

Application No. 9128 of 2001

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 3 by
Cayuan International Ltd.

AND

IN THE MATTER of an opposition by Yves
Foul'ee International Company Limited

**DECISION
OF**

Ms Maria K. Ng acting for the Registrar of Trade Marks after a hearing on 5 September
2005.

Appearing : Miss K.Y. Kwan of Messrs. S.K. Wong on behalf of the Opponent
No appearance recorded by the Applicant

1. On 18 June 2001 (“Relevant Date”), Cayuan International Limited, a company incorporated in Taiwan (the “Applicant”) applied to register, pursuant to the provisions of the Trade Marks Ordinance Cap. 43 (the “Ordinance”), in Part A of the Register, in Class 3, the trade mark, a representation of which appears below:



(the “ suit mark”)

2. The goods intended to be covered by the registration were “cosmetics, soaps, facial cleansing milk, liquid soaps, cleansing foaming gel, shampoos, anti-dandruff shampoos, hair cleansing milk, hair conditioning milk, hair conditioners, makeup remover oil, essential oils, almond oil, vanilla oil, orange peel oil, ingredient of flower perfume, lemon essence, perfumery (cosmetic), santalaceous oil; all included in Class 3” (the “specified goods”). The Registrar of Trade Marks (the “Registrar”) accepted the suit mark for registration in Part A of the Register subject to the condition that the registration shall give no right to the exclusive use of the letter “y”, the device of a flower and the Chinese character “麗”. The trade mark application was advertised in the Hong Kong Government Gazette on 29 November 2002.

Notice of opposition

3. On 25 January 2003, a notice of opposition to the application was filed in the name of Yves Foul’ee International Company Limited (the “ Opponent”). The facts alleged in the notice of opposition are that the Opponent was incorporated in Hong Kong on 29 March 2000 in the name of Yves Foul’ee International Company Limited (盛富麗國際有限公司) and the Opponent has used the above name and a device similar to that of the suit mark on goods related to the specified goods for many years.

The Counter-statement

4. On 8 April 2003, the Applicant filed its Counter-statement. The Applicant alleged that it was incorporated in Taiwan on 28 July 1997 under the name of 盛富麗國際股份有限公司. It subsequently changed its name to Cayuan International Limited

(凱荒國際股份有限公司) in October 2000. The Applicant is one of the subsidiaries of the Evoluzione Related Enterprises (富麗關係企業) (“Evoluzione Group”).

5. Application for registration of the suit mark in Taiwan was made by the Applicant on 11 March 1999 and the mark was registered on 1 August 2000.

6. The Opponent’s managing director, Mr. Tam Yun Tin, Tony is one of the shareholders of the Applicant. Mr. Tam has had full knowledge of the trade marks and business profiles of all companies in the Evoluzione Group (including the use of the suit mark by the Applicant) before the Opponent was incorporated.

7. Furthermore, Mr. Tam also has business relationship with the Applicant through Jamu Air Mancur Limited (佳木愛夢嬌有限公司) (“Jamu”), a company of which Mr. Tam is the managing director. Jamu purchased skin care products from the Applicant from July to November 2001.

8. The Applicant further alleged that Mr. Tam deliberately incorporated companies with names similar to those of the companies in the Evoluzione Group and misappropriated the suit mark belonging to the Applicant.

Opponent’s evidence in chief

9. The Opponent’s evidence in chief comprised a statutory declaration of Mr. Tony Tam Yun Tin, a director of the Opponent. I will refer to the said statutory declaration where appropriate in this decision.

No evidence from the Applicant

10. The Opponent’s evidence was filed and served on the Applicant on 9 July 2004. Under rule 26 of the Trade Marks Rules (Cap. 43A), the Applicant should file evidence in support of its application within 6 months from the date of receipt of the Opponent’s evidence. The due date for filing the Applicant’s evidence therefore fell on 9 January 2005.

11. On 7 January 2005, the Applicant requested an extension of time which was granted by the Registrar. The Applicant was given an additional 3 months up to 9 April 2005 to file its evidence.

12. The Applicant did not file evidence to support its application prior to expiry of the extended period. Nor did it make further request for extension of time to do so.

Hearing

13. In the absence of evidence from the Applicant, the matter proceeded to the next stage. On 4 August 2005, notification was given by the Registrar to the parties that the substantive opposition would be heard on 5 September 2005. The Opponent, through its agent Messrs S.K. Wong & Co., confirmed its intention to attend the hearing. On the other hand, the Applicant's agent, Richards Butler, informed the Registrar on 5 August 2005 that it had no further instructions from the Applicant and it had ceased to act for its client.

14. The Registrar then wrote directly to the Applicant at its address in Taiwan on 10 August 2005 and requested it to file an address for service in Hong Kong. The Applicant was further informed of the hearing scheduled on 5 September 2005 and the procedures for appointment of a new agent (if applicable).

15. No response was received from the Applicant.

Applicable law

16. Although the hearing took place after the commencement of the Trade Marks Ordinance (Cap. 559), by virtue of sections 1(4) and 10(1) and (2) of Schedule 5 to Cap. 559, the application and opposition hereto remain to be determined under the provisions of the Ordinance.

Grounds relied on by the Opponent

17. At the hearing, Miss Kwan on behalf of the Opponent relied on section 12(1) and section 9 as the basis of its opposition.

18. It would be convenient to dispose of section 9 before dealing with section 12(1).

Section 9 of the Ordinance

19. Miss Kwan submitted that the suit mark lacked the capacity to distinguish

the goods of the Applicant from the same goods or goods of the same description from the Opponent. The reason put forward was that the suit mark was deceptively similar to the mark used by the Opponent. Therefore, the suit mark should not be registrable under section 9.

20. Section 9 sets out the essential particulars which a trade mark must contain in order to be registrable in Part A of the register. These particulars relate to the distinctiveness of the mark. However, objections based on similarity with an opponent's trade mark or trade name are specifically addressed under sections 12(1) and 20. Therefore, I do not consider it appropriate to deal with objections relating to deceptive similarity under section 9. On this issue, I find support in *Kerly's Law of Trade Marks and Trade Names (12th edition)* where it states at footnote 2 to Chapter 10-01 at page 143 as follows:

“Strictly, a mark that offends against section [12(1)] or section [20] cannot be distinctive; but it is convenient to treat separately the objections under these sections and under section 9 or section 10”.

This statement was applied in *NUCLEUS Trade Mark* [1998] RPC 233.

21. It has accordingly been the practice of the Registrar to determine oppositions under sections 9 and 10 without reference to the opponent's name or trade mark. See *La Francaise D' Horlogerie v. Krementz & Co* [1993] AIPR 512 at 522 (decision of Mr. H.R. Faux for the Registrar), “科潔” (unreported decision of Miss Fung Shuk Hing for the Registrar dated 3 September 1999 at para 113) and “*Macy's*” and device (unreported decision of Mr. K.S. Kripas for the Registrar dated 30 August 2001 at paras 26-28).

22. In view of the above analysis on sections 9 and 10 on the one hand and sections 12 and 20 on the other, I do not agree that issues relating to deceptive similarity between the suit mark and the mark alleged to be used by the Opponent should be considered under section 9. Apart from deceptive similarity, Miss Kwan did not raise other grounds to support her objection under section 9.

23. I am satisfied that the suit mark has no direct reference to the character or quality of the specified goods and therefore qualifies for registration in Part A of the register.

Section 12(1) of the Ordinance

24. Section 12(1) provides as follows:

“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.”

Reputation

25. Before an opponent can mount an opposition under this section, it must first establish that its mark is known to a substantial number of persons in Hong Kong (*Re Arthur Fairest Ltd.’s Application* (1951) 68 RPC 197 at 200). The date at which this reputation in the mark is to be established is the date of the application for registration of the suit mark (i.e. the Relevant Date) (*NOVA Trade Mark* [1968] RPC 357 at 360). If the opponent 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 sought to be registered proceeds to registration (*Eno v. Dunn* (1890) 15 App. Case 252 at 261).

26. I should add that section 12(1) could be invoked where the deception in the minds of a substantial number of persons is caused by confusion with the opponent’s name and not its mark. (*Kerly’s* (supra) in para 10-03 and the Court of Appeal judgment of Winn L.J. and Cross L.J. in *GE Trade Mark* [1970] RPC 339).

27. Mr. Tam on behalf of the Opponent declared that starting from 1995, Jamu imported cosmetic products from other countries and sold them in Hong Kong through its distributors who were employed as independent contractors. These distributors were awarded points for products sold by them. Additional bonus points would be awarded based on the performance of other distributors in their team as well as the overall performance of Jamu according to a distributors’ reward scheme. These points would be used to calculate the commission/bonuses of the distributors.

28. In early 2000, Mr. Tam decided to transfer Jamu’s business to a new company. The Opponent was incorporated in March 2000. Mr. Tam planned to use this company as a vehicle to sell a new series of products under a mark that is similar to the

suit mark. As from 1 April 2004, the Opponent started to recruit distributors and entered into distribution agreements with them. Some of these distributors were transferred from Jamu to the Opponent.

29. Since then, the Opponent sold cosmetic products through its distributors. According to Mr. Tam, these products were imported from Italy and some of them bear the trade mark of their manufacturers (e.g. Evoluzione). In addition, the Opponent also imported cosmetic products and empty unbranded containers from different manufacturers. These were packed in containers by the Opponent's staff and Mr. Tam's family members. Stickers bearing the names of the products, their ingredients and a mark similar to that of the suit mark were applied to the products. Samples of the stickers bearing the Opponent's mark alleged to be applied to the products are reproduced below:



30. Mr. Tam further provided the sales turnover of Jamu and the Opponent for the period from 2000 to 2003. These figures were not split between the two companies. However, Mr. Tam declared that, from an inspection of the books and records, about 50% of the turnover was attributable to each company.

Use of the Opponent's mark on cosmetic products

31. I will first determine whether there is evidence to establish that the Opponent has used its mark on cosmetic products prior to the Relevant Date. The relevant evidence is attached to Exhibits "TT-8, 9 and 10" of Mr. Tam's statutory declaration. The evidence consists of samples of stickers bearing the Opponent's mark (see paragraph 29 above) and photographs of the products with the stickers attached. Such evidence is undated and I could only attach limited weight to it. Mr. Tam stated in his statutory declaration that cosmetic products with the above labels attached were sold consistently by the Opponent's distributors in Hong Kong since 1 April 2000. However, there is no concrete evidence to substantiate the statement.

32. In addition, the Opponent produced monthly statements issued to its

distributors in Exhibits “TT-12 and 13”. However, these statements only indicate the product codes and the nature of the products sold by the distributors (e.g. moisturising cream, rejuvenating cream, face mask etc.). No reference was made to the trade mark used on these products.

33. I asked Miss Kwan during the hearing whether there was any evidence to show that the products referred to in the above monthly statements bear the Opponent’s mark. In response, Miss Kwan referred me to some of the product codes in the statements and submitted that the same product codes could be found in a circular issued by the Opponent to its distributors dated 10 January 2001 (Exhibit “TT-11”). However, the products mentioned in the circular were referred to as “EVOLUZIONE” products and no reference whatsoever was made to the Opponent’s mark.

34. Although Mr. Tam has declared that products bearing the Opponent’s mark have been sold to consumers in Hong Kong through its distributors since 1 April 2000, there is no concrete evidence to substantiate this statement. In view of my findings in paragraphs 31 to 33 above, I am not satisfied from the evidence provided that the Opponent’s mark was used on cosmetic products prior to the Relevant Date.

Use of the mark as the Opponent’s name

35. I now turn to consider whether there is sufficient evidence to show that the mark in question has been used by the Opponent as its company name or trade name. The following evidence is relevant to this issue:

- (a) A chop comprising of the English and Chinese names of the Opponent “Yves Foul’ee International Company Ltd 盛富麗國際有限公司” and the device of a flower and a stylized letter “y” (a sample of such device appears below) was affixed to the distribution agreements between the Opponent and its distributors (Exhibit “TT-4”). The earliest date written on such distribution agreements was 1 April 2000. These distribution agreements were printed on standard forms with Jamu being named as the contracting party on the one part and the distributor on the other part. Mr. Tam explained that in the first year after the Opponent commenced its business, he authorised the Opponent to use the standard agreements of Jamu because printed forms in the name of the Opponent were not yet available. A year later, the Opponent ordered new forms in its own name

and started to use them in about June 2001. I accepted Mr. Tam's explanation on this issue.



- (b) Distribution agreements printed in the name of the Opponent (both English and Chinese) were used starting from June 2001 (Exhibit "TT-6"). The Opponent's device appeared next to its names. The earliest distribution agreement adduced was dated 2 June 2001.
- (c) A circular was issued by the Opponent to its distributors dated 10 January 2001 (Exhibit "TT-11"). The English and Chinese names of the Opponent together with the accompanying device were printed on the circular. The circular referred to a gathering held by the Opponent on 30 December 2000 of which its distributors and their friends attended.
- (d) Samples of monthly statements issued to the distributors in April 2000 in the form of computer printouts (Exhibit "TT-12") were produced. These monthly statements were used to calculate the commission of the distributors. The Chinese name of the Opponent was printed on each statement.

36. I am satisfied from the above evidence that the Opponent has used “**盛富麗國際有限公司**” as its company/trade name since it commenced business on 1 April 2000. The evidence also shows that the Opponent's device (in the form reproduced under paragraph 35(a) above) was often used in conjunction with its name in the course of its business.

Extent of reputation required

37. I now turn to examine whether the Opponent has established the required level of reputation in its name in Hong Kong to mount an opposition under section 12(1).

38. The reason why the Opponent must first show a reputation in the local market was explained by the Court of Appeal in New Zealand in *Pioneer Hi-Bred Corn Co. v. Hy-Line Chicks Pty. Ltd.* [1979] RPC 410 at 424 where Richardson J. said:

“It seems to me that the reason 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.”

39. As to the extent of reputation required, it is commonly put that a “substantial” or “significant” number of persons must be likely to be deceived or confused (*Smith Hayden & Co, Ltd’s Application* (1946) 63 RPC 97 at 101). However, as Lord Upjohn warned in *BALI Trade Mark* [1969] RPC 472 at 496, the requirement that the deception or confusion should be amongst “a substantial number of persons” must be “properly and sensibly applied”.

40. The position is succinctly summarized in the following passage in *Bugatti Trade Mark* [1993] 1 HKC 557 at 565-6:

“It will be seen from the passages quoted above that, at its very highest, it [reputation] is a question of substantial proportion of the interested public being aware of an opponent’s mark [Nova Trade Mark [1968] RPC 357] and at its very lowest, the question relates to the significance of the numbers in relation to the market for particular goods [Pioneer Hi-Bred (supra)]. In any event, the reputation of the opponent must be something more than de minimis [Da Vinci Trade Mark [1980] RPC 237].”

41. Furthermore, the degree of reputation necessary must depend on the market in question. In *Pioneer Hi-Bred Corn* case (supra), Richardson J. said the following at page 437:

“In assessing the awareness of the market of the respondent’s mark regard should be had both to the number of persons involved in the market and to the significance in that market of purchases by those who are in a substantial way of business. What is a substantial number or significant proportion depends on the nature and size of

the market and is relative both to the number of persons involved and to their impact on the market.”

42. Having reviewed the above authorities, I consider that the degree of reputation required must depend on the facts and circumstances of each case, including the nature of the goods, the nature and size of the market.

43. Turning to the evidence provided by the Opponent, the monthly statements in Exhibit “TT-12” show that the products sold were cosmetics, essential oil, skin care and hair treatment products. The Opponent operated a multi-level marketing scheme whereby these products are sold through its distributors. The amount of products sold depends largely on the network of the distributors and their marketing techniques. Products are sold through the personal recommendation of the distributors. Large scale advertising is seldom used under this type of business model. Persons involved in this market would include distributors at various levels and the ultimate consumers. Some of these distributors could also be the ultimate consumers themselves. Unlike sales made through retail outlets, the market for goods distributed through a multi-level marketing scheme is generally smaller.

44. Regarding the turnover of the Opponent, Mr. Tam provided annual sales turnover of the Opponent and its predecessor, Jamu, for the period from 2000 to October 2003. He declared that the approximate split to be 50% for each company, based on the books and records inspected by him. According to the information provided in paragraph 8 of his statutory declaration, the sales turnover of the Opponent prior to the Relevant Date, on a pro-rata basis, is estimated to be in the range of HK\$200,000 to \$250,000.

45. As I have mentioned in paragraph 36 above, the Opponent has shown that it has used the name “盛富麗國際有限公司” to carry on its business since April 2000 (more than 14 months prior to the Relevant Date). The evidence also shows that the device reproduced under paragraph 35(a) above was used by the Opponent as its company logo.

46. Distributors who joined the Opponent prior to the Relevant Date would, no doubt, have knowledge of the name of the Opponent and the accompanying device. Furthermore, there is a general tendency for people to abbreviate cumbersome company/trade names by omitting elements commonly used by other businesses. In the present case, it is likely that the Opponent would simply be referred to as “盛富麗”.

47. The number of distributors recruited by the Opponent prior to the Relevant Date was not provided. However, 71 sample distribution agreements covering the period from April to December 2000 were attached to Mr. Tam's statutory declaration. In my view, such figure is not in itself *de minimus*.

48. Based on the above evidence and having regard to the nature of multi-level marketing schemes, I am satisfied that the Opponent's name and its device were, prior to the Relevant Date, known to a sufficient number of persons involved in the relevant market. The Opponent has therefore satisfied the burden required for lodging an opposition under section 12(1) of the Ordinance.

49. At this juncture, I should mention that for the purpose of section 12(1), the reputation of a mark or name should be established by the Opponent as the proprietor of the mark or name. The Opponent could not legitimately establish reputation in “盛富麗” and the accompanying device if the above mark/device belong to the Applicant and they were intentionally misappropriated by the Opponent. I note that this was in fact the allegation made by the Applicant in its counter-statement. However, the Applicant has not filed any evidence to substantiate such allegation. Furthermore, it did not attend the hearing or make any representations to the Registrar. In view of the above, I consider that the allegation has not been established.

Likelihood of confusion and deception

50. As the Opponent has established the requisite reputation, the onus now shifts to the Applicant to satisfy me that, having regard to the awareness of the Opponent's trade name “盛富麗” and the accompanying device, use of the suit mark in a normal and fair manner upon the specified goods would not be reasonably likely to deceive or cause confusion to a substantial number of persons.

51. In assessing whether there is any reasonable likelihood of deception or confusion, I must compare the trade name and device of the Opponent with the suit mark. I must also consider the goods in question, their trade channels and the persons who would come into contact with these goods and all relevant circumstances of the trade.

52. The suit mark consists of two parts – the Chinese words “盛富麗” and the device of a flower with a stylized letter “y”. As a matter of fact, the suit mark is a

combination of the trade name of the Opponent (in its abbreviated form) and the device used by the Opponent. The individual elements are identical.

53. At this juncture, I should consider the effect of the disclaimer on the suit mark. I mentioned in paragraph 2 above that the suit mark was accepted by the Registrar subject to the condition that registration shall give no right to the exclusive use of the letter “y”, the device of a flower and the Chinese character “麗”. Does the disclaimer have any effect when a comparison is made between different marks? The prevailing view is that set out in *Fountain Trade Mark* [1999] RPC 490 where the Appointed Person Mr. Geoffrey Hobbs QC held that objections under section 12(1) of the Trade Marks Act 1938 (largely similar to section 20(1) of the Ordinance) are not in point of law, restricted to the residue that is left after the disclaimer has been taken into account. A disclaimed element must neither be ignored nor given less significance than it deserves when due allowance has been made for the degree to which it is non-distinctive of the relevant goods.

54. I consider that the above principle should equally apply when the relevant marks are compared under section 12(1) of the Ordinance. Although the elements disclaimed under the suit mark may not be distinctive or merely possess a low degree of distinctiveness, they must not be ignored. After all, marks are perceived by consumers as a whole. Notwithstanding the disclaimer imposed, I consider the suit mark to be identical to the Opponent’s trade name and its accompanying device.

55. The specified goods could broadly be classified as skin care and hair treatment products, essential oil and perfumery. These goods overlap with those distributed by the Opponent under the trade name of “盛富麗” together with its accompanying device.

56. As regards the sale channels, it is clear that the Opponent’s products were sold through a multi-level marketing scheme. On the other hand, the Applicant has not provided any evidence on whether it was currently using the suit mark. No information was given on its business model (present or proposed). However, I can and in fact must predicate that the Applicant will use the suit mark in the Opponent’s field. This would constitute fair and normal use of the mark since the specification for which the suit mark is applied for registration is not limited to any particular mode of sale.

57. Persons who come into contact with the goods in question include the ultimate consumers as well as persons who act as intermediaries in the sale of the goods

to the ultimate consumers. I have found that a significant number of persons involved in the relevant market were aware of the Opponent's name (paragraph 48 above).

58. Having regard to the user by the Opponent of its trade name and device, the identical elements in the trade name/device used by the Opponent and the suit mark, the significant overlap in the goods sold by the Opponent and the Applicant and the possible overlap in the marketing and sale channels adopted, I consider that a significant number of persons who upon seeing the suit mark applied on the specified goods, would be confused or be caused to wonder whether the Applicant's goods originated from or are otherwise connected with the Opponent. The Applicant has not discharged its burden by showing that there is no reasonable likelihood of confusion or deception arising from its use of the suit mark.

59. It follows that the opposition succeeds under section 12(1) of the Ordinance.

Costs

60. The Opponent has sought costs. There is nothing in the circumstances or conduct of this case which would warrant a departure from the general rule that costs should follow the event. I accordingly order that the Applicant pays the costs of and incidental to these proceedings.

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

(Maria K. Ng)

p. Registrar of Trade Marks

29 September 2005