

TRADE MARKS ORDINANCE (CAP. 559)

**APPLICATION FOR DECLARATION OF INVALIDITY OF TRADE MARK
REGISTRATION NO. 300311426**

MARK : Modern Gala
CLASS : 28
APPLICANT : MODERN GALA INTERNATIONAL LIMITED
REGISTERED OWNER : TOTAL FAVOUR INC.

STATEMENT OF REASONS FOR DECISION

Background

1. On 18 July 2005, Modern Gala International Limited (“Applicant”) filed an application under section 53 of the Trade Marks Ordinance (Cap. 559) (“Ordinance”) for a declaration of invalidity of the registration of Trade Mark No. 300311426 (“suit mark”), with the grounds stipulated in the statement of grounds (“Statement of Grounds”) submitted at the same time. A representation of the suit mark is set out below :

Modern Gala

2. Registration of the suit mark was applied for by Total Favour Inc. (“Registered Owner”) on 1 November 2004 (“Application Date”) in respect of the following goods:

Class 28

games and playthings; gymnastic and sporting articles not included in other classes; decorations for Christmas trees; model trains, model train sets and railways; toy construction sets and scale models of land, air and marine vehicles; model railway installations and racing courses; toy experimental sets, toy buildings; toy vehicles, toy cars, toy airplanes, model vehicles, model airplanes, model cars; model kits; remote controls; scale models; scale model motorcycles and bicycles.

3. The Registered Owner filed a counter-statement on 17 October 2005.
4. The Applicant filed evidence in the form of an affirmation by Tse Tsang Yao (“Tse Affirmation”) and another affirmation by Chiu Yue Lik (“Chiu Affirmation”), both made on 20 December 2006. The Registered Owner did not file any evidence.
5. On 18 March 2010, the former agent of the Registered Owner informed the Trade Marks Registry (“Registry”) that they did not have further instructions to act for the Registered Owner and that the outstanding assets of the Registered Owner had been vested in the Samoa Registrar of Companies. On 30 March 2010, a notice was issued under Rule 107(1) of the Trade Marks Rules (Cap. 559, sub. leg.) (“Rules”) by the Registry, asking the Registered Owner to file an address for service within a period prescribed, which must be a residential or business address in Hong Kong. The Registered Owner did not file an address for service within the prescribed period and so pursuant to Rule 107(3) of the Rules, the Registered Owner has been deemed to have withdrawn from the invalidation proceedings now under consideration.
6. The hearing took place before me on 22 March 2011. Mr. Paul Stephenson appeared on behalf of the Applicant.

Preliminary Issue

7. On 23 February 2011, the Applicant sought leave under rule 20(3) of the Rules to file further evidence, in the form of a Supplemental Affirmation of Tse Tsang Yao (“Tse Second Affirmation”). According to the letter from the agent of the Applicant of the same date, the reason for seeking leave is that the information came to light after the appropriate time for filing evidence. The Tse Second Affirmation has six exhibits, TTY-28, TTY-29, TTY-30, TTY-31, TTY-32 and TTY-33, a brief description of each is set out below.

TTY-28 Copy decision of the Office for Harmonization in the Internal Market (“OHIM”) (in German) nullifying the registration of the community trademark “Modern Gala” registered in the name of Richthammer and dated 18 July 2007

TTY-29 Copy certificate showing registration of “Modern Gala” as a Community Trade Mark in the name of the Applicant in respect of goods in Class 28 (with date of registration in 2009)

- TTY-30 Pictures showing exhibition booths at a toy fair in Cologne in 2008
- TTY-31 Pictures showing exhibition booths at a toy fair in Nuremberg in 2009
- TTY-32 Pictures showing exhibition booths at a toy fair in Nuremberg in 2010
- TTY-33 Pictures showing exhibition booths at a toy fair in Nuremberg in 2011

8. The agent of the Applicant also indicated that the English translation of the decision of OHIM would be filed later when it was ready. This eventually came in the form of a declaration made by Frank Ulrich Gast (“Gast Declaration”) dated 15 March 2011, which was filed with the Registry on 16 March 2011, less than one week before the hearing date.

9. As the application for leave to file further evidence was rejected by the Registry, the matter was dealt with as a preliminary issue prior to the substantive hearing on the application for declaration of invalidity of the suit mark. After hearing Mr. Stephenson on his submissions regarding this issue, I refused to allow the admission of the further evidence. The gist of the submissions of Mr. Stephenson on this point and the reasons for my decision are set out below.

10. Mr. Stephenson firstly pointed to the failure of the Registered Owner in maintaining an address for service as required by the Rules. He argued that, having been deemed to have withdrawn from the invalidation proceeding, the Registered Owner should be considered as having accepted the case as set out in the evidence filed by the Applicant in support of this application. He also quoted from paragraph 5-103 of Kerly’s Law of Trade Marks and Trade Names 14th Edition where it has been suggested that an application for registration will be treated as abandoned (or, in the case of an opposition, withdrawn) if an address for service is not filed. Mr. Stephenson was of the view that the position should similarly apply to a registered owner who has not filed an address for service in an application for declaration for invalidation.

11. Mr. Stephenson did not refer me to any case authority in support of his submissions. I consider the principles stipulated in the case of *Hunt-Wesson Inc.’s Trade Mark Application* [1996] RPC 233 to be helpful. The court in that case decided that the factors relevant to the exercise of the power to admit further evidence are:-

- (1) whether the evidence could have been filed earlier and, if so, how much earlier;
- (2) if it could have been, what explanation for the late filing has been

offered to explain the delay;

- (3) the nature of the mark;
- (4) the nature of the objections to it;
- (5) the potential significance of the new evidence;
- (6) whether or not the other side will be significantly prejudiced by the admission of the evidence in a way which cannot be compensated, e.g by an order for costs;
- (7) the desirability of avoiding multiplicity of proceedings;
- (8) the public interest in not admitting onto the register invalid marks.

12. I would like to first say a word about the last mentioned factor. The *Hunt-Wesson* case is an opposition case. In light of the *prima facie* presumption of validity in favour of the registered owner under section 80 of the Ordinance, I am of the view that the public interest in not admitting onto the register invalid marks has a more pertinent role to play in an opposition case than it would have been in a proceeding for the declaration of invalidity in respect of a registered mark. That said, that is still a factor that I should take into account.

13. Looking then first at the pictures of the various toy fairs from 2008-2011 in exhibits TTY-30, TTY-31, TTY-32 and TTY-33, I cannot see how they can have any significance on the dispute to be resolved. Those fairs were held well after the Application Date and the Applicant had not even attempted to give a reason why they would be of assistance to its case. The information about the registration of the suit mark by the Applicant as a Community Trade Mark in exhibit TTY-29 faces the same problems. The issue in question in the present invalidation proceeding is whether the Registered Owner had the right to register the suit mark as at the Application Date. The fact that the Applicant can successfully register the suit mark in Europe subsequently does not help in resolving the matter.

14. Turning now to the only other exhibit left, that is, the decision of OHIM which nullified the registration of the suit mark as a Community Trade Mark in the name of Richthammer. Although the Applicant referred to the revelation of the information after the appropriate time for filing of evidence as the reason for the late filing, I do not see how that can explain for the delay for so many years. I note from the English translation of the decision that the application for revocation of the CTM of Richthammer was filed on 29 September 2006, prior to the date of the Tse Affirmation.

There is no mention of this proceeding in OHIM in the Tse Affirmation, nor is there any explanation why the Applicant did not seek leave to file evidence relating to the decision of OHIM soon after it was delivered in July 2007.

15. The failure of the Applicant to account for the substantial delay has a bearing on the prejudice that can be caused to the Registered Owner. Mr. Stephenson tried to persuade me that the Registered Owner, in not maintaining an address for service, should be regarded as having consented to the filing of the additional evidence. I do not see this as a position that I am justified to take. The Registered Owner did not file any evidence in this case but the deadline for it to do so was extended to 22 June 2008 and it was not until 4 July 2008 that the Registry wrote to inform the parties that the Registered Owner had not filed any evidence within the time limit and as a result, no further evidence might be filed by either party except with the leave of the Registrar.

16. It is apparent from the timelines stated above that the decision of OHIM could have been filed before the close of the rounds for exchanging evidence in July 2008 or in any event, leave to file such evidence could have been sought much earlier than February 2011, when the Registered Owner still had legal representation and still maintained an address for service in Hong Kong. If appropriate action had been taken by the Applicant earlier to introduce the additional evidence, the possibility of the Registered Owner acting differently cannot be ruled out. I would add also that this is not a case where the additional evidence sought to be filed is required to respond to any submissions made or evidence filed on behalf of the Registered Owner. That being the case, the factors (1), (2) and (6) mentioned in paragraph 11 above work against the Applicant.

17. I do reckon that the nature of the objections in this case is a very serious one, as an allegation of bad faith involves a judgment on the moral aptitude of the party in question. However, there is no information before me whether the same evidence had been presented to OHIM for considering the revocation based on bad faith. The potential significance of the decision is thus not demonstrated.

18. Multiplicity of proceedings, although not desirable, can never be absolutely avoided. In light of my decision below on the substantive issue, the Applicant should have no cause for grievance. The power to admit further evidence under rule 20(3) of the Rules should only be exercised if the application for its adduction is sufficiently meritorious. Such merit for allowing the further evidence has not been established by the Applicant. Thus, having considered all the factors enunciated in the *Hunt-Wesson*

case, I do not find it appropriate for me to allow the filing of the Tse Second Affirmation and the Gast Declaration as further evidence at this late stage. With the preliminary issue so determined, I shall now turn to the substantive matters.

Grounds of the Application

19. The Applicant relies on the grounds under the following sections of the Ordinance for the application for a declaration of invalidity of the registration of the suit mark:

- (i) section 11(5)(b); and
- (ii) section 12(5)(a)¹.

Each of the above grounds for invalidation is separate and distinct. The application for invalidation will succeed if any one of the above grounds can be established.

Business of the Applicant

20. The deponent of the Tse Affirmation is the General Manager of the Applicant and he was in the employ of the predecessor of the Applicant, a company of the name Modern Gala Industrial Limited (“MGIL”), prior to the transfer of the business of MGIL to the Applicant. I shall set out below the background and the *modus operandi* of the business of MGIL and of the Applicant as is relevant to the current proceeding, as averred to in the Tse Affirmation and the Chiu Affirmation.

21. MGIL was incorporated in Hong Kong in 1990 and since its incorporation, it had been carrying on the business of manufacturing, selling, distributing and exporting, *inter alia*, toy trains, model trains in scales, associated accessories, as well as moulds for trains (“Products”). The Products were made in mainland China and MGIL sold the Products to its sole customer, a company in Germany called Heris Modelleisenbahnen (“Heris”) which was at all material times owned by one Mrs. Iris Richthammer. Heris in turn distributed the Products to clients in Europe, including Denmark, Germany, Belgium and Switzerland. The Products were packaged by MGIL and they bore the trade marks of Heris and/or Heris’ customers. MGIL itself kept in contact with Heris and Heris’ customers under the name of “Modern Gala”.

¹ The section number stated in paragraph 11 of the Statement of Grounds is section 12(5)(b), but the contents of that paragraph clearly referred to any rule of law protecting an unregistered trade mark or other sign used in the course of trade or business, in particular passing off, which is the ground for invalidation under section 12(5)(a). The Registered Owner cannot therefore be prejudiced by this incorrect reference.

22. The Applicant was incorporated in Hong Kong on 14 November 2003 and around that time, an agreement was made between the Applicant and MGIL for the sale and transfer of all assets, interests, goodwill as well as intellectual property rights of MGIL to the Applicant. Since the transfer of the business from MGIL, the Applicant adopted a different mode of operation. The Applicant has had no business dealings or commercial relationship with Heris and Heris' customers have since the incorporation of the Applicant directly placed orders for the manufacture of the Products with the Applicant. The most important change is, for the purpose of this invalidation proceeding, the words "Modern Gala" have since been used on the Products sold to the customers of the Applicant.

23. The bulk of the Chiu Affirmation and most of the remaining parts of the Tse Affirmation were devoted to giving an account of how the customers of the Applicant came to place orders of the Applicant and how the designs of the packaging of the Products for different customers were eventually arrived at, all with the incorporation of the words "Modern Gala" appearing on the packaging.

24. The business of the Applicant appeared to have thrived, with gross turnover for the period from December 2003 to March 2005 estimated to be over HK\$36 million. Magazines in Europe reported on the model trains sourced from the Applicant and awards and commendations were received².

The material date

25. The material date at which validity of the registration of the suit mark is to be determined is the date of the filing of the application for its registration, that is, the Application Date.

Section 11(5)(b)

26. Section 11(5)(b) of the Ordinance provides that :

*"(5) A trade mark shall not be registered if, or to the extent that –
... (b) the application for registration of the trade mark is made in bad faith."*

27. Section 53(3) of Cap. 559 provides as follows:

² In exhibit "TTY-9", extracts of French magazines of March 2004 can be found and in exhibit "TTY-10", copies of certificates of awards show the grant of awards to a client of the Applicant for the years 2004, 2005 and 2006.

“(3) *The registration of a trade mark may be declared invalid on the ground that the trade mark was registered in contravention of section 11 (absolute grounds for refusal of registration).*”

28. In ***Gromax Plasticulture Ltd v Don & Low Nonwovens Ltd*** [1999] R.P.C. 367 at 379, Lindsay J. stated the following in relation to section 3(6) of the UK Trade Marks Act 1994 (equivalent to section 11(5)(b) of Cap. 559):

“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.”

29. In ***Harrison’s Trade Mark Application*** [2005] F.S.R. 10, the English Court of Appeal held (at paragraph 26) that:

“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.”

30. According to the case of ***Chocoladefabriken Lindt & Sprüngli AG v Franz Hauswirth GmbH*** (Case C-529/07) [2009] E.T.M.R. 56, the applicant’s intention at the relevant time is a subjective factor which must be determined by reference to the objective circumstances of the particular case. The Applicant has provided particulars of the bad faith objection in the Statement of Grounds, with details in support set out in the Tse Affirmation. I shall therefore set out below the details of the bad faith claim as can be gleaned from the Tse Affirmation.

31. In or about October 2003, disagreements arose between Heris and MGIL, resulting in the termination of the business relationship between them. The customers of Heris started to do business directly with the Applicant. The Applicant then got

hold of information about the application filed, in or about February, in the name of Mrs. Iris Richthammer, to the German Patent and Trade Mark Office for the registration of “Modern Gala” as a trade mark for goods in Class 28 and that soon after the registration of this mark in Germany, Heris made written communication with its former customers, alleging that Heris was the registered owner of the mark “Modern Gala” and warned them to refrain from selling and distributing the Products bearing the inscription “Modern Gala” with immediate effect³. The Applicant then became aware of another application, made on 10 February 2005, also in the name of Mrs. Iris Richthammer, for the registration of “Modern Gala” as a Community Trade Mark⁴ which would have effect in other European countries as well⁵.

32. Also unbeknown to the Applicant, on 31 August 2004, an application for the registration of “Modern Gala” in respect of goods in Class 28 in Hong Kong was filed by a law firm on behalf of Mrs. Iris Richthammer with the Registry⁶. A copy of the application form filed with the Registry can be found in exhibit “TTY-21”⁷ of the Tse Affirmation. This application was accepted by the Registry and published for opposition in or about September 2004, but the application was subsequently withdrawn. On 1 November 2004, the application that led to the registration of the suit mark (and which forms the subject matter of this invalidation proceeding) was filed⁸ by the same law firm that filed the earlier application for the registration of “Modern Gala” on behalf of Mrs. Iris Richthammer.

33. A comparison of the particulars of the two applications was made and the features common to both were noted. They include the identity of the mark and the goods applied for, the handling of the applications by the same law firm, the same signature of the person in charge in that law firm on the two application forms and the same reference number being cited by the handling law firm. These, in the Applicant’s view, lead to the irresistible inference that Mrs. Iris Richthammer must have substantial connection, interest and control in the Registered Owner.

34. The above about sums up the Applicant’s evidence on the bad faith ground

³ Copy of one such communication can be found in exhibit “TTY-22” of the Tse Affirmation.

⁴ A Community Trade Mark is protected in all of the countries of the European Union.

⁵ The Applicant has not filed any documents showing the aforesaid applications for the registration of “Modern Gala” by Mrs. Iris Richthammer in Germany and as a Community Trade Mark, but it has produced documents relating to the action it commenced in Germany for obtaining an injunction to prevent Heris, naming Mrs. Iris Richthammer as its proprietor, from restraining customers of the Applicant to purchase Products bearing the mark “Modern Gala” (in exhibit “TTY-25”).

⁶ Trade mark application no. 300277786.

⁷ A few exhibits of the Tse Affirmation do not meet the description of them in the text and exhibit “TTY-21” is one of them. It was referred to in paragraph 44 of the Tse Affirmation as a certified copy of the record of the application filed by Mrs. Iris Richthammer for the registration of “Modern Gala” as a Community Trade Mark. It is clear from the contents of exhibit “TTY-21” that it is a copy of the application form for TMA300277786 filed in Hong Kong. This position was also confirmed by Mr. Stephenson at the hearing.

⁸ Copy of the application form can be found in exhibit “TTY-24” of the Tse Affirmation.

for seeking invalidation of the registration of the suit mark. There is no evidence from the Registered Owner to refute or challenge it, nor have I found any reason not to accept it. I am in agreement with the Applicant in the drawing of the inference about Mrs. Richthammer's interest in the Registered Owner. I also find the fact that the law firm put down the same reference number for the two applications filed in Hong Kong to be telling. The two applications could only have been made upon the instructions of two related parties.

35. That being the case, Mrs. Iris Richthammer and the Registered Owner are thus in the same shoes and the knowledge of one is the knowledge of the other. Having done business with MGIL before and being conversant with its mode of business operation, Mrs. Iris Richthammer was fully aware of the role played by MGIL and later the Applicant in the supply chain of the Products. All the customers of the Applicant that are mentioned in the Tse Affirmation were previously customers of Heris. There is therefore no doubt that Mrs. Iris Richthammer, and hence the Registered Owner, knew about the use of the suit mark by the Applicant in its business. Yet, mere knowledge of the Applicant's use of the suit mark is not of itself sufficient to render the application for registration of the suit mark one made in bad faith. I still have to consider whether, if judged by persons adopting proper standards, the filing of the application would be regarded so.

36. Before the transfer of the business from MGIL to the Applicant, the suit mark was not used on the Products at all but it has always been part of the trading name of MGIL and the Applicant.

37. The Applicant had, in the Statement of Grounds, stipulated the grounds for seeking the invalidation of the registration of the suit mark, the reason for the adoption of "Modern Gala" as its name and mark, and details of the Products upon which the "Modern Gala" has been used. In spite of these details and the allegation of the application for registration of the suit mark being made in bad faith, the Registered Owner has not provided any explanation for its adoption of the suit mark. Although pursuant to section 80 of the Ordinance, the registration of the suit mark is *prima facie* evidence of its validity, it is not irrefutable. Given that the goods covered by the registration of the suit mark are identical or similar to the Products, and also given that the suit mark is itself distinctive of the goods in question and that the exact replication of the "Modern Gala" mark used by the Applicant cannot be due to coincidence, the only logical conclusion is that the Registered Owner filed the application for registration of the suit mark with the intention to prevent the Applicant from using any

identical or similar marks in Hong Kong in respect of the Products. If judged by persons adopting proper standards, they will no doubt regard the application for registration of the suit mark as being filed in bad faith.

Conclusion

38. For the reasons stated above, I find the ground for invalidation under section 11(5)(b) of Ordinance to have been made out. The registration of the subject mark is declared invalid under sections 53(3) and 11(5)(b) of the Ordinance. There is thus no further need for me to consider the ground for declaration of invalidity based on section 12(5)(a) of the Ordinance.

Costs

39. As the application for invalidation is successful, I award the Applicant costs. Subject to any representations, as to the amount of costs or calling for special treatment, which either party may make 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, unless otherwise agreed.

(Caroline Chow)
for Registrar of Trade Marks
30 June 2011