

TRADE MARKS ORDINANCE (CAP. 559)

**APPLICATION FOR DECLARATION OF INVALIDITY OF TRADE MARK
REGISTRATION NO. 300754669AB**

MARKS :



CLASS : 43

APPLICANT : FAVOUR LINK INTERNATIONAL LIMITED

REGISTERED OWNER : HERACLE TECHNOLOGIES LIMITED

STATEMENT OF REASONS FOR DECISION

Background

1. On 29 April 2009, Favour Link International Limited (“Applicant”) made an application to the Registrar of Trade Marks (“Application”) under the Trade Marks Ordinance (Cap.559) (“Ordinance”) for a declaration of invalidity of the registration of the following marks in series (“subject marks”):



(Trade Mark No. 300754669AB).

2. Registration of the subject marks was granted on an application for registration made on 6 November 2006 (“Filing Date”). The subject marks are registered as of that date in the name of Heracle Technologies Limited (“Registered Owner”) in respect of the following services (“subject services”):

Class 43

catering and restaurant services; theme restaurant services; buffet restaurant services; hot-pot restaurant services; sea-food restaurant services; restaurant services providing food and drinks; tea-room services, tea house services; food court and stall services, movable food stand services, provision of food and drink from kiosks services; preparation and provision of meals, food and beverages for dine-in, take away and home delivery; provision of take-away or delivery food-ordering services by telephone or facsimile or through an on-line computer network; delicatessen and fast food restaurant services; self-services restaurant services; canteen, sashimi and sushi bar services; banqueting services; catering services; consultation, information and advisory services relating to preparation and provision of food and beverages; services for providing food and drinks for consumption by consumers; preparation of cooked, semi-cooked or preserved meat, fish, poultry and vegetables; bistro services; wine bar services; reservation services for booking meals; juice bar services; coffee shop, café, cafeteria bar and cocktail lounge services; noodle shop services; patisseries, bakery and cake shop services (other than retailing) in relation to preparation of customized cakes, bakery and pastry products; bakery services; sandwich bars; healthy food and snack bar services; preparation and serving of ice cream and other dairy products for on and off premises consumption; ice cream parlour services; provision of conference facilities; provision of facilities for exhibitions and shows; providing information relating to preparation of foods and beverages and catering services on-line from a computer database or via the Internet.

3. The Application on Form T6 together with a statement of grounds were duly served on the Registered Owner. As the Registered Owner did not file a counter-statement within the prescribed period, the Application is treated as unopposed

by the Registered Owner under Rule 41(3) (as applied by Rule 47) of the Trade Marks Rules (Cap.559 sub.leg.) (“Rules”).

4. The Applicant’s evidence consists of a statutory declaration of Chung Mei Sing, Financial Controller of the Applicant, together with exhibits, which was declared on 28 January 2010 (“Chung’s statutory declaration”).

5. The Application was fixed to be heard on 3 August 2012. Neither party filed a notice of intention to appear at the hearing. Pursuant to Rule 74(2) of the Rules, both parties are treated as not intending to appear at the hearing.

Grounds of the Application

6. The Applicant relies on the following grounds under the Ordinance:-

- (i) section 11(5)(b);
- (ii) section 12(1), or alternatively section 12(2), or alternatively section 12(3);
- (iii) section 12(4); and
- (iv) section 12(5)(a)¹.

Registered Owner

7. The Registered Owner has not filed a counter-statement or any evidence in these proceedings.

Material date

8. The material date at which the validity of the registration of the subject marks is to be determined is the Filing Date, i.e. 6 November 2006.

Applicant’s evidence

9. The Applicant, a limited company incorporated in Hong Kong on 9 December 2005, has been carrying on business in Hong Kong under the name of

¹ The Applicant refers to section 12(5) in the statement of grounds. As the Applicant alleges the use of the subject marks by the Registered Owner constitutes passing off, I understand that the Applicant seeks to rely on sub-section (a) of section 12(5).

“Regal Airport Hotel” (“the Hotel”) since 30 March 2007. The Applicant is a wholly-owned subsidiary of Regal Hotels International Holdings Limited (“Regal Hotels Holdings”). The Applicant’s business includes the operation of a restaurant at the Hotel under the name “龍門客棧” in Chinese and the name “DRAGON INN” in English (“the Restaurant”).

10. The Restaurant was first operated by Dragon Charm Investment Limited from January 1999 up to the takeover of the business by Bauhinia Hotels Limited on 14 March 2000. Both companies are wholly-owned subsidiaries of Regal Hotels Holdings. The names “龍門客棧” and “DRAGON INN” were devised by the then board of directors of Dragon Charm Investment Limited. On 30 March 2007, the Applicant took over the hotel and restaurant operation business from Bauhinia Hotels Limited as a result of a spin-off and the separate listing of the Regal Real Estate Investment Trust.

11. According to Mr. Chung, the marks of “龍門客棧”, “DRAGON INN” and a composite mark bearing the words “龍門客棧”, “DRAGON INN” and graphical representation (reproduced below) have first been used in respect of restaurant and hotel services dating back to at least 18 January 1999 upon the opening of the Hotel in January 1999. I would refer the marks of “龍門客棧”, “DRAGON INN” and the composite mark reproduced below as the “Applicant’s Marks” collectively.



12. Mr. Chung deposes that the Applicant’s Marks have been used continuously and extensively inside and outside the Hotel, on the menus, tableware and in promotions including the website of the Hotel. In support, he produces copies of some undated photographs showing the use of the Applicant’s Marks at the premises of the Restaurant, some undated menus, a copy of a promotional leaflet of set meals bearing a handwritten date of “29.4.1999” and copies of printouts from the website of the Hotel printed on 24 December 2009 (all produced as Exhibit “CMS-5”).

13. Mr. Chung avers that the Applicant and its predecessors have, since 1999, taken active steps to promote the Hotel and the Restaurant by reference to the Applicant's Marks. Copies of some promotional materials and extracts from local newspapers and magazines including some extracts bearing dates in March 1999, January 2000 and February 2000 are produced at Exhibit "CMS-6".

14. The annual revenues generated from the Restaurant from 1999 up to 31 July 2008 are also set out at paragraph 14 of the statutory declaration, amongst other figures relating to the operations of the Hotel. Some sample copies of bills issued to customers of the Restaurant from 1999 to 2008 and copies of extracts from the audited financial statements of Bauhinia Hotels Limited from 2001 to 2006 are produced at Exhibit "CMS-7".

15. Mr. Chung asserts that as a result of the operation of restaurant services and the promotional efforts, the Applicant's Marks have acquired substantial goodwill and reputation in relation to services under Class 43 in particular restaurant services. From 2005 to 2008, the Restaurant was acclaimed as one of Hong Kong's Best Restaurants by readers of the Hong Kong Tatler (copies of the award certificates are produced at Exhibit "CMS-8")

Application under sections 53(5)(b) and 12(5)(a) of the Ordinance

16. Section 53(5)(b) of the Ordinance provides, *inter alia*, as follows:

"... the registration of a trade mark may also be declared invalid on the ground –

...(b) that there is an earlier right in relation to which the condition set out in section 12(4) or (5) (relative grounds for refusal of registration) is satisfied."

17. Section 12(5)(a) of the Ordinance provides, *inter alia*, as follows:

"(5) ... 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); ...

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."

18. The relevant question is whether normal and fair use of the subject marks for the purpose of distinguishing the subject services from those of other undertakings was liable to be prevented at the Filing Date by an action of passing off.

19. A helpful summary of the elements of an action for passing off can be found in *Halsbury's Laws of Hong Kong Vol 15(2)* at paragraph 225.001. The guidance takes account of speeches in the House of Lords in *Reckitt & Colman Products Ltd v Borden Inc* [1990] R.P.C. 341 and *Erven Warnink BV v J Townend & Sons (Hull) Ltd* [1979] A.C. 731 (which are also applied in the case of *Ping An Securities Ltd v 中國平安保險(集團) 股份有限公司* [2009] 12 HKCFAR 808), and is as follows :

The House of Lords has restated the necessary elements which a plaintiff has to establish in an action for passing off:

(1) the plaintiff's goods or services have acquired a *goodwill or reputation* in the market and are known by some distinguishing feature;

(2) there is a *misrepresentation* by the defendant (whether or not intentional) leading or likely to lead the public to believe that goods or services offered by the defendant are goods or services of the plaintiff; and

(3) the plaintiff has suffered or is likely to suffer *damage* by reason of the erroneous belief engendered by the defendant's misrepresentation.

20. The Registered Owner did not file any evidence and hence there is no evidence on the actual use, if any, made of the subject marks as at the Filing Date. In Chung's statutory declaration, Mr. Chung refers to searches on the Internet which show the operation by the Registered Owner of a restaurant under the name of "龍門客棧" at The Edge, a shopping mall in Tseung Kwan O. Copies of some printouts from the Internet are produced at Exhibit "CMS-10". Although the shopping mall has been open for business since 1 October 2006² which was earlier than the Filing Date, the information which Mr. Chung refers to could not point to whether the Registered Owner had in fact operated its restaurant or any of the subject services under the subject marks prior to or at the Filing Date.

² Mr. Chung deposes that the shopping mall was open on 1 October 2006. This tallies with the information disclosed in a newspaper article dated 30 August 2006 retrieved online and produced (among other documents) at Exhibit "CMS-10".

21. I am aware that in the context of a challenge to trade mark registrations, there may not be any actual conduct of the defendant at the material date of application for registration. For that reason, it is necessary to postulate any normal and fair use that may be made of the subject marks and to determine whether that would constitute passing off.

Goodwill and reputation of the Applicant's “龍門客棧” mark

22. It is the unchallenged evidence of the Applicant that the Applicant and its predecessors have been carrying on the business of providing food and beverages under the Applicant's Marks continuously since the opening of the Hotel in January 1999.

23. I note that the annual revenues generated from the overall hotel operations of the Hotel from 2001 to 2006 (which range from the lowest figure of around HK\$232.8 million in 2003 to the highest figure of around HK\$378.48 million in 2006) tally with the figures shown on the copies of extracts of the audited financial statements at Exhibit “CMS-7”. Regarding the figures which are said to attribute to the operation of the Restaurant from 1999 to 31 July 2008, I am only concerned with the figures prior to 2007 which are reproduced below. Although these figures are not apparent from the extracts of the audited financial statements exhibited, according to Mr. Chung, these figures have been internally audited.

Year	Revenue from the Restaurant (in HK\$)
1999	7,579,807
2000	8,414,143
2001	7,440,045
2002	6,096,192
2003	3,299,783
2004	5,670,704
2005	5,903,636
2006	6,142,338 ³

24. As the Applicant's evidence including the figures reproduced above is not contested by the Registered Owner, I am prepared to proceed on the basis that the figures reproduced above accurately reflect the revenues generated by the operation of the Restaurant in the years concerned.

³ Having regard to the revenue generated in 2006, I estimate that the revenue generated prior to the Filing Date amounts to about HK\$5,118,615 on a pro-rata basis.

25. Furthermore, from the copies of promotional materials and extracts from local newspapers and magazines exhibited at “CMS-6” which bear printed dates prior to the Filing Date, I note that the Restaurant’s services under the name of “龍門客棧” had been promoted in some local newspapers and magazines since 1999. The earliest extract shows the publication date of 29 March 1999. Other copies show promotion of the Restaurant under the name of “龍門客棧” (among other services and restaurants of the Hotel) in 2000.

26. Taking into account the revenues achieved by the Restaurant since 1999, I am satisfied that the “龍門客棧” mark has been used for the operations of the Restaurant continuously for nearly 7 years prior to the Filing Date. I also bear in mind the fact that the Restaurant (under the name of “Dragon Inn”) was acclaimed by readers of “Hong Kong Tatler” as “one of Hong Kong’s best restaurants for its exceptional cuisine and service” in 2005 and 2006.

27. Following from the above, I find that, as at the Filing Date, the “龍門客棧” mark of the Restaurant has acquired goodwill and reputation in the business of providing food and beverages in Hong Kong.

Misrepresentation

28. The next thing I have to consider is whether the use of the subject marks by the Registered Owner will likely lead to deception of the public. According to Buckley L.J. in *H. P. Bulmer Ltd v J Bollinger SA (No. 3)* [1978] R.P.C. 79 (at page 99), the representation required to found an action of passing off has to consist of conduct “such as to mislead members of the public into a mistaken belief that the goods or services of the defendant or the defendant’s business are or is either (a) the goods or services or business of the plaintiff or (b) connected with the plaintiff’s business in some way which is likely to damage the plaintiff’s goodwill in that business”.

29. The subject marks in series (marks “A” and “B”) are composite marks comprising three parts. The Registered Owner claims the colours red, white and black as elements of mark “B”.

30. Each of the subject marks consists of a largely rectangular device which acts as background (the background is black in colour for mark “A” and red in colour for mark “B”) on which the Chinese characters “龍” and “門”, written in Chinese

calligraphic style, are imposed. The character “龍” is surrounded by a largely circular ring which is also drawn in calligraphic style.

31. On the right of the largely rectangular device are the two Chinese characters “客棧” which are expressed in plain script.

32. The words “lung mun inn” in English appear beneath the largely rectangular device. “lung mun” is the English transliteration of the Chinese characters “龍門”, and “inn” corresponds to “客棧” in Chinese. The words however are written in very small size when compared to the other parts of the mark and are not prominent.

33. Taking the subject marks as a whole, I find that the expression “龍門客棧” stand out prominently. The words “lung mun inn” in the mark would unlikely give much visual impact to the consumers in view of their very small size. Although the inclusion of the background device and the presentation of the characters “龍門” and “客棧” in the marks should give some visual impact, in my view, the device and the arrangement of the characters are ornamental and not distinctive. Rather, the expression “龍門客棧” is readily discerned by consumers upon seeing the subject marks. The expression “龍門客棧” when used in relation to the subject services is distinctive and is likely to be remembered as a badge of origin of the services concerned. The consumers would remember the Chinese characters “龍門客棧” and take the marks as essentially “龍門客棧” marks.

34. It is obvious that the expression “龍門客棧” in the subject marks is identical to the “龍門客棧” mark of the Restaurant operated by the Applicant and its predecessors.

35. I refer to the Registered Owner’s subject services at paragraph 2. Whilst there is no evidence on the use of the subject marks in respect of any of the subject services at the Filing Date, I would presume that the Registered Owner intends to use the subject marks for all the subject services. I would consider whether the fair and notional use of the subject marks would constitute passing off.

36. I would first deal with the services specified under the registration of the Registered Owner except for “provision of conference facilities; provision of facilities for exhibitions and shows” (“the excepted services”). These services (other than the excepted services) are all specifically related to food and beverages, and can be categorized into two broad types, namely the services of providing food and beverages

to consumers, and the services of providing reservation, advice or information relating to food and beverages. As the members of the public who seek reservation services, advice or information on food and beverages are likely to be the same as those who are the potential or actual consumers of the services which provide food and beverages, I consider these services of providing reservation, advice or information are proximate to the services which provide food and beverages to consumers.

37. Given the identity of the expression “龍門客棧” in the subject marks with the Applicant’s “龍門客棧” mark, in my view, a substantial number of persons, upon seeing the subject marks, would likely be misled into believing that such services of the Registered Owner are the services of the Applicant, or alternatively, that these services are in some way connected with the Applicant’s business.

38. I find that the element of misrepresentation is made out in respect of the services (other than the excepted services) in the specification covered by the Registered Owner’s registration.

39. Turning to the excepted services, it is apparent that they do not fall within the two broad types of services discussed in paragraph 36 above. I have to assess whether there is any misrepresentation so far as the excepted services are concerned.

40. As put by Millet L.J. in *Harrods Ltd v Harrodian School Ltd* [1996] RPC 697 at 714 (citing *Annabel’s (Berkeley Square) Ltd v G Schock (trading as Annabel’s Escort Agency)* [1972] RPC 838 at 844), it is an important and highly relevant consideration in assessing misrepresentation to find out whether there is any kind of association, or could be in the minds of the public any kind of association, between the fields of activities of the Applicant and the Registered Owner. Nevertheless, there is no requirement that there must be “a common field of activity” in which both parties conduct their businesses, i.e. the Applicant and the Registered Owner need not be competing traders in the same line of business.

41. At first glance, one may argue there would not be any misrepresentation as the proprietors who provide the excepted services are not in the same field of activities of the restaurant operators which provide food and beverages. It should be noted that the Applicant’s Application is unopposed by the Registered Owner and no such argument had been advanced. Furthermore, as set out in paragraph 40 above, in assessing misrepresentation, there is no requirement that the Applicant and the Registered Owner have to be competing traders in the same line of business.

42. On the facts of the present case, the Applicant is situated in the Hotel offering food and beverages. It is the Applicant's evidence that the Applicant and its predecessors have first used the Applicant's Marks in Hong Kong in respect of the restaurant and hotel services dating back to at least 18 January 1999, and since the opening of the Restaurant, there have been active promotion of the Restaurant and the Hotel by reference to the Applicant's Marks (paragraphs 10 and 12 of Chung's statutory declaration). For the Registered Owner, there is no evidence on the activity it conducted at the Filing Date.

43. It is my understanding that the excepted services are often provided by hotels, amongst other proprietors specializing or involved in providing the facilities relating to conferences, exhibitions and shows. It appears to me that such facilities could also be offered by restaurants run by hotels and inside hotel premises.

44. On this basis, the Applicant's business in operating the Restaurant could extend to the excepted services and as such would overlap with the Registered Owner's business in providing the excepted services, which gives rise to association and the likelihood of confusion.

45. Considering the Applicant's evidence as a whole and bearing in mind the reputation and goodwill acquired by the Applicant's "龍門客棧" mark and its relationship with the Hotel, it is likely that a substantial number of persons, upon seeing the application of the subject marks by the Registered Owner on the excepted services, would be misled into believing that the excepted services provided by the Registered Owner are the services of the Applicant, or are somehow associated with the Applicant's services.

46. Following from the above, I find that the element of misrepresentation is also made out in respect of the excepted services.

Damage

47. A claimant does not have to prove actual damage in order to succeed in an action for passing off.

48. In view of the Applicant's reputation and goodwill in the "龍門客棧" mark, and that consumers are likely to mistakenly infer from the use by the Registered Owner of the subject marks in respect of the subject services that such services are from the

Applicant or are connected with the Applicant's business, damage to the Applicant's goodwill is a reasonably foreseeable consequence of the use of the subject marks.

Conclusion

49. I find that each of the elements of passing off referred to in paragraph 19 above has been established. I consider that the normal and fair use of the subject marks for the purpose of distinguishing the subject services from those of other undertakings was liable to be prevented at the Filing Date by an action of passing off.

50. For these reasons, the registration of the subject marks in respect of the subject services is declared invalid under sections 53(5)(b) and 12(5)(a) of the Ordinance.

51. As I have found in favour of the Applicant on the ground under sections 53(5)(b) and 12(5)(a) of the Ordinance, it is not necessary for me to consider the other grounds for the Application.

Costs

52. As the Application has succeeded, I award the Applicant costs.

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

(Miss Joyce POON)
for Registrar of Trade Marks
4 December 2012