

TRADE MARKS ORDINANCE (Cap. 559)

**APPLICATION FOR DECLARATION OF INVALIDITY OF TRADE MARK
REGISTRATION NO. 200307298**

MARK:



CLASS: 1

APPLICANT: DAIWA TOKUSHU KABUSHIKI KAISHA
(DAIWA SPECIAL CHEMICAL CO., LTD.)

TRADE MARK REGISTERED PROPRIETOR: REUNION GROUP LIMITED

STATEMENT OF REASONS FOR DECISION

1. On 26 October 2004, Daiwa Tokushu Kabushiki Kaisha (Daiwa Special Chemical Co., Ltd.) (the “applicant”) applied under the grounds mentioned in section 53 of the Trade Marks Ordinance, Cap. 559 (the “Ordinance”) for a declaration of invalidity of registration of the trade mark “DAIWA” represented below:



of registration no. 200307298 (the “suit mark”), registered under the name of Reunion Group Limited (the “registered proprietor”). The suit mark is registered in respect of “chemicals used in industry” in Class 1. The date of registration for the suit mark, as deemed under section 48 of the Ordinance, is 26 August 2002.

2. The registered proprietor did not file a counter-statement within the 3-month period prescribed under rule 41(1), as applied by virtue of rule 47, of the Trade Marks Rules, Cap. 559A (the “Rules”). By rule 41(3) of the Rules, the application for declaration of invalidity has since been treated as unopposed by the registered proprietor.

3. A hearing on the application took place before me on 8 March 2007. Mr. Kenneth K.Y. Lam, counsel, appeared for the applicant at the hearing.

Grounds for invalidation

4. The applicant contends that the suit mark should not have been registered and its registration should be declared invalid under section 53 of the Ordinance because of the following grounds:

- (a) the application for registration was made in bad faith and in contravention of section 11(5)(b);
- (b) the suit mark is incapable of distinguishing goods of the registered proprietor and from the goods of the applicant and is unregistrable under section 11(1)(a) read together with section 3(1);
- (c) the suit mark is likely to deceive the public and in contravention of section 11(4)(b);
- (d) the applicant’s trade mark “DAIWA & device” should qualify as a well known trade mark under section 4 and hence an earlier trade mark under section 5(1)(b). As such there is an earlier trade mark in relation to which the conditions set out in section 12(1) and (2) apply; and
- (e) the use of the suit mark would constitute the tort of passing off. As such there is an earlier right in relation to which the conditions set out in section 11(5)(a) and 12(5)(a) apply.

5. The applicant also seeks an award of costs.

Evidence

6. As the registered proprietor did not file any evidence, the applicant's evidence is the only evidence filed in the proceedings. This comprises a statutory declaration made by Akira Ishimaru, director and general manager of the applicant, filed on 7 September 2005, and a supplemental statutory declaration made by him and filed on 16 December 2005 exhibiting some documents intended to be included in his statutory declaration but due to an oversight had not been included there.

7. According to Akira Ishimaru, the applicant had over a period of 40 years transformed itself from a local company to a leading chemical products manufacturer in Japan. He alleges that the mark represented below



(“the applicant's mark”) was created and designed by the founder of the applicant in or about 1967, and since then has been used as the house mark and company logo of the applicant, in connection with plating agents.

8. Akira Ishimaru exhibits copies of the following to his statutory declaration to show use and reputation of the applicant's mark in Hong Kong:

Exhibit 1 – two pictures showing two containers on which the applicant's mark and the applicant's Chinese name, namely, “大和特殊株式会社”, along with the Japanese characters “コータック” and the word “KOTAC”, can be seen.

Exhibit 2 – commercial documents, such as invoices, packing lists, order forms, documentary credit papers, shipping instructions, bills of lading, etc., said to be in connection with the applicant's goods of plating agents bearing the applicant's mark, the mark in Japanese characters “コータック” and the mark “KOTAC”.

Exhibit 3 – letters from traders in Hong Kong to the applicant making enquiries about or concerning the applicant's goods.

Exhibit 4 – advertisements placed in various magazines of the electro-plating chemicals industry.

Exhibit 5 – front pages of complimentary copies of calendars that the applicant sent to its customers in Hong Kong every year since 1993 up to 2003, showing the applicant’s mark alongside the applicant’s name in Chinese characters “大和特殊株式会社”.

9. Akira Ishimaru alleges that during the period from 1987 to 2002, the applicant’s goods were sold in Hong Kong through its then sales agent, Winstar Chemicals Co., Ltd. (“Winstar”). In or about 2002, the applicant found that Winstar might be involved in the manufacturing of counterfeited “KOTAC” copper plating agents in Shanghai, China, and Winstar had persistently refused to make payment to the applicant for goods sold and delivered. The applicant therefore stopped trading with Winstar. Then in 2004, the applicant found out that a mark identical to the applicant’s mark had been registered in the name of the registered proprietor on the Hong Kong register. A land search was conducted on the address for service in respect of the suit mark and the search result revealed that Winstar was the registered proprietor of the premises at that address. The applicant further conducted a company search with the Companies Registry of Hong Kong and found out that a company in the name “Daiwa Special Chemical Co., Ltd 大和特殊株式會社有限公司” was registered in Hong Kong in 2002, with the registered proprietor as one of its directors as well as shareholders.

10. Akira Ishimaru further exhibits copies of the following to his statutory declaration in relation to the allegations made above:

Exhibit 6 – commercial documents, such as invoices, packing lists, shipping instructions, bills of lading, etc., in relation to sale of the applicant’s goods to Winstar. It seems all of these documents have already been included in Exhibit 2.

Exhibit 7 – a letter from Shanghai Heng Xin Law Firm addressed to the applicant dated 25 September 2003 advising that a Mr. Chang of Winstar had made a confession to the Industry and Commerce Administrative Bureau of Shanghai City that Winstar had counterfeited more than 3,000 cans of “KOTAC copper plating agents”.

Exhibit 8 – printouts showing the particulars of pending application nos.200216381 and 200216382 filed by the applicant with the

Hong Kong Trade Marks Registry to register its mark “KOTAC” and the mark in Japanese characters “コータック” respectively in Class 1. It is alleged that these applications met opposition from Winstar and have been pending for a resolution.

Exhibit 9 – printouts showing the particulars of pending application no.300096705 filed by the applicant with the Hong Kong Trade Marks Registry to register the applicant’s mark in Class 1.

Exhibit 10 – printouts showing the particulars of the subject application of the suit mark.

Exhibit 11 – the land search result showing that Winstar has been the owner of the premises which is the address for service in respect of the suit mark since 2000.

Exhibit 12 – the certificate of incorporation and the annual return of the company in the name “Daiwa Special Chemical Co. Limited (大和特殊株式會社有限公司)”.

Decision

11. Though various grounds had been pleaded by the applicant to justify the application for a declaration of invalidity of registration of the suit mark (as set out in paragraph 4 above), at the hearing on 8 March 2007, Mr. Kenneth K.Y. Lam, counsel for the applicant, indicated that the grounds based on sections 11(1)(a), 11(5)(a), 12(2) and 12(4)(b) of the Ordinance are no longer pursued by the applicant. The remaining grounds are based on sections 11(5)(b), 12(1) and 12(5)(a).

12. I shall consider section 11(5)(b) first. But before that I wish to deal with one point. I note that the applicant’s mark as shown in the evidence, though appears almost the same as the suit mark, has very slight visual difference from it, which is in the typeface of letters used for the word “DAIWA”. To this I find the difference in the typefaces is so minute and insignificant that the applicant’s mark is identical or virtually identical to the suit mark.

Section 11(5)(b)

13. Section 11(5)(b) of the Ordinance provides that a trade mark shall not be registered if the application for registration of the trade mark is made in bad faith. The term “bad faith” is not defined in the Ordinance.

14. In *Gromax Plasticulture Ltd v Don & Low Nonwovens Ltd* [1999] R.P.C. 367 at 379, Lindsay J. said in relation to section 3(6) of the U.K. Trade Marks Act 1994 (equivalent to section 11(5)(b) of the Ordinance):

“I shall not attempt to define bad faith in this context. Plainly it includes dishonesty and, as I would hold, includes also some dealings which fall short of the standards of acceptable commercial behaviour observed by reasonable and experienced men in the particular area being examined. Parliament has wisely not attempted to explain in detail what is or is not bad faith in this context: how far a dealing must so fall-short in order to amount to bad faith is a matter best left to be adjudged not by some paraphrase by the courts (which leads to the danger of the courts then construing not the Act but the paraphrase) but by reference to the words of the Act and upon a regard to all material surrounding circumstances.”

15. Following that approach, in *DEMON ALE Trade Mark* [2000] R.P.C. 345, the Appointed Person Geoffrey Hobbs Q.C. said (at p.356):

"These observations recognise that the expression 'bad faith' has moral overtones which appear to make it possible for an application for registration to be rendered invalid under s.3(6) by behaviour which otherwise involves no breach of any duty, obligation, prohibition or requirement that is legally binding upon the applicant."

16. Then in *Twinsectra Ltd v Yardley* [2002] 2 A.C. 164, the majority of the House of Lords laid down what is known as the "combined test" of dishonesty, namely, that the defendant's conduct was dishonest by the ordinary standards of reasonable and honest people and that he himself realised that by those standards his conduct was dishonest. In other words, it requires knowledge by the defendant that what he was doing would be regarded as dishonest by honest people, although he should not escape a finding of dishonesty because he sets his own standards of

dishonesty and does not regard as dishonest what he knows would offend the normally accepted standards of honest conduct.

17. The "combined test" of dishonesty was applied in *Harrison v Teton Valley Trading Co (CHINAWHITE)* [2005] F.S.R. 10, where the Court of Appeal in the United Kingdom said (at paragraph 26):

“The words "bad faith" suggest a mental state. Clearly when considering the question of whether an application to register is made in bad faith all the circumstances will be relevant. *However the court must decide whether the knowledge of the applicant was such that his decision to apply for registration would be regarded as in bad faith by persons adopting proper standards.*” (emphasis added)

18. There had been doubt as to whether enquiry into a defendant's views as regards normal standards of honesty is part of the test. This was answered by the Appointed Person in *Ajit Weekly Trade Mark* [2006] RPC 25 drawing upon the observations of Lawrence Collins J. in *Daraydan Holdings Ltd v Solland International Ltd* [2005] 4 All E.R. 73 (at 93) which is not a trade mark case. The Appointed Person in *Ajit* said,

“The subjective element of the test means that the tribunal must ascertain what the defendant knew about the transaction or other matters in question. It must then be decided whether in the light of that knowledge, the defendant's conduct is dishonest judged by ordinary standards of honest people, the defendant's own standards of honesty being irrelevant to the determination of the objective element.”

19. In the present scenario, I therefore have to ascertain what the registered proprietor knew about the applicant's mark and the use of it in Hong Kong at the date it applied to register the suit mark in Hong Kong, but not what standards of honesty it held.

20. The applicant's mark is composed of the word “DAIWA” superimposed on a circle which has a purportedly zigzag line running vertically across its diameter. “DAIWA” is obviously an invented word and forms the prominent feature of the mark. It has not been suggested that the word contains an element descriptive of the goods or services for which the mark is used. The circle with a purportedly zigzag line (the

“circle device”) may not be a very distinctive device on its own, but the way the word “DAIWA” is superimposed on it – the letter “I” appears to make up for the missing part of the zigzag line – also adds distinctiveness to the mark. The whole mark is therefore a mark with a highly distinctive character fully and inherently capable of distinguishing the applicant’s goods from those of other undertakings.

21. I have already found that the suit mark is identical or virtually identical to this highly distinctive mark of the applicant. As the present case involves the claim of bad faith, it is incumbent on the registered proprietor to put forward an explanation for the adoption of the word “DAIWA” and the circle device as elements of the suit mark. However, the registered proprietor has neither filed a counterstatement nor provided any evidence in the present proceedings.

22. That leaves the applicant’s claim of bad faith unchallenged. Nonetheless, I still have to examine the applicant’s evidence to see whether it supports the claim.

23. First, the applicant claims that its goods bearing the applicant’s mark had been sold in Hong Kong through its then sales agent Winstar since 1987.

24. Exhibit 2 to Akira Ishimaru’s statutory declaration contains invoices, packing lists, order forms, documentary credit papers, shipping instructions, bills of lading, etc., said to be in connection with the applicant’s goods of plating agents bearing the applicant’s mark, the mark in Japanese characters “コータック” and the mark “KOTAC”. On the face of these documents, no doubt the goods involved are electro-plating chemicals sold by the applicant and shipped to destinations in Hong Kong. However, if any hint is to be found as to what marks are used in connection with the goods, all I could see is the word “KOTAC”, used in terms such as “Kotac Brightener”, “Kotac MG”, “KOTAC 1”, “KOTAC 2”, “KOTAC MU”, “KOTAC V-11”, “KOTAC V-A”, etc., but not the word “DAIWA” or the applicant’s mark, nor the Japanese characters “コータック”. Annual sales figures of these goods between 1987 and 2002 were given in Akira Ishimaru’s statutory declaration. The figures indicate that about or over a million US Dollars annual sales had been recorded since 1993. Exhibit 3 to Akira Ishimaru’s statutory declaration contains letters from traders in Hong Kong to the applicant making enquiries about or concerning the applicant’s goods. Similarly, terms such as “Kotac Brightener”, “KOTAC” and “KOTAC MG” as well as the Japanese characters “コータック”, but not the applicant’s mark or the word “DAIWA”, are mentioned in these letters.

25. I do not find that the documents at Exhibits 2 and 3 on their own establish evidence of use of the applicant's mark in Hong Kong. But there are nonetheless other evidence of use of the mark in Hong Kong since 1991, namely, some of the advertisements contained in Exhibit 4 and complimentary calendars contained in Exhibit 5 to Akira Ishimaru's statutory declaration.

26. In Exhibit 4, the applicant's mark can be seen on those advertisements placed in "Metal Finishing Science" over the period from 1970 to 1987, "Finishing Science" over the period from 1988 to 1997 and "Printed Circuit Board Information" in 1988, and among the products advertised are certain kinds of brightener identified by "KOTAC-T", "KOTAC-A", "KOTAC-SP", "KOTAC-RC", "KOTAC M-1", etc. But these advertisements seem to be placed in Taiwan as there is a Taiwanese distributor mentioned at the bottom of these advertisements. Nonetheless, the applicant claims that these magazines had circulation in Hong Kong. On the other hand, advertisements placed in the magazine "Electroplating & Finishing" over the period 1991 and 1992 display both the applicant's mark and the applicant's name in Chinese, with a Hong Kong corresponding address. There are a few advertisements in Japanese seemingly placed in Japanese magazines in the 70s. But since a translation is not provided I cannot make out what they are about.

27. In Exhibit 5, the applicant's mark alongside the applicant's name in Chinese characters "大和特殊株式会社" can be seen on the calendars the applicant sent to its customers in Hong Kong every year since 1993 up to 2003.

28. From the above, I am satisfied that the applicant has established preceding use of the applicant's mark in Hong Kong, in the sense that it took place before the filing of the subject application for registration of the suit mark. The applicant has produced no agency agreement with Winstar, but since the claim that Winstar had acted as its sales agent since 1987 is not challenged, I accept that the applicant's mark had been used on the applicant's goods sold in Hong Kong through Winstar since 1987. I am also satisfied that the applicant had used its mark in conjunction with its trading names "Daiwa Special Chemical Co., Ltd." and "大和特殊株式会社" in Hong Kong in respect of chemicals used in industry (borne out by documents in exhibits 1 to 5 to Akira Ishimaru's statutory declarations) prior to the incorporation of the company "Daiwa Special Chemical Co. Limited (大和特殊株式會社有限公司)" in 2002 as discussed below.

29. The relationship between the applicant and Winstar was terminated in 2002

by the applicant upon learning that Winstar might have been involved in counterfeiting the applicant's goods. The applicant produced a letter (at Exhibit 7 to Akira Ishimaru's statutory declaration) from Shanghai Heng Xin Law Firm addressed to the applicant dated 25 September 2003 advising that a Mr. Chang of Winstar had made a confession to the Industry and Commerce Administrative Bureau of Shanghai City that Winstar had counterfeited more than 3,000 cans of "KOTAC copper plating agents".

30. The applicant avers that at around the same time in 2002, the registered proprietor applied to register the suit mark (which as I have found above is virtually identical to the applicant's mark) using an address for service the premises of which was owned by Winstar. This fact is borne out by Exhibit 10 to Akira Ishimaru's statutory declaration which contains printouts showing the particulars of the subject application no. 200307298 filed by the registered proprietor on 26 August 2002 to register the suit mark in respect of Class 1 goods with the Hong Kong Trade Mark Registry, and Exhibit 11 which contains a land search result showing that since 2000 Winstar has been the owner of the premises which is the address for service in respect of the suit mark.

31. The applicant has further found out that the registered proprietor is a director of and holds one share in a company which bears the name "Daiwa Special Chemical Co. Limited (大和特殊株式會社有限公司)". "Daiwa Special Chemical Co. Limited" and 大和特殊株式會社, as shown in exhibits 1 to 5, are respectively the English and Chinese trading names used by the applicant in Hong Kong. The company "Daiwa Special Chemical Co. Limited (大和特殊株式會社有限公司)" adopts the English name of the applicant's and differs from its Chinese trading name only by the addition of the characters "有限公司" (meaning limited company) at the end. Exhibit 12 to Akira Ishimaru's statutory declaration contains the certificate of incorporation and the annual return of the company in the name "Daiwa Special Chemical Co. Limited (大和特殊株式會社有限公司)". This shows that the company was incorporated in Hong Kong on 9 September 2002, and the registered proprietor has been a director as well as a shareholder of the company, holding one share in it. The other director was a company having an address in British Virgin Islands and it is also a shareholder holding 9,999 shares in the company. It is not known who were the directors and shareholders of Winstar at the relevant time, this is not surprising or the fault of the applicant in gathering information and evidence given that the registered proprietor is also a British Virgin Islands company in respect of which the names or identities of its shareholders and directors do not appear in any

public record.

32. The applicant claims that in the chemical industry in Hong Kong, the applicant's mark is so well known as denoting the chemical products produced and sold by the applicant to the extent that any use by another company of the same mark in respect of chemical products would not only adversely affect the repute of the applicant's mark but also would confuse customers in the trade, and it believes that no company would bona fide wish to adopt the applicant's mark. The registered proprietor did not challenge this at all.

33. Summarizing from the above, I make the following findings of fact:-

- (i) the applicant's mark had been used on the applicant's goods sold in Hong Kong through Winstar since 1987;
- (ii) the applicant had used its mark in conjunction with its trading names "Daiwa Special Chemical Co., Ltd." and "大和特殊株式会社" in Hong Kong in respect of chemicals used in industry prior to the incorporation of the company "Daiwa Special Chemical Co. Limited (大和特殊株式會社有限公司)" in September 2002 in which the registered proprietor is both a director and shareholder;
- (iii) the applicant's mark's through its long use and advertising in Hong Kong did enjoy certain reputation at least in the chemical industry in Hong Kong at the time the subject application for registration of the suit mark was made;
- (iv) the relationship between the applicant and Winstar was terminated in 2002 by the applicant upon learning that Winstar might have been involved in counterfeiting the applicant's goods;
- (v) on 26 August 2002, the registered proprietor applied to register the suit mark which is virtually identical to the applicant's mark, using an address for service the premises of which was owned by Winstar since 2000; and
- (vi) on 9 September 2002, a company in the name "Daiwa Special Chemical Co. Limited (大和特殊株式會社有限公司)" was

incorporated with the registered proprietor being a director as well as a shareholder of that company.

34. Winstar was not the one who applied to register the suit mark and it is not a party to these proceedings. Nonetheless, its knowledge about the use and reputation of the applicant's mark and its trading names in Hong Kong is important. On evidence the only formal connection between Winstar and the registered proprietor is the fact that Winstar owns the premises which is used by the registered proprietor as address for service of the suit mark. But linking this up with the findings of fact, in particular the fact that the registered proprietor did act as a director and shareholder of a company incorporated in Hong Kong in 2002 with a name essentially the same as the English and Chinese trading names used by the applicant, it seems to me that the registered proprietor must have been aware of the existence of the longstanding use and reputation of the applicant's mark in Hong Kong at the time when it applied to register the suit mark.

35. In the light of that knowledge, the registered proprietor in 2002 applied to register a mark virtually identical to the applicant's mark which is distinctive of chemicals used in industry, in respect of the same kind of goods. Applying the "combined test" of dishonesty as discussed above, the question I ask is: - in the light of the knowledge the registered proprietor had in 2002 in respect of the applicant's mark, did the registered proprietor's conduct in filing the application for registration of the suit mark fall short of the standards of acceptable commercial behaviour observed by reasonable and experienced men in the chemicals industry in Hong Kong?

36. I have no doubt that it did. In my view, the actions of the registered proprietor in seeking to register the suit mark were calculated to deceive, and so to divert business from the applicant to its own, or to occasion a confusion between the two businesses. I conclude that the application for registration was made in bad faith.

Sections 12(1) and 12(5)(a)

37. The ground for invalidity under section 12(1) must be raised on the basis of an earlier trade mark of the applicant. At the date of the filing of the subject application for registration, the applicant had not yet registered or applied to register

its mark in Hong Kong. The applicant therefore bases this ground on the claim that its mark is entitled to protection under the Paris Convention as a well-known trade mark (sections 4 and 5 of the Ordinance). As the applicant succeeds on the ground of bad faith under section 11(5)(b), I do not find it necessary to consider whether the applicant's mark is well-known in Hong Kong for the purpose of section 12(1). Similarly, I do not need to consider the ground raised in relation to section 12(5)(a) of the Ordinance.

Conclusion

38. For the reasons stated above, registration of the suit mark should be declared invalid on the ground that the suit mark was registered in contravention of section 11(5)(b). Accordingly, the registration of the suit mark is declared invalid under section 53(3) in respect of all the goods for which the trade mark is registered.

39. As the invalidation has succeeded, I award the applicant costs. Subject to any representations, as to the amount of costs or calling for special treatment, which either the registered proprietor or the applicant 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.

(Frederick Wong)
for Registrar of Trade Marks
30 May 2007