

TRADE MARKS ORDINANCE (Cap. 559)

OPPOSITION TO TRADE MARK APPLICATION NO. 300408825

MARK:



CLASS: 33

APPLICANT: SONG YU-FA

OPPONENT: BEIJING RED STAR CO., LTD.

STATEMENT OF REASONS FOR DECISION

Background

1. On 25 April 2005, Song Yu-Fa (the “applicant”) filed an application (the “subject application”) under the Trade Marks Ordinance, Cap. 559 (the “Ordinance”) for registration of the mark, which is represented above (the “suit mark”), in Class 33 in respect of “alcohol beverages except beer, alcohol beverages containing spirits, alcohol beverages containing wines, alcohols, aperitifs, brandy, champagne, cider, cocktails, cognac, distilled beverages, gin, liquors, red wine, rum, spirits, vodka, whisky, white wine, wine”.

2. Particulars of the subject application were published on 6 May 2005. Beijing Red Star Co., Ltd. (the “opponent”) filed a notice of opposition which includes the grounds of opposition on 2 August 2005.

3. The opposition hearing took place before me on 22 May 2008. Ms Yeung So Mun of Hastings & Co., Solicitors, represented the opponent. The applicant did not appear at the hearing.

Grounds of opposition

4. In the grounds of opposition, which had been amended once to add in one more ground, the opponent opposes registration of the suit mark under sections 11(4)(b), 11(5)(a), 11(5)(b), 12(5) and 12(6) of the Ordinance.

Counter-statement

5. Particulars of the subject application published on 6 May 2005 reveal that the applicant is a person with an address in the Anhui Province of mainland China. On the Trade Marks Register, however, the record of the applicant's address had been changed, at the request of the applicant, to a Hong Kong address after this opposition proceedings had been initiated.

6. The applicant filed a counter-statement on 1 November 2005. The main argument in the counter-statement is that the opponent has never registered any trade marks or trade names in Hong Kong prior to the subject application, so the opponent should not enjoy any trade mark registration right in priority.

7. The applicant further avers that the main market of the applicant is in Hong Kong, whereas the main market of the opponent is in mainland China, hence they do not interfere with each other and registration of the suit mark would not cause confusion to customers.

8. It is further averred that the applicant has established a company called China Beijing Redstar Erguotou Group Limited in Hong Kong with the applicant as the shareholding director. The applicant claims that he has been engaged in the trade of alcoholic wine for many years and he and his company had placed big investment in Hong Kong to promote and register as trade marks the “二鍋頭 & Device” brand and the “紅星 & Device” brand and so on.

The opponent's evidence

9. The opponent's evidence is the only evidence in the proceedings. This comprises a statutory declaration of Zhang JinGang dated 6 July 2006. Mr. Zhang is

the legal representative of the opponent.

10. According to Mr. Zhang, the opponent has been carrying on business in the mainland of China, Hong Kong and worldwide and has been engaged in, among others, the preparation, manufacture, packaging, export, distribution and sale of “alcoholic beverages, particularly wines all included in class 33” by reference to various versions of the mark “紅星 and Device”. I shall discuss in detail these various versions of the mark “紅星 and Device” in the latter part of this decision.

11. The first batch of the opponent’s goods bearing the opponent’s mark was released on 1 August 1949 and the opponent’s mark was alleged to have first been used in Hong Kong in 1992.

12. Exhibit ZJG-1 to Mr. Zhang’s statutory declaration contains the registration records of the opponent’s mark in different countries, and Exhibit ZJG-2 is the opponent’s trade mark application in Hong Kong. In relation to the trading of the opponent’s goods in Hong Kong and Shenzhen, Exhibits ZJG-3 to ZJG-5 contain a Shenzhen newspaper report, a certificate of merit issued to the opponent and a declaration by the opponent’s dealer. Exhibits ZJG-6 to ZJG-9 contain the sales, export figures of the opponent’s goods and invoices issued by the opponent and its traders. Exhibit ZJG-10 are visual recording on video cassettes of the television programme “Red Star International Theatre”.

13. Mr. Zhang argues that given the proximity and commercial relations of the Guangdong region, Shenzhen and Hong Kong, the reputation of the opponent’s mark has spilt over to Hong Kong. Exhibit ZJG-11 are copies of advertising inspection report provided by various television channels in Shen Zhen, Jiang Men and other places in the Guangdong region, and Exhibit ZJG-12 shows an advertising contract with Zhong Shan Television for advertising of the opponent’s goods on various television channels.

14. It is averred that the applicant had applied in Hong Kong for another unregistered well-established trademark in the mainland, namely, “Da Hong Yin”, to take advantage of its non-registration. Exhibits ZJG-15 to ZJG-17 are information in relation to the applicant’s application for registration of “Dahongying and device” in Hong Kong.

15. The fact that the applicant gave an address in the Anhui Province of

mainland China when he made the subject application is mentioned in Mr. Zhang's statutory declaration. Exhibit ZJG-18 is said to be a "declaration" made by Anhui Suzhou Mingliyuan Hotel, stating that they had been selling the opponent's goods in Suzhou. It is alleged that the applicant should have known of the reputation of the opponent's mark as he had lived in Anhui.

16. Exhibits ZJG-19 to ZJG-21 are the Applicant's business, including the applicant's business card and packaging of the applicant's goods.

Decision

17. Despite having pleaded several grounds in the grounds of opposition (see paragraph 4 above), at the hearing the opponent represented by Ms. Yeung sensibly pursued only the ground based on section 11(5)(b) of the Ordinance.

Section 11(5)(b)

18. Section 11(5)(b) of the Ordinance provides that a trade mark shall not be registered if the application for registration of the trade mark is made in bad faith. The term "bad faith" is not defined in the Ordinance.

19. In *Gromax Plastics Ltd v Don & Low Nonwovens Ltd* [1999] R.P.C. 367 at 379, Lindsay J. said in relation to section 3(6) of the U.K. 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.”

20. In *Harrison v Teton Valley Trading Co (CHINAWHITE)* [2005] F.S.R. 10, where the Court of Appeal in the United Kingdom said (at paragraph 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.*” (emphasis added)

21. Further, in *Ajit Weekly Trade Mark* [2006] RPC 25, the Appointed Person said,

“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.”

22. Bad faith is a serious allegation that must be proved. An allegation of bad faith should not be lightly made unless it can be fully and properly pleaded and should not be upheld unless it is distinctively proved and this will rarely be possible by a process of inference (*ROYAL ENFIELD Trade Marks* [2002] R.P.C. 24 at para. 31).

23. I note, in the present case, the allegation of bad faith was included in the grounds of opposition, as an additional ground, after the opponent learnt that the applicant had brought another application, which is alleged to be as improper as the subject application is. That other application is the application for registration of a mark known as “Dahongying 大紅鷹 and device”. Like the instant case of the suit mark, the “Dahongying 大紅鷹 and device” mark is alleged to be another well-established mark in the mainland which has not yet been registered in Hong Kong by its true owner but is picked up by the applicant for obtaining a trademark

registration in Hong Kong. The opponent first mentioned the “Dahongying 大紅鷹 and device” application in a letter to the Registrar dated 15 February 2006 as a reason for applying for leave to amend the grounds of opposition by adding in bad faith as an additional ground. Details of that mark and the “Dahongying 大紅鷹 and device” application have been spelt out in Mr. Zhang’s statutory declaration (paragraph 15 and Exhibits ZJG-15 to 17) and have become evidence in these proceedings.

24. This much about the “Dahongying 大紅鷹 and device” application must be said at the outset, as at one time the opponent seemed to place great reliance on the mere fact that that application had been made by the applicant to premise his bad faith claim in the present proceedings. I wish to make it clear, however, that in the absence of a visible link between the “Dahongying 大紅鷹 and device” application and the subject application, and given the indeterminate nature of the allegations made against that application, which cannot possibly be proved in the present proceedings, giving the best consideration I can, I do not consider that anything in the instant case turns upon the “Dahongying 大紅鷹 and device” application. The focus of attention in the instant claim of bad faith must be the propriety of the applicant’s conduct, not generally, but specifically in relation to his request for protection of the suit mark for the goods in question in the particular circumstances of the subject application.

25. Having said that, I must point out that it is apparent from the grounds of opposition and Mr. Zhang’s statutory declaration that the bad faith objection is grounded on a set of factual circumstances of which the “Dahongying 大紅鷹 and device” application only forms part, though what else are within the parameters of the set of circumstances do not come out easily in those documents. This lack of clarity was vitiated somehow by the summary of the opponent’s case provided by Ms. Yeung, representing the opponent at the hearing, at paragraphs 8 and 9 of her skeleton argument, which are reproduced below:-

“8. In relation to the Applicant’s bad faith, we submit that the Applicant, with the knowledge of the Opponent’s reputation in the mark “紅星” and the ribbon device in the Opponent’s home country which is also the Applicant’s home country (from the initial record of the Suit Mark, the Applicant’s address was in Anhui Province) as well as in Hong Kong, but still applied to register the Suit Mark in Hong Kong.

9. Given the volume of sales of the Opponent’s Mark in China which were supported by the evidence as filed, the Applicant cannot deny his

recognition of the Opponent's Mark in China and the fact that reputation of the Opponent has split over in Hong Kong and that application was not made in bad faith.”

26. In other words, bad faith is premised upon the reputation the opponent enjoyed in their marks being taken advantage of or jeopardized by the applicant's bringing of the subject application in Hong Kong. The corollary is that there must be some kind of relation or connection between the suit mark and the relevant opponent's mark or marks such that confusion or deception would result in case the suit mark is registered. I would therefore first find out what is or are the opponent's mark or marks in question, given that various versions of the mark “紅星 and Device” are said to be used by the opponent since 1951, and see whether there is a perceivable linkage between the suit mark and any or all of these marks.

27. Various versions of the mark “紅星 and Device” had been set out graphically under paragraphs 2 and 3(b) of the Grounds of opposition (or the Amended Grounds of Opposition) as well as under paragraph 3 of Mr. Zhang's statutory declaration. Among them, I think only the marks represented below are relevant to the issue at stake. Essentially, as evidenced by the allegation of Mr. Zhang in his statutory declaration and the registration certificates exhibited at ZJG-1, they are marks registered by the opponent or its predecessors in mainland China as trade marks for alcoholic beverages:-

(a)



(b)



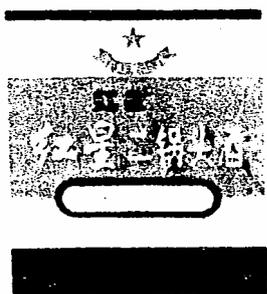
(c)



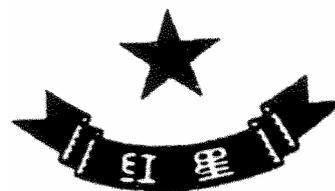
(d)



(e)



(f)



28. The opponent's marks as represented in the various versions depicted above (which are referred to as marks (a) to (f)) are composite marks each made up of a number of elements, some distinctive and some indistinctive in relation to alcoholic wine. I consider the generic term “二鍋頭酒”, the descriptive terms “氣味香馥” and “六十五度”, and the common devices such as the rectangular boundary or background, etc., as the indistinctive elements in the opponent's marks. Stripping the marks of all these indistinctive elements, it is immediately apparent that what are left in each mark are largely the following three distinctive elements: a ribbon, a star immediately above the ribbon, and the Chinese characters “紅星” or “紅星牌”. The Chinese characters vary in position from mark to mark, but in the main are imprinted on the ribbon; occasionally, as in the case of mark (a), they stand on their own arching over the star. In the way these three elements were being put together in the respective marks, I will say as a whole they constitute a “Composite Sign” (and I will hereinafter so refer the three elements being put together in such manner).

29. In marks (a), (b), (c) and (f), no doubt the Composite Sign is the dominant and distinctive element in the whole of these marks.

30. In the case of marks (d) and (e), besides appearing as part of the Composite Sign, the characters “紅星” or “紅星牌” also appear above and/or precede the generic term “二鍋頭酒”. It is often said that in the case of composite trade marks, "words speak louder than devices". That, in my opinion, is the case here. The independent, separate and prominent appearances of these characters make them the more dominant element in these marks than is the Composite Sign. Nevertheless, this does not preclude the Composite Sign, without alone determining the overall impression conveyed by the composite trade marks of the opponent's, from having an independent distinctive role¹ within the opponent's marks. In other words,

¹ The term *independent distinctive role* seems to originate from the ECJ judgment in *Medion AG v Thomson Multimedia Sales Germany & Austria GmbH* (C120/04) [2005] E.C.R. I-8551 ECJ (2nd Chamber), [2006] ETMR 13 (the “*Medion Judgment*”), and further discussed in *Rousselon Freres ET*

notwithstanding there may be other dominant element(s) in some (not all) of the opponent's marks, these marks are nonetheless characterized by the Composite Sign which is the common component in all of them.

31. What significance has this to do with our present investigation? *Rousselon Freres ET CIE v. Horwood Homewares Limited* [2008] EWHC 881 (Ch), an English Chancery Court case, could illustrate the point. In that case, applications for invalidation were brought based on three registrations of PROFESSIONAL SABATIER, LION SABATIER & SABATIER (the "Appellant's Marks"), against registered trade marks "JUDGE SABATIER" and "STELLAR SABATIER" (the "Registered Marks"). The question of similarity in the marks centered around the presence of the word SABATIER in all of the marks concerned. The hearing officer for the UK Trade Marks Registrar held that the fact that this word (SABATIER) was incorporated into a number of marks used by different traders was likely to focus attention of the consumers on the other elements within these marks and overall there was no likelihood of confusion, accordingly the applications for invalidation failed. However, the decision was reversed on appeal to the English Chancery Court. The Court decides that since the word SABATIER does retain an *independent distinctive role* in the Registered Marks, it is not possible consistently with that conclusion to maintain that there is no likelihood of confusion between the Appellant's Marks and the Registered Marks.

32. Translate that into the present context, it could be said that any third party mark that contains the Composite Sign would always carry a likelihood of confusion with the opponent's marks.

33. The suit mark, as is the case of mark (f) above, is made up entirely of the Composite Sign. As I perceive it, the only difference between the suit mark and the Composite Sign is that visually, the ribbon and the star in the suit mark are shown in dotted lines, as opposed to the solid colour black of their counterparts in the Composite Sign. I do not find the difference, if any, between "紅星" and "紅星牌" (as in some versions of the opponent's marks) a matter of significance given that "牌", meaning brand, is a widely used character incorporated into a Chinese term to signify that the term represents a brand name, and is indistinctive. Nor is the positioning of the Chinese characters, whether imprinted on the ribbon, arching over the star, or juxtaposing a generic term, a matter of significance in the overall perception of the suit mark, or of the Composite Sign.

CIE v. Horwood Homewares Limited [2008] EWHC 881 (Ch).

34. Given the above analysis, if it is shown that the opponent's marks had actual earlier use and more substantial reputation than the suit mark had, it is fair to say that the suit mark, taking up all the elements of the Composite Sign, would pose a risk that the relevant average consumers, assuming they have knowledge of the past publicity of the opponent's marks in which the Composite Sign plays an independent and distinctive role throughout, might believe that the goods or services in question come from the same undertaking as the opponent's; moreover, registration of the suit mark in Hong Kong would prohibit registration of the opponent's marks in Hong Kong. In what I am going to say below, use of any of the opponent's marks would therefore also mean use of the Composite Sign.

35. These lay the premise for the bad faith claim, but to succeed in this claim, in the light of the authorities discussed above, the opponent would need to further establish that the applicant had the relevant knowledge of the opponent's marks and other matters in question at the time when he made the subject application, and that the applicant's conduct is dishonest judged by ordinary standards of honest people.

36. There is, naturally, no actual evidence of what the applicant knew about the opponent's mark when he made the subject application. All that can be said are to be inferred from the surrounding circumstances established by the evidence filed or gleaned from the pleadings in the present proceedings.

37. The opponent claims that the first batch of the opponent's goods bearing the opponent's mark was released on 1 August 1949. Although there is no actual evidence proving use of any of the marks on goods as early as that date, registration certificates contained in Exhibit ZJG-1 to Mr. Zhang's statutory declaration show that as early as 1951, mark (a) as depicted above was registered for alcoholic beverages in mainland China by the opponent's predecessor, namely, the state-owned Beijing Brewing Factory, and registration of the other versions of the opponent's marks, also depicted above, by the opponent and its predecessor had taken place in the mainland since then, during the period that extended up to 2003. Whilst strictly registration of a mark and the actual use of it on goods do not necessarily have a correlation, it at least shows that the opponent has a claim to the Composite Sign long before the subject application was filed in 2005.

38. Exhibit ZJG-3 to Mr. Zhang's statutory declaration contains a newspaper article published in the Shenzhen Commercial Newspaper on 5 November 2003

describing the history of the opponent and the development of the opponent's alcoholic beverages products which were referred to in the article by various names, namely, “紅星酒”, “紅星二鍋頭” and “紅星牌二鍋頭酒”. Exhibit ZJG-4 contains a Certificate of Merit issued to the opponent's predecessor by the International Food Fair Hong Kong 1992 for the product “紅星牌特制二鍋頭酒” (also in English on the certificate as “RED STAR Brand Special Grade Er Guo Tou Spirit”). Exhibit ZJG-5 contains a declaration given by Tianjin Foodstuffs Import & Export Co. Ltd., allegedly the opponent's dealer, stating that it had since 1998 up to 2003 exported 11500 cartons of “紅星牌二鍋頭酒” to Hong Kong. Exhibit ZJG-6 contains a certificate of the production and sales figures of the opponent's goods “紅星牌系列白酒” (meaning the “紅星牌” series of white wine). Exhibits ZJG-7 to ZJG-9 contain invoices issued by the opponent and its traders, but the goods involved are only mentioned as “特制二鍋頭”. Exhibit ZJG-13 contains declarations given by Shen Zhen DaShui Association Drink Co. Ltd. and Guang Zhou Drinks Co. Ltd., allegedly distributors/sales agents of the opponent in the Guangdong region, certifying that they had been wholesaling the “北京紅星牌二鍋頭系列酒” and “紅星二鍋頭產品” since 2001 and 1997 respectively in the Guangdong region.

39. Actual appearances of the opponent's marks were only to be found in an advertisement inside a Chinese newspaper bearing a date in 2003 (in Exhibit ZJG-3 to Mr. Zhang's statutory declaration) where mark (f) as depicted above is found as an independent mark in the advertisement, and label in a format resembling mark (e) above was attached to goods shown in the advertisement.

40. Considering that the term “紅星” is no doubt the dominant element of the Composite Sign or of some of the opponent's composite marks (as is the case of marks (d) and (e)), I have no doubt that when the opponent's products were referred to as “紅星酒”, “紅星二鍋頭”, “紅星牌二鍋頭酒”, “紅星牌特制二鍋頭酒”, etc., in the various contexts discussed above, they were the goods that had the opponent's marks (and hence the Composite Sign) on them as an indication of origin.

41. It is alleged that the opponent has extensively used various media in the Guangdong region to enhance the recognition and reputation of the opponent's marks. Exhibit ZJG-10 to Mr. Zhang's statutory declaration contains visual recording on three video cassettes of the television programme “Red Star International Theatre” seemingly sponsored by the opponent, and Exhibit ZJG-11 are copies of advertising inspection report provided by various television channels in Shen Zhen, Jiang Men and other places in the Guangdong region during the years 2002 to 2004, showing that

the opponent's advertisements known as “紅星牌二鍋頭酒” were shown, among other advertisements, for 15 seconds each time, in the interval advertising times when the television programme “Red Star International Theatre” was shown on those television channels. Exhibit ZJG-12 shows an advertising contract with Zhong Shan Television for advertising of the opponent's goods on various television channels. From the video cassettes contained in Exhibit ZJG-10 which feature the “Red Star International Theatre”, a television programme sponsored by the opponent and others, television commercials of the opponent advertising its alcoholic beverages products can be seen. Goods that bear a marked resemblance to those appearing in the newspaper advertisement in Exhibit ZJG-3 mentioned above were shown in the television commercials, showing use of the opponent's marks on the alcoholic beverages products, and mark (f) appearing above the opponent's company name was shown as the last shot of the television commercials.

42. From the certificate of production and sales figures of the opponent's goods issued by the Huai Rou Statistic Bureau of Beijing (Exhibit ZJG-6 to Mr. Zhang's statutory declaration), sales figures for 2000 to 2004 of the opponent's goods allegedly bearing the opponent's marks are in hundreds of millions of R.M.B. (renminbi) each year.

43. Given the extent of use in time and quantity of the opponent's marks as indicated in the evidence discussed above, I come to the finding that a substantial portion of the average consumers in mainland China, when encountering alcoholic beverages products being identified by the term “紅星” or the Composite Sign, would believe that the goods come from the opponent or from undertakings economically-linked to the opponent.

44. Mr. Zhang also argues that given the proximity and commercial relations of the Guangdong region, Shenzhen and Hong Kong, the reputation of the opponent's mark has spilt over to Hong Kong. However, apart from the Certificate of Merit issued by the International Food Fair Hong Kong 1992 (Exhibit ZJG-4) which on its own gives little information about the reputation of the opponent's marks among the average consumers in Hong Kong, I think it is apparent that the evidence filed by the opponent is insufficient, even on a lenient approach, to support a claim that reputation of the opponent's mark has spilt over to Hong Kong.

45. As stated above, when considering the question of whether an application to register is made in bad faith all the circumstances will be relevant, and 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. (*Harrison v Teton Valley Trading Co (CHINAWHITE)*) The subjective element of the test means that the tribunal must ascertain what the defendant knew about the transaction or other matters in question.

46. The opponent alleged that the applicant should have known of the reputation of the opponent's mark as he had lived in Anhui (more exactly, what is certain is that the applicant gave an address in Anhui in the application form for registration of the suit mark) and sold and distributed the opponent's goods in the Anhui province. Exhibit ZJG-18 to Mr. Zhang's statutory declaration contains a 'declaration' given by Suzhou Mingliyuan Hotel (宿州明麗園大酒店), stating that they had been selling the opponent's "紅星酒" in Suzhou (suggested to be in Anhui) since 2003. The applicant did not file any evidence to refute this. Indeed, throughout the counter-statement – the only document in which we can get an idea of how the applicant sees his case as he did not file any evidence at all – the applicant has not denied that he has knowledge of the opponent's marks in mainland China; to the contrary, in a way suggesting that he has full knowledge of the opponent's marks, the following "claimed" facts were picked out as justifying his action of applying for registration of the suit mark in Hong Kong:-

- (a) the opponent had never registered any trade mark in Hong Kong prior to the filing of the subject application;
- (b) the opponent's main market was in mainland China, that of the applicant's was in Hong Kong, and that they did not interfere with each other;
- (c) the applicant has established CHINA BEIJING REDSTAR ERGUPOTOU GROUP LIMITED in Hong Kong (registration no. 994409) with the applicant himself as the shareholding director, engaged in the business of alcoholic wine for many years, and placed big investment in Hong Kong to promote and register the trade marks "二鍋頭 & device", "紅星 & device", etc.

47. Taking the above into account, I do not have any doubt that the applicant had knowledge of the longstanding use and reputation of the opponent's marks in mainland China when he filed the subject application in Hong Kong. What must be decided is 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 (see paragraph 21 above).

48. *Daawat Trade Mark* is a UK Registry case concerning an application for declaration of invalidity. The applicant for invalidation in that case was a rice producing company based in India and had used the mark DAAWAT in India since 1989 in relation to a trade in basmati rice. The sales director of the registered proprietor had visited India in March and August 1995 and had indirect contact with the applicant via a third party who sought to introduce the two companies because the applicant was looking for customers in Europe. The registered proprietor applied to register the mark DAAWAT in the United Kingdom in September 1995. In October 1996, the sales director visited the applicant in India and a business relationship developed. In February 1996 the registered proprietor agreed in principle to transfer the trade mark application to the applicant provided the parties could "clarify our future understanding with regard to the DAAWAT brand and how we intend to work together". The business relationship broke down in July 1997. The hearing officer held that the sales director of the registered proprietor was aware of the applicant's DAAWAT brand in India at the date of the UK application; that it was not merely coincidental that the application to register had been made about one month before the first meeting with the applicant; that, on the evidence, the application was a tool used by the registered proprietor in order to improve his bargaining position with the applicants and that, viewed objectively, this course of action, although falling short of outright dishonesty, was unacceptable commercial behaviour and was unfair to the point of bad faith. The decision was upheld on appeal to the Appointed Person of the UK Registry (see the report at [2003] RPC 11). The Appointed Person said:-

“**88** The second respondent is entitled on the basis of these findings to say that the respondent's conduct in applying for registration of the trade mark DAAWAT under the 1994 Act was not consciously dishonest. However, that does not appear to me to be an answer to the objection raised against the relevant application under s.3(6) [*which is similar to section 11(5)(b) of the Ordinance*].

89 I say that, because I do not consider that Art.3(2)(d) of the Directive and its counterpart, Art.51(1)(b) of the Community Trade Mark Regulation, exist for the purpose of rendering applications for registration acceptable if they are not consciously dishonest. In my view, they exist for the purpose of

ensuring that the opportunity to apply for registration is not abused by applicants claiming protection which they could not in good faith request or invoke, in relation to the relevant mark and specification of goods or services, in the circumstances existing at the date of application for registration. I do not believe that the "combined test" of dishonesty must necessarily be satisfied before an objection under s.3(6) can be taken to have been made out."

49. The Appointed Person then went on to say the following:-

“109 An applicant for registration wishes, in effect, to restrict the freedom of action of others in the area of economic activity represented by the goods or services specified in his claim for protection. It would be odd if the effect of registration upon other people's freedom of action had to be disregarded when assessing whether a claim for protection was open to objection on the ground of bad faith under s.3(6). The objection would, on that basis, be narrower in scope than the claim for protection to which it applied. I cannot believe that the Community legislature intended that to be the case.

110 In my view s.3(6) allows objections on the ground of bad faith to be raised in relation to matters arising between applicants and third parties as well as in relation to matters arising between applicants and the Registrar. This accords with the practice of the Community Office under the parallel provisions of Art.51(1)(b) of the Community Trade Mark Regulation.

111 I would agree that if s.3(6) had not been enacted, it *might* have been possible to say that the respondent's behaviour in applying to register itself as proprietor of the trade mark DAAWAT in the United Kingdom was legally unobjectionable.”

50. In the present case, the opponent alleges that not only has the applicant established the Hong Kong company mentioned above, which in Chinese is 中國北京紅星二鍋頭集團有限公司 (registration no. 994409), but that he has also operated a factory in Beijing, namely, “No. 2 Yinghai Town Industry Development Zone, Da Xing, Beijing”. Exhibit ZJG-19 to Mr. Zhang’s statutory declaration contains a name card bearing the applicant’s name as well as the aforesaid company name and address. Exhibits ZJG-20 and 21 contain some photographs of the bottled product wine 二鍋頭酒, bearing labels displaying the name of the company.

51. Looking at matters in the round, I think none of this was an accident. The applicant all along knew the reputation of the opponent's marks in respect of alcoholic wine, especially the 二鍋頭酒, in mainland China, and targeted the opponent with respect to their marks and the company name for the purpose of registering them in Hong Kong in furtherance of his objectives. I can see from what the applicant has put down in the counter-statement that he believed the opponent's marks, or for that matter the Composite Sign, were open and available for registration in Hong Kong on a first come, first served basis. His strategy was to register a mark that resembles the Composite Sign embodied in the opponent's marks, so as to get advantages of the distinctive character and repute of the opponent's marks. He also regarded registration of the company CHINA BEIJING REDSTAR ERGUPOTOU GROUP LIMITED as a suitable way of pursuing his business interests in the business or trade of alcoholic wine in Hong Kong.

52. In my view, the actions of the applicant in seeking to register the suit mark were calculated to deceive, and so to divert business from the opponent to its own, or to occasion a confusion between the two businesses. Applying the "combined test" of dishonesty as discussed above, I have no doubt that the applicant's conduct in filing the application for registration of the suit mark falls short of the standards of acceptable commercial behaviour observed by reasonable and experienced men in the business or trade concerned.

53. I conclude that the application for registration was made in bad faith.

Conclusion

54. For the reasons stated above, the subject application is refused under section 11(5)(b) of the Ordinance. Section 87(1) of the Ordinance provides that the Registrar may, in proceedings before him under the Ordinance, by order award to any party such costs as he may consider reasonable.

55. As the opposition has succeeded, I award the opponent costs. Subject to any representations, as to the amount of costs or calling for special treatment, which either the opponent or the applicant 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.

(Frederick Wong)
for Registrar of Trade Marks
25 September 2008