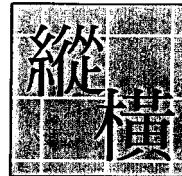


Application No. 15752 of 1999

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 B of the Register in Class 9 by Dynamic  
Software Development Limited

AND

IN THE MATTER of an opposition by Chow Chung  
Kai

AND

IN THE MATTER of an appeal against the  
Registrar's decision dated 4 February 2005

AND


IN THE MATTER of a reference of the costs order  
dated 4 February 2005 to the Registrar for  
reconsideration

**DECISION  
OF**

Miss Lavinia Chang acting for the Registrar of Trade Marks on the written submissions filed by Mr Ling Chun Wai, of counsel, instructed by Messrs Sit, Fung, Kwong & Shum on behalf of Dynamic Software Development Limited, the Applicant; and Ms Priscilla Wong, of counsel, instructed by Messrs Vincent T K Cheung, Yap & Co. on behalf of Chow Chung Kai, the Opponent.

## *Background*

1. This matter arose out of an appeal to the High Court from a decision of the Registrar of Trade Marks dated 4 February 2005 after a hearing on 28 May 2004. It is appropriate to first summarise the circumstances leading to this determination.

2. On 4 February 2005, acting on behalf of the Registrar of Trade Marks, I issued my decision in the opposition to the registration of the mark  application no. 15752 of 1999 made in respect of “data processing equipment and computers, computer hardware, computer software, computer programs, all included in Class 9”. I allowed registration of the mark with a costs order in favour of the applicant (the “Decision”). Dissatisfied with the Decision, the opponent appealed by way of a Notice of Motion issued on 18 February 2005. The matter came to be heard before Deputy High Court Judge L Chan on 8 June 2005 at which Ms Priscilla Wong, of counsel, appeared for the appellant (the “applicant” in the opposition proceedings) and Mr Ling Chun Wai, of counsel, appeared for the respondent (the “opponent” in the opposition proceedings).

3. The conduct of the appeal hearing can be gleaned from Deputy Judge Chan’s judgment dated 29 June 2005. There were two alternative prongs in the Notice of Motion, namely, to set aside the Registrar’s Decision in its entirety and alternatively, to limit the scope of goods for the registration to those that had been sold by the applicant under its mark.

4. At the appeal, Ms Wong indicated she was only pursuing the second prong as made clear in her skeleton submissions. Before Ms Wong concluded her submissions, on behalf of the applicant, Mr Ling proposed an amended specification of goods for the applicant’s mark. Ms Wong found the amended specification sufficient to accommodate her arguments and the appeal reached a conclusion by this concession.

5. By Order dated 29 June 2005, Deputy Judge L Chan ordered amendment of the applicant’s specification of goods as per Mr Ling’s proposal, and that the applicant pays the costs of the Notice of Motion. Having had regard to Mr Ling’s submissions on treatment of the costs below, and to the discussion in *Kerly’s Law of Trade Marks and Trade Names*, 12<sup>th</sup> edn (at paragraph 4-56), Deputy Judge Chan remitted the question of the Registrar’s costs order back to the Registrar for reconsideration.

6. The conduct of the opposition proceedings and the hearing on 28 May 2004 before the Registrar were already within the knowledge of the Registrar. To keep costs

down, by letter dated 20 July 2005, the Registrar invited the parties to file written submissions, if any, for variation to the costs order in the Decision. These were duly received from both parties on 20 August 2005.

*The applicant's submissions*

7. Mr Ling points out that the grounds of opposition pleaded by the opponent were sections 9, 12 and 22 of the Trade Marks Ordinance Cap 43 (the "Ordinance") and in the Registrar's discretion. The opponent did not plead sections 2(1) or 13(1), namely, that the applicant neither used nor intended to use the mark on the goods objected to. No steps were taken to amend the grounds of opposition to include these "new" objections that the opponent eventually relied upon.

8. Nor did it spell out which goods it was objecting to amongst those named in the proposed specification and plead for a limitation of the applicant's specification of goods. Mr Ling submits that the "width" objection only appeared for the first time in the statutory declaration of Chow Chung Kai dated 24 January 2002 filed under Trade Marks Rule 25, Cap 43 sub leg, but meanwhile the opponent continued to pursue his other grounds of opposition and filed a substantial amount of evidence in support.

9. Because the issues between the parties were ill-defined, the applicant contends that it necessarily had to direct evidence to the questions of priority of use, reputation and the likelihood of confusion.

10. At the opposition hearing, even though Ms Wong's skeleton arguments only dealt with the ground of discretion she did not so confine her oral submissions. Specifically, there was no indication at any stage of the hearing that section 12(1) had been abandoned or ceased to be a live issue. The applicant says that at the opposition hearing, unlike its position in the appeal, the opponent was clearly seeking refusal of the application in its entirety with costs.

11. Mr Ling submits that the costs order should be revised, in respect of the costs incurred prior to the hearing, that the opponent should pay the applicant the whole of or 90% of costs or alternatively, that there be no order as to costs; and in respect of the costs of the hearing, that there be no order as to costs.

### *The opponent's submissions*

12. The opponent's submissions on the variation of costs are straightforward. The opponent seeks the costs of and incidental to the opposition against the applicant.

13. Ms Wong points out that the opponent's skeleton arguments for the appeal were the same as those before the Registrar. However, the "event" has changed in favour of the opponent (as a result of the applicant's concession in offering to amend its specification) and costs were awarded to the opponent.

14. Ms Wong submits that the costs of and incidental to the opposition proceedings before the Registrar should be treated no differently from the appeal because the same arguments were adopted: as costs follow the event, so costs before the Registrar should now follow the changed event. Although the opponent may not have succeeded in every respect (as the other arguments are in the alternative), a successful party should not be ordered to pay any part of the costs of the hearing simply because he has failed to prove all of the allegations made. The important fact is that the opponent has succeeded in its primary intent.

15. Ms Wong also refers to an open letter dated 19 July 2003, not previously made known to the Registrar, from the opponent's solicitors to the applicant's agents suggesting a settlement solution not dissimilar to the applicant's eventual concession. The applicant ignored this proposal. The opponent contends that had the applicant been reasonable, substantial time and costs could have been saved.

### *Reasons for Determination*

16. Deputy Judge Chan did not consider the opponent had only accomplished partial success in the appeal since he found the opponent's dominant intent to be the same both at the Registry hearing and at the appeal, namely, to limit the applicant's registration to goods actually sold by the applicant. For that reason, he ordered that the costs of the appeal motion be borne by the applicant.

17. The question for me is whether there is cause for varying the costs order of the Decision.

18. In reconsidering an earlier costs order, the discretion under section 82 of the Ordinance still applies, namely, the Registrar has power to award to any party such costs as he may consider reasonable and to direct how and by what parties they are to be paid. As a general rule, a successful litigant has a reasonable expectation of obtaining an order for payment of his costs by the other party in the absence of special circumstances. The usual costs order is that costs shall follow the event unless there were circumstances suggesting that some other order should be made as to the whole or any part of the costs. This general principle does not cease to apply simply because the successful party raised issues or made allegations which failed, and he should not pay any of the costs unless he acted improperly or unreasonably in raising issues (*Hong Kong Civil Procedure*, at para 62/3/3).

19. To the extent that they have a bearing on my review of the question of costs, it is necessary to revisit certain matters I considered in the opposition proceedings to assess the overall merit. My comments as to the merits of the opposition are now obviously academic in the light of what transpired at the appeal.

20. The opponent puts much emphasis on the fact that the skeleton arguments presented both at the appeal and in the opposition hearing aim at cutting down the applicant's specification of goods. The opposition case as pleaded and supported by evidence was wider. Essentially, the applicant argues that if the scope of the opponent's complaint was known at the outset, or steps taken to reflect this in the notice of opposition, or if the opponent had withdrawn the section 12(1) ground, the opposition would have been much more limited. None of these steps were taken, and because the onus of proof is on the applicant to show that the suit mark ought to be registered, it was only to be expected that the applicant would direct evidence to meet the allegations. Costs were incurred unnecessarily. In my view this is only a neutral factor, as grounds of opposition are often pleaded and substantiated in the alternative.

21. In relation to section 13(2), the applicant had contended at the opposition that because this provision was not expressly pleaded, the opponent could not rely on it. I took the view, as I indicated at the hearing, that even if the objection was not clearly taken, I still had a residual discretion under section 13(2) if none of the grounds of opposition were made out.

22. In the opponent's skeleton arguments it asserted that the applicant's specification of goods was too wide and could not be justified by the applicant. I was not

convinced of the merits of this argument. The fact that the applicant had used the suit mark in relation to some goods in its proposed specification but not others could not in itself mean that it had no intention of using it in relation to the rest of the specification. *After* registration, however, if the applicant does not use his mark, he runs the risk of having his registration revoked on the ground of non-use, in which case he may be forced to amend down the specification. That was the context in which the authorities cited by the opponent were decided (*Mercury Communications Limited v Mercury Interactive (UK) Limited* [1995] FSR 850 and *Minerva Trade Mark* [2000] FSR 734). But what concerned me here was an opposition, not revocation on the ground of non-use.

23. The opponent had asked for a restriction or limitation of the applicant's specification to those goods in relation to which the suit mark had been used. I thought it was an ill-founded, but not unreasonable argument. It appeared to me that, if I had concluded that the section 12(1) opposition had no merits, on the basis the opponent failed to establish sufficient reputation or cognisance in his marks at the relevant date to even launch an opposition, then, in applying section 13(2), it must be a foregone conclusion that the opponent had no prior interest to form the basis for cutting down the applicant's specification. There are of course other considerations relevant to the exercise of my discretion, such as whether there is evidence of honest use by another concurrent with the applicant's use. However, even though the opponent's honesty was never in question, he had established hardly any concurrent user in Hong Kong of its marks by the application date. In those circumstances, it would be illogical for me to cut down the applicant's specification in the exercise of my discretion.

24. However that may be, on appeal, the learned Deputy Judge found it proper to treat section 13(2) as an alternative ground for different reasons:

“Despite the pleading in the Grounds of Opposition of the Registrar's discretionary powers, there was no pleading therein of any alternative that the scope of the applied for goods should be cut down. Ms Priscilla Wong for the opponent accepts that the discretion under section 13(2) was not pleaded in the forefront in the Notice of Opposition and the main thrust of the opposition was an ambitious one, i.e. to block the registration completely. However, the battlefield as demarcated in the Statutory Declarations filed with the Registrar was slightly different from that drawn in the Grounds of Opposition.” (paragraph 4)

25. Having considered the opponent's statutory declaration, the learned Judge

drew the following conclusions:

“Thus, it was quite clear that the Opponent, Mr Chow, had in his Statutory Declaration raised an alternative argument that if the Applicant’s registration should be allowed, the scope should be cut down. Mr Chan for the Applicant had also dealt with this argument in his Reply Declaration. *It is also undisputable that the Applicant had not marketed any software or system for inputting Chinese characters into computers that was of its own design or invention.*” (paragraph 8, emphasis added)

26. This finding of the appellate court is binding on me.

27. I share the same view that Deputy Judge Chan expressed, at paragraph 14 of his Judgment, that the open letter of 19 July 2003 from the opponent’s solicitors to the applicant’s agents has an important bearing on the question of costs. It was an offer made by the opponent to the applicant for settlement of these opposition proceedings and related trade mark matters. Although it was not expressed to be “without prejudice save as to costs” it was not earlier made available in these proceedings.

28. On the face of the letter, the terms proposed show a genuine attempt to address each party’s core interests and willingness on the opponent’s part for further discussion. Amongst the terms proposed was a exclusion from the applicant’s proposed specification the category, in the opponent’s words, of software “for and relating to inputting systems for Chinese characters known as ‘縱橫輸入法’ for use in computer and mobile phone”. The opponent also offered to withdraw these opposition proceedings.

29. It is not in dispute that this settlement offer by letter dated 19 July 2003 was rejected by the applicant for its own reasons.

30. The conduct of the litigation also has some bearing on the question of costs. At the start of the hearing, I had asked if the applicant, in the light of the opponent’s skeleton submissions, nevertheless intended to proceed with its *full* proposed specification of goods. The applicant confirmed it was and the hearing proceeded as usual and submissions were made at some length.

31. The applicant was without question within its rights to insist on its original specification. Equally, their applicant’s rejection of the offer to settle was not

unreasonable. It was their right to risk all. However, having risked all, the applicant must bear the consequences of its decision to pursue the substantive hearing. The proceedings which the opponent was obliged to bring have eventually resulted, albeit by the applicant's own concession, in a restriction of the applicant's specification of goods, as it set out to do. This entitles it to be treated as a successful opponent.

32. Accordingly, in place of the costs order issued on 4 February 2005, I order that the applicant pays the opponent the costs of and incidental to the opposition, to be taxed if not agreed. The applicant must also bear the costs of and occasioned by the submissions filed in connection with this determination.

( Lavinia Chang )  
p. Registrar of Trade Marks  
12 September 2005