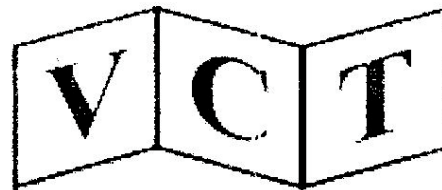


Application No. 12358 of 2000

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 in Class 14 by Vecent (China) Times
Limited

AND

IN THE MATTER of an opposition by Queen
Express Limited

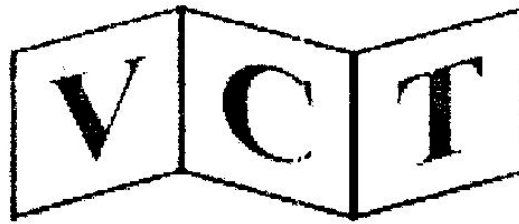
**DECISION
OF**

Mr. Kestutis Stasys Kripas acting for the Registrar of Trade Marks after a hearing on
20 August 2003.

Appearing : Mr Kim F. Yu, instructed by Au-Yeung, Cheng, Ho & Tin on behalf of
Vecent (China) Times Limited

Mr Stewart R.W. Wong, counsel instructed by Deacons on behalf of Queen
Express Limited

1. These proceedings arise from an opposition by Queen Express Limited, a Hong Kong company (the “opponent”) to an application made on 2 June 2000 by Vecent (China) Times Limited, also a Hong Kong company (the “applicant”) for the registration of the trade mark, a representation of which appears below, in respect of “watches, watch cases, watch straps; watch faces, bands, dials, buckles, hands, chains; clock cases; alarm clocks; chronometric instruments; all included in class 14” :



(the “suit mark”).

2. The mark has been accepted for registration in Part B of the register. It was advertised on 15 December 2000 in the Hong Kong SAR Government Gazette for the purpose of opposition under section 14 of the Trade Marks Ordinance, Cap. 43 (the “Ordinance”). A Notice of Opposition was filed by the opponent on 14 May 2001.

The pleadings

3. The opponent, in its grounds of opposition states that in April or May 1999 its director, Mr Yu Shu Foon, designed a logo (the “GUT” mark) to be used in respect of watches, watch cases, watch straps and other horological or chronometric goods. At various dates near the end of 1999 certain former employees of 東亮錶殼廠 (“Tung Leung”) an associated company, each of whom had access to the design of the “GUT” mark, were hired by the applicant and one or more of these former employees imparted to the applicant’s officers or employees his, her or their knowledge of the “GUT” mark. The opponent contends that the design of the suit mark is nearly identical to the design of the “GUT” mark. Owing to the similarity of the suit mark to the “GUT” mark, potential and current retail customers of the applicant’s goods will be or are likely to be misled into thinking that the applicant or its goods are associated in the course of trade with the opponent and its goods.

4. The opponent pleads that registration of the suit mark would be contrary to sections 2(1), 9, 10, 12(1), and 13(1) of the Ordinance, or alternatively should be refused in the Registrar’s discretion under section 13(2). The opponent seeks an award of costs.

5. In its counter-statement the applicant denies the allegations relating to employing certain ex-employees of 東亮錶殼廠 or acquiring the design of the “GUT” mark either in bad faith or unconscionably or as a third party in equity without notice of the opponent’s exclusive proprietary rights in the “GUT” mark. It denies the allegation that its customers would be misled into thinking there was an association between it and the opponent and puts the opponent to strict proof on proprietorship of the suit mark and on why registration should be refused. It seeks registration of the suit mark and its costs.

Opponent’s evidence

6. Both parties filed evidence. For the opponent, statutory declarations were made by Madam Yu Oi Wah and Mr Yu Shu Foon. Madam Yu declares she is the owner of GUT Trading Co. operating from Shop 49A, Ground Floor, Chung King Mansion, Tsimshatsui which has been licensed by the opponent, since September 1999, to distribute and sell watches bearing or by reference to the “GUT” mark.

7. She exhibits the Business Registration Certificate of GUT Trading Co. which shows a commencement date of 25 September 1999 (“YOW-1”); and one photocopied example of a watch bearing the “GUT” mark alongside which is a label, which presumably at some time was attached to the watch (“YOW-2”). The “GUT” logo on the watch is in outline whilst on the label the letters “G” and “T” are in white against a dark background, a pattern which is reversed for the letter “U”. Madam Yu also states that watches bearing or by reference to the “GUT” mark have been sold by GUT Trading Co. since September 1999. She exhibits a table (“YOW-3”) showing the quantity and value of such sales in the period from September 1999 to May 2000 and beyond. The relevant portion of the table is reproduced below :-

<u>Month</u>		<u>Quantity</u>	<u>Sales Turnover</u> HK\$
September	1999	5,970	35,820
October	1999	40,012	240,072

November	1999	38,592	231,552
December	1999	39,544	237,264
January	2000	79,804	478,824
February	2000	9,093	54,558
March	2000	86,237	517,422
April	2000	58,335	350,010
May	2000	114,518	687,108

8. It can be calculated from this table, that the total number of watches sold in the nine month period were 472,105, the sales turnover was \$2,832,630, and the average unit price of each watch was exactly \$6 each and every month.

9. Mr Yu is the director of Queen Express Limited operating from Shop 68, Ground Floor, Chung King Mansion. Mr Yu states his family owns a number of companies which are in the business of designing, manufacturing and selling watches. Queen Express Limited was incorporated on 20 June 1997, as shown on the exhibited Certificate of Incorporation (“YSF-1”). Mr Yu says that in April/May 1999 he had designed and developed a number of trade marks bearing the letters “GUT”. One of the designs consisted of the letters “GUT”, and what he describes as a “folding screen device” (the ‘GUT Mark’). What Mr Yu describes as “a copy of the drawings of the GUT mark” are exhibited as “YSF-2”. The exhibit appears instead to comprise photocopies of three labels, firstly in actual size and alongside, the same labels magnified to twice the actual size. The uppermost version appears to be the same as the label exhibited alongside the photocopied watch exhibited by Madam Yu.

10. Rather than attempting an elaborate description of the labels, Exhibit YSF-2 is annexed to this decision. As can be seen from the examples the “folding screen device” is not applied in a consistent manner and in the middle example, not applied at all. From the hand-drawn arrow pointing to the third label, I take it that this is the “GUT Mark” referred to. The following exhibit (“YSF-3”) depicts the first and third designs, in reverse order in label form. As the first is the clearest representation of the “GUT” mark in evidence, I have used the image from the designated design for the following representation :



11. Also forming part of “YSF-3” are photocopied watches, both front and rear views together with a repeat of exhibit “YOW-2”. On all watches the “folding screen” device is shown in outline. Mr Yu continues by stating that watches have been manufactured for Queen Express Limited by 東亮錶殼廠 (“Tung Leung”) and by 加利時裝配部 (“Classic Time”) both companies being associated with the opponent. Mr Yu repeats the pleading that in November 1999 a number of Tung Leung employees including the supervisor of the product development department 周正志 (“Chow”) left Tung Leung and, he believes, were hired by the applicant and are still in its employ. Mr Yu says he believes that Chow imparted to the applicant, its officers or employees, his knowledge of the “GUT” mark. Mr Yu exhibits Chow’s employment record which appears to confirm his departure on 1 November 1999. Mr Yu exhibits three copies from the records of “Classic Time” which is the parts department of Tung Leung (“YSF-5”). He states that the hand-written character 周 (the Chinese character for Chow) in the lower right corner is the signature of Chow. Mr Yu does not give any reason, such as being familiar with Chow’s signature, to support this statement. Mr Yu also produces as “YSF-6” a copy of an undated order form under the letterhead of the applicant and says he believes the hand-written character 周 (again the single Chinese character) on the lower left corner is also the signature of Chow. From this Mr Yu believes that Chow imparted his knowledge of the “GUT” mark to the applicant who then designed, he believes, a substantially similar mark, the suit mark, and applied to register it.

12. Though not specifically pleaded, Mr Yu then launches a second attack on the commercial honesty of the applicant. I shall not detail this for at the hearing of the opposition counsel for the opponent conceded that the evidence adduced could not support the allegation.

13. Mr Yu concludes his evidence by stating he has not applied to register the “GUT” mark, expresses his opinion on the similarity between the two marks, the significance of the folding screen device and states that the opponent had produced at least 100 styles of

watches bearing or by reference to the “GUT” mark.

Applicant's evidence

14. The applicant's evidence comprised a statutory declaration by Madam Yuen Siu Bing, Carefeel, a director of the applicant. She deposes to having been a sole trader in the design, manufacture and sale of watches since 1991, under the name Vecent (China) Trading Company. She decided to become incorporated in 1994. The applicant company was first incorporated on 10 May 1994 under the name “Everteam Limited”. On 10 June 1994 the applicant company changed the name to Vecent (China) Times Limited. The applicant appears to have operated from its registered office at Room 1202, No. 1, Minden Avenue, Tsimshatsui until 1998. During this period a major part of the applicant's business was in the manufacture of watches in accordance with its customers' own designs and trade marks. In November 1998, Super Rank Ltd., entered into a tenancy agreement in respect of Shop 73A, Ground Floor, Chung King Mansion. The tenancy agreement produced as “YSBC-2” shows the tenant to be Super Rank Ltd, Ms Yuen Siu Bing Carefeel, thereby linking the two. The applicant had by then decided to promote its own trade mark. There is evidence of two orders placed on 17 January 1999, one with 生利錶殼廠 the other with 大奧錶面廠 for the manufacture of watches under a mark “VCT” (“YSBC-5”). I shall return to these orders in due course, but first I must go back in time to June 1994. At paragraphs 7 and 8 of her statutory declaration Madam Yuen states :

“7. In or about June, 1994, I developed an idea of having a trademark which would be used onto [sic] the Applicant's products, mainly watches.

8. Pursuant to my concept, I made a rough sketch of the intended representation of the trademark. The sketch cannot now be located despite my diligent search, but I have attempted to ‘reconstruct’ this sketch as it existed to the best of my collection [sic]. This reconstructed sketch is now produced and shown to me marked ‘YSBC-4’.”

15. The exhibit shows four versions of marks based on the letters “VCT”, the one bearing a close resemblance to the suit mark is ticked whilst crosses appear against the others.

16. Madam Yuen says the letters are derived from the first letter of the three words forming the name of the applicant company. She says she was aware, as a designer of watches since 1991, that many word marks would have additional elements such as stripes, stars, squares and circles. She decided to add some peripheral features to the letters VCT to make the letters more attractive to customers. She settled for a 3-dimensional effect enclosing each letter with a rectangular border. At the end of 1994, she created the final version of the VCT mark which is the mark in suit.

17. Madam Yuen claims that since the opening of the applicant's first shop in November 1998 "there had been an advertising board hoisted in the upper front of it" (YSBC, para 17). The board was said to contain a sign of the suit mark, but there is no independent evidence of this. Madam Yuen exhibits ("YSBC-7") a floor plan of the ground floor of Chung King Mansion from which the location of the opponent's, Madam Yu's store and Madam Yuen's shop can be seen – they were practically neighbours. The exhibit also shows that there are 41 watch wholesalers on that floor alone.

18. On the question of Mr Chow, Madam Yuen said the following :

"22. The person, namely, 周正志 (hereinafter called 'Chow') is now employed by a PRC company which has business relationship with the Applicant Company. Upon perusing the Opponent's Ground of Oppositions [sic], I had conducted an investigation for [sic] this matter. Chow informed me and confirmed that he did not impart any information and knowledge to his employer and any party, particularly, the alleged GUT mark."

19. Madam Yuen's statutory declaration was made on 24 May 2002. The opponent did not file evidence in reply as it was entitled to do if there were matters in Madam Yuen's evidence which it wished to challenge.

Hearing

20. On 3 June 2003 the agents of the respective parties were advised that the matter had been fixed for hearing on 20 August 2003. Both parties filed notice of their attendance at the hearing.

21. On 24 July 2003 the opponent's agents sought leave to cross-examine Madam Yuen. Following several rounds of correspondence I refused the application on 13 August 2003.

22. On 18 August the applicant's agents sought leave to supplement Madam Yuen's evidence in relation to "(1) more evidence on first of use the suit mark [sic] VCT & device and (2) the relationship between Vecent (China) Times Limited and Super Rank Limited at the date of hearing." In the event the application was not pursued.

23. The matter came on for hearing on 20 August 2003. Mr Kim F. Yu represented the applicant and Mr Stewart R.W. Wong of counsel represented the opponent.

24. Though the hearing took place after the commencement of the Trade Marks Ordinance Cap. 559, by virtue of sections 1(4) and 10(1) of Schedule 5 to Cap. 559, the matter is a pending matter to be dealt with under the provisions of the repealed Ordinance Cap. 43 and the Trade Marks Rules Cap. 43 sub.leg.

Opposition under section 12(1) of the Ordinance

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

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

26. It was common ground between Mr Yu and Mr Wong that before an opponent could invoke the provisions of section 12(1) it bore the initial onus to establish that the mark, on which it relies to oppose, is sufficiently well known to a substantial portion of the relevant class of persons in Hong Kong. Mr Yu and Mr Wong differed on who should comprise the relevant class of persons, Mr Yu submitted that it was the general public of Hong Kong who purchase watches, whilst Mr Wong submitted that the most immediate relevant class were buyers, local and overseas, who purchase watches on a wholesale basis for re-sale.

27. The evidence relating to the volume of sales of the "GUT" watches comprises

solely the table reproduced at paragraph 6. There is not a single invoice, purchase order, delivery note, bill of lading, sales ledger, or receipt to verify the figures and to indicate who purchased the watches. Mr Yu submits in these circumstances it is unclear whether the goods sold all bore the “GUT” mark and whether they were sold in Hong Kong at all. He criticises the table as credible evidence as it is not compiled by or certified by an accountant. Further, that despite Mr Yu Shu Foon’s claim to having at least 100 different styles of “GUT” watches, each and everyone is priced at \$6 which also strains credulity. The criticisms are not without force.

28. Mr Wong submitted that the table had been compiled by the owner of the business, Madam Yu, who would have personal knowledge of the sales volume; she gave her evidence under oath, and the evidence was not challenged in the statutory declaration of Madam Yuen. He relied on my holding in *Re Miss Elaine Inc* [2003] 1 HKC 666 that in these circumstances the evidence should be accepted. I see no reason to depart from that approach and do accept the evidence of sales turnover.

29. Returning now to the relevant class of persons, it seems to me that for the threshold question I need make no finding on this, for, whether the sales were predominantly made to wholesale buyers or to both that class and the general public, the level of sales far exceeds *de minimis* levels. As Richardson J pointed out in *Pioneer Hi-bred Corn Company v Hy-line Chicks Pty Ltd* [1979] RPC 410, 424 when discussing reputation of the opponent’s mark :

“Why then is such attention paid in the cases to the reputation of an opponent in the local market? It seems to me that the reasons is this : if the opponent’s mark is wholly unknown in the New Zealand market in which the applicant’s mark is proposed to be used, the use of the applicant’s mark could not lead to deception or cause confusion. Those concerned in that market would not be misled into drawing any false inferences as to the origin or quality of the goods or otherwise. Nor would they be confused : because of their lack of awareness of the applicant’s mark, there is nothing with which the applicant’s mark could be confused. If those in the market did not have – to use the words of Romer, J. in *Jellinek’s Application* at page 80 – ‘any cognizance whatever’ of the opponent’s mark by the date of the application, no confusion could arise in the public’s mind by the introduction of goods bearing the applicant’s mark. The reason then for considering

reputation and considering it before turning to assess the likelihood of deception or confusion is :

‘In general, consideration of reputation is more helpful as the initial inquiry, for it informs the mind of the circumstances in the trade, against the back-ground of which the two marks must be regarded as notionally in use’ (*Gaines Animal Foods Ltd’s Application* (1951) 68 RPC 178, 180).”

30. The opponent’s mark is not “wholly unknown” in the market. Even if the only purchasers of the opponent’s “GUT” watches were overseas wholesale buyers, they must nevertheless have first encountered the watches in GUT Trading Co’s retail premises and in sufficient numbers to have collectively purchased 472,105 watches in a nine month period. If the sales have only been to wholesale buyers from overseas then among that class of persons (and there must be a lot of them to support 41 watch wholesalers on the ground floor of Chung King Mansion alone), the mark is not wholly unknown. If the class is wider and includes local wholesale buyers and eventually local casual buyers, the cognizance of the mark in Hong Kong is proportionally greater. I find the opponent has discharged its initial burden and the onus thus shifts to the applicant to discharge its burden of satisfying me that the suit mark is registrable.

31. It was common ground that the accepted test under section 12(1) is that propounded by Evershed J in *Smith Hayden & Co Ltd’s Application* [1946] 63 RPC 97 at 101 :

“Having regard to the reputation acquired by the name “GUT and device”, is the Court satisfied that the mark “VCT and device”, if used in a normal and fair manner in connection with any goods covered by the registration proposed, will be reasonably likely to cause deception and confusion amongst a substantial number of persons?”

32. The requirement that the deception and confusion must be among a substantial number of persons is a judicial gloss to be properly and sensibly applied (*Bali Trade Mark* [1969] RPC 472, 496).

33. It was also common ground that I must look at all the circumstances of the trade (*Pianotist Co Ltd's Appln* (1906) 23 RPC 774) and apply the doctrine of imperfect recollection (*Aristoc Ltd v Rysta Ltd* (1945) 62 RPC 65).

34. Aurally the applicant has no difficulty in discharging its burden. Gut is a pronounceable dictionary word and I have no doubt that watches bearing that mark will be described as "GUT" watches rather than G-U-T watches. Mr Wong says the letters have a meaning other than the dictionary meaning but concedes that this is not in evidence. It is also a meaning which would be unknown to the watch buying public. VCT can only be pronounced as V-C-T.

35. Visually, Mr Wong urges that the "idea" of the opponent's mark is a folding screen with a letter superimposed upon each of the three panels. The suit mark also comprises a folding screen with a letter superimposed upon each of the three panels, and in the case of the third panel, the same letter, namely "T". To offend against section 12(1), it is not necessary, Mr Wong submits, that there is a finding that there is actual probability of deception, or that the circumstances are such that the opponent can succeed in an action for passing off. All that is required is that there is a real tangible danger that a number of persons will be caused to wonder, or put into a state of doubt or uncertainty, whether the products come from the same source, and it does not matter even if the actual purchasers will not ultimately be deceived. There is a tangible danger, says Mr Wong, that persons having a passing familiarity with the opponent's mark and recalling only that it comprises three letters each on a different panel of a folding screen, would be caused to wonder, when they encounter the suit mark, whether they come from the same source or are associated as a family of three-letter marks imposed on a folding screen device.

36. Whilst the principles outlined above are not in dispute, they must be applied with reference to the realities of the market in those goods. For Mr Wong's argument to succeed I would need to firstly accept that the device element of both marks would be perceived as a folding screen device. This is only apparent on the opponent's labels where the first and third panels are dark. On the opponent's watch faces and backs, and in the suit mark, it would take careful examination and some imagination to see the device as a folding screen. Equally likely is that the device would be perceived as a rectangular border to each letter, off-set for more visual interest. Secondly, I would have to accept that the applicant's and opponent's watches are purchased with minimal care, a matter I shall return to in paragraph 42.

37. It is trite law that words or letters speak louder than devices. In my view, and there is no evidence to the contrary, the opponent's mark will be perceived as a "GUT" mark and the suit mark as a V-C-T mark with little recollection of the border details. Similarity is a question of degree. A degree of similarity is tolerable, provided the marks are not confusingly similar – *The European Ltd v The Economist Newspaper Ltd* [1998] FSR 283. I am of the view that the similarity here is in the tolerable range. The applicant has accordingly discharged its onus on the visual aspects of the respective marks.

38. As to the question of who would buy the goods, the answer is slightly more difficult. The opponent has adduced no evidence of whom its buyers are. Madam Yuen says her shop offers the applicant's products mainly to overseas buyers from Africa, USA, Canada and Middle East. She is however speaking about shop number 71, which was not leased until 1 July 2000. She says nothing about the customers for the first shop, number 73A. Identifying the respective customers is a finding that I must make in considering the likelihood of confusion – *Pianotist (supra)*, a task made more difficult as in the applicant's evidence I am not even told the unit price of the watches. Doing the best I can, I see from the applicant's orders placed on 17 January 1999 ("YSBC-5") that the unit price for the case is \$1.80 and for the dial \$1, a total of \$2.80. In the applicant's order form produced by the opponent as "YSF-6" the unit prices were \$4.30 and \$4.90 respectively. In the photograph produced as "YSBC-6" the sign in the window indicated leather watches are priced at HK\$8.50. As this photograph is of a shop leased from 1 July 2000 the price is not proof of the position in June 1999, but it is consistent with lower end watches. It would appear that both parties are catering to the lower end of the watch market.

39. Both parties have premises on the ground floor of Chung King Mansion. In fact, from the floor plan of those premises produced at "YSBC-7" there are 41 watch wholesalers on that floor alone. It would appear that the aggregation of similar traders in the same premises suggests that it is for the convenience of buyers; which in turn suggests the same class of buyer.

40. Mr Yu points out however that even if the customers for both branded watches are the same, the trade outlets are different. The opponent does not sell the applicant's watches, it sells only the watches it manufactures and *vice versa*. Buyers wanting "GUT" watches will go to GUT Trading Co. and buyers wanting VCT watches will go to the applicant. This would dispel any likelihood of confusion as the two brands of watches will not be found side by side. It would also dispel the likelihood of a potential customer

regarding the watches as a “family” of three-letter marks on the same device when the respective watches are purchased from different wholesalers.

41. Mr Wong submits that I must consider the future trade as well as the present. There may be a time when a local wholesaler buys from both parties and onward sells at retail prices within Hong Kong. This scenario is possible, if not probable, as it would appear that at least from some date after 1 July 2000, the applicant had a sign in its window indicating that it dealt in “wholesale only”. That was likely to have also been the position in June 1999. If there was a retail market for these watches a local wholesaler may well seize the opportunity to buy at wholesale from both parties to satisfy local demand at retail levels. Why I do not think this is a probability is that this hypothetical wholesaler could far more cheaply and therefore profitably get a full range of styles from a PRC manufacturer or some other, as seems to be the pattern for this segment of the market and thus cut out the middleman. I cannot place much weight on this hypothetical scenario in the totality of my deliberations.

42. Taking all factors into consideration I find that the opponent’s and applicant’s customers are wholesale purchasers predominantly if not exclusively from overseas. I find there is no reasonable likelihood of deception and confusion arising if the applicant’s mark is entered onto the register. The respective marks are both aurally and visually different. As the customers for the respective parties’ watches are businessmen they would have to assess the demand in their market for the styles and trade marks of numerous rival wholesalers. They would do so with care and with a view to fostering business relationships. They may have had a good experience with one supplier and will have reason to repeat business with him. They may have had a bad experience with a supplier and would avoid his product. What is most unlikely in my view is that such businessmen would make impulse purchases without ascertaining the source of the goods. These are not people who require to be protected from uncertainty as to whether two products from different suppliers, with different names, may nevertheless have a common source, for they would make it their business to find out. Their business might depend on it.

43. Mr Wong specifically stated that no opposition is taken in respect of use by the applicant of the VCT mark which would be in breach of the artistic copyright in the opponent’s mark. There is no need for me to therefore consider Mr Yu’s submissions on copyright. There is no other reason therefore to suggest that the suit mark would be disentitled to protection in a court of justice.

44. With these findings and Mr Wong's concession, the applicant has defeated the opposition under section 12(1) of the Ordinance.

Opposition under sections 2(1), 10 and 13(1) of the Ordinance

45. With my finding that the marks are not deceptively similar, the objections under sections 2(1) and 10 of the Ordinance, namely that the suit mark cannot distinguish the applicant's goods from the goods of others, also fall away. I need only say that the suit mark is a trade mark relating to goods by definition and a mark capable of distinguishing the applicant's goods from the goods of others pursuant to section 10 of the Ordinance. Mr Wong withdrew the objection based on section 13(1) leaving only my discretion under section 13(2) of the Ordinance.

Registrar's discretion

46. This discretion arises when the suit mark is accepted for registration under sections 9 or 10 and is not precluded by, in this case, section 12(1) of the Ordinance, yet there is reason why it should nevertheless be refused. The discretion is not to be exercised capriciously but on sound legally justifiable grounds.

47. In essence Mr Wong submits that the suit mark should be refused as it has been copied to a material degree from the opponent's "GUT" mark. Where copying is an irresistible inference the mark should be refused – see *Re Omega* [1995] 2 HKC 473 and *Hong Kong Caterers Ltd v Maxim's Ltd* [1983] HKLR 287. Mr Wong points out the difficulties of presenting direct evidence of copying and submits that the issue should be approached in a similar manner to copyright infringement. In copyright infringement cases copying will be inferred if there is opportunity i.e. access to the copyright material and if a significant portion thereof is taken. Mr Wong says the opponent has proved opportunity or access through Mr Chow, and that a significant part of the opponent's mark has been taken, namely the folding screen device. Mr Yu says nothing of the sort has been proven and relies on a passage in *Re Borsalini Trade Mark* [1993] 1 HKC 587, to which I shall return.

48. An allegation of commercial dishonesty is a serious allegation and one which should only be made after a very careful appraisal of the evidence available to substantiate it. I turn to examine the evidence, but first remind myself that in its counter-statement the

applicant denied paragraphs 4 and 7 of the grounds of opposition and put the opponent to strict proof of the allegations stated therein. Paragraph 4 of the grounds of opposition contained the particulars of the departure of certain employees of 東亮錶殼廠 (Tung Leung) and their subsequent hire by the applicant. One or more of these ex-employees, it is alleged, imparted knowledge of the “GUT” mark to the applicant. Paragraph 7 of the grounds of opposition is the allegation that the design of the suit mark was acquired in bad faith or unconscionably; or alternatively as a third party in equity without notice of the opponent’s exclusive proprietary rights in the “GUT” mark.

49. I start with opportunity. The opponent has proved its employment of Chow, and as supervisor of the product development department of Classic Time, he would have seen the preparation for and the production of “GUT” watches prior to his departure on 1 November 1999, so he would also have knowledge of the design.

50. Whether Chow was employed by the applicant is not so clear. The sole independent evidence of this is the “signature”, allegedly of Chow on exhibit “YSF-6”. I have already expressed some reservation on the evidence of Chow’s signature. If someone other than an expert is to give opinion evidence of a mark being someone’s signature it is customary to state the grounding for confidently identifying it. This has not been done. Furthermore, there is very little to go on, just the single Chinese character. In my experience it is notoriously difficult to prove handwriting when it comprises solely of Chinese characters and even experts are often reluctant to positively say that two samples were from the same hand.

51. However, Madam Yuen’s evidence on this point is equivocal. Instead of stating outright that she did not employ Chow she says that Chow is now employed by a PRC company which has a business relationship with the applicant. Nor does she deny that Chow had imparted knowledge of the “GUT” design to her, for she merely says Chow “confirmed he did not impart any information and knowledge to his employer [i.e. the PRC company] and any party, particularly, the alleged GUT mark”. Her evidence leaves open the possibility that she employed Chow at the relevant time alleged by Mr Yu Shu Foon but no longer does so.

52. Turning to the allegation of copying, of course the whole allegation would be dispelled if I were to accept the evidence of Madam Yuen of independent creation of the suit mark in 1994. Is there reason to not believe her? As Godfrey J stated in *Borsalini (supra)*

at page 592 :

“Except when the case is too plain for words, it cannot be right for any tribunal to decide questions of honesty or dishonesty on affidavit evidence, untested by cross-examination.”

53. Mr Wong submits in effect, that I should accept the unchallenged evidence of sales from Madam Yu for the purposes of the threshold test (see paragraph 27), but reject entirely the evidence of Madam Yuen on independent creation. The difference lies, he submits, in the inherent unreliability of Madam Yuen’s evidence. Why, having commenced business in 1991, would she start designing a logo in 1994 when her business then, and until 1998, was in OEM watches? How could she remember, in May 2002, details of the logo designs she rejected in 1994, and why, having designed a logo did she not use it on watches? The orders placed in January 1999 (exhibit “YSBC-5”) show only the letters VCT on the watch face, not the suit mark. If there had been any use of the suit mark prior to the mass production of the opponent’s watches in September 1999 one would have expected conclusive evidence to have been produced, but not a single invoice, letterhead, brochure or watch has been produced. On the contrary, even Madam Yuen concedes that the suit mark was not used on watches, but rather for the general purposes of the applicant’s business, *viz*, “Since ... the surface area of watchcases and dials were small. The Applicant Company decided to print the ‘VCT’ word mark only and considered that it could serve the purpose of promoting the whole ‘VCT’ mark. In any event, the whole ‘VCT’ mark and device was and is used for the watches [sic] business of the Applicant Company since January 1999”. (paragraph 16)

54. I should also mention that Madam Yuen also states there was an advertising board erected since November 1998 above the shop containing a “VCT and device sign”. Though there is no independent evidence of this, nor was this evidence challenged. There is a photograph of an advertising board above her second shop which clearly shows the suit mark but unfortunately Madam Yuen does not even say that the signs were similar. She does say that there has been “no single interference by a third party for the display or use of VCT mark” at either shop. Given the proximity of Madam Yu’s shop and Mr Yu’s shop to Madam Yuen’s shop, it is inconceivable that they would not have seen the sign, if indeed there was such a sign, and if copying had taken place, one would have expected some complaint from Mr Yu.

55. Lastly I need mention that the evidence of independent creation was not challenged between May 2000 and July 2003 despite the opponent having a statutory right to file evidence in reply. A belated challenge was made for leave to cross-examine Madam Yuen, but to have granted this and the cross-applications to cross-examine the opponent's deponents would have unnecessarily forced an adjournment of the hearing already long delayed. Ultimately it is not necessary for me to decide whether there had been independent creation, although that would have been conclusive, nor whether there was opportunity to copy, for even if all that Mr Yu Shu Foon says is true, there is nothing unlawful in what Madam Yuen may or may not have taken.

56. There has been no "copying" of the essential feature of the opponent's mark which unarguably is the word "GUT". The screen device could not have been registered as a mark in its own right under section 25 of the Ordinance. For the reasons set out in paragraphs 63 and 64 in my decision in *Pedro Passaro* (Application No. 6235 of 1996 dated 22 May 2001) no monopolistic rights can be claimed in respect of simple borders. When I first saw the suit mark I saw each letter outlined by a square border off-set against each other. It was not until I read the evidence and the description of a "folding screen" that I considered that description to be quite apt. Nevertheless, whether the device is considered as a folding screen or as three rectangular borders to the three letters of the marks, it is available for everyone to use. The cases where copying was inferred were very different from the present case. In *Re Omega (supra)*, not, incidentally a "discretion" case, *Maxim's (supra)* and in *Gay Giano Trade Mark* [1996] 2 HKC 646, also not a "discretion" case, the opponent's exact mark was taken. There was no question that the copier intended to take advantage of the goodwill that had been established for those marks for his own benefit. Here, by way of contrast, having found no deceptive similarity between the respective marks, it would be illogical to find an intention to trade off the opponent's goodwill as no purchaser is likely to connect the two. In *Rawhide Trade Mark* [1962] RPC 133 at 142 the court expressed the view that the registration of the name of a TV western for toys and games in the hope of gaining the advantage of free advertising should the show subsequently be shown in the United Kingdom, would not be sufficient for exercise of the Registrar's discretion against the applicant, nor would the fact that there had been a pattern of so doing suffice. I am unable to find that the suit mark was designed to facilitate passing-off. In short I am unable to find anything that the applicant has done which it was not entitled to do, and accordingly I do not exercise my discretion to refuse the suit mark, which is a qualifying mark from registration.

Disclaimer

57. Mr Wong further submits that if I am not with him on the registrability of the mark, I should at least impose a disclaimer on the exclusive use of the folding screen device. Disclaimers can be required as a condition of registration if the trade mark contains any part not separately registered or if it contains matter common to the trade or otherwise of a non-distinctive character (section 16 of the Ordinance). The jurisdiction provided appears to be very wide, but as the High Court of Australia observed in *Eclipse Sleep Products Inc v Registrar of Trade Marks* (1957) 99 CLR 300 at 315 :

“A trade mark may be infringed by another trader ‘if, even without using the whole of it upon or in connection with his goods, he uses one or more of its essential features’ : *de Cordova v Vick Chemical Co.* (1951) 68 RPC 103 at pp. 105, 106. It would seem therefore that the tribunal should carefully consider whether a disclaimer should not be required whenever the proposed trade mark contains parts or matter to the exclusive use of which the tribunal holds the applicant not to be entitled and those parts or matter appear to be likely to become in use regarded as essential features of the mark as a whole; but that it would not normally require a disclaimer where the parts or matter form an insignificant portion of the mark as a whole, because the risk that another trader who used such portion would infringe the registered mark would be trifling and to do so in such a case would only be to clutter up the register with unnecessary disclaimers.”

58. Similar observations were made by Mr Myall in *Philip Morris Inc.’s TM Application* [1980] RPC 527 (“*Mild*”) at 532-3 :

“The principal function of a disclaimer is to prevent a registration of a composite mark from operating so as to inhibit the use by others of the disclaimed element. Of course it could so operate only by a judgment of the court to the effect that use of the disclaimed element would be of something so nearly resembling the composite mark on the Register as to be likely to deceive or cause confusion and so infringe the registration. Such an outcome is only possible, it would seem, if the disclaimed element were likely to be taken to have a trade mark connotation in the composite mark either by prominence, mis-spelling, association with such words as ‘line’ or ‘brand’, or

whatever. Where such a connotation is clearly unlikely (such as the name of the goods or an unregistrable laudatory epithet such as ‘new’, ‘super’ *et al.*) a disclaimer is quite unnecessary and the absence of a disclaimer in such a case does not indicate any rights in the element apart from the mark – see the observations of Romer L.J. in *Clement et Cie’s Trade Mark (Saint Raphael)* (1899) 16 RPC 611 at 618, lines 3 to 11. (However, if a composite mark contains an element that is *a priori* unregistrable but is proceeding on evidence of acquired distinctiveness, it is the Registrar’s practice to require a disclaimer of the unregistrable element for the avoidance of doubt).

The more credible it is that an exclusive right could be obtained by user the more likely it is that a disclaimer would be required in the *prima facie* application.”

59. The law is concisely summed up by Shanahan in the *Australian Law of Trade Marks and Passing Off* (2nd edition) at the top of p.220 :

“It would seem, therefore, that a disclaimer should be required where the part or matter in question is itself unregistrable but seems to function as a trade mark or might be taken as an ‘essential feature’ of the mark, so that there could be doubt as to the proprietor’s rights, but a disclaimer should not be required otherwise.”

60. Plainly, in my view, the border or screen device of the suit mark could never, in use, become the essential feature of the mark and therefore it is unnecessary to impose a disclaimer condition.

Costs

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

62. Subject to any representations as to the amount of costs or calling for special

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

(K.S. Kripas)
p. Registrar of Trade Marks
8 September 2003



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