

Application No. 16369/2002

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

AND

IN THE MATTER of an application by
Daiwa Tokushu Kabushiki Kaisha
(Daiwa Special Chemical Co., Ltd.) to
register the mark

NEW KOTAC

in Part A of the Register in Class 1

AND

IN THE MATTER of an opposition
thereto by Winstar Chemicals Co., Ltd

**DECISION
OF**

Ms. Fanny Shuk Fan Pang acting for the Registrar of Trade Marks after a hearing on
5 and 7 August 2008.

Appearing : Mr Kenneth Lam instructed by Union Patent Service Centre for the
applicant.

Mr Ling Chun Wai instructed by Messrs. S.Y. Chu & Co. for the
opponent.

Application for Registration

1. On 21 October 2002 (“the application date”), Daiwa Tokushu Kabushiki Kaisha (Daiwa Special Chemical Co., Ltd.) (“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 1, the trade mark, a representation of which appears below :

NEW KOTAC

(“the suit mark”).

2. The goods intended to be covered by the registration were “copper plating agents for decoration, chemical preparations, cupric sulfate plating liquid for decoration; all included in Class 1” (“the specified goods”). The Registrar of Trade Marks (“the Registrar”) accepted the suit mark for registration in Part A of the register. Registration of the suit mark shall give no right to the exclusive use of the word “New”. The application was advertised in the Government of the Hong Kong Special Administrative Region Gazette on 19 September 2003.

Pleadings and evidence

3. On 18 December 2003, Winstar Chemicals Co., Ltd (“the opponent”) filed notice of opposition to the application. The grounds of opposition state, *inter alia*, that the opponent is a company organized and existing under the laws of Hong Kong and is well-known as a manufacturer and trader in chemical substances, in particular, chemicals for metal electroplating. The opponent alleges that it has since at least 1987 continuously and extensively manufactured, marketed and sold in Hong Kong and the People’s Republic of China (“PRC”) goods bearing the mark “KOTAC”. It has enjoyed substantial and long-standing reputation in its business and goods and has acquired a significant clientele, especially in Hong Kong and the PRC. The opponent has been using the mark “KOTAC” on its goods, advertising materials, promotional items and literature and publications substantially and continuously since at least 1987 in Hong Kong and the PRC. Goods especially chemicals for metal electroplating marketed and sold in Hong Kong and/or the PRC bearing the mark “KOTAC” have come to denote to the trade and public in Hong Kong and the PRC goods of the opponent.

4. It is the opponent's case that since 1987 and over the years, the opponent has vigorously and whole-heartedly promoted the mark "KOTAC" (as well as in Japanese form "コータック") such that they have become very well-known and received by the trade and public in Hong Kong and the PRC. This was the result of the efforts and resources investment of the opponent which could not have been achieved without the marketing network of the opponent and its after-sales services. Moreover, the opponent has, as and when necessary, adapted its products to the requirements of the particular needs of customers according to their particular circumstances. All of the above activities and efforts were known by the applicant. It is to the opponent the trade and public will turn if there are problems or questions in relation to goods bearing the mark "KOTAC". It is the assertion of the opponent that since 1987, it has exercised total control including quality, composition and pricing over goods bearing the mark "KOTAC" sold and marketed in Hong Kong and the PRC. By reason of the goodwill and reputation of the opponent in the mark "KOTAC" over the years in Hong Kong and the PRC, use of the suit mark by the applicant in relation to the specified goods will be likely to mislead the trade and public or potential purchasers into the belief that they are goods of or associated with the opponent. The use of the suit mark in Hong Kong would therefore be likely to deceive and/or disentitled to protection in a court of justice and/or contrary to the law. Furthermore, the suit mark is not a trade mark within the meaning of section 2 of the Ordinance as it fails to indicate a connection in the course of trade between the applicant and the goods for which registration of the suit mark is applied for. The grounds of opposition comprise sections 2, 12(1) and 21 of the Ordinance.

5. In the applicant's counter-statement, the applicant's own application for registration of the suit mark is admitted. It is also not denied that the opponent has been using the mark "KOTAC" on the products, advertising materials, promotional items, literature and publications in Hong Kong and the PRC. However, the applicant avers that such use was subject to its consent and approval. In the relevant promotion catalogues and leaflets, the applicant was clearly described as the manufacturer of the products whereas the opponent was merely its sole agent. Save as aforesaid, each and every allegation of the grounds of the opposition is either denied or not admitted by the applicant.

6. The applicant asserts that it was established in Japan in 1967. In the past decades, the applicant had concentrated on and specialized in manufacturing, improving and developing different plating agents and chemical preparations for a wide range of applications in electroplating and finishing. The applicant has become

a leading manufacturer which enjoys excellent goodwill and reputation in the chemical industry. It is the applicant's case that the mark "KOTAC" was a newly coined term created or devised by the applicant. It derived from the Chinese characters in Japanese pronunciation "光" and has an implied idea of "to make things more brilliant or shiny". The applicant has sales records to show that its products bearing the mark "KOTAC" were sold to various customers in Hong Kong around 1971.

7. The applicant alleges that in 1987, the opponent initially approached the applicant to explore the opportunity of cooperation and the applicant allowed the opponent to sell its products in Hong Kong and, later on, in Mainland China, without a written agreement. Thereafter, the applicant appointed the opponent as the sole agent (but not the exclusive distributor) for promoting, marketing and selling its products in Hong Kong and the PRC, also without a written agreement being executed. However, at the same time, the applicant had exported its products directly to other distributors and/or purchasers including but not limited to "Fine-Will Industrial Co., Ltd." in Taiwan and "Shanghai Kang Nian Electroplate Material Co., Ltd." in Mainland China. In December 2002, the applicant stopped exporting the products to the opponent and, in April 2003, the applicant gave a notice of termination of the business relationship to the opponent. Since then, the opponent can no longer claim itself as the licensee and/or the sole agent of the applicant in Hong Kong and the PRC and is not allowed to use the mark "KOTAC" within the territories. It is doubted and challenged by the applicant that the opponent has manufactured or was authorized to manufacture any products bearing the mark "KOTAC" for sale in the PRC. If the opponent did so, such behaviour was without the consent, permission or approval of the applicant and was totally deviated from the sole agent's activity.

8. It is the assertion of the applicant that, in 2002, it first adopted the term "NEW KOTAC" as a new brand on its upgraded chemical products of the former "KOTAC" brand chemical products. The upgraded products under the suit mark "NEW KOTAC" were shipped to Hong Kong in August 2002 and to China in September 2002.

9. The applicant avers that in the course of trade, it exported and shipped the products bearing the mark "KOTAC" or the suit mark to the opponent for sale or further distribution. The applicant's company name, the mark "KOTAC" or the suit mark, the corresponding Japanese brands and "DAIWA logo" were all shown on the containers of the products. The applicant was predominantly responsible for the

character or quality of the products. Clearly, the public or the purchasers would recognize the applicant as the ultimate source of the products originated from Japan. So, any goodwill or reputation generated from the mark “KOTAC” or the suit mark should belong to the applicant, the actual manufacturer of the products. The efforts and resources put by the opponent in promoting the mark “KOTAC” and marketing the products were obligations of the sole agent. In essence, the ownership of the mark “KOTAC” as well as its goodwill is still vested in the applicant. The applicant claims to be true and actual proprietor of the mark “KOTAC” and the suit mark when used in relation to, *inter alia*, the specified goods. The applicant is entitled to apply for and obtain registration of the suit mark in respect of such goods.

10. Trade Marks Rules, Cap. 43 Sub. Leg. (“Rule/s”) 25 evidence consists of a statutory declaration from Chang Chi Yin Spande, the overseas sales manager of the opponent, together with exhibits, which was declared on 18 October 2004 (“Chang’s first statutory declaration”). Under Rule 26, the applicant filed a statutory declaration of Akira Ishimaru, the director and general manager of the technical department of the applicant, together with exhibits, which was declared on 25 August 2005 (“Ishimaru’s first statutory declaration”). A second statutory declaration by the same Akira Ishimaru, together with exhibits, declared on 30 November 2005 (“Ishimaru’s second statutory declaration”) was filed under Rule 26 to put back “Exhibit-9” referred to but missing in Ishimaru’s first statutory declaration. Pursuant to Rule 27, the same Mr Chang of the opponent filed a statutory declaration, together with exhibits, which was declared on 7 September 2006 (“Chang’s second statutory declaration”).

Cross-examination of deponents

11. Earlier in the opposition proceedings, the applicant had asked for leave to cross-examine Mr Chang Chi Yin Spande on the evidence he had given in statutory declarations for the opponent. In response, the opponent had asked for leave to cross-examine Mr Akira Ishimaru on his statutory declarations for the applicant. By letter of 3 June 2008, the Registrar granted leave to both parties to cross-examine. The cross-examination of Mr Chang at the hearing was conducted through an interpreter translating English and Cantonese. For Mr Akira Ishimaru, the cross-examination was conducted through an interpreter translating Japanese into Cantonese and an interpreter translating Cantonese and English.

Decision

12. Though, by 5 and 7 August 2008, the dates the matter was heard, the Trade Marks Ordinance Cap. 559 had come into operation, by virtue of section 10(1) and (2) of Schedule 5, an application for registration still pending as of 4 April 2003 and an opposition to the application are to be determined under the provisions of the repealed ordinance, Cap. 43.

13. Although a number of grounds were pleaded in the notice of opposition, Mr Ling for the opponent indicated at the hearing that the opponent only relies on the grounds under section 2 of the Ordinance for the present opposition proceedings.

14. At the outset, I would like to point out that the authorities referred to below by both counsel concern the issue of proprietorship which arises under section 13(1) of the Ordinance or similar provisions in the foreign jurisdictions. In my view, although section 13(1) is not expressly pleaded as one of the grounds of opposition, the issue of proprietorship under section 13(1) is clearly raised in the pleadings and evidence filed. In *Re Bugatti Trade Mark* [1993] 1 HKC 559 in which a similar issue arose which was resolved by applying the principle stated in *Kerly's Law of Trade Marks & Trade Name*, 12th Edition at para. 4-36 drawn from the *Brown Shoes* case :

“... But an objection, on appeal, that a point had not been pleaded and that accordingly the applicant had attended the hearing below not prepared to meet it, was dismissed as a technicality of no substance, the point having been clearly raised in the evidence.”

I consider that, in essence, the opponent is also relying on section 13(1) of the Ordinance for the purposes of the present opposition proceedings.

Under sections 2(1) and 13(1)

15. I set out the relevant provisions in sections 2(1) and 13(1) as follows :

“Section 2(1) :

Trade mark relating to goods” means a mark used or proposed to be used in relation to goods for the purpose of indicating, or so as to indicate, a connection in the course of trade between the goods and some person having the right either as

proprietor or as registered user to use the mark, whether with or without any indication of the identity of that person.

Section 13(1) :

Any person claiming to be entitled to be registered as the proprietor of a trade mark used or proposed to be used by him who is desirous of registering it must apply in writing to the Registrar in the prescribed manner for registration either in Part A or Part B of the register.”

16. Mr Ling on behalf of the opponent submitted that the suit mark does not indicate a connection in the course of trade between the goods and some person having the right as proprietor to use it. In other words, Mr Ling contended, the issue in the present case is the proprietorship of the suit mark at the application date, that is, 21 October 2002.

17. Mr Ling first brought me through the relevant legal principles that should be applied in the present case. Mr Ling submitted that at common law, the person who first used a trade mark upon or in relation to goods in Hong Kong would be regarded as its first proprietor. However, this is subject to the effect of agreement, estoppel, acquiescence or abandonment (*Settef v Riv-oland Marble Co (Vic) Pty Ltd* (1987) 10 IPR 402, at 413, lines 30-39, 420, lines 26-35, per McGarvie J; affirmed on appeal to the Australian Federal Court of Appeal : 12 IPR 321 at 324). In cases where the use is made simultaneously by a manufacturer and an importer of foreign goods, and assuming no relevant prior use by either party alone, there appears to be no single applicable test for the determination of the incidence of proprietorship. Factors such as who is in fact most responsible for the character or quality of the goods; who is perceived by the public as being responsible; on whose reputation the purchaser will place reliance; who has control over the use of the mark and whether one party has made some independent use of the mark before the involvement of the other have been identified as being relevant to what is described as a question of fact (*Re Application by Yantai Chang Yu Group Co. Ltd.*, unreported decision of the Registrar dated 25 March 2003, at page 26; affirmed on appeal : HCMP 2721/2003, at paragraphs 20, 68, per Chung J).

18. I accept the submissions of Mr Ling that the present dispute falls within the former case and the question before me is whether the applicant is the person who first used the suit mark upon or in relation to the specified goods in Hong Kong so

that it would be regarded as its first proprietor. In *Al Bassam Trade Mark* [1995] RPC CA 511 at 522, Morritt L.J. stated that “the owner of a mark which had been used in conjunction with goods was he who first used it”. The question of proprietorship has to be determined as a matter of legal right on the basis of the evidence before the Registrar (*Al Bassam*, supra, at 524 to 525).

19. According to the applicant’s evidence, the applicant is a leading manufacturer for chemical products in Japan (paragraph 2 of Ishimaru’s first statutory declaration). The applicant first created the mark “KOTAC” in 1970. The applicant’s goods “copper plating agents for decoration and cupric sulfate plating liquid for decoration” under the mark “KOTAC” were first introduced to consumers in Japan, Taiwan and Hong Kong by the applicant in the early 1970s (paragraph 4 of Ishimaru’s first statutory declaration). From 1987 to 2002, the applicant had been selling goods under the mark “KOTAC” to the opponent for sales in Hong Kong and the PRC (paragraph 5 of Ishimaru’s first statutory declaration).

20. In paragraph 5 of the counter-statement, the applicant pleads that in 2002, it first adopted the suit mark “NEW KOTAC” as a new brand on its upgraded chemical products of the former “KOTAC” brand chemical products. The upgraded products under the suit mark were shipped to Hong Kong in August 2002. It seems to me that this allegation is not challenged by the opponent. Mr Chang says in paragraph 12 of his second statutory declaration that “... in or around August 2002, after the applicant had begun to market its new products, namely, NEW KOTAC, it consulted the opponent’s opinion on the design of the cardboard packaging for the tins”. A copy Japanese letter from the applicant to the opponent dated 28 August 2002 and its English translation are attached to the exhibits marked “CCYS-10” and “CCYS-10a” respectively. It is stated in the English translation that “in the shipment WCC-200220, there has 3 cans samples of NEW KOTAC were loaded”. In the original Japanese letter, one can find the description “WCC-200220 8 月 26 日 OSAKA 出港 9 月 01 日 HONGKONG 着港預定”.

21. On the question as to what constitutes sufficient evidence of use for an assertion of proprietorship to a used mark, I bear in mind the observation made by Hunter J in *Hong Kong Caterers Ltd v Maxim’s Ltd* [1983] HKLR 287 at 298 that quite slight conduct sufficed provided that the person making the assertion could be seen to be saying “this is my mark”. Hunter J also quoted a passage from Williams J in *Seven Up Co v O.T. Ltd* [1947] 75 C.L.R. 203 at 211 :

“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 seized 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.”

This passage was similarly quoted by Bowen CJ in the Australian Federal Court of Appeal decision in *Settef*, supra, at 323.

22. Having taken into account of the legal authorities cited above and in the face of the evidence that the applicant had used the suit mark in Hong Kong in August 2002 before the application date, I find that the applicant was at the application date the proprietor of the suit mark in Hong Kong.

23. Mr Ling has not made any submissions to challenge the use of the suit mark made by the applicant in the present case (shipping of 3 cans of samples) that it did not amount to use as a trade mark for the purposes of establishing proprietorship and the suit mark should therefore be considered an unused mark. In any event, in my judgment, in the case of an unused mark, the person with the best right to use it was the designer or inventor (*Hudson's Trade Marks* (1886) 3 RPC 155 at 160 and 163).

24. The author of *Australian Law of Trade Marks and Passing Off*, 2nd Edition, states at page 38 as follows :-

‘Questions of proprietorship arising under the *Trade Marks Act* are dealt with by reference to s.40(1) (similar in terms to section 13(1) of the Ordinance), which states simply :

A person who claims to be the proprietor of a trade mark may make application to the Registrar for the registration of that trade mark in Part A and Part B of the Register.

The High Court considered the nature of such proprietorship in *Shell Co. (Aust.) Ltd v. Rohm and Haas Co.*, where Dixon J. (as he then was) said :

[I]t is clear enough from the course of legislation and of decision that an application to register a trade mark so far unused must, equally with a trade mark the title to which depends on prior user, be founded on proprietorship. The basis of a claim to proprietorship in a trade mark so far unused has been found in the combined effect of authorship of the mark, the intention to use it upon or in connection with the goods and the applying for registration.

His Honour said : “authorship ... involves the origination or first adoption of the word or design as and for a trade mark.”

25. In my opinion, it is plain in this case that the mark “KOTAC” was first created or devised by the applicant in 1970. In 2002, the suit mark was adopted by the applicant as a variant of the mark “KOTAC” for use on the applicant’s upgraded chemical products of the former “KOTAC” brand chemical products. The basis of the applicant’s claim to proprietorship in the suit mark, even if unused by the applicant before the application date, can be found in the combined effect of authorship of the mark, the intention to use it in connection with the specified goods and the present application for registration.

26. Mr Ling put forward the argument that the evidence of Mr Chang Chi Yin Spande shows that a verbal agreement was made between his father on behalf of the opponent and one Mr Yuya on behalf of the applicant in 1987 which gave the opponent full rights and control over the marks “KOTAC” and “コータック” in Hong Kong and the PRC, in return for developing the Hong Kong and China market for the applicant’s goods. Mr Ling submitted that there is no reason why, if the 1987 agreement is found to have been made in respect of the marks “KOTAC” and “コータック”, it would not be extended to cover the suit mark being the new mark in 2002. Indeed, Mr Ling contended, it would be a logical and natural extension of the agreement and arrangement which had been in existence since 1987. I have found in the related opposition to the registration of the marks “KOTAC” and “コータック” between the same parties that the agreement contended for by the opponent was not made in 1987 or at all. It goes without saying that the “extension of agreement” argument advanced by Mr Ling is not sustainable.

27. To conclude, I find that the opposition under sections 2(1) and 13(1) of the Ordinance is defeated.

Under section 13(2)

28. The discretion under section 13(2) arises when the opponent has failed in its opposition under sections 2(1) and 13(1) of the Ordinance and the suit mark is registrable under either section 9 or 10 of the Ordinance.

29. I remind myself that the register has been created by the Ordinance for the purpose of enabling marks to be entered therein. If no proper evidence can be adduced as to why the registration should be refused for a qualifying mark, the exercise of discretion should not be adverse to the applicant. As no proper evidence has been adduced, I therefore decline to exercise my discretion adversely to the applicant.

Costs

30. 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 its costs. I accordingly order that the opponent pays the costs of these proceedings.

31. 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. 4A) as applied to trade mark matters, with one counsel certified unless otherwise agreed between the parties.

Original signed

(Ms Fanny Pang)

p. Registrar of Trade Marks

2 October 2008