

**TRADE MARKS ORDINANCE (Cap. 559)**

**APPLICATION FOR DECLARATION OF INVALIDITY OF TRADE MARK  
REGISTRATION NO. 300126819**



**ARK ROYAL**

**MARK** :  
**CLASS** : 34  
**APPLICANT** : **COMPANIA INDUSTRIAL DE  
TABACOS MONTE-PAZ S.A.**  
**TRADE MARK OWNER** : **JOHANNES NIEBOER**

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**STATEMENT OF REASONS FOR DECISION**

1. On 31 December 2004 Compañía Industrial de Tabacos Monte-Paz S.A. (“applicant”) applied under section 53(1) of the Trade Marks Ordinance (Cap. 559) (“the Ordinance”) for a declaration of invalidity of the trade mark



**ARK ROYAL**

- of registration no. 300126819 (the “suit mark”) registered in the name of Johannes Nieboer (the “owner”). The suit mark is registered in respect of “tobacco and tobacco products; smoker’s articles; matches” in Class 34. The date of application and deemed date of registration is 12 December 2003 (section 48 of the Ordinance).
2. The owner did not file a counter-statement within the prescribed period under Trade Marks Rule 41(1) (Cap. 559A) (as applied by Trade Marks Rule 47).
  3. By a letter dated 18 March 2005, the agent hitherto acting on behalf of the owner

requested to be removed as address for service in connection with the suit mark. On 31 March 2005 they were formally removed as address for service for the owner. Pursuant to Trade Marks Rule 107(1) and 107(2), the Registrar sent a notice on 12 April 2005 to the owner requesting the filing of a new address for service within Hong Kong. The owner failed to comply within the prescribed two-month period and was deemed to have withdrawn from the proceedings under Trade Marks Rule 107(3).

4. A hearing on the application for invalidation was fixed on 23 October 2006. The applicant did not file a Form T12 and in a letter dated 13 October 2006, Messrs. Wilkinson & Grist, the applicant's agent, informed the Registrar that they did not intend to appear at the hearing. By virtue of Trade Marks Rule 75(b)(ii), the Registrar may decide the matter without a hearing. This decision is thus reached based on the grounds pleaded and evidence filed by the applicant in the proceedings.

#### **Grounds of invalidation**

5. The grounds for the application are that:
  - (i) under section 12(3) the suit mark should not have been registered as it is confusingly similar to the applicant's trade mark;
  - (ii) under section 12(4) the suit mark should not have been registered as its use would take unfair advantage of, or be detrimental to, the distinctive character or repute of the applicant's mark;
  - (iii) under section 11(5)(b) the suit mark should not have been registered as the application for registration was made in bad faith;
  - (iv) under section 11(4)(b) the suit mark should not have been registered as it is likely to deceive the public;
  - (v) under section 11(5)(a) and/or 12(5) the suit mark should not have been registered as its use is liable to be prevented by the law of passing off; and

- (vi) under section 11(1)(a) the suit mark should not have been registered as it is not capable of distinguishing the goods of the owner from the goods of the applicant.
6. The applicant seeks an award of costs.

**Evidence**

7. The applicant's evidence is the only evidence filed in the proceedings. This consists of the statutory declaration ("SD") jointly made by Tomás Bense and Juan Pablo Rodriguez Rivero, directors of the applicant, filed on 30 December 2005.
8. The evidence submitted included, inter alia, the following:
- a. The applicant carried on business in manufacturing cigarettes, tobacco and tobacco related products. The mark "ARK ROYAL" has been used by the applicant in Uruguay for such products since 1947 (paragraph 4 of the SD).
  - b. The applicant's products have been exported to other countries in Asia, Europe and America. Copies of invoices and shipping documents from June 2003 to September 2004 were provided to support sales in the Netherlands, where the "ARK ROYAL" mark had been used since 2002 through the owner via his company Johannes Nieboer Tobacco Company (paragraph 5 of the SD and exhibit "TB-2 and JPRR-2").
  - c. The owner had exchanged correspondence with the applicant in 2002 (exhibit "TB-6 and JPRR-6"). The owner expressed interest in "representing and distributing your [*the applicant's*] flavoured cigarettes Ark Royal" and proposed to distribute the applicant's "Ark Royal" brand products worldwide including Asia and to own the mark. In reply, the applicant said that "Ark Royal" was their strategic brand and regarding the trade mark, they would register it when the potential market was identified as the applicant thought that to register a trade mark might involve

considerable costs. The applicant also invited the owner to work on the terms of a licence contract related to the proposal to market the “ARK ROYAL” products. No subsequent licence contract is produced in the evidence. The last correspondence shown is a fax of May 2003 from the owner to the applicant regarding the order of “Ark Royal” products of the applicant.

- d. The applicant has registered marks comprising the words “ARK ROYAL” in other jurisdictions such as Uruguay, Japan, Paraguay and the USA for tobacco related products (exhibits “TB-3 and JPRR-3” and “TB-4 and JPRR-4”).
- e. On 12 December 2003, the owner applied to register the suit mark in Hong Kong. The suit mark was published on 2 January 2004 and was registered on 15 April 2004. On 19 April 2004 the owner filed the application for a word mark “ARK ROYAL” in Class 34 products (application no. 300199350) (exhibit “TB-8 and JPRR-8”).
- f. On 17 August 2004, the applicant applied for the registration of another mark “ARK ROYAL” in Hong Kong for Class 34 goods (application no. 300269505). The Registry cited the suit mark against the applicant’s application for registration which to date is at the examination stage (paragraph 8 of the SD and exhibit “TB-5 and JPRR-5”).
- g. On 20 October 2004, the applicant opposed to the owner’s application for registration of the word mark “ARK ROYAL” (application no. 300199350) (paragraph 10 of the SD and exhibits “TB-7 and JPRR-7” and “TB-8 and JPRR-8”). The owner’s application for registration was subsequently withdrawn.

## **Decision**

### *Section 11(5)(b) – bad faith*

- 9. Section 11(5)(b) of the Ordinance provides that a trade mark shall not be registered if, or to the extent that the application for registration of the trade mark

is made in bad faith. The Ordinance does not define the term “bad faith”, leaving it to the court or the Registrar to determine whether an application is made in bad faith based upon the circumstances of a particular case.

10. In *Gromax Plastics Ltd v Don & Low Nonwovens Ltd* [1999] R.P.C. 367 (“*Gromax*”), Lindsay J stated (at page 379) the following:

“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 ... 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.”

11. In *Harrison v Teton Valley Trading Co Ltd* [2005] FSR 10 (“*CHINAWHITE*”), the Court of Appeal in the United Kingdom decided that the combined test for dishonesty laid down by the House of Lords in *Twinsectra v Yardley* [2002] AC 164 should be applicable to the consideration of bad faith. Sir William Aldous said (at pages 185-87) that:

“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.”

12. He also disagreed that the standard for bad faith is purely subjective and went on to say that:

“33...The words “bad faith” are not apt for definition. They have to be applied to the relevant facts of each case. The test is the combined test and the standard must be that of acceptable commercial behaviour observed by reasonable and experienced persons in the particular commercial area being examined.”

13. The application of the combined test was confirmed in *Ajit Weekly Trade Mark* [2006] R.P.C. 25 where Professor Ruth Annand further clarified the test (at page 648) as follows:

“The subjective element 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.”

14. The test for bad faith comprises both subjective and objective elements. What a registered owner says about his state of mind when he made the application for registering the mark cannot be determinative. The Registrar has to apply the objective standards of a reasonable businessman in the overall circumstances of the case to decide whether the bad faith ground has been established or defeated. In asserting that the application for registration was made in bad faith the onus rests with the applicant of invalidation to make a prima facie case. The applicant's allegation of bad faith on the part of the owner must be supported by evidence of dishonest activities or dealings or at the least commercial behaviour or activities that fall below the standard regarded as acceptable by the community at large. Against this background I now turn to apply the law to the relevant issues and facts of this case.
15. In the present application for invalidation, the owner was a distributor of the applicant's tobacco products in the Netherlands. From the evidence provided, the owner had knowledge of the proprietorship of the “ARK ROYAL” mark when he filed application for registration of the suit mark in Hong Kong in December 2003. The fact that the owner had written in 2002 to the applicant to seek their approval in letting him or his company to own and register the mark “ARK ROYAL” worldwide shows that the owner recognized that the applicant was the proprietor of the “ARK ROYAL” mark. The correspondence between the owner and the applicant later indicates that the owner had been informed by the applicant that “ARK ROYAL” was a strategic brand belonging to the applicant and regarding trade marks, the applicant would register the mark in the

potential market they identified. Although there is no evidence that when the owner applied to register the suit mark the applicant had actual plans to market the “ARK ROYAL” products to Hong Kong, this is not totally unforeseeable as the applicant had indicated they had been exporting to markets like Japan and they had expressed in the correspondence their interests of expanding sales to overseas markets including Asia. Adding that there is nothing from the evidence suggesting that the applicant had acceded to the owner in owning and registering the “ARK ROYAL” mark in Hong Kong and that the owner had not put forward any defence against the applicant’s claim of ownership, I consider that the “ARK ROYAL” mark belongs to the applicant and the owner was well aware of this fact when he applied to register the suit mark.

16. The suit mark is closely similar to the applicant’s “ARK ROYAL” mark. Both marks consist of the words “ARK ROYAL” with no stylization. The suit mark differs in that it consists of a portrait of a bearded man in a cap and smoking a pipe. Although the portrait device is conspicuous, the words “ARK ROYAL” are also prominent in the suit mark. Since it is established in case law that words speak louder than devices, the suit mark in its entirety will be recognized and remembered by the average consumers as an “ARK ROYAL” mark for tobacco-related products. Furthermore, the word “Ark” has a dictionary meaning of a vessel (Collins English Dictionary, 3<sup>rd</sup> edition) and the “ARK ROYAL” mark is likely to be perceived by the average consumers as a name of a vessel. The portrait device resembles a representation of a ship captain and hence reinforces the concept of the “ARK ROYAL” mark. Since both marks have the predominant element of “ARK ROYAL”, there are no considerable differences between them and both marks are closely similar.
17. Given the business relationship between the parties and based on the materials before me, I consider it unjust to deny the applicant the opportunity of seeking redress under the Ordinance in the circumstances of this case. A person in the position of the owner adopting proper standards would not have made in his own name application for registration of the suit mark which resembles the mark of his supplier when he was aware that the supplier, which was still supplying him with goods bearing the mark, would register the mark itself. To my mind a person who applies to register a mark closely similar to the one which he had

recognized as the property of his supplier of similar goods cannot be said to be acting in accordance with acceptable standards of commercial behaviour. Applying the test of *Gromax* and *CHINAWHITE*, I find that the owner's application for registration of the suit mark fell short of the standards of acceptable commercial behaviour and the owner's application to register the suit mark was made in bad faith.

## **Conclusion**

18. For the reasons stated above, the registration of the suit mark contravenes section 11(5)(b) in respect of all the goods for which the suit mark is registered. 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.
19. The applicant had not registered its mark "ARK ROYAL" in Hong Kong. Nevertheless, the ground for invalidity under section 12(3) is based on the claim that its mark is entitled to protection under the Paris Convention as a well-known trade mark (section 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(3). Similarly, I do not need to consider the alternative grounds under sections 11(1)(a), 11(4)(b), 11(5)(a), 12(4) and 12(5) of the Ordinance.
20. 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 owner 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.

Sarah Li

for Registrar of Trade Marks

12 February 2007