

Application No. 16381/2002

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

**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 :

**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. The application was advertised in the Government of the Hong Kong Special Administrative Region Gazette on 28 March 2003.

## **Pleadings and evidence**

3. On 3 September 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 suit mark. 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 suit mark 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 suit mark 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 prior to 1987, the suit mark has not been used in Hong Kong or the PRC. Since 1987, over the years, the opponent has vigorously and whole-heartedly promoted the suit mark such that it has 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 suit mark. It is the assertion of the opponent that since 1987, it has exercised total control including quality, composition and pricing over goods bearing the suit mark sold and marketed in Hong Kong and the PRC. By reason of the goodwill and reputation of the opponent in the suit mark 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 suit mark 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 suit mark 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”. In 1971, the applicant first adopted the suit mark “KOTAC” as the English brand on its products in respect of “copper plating agents for decoration and cupric sulfate plating liquid for decoration”. The applicant has sales records to show that its products bearing the suit 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 the products under the suit mark 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 suit mark 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 suit mark 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. The applicant avers that in the course of trade, it exported and shipped the products bearing the suit mark (in various volume containers, that is, fifteen litres or twenty litres) to the opponent for sale or further distribution. The applicant's company name, the suit mark, the Japanese brand “コータック” 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 suit mark should belong to the applicant, the actual manufacturer of the products. The efforts and resources put by the opponent in promoting the suit mark and marketing the products were obligations of the sole agent. In essence, the ownership of the suit mark as well as its goodwill is still vested in the applicant. The applicant claims to be true and actual proprietor of 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.

9. 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 4 August 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 remedy certain deficiencies in relation to “Exhibit-8” and “Exhibit-9” referred to 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 22 November 2006 (“Chang’s second statutory declaration”).

### **Cross-examination of deponents**

10. 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

11. 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.

12. 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.

13. 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*, 12<sup>th</sup> 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)

14. 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.”

15. 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.

16. 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).

17. 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).

18. On behalf of the applicant, Mr Lam submitted that the suit mark was invented by the applicant in the year 1970 (paragraph 3 of Ishimaru’s first statutory declaration). The specified goods manufactured by the applicant in Japan under the suit mark were first introduced by the applicant to its customers in Japan, Taiwan and Hong Kong in the early 1970s (paragraph 4 of Ishimaru’s first statutory declaration).

19. On the other hand, Mr Ling strongly disputed that the applicant’s alleged sales in the early 1970s amounted to use as a trade mark for the purposes of establishing proprietorship by the applicant. In this context, Mr Ling argued that a mark is used as a trade mark only if it is used with a view to facilitating or promoting the operation of a trading channel which in a business sense has already been opened to Hong Kong (*Settef*, the first instance decision, supra, at 417, lines 41-45). Between 1973 and 1974, Mr Ling contended, the applicant exported insubstantial quantities of KOTAC brighteners to one single purchaser in Hong Kong, namely, Goodrich Company. Judging by the quantities ordered and its address which is a factory address, not a retailer address, Goodrich appears to be an end-user, rather than a distributor or retailer, of such goods. Mr Ishimaru has set out in paragraph 6 of his first statutory declaration the quantities and value of sales from 1973 to 2002. Mr Ling submitted that I should reject any unsubstantiated and exaggerated assertions regarding sales made by Mr Ishimaru beyond what is shown by the invoices or purchase orders produced as the applicant’s evidence. Even then, it was Mr Ling’s argument that Mr Ishimaru’s evidence as to the user of the suit mark KOTAC is wholly unreliable since, in the course of cross-examination, he admitted he has not seen the goods in question and the exports occurred before he joined the applicant. Furthermore, no advertisements showing the suit mark KOTAC were placed in Hong Kong during this period.

20. In reply, Mr Lam submitted that it does not matter how many goods were actually sold. The fact that the goods were sold is sufficient for the purpose of

acquiring proprietorship. In response to Mr Ling's attack that there is no documentary evidence to show the applicant's goods bearing the suit mark during 1973 and 1974, Mr Lam contended that there is no problem for that so long as the suit mark had been used in invoices, packing lists and so on.

21. Mr Lam drew my attention to the first instance decision of *Settef*, supra, where McGarvie J said at 414 as follows :

“The fact that a manufacturer is proprietor of a trade mark overseas and has earlier used it overseas does give it a forensic advantage in a contest between it and an Australian distributor who claims proprietorship of the trade mark. There is authority that a court will regard slight use in Australia by the overseas proprietor as sufficient to give it proprietorship of the trade mark in Australia: *The Seven Up Co v O T Ltd* (1947) 75 CLR 203 at 211; *Aston v Harlee Manufacturing Co* (1960) 103 CLR 391 at 400; *Moorgate Tobacco Co Ltd v Philip Morris Ltd (No 2)* (1984) 59 ALJR 77 at 83.”

22. 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.

23. The first piece of evidence of use of the suit mark in Hong Kong in relation to the specified goods by the applicant is an invoice together with a packing list both dated 2 August 1973 which can be found in “Exhibit-2” to Ishimaru's first

statutory declaration. This invoice evidences the sale of “40 Poly bottles of KOTAC BRIGHTENER” to one Goodrich Company of “Tsuen Fing Factory Bldg., 3/F., Fui Yiu Kok Street, N.T. Kowloon, Hong Kong”. The quantity of sales was 720 litres. In the course of the cross-examination, Mr Ishimaru gave evidence that each bottle of the brightener should be 18 litres and the total was about 40 bottles. I consider it is consistent with what is stated in the invoice of “40 Poly bottles of KOTAC BRIGHTENER”. When one divides 720 litres by 40, the answer should equally be 18 litres per bottle. Unlike the invoice in which the quantity of sales was expressed in terms of litres, the quantity of sales provided by Mr Ishimaru in paragraph 6 of his first statutory declaration was stated in terms of kilograms (kg). When asked to do the calculation to change the 720 litres into kilograms in the course of cross-examination, Mr Ishimaru gave the answer of about 800 kilograms (about 20 kilograms per bottle). In this connection, Mr Ling only accepted that the quantity of sales of the KOTAC brightener in Hong Kong by the applicant in 1973 was that of 800 kilograms only, not 1,206 kilograms as stated in paragraph 6 of Ishimaru’s first statutory declaration. I would take the quantity of sales as 800 kilograms for the invoice in question. The total amount of sales is obscured in the copy invoice produced in “Exhibit-2”. At the hearing, Mr Ishimaru brought with him the original invoice and packing list. The value of sales can be seen from the original invoice which amounted to US\$1,389.60.

24. Apart from sales in 1973, as per the order form dated 13 March 1974, packing list dated 2 May 1974 and the shipping documents produced in “Exhibit-2”, I find that the applicant has produced evidence in support of the sale of another 540 litres (593 kilograms) in 30 poly bottles (18 litres per bottle) of KOTAC brightener to Goodrich Company for the year 1974. The total sales amount as shown by the evidence was US\$1,042. I do not think that the amount of sales was insignificant, bearing in mind that the sales occurred long time ago way back to the early 1970s.

25. Having taken into consideration the legal authorities cited above and in the face of the clear evidence that the applicant had used the suit mark in Hong Kong between 1973 and 1974 by supplying goods under the mark to Goodrich Company, I do not feel that I am able to accept Mr Ling’s submission that the sales did not amount to use as a trade mark for the purposes of establishing proprietorship. In my opinion, in 1974, the applicant was at common law the proprietor of the suit mark in Hong Kong.

26. However, it was the contention of Mr Ling that even though the applicant had acquired proprietorship by 1974, the proprietorship can be lost upon some

established general law basis such as estoppel, acquiescence or abandonment (*Settef*, the Federal Court of Appeal decision, *supra*, at 324). Mr Ling submitted that the applicant had abandoned the suit mark by 1987. On the applicant's own case, pointed out by Mr Ling, there were no sales or advertisements in the first three years, from 1975 to 1977. Mr Ishimaru admitted in cross-examination that the turnover for 1977 in the table of sales set out in paragraph 6 of his first statutory declaration is a mistake and should read "zero". Between 1977 and 1982, there is no evidence, other than Mr Ishimaru's bare assertion, of any use of the suit mark. Furthermore, there is no evidence as to how the goods were marked, advertised or sold during this period. Accordingly, Mr Ling urged the tribunal to reject the applicant's assertion of use between 1977 and 1982.

27. Mr Ling went on to submit that between 1983 and 1986, the suit mark fell into disuse. No sales were carried out and no effort was made to promote the suit mark or the goods in Hong Kong by the applicant or anybody on its behalf. In 1982 sales had already been diminished to ¥198,000, or approximately US\$795. However, according to Mr Ishimaru, Mr Ling contended, the applicant did nothing in the face of a drastic decline and standstill in its export business. A mere intention not to abandon is not enough. At common law, property in a trade mark is lost if use of it has ceased and the owner does not propose to resume it, whether a positive intention to abandon was formed or not (*Settef*, the first instance decision, *supra*, at 422, citing *Kerly's Law of Trade Marks and Trade Names*, 12<sup>th</sup> Edition, paragraph 11-19).

28. To counter, Mr Lam submitted that the abandonment issue was not expressly pleaded by the opponent. Had the opponent made specific and express plea, the applicant would have adduced evidence in relation to it. For example, the applicant may have produced an explanation with documentary evidence to meet the alleged claim of non-use of the suit mark. It is manifestly unjust to the applicant if the opponent is allowed to make out a case of abandonment which is not the case that the applicant came to meet in this tribunal. Even if the tribunal is to consider the issue, Mr Lam submitted that the burden of proof of a positive abandonment must be on the opponent. The opponent must fail in this regard since there is no evidence on the applicant's intention to abandon.

29. In my judgment, it was not pleaded for the opponent that the applicant, if it became proprietor of the suit mark in Hong Kong, lost it by abandonment on the basis of non-use. Mr Lam objected to the opponent raising the issue at this stage of

proceedings. I consider that abandonment is a wholly new ground, neither pleaded in the grounds of opposition nor raised in the parties' evidence filed in these proceedings. It would be unjust to the applicant if the opponent is allowed to raise the issue. In any event, in my opinion, the evidence in this case does not support a case of abandonment. In the first instance decision of *Settef*, supra, at 421, McGarvie J held that "the proprietary title to a trade mark is lost at common law by intentional abandonment but not by mere non-use" and at 426, "there is no explanation for the lack of sustained effort to export goods to Australia over those six years. Settef had made little impression on the Australian market. No application for registration was made until June 1978. Those factors, however, are outweighed by the countervailing indicators of the intention. There is nothing to suggest any decision to abandon or cease using the trade mark as distinct from pausing in making use of it." When the case went on an appeal to the Federal Court of Australia, all three judges agreed with the trial judge that Settef had not abandoned the trade mark. Bowen CJ observed (12 IPR 321 at 324) as follows :

"However, in my opinion, to show abandonment of the mark in circumstances such as the present it would be necessary to demonstrate more than slightness of use. There would have to be some evidence indicating an intention to abandon the trade mark to result in the right to proprietorship being lost : see *Mouson & Co v Boehm* (1884) 26 Ch D 389 at 415."

30. In my view, similar to the *Settef* case, as distinct from mere non-use, the evidence in this case does not show that the applicant had made any decision to abandon the suit mark in the sense that they did not propose to resume the use of it. Had there been any intention to abandon the use of the suit mark in respect of the applicant's goods in Hong Kong by 1987, the applicant would not have appointed the opponent as its agent for the sales of the applicant's goods under the suit mark in Hong Kong and the PRC in 1987 and would not have been exporting goods under the suit mark to the opponent for distribution since then.

31. The last resort made by Mr Ling was 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 suit mark in Hong Kong and the PRC, in return for developing the Hong Kong and China market for the applicant's goods. Moreover, the opponent was given ultimate control of the goods sold under the suit

mark, including quality, composition, pricing and marketing (paragraph 8 of Chang's first statutory declaration).

32. Mr Ling submitted that Mr Chang's evidence should be accepted, despite the absence of direct evidence from his father and notwithstanding the applicant's denial. There is no reason why the applicant has not called evidence from Mr Yuya on this most crucial and material issue. Unlike Mr Chang's father, who passed away four years ago, there is no indication that Mr Yuya is not able or unavailable to testify. As Mr Yuya has chosen not to give evidence, the court can legitimately draw inference against Mr Yuya that even if he were to give evidence, he could not displace certain conclusions that the court can derive from evidence already placed before it (*Guangzhou Green-Enhance Bio-Engineering Co Ltd v Green Power Health Products International Co Ltd*, HCA 4651/2002, unreported, Lam J, 8 April 2005, at paragraph 312).

33. Further, Mr Ling contended that the opponent gave up a valuable agency contract with the German firm Schering as a result of entering into business relationship with the applicant according to the evidence given by Mr Chang in the cross-examination. Consistently with the applicant's evidence (paragraph 9 of Ishimaru's first statutory declaration) the business relationship was founded upon the personal relationship between Mr Chang's father and Mr Yuya. Mr Ishimaru frankly gave full credit to the opponent's hugely successful efforts in establishing a market in Hong Kong and the PRC from 1987 onwards for the applicant's products. Had the relationship between the parties been that of a manufacturer and sole agent only, argued Mr Ling, no intelligible reason has been given to explain why the applicant would refuse to acknowledge this fact when requested to do so by the opponent's solicitors on 8 August 2002 (see paragraph 38 below). Mr Ling submitted that if the tribunal finds that the agreement contended for by the opponent was made, that finding of fact should be conclusive of the issue of proprietorship.

34. In my view, in paragraph 8 of Chang's first statutory declaration, Mr Chang declares that it was the agreement and understanding between the opponent and the applicant that "the opponent had full rights and control over the subject mark (suit mark) in Hong Kong and PRC, even to the exclusion of the applicant". This allegation is strongly denied by Mr Ishimaru in paragraph 20 of his first statutory declaration. In paragraphs 8 and 9 of Ishimaru's first statutory declaration, he says that starting from 1987, the applicant began its business relationship with the opponent

in Hong Kong. There was no written agency or distributorship agreement between the applicant and the opponent in Hong Kong or elsewhere. On the basis of mutual trust at that time, the applicant had appointed the opponent as its agent for sales of the applicant's goods including those under the suit mark in China including Hong Kong. At the hearing, one of the main areas of cross-examination was to find out the terms of the oral agreement made between the parties. However, in the course of cross-examination, both Mr Chang and Mr Ishimaru pointed out that the oral agreement was made between Mr Chang Kin Nin, the father of Mr Chang and one Mr Yuya who was in charge of the applicant's export business in Hong Kong at the material time.

35. Mr Ling submitted that I should accept the junior Mr Chang's evidence rather than that of Mr Ishimaru. However, I find that there is an important piece of documentary evidence in the applicant's evidence which throws light on the relationship between the parties. Mr Ishimaru says the following in paragraphs 10 to 12 of his first statutory declaration :

“10. Applications for the registration of the Opposed Trade Mark (the suit mark), the mark “コータツク” and some other marks belonging to the Applicant were filed with the Chinese Trade Marks Office in 2002. Such filings were made known to the Opponent, who was then concerned about the use of these marks in the future.

11. I understand that the Opponent had consulted its solicitors in Hong Kong in respect of the use of the Opponent's various trade marks including the Opposed Trade Mark (the suit mark). With a view to securing the position of being the sole and exclusive distributor of the Applicant's Goods bearing the Applicant's various marks including the Opposed Trade Mark (the suit mark) in China and Hong Kong, the Opponent had invited the Applicant to sign a confirmation which was prepared by the Opponent's solicitor, Messrs Gallant Y.T. Ho & Co. In this connection, a letter from Messrs. Gallant Y.T. Ho to the Opponent dated 8 August 2002 together with the confirmation duly signed by the Applicant were sent to the Applicant for consideration and countersign.

There is now produced and shown to me marked “Exhibit 4”, a copy of the said letter from Messrs. Gallant Y.H. Ho & Co. dated 8 August 2002 together with the signed confirmation.

12. However, the Applicant found the terms in the confirmation unacceptable and thus refused to countersign it. On the other hand, the Applicant began losing faith in the Opponent, for the Opponent was suspicious of being involved in manufacturing of counterfeited “KOTAC” copper plating agents in Shanghai, China.

There is now produced and shown to me marked “Exhibit 5”, a copy of letter from Shanghai Heng Xin Law Firm addressed to the Applicant dated 25 September 2003 advising that Mr. Chang Kin Nin (張健年) of the Opponent had made a confession to the Industry and Commerce Administrative Bureau of Shanghai City that the Opponent has counterfeited more than 3,000 cans of “KOTAC” copper plating agents.”

36. “Exhibit-4” to Ishimaru’s first statutory declaration contains a letter from Messrs Gallant Y.H. Ho & Co., the then solicitors for the opponent, to the opponent dated 8 August 2002. The material parts of the letter are reproduced as follows :

“We refer to the recent telephone conversation between your Mr. Chang and our Ms. Chick during which Mr. Chang mentioned your concern about your right to use the **trade marks of Daiwa in the PRC and Hong Kong** (my emphasis) (collectively “the Territory”). As the sole and exclusive distributor of Daiwa for promoting, marketing and distributing Daiwa’s products in the Territory, your right to use **the trade marks of Daiwa** (my emphasis) in the Territory may be challenged if there is no formal document to show your relationship with Daiwa and **Daiwa’s agreement for you to use its trade marks** (my emphasis) in the Territory. This is particularly so when Daiwa has successfully registered its trade marks in the Territory while no registered user agreement or licence agreement has been made in your favour. To deal with the said potential problem, we have prepared a draft confirmation and now enclose the same for your consideration.

To better protect **the trade marks of Daiwa** (my emphasis) and to comply with the laws of the Territory, we suggest that the confirmation be signed as soon as possible.”

37. The confirmation referred to in the letter is also produced in “Exhibit-4”. The terms of the confirmation are as follows :

- “1. Daiwa Special Chemical Company, Limited (“Daiwa”) is a company incorporated in Japan and engaged in the development and manufacture of high quality chemicals products (“Daiwa’s Products”).
2. Daiwa has been using the following trade marks (“the Trade Marks”) on Daiwa’s Products for sale in, inter alia, the People’s Republic of China (“PRC”) and the Hong Kong Special Administrative Region (“Hong Kong”) (collectively “the Territory”) and is now applying for registration of the Trade Marks in Class 1 in the PRC :

TRADE MARKS

ハード

HARD

コータツク

KOTAC

コスモ

COSMO

クロス

CROSS

3. For over 14 years, Winstar Chemical Company Limited (“Winstar”) has been the sole and exclusive distributor of Daiwa for promoting, marketing and distributing Daiwa’s Products in the Territory.
4. Daiwa acknowledges Winstar’s hard efforts in promoting, marketing and distributing Daiwa’s Products which led to the tremendous success of Daiwa’s business in the Territory.
5. Daiwa confirms that Winstar will continue to be the sole and exclusive distributor of Daiwa’s Products in the Territory.
6. In order to better protect the Trade Marks in the Territory and to comply with the laws of the Territory, Daiwa and Winstar will execute licence agreement(s) (in the form prepared by Winstar and approved by Daiwa) within the next 21 days to confirm **Daiwa’s agreement to grant an exclusive licence to Winstar to use the Trade Marks in the Territory for the purposes of promoting, marketing and distributing Daiwa’s Products** (my emphasis) .”

38. The confirmation was signed by the opponent. The applicant refused to sign it as it has been the applicant's case that the applicant only appointed the opponent as the sole agent (but not the exclusive distributor) for promoting, marketing and selling its products in China including Hong Kong and the applicant at the same time had exported its products directly to other distributors and/or purchasers in Taiwan and Mainland China (paragraph 8 of the counter-statement). For my part, the reasons for the applicant in not signing the confirmation are not so much of my concern. More importantly, I take the view that the letter and confirmation together constitute clear evidence to show that up to August 2002 just two months prior to the application date, the opponent acknowledged that the suit mark is the applicant's trade mark and the applicant had been using the suit mark on the applicant's products for sale in the PRC and Hong Kong. The opponent had only been the distributor of the applicant's products under the suit mark in the PRC and Hong Kong.

39. In my opinion, had there been any agreement between the parties in 1987 that the opponent had full rights and control over the suit mark in Hong Kong and the PRC, even to the exclusion of the applicant as alleged, the opponent would not have instructed its solicitors in 2002 to prepare the confirmation in which the applicant's rights in the suit mark in respect of the applicant's products for sale in the PRC and Hong Kong were acknowledged and the applicant was requested to confirm its agreement to grant an exclusive licence to the opponent to use the suit mark in the PRC and Hong Kong by way of a formal licence agreement. Besides, one can find the opponent's similar acknowledgement of the applicant's rights in the suit mark for the applicant's products in Hong Kong and the PRC from the joint statements dated 26 November 2001 and 1 January 2002 made by the parties attached to the exhibits "CCYS-11" and "CCYS-12" to Chang's second statutory declaration. I am not able to draw the conclusion which Mr Ling would like me to draw from the clear evidence placed before me.

40. Therefore, I do not find that the agreement contended for by the opponent was made in 1987 or at all. It follows that the applicant's proprietorship to the suit mark has not been passed to the opponent by way of any agreement between the parties. There is no legal basis to support the opponent's contention that the suit mark of which the applicant was the proprietor in 1974 had become the property of the opponent by 1987.

41. To conclude, I find that the opposition under sections 2(1) and 13(1) is

defeated.

Under section 13(2)

42. 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.

43. 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

44. 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.

45. 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