are the opponents’ marks and the suit mark so similar as to be reasonably likely to cause confusion? To decide that question, I am to compare the marks by reference to the look, the sound and the concept or idea of the marks and all the surrounding circumstances (*Pianotist Co’s Application* (1906) 23 RPC 774).

76. Apart from the components “公益” and “KOONG YICK”, the suit mark consists of other elements including a scroll, two laurel wreaths conjoined and floral devices. At the centre of the device mark, the characters “公益” appear in a highly stylised form to resemble a stamp or a block. Overall, the suit mark which is a composite mark, is visually different from the opponents’ word marks “公益” and “KOONG YICK” *solus*.

77. That may be so, but it is well established that in the case of composite marks, words are more readily recalled than devices. Here, the parties’ marks are phonetically identical.

78. The comparison between a word mark and a composite mark has been considered in detail in a recent decision dated 6 March 2003 of Mr K S Kripas, Hearing Officer of the Registrar, in *AUDIO PRO & Device*. Essentially there are different kinds of device marks depending on the impact of the device on the composite mark as a whole. A device mark may serve either to reinforce or complement the word mark, or it may be one so lacking in eye appeal that it is immediately forgotten, or so abstract as to be incapable of mental classification and therefore again, immediately forgotten (*AUDIO PRO & Device* at paras 50 and 51).

79. I turn to consider the different device components in the mark. In the *Trade Marks Registry Practice Guide to the Examination of Trade and Services Marks*, published by the UK Patent Office in April 1992, the entry for a “heraldic devices” states that they are

“usually incorporated into marks to give an up market impression and in practice the public will probably recognise the mark by another element, especially a word element”.

80. In my view, the scroll device operates in much the same way as a heraldic device and is therefore non-distinctive in a trade mark context. The twin laurel wreath device encircling the two characters “公” and “益” and conjoined at the middle does no more than set off each character contained within each wreath. The floral pattern appearing in the lower half of the suit mark likewise lacks distinctiveness as floral devices are commonly included in marks simply as background or decoration which may not, as a general rule be registrable even on evidence (D R Shanahan, *Australian Law of Trade Marks and Passing Off*, 2nd Edition at page 111).

81. There is no natural way that these decorative elements could enter into any oral or written reference to the suit mark. They are very much of secondary or even peripheral importance in a consumer’s grasp of the concept of the mark.

82. I will assess the suit mark’s likely confusion with the opponents’ “Tree Device” mark under the next heading.

Likelihood of deception or confusion

83. Taking the suit mark as a whole, the essential or leading integers of the mark are, in descending order of importance, “公益 in a circle device” which takes up central position, the Chinese characters “公益” and the words “KOONG YICK”. I have come to this view because there is no other element identified that can easily be given a name to, which can be taken away in the memory and be readily recalled. I find that in all likelihood, the suit mark will be referred to or recalled either as “公益” or “KOONG YICK”.

84. In these proceedings there is hardly any evidence from either the applicant or the opponents as to their respective trade channels and target customers. Though the opponents claim to have over 1,500 retailers, dealers and outlets in Hong Kong (LWY I, para 19), they have not supplied any details thereof. As I have noted at para 66 above, the opponents’ invoices show predominantly sales and delivery to one entity in Shenzhen in the Mainland as

its sales outlet. Of the evidence filed by the applicant, there are only two invoices issued before the application date, which show use of the words “KOONG YICK”, one to 大和堂 (Tai Wo Tong) and the other to Lap Fong Trading Co, both with addresses in Hong Kong. The problem with a paucity of evidence here can be seen in the light of *Re George Angus & Co Ltd's Appn to Rectify the Register* (1943) 60 RPC 29 at 35, where Bennett J expressed the following view:

“... the difficulty which I have in this case is in seeing how the trade in which the Appellants' goods are sold and in which the Respondent's goods are sold, is carried on. It seems to me to be impossible for a Court to determine whether the use of these two trade marks is likely to lead to confusion unless the Court is informed by evidence as to the way in which the goods of the Appellants and of the Respondent are sold. I do not know (and there is no evidence which informs me) as to whether goods made by the Appellants and goods made by the Respondent are in the hands of third persons with a view to being sold by those third persons to persons who want to buy them. If that is the case, of course, there is a possibility of confusion; and if orders for goods are given over the telephone it is, no doubt, possible for a mistake to be made by the person who receives the order as to whether the order has been for something called “Gaco” or something called “Stayco”. But until you know how the trade is carried on, you are not really in a position to form any judgment upon the question of fact as to whether there is likely to be any confusion in the trade.”

Based only on Exhibit LWY-8 and 8a, already noted above, the opponents do not appear to sell directly to retail customers. Neither, as far as the scant evidence seems to suggest, does the applicant. But the test of likelihood of deception or confusion under section 12(1) does not require that all persons in the market are likely to be deceived or confused. It is sufficient if “a number of persons will be caused to wonder whether or not the goods were made by the opponents because their minds would be put in a state of doubt or uncertainty” (*Hack's application* [1941] 58 RPC 91 at 102 and 106). In this enquiry,

“It may be of importance to see whether the [opponents' marks] are general or special in character and to ascertain the extent of its reputation. Again, it may be important to see whether the goods in respect of which it is registered constitute a narrow class or a wide variety of goods as also will be the question whether the goods of both the applicant and the [opponents] will be likely to find markets substantially in common areas and among the same class of people.” (*Southern Cross Refrigerating Company v Toowoomba Foundry Pty Ltd* (1954) 91 CLR 592 at 607-608).

85. From the evidence of Tseng Fan Bond, at Exhibit TFB-1, one gets an impression of how the opponents' marks are used in relation to the goods. The "centrepiece" of the opponents' packaging consists of the tree and sun device, as opposed to the stamp device in the suit mark, but the background decoration is similarly non-descript. If both marks will be recalled as "公益" or "KOONG YICK" medicated oil, the customer, on seeing the suit mark in the absence of the opponents' marks "公益" and "KOONG YICK", and having only a general recollection of them would, in my view, be liable to think that they were the same or were related to each other.

86. The opponents' case is that the parties' target customers overlap, viz., users of medicated oil, pharmaceutical, veterinary and sanitary products and other related products. Mr Yee for the applicant submitted that traders should also be taken into account. I am aware that the specified goods are in Class 5. All things being equal, pharmaceutical goods call for greater caution in the assessment of confusion because of the Registrar's concern to protect the public from the consequences of deception and confusion. The kind of customers to whom the goods are targeted, however, is of critical importance. If the medication is sold by selection by the customer himself, or over the counter because the order will be communicated orally, the tests of imperfect recollection and first impressions will play a more major role, and the likelihood of confusion correspondingly greater.

87. If the goods are in fact supplied firstly to dealers and other trade outlets, it is a fair argument that, because this class of persons will have familiarity with various brands of medicated oil, they are likely to be more astute than the average shopper in distinguishing between goods emanating from the opponents from those coming from the applicant. They are more likely to attach significance to the identity of the supplier of the 公益 or KOONG YICK medicated oil when placing an order. It is also likely that they will themselves seek out a particular supplier of the 公益 or KOONG YICK medicated oil. That said, the fact that the parties on both sides, bar the 1st named opponent, all incorporate the words KOONG YICK as part of their business names must, in my view, muddy traders' perception to a considerable degree, given that the goods are identical.

88. The goods will nevertheless be purchased by end-users. How fare the ultimate consumers? The evidence would suggest that there has been co-existence, to a very limited extent, of the parties' respective KOONG YICK marks, but there is neither evidence that customers are able to tell between the two trade sources, nor that they will be confused. The parties have adduced no evidence on the relevant class of end-users.

89. In the circumstances I need to turn to the goods themselves. Medicated oil and balm are often presented as panacea for a myriad of ailments. They are normally available for sale without a medical prescription. They are normally intended for external use rather than by ingestion. The range of ailments targeted by the opponents' products (Exhibit TFB-1) suggests that they are generalist, rather than specialist items.

90. Where goods are sold to the general public for consumption or domestic use, the question whether such buyers would be likely to be deceived or confused by the use of the trade mark is a "jury question" (*GE Trade Mark* [1973] RPC 297 at 321). In the circumstances I am entitled to rely on my common knowledge as a member of the public in considering whether buyers would likely be deceived or confused by the use of the suit mark. In my view, the typical consumer of medicated oil and balm in Hong Kong is likely to be of the older generation. He or she is of average intelligence and power of observation, so that detailed differences in packaging will likely be lost on them because the goods are unlikely to be examined on close inspection, nor will great care be exercised in the selection.

91. In my view, the fact that the goods claimed are identical, that the respective marks as they will be referred to in writing and orally are identical, that there is a close similarity between the opponents' packaging and the suit mark, and that the class of customers and trade channels are the same, all point to the risk that the average purchaser of medicated oil will be misled into thinking that the applicants' goods have come from the opponents, or at least be caused to wonder if that was the case. I say this because the enquiry into a likelihood of deception or confusion for the purposes of section 12(1) places no limitation

"upon the nature of the confusion or deception so envisaged, whether it be visual or phonetic confusion of the marks themselves, or what is termed contextual confusion, or confusion or deception as to the trade provenance of the goods," and that ... [in] all such instances ... the confusion or deception mainly to be feared is that the public would attribute a common trade origin to both sets of goods." (*John Fitton & Company Limited's Appn* (1949) 66 RPC 110 at 113).

This has been interpreted to mean that a "prospective purchaser, noting the similarities of the trade marks will, notwithstanding any differences, believe that the goods are placed onto the market under the aegis of one trader or that the products are related in some way." (*Automobiles Peugeot v Viva Time Corporation* (2002) 54 IPR 568).

92. Even among those purchasers who would normally be inclined to pay closer attention to and thus have a more accurate recollection of the opponents' packaging, in my view even they may be caused to wonder if the suit mark might have been a "new" packaging design for the opponents' goods. I say this because apart from the centrepiece and the laurel wreath device, the remaining design is strongly reminiscent of the opponents' packaging. The "new" elements, in any event, feature the characters "公益" prominently.

93. To that I would repeat the observation that confusion is all the more likely because the business names of the applicant and the 2nd and 3rd named opponents are very similar indeed. The ultimate purchasers are likely to be confused into thinking that the applicant's goods have a common trade origin as the opponents' goods. In my view, there is a tangible likelihood that a substantial number of persons would assume that the two sets of goods sold under the respective marks emanated from the same trade source and be thereby deceived or confused.

94. Having come to the view that a reasonable likelihood of deception is established, it follows that the applicant has not discharged its burden under the *Smith Hayden* enquiry. Accordingly, the opposition under section 12(1) succeeds and I must refuse the application.

95. Mr Kwan at the hearing made submissions at length on the alternative limb of objection under section 12(1), namely that the applicant would be disentitled to protection in a court of justice,

- (a) because the use of the suit mark by the applicant would constitute passing off; and
- (b) because the application for registration of the suit mark was made in breach of LWL's fiduciary duties owed to his late father's company.

In view of the opposition succeeding under the first limb "likely to deceive", I need say no more on these other grounds under section 12(1) or in respect of my discretion under section 13(2).

Costs

96. The opponents have 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 pays the costs of and occasioned by these proceedings.

97. 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 Rule of the High Court (Cap. 4) as applied to trade mark matters, with one counsel certified, unless otherwise agreed between the parties.

(Lavinia Chang)
p. Registrar of Trade Marks
23 April 2003