

Application No. 1999 of 15316

IN THE MATTER of the Trade Marks Ordinance (Cap. 43)

AND

IN THE MATTER of an application for the registration of the trade mark : -



in Part A of the Register in Class 5 by Pak Lee Fung International Investment Company Limited

AND

IN THE MATTER of an opposition thereto by Korea Ginseng Corporation

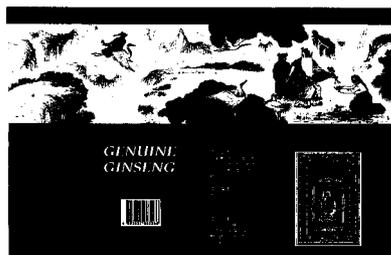
**DECISION
OF**

Miss Lavinia Chang acting for the Registrar of Trade Marks after a hearing on 3 September 2004.

Appearing : Mr Colin Shipp, Counsel, instructed by Messrs Rebecca Lo & Co on behalf of the opponent, Korea Ginseng Corporation.

Mr Dominic Yeung, Counsel, instructed by Messrs Ng & Lam on behalf of the applicant, Pak Lee Fung International Investment Company Limited.

1. These proceedings arise out of an application made under the provisions of the repealed Trade Marks Ordinance, Cap 43 (the “Ordinance”) on 26 October 1999 (the “application date”) by Pak Lee Fung International Investment Company Limited of Room 505, 5th Floor, Wai Lee Building, 368 Queen’s Road Central, Sheung Wan, Hong Kong to register, in Part A of the register, the trade mark, a representation of which appears below :



The application is made in respect of “ginseng, ginseng extracts, ginseng capsules, ginseng tea, ginseng powder, ginseng juice and processed ginseng; all included in Class 5.” The suit mark was duly accepted for registration and advertised on 7 September 2001 for the purpose of opposition.

Pleadings and evidence filed

2. A notice of opposition was filed on 6 November 2001 by Korea Ginseng Corporation (the “opponent”). In it the opponent pleads its earlier trade mark registration, number 1997 02625 for the Fairy Scene Device mark in Class 5 for “pharmaceutical preparations; dietetic substances adapted for medical use” (the “opponent’s mark”) a representation of which appears below :



3. The opponent has been using this mark in Hong Kong since at least 1966. It claims its mark has gained substantial reputation through sales and promotion. It pleads that use and registration of the opponent’s mark in Hong Kong pre-dated the applicant’s date of application.

4. The opponent pleads sections 2, 9, 10, 12, 20 and Article 6 bis (1) of the Paris Convention for the Protection of Industrial Property (1967), and alternatively that the application should be refused in the exercise of the Registrar’s residual discretion. The opponent seeks an award of costs.

5. By an authorised amendment made on 18 July 2003, the opponent also pleads that at the time of application, the applicant did not use or propose to use the suit mark, nor did it file an application for the registration of Pak Tai Ginseng Hong Limited as a registered user of the suit mark (sections 13(1) and 18(1)(b)).

6. The applicant filed a counter-statement on 14 January 2002, which was later amended on 7 October 2003.

7. The applicant pleads *inter alia*, that it has used the suit mark through a sister limited company known as Pak Tai Ginseng Hong Limited (“Pak Tai”) which has been manufacturing canned ginseng in Hong Kong since about 1993. Both Pak Tai and the applicant (the “Group”) were founded by the same persons in about 1994 and operated under the same management. The applicant was adopted as the legal registered owner or proprietor of the Group’s trade marks and other intellectual properties and Pak Tai was the entity that operated and continued to operate the ginseng business of the Group. At all times the applicant consented and authorized Pak Tai to use and apply such trade marks and other rights to the Group’s ginseng products since early 1993. The applicant claims it is entitled to apply to register the suit mark under its own name instead of Pak Tai “by procuring Pak Tai” aforesaid. The suit mark has been used in association with another two registered trade marks, number 1995 01734 in Class 30, and number 1995 01733 in Class 5. Save for the admission that the opponent is the registered proprietor of trade mark number. 1997 02625 and that the Republic of Korea has acceded to the Paris Convention, the applicant denies the grounds of opposition.

Evidence

8. The opponent filed principal evidence by way of a statutory declaration of Ahn Joong Churl (“SD of AJC”), Business Director of Korea Ginseng (HK) Ltd, a wholly owned subsidiary of the opponent. The opponent is a corporation incorporated and existing under the laws of the Republic of Korea and is situated at 926, Tunsan-Dong, Seo-ku, Taejon City, Republic of Korea. It carries on business in the processing and marketing of Korea Red Ginseng (“高麗參”) (“KRG”).

9. The opponent acquired, by assignment, the “Fairy Scene Device” trade mark registered under number 1997 02625 in Hong Kong. The opponent’s marks “Fairy Scene Device” and “天字憑票 Device” have been used on KRG roots imported into Hong Kong since at least the early 1970’s.

10. The opponent’s KGR roots were distributed in Hong Kong by its Hong Kong local agents and latterly by Korea Ginseng (HK) Ltd, a wholly-owned subsidiary of the opponent incorporated in 1995, and are sold through retailers in Hong Kong. Sales figures for the period 1985 to 2001 are provided of KRG roots bearing the opponent’s mark (para 12 AJC’s SD). The bulk of sales was made between 1995 and 1998, averaging US\$1,779,000 annually.

11. Mr Ahn says that the applicant's deliberate copying of the opponent's tin packaging design is evident in view of the similarities in the respective designs and the common use of the character “天”.

12. The applicant filed principal evidence by way of a statutory declaration by Mr Cheng Yuk Lam, Director and General Manager of the applicant (SD of CYL). Mr Cheng says that the applicant and 栢泰參茸行有限公司 (“Pak Tai”) were both incorporated in 1994, respectively to take up ownership of the marks of his ginseng distributorship business, and to be responsible for the business of processing, packaging, manufacturing, making and the sale of ginseng. He says the applicant has at all times consented to and authorised Pak Tai to use and apply all of the applicant's trade marks to the ginseng products.

13. Mr Cheng says in early 1993 he engaged a graphic designer to redesign the tin can packaging of good quality ginseng root products and to devise a suitable trade mark. As the applicant's group of companies conducted business mainly with dealers and sales agents and did not retail to the general public, no media advertisement was placed. Mr Cheng says never had the applicant nor Pak Tai received complaint from its dealers or agents or retail customers or the opponent that the Group's product had been mistaken for those of the opponent's or vice versa.

14. In reply to the opponent's evidence, Mr Cheng says that the use of the character “天” in the opponent's mark is common to the trade for denoting the grade of ginseng. The applicant in any case does not lay claim to rights in the character “天” in its suit mark in the form that it was advertised. He also says heavenly scenes are very common in the Orient but the setting of the suit mark is traditional Chinese and that of the opponent's typically Korean. He does not say why. However he says many ginseng manufacturers and distributors use fairy scenes in the design of their packaging and that in sale, products from different manufacturers and distributors would often be placed side by side (CYL-10). The applicant has also filed further evidence of its correspondence with the Trade Marks Registry to demonstrate how the registrability objections were overcome at the examination stage.

15. The matter came on for hearing on 3 September 2004, at which Mr Dominic Yeung of Counsel appeared for the applicant and Mr Colin Shipp of Counsel appeared for the opponent.

16. Although the hearing took place after the commencement of the Trade Marks Ordinance Cap 559, by virtue of section 10(2) of Schedule 5 to Cap 559, oppositions to registrations still pending as of 4 April 2003 remain to be dealt with under the provisions of the repealed Ordinance, Cap 43.

Decision

17. At the hearing, Mr Shipp abandoned the grounds of opposition pleaded except sections 12(1), 13(1) and 18(1)(b), 20 and the exercise of the Registrar's discretion.

18. Mr Shipp submits the Registrar need look no further than section 13(1) in conjunction with section 18(1)(b). The opposition is premised on the applicant's lack of use or proposal to use the mark at the time of application, as disclosed by the applicant's own evidence. Section 13(1) is in the following terms:

“Any person claiming to be entitled to be registered as the proprietor of a trade mark used or proposed to be used by him who is desirous of registering it must apply in writing to the Registrar in the prescribed manner for registration either in Part A or Part B of the register.”

The requirement of use or proposal to use under section 13(1) applies in every case except where the circumstances under section 18(1) are applicable. For the purpose of this opposition only sub-paragraph (1)(b) of section 18 is relevant:

“18(1) An application for the registration of a trade mark in respect of any goods or services shall not be refused, nor shall permission for such registration be withheld, on the ground only that it appears that the applicant does not use or propose to use the trade mark –

(a)

(b) if the application is *accompanied by* an application for the registration of a person as a registered user of the trade mark, and the Registrar is satisfied that the proprietor *intends it to be used by that person* in relation to those goods or services and the Registrar is also satisfied that that person will be registered as a registered user thereof immediately after the registration of the trade mark.” (emphasis added)

19. The opponent launches attack on a technicality: that the suit application is void *ab initio* for the applicant's failure to file a registered user application (“RU”) when the applicant had no intention to use at the time of filing. It relies on the following excerpt from the statutory declaration of Cheng Yuk Lam to infer the applicant has never used nor has it intended to use the suit mark:

“2. I started the ginseng business in Hong Kong in or about 1988 under the trade name of Pak Tai Ginseng Hong at Unit 02, 7/F., Yau Sing Building, 120-122, Wing Lok Street, Sheung Wan, Hong Kong. I sold my products mainly through

dealers and sales agents. I did not have any retail sales. The business picked up steadily since about 1993, I determined [*sic*] to set up in Hong Kong the Applicant and another limited company known as Pak Tai Ginseng Hong Limited 栢泰參茸行有限公司 (“Pak Tai”) to take up the business of Pak Tai Ginseng Hong (the Applicant and Pak Tai are collectively referred to as the “Group”). The Applicant and Pak Tai were later incorporated in 1994. My wife and I are the only shareholders of the Applicant and Pak Tai. There is now produced and shown to me marked “CYL-1” the certificates of incorporation of Pak Tai and the Applicant.

3. Both the Applicant and Pak Tai are corporations with limited liabilities duly incorporated and existing under the Companies Ordinance, Chapter 32, laws of Hong Kong having the same registered address at Room 505, 5th Floor, Wai Lee Building, 368 Queen’s Road Central, Sheung Wan, Hong Kong.
4. Pak Tai, since incorporation, continues to operate the ginseng business of its predecessor in processing, packaging, manufacturing, marketing and selling of the ginseng while the Applicant is and becomes the legal registered owner or proprietor of trade marks and other intellectual properties (as the case may be) of the ginseng products of its predecessor. The applicant has at all material time consented and authorised Pak Tai, being a member in the same Group, to use and apply any of the Applicant’s trade mark and/or other intellectual properties to the ginseng products.” (SD of CYL)

20. Mr Shipp relies on *Pussy Galore Trade Mark* [1967] RPC 265 for the proposition that the application cannot proceed where there is no sufficient intention to use. In *Pussy Galore*, the applicant applied to register the names of various fictional characters as trade marks for various goods with the intention of licensing them by RU agreements with producers of such goods. The UK Board of Trade held on the facts that the UK equivalent of section 18(1)(b) did not apply since no licensee had been identified and registered, and so the application had to be refused since the applicant lacked sufficient intention to use contrary to section 13(1).

21. It seems sufficiently clear that *Pussy Galore* was objectionable because the intention there was to have the mark used by RUs but who had not at the time of filing been identified. It is distinguishable here because at the time of filing, the identity of the intended “user,” Pak Tai, was known.

22. On a literal reading of section 13(1), it is a pre-requisite that the person claiming to be entitled to make the application for trade mark registration has to use or propose to use his mark. Section 18(1)(b) provides for the situation where the applicant intends the mark to be used by someone else.

23. The application form itself, that is, Form TM-No.3 under Schedule 2 to the (repealed) Trade Marks Rules Cap 43A makes the distinction between an application under section 13(1) and one under section 18(1)(b), as follows:

“08 If this application is made under section 18(1)(b), tick this box. A Form TM-No.45 must accompany the application”

Implicitly the scheme requires an application for registration of an RU to be filed simultaneously with the application to register the suit mark. However, one would have thought that if an applicant had intended to use the mark himself but subsequently changed his plans the application would still be considered properly made under section 13(1). Evidence of the applicant’s intention, at the time of filing, is clearly pivotal to this question.

24. The hurdle that the applicant has created for itself is that, even though it has made its application under section 13(1), its evidence indicates that it does not use or propose to use the suit mark itself at the time of filing. Had an RU application been made naming Pak Tai as the authorised licensee, that would have brought the application under section 18(1)(b), and the enquiry then would become whether the applicant intended the suit mark to be used by Pak Tai. There was however no such RU application.

25. In Mr Cheng’s words, “the applicant has at all material time consented and authorised Pak Tai, being a member in the same Group, to use and apply any of the Applicant’s trade marks...” Is this good enough?

26. Unlike rectification proceedings, where the onus is on the party seeking rectification and the Registrar has a discretion to refuse rectification, in registration proceedings the onus is on the applicant to show that he meets the statutory criteria. That said, the Registrar does not usually require proof that a mark is in use or intended for use. There is judicial comment going so far as to say that the making of the application itself gives rise to a presumption of intention and in an opposition the burden rests on the opponent to prove the absence of intention. It is rare for an application to be challenged for lack of intention to use unless one is aware, or becomes aware of facts that raise suspicions as to the applicant’s intention. Here the applicant’s evidence certainly suggests this is one such rare case. Certainly the sales invoices which have been put in evidence have all been issued by Pak Tai.

27. Analogous proceedings are available under sections 37 and 48 for removal of a registered mark for lack of bona fide intention that the mark should be used either by the owner himself or if the mark is registered under section 18(1)(b), by the RU in relation to the goods of interest. There is *dictum* at the Court of Appeal level in *GE Trade Mark* [1970] RPC 339 (at 393 *per* Cross LJ) that as regards a registered mark, provided there is a sufficient connection between a parent company and a subsidiary company, user by a wholly-owned subsidiary of a parent proprietor was open to no objection and did not endanger the validity of the mark since that user might fairly be considered as user by the proprietor itself.

28. In the present proceedings, apart from Mr Cheng's statement that he and his wife are the only two shareholders of the applicant and Pak Tai, and the loose statement that the applicant and Pak Tai are member companies of the "Group", there is nothing to suggest that there existed the requisite degree of quality control over the permitted use or that the applicant held a controlling interest in Pak Tai so that quality control may be inferred.

29. Then there is the question of the applicant's own intention. While the evidence suggest Mr and Mrs Cheng's intention is for Pak Tai to use the suit mark, it is not clear why Mr Cheng and his wife opted to make the application in the name of the applicant instead of Pak Tai. After all Pak Tai (and its predecessor before incorporation) was the entity that had been using the suit mark in relation to the goods claimed under the specification. An analogous situation arose in *Benji Trade Mark* [1988] RPC 251, at 259:

"An applicant's application for registration is seldom challenged by the Registrar under section 68 [our section 2] unless he is aware, or becomes aware of some fact which raises suspicions as to the applicant's intention to trade..... The application in this instance is made under section 17(1) [our section 13(1)] and with this in mind it is clear that the proprietors of the mark must propose to use the mark themselves. The opponents have raised doubts about this intention and have drawn attention to the fact that the applicants are a film company whose main interest appears to be licensing others to use their marks in the context of character merchandising and who have no history of manufacturing or trading. They therefore take the not unexpected view, that the applicants are unlikely to trade in the future. *This it seems to me is a challenge which must be met* but the applicants have not provided any evidence on this point. Nor does the fact that registered users may be appointed under section 28 of the Act [section 58 of our Ordinance] in respect of certain goods included within their specification assist in meeting the challenge to their claim that 'they intend to use the mark themselves...'" (emphasis added)

I find the applicant to have failed to meet the challenge on intention to use the suit mark.

30. Section 58 of the Ordinance sets out, amongst other things, the meaning of "permitted use":

- "(1) (a) ...
- (b) The use of a trade mark by a registered user of the trade mark in relation to -
- (i) goods with which he is connected in the course of trade;
- (ii) ...

and in respect of which for the time being the trade mark remains registered and he is registered as a registered user, being use such as to comply with any conditions or restrictions to which his registration is subject, is in this Ordinance referred to as the “permitted use” of the trade mark.

(2) (a) The permitted use of a trade mark shall be deemed to be use by the proprietor thereof, and shall be deemed not to be use by a person other than the proprietor, for the purposes of section 37 and for any other purpose for which such use is material under this Ordinance or at common law.

(b) ...”

31. If a licensee is not registered as an RU, his use of the trade mark is not “permitted” use under section 58(1)(b) and therefore not deemed use by the proprietor under section 58(2). Mr Shipp says that Pak Tai’s use was not therefore, in his words, “legitimate.” I do not think “permitted” use under section 58 has the connotation that Mr Shipp ascribes to it. Use by an RU is termed “permitted” because it is use by a person, other than the owner, which is approved by the Registrar as not being contrary to the public interest.

32. It bears emphasising that neither section 58 nor case law on the subject make it mandatory that a licence-to-use arrangement between a trade mark owner and a user be registered (*Bostitch Trade Mark* [1963] RPC 183 at 195). The validity of a licence agreement is therefore not dependent on registration. Provided “quality control” is maintained, there is *dictum* for saying that the licensing of a mark, whether registered or unregistered does not deprive it of protection in a court of law or, if it was registered, afford a ground for its removal (*GE Trade Mark, supra* at 393). But whether a mark is protectable against acts of infringement or passing off is an entirely separate question to whether the pre-requisites for registration are met.

33. Should I be wrong in this conclusion, as an adjunct I also consider the purpose that a trade mark serves.

34. In relation to goods, a trade mark is defined as:

“a mark used or proposed to be used in relation to goods for the purpose of indicating, or so as to indicate, a connection in the course of trade between the goods and some person having the right either as *proprietor* or as *registered user* to use the mark, whether with or without any indication of the identity of that person.” (section 2(1), emphasis added)

35. The authors of *Kerly's Law of Trade Marks and Trade Names* (12th edn) have this to say:

“it is explicit in the definition of a trade mark that the connexion in the course of trade to be indicated by the mark must be with the proprietor or a registered user... Use by a registered user will suffice (since by section 28(2) [our section 58(2)(a)] it is deemed to be use by the proprietor) and the Act contains special provisions (section 29(1)(b) [our section 18(1)(b)...] enabling registration of a mark that will be used by a registered user. It has, however, been suggested that unless section 29(2) [no equivalent in our Ordinance] is applicable, a mark intended for use by registered users is not “proposed to be used” within the section.” (at para 2-04)

Section 29(2) of the UK Act is reproduced for easy reference:

“29(2) The provisions of section twenty-six of this Act [section 37 of our Ordinance] shall have effect, in relation to a trade mark registered under the power conferred by the foregoing subsection, as if for the reference, in paragraph (a) of subsection (1) of that section, to intention on the part of an applicant for registration that a trade mark should be used by him there were substituted a reference to intention on his part that it should be used by the corporation or registered user concerned.”

36. *Pussy Galore* is the authority cited for the proposition in the quotation above from *Kerly*. But in the same breath the authors of *Kerly* appear to doubt if *Pussy Galore* was correct, based on the ruling by Indian Supreme Court in “*Dristan*” [1986] RPC 161, since there could be a “definite and present intention” of use by an RU even though no registered user agreement is immediately available for presentation to the Registrar. However, an important difference lies in the fact that the Indian Act contains no equivalent of section 18(1)(b) of our Ordinance, that is to say, it does not explicitly or even implicitly specify when an RU agreement should be registered. Likewise, it has been pointed out that section 45(1)(b) of the (repealed) Australian Trade Marks Act 1955 did not require, as did the corresponding provision in the UK 1938 Act (our section 18(1)(b)) that the registered user application should “accompany” the trade mark application. The Australian provision merely requires the RU application to be lodged before acceptance, and that the Registrar be satisfied before accepting the application and registering the trade mark, that (a) the proprietor does intend the trade mark to be used by the proposed RU, and (b) the RU entry will be made immediately after registration of the trade mark (see D R Shanahan, *Australian Law of Trade Marks and Passing Off*, 2nd edn at pages 54-55).

37. As for Hong Kong, although sections 28(2) and 29(1)(b) of the UK Trade Marks Act 1938 correspond to sections 58(2)(a) and 18(1)(b) of Cap 43, as I have above noted there is no equivalent in our Ordinance, of section 29(2) of the UK Trade Marks Act 1938.

38. This is a vital point of distinction between the UK Act and our Ordinance. Even though section 58(2)(a) of our Ordinance deems the registered user's "permitted use" to be use by the proprietor "for the purpose of section 37 and for any other purpose for which such use is material under this Ordinance or at common law," there is no parallel legal fiction to deem an intention on the RU's part that the mark will be used by him to be equivalent to the owner's intention to use. Apart from this omission, the rest of section 18 of our Ordinance is to all intents and purposes the same as section 29 of the UK Act. Given the circumstances, it seems unreasonable to assume the omission of section 29(2) to have been mere oversight on the part of the Hong Kong legislature.

39. Even though Pak Tai may have used and in any event may have had the intention to use the suit mark at the time this subject application is made, the omission of section 29(2) of the UK 1938 Act in Cap 43 means that, in practice, if the suit mark proceeds to registration and later becomes the subject of rectification proceedings, the applicant would not be able to rely on Pak Tai's intention to use, as an unregistered licensee, as equivalent to its own. From that it follows that an intention on the applicant's part that use of the suit mark will be made by Pak Tai, even as a "sister" company, but nevertheless a separate legal entity, does not meet the requirement under section 13(1).

40. Also in this matter, I have not overlooked the sequence of events that took place well before the hearing, in 2003, namely,

- (i) that the opponent applied for leave to amend its notice of opposition on 18 July 2003 to add sections 13(1) and 18(1)(b) as additional grounds of opposition;
- (ii) that the applicant by its agent's letter of 18 August 2003 indicated it did not object to the terms of the Registrar's proposed order dated 30 July 2003 but merely asked for more time for filing an amended counter-statement; and that
- (iii) on 9 September 2003 the Registrar issued an order allowing the proposed amendment to the notice of opposition and gave leave for any consequential amendment to the counter-statement as the applicant desired.

41. In other words, there was no element of surprise by the time the issues of lack of intention to use and omission to file an application for registration of RU came to be addressed at the hearing. Since September 2003 at least, the applicant had been at liberty, apart from amending its counter-statement (which it did), to consider means of salvaging the application if it wished to do so.

42. As I find the opposition to have succeeded under sections 13(1) and 18(1)(b), I must refuse the application. There is no occasion for ruling on the remaining grounds of opposition or exercise of the Registrar's discretion in the circumstances.

Costs

43. The opponent has sought costs and there is nothing in the circumstances or conduct of this case which would warrant a departure from the general rule that the successful party is entitled to his costs. I accordingly order that the applicant pays the costs of and incidental to these proceedings.

44. Subject to any representations as to the amount of costs or calling for special treatment, which either party makes within one month from the date of this decision, costs will be calculated with reference to the usual scale as in Part 1 of the First Schedule to Order 62 of the Rules of the High Court (Cap 4) as applied to trade mark matters, with one counsel certified unless otherwise agreed between the parties.

(original signed)

(Lavinia Chang)
p. Registrar of Trade Marks
20 December 2004