

TRADE MARKS ORDINANCE (CAP.559)

TRADE MARK NO. 200301184

MARK:



CLASS: 16

APPLICANT FOR DECLARATION OF INVALIDITY:

Hunan Sunchime Digital Cartoon Development Company Limited
(湖南三辰影庫卡通節目發展有限公司)

REGISTERED OWNER: Blue Cat International Ltd (藍貓國際有限公司)

DECISION WITH STATEMENT OF REASONS

Background



1. The trade mark  (“the subject mark”) was registered on 6th February 2002 in respect of the following specification of goods: albums, bags of paper or plastics for packaging, bookends, booklets, books, boxes for pens, cabinet for stationery, calendars, cards, playing cards, catalogues, magazines, writing pads, paper sheets, labels not of textile, paper, paper tapes and cards for the recordal of computer programs, paper clips, passport holders, pen cases, pen clips, pencil holders, pencil sharpeners, pencils, pen holders, pens (office requisites); portraits, postcards, posters, drawing rulers, square rulers, school supplies (stationery), scrapers for offices, self adhesive tapes for stationery or household purposes, signboards of paper or cardboard, songbooks, stamp pads, stamp stands, stands for pens and pencils, staples for office, stationery, cabinets for stationery (office requisites), printed time-tables, tissues of paper for removing make-up, toilet paper, wrappers (stationery), wrapping paper, writing cases (stationery), writing instruments, writing materials, writing or drawing books, writing pads, writing paper, writing slates, writing tablets; all included in Class 16. The subject mark stands in the name of Blue Cat International Ltd (藍貓國際有限公司) (“the registered owner”).

2. On 15 September 2003, Hunan Sunchime Digital Cartoon Development Company Limited(湖南三辰影庫卡通節目發展有限公司) (“the applicant”) filed an application for declaration of invalidity (“the application”) against the subject mark. The applicant filed evidence by way of an affirmation of LI Yongbo (李永波) affirmed on 6th May 2004 (“the affirmation”).

3. The applicant is the creator and owner/proprietor of the following trade mark



(“the applicant’s device”). The applicant’s device is computer generated and was created by a member of its staff on 6th March 2000. It is named “Blue Cat”, also known as “藍貓”. Blue Cat is the main fictional character in the applicant’s animated-cartoon series which is called “Three hundred naughty questions of Blue Cat”, also known as “藍貓淘氣 3000 問” (“the cartoon series”). By September 1999, the applicant completed the image-designs of the main characters in the cartoon series, including “Blue Cat”.

4. Copyright in animation and artistic works of the cartoon series was registered in mainland China with “湖南省版權局” under Registration No. 18-2000-F-045 dated 23 May 2000 - (Exhibit LYB-2 to the affirmation). The cartoon series was widely broadcast on televisions throughout mainland China. The applicant received Jin Yin Awards (“金鷹獎電視美術片優秀作品獎”) for the cartoon series from “中國電視金鷹獎組織委員會” - (Exhibit LYB-6 to the affirmation).

5. Seeing the immense market potential of the cartoon series, the applicant decided to exploit and expand the cartoon series into overseas markets, targeting major television networks. One of the targeted overseas television networks was Hong Kong. An agreement was executed on 8th February 2002 under which the applicant granted to the Asia Television Broadcasting Corporation (“ATV”) a licence to broadcast the cartoon series in Hong Kong before March 2002 - (Exhibit LYB-7 to the affirmation).

6. The applicant entered into a licensing contract (“the agreement”) with the registered owner on 18th September 2001 - (Exhibit LYB-22 to the affirmation). The agreement granted to the registered owner the exclusive right to use “Blue Cat Clothing” trade marks, character and copyrights on the manufacture and distribution of

“Blue Cat clothing” – entitled ““藍貓系列服飾’形象授權獨家生產及銷售合同書” in Chinese, for a period of 19 years starting 18th September 2001. Under the terms of the agreement, the applicant authorized the registered owner to use the trade mark rights and copyrights in the artistic work consisting of the name and fictional characters in the cartoon series for the purpose of manufacturing and distributing “Blue Cat Clothing” both within and outside the jurisdiction of China.

7. By Clause 1.3 of the agreement, the registered owner shall not sub-license nor sub-assign its rights to exploit the name and images of the characters in the cartoon series unless it has obtained the consent of the applicant.

8. The applicant applied to the Registrar of Trade Marks (“the Registrar”) for registration of the applicant’s device under Application No. 16526 of 2002, dated 22nd October 2002, in Class 16 in respect of “adhesives [glues] for stationery or household purposes, note books, pencil sharpening machines, rubber erasers, stationery, writing cases [sets], pencils, writing instruments, printed matter and tear-off calendars.” - (Exhibit LYB-20 to the affirmation).

9. The Registrar cited the subject mark which was registered by the registered owner on 6th February 2002 as an objection to registration under section 20 of the Trade Marks Ordinance, Cap. 43 (“Cap. 43”) - (Exhibit LYB-21 to the affirmation).

Statement of grounds of invalidity

10. The applicant seeks a declaration of invalidity of the subject mark in Class 16 in the name of Blue Cat International Ltd.

11. As to the grounds raised by the applicant, they are framed as follows-

I. Is the subject mark valid? The applicant argued that it is invalid:

(a) because it is stated in Clause 1.3 of the agreement, that the registered owner shall not sub-license nor sub-assign its rights to exploit the name and images of the characters in the cartoon series unless the registered owner has obtained the consent of the applicant;

(b) because the registered owner applied for registration in Hong Kong of the subject mark without the consent of the applicant;

- (c) because the registered owner's subject mark is deceptively and confusingly similar to the applicant's device;
- (d) because the registered owner was dishonest when it copied the whole of the applicant's device and worst registered it, in bad faith, in respect of the same goods (Class 16) as those on which the applicant's device has been used in Hong Kong; and the registered owner's dishonesty can be inferred from the following:
 - i. As an exclusive licensee or user of the right in the artistic work of the applicant, the registered owner was fully aware of the prior rights, namely, the applicant's trade mark rights and copyrights in the artistic work consisting of the name and fictional characters in the cartoon series and that the applicant is the rightful proprietor/owner and creator of the drawings and design of "Blue Cat" since 2000.
 - ii. By appointing the Hong Kong-based registered owner as the exclusive manufacturer and distributor of "Blue Cat Clothing", the registered owner was fully aware that the applicant has a global expansion plan in mind, with an intention to use the name and drawings of "Blue Cat" in Hong Kong, to distinguish its merchandise from the other undertakings.
- (e) because the registration was deliberately concealed from the applicant and the registered owner knew its conduct was in disregard of the applicant's copyrights in the cartoon series, thereby depriving the applicant of substantive benefit in its copyright works;
- (f) because the registered owner's registration of the subject mark was a pre-emptive measure in an attempt to use the applicant's device, thereby depriving the applicant of the right to register its device to distinguish its goods from that of other undertakings.

II. If the above objections failed, whether the subject mark is valid because the registered owner's registration of the subject mark would have breached the applicant's prior rights, that is the applicant's trade mark rights and copyrights

of the applicant's cartoon series, contrary to section 12 (5) of the Trade Marks Ordinance ("Cap. 559")?

III. If, despite the above objections, the registered owner's registration of the subject mark is valid, then has the registered owner caused any passing off against the right of the applicant? The applicant argued that the registered owner's unauthorized use of the name "Blue Cat" and the applicant's device are calculated to and will cause passing off against the right of the applicant as it is highly likely that the public would be deceived into thinking that the registered owner's products were from the applicant.

IV. What relief, if any, is appropriate in the light of the answers given to the above issues? It is obvious that my findings on some of the issues will obviate the need to deal with others.

Counter-statement or evidence

12. The registered owner has not filed a counter-statement or evidence in support of the counter-statement within three months from the date of receipt of the application and statement of grounds under sections 41 and 43 of the Trade Marks Rules, Cap. 559A ("Cap.559A").

13. That concludes my review of the evidence and grounds insofar as I see them relevant to the current proceedings.

Hearing

14. Pursuant to sections 47 and 45, Cap.559A, a date was fixed for the hearing and both the applicant and the registered owner were notified. As both the applicant and the registered owner did not wish to attend an oral hearing, this decision is given on the basis of all the documents duly filed in the proceedings.

Decision

15. An application to have a registered mark declared invalid is a claim that the mark did not qualify for registration in the first place and should have been refused on either absolute grounds under section 11 (Absolute grounds for refusal of registration) or section 12 (Relative grounds for refusal of registration), or both, of Cap 559.

16. The subject mark was registered under the repealed Cap. 43. By virtue of section 17(2) of Schedule 5 of Cap 559, this application is to be determined under Cap. 559. The grounds for seeking a declaration of invalidity of a trade mark are to be found in section 53 of Cap.559.

17. Section 53(1) (Declaration of invalidity of registration) of Cap.559 provides that-

“(1) An application for a declaration of invalidity of the registration of a trade mark may be made by any person, and may be made either to the Registrar or to the court.”

Any person can make an application for a declaration of invalidity. The applicant made the application to the Registrar and followed the procedure under Cap.559A.

18. The registered owner did not file a counter-statement or evidence in support of its registration. Although the Registrar has the discretionary power to treat this application as being unopposed under section 41(3) of Cap.559A, I am mindful of the substantive effect of the statutory presumption under section 80 of Cap. 559. It provides that “...the registration of a person as owner of a trade mark shall be prima facie evidence of the validity of the original registration...”. I am therefore of the view that such a procedural default does not necessarily mean that the applicant for invalidity in the proceedings should succeed automatically. The onus in the circumstances is on the applicant for invalidity to prove why it is that the registration should be declared invalid. In the circumstances, I proceed to consider the merits of this application.

Bad faith

19. Section 53(3) of Cap. 559 provides that –

“(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).”

20. Section 11(5)(b) of Cap. 559 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.”

21. The provision does not attempt to indicate what is meant by bad faith. It is up to the courts or the Registrar to decide what amounts to bad faith in a particular case.

22. In *Gromax Plastics Ltd v Don & Low Nonwovens Ltd* [1999] RPC 367, Lindsay J stated (at page 379) that bad faith “includes dishonesty and... 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...[H]ow far a dealing must fall-short in order to amount to bad faith is a matter best left to be adjudged ...by reference to the words of the Act and upon a regard to all material surrounding circumstances.”

23. In *Harrison v Teton Valley Trading Co* [2005] FSR 10, Sir William Aldous said (at pages 185-87):

“26....The words “bad faith” suggest a mental state. Clearly when considering the question of whether an application to register is made in bad faith all the circumstances will be relevant. However the court must decide whether the knowledge of the applicant was such that his decision to apply for registration would be regarded as in bad faith by persons adopting proper standards.”

He went on to conclude that:

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

24. Thus the test comprises both subjective and objective elements. What a registered owner says about his state of mind when he made the application for registering the mark cannot be determinative. The courts or the Registrar has to apply the objective standards of a reasonable businessman in the special circumstances of the case to decide whether the bad faith ground has been established or defeated.

25. The applicant’s allegation of bad faith on the part of the registered owner must be supported by evidence of dishonest activities or dealings or at the least commercial behaviour or activities that fall below the standard regarded as acceptable by the community at large. I turn to apply the law to all the relevant issues and facts of this

case.

26. Clause 1.3 of the agreement states that the registered owner shall not sub-license nor sub-assign its rights to exploit the name and images of the characters in the cartoon series unless the registered owner has obtained the consent of the applicant. There is no evidence to support that the registered owner has sub-licensed or sub-assigned its rights. I find this issue irrelevant to the proceedings.

27. The next issue that the registered owner applied for registration of the subject mark in Hong Kong without the consent of the applicant is a relevant one. However, there is no clause in the agreement governing the registration of the applicant's device in Hong Kong.

28. The other relevant issues are about the registered owner's subject mark being deceptively and confusingly similar to the applicant's device; and the registered owner was dishonest when it copied the whole of the applicant's device and worst registered it, in bad faith, in respect of the same goods (Class 16) as those on which the applicant's device has been used in Hong Kong.

29. The applicant further submitted that the registered owner's dishonesty can be inferred from the circumstances that the registered owner, as an exclusive licensee or user of the right in the artistic work of the applicant, was fully aware of the prior rights and the applicant's global expansion plan.

30. And as a result of deliberate concealment by the registered owner of the registration of the subject mark, the applicant submitted that the registered owner knew his conduct was in disregard of the applicant's prior rights and thus deprived the applicant of substantive benefits.

31. The applicant submitted that the registered owner's registration of the subject mark was a pre-emptive measure in an attempt to use the applicant's device, thereby depriving the applicant of the right to register its device to distinguish its goods from that of other undertakings.

32. The above are the relevant circumstances relating to the bad faith ground. Considering the evidence, I am of the view that the registration of the subject mark in Hong Kong by the registered owner was not contemplated under the agreement. Due to their relationship, the registered owner should have been aware of the applicant's global

market expansion plan. Therefore, the registered owner should have been aware that the registration of the subject mark would pre-empt the applicant from registering its own mark in Hong Kong.

33. Applying the law to the special circumstances of this case, I conclude that the registered owner was acting in bad faith when he registered the subject mark with a view to pre-empting any subsequent use or registration of the applicant's device in Hong Kong by the applicant, contrary to section 11(5)(b) of Cap. 559.

Breach of prior rights

34. Another ground is whether the registered owner's registration of the subject mark have breached the applicant's prior rights, that is the applicant's trade mark rights and copyrights of the applicant's cartoon series, contrary to section 12(5) of Cap. 559.

35. Section 12(5) of Cap.559 provides that-

“Subject to subsection (6), a trade mark shall not be registered if, or to the extent that, its use in Hong Kong is liable to be prevented –

- (a) by virtue of any rule of law protecting an unregistered trade mark or other sign used in the course of trade or business (in particular, by virtue of the law of passing off); or
- (b) by virtue of an earlier right other than those referred to in paragraph (a) or in subsections (1) to (4)(in particular, by virtue of the law of copyright or registered designs),

and a person thus entitled to prevent the use of a trade mark is referred to in this Ordinance as the owner of an “earlier right” in relation to the trade mark.”

36. As to the applicant's prior trade mark rights, the common law principle on proprietorship of unregistered marks is that “the owner of a mark which had been used in conjunction with goods was he who first used it.” See AL BASSAM [1995] RPC, 511, 522.

37. There is no contrary evidence to the applicant's claim that it is the proprietor of the applicant's device. On the evidence, the applicant gave no indication that it wanted

the registered owner to apply for and own the applicant's device in Hong Kong. The registered owner made no approach to the applicant seeking its agreement to the use of the applicant's device with or without alteration.

38. Without any express consent from the applicant, the registered owner's registration of the applicant's device with the name "BLUE CAT" has breached the applicant's trade mark rights.

39. As to the applicant's copyrights, there is evidence in the form of copyright registration in the cartoon series on 23 May 2000 in mainland China - (Exhibit LYB-2 to the affirmation). There is no evidence to the contrary. Applying section 177 (Qualification for copyright protection) of the Copyright Ordinance, Cap.528 ("Cap.528") to the facts, I find that copyright subsists in the applicant's device in or before May 2000 and they are entitled to protection in Hong Kong.

40. Having determined that there is an earlier copyright, the next question is whether the registered owner's use of the subject mark would be an infringement of that copyright. The correct approach to determine copyright infringement was set out in *Designers Guild Ltd v Russell Williams (Textiles) Ltd* [2001] FSR 11 at 124 where Lord Hope of Craighead stated:

"The first step in an action for infringement of artistic copyright is to identify those features of the defendant's design which the plaintiff alleges have been copied from the copyright work. The court undertakes a visual comparison of the two designs, noting the similarities and the differences. The purpose of the examination is not to see whether the overall appearance of the two designs is similar, but to judge whether the particular similarities relied upon are sufficiently close, numerous or extensive to be more likely the result of copying than of coincidence. It is at this stage that similarities may be disregarded because they are commonplace, unoriginal, or consist of general ideas. If the plaintiff demonstrates sufficient similarity, not in the works as a whole but in the features which he alleges have been copied, and establishes that the defendant had prior access to the copyright work, the burden passes to the defendant to satisfy the judge that, despite the similarities, they did not result from copying."

41. In order to determine whether there is copying, I have identified and examined the features of the subject mark and the applicant's device. I have made a visual

comparison, noting the similarities and the differences between the two marks. As to similarities, the feature of the subject mark, depicting the cat's face, is similar if not identical to the applicant's device. The difference being it looks to the left hand side rather than to the right hand side. The other differences are that whilst no parts of the cat's body or hands appear, the words "BLUE CAT" appear underneath the cat's face and the mark has a rectangular frame. Despite these differences, I find that the similarity relied upon was sufficiently close to be more likely the result of copying than independently designed. I am of the view that in such a case of altered copying, a substantial part of the labour, skill and judgment contributed by the original author in creating the applicant's device has been taken.

42. As to the issue of prior access, the applicant executed the agreement in favour of the registered owner on 18 September 2001 concerning the use of the applicant's devices. It can be inferred that the registered owner has prior access to the applicant's device on or before 18 September 2001. There is no evidence to the contrary.

43. Section 22(2) (The acts restricted by copyright in a work) of the Cap. 528 provides that: "Copyright in a work is infringed by a person who without the licence of the copyright owner does, or authorizes another to do, any of the acts restricted by the copyright." The issue I now turn is whether the applicant has authorized the copying by the registered owner.

44. The applicant, in consideration of the royalties and/or sales profit under the agreement, authorized the registered owner to use the trade mark right and copyright in the artistic work (consisting of the name and fictional characters in the cartoon for the purpose of manufacture and distribution of "Blue Cat Clothing") both within and outside the jurisdiction of China. Without any express licence from the applicant, the registered owner's registration of the applicant's device with the name "BLUE CAT" has breached the applicant's prior copyrights in the applicant's cartoon series.

45. I therefore conclude that the registered owner's registration of the applicant's device with the name "BLUE CAT" has breached the applicant's prior rights, contrary to section 12(5) of Cap.559.

Passing off

46. Another ground of invalidity is based on passing off. The applicant submitted that the registered owner's unauthorized use of the name "Blue Cat" and the applicant's

device are calculated to and will cause passing off against the right of the applicant as it is highly likely that the public would be deceived into thinking that the registered owner's products were from the applicant.

47. Section 12(5) of Cap. 559 provides that-

“(5) Subject to subsection (6), a trade mark shall not be registered if, or to the extent that, its use in Hong Kong is liable to be prevented –

(a) by virtue of any rule of law protecting an unregistered trade mark or other sign used in the course of trade or business (in particular, by virtue of the law of passing off); or

(b) ...

and a person thus entitled to prevent the use of a trade mark is referred to in this Ordinance as the owner of an ‘earlier right’ in relation to the trade mark.”

48. The test for passing off has been conveniently quoted in *WILD CHILD Trade Mark* [1998] RPC 455, 460-461. In order to succeed on this ground, the applicant has to prove (a) the existence of goodwill and reputation in the market and his goods or services are known by some distinguishing feature, (b) misrepresentation by the registered owner (whether or not intentional), leading or likely to lead the public to believe that the goods offered by registered owner are goods of the applicant, resulting in confusion or deception and (c) the applicant is likely to suffer damage as a result of the erroneous belief engendered by the applicant's misrepresentation.

49. Where there is no direct misrepresentation, as in this case, the applicant has to prove that (a) the applicant's device has acquired a reputation among the relevant class of persons and (b) that members of that class will mistakenly infer from the registered owner's use of the applicant's device that the registered owner's goods are from the same source or are connected.

50. There is evidence to support that the applicant executed an agreement with ATV on 8th February 2002 under which the applicant granted to ATV a licence to broadcast the Cartoon series in Hong Kong before March 2002 - (Exhibit LYB-7 to the Affirmation). It is conceivable that the broadcast in Hong Kong could lead to the existence of the applicant's reputation in Hong Kong.

51. Even if I thought the evidence was adequate as it stood for the applicant to establish the existence of reputation among the relevant class of persons in Hong Kong, the applicant would still have to prove the other elements required in a passing off action in order to succeed. There is, however, no evidence in support of the contention that the registered owner's registration of the subject mark has taken unfair advantage of the applicant's reputation and has been detrimental to the distinctive character of the applicant's device or how the public has been deceived into thinking that the registered owner's goods were from the applicant. I therefore find that the applicant has not made out the passing off ground to any significant extent that is worthy of further consideration.

Conclusion

52. In this decision, I have considered all the documents filed by the applicant, all the evidence and arguments submitted in relation to the application. I conclude that the applicant's grounds to invalidate the registered owner's subject mark have succeeded in bad faith and prior rights, but failed in passing off.

53. In the light of my conclusions to the above grounds, it remains for me to determine the appropriate relief in the circumstances. Taking the above findings into account and no evidence has been adduced by the registered owner, I declare the subject mark to be invalid in respect of all the goods in Class 16 for which the mark is registered. The subject mark will be removed from the register to this extent pursuant to section 53 of Cap. 559

Cost

54. I award the applicant costs. Subject to any representations, as to 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 I of the First Schedule to Order 62 of the Rules of the High Court (Cap. 4) as applied to trade mark matters, unless otherwise agreed between the parties.

Peter K F Cheung
for Registrar of Trade Marks
23 July 2005