

TRADE MARKS ORDINANCE (CAP. 559)

**APPLICATION FOR DECLARATION OF INVALIDITY OF TRADE MARK
REGISTRATION NO. 300794025**

MARK :



CLASSES :

1, 2, 17 & 19

APPLICANT :

**MC-BAUCHEMIE MÜLLER GMBH & CO. KG,
CHEMISCHE FABRIKEN**

**REGISTERED OWNER : MASTER CONNION BUILDING MATERIALS
LIMITED**

STATEMENT OF REASONS FOR DECISION

Background

1. By way of an application filed together with a statement of grounds on 8 February 2013 under section 53 of the Trade Marks Ordinance (Cap. 559) (“the Ordinance”), MC-BAUCHEMIE MÜLLER GmbH & Co. KG, Chemische Fabriken (“the Applicant”) sought a declaration of invalidity of the registration of Trade Mark No. 300794025 (“the present proceedings”) -



MasterConnion (“the Subject Mark”).

2. Registration of the Subject Mark was granted on an application for registration filed by Master Connion Building Materials Limited (“the Registered Owner”) on 10 January 2007 (“the Filing Date”) in respect of the following goods in Classes 1, 2, 17 and 19 (“the Subject Goods”) -

Class 1

chemical products for building construction and industry; concrete admixtures, unprocessed artificial resins, adhesives, waterproofing chemicals; all included in class 1.

Class 2

paints, varnishes, lacquers, preservatives against rust; paints and anti-corrosion coatings for metal surfaces, protective coatings for brickwork; all included in class 2.

Class 17

sealing and insulating materials, joint sealants, plastic sheets, plastic plates, plastic membranes, mastics, coatings made from synthetic resins for insulating purposes, joint sealing strips, waterproofing materials made of synthetic membranes and strips (other than preparations) for use in industry; all included in Class 17.

Class 19

building materials; mortars, concrete, concrete building materials, cements (other than adhesives), plasters, bitumen and bituminous products, roofing and flooring materials (non-metallic), road making materials (non-metallic), road surface materials for coating; all included in Class 19.

3. It transpired at the commencement of the present proceedings that the Registered Owner's address for service on record was no longer valid. By letter dated 22 March 2013, the Registrar of Trade Marks ("the Registrar") issued a notice under rule 107(1) of the Trade Marks Rules (Cap. 559A) ("the Rules") by ordinary and registered post as well as by facsimile to require the Registered Owner to file an address for service on or before 22 May 2013. The said letter sent by post was returned undelivered while the delivery by facsimile was successful. The Registered Owner, however, did not file an address for service as required. By letter dated 4 June 2013, the Registrar informed the parties hereto that pursuant to rule 107(3) of the Rules, the Registered Owner was deemed to have withdrawn from the present proceedings. As a matter of fact, the Registered Owner had neither filed any documents nor taken any part in the present proceedings.

4. The Applicant adduced under rules 42 and 47 of the Rules a statutory declaration made by its regional manager, Christoph Hemming (“Mr Hemming”), on 31 January 2014, together with Exhibits CH-1 to CH-17 (“the Declaration”).

5. The hearing of the present proceedings took place before me on 28 May 2015 (“the hearing”) where Mr Jeffrey Chau of counsel (“Mr Chau”) instructed by Messrs Deacons appeared for the Applicant. I reserved my decision at the conclusion of the hearing.

Grounds for invalidation

6. The Applicant pleaded various sections of the Ordinance in its statement of grounds. At the hearing Mr Chau confined the Applicant’s case to the following grounds - ¹

- (a) sections 11(5)(b); and
- (b) sections 12(4) and 12(5)(a)).

Applicant and its marks

7. The Applicant’s background and history are outlined in its statement of grounds and the Declaration. As the Declaration practically covers and with more details all matters discussed in the statement of grounds, I shall focus on the former when considering the Applicant’s case.

8. The Applicant develops and manufactures building chemicals and products. Started off as a family business in 1961 and remains to be so, the Applicant is now said to be one of the leaders in its field. Based in Bottrop, Germany, the Applicant has operations in over 35 countries across Europe, Russia, the Middle East, India and other parts of Asia including Hong Kong, employing over 1,900 employees worldwide. In Asia, the Applicant has been active for more than 35 years.

¹ The Applicant’s skeleton argument dated 26 May 2015 did not refer to section 53 of the Ordinance.

9. The Applicant's products include admixtures and additives for concrete and mortars, construction site products, concrete finishes, screed products, building restorations, waterproofing products, concrete repairs, flooring systems, injection systems, joint sealing and surface protection, pre-fabricated elements, grouting compounds, cement flow screed and levelling and floor levelling compounds etc (collectively "the Applicant's Goods").

10. The Applicant's founder Mr Heinrich W. Müller adopted his surname "Müller" as part of the company's name. The letters "MC", the frontal part of the Applicant's name, are a combined abbreviation of the words "Müller" and "Chemie", the latter meaning "chemistry" in German.

11. The Applicant owns various trade marks containing the letters "MC" or their variants in various combinations of colours and forms in respect of the Applicant's Goods (collectively "the Applicant's Marks"). The Applicant's Marks are shown to have been registered or have applications for registration in many countries around the world. Particulars and copies of such registrations and/or applications for registration can be found in Exhibits CH-1 and CH-2.

12. The Applicant's Marks are claimed to have been used in Germany since 1961 and several versions of them namely, "", "", and "" first used in Hong Kong and elsewhere since 2005. A copy two-page document dated 1984 in German adduced under Exhibit CH-3 and a copy extract from a product catalogue for 2005/2006 under Exhibit CH-4 purport to show such use.

13. According to Mr Hemming, by itself, through its subsidiaries, affiliates and/or distributors, the Applicant has achieved substantial sales of its goods under the Applicant's Marks in many countries and territories worldwide including through the Registered Owner, the Applicant's once exclusive distributor in Hong Kong and Macau. Adduced in Exhibit CH-5 are sample wholesale invoices and purchase

orders, some of which bore the “” mark, evidencing dealings between MC Bauchemie (Malaysia) Sdn Bhd (“MC Malaysia”), one of the Applicant’s affiliates, and the Registered Owner in 2004 and 2005. A copy of the Applicant’s product catalogue said to be published in around 2005 to 2007 adduced in Exhibit CH-6 shows use of the Applicant’s “” mark by MC Malaysia on the Applicant’s Goods. MC Malaysia’s status as the Applicant’s affiliate is supported by a copy confirmation letter in Exhibit CH-7.

14. Mentioned in paragraphs 20 to 22 of the Declaration are a number of industrial standardization ISO certification and recognition the Applicant has earned in the building industry over the years. A copy of such ISO certificates can be found in Exhibit CH-13. It is the Applicant’s case that by virtue of the long, continued and extensive use and promotion of the Applicant’s Goods under the Applicant’s Marks worldwide either by the Applicant itself, its subsidiaries and/or affiliates, the Applicant’s Marks have obtained instant recognition and acquired significant and valuable goodwill and reputation for the Applicant in the field that it serves.

Relationship between Registered Owner and Applicant

15. As the Registered Owner has not filed any documents or taken any part in the present proceedings, all information about it could only be gleaned from the Applicant’s evidence. The Registered Owner is a Hong Kong company engaged in the building material business. Pursuant to a distributorship agreement executed between MC Malaysia and the Registered Owner on 29 November 2004, the latter was appointed as the exclusive distributor of the Applicant’s “MasterPlaster” range of building chemical products² in Hong Kong and Macau (“the Agreement”).³ Mr Hemming highlighted the following terms of the Agreement as being particularly relevant to the present proceedings -

² Exhibit CH-15, list of “MasterPlaster” range of the Applicant’s Goods relevant to the Agreement.

³ Exhibit CH-14, full copy Agreement.

“6. *PACKAGING, LABELLING, TRADEMARK*

- 6.1 *DISTRIBUTOR* [i.e. the Registered Owner] shall sell the *PRODUCTS* [i.e. the “MasterPlaster” range of the Applicant’s Goods as specified in an enclosure of the Agreement] *packed and presented as specified by COMPANY* [i.e. MC Malaysia] *and under trademarks chosen and owned by the COMPANY.*
- 6.2 *The registration of the trademarks will be made exclusively by COMPANY and through a counsel chosen by COMPANY.*
- 6.3 *All rights to the trademarks, label, design, lay-out, presentation and colours etc of the PRODUCTS shall be and remain the exclusive property of COMPANY or MC BAUCHEMIE GERMANY (or one of its Affiliated Companies). By using them, DISTRIBUTOR does not acquire any proprietary right to or goodwill of other interest in such trademarks, label, design, lay-out, presentation and/or colours etc.*
- 6.4 *As far as can reasonably be expected of DISTRIBUTOR, DISTRIBUTOR agrees to take all those steps and do all such other things which, in the opinion of COMPANY, are required to maintain and preserve COMPANY’s rights to the trademarks, label, design, lay-out, presentation and colour of the PRODUCTS. This includes DISTRIBUTOR’s execution of such documents which COMPANY considers to be required.”*

16. According to Mr Hemming, the Agreement was prefaced by a previous distributorship joint venture between MC Malaysia and the Registered Owner’s predecessor *Connion International Limited* (“CIL”) in respect of the Applicant’s Goods. A partner of CIL namely, a Mr Wong Fat Yan subsequently became a partner of the Registered Owner. Consequently the previous distributorship awarded to CIL was passed onto the Registered Owner in its new joint venture with MC Malaysia.

17. During the years between 2004 and 2009, pursuant to the Agreement the Applicant achieved wholesales of its goods to the Registered Owner in sums between HK\$148,374 (in 2006) and HK\$1,284,107 (in 2007) per annum.⁴

18. In 2006 the Registered Owner held a major exhibition in Hong Kong for products that it marketed including those of the Applicant. Representatives from

⁴ Exhibit CH-16, record of the Applicant’s Goods distributed to the Registered Owner between 2005 and 2009 pursuant to the Agreement.

the Applicant also participated and assisted in the exhibition. The Applicant itself on the other hand has from time to time held seminars and exhibitions on its products in South Korea, Singapore, Malaysia and Thailand. The Registered Owner took part in some of such promotional activities held in Singapore and South Korea.⁵

19. As for the Applicant's Marks, Mr Hemming averred that, as governed by the relevant terms of the Agreement (paragraph 15 above), neither the Applicant nor any of its subsidiaries or affiliates has at any time instructed, authorized or given consent for the Registered Owner to apply for registration of any of the Applicant's Marks or marks containing or similar to any of the Applicant's Marks in Hong Kong or elsewhere. Likewise the Registered Owner had full knowledge that it did not have any rights in any of the Applicant's Marks.

20. Despite this and without knowledge to the Applicant, the Registered Owner applied for and obtained registration of the Subject Mark which allegedly adopts an identical font, stylization and colour combination as those of the Applicant's mark "" ("the MC Mark") in respect of the Subject Goods which are allegedly identical and/or similar to the Applicant's Goods.

21. I note in passing and so confirmed by Mr Chau at the hearing that the Applicant has not adduced any evidence on the use of the Subject Mark by the Registered Owner in any way.

22. When the registration of the Subject Mark came to light, MC Malaysia took steps to terminate the Agreement with the Registered Owner with effect from 31 December 2010. Exhibit CH-17 contains a copy relevant letter of termination and printed copy of internal email correspondence among the Applicant's organisation pertaining to the termination. It transpires from the internal correspondence that receipt of the letter of termination sent to Mr Wong Fat Yan of the Registered Owner was never acknowledged. Mr Chau said that Mr Wong Fat Yan simply vanished since then.

⁵ Exhibits CH-11 and CH-12, particulars and copy photographs of certain seminars and exhibitions.

Relevant date

23. For the present purposes, I have to determine the validity of the registration of the Subject Mark by reference to the state of affairs as at the Filing Date of 10 January 2007.

Sections 11(5)(b) and 53(3) of the Ordinance

24. I will first deal with the ground for invalidation under section 11(5)(b) of the Ordinance. If the Applicant succeeds with this ground, I need not deal with the other grounds raised under section 12. In invalidation proceedings, section 11(5)(b) is considered alongside section 53(3) of the Ordinance which provides -

“(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).”*

25. Section 11(5)(b) of the Ordinance states -

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

26. The term “bad faith” is not defined in the Ordinance. In **Gromax Plasticulture Ltd v Don & Low Nonwovens Ltd** [1999] R.P.C. 367, 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 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.”

27. In **Harrison’s Trade Mark Application** [2005] F.S.R. 10, the English Court of Appeal held 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.”

28. In determining whether an application for registration was made in bad faith, the courts have applied a test which involves both subjective and objective elements. In the case of **Ajit Weekly Trade Mark** [2006] R.P.C. 25, the Appointed Person formulated a test (at paragraph 44 of the decision) as follows -

“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.”

29. It should be noted that an allegation of bad faith is a serious allegation which must be distinctly alleged. It was held in **ROYAL ENFIELD Trade Marks** [2002] R.P.C. 24 at paragraph 31 that such an allegation should not be made unless it can be fully and properly pleaded and should not be upheld unless it is distinctly proved and this will rarely be possible by a process of inference. Given the seriousness of the allegation cogent evidence is required and it is not enough to prove facts which are also consistent with good faith (**Brutt Trade Marks** [2007] R.P.C. 19 at paragraph 29).

30. In his submissions Mr Chau emphasized that **Harrison** (supra) approved

at paragraph 29 the following statement in **Surene Pty Ltd v Multiple Marketing Ltd** C00479899/1⁶ -

“(10) Bad faith is a narrow legal concept in the CTMR system. Bad faith is the opposite of good faith, generally implying or involving, but not limited to, actual or constructive fraud, or a design to mislead or deceive another, or any other sinister motive. Conceptually, bad faith can be understood as a “dishonest intention”. This means that bad faith may be interpreted as unfair practices involving lack of any honest intention on the part of the applicant of the CTM at the time of filing.

*(11) Bad faith can be understood either as unfair practices involving lack of good faith on the part of the applicant towards the Office at the time of filing, or unfair practices based on acts infringing a third person’s rights. **There is bad faith not only in cases where the applicant intentionally submits wrong or misleadingly insufficient information to the Office, but also in circumstances where he intends, through registration, to lay his hands on the trade mark of a third party with whom he had contractual or pre-contractual relations.**” [Mr Chau’s emphasis]*

31. The applicant for invalidation in **Surene** challenged the registration of a Community Trade Mark “BE NATURAL” (“the CTM”, registered on 23 August 1999) based on, inter alia, bad faith. From early 1992 the applicant, an Australian company, manufactured and distributed confectionery and health food bars under the “BE NATURAL” sign in Australia. Since 1995 the applicant sold its goods in the United Kingdom through a distribution chain of which the proprietor of the CTM was a part. Prior to applying to register the contested CTM, the proprietor sought to register it as a trade mark in the UK. The applicant opposed to the UK application and filed its own application for registration therein. The UK Trade Marks Registry decided that the proprietor had no right to apply for registration of the trade mark and that the proprietor’s act of applying for registration was in breach of section 3(6) of the UK Trade Marks Act 1994⁷. More specifically, in view of, first, the proprietor’s capacity as a sub-distributor of the applicant’s goods in the UK; and second, the proprietor’s full knowledge at the time of applying for the CTM

⁶ Office for Harmonization in the Internal Market (Trade Marks and Designs), the First Cancellation Division, 25 October 2000.

⁷ Section 3(6) of the UK Trade Marks Act 1994 is similar to section 11(5)(b) of the Ordinance.

registration that its application to register the trade mark at the national level had just been refused for reason of bad faith, the First Cancellation Division of the Office for Harmonization in the Internal Market had no doubt that the proprietor was acting in bad faith at the time of filing the CTM application.

32. Mr Chau submitted that **Surene** was on all fours with the present proceedings and that the facts surrounding the Registered Owner's application for registration of the Subject Mark pointed to a reasonable inference of bad faith.

33. Based on the legal principles discussed above, the matters in issue are the Registered Owner's knowledge at the relevant date and whether its act of applying for registration of the Subject Mark in respect of the Subject Goods in the light of that knowledge falls short of the standards of acceptable commercial behaviour observed by reasonable and experienced men in the relevant field of trade. The onus of proving bad faith is on the Applicant.

Subject Mark and Registered Owner's knowledge



34. The Subject Mark “ MasterConnion” contains two word elements, “MC” (in blue) and “MasterConnion”, and a rectangular device (in orange) that envelops the word element “MC”. The representation of the “MC” word element and the rectangular device in the Subject Mark is virtually an exact replica of the MC Mark

“”. This, given the Registered Owner's presumed knowledge of the Subject Mark as to be discussed below, is suspicious at the least. The Registered Owner has not in any way explained how or why it had incorporated the MC Mark in the design of the Subject Mark.

35. Taking into account the joint venture business between the Applicant's affiliate, MC Malaysia, and the Registered Owner's predecessor, CIL (paragraph 16 above) and the Agreement subsisting at the Filing Date (paragraph 15 above), it is inconceivable that the Registered Owner did not have knowledge of the MC Mark at the time when it created the Subject Mark or that it had created the Subject Mark

independently without making reference to the MC Mark and its use by the Applicant and/or its affiliates. On this point Mr Chau argued that, though purely speculative, CIL's change of name before entering into the Agreement to add the word "Master" before "Connion" was highly suspicious of the Registered Owner's overwhelming intention to exploit the abbreviation "MC" in the Subject Mark. Mr Chau further submitted that even without a finding on such a speculation on the part of the Registered Owner, it could be reasonably inferred that by applying to register the Subject Mark in the circumstances, the Registered Owner had every intention to ride on the goodwill or reputation attached to the Applicant's Goods supplied under the MC Mark.

36. I accept Mr Chau's submission on the taking unfair advantage of the goodwill of the MC Mark. By distributing the Applicant's Goods under the MC Mark in Hong Kong and Macau pursuant to the Agreement, the Registered Owner undoubtedly had full knowledge about the MC Mark prior to the Filing Date, and conveniently derived the Subject Mark from it. On the other hand, the absence of evidence from the Applicant on the Registered Owner's *actual* use of the Subject Mark (paragraph 21 above) has, in my view, no relevance since such evidence is not a requirement for proving bad faith. Similarly, the underlying reason for CIL's change of name per se would not lead to a conclusion of bad faith in the present proceedings.

37. That said, the fact that the Registered Owner never challenged MC Malaysia's termination of the Agreement after the registration of the Subject Mark was exposed nor the present proceedings nonetheless adds force to the one logical conclusion that the Registered Owner, having full knowledge of the Applicant's MC Mark and the Applicant's business prior to the Filing Date, deliberately applied to register the Subject Mark, being a mark closely similar to the MC Mark, in respect of goods in the same field as the Applicant's, with a view to riding on or taking unfair advantage of the goodwill or reputation of the MC Mark. The Registered Owner's conduct in the circumstances would amount to laying its hands on the trade mark of a third party with whom he had a contractual relationship in the **Surene** (*supra*) sense.

38. Having considered all relevant facts, I find that the Registered Owner's conduct of applying for registration of the Subject Mark in respect of the Subject Goods falls short of the standards of acceptable commercial behaviour observed by reasonable and experienced men in the relevant area of trade, and amounts to bad faith.

CONCLUSION

39. For the reasons given above, I find that the ground for invalidation under section 11(5)(b) of the Ordinance has been made out. I accordingly declare the registration of the Subject Mark in respect of the Subject Goods invalid under section 53(3) of the Ordinance. Since the Applicant has succeeded with one ground, I need not consider the other grounds it advanced.

COSTS

40. 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.

(Elsie Tse)
for Registrar of Trade Marks
17 September 2015