

Application No. 200117507

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 34 by Fujian
Septwolves Group Corp.

AND

IN THE MATTER of an opposition by
Longyan Cigarette Factory

**DECISION
OF**

Miss Lavinia Chang acting for the Registrar of Trade Marks after a hearing on 29
March 2006.

Appearing: Mr Norman Hui, of counsel, instructed by Messrs Gallant Y.T. Ho & Co.
on behalf of the opponent Longyan Cigarette Factory

No appearance recorded by the applicant, Fujian Septwolves Group
Corp.

1. These proceedings arise out of an application made on 26 October 2001 (the “application date”) by Fujian Septwolves Group Corp. (the “applicant”), of No. 655 Zhongxing Nanlu, Jinjing, Jinjiang, Fujian, People’s Republic of China (the “Mainland”), to register pursuant to the provisions of the Trade Marks Ordinance Cap 43 (the “Ordinance”) in Part A of the register, the following mark:



(the “suit mark”). The goods intended to be covered include “tobacco; cigars; cigarettes; tobacco pipes; cigarette cases, not of precious metal; cigarette holders, not of precious metal; matches; lighters for smokers; cigarette filters; cigarette paper; smokers' articles; all included in Class 34” (the “specified goods”). The suit mark was accepted after examination, and advertised for opposition purposes in the Government of the Hong Kong Special Administrative Region Gazette on 15 March 2002.

Pleadings and evidence

2. Longyan Cigarette Factory (the “opponent”) filed a notice of opposition on 14 May 2002. The opponent is a corporation incorporated under the laws of the Mainland with a business address at No. 24 Xi’an South Road, Longyan, Fujian Province. On 20 February 2002 the opponent has applied to register

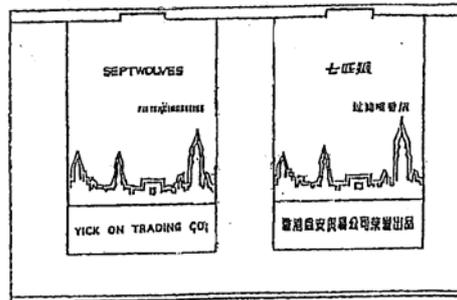


Application No. 200202364, on 20 February 2002, in respect of “tobacco; cigarettes; cut tobacco; tobacco pipes; matches; cigarette cases, not of precious metal; match boxes, not of precious metal; lighters for smokers; cigarette filters; cigarette paper;

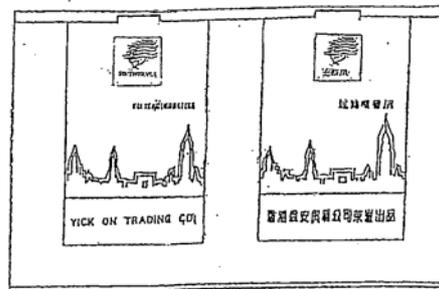
cigars; chewing tobacco; snuff; cigarettes containing tobacco substitutes, not for medical purposes; herbs for smoking; pipe tobacco; all included in Class 34” (the “opponent’s composite mark”).

3. The opponent pleads that the suit mark is identical to or nearly resembling the opponent’s composite mark. The opponent avers that in early 1995, Fujian Seven-Wolves Garments Industrial Co., Ltd. (“Fujian Industrial”) had requested the opponent to create a trade mark and packaging to be used in relation to cigarettes to be produced by the opponent. The opponent did so in September or October 1995.

4. Some time before May 1996, Fujian Industrial had instructed Yick On Trading Co., a Hong Kong based entity (“Yick On”), to apply to register two marks in the Mainland, namely,



and



in respect of goods in Class 34 (collectively the “1st PRC Marks”).

5. On 13 May 1996, Fujian Industrial and the opponent entered into an agreement whereby Fujian Industrial agreed to instruct Yick On to transfer all rights in the 1st PRC Marks to the opponent. On 16 April 1997, Yick On and the opponent entered into another agreement whereby Yick On agreed to transfer all rights in the 1st PRC Marks to the opponent. The 1st PRC Marks were registered under trade mark nos. 1043000 and 1041109 in Class 34 on 28 June 1997. Since 28 February 1998, the opponent has been registered as the proprietor of the 1st PRC Marks.

6. The opponent is also the registered proprietor of the marks



and



registered in the Mainland in Class 34 under Trade Mark Nos. 1678563 and 1678564 respectively (collectively the “2nd PRC Marks”).

7. The opponent avers it has been using the 1st PRC Marks and the 2nd PRC Marks in relation to the sale, distribution and promotion of cigarettes for over six years in the Mainland and for over five years in Hong Kong. Through such use it claims to have established substantial reputation and goodwill in these marks in the Mainland and Hong Kong.

8. The opponents pleads that registration of the suit mark should be refused under sections 2, 9, 10, 12 and 23 of the Ordinance, or alternatively in the exercise of the Registrar’s discretion under section 13(2) of the Ordinance. It seeks costs against the applicant.

9. The applicant filed a counter-statement on 16 July 2002. It admits to being related to Fujian Industrial through a common shareholder, but denies it was formerly Fujian Industrial itself. It avers the mark “七匹狼 and Device” was invented in early 1989 by Zhou Shaoxiong, the legal representative of Fujian Province Jinjiang County Jinjing Labour Service Overseas Village Clothing Crafts Factory (福建省晉江縣金井勞務僑鄉服裝工藝廠) (“Jinjing Factory”). The mark has since been used in respect of clothing in the Mainland and it was registered for clothing in Class 25 in the name of Jinjing Factory in the Mainland on 28 February 1990.

10. In late 1992, the mark was re-designed by commission and a new mark “SEPTWOLVES 七匹狼 and device” was created with “七匹狼” and SEPTWOLVES” appearing in stylized form together with a new wolf device. The applicant avers that the three components of this mark correspond to the three components which make up the suit mark. The new “七匹狼” mark, the “SEPTWOLVES” mark and the wolf device were respectively registered in the Mainland on 14 September 1994 in Class 25 in respect of clothing, neckties, shoes, headgear, socks, stockings and gloves in the name of the successor of Jinjing Factory. The applicant therefore disputes the opponent’s claim to have created 七匹狼, SEPTWOLVES, the wolf device, and the “SEPTWOLVES 七匹狼 and device” marks in late 1995. It admits there was cooperation between Fujian Industrial, Jinjiang Tobacco Monopoly Bureau (晉江煙草專賣局)(“Jinjiang Bureau”) and the opponent to produce box cigarettes bearing the “七匹狼 SEPTWOLVES and device” mark for the Mainland market in 1995, but that all intellectual property rights pertaining to “七匹狼 SEPTWOLVES and device” mark and any cigarette packaging bearing that mark should remain the assets of Fujian Industrial.

11. The applicant disputes the opponent’s period of use of its various marks. It points out that under Mainland Trade Mark Law and Tobacco Law, cigarettes may not be sold or distributed before the relevant trade mark is approved for registration. Furthermore, assignment of registrations only takes effect from the date of recordal.

12. The applicant denies the opponent has any right or authorization to distribute or sell any cigarette products bearing the “七匹狼” mark, the wolf device, the

“SEPTWOLVES” mark or the composite mark “SEPTWOLVES 七匹狼 & Device” in Hong Kong. It alleges the assignment between the opponent and Yick On on 16 April 1997 covered only the right to use “七匹狼”, “SEPTWOLVES”, the wolf device and “SEPTWOLVES 七匹狼& Device” for cigarette products in the Mainland.

13. The applicant asserts proprietorship over “七匹狼”, “SEPTWOLVES”, the wolf device, and the composite mark “SEPTWOLVES 七匹狼 and device” in respect of goods in Class 34 in Hong Kong. It seeks registration of the suit mark and costs against the opponent.

14. The opponent filed evidence by way of two statutory declarations of Mr Chen Wannian, its Deputy Head, and a statutory declaration of Ms Chick Tsz Kwan, solicitor having the conduct of these proceedings on behalf of the opponent.

15. Mr Chen Wannian says, amongst other things, that the opponent has been a manufacturer of cigarettes and related products since 1951. In 1995, it had entered into an oral agreement with Fujian Industrial for the opponent to create and design a trade mark and packaging for use on the opponent’s tobacco products. Copies of the design show a composite mark virtually identical to the suit mark (LCF-2). In September 1995 the opponent entered into an agreement with 廣東東莞新揚印刷有限公司 to print the marks “七匹狼”, “SEPTWOLVES” and “device of a wolf” onto packaging for cigarettes (LCF-3). Two months later the opponent entered into another agreement with 福建省煙草公司晉江市公司 (formerly known as 中國晉江市煙草公司) to print the marks “七匹狼”, “SEPTWOLVES” and “device of a wolf” onto packaging for cigarettes (LCF-4). LCF-3 and LCF-4 show that a composite mark virtually identical to the suit mark was applied to the cigarette packaging.

16. Since 7 December 2001, the opponent has been the registered proprietor of the 2nd PRC Marks, i.e. “七匹狼” and “SEPTWOLVES”, registrations nos. 1678563 and 1678564 respectively in the Mainland in Class 34 for “tobacco, chewing tobacco, cigars, cigarettes containing tobacco substitutes not for medical purposes, cigarillos, herbs for smoking, snuff, pipe tobacco and tobacco powder” (LCF-10).

17. Mr Chen says that under Mainland legislation, tobacco products may only be exported through duly licensed tobacco import and export companies. The opponent had exported their tobacco products to Hong Kong through 中國煙草福建進出口公司. Sample cigarette cases of the opponent show, consistent with LCF-3 and LCF-4 above, that the mark actually appearing on the cigarette cases is the composite mark virtually identical to the suit mark (LCF-15). The opponent's cigarette products had been sold in the Mainland since 1995, and in Hong Kong since 2001. Sales figures and advertising expenses are provided, as well as evidence that the opponent had placed commercials with TV channels and advertisements in newspapers accessible to the audience or readers in Hong Kong. I shall return to this later in my decision.

18. Mr Chen says, amongst other things, that Yick On had in 1998 applied to register the "SEPTWOLVES 七匹狼" mark in respect of cigarette lighters and related products in the Mainland, and in 1999 applied for registration of two "與狼共舞 & device" marks in respect of Class 34 goods in the Mainland. The opponent had successfully opposed registration of this mark.

19. Both the statutory declaration of Chen Wannian and Chick Tsz Kwan refer to the results of Internet searches for the keywords "Septwolves" and "七匹狼".

20. The applicant has filed evidence by way of a statutory declaration by Ms Gao Lin, its trade mark manager. Ms Lin repeats that the combination "七匹狼" together with a wolf device was first created in early 1989 by Mr Zhou Shaoxiong, the legal representative of Jinjing Factory. This composite mark has since February 1990 been used in respect of clothing, and registered as a trade mark in Class 25 in the Mainland.

21. Ms Lin avers that the applicant's "七匹狼" mark was redesigned in late 1992. Copies of the relevant materials showing first development of the two marks, one comprising the word "SEPTWOLVES" and a wolf device, and the other comprising the Chinese characters "七匹狼" and a wolf device are exhibited (FSGC-3). The applicant has trade mark registrations in the Mainland separately for "七匹狼",

“SEPTWOLVES”, and the wolf device, all in Class 25 in respect of clothing, neckties, shoes, headgear, socks, stockings and gloves in the name of its predecessor Jinjing Factory (FSGC-4).

22. Evidence of the applicant’s promotional materials (FSGC-7) show that they all related to the applicant’s Class 25 products, but none in relation to cigarette products. Although the combinations of “七匹狼” and wolf device, or “SEPTWOLVES” and wolf device, have been used, the suit mark has not.

23. The rest of Ms Lin’s statutory declaration consists of argument not evidence, which I need not summarize here.

Hearing

24. The hearing came before me on 29 March 2006, at which the opponent was represented by Mr Norman Hui of Counsel. By a letter dated 7 March 2006 the applicant’s agent had indicated the applicant would not be represented but would rely on the pleadings and evidence filed.

Decision

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

26. At the hearing Mr Hui indicated the opponent would only be relying on sections 12(1) and 23 and failing those grounds, refusal of the application in the

exercise of the Registrar's discretion under section 13(2). It will be convenient to first consider the matters arising under section 23.

Section 23 of the Ordinance

27. The relevant provisions of section 23 of the Ordinance are as follows:-

“(1) Subject to subsection (3), the Registrar may refuse to register any trade mark relating to goods in respect of any goods or description of goods if it is proved to his satisfaction by the person opposing the application for registration that such mark is identical with or nearly resembles a trade mark which is already registered in respect of -

- (a) the same goods;
- (b) the same description of goods; ...
- (c) ...

in a country or place from which such goods originate.”

(2) ...

(3) “No application to register shall be refused under this section –

- (a) if the applicant proves that he or his predecessors in business have in Hong Kong, in relation to such goods or services, continuously used the trade mark for the registration of which he has made application from a date anterior to the date of the registration of the other mark in such country or place of origin; or

- (b) if the opponent does not give an undertaking to the satisfaction of the Registrar that he will, within 3 months from the giving of the notice of opposition, apply for registration in Hong Kong of the trade mark so registered in the country or place of origin, and will take all necessary steps to complete such registration.”

28. Section 23 is a unique provision. It affords protection to foreign trade marks in priority to a Hong Kong pending application. In his oral submissions Mr Hui makes clear that the opponent is relying only on its 1st PRC Marks for this ground.

29. As sub-section 23(1) is subject to the proviso in sub-section 23(3), I shall first consider if there is a case for ruling out the application of this ground.

30. Proviso 23(3)(a) does not apply as the applicant has not proved continuous use of the suit mark in Hong Kong, in relation to the relevant goods in Class 34, from a date anterior to the registration date of the opponent’s 1st PRC Marks, i.e. 28 June 1997. Proviso 23(3)(b) requires the opponent to give an undertaking, within three months of the date of the notice of opposition, to apply for and to take all necessary steps to complete registration of its overseas registered mark in Hong Kong. The opponent has not given the requisite undertaking, but had in fact applied to register



in Hong Kong in respect of cigarettes and tobacco products on 20 February 2002, i.e. *before* it filed a notice of opposition in these proceedings on 14 May 2002 (SD of Chen Wannian, para 25). In the circumstances, the statutory requirement for an undertaking to apply for registration is otiose as the application had in fact been made.

31. From the fact that the opponent is pursuing these proceedings to remove the earlier application, it must be evident that it would be prepared to give the second part of the undertaking, i.e. to take all necessary steps to complete the registration.

32. However, in this case, the opponent runs into a more fundamental difficulty. Under proviso 23(3)(b), the mark which the opponent is required to undertake to register in Hong Kong is “the trade mark so registered in the country or place of origin.” The subject matter of the opponent’s Hong Kong application however, does not correspond to any of the opponent’s 1st PRC Marks. The composite mark which it has applied to register in Hong Kong (paragraph 2 above) is a different mark from the ones it had registered in the Mainland (paragraph 4 above). Since section 23(3) is expressed in mandatory terms, that discrepancy alone would preclude the opponent from relying on section 23. For reasons unknown, the opponent had not registered in the Mainland or elsewhere the mark which actually appears on the opponent’s cigarette cases (paragraphs 15 and 17 above).

33. Accordingly the opposition under section 23 fails.

Section 12(1) of the Ordinance – likelihood of deception

34. I turn to consider the opposition under section 12(1) of the Ordinance. It is well-established that before an opponent can launch a section 12(1) opposition, it must first establish, as a threshold question, the reputation of the opponent’s mark in Hong Kong. Mr Hui accepts this to be the correct position. The date at which this cognizance or reputation is to be established is the date of the application to register the suit mark, that is, 26 October 2001 (*NOVA Trade Mark* (1968) RPC 357). The reputation in the opponent’s mark must be more than *de minimis* to bring section 12(1) into operation the reason being, if the opponent’s mark is unknown in Hong Kong, deception or confusion is unlikely to arise (*Da Vinci Trade Mark* (1980) RPC 237). Only if the opponent discharges this burden does the onus shift to the applicant to satisfy the tribunal that there is no reasonable likelihood of deception arising among a substantial number of persons if the suit mark proceeds to registration (*Eno v Dunn* (1890) 15 App Cas 252 at 261).

35. Reputation in the local market may be established through user of the mark in its widest sense including advertisements if the goods are available to be traded in

Hong Kong or even if they are not, through the spill-over of foreign goodwill and reputation into Hong Kong (*Sans Souci Trade Mark*, unreported decision of the acting Registrar M W Fox dated 28 May 1991).

36. The applicable test under section 12(1) was laid down in *Smith Hayden & Co's Application* (1946) 63 RPC 97. Adapted to the present case, the question which I have to consider is:

“Having regard to the reputation acquired by the opponent’s mark, is the Registrar satisfied that the suit mark, if used in a normal and fair manner in connection with any goods covered by the registration proposed will not be reasonably likely to cause deception and confusion amongst a substantial number of persons?”

37. The comparison is between the opponent’s mark as it has in fact been used and the suit mark in notional fair use. But which is the opponent’s mark for the purpose of section 12(1)?

38. The opponent has adduced in evidence two of its TV commercials aired on Phoenix TV Chinese Channel between July and December 1999 (LCF-22). In both



TV commercials, the composite mark , appears at the lower left hand corner of the screen throughout the commercials. Phoenix TV Chinese Channel is a Hong Kong-based company with viewership in Hong Kong, Mainland China and Taiwan (LCF-34). I also accept the opponent’s evidence that the opponent’s commercials had been screened during prime time TV (see CTK-2).

39. A sample of the opponent's advertisement as it appeared in 香港文匯報 is at



LCF-19. This shows the use of the same composite mark at the top left hand corner, and the opponent's name appearing at the bottom right hand corner. This advertisement post-dates the application date by two months. However, buttressed by the various "insertion orders" for advertisements issued by 香港文匯報 between 10 June 1998 and 5 July 2001 (LCF-18), that is, prior to the application date, I am prepared to accept that this advertisement goes some way to show that advertisements have been placed in at least one newspaper with circulation on a commercial scale in Hong Kong.

40. The opponent's goods have been exported to Hong Kong. Amongst the opponent's evidence are, for example, a cigarette export contract entered into between 中国烟草福建进出口有限公司(China Tobacco Imp. and Exp. Fujian Corp.) and the opponent on 16 February 2001 for export of three million "红七匹狼" cigarettes from Shanghai to Hong Kong, for the total amount of US\$75,000, which supports the opponent's export figures of 60 cases of cigarettes (50,000 cigarettes per case), totalling three million cigarettes in the year 2001 (LCF-16 and Chen Wannian's SD, para 16). Mr Hui also drew my attention to a 出口卷烟协议 (export of cigarette agreement) dated 18 June 2001 between 中国烟草福建进出口公司 and the opponent, in which 中国烟草福建进出口公司 agreed to export in each quarter 60 cases of the opponent's 七匹狼 cigarettes to the Hong Kong market (LCF-14).

41. To the opponent's evidence of use of its mark in Hong Kong, the applicant's reply is set out in Gao Lin's statutory declaration, at paragraph 6:

"... the two television commercials were largely the same version and the language of the two was Putonghua and the date of completion was 22 January 1999. It is clear that the two commercials were for the China market and not the Hong Kong market. The advertisements in Wen Wei Po and Phoenix Weekly were also in simplified Chinese characters with target readers obviously the public within China, and not Hong Kong. The

Opponent definitely has not acquired any reputation or goodwill in its “七匹狼” mark, wolf device, “SEPTWOLVES” mark or any mark identical or confusingly similar to the Mark in Hong Kong in respect of tobacco products...”

42. Though some of Ms Lin’s observations may be true, her conclusion that the opponent has acquired no reputation in its “七匹狼” mark does not follow. Even though these factors may be suggestive of the Mainland origin of the opponent’s goods, that does not lead to a conclusion that the goods are only destined for the Mainland market and that no reputation can be acquired in Hong Kong. Firstly, it is an undisputed fact that 香港文匯報 (Wen Wei Po) and Phoenix TV Chinese Channel enjoy readership and viewership in Hong Kong. Secondly, the context in which the conditions are to be assessed is as at the date of application, 26 October 2001, more than four years after the return of sovereignty over Hong Kong to the Mainland. The use of simplified Chinese characters and Putonghua is a far cry from the use of say, a different language e.g. Japanese or Korean. I believe it would be fair to say that by 26 October 2001, a significant number of the Chinese speaking population of Hong Kong would at least have had a passable understanding of Putonghua and simplified Chinese characters. In my view it is therefore artificial, in the linguistic, social and business context of Hong Kong, to argue that the effect of publicity and promotion through simplified Chinese characters in writing and Putonghua in speech in Hong Kong will be wholly lost on the local public.

43. I do not doubt therefore, that by virtue of coverage in the media, the Hong Kong audience and public would have had cognisance of the opponent’s composite mark. On the evidence, I find the opponent has established sufficient reputation in its composite mark in Hong Kong prior to the application date to trigger an opposition under section 12(1).

44. The onus thus shifts to the applicant to satisfy me that use of the suit mark will not be reasonably likely to cause deception and confusion amongst a substantial number of persons. The comparison is between use of the suit mark in a normal and fair manner in connection with any goods covered by the registration proposed and the

opponent's composite mark. I must also have regard to the likely purchasers of the goods and the respective trade channels, both now and in the future. The test requires that there be a real tangible risk of confusion, not just the possibility of confusion.

45. Except for slight differences in colour contrast (necessitated by the different colour background against which the marks appear), the opponent's composite mark and the suit mark are for all intents and purposes identical. The parties' respective goods are the same or of the same description. The target customers are the same, namely, the smoking population in Hong Kong. Would a substantial number of purchasers of the goods on which the respective marks are used, having only an imperfect recollection of the opponent's composite mark, have reason to call to mind that mark upon seeing the suit mark used in relation to the applicant's goods? To my mind the answer is a definite yes. The applicant encounters the problem of "triple identity", that is to say, near identical marks for the same goods in the same market. The authorities make clear that confusion as to origin in such cases is inevitable. I should pause here to mention that although the applicant has adduced evidence of use of the suit mark, this relates only to items of clothing, i.e. goods of an entirely different nature from cigarettes and tobacco. There is no relevant evidence of use in relation to cigarettes and tobacco. Furthermore, under section 12(1) I am to consider the suit mark in notional fair use in relation to the specified goods and not actual use unless such use differs from the suit mark in a way which is deceptive or confusing.

46. Having thus considered the evidence I am not satisfied that the applicant has discharged its onus under section 12(1). The application is accordingly defeated.

Discretion under section 13(2) of the Ordinance

47. As the opponent has succeeded under section 12(1), the exercise of my discretion under section 13(2) does not arise.

Costs

48. The opponent has sought costs. As nothing in the circumstances or conduct of this case warrants a departure from the general rule that the successful party is entitled to his costs, I order that the applicant pays the costs of and incidental to these proceedings.

49. 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 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.

(Lavinia Chang)
p. Registrar of Trade Marks
13 June 2006