

TRADE MARKS ORDINANCE (CAP. 559)

OPPOSITION TO TRADE MARK APPLICATION NO. 300776025

MARK: 

CLASSES: 18, 25

APPLICANT: HON MAN CHING

OPPONENT: HYX CHINA (GROUP) CO., LTD.

STATEMENT OF REASONS FOR DECISION

Background

1. On 8 December 2006 (“Application Date”), Hon Man Ching (“Applicant”) filed an application under the Trade Marks Ordinance (Cap. 559) (“Ordinance”) for the registration of the following mark (“suit mark”) –



Registration is sought in respect of the following goods in Classes 18 and 25 –

Class 18

“leather and imitations of leather, and goods made of these materials and not included in other classes; animal skins, hides; trunks and travelling bags; umbrellas, parasols and walking sticks; all included in Class 18”

Class 25

“scarves, clothing, overcoats, jackets, knitwear, shirts, suit, uniforms, folk costumes, shoes, gloves, neckties, shawls, footwear, headgear; all included in Class 25”

2. Particulars of the subject application were published on 23 February 2007. On 22 May 2007, a notice of opposition was filed by HYX China (Group) Co., Ltd.

(“Opponent”) against the subject application together with a statement of the grounds of opposition. In response to the notice of opposition filed, the Applicant filed a counter-statement on 21 August 2007. Subsequently, the Applicant sought and was granted leave to amend the notice of opposition filed. The Opponent did not make any changes to the counter-statement filed.

3. As evidence in support of the opposition, the Opponent filed two statutory declarations made by Wu Wei, the person in charge of its Intellectual Property Department, one made on 16 June 2008 and the other on 15 December 2009 (“First Wu Declaration” and “Second Wu Declaration” respectively). The evidence filed by the Applicant is in the form of a statutory declaration made by the Applicant himself (“Hon Declaration”).

4. The hearing of the opposition was held before me on 7 September 2012. Only the Opponent filed a notice of intention to appear at the hearing and Mr. Philips Wong, counsel instructed by Messrs. Robin Bridge & John Liu, appeared on its behalf.

Grounds of opposition

5. The grounds of opposition stated in the amended notice of opposition are those set out in sections 11(1)(a) and (b), 11(4) 11(5), 12(4) and 12(5) of the Ordinance. At the hearing, Mr. Wong sought only to rely on sections 11(5)(b), 12(4) and 12(5)(a).

Evidence of the Opponent

6. Wu Wei deposed to the long history of the business of the Opponent, dating back to 1927 when a 沈萊舟 opened a shop on Nanjing Road in Shanghai, selling woolen yarn. The name of this shop was “恒源祥”. In Exhibits “WW-16” and “WW-17” of the First Wu Declaration, copies of two books on the founding of the shop and its subsequent development and evolution can be found. Explanation for the choice of the name of the shop was given in the books – “恒” means long lasting, “源” means the source will never end, and “祥” means good fortune.

7. The Second Wu Declaration referred to the nationalization of all private enterprises in the PRC in the 1950s, thus accounting for the transfer of the business of “恒源祥” shop to the Opponent which has since then expanded to become a group

enterprise (“HYX Group”) with more than 10 wholly owned subsidiaries, 100 associated factories and over 8,000 sales channels in China. The business of HYX Group now extends to knitted garments, clothing, domestic textile and woolen yarn (“HYX Goods”). According to the First Wu Declaration, HYX Group is one of the enterprises which consume the largest quantity of wool in China and also in the world, consuming more than 10 thousand tones yearly, as well as the world’s largest producer for hand-knitted woolen yarn.

8. Wu Wei also averred to the use of the “恒源祥” brand name (“Opponent’s Mark”) in the business of the HYX Group, giving details of the trade marks that incorporate the Opponent’s Mark and in respect of which applications for registration have been made and/or granted in mainland China (“HYX Marks”). In total, the Opponent has 46 registered marks in mainland China. In particular, it was pointed out in the Second Wu Declaration that the earliest trade mark registration obtained by the HYX Group is the registration of the Opponent’s Mark in the name of “恒源祥絨線商店” in 1989 in respect of wool. A copy of this trade mark registration certificate can be found in Exhibit “WW-28”.

9. Among the HYX Marks, there is a composite mark (“Baby Head Mark”) comprising the words “恒源祥”, a device of the head of a baby and “HENGYUANXIANG”, the Putonghua pinyin of “恒源祥”. The Baby Head Mark is reproduced below: –



According to the information in paragraph 6 of the First Wu Declaration, a total of 9 applications had been filed for the registration of the Baby Head Mark in mainland China, covering various classes of goods including clothing, wool, cosmetics etc., and the earliest application for registration of the Baby Head Mark was filed in June 1998. From the copy certificates of registration in Exhibit “WW-2”, it can be seen that the Opponent has secured protection for the Baby Head Mark as early as August 1999. In Hong Kong, applications for registration of the Baby Head Mark had also been filed, but they were filed posterior to the Application Date.

10. Advertising expenditures for promoting the HYX Goods for the years 2002-2006 (over 50 million RMB yearly) were set out in paragraph 8 of the First Wu Declaration, with sample receipts in Exhibit “WW-3”. A number of the promotional

events were highlighted, with media reports, photographs and other materials in support shown in Exhibits “WW-4” – “WW-12”, including press reports announcing the Opponent being an official sponsor of the Olympics Games 2008.¹ However, quite a number of the activities took place only after the Application Date. Of those that occurred prior to the Application Date, they were activities conducted in mainland China only. It is therefore reasonable to conclude that the advertising expenditures provided relate solely to the market in mainland China.

11. On account of the figures set out in paragraph 18 of the First Wu Declaration, it can be said that the turnover of the Opponent for the years 2002-2006 had been substantial (on average over 200 million RMB yearly).² However, there is no breakdown showing the turnover in relation to the sale of HYX Goods in Hong Kong, nor are there any sample invoices that illustrate the occurrence of such sales, whether in Hong Kong or in mainland China. According to Mr. Wong, the Opponent intends to rely solely on the business it has been carrying on in mainland China and the spill over of the reputation built upon such business to Hong Kong.

12. References were made in the First Wu Declaration to the many awards conferred upon the Opponent, as well as the value of the brand name of the Opponent. As the Opponent seeks to rely on the spill over effect of the reputation of its brand from mainland China to Hong Kong, information about the number of tourists from mainland China visiting Hong Kong from 2004 to 2006 was also set out in the First Wu Declaration.

13. One other thing mentioned in the First Wu Declaration is the finding by a court of Hong Kong that the Applicant was a dishonest person in the case of *Hong Man Ching v Hongdou Group Corporation* (HCMP 2148 of 2005) (“Hongdou case”). According to the First Wu Declaration, the opposition of the application for the “紅豆” marks was the subject matter of the Hongdou case and the court referred to two trade mark applications submitted by the Applicant on the same date, namely 9 April 2002, one for “紅豆” and one for “恒源祥”.³ It was pointed out in the First

¹ The sponsorship was announced in 2005.

² The figures given in paragraph 18 of the First Wu Declaration were described as profits, but having verified this against the information in the extract of the audited annual accounts of the Opponent in Exhibit “WW-13”, the figures provided can only be the turnover from the businesses of the HYX Group (ie the Opponent and other associated affiliates of the Opponent), and not that of the Opponent alone.

³ In the First Wu Declaration, the Opponent referred to the trade mark “恒源祥” in the present case. This cannot be a reference to the suit mark since the Application Date is 8 December 2006 and not 9 April 2002. Clarification can be found in paragraph 6 of the Second Wu Declaration where it was mentioned that the registration date (which is the same as the application date) of the mark referred to in paragraph 14 below) is 9 April 2002. The “恒源祥” trade mark referred to here should thus mean the mark referred to in paragraph 14 below.

Wu Declaration that the mark of the opponent in the Hongdou case was found to be a well-known mark by the court. In the Second Wu Declaration, Wu Wei pointed to the rejection by the court in that case of the explanation given by the Applicant for the adoption of “紅豆” as a trade mark.

14. Although it is the Opponent’s case that the Applicant has the same dishonest intent in filing for the application for registration of the suit mark in the present case as in the Hongdou case, neither a copy of the judgment nor information about the two trade mark applications has been submitted. I should mention though that a copy of the judgment and records about the two trade mark applications were eventually submitted as part of the authorities and skeleton arguments relied on for the conduct of the hearing, they however do not form part of the evidence of the Opponent. Nonetheless, Wu Wei did mention, in the Second Wu Declaration, that the Applicant had filed an application for the registration of the following mark (“Other Mark”) on 9 April 2002: –



15. In response to the matters raised in the Hon Declaration, Wu Wei specifically referred to the application by the Opponent for the revocation of the Other Mark (“Revocation Proceeding”) in the Second Wu Declaration. Wu Wei deposed to the filing of that application for revocation on 21 June 2006.

Evidence of the Applicant

16. In the Hon Declaration, there is a detailed explanation for the adoption of the various components of the suit mark. According to the Applicant, the logo is the combination of “H”, “Y” and “X”, the first letters of “Heng Yuan Xiang”, with the central part looking like the ancient Chinese coin, and the letter “X” converted to surround the letters “H” and “Y”. As for the Chinese characters, “恒源” means source of eternity and that “fortune will come in a non-stop manner”, whereas “祥” refers to a particular field of business. The English characters “CHINASIA” were selected to convey the message to intended customers, in particular foreign customers, that garments sold under the suit mark are of a Chinese or Asian style.

17. It is the Applicant's suggestion that the Chinese characters are very common and widely used in trade names and business logos. This however is not demonstrated by any concrete examples of actual use of those characters found in the trade.⁴ In addition, the Applicant averred to the use of the words “恒源祥” as his business name since 2002. In support, the Applicant made reference to the Revocation Proceeding as the application for registration of the mark in question in that case was filed in 2002. There is however no information about the sales or promotion of products bearing the suit mark or the Other Mark in Hong Kong or elsewhere, whether in the form of sales figures, advertising expenditures, sample invoices or advertisements.

18. As evidence in support of its application for revocation of the Other Mark, a statutory declaration of Grecki Kathleen Jane (“Jane Declaration”) was filed by the Opponent in the Revocation Proceeding and a copy of this declaration was produced as Exhibit “HMC-1” of the Hon Declaration. Grecki Kathleen Jane was an investigator employed on behalf of the Opponent to find out if there had been use of the Other Mark by the Applicant in Hong Kong. Suffice it to say that on the basis of the searches and surveys conducted, the investigation showed that, as at June 2006 (the date on which the Jane Declaration was made), there had not been such use. It is the Applicant's case that the outcome of this investigation shows that the HYX Marks cannot be well-known in Hong Kong.

Section 11(5)(b)

19. The ground of opposition under section 11(5)(b) of the Ordinance is phrased as follows:-

“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.”

20. There is no definition of the term “bad faith” in the Ordinance. In ***Gromax Plasticulture Ltd v Don & Low Nonwovens Ltd*** [1999] RPC 367, Lindsey J had, at page 379, expressed his views on the meaning of the term, as follows: –

⁴ The Applicant did refer to the registration of HYX Marks in mainland China in the names of different companies, each incorporating the characters “恒源祥”, but it turns out that they are companies of the HYX Group.

“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.”

21. In determining whether an application was made in bad faith, the courts have applied a test which involves both subjective and objective elements. In the case of **Ajit Weekly Trade Mark** [2006] RPC 25, at paragraph 44 of the decision, the test is formulated by the Appointed Person as follows –

“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. The case of the Opponent, as put forward by Mr. Wong, is that there has been substantial and extensive use of the Opponent’s Mark and the Applicant has not denied that he was aware of the Opponent’s Mark when he filed the application for the suit mark. As the Opponent’s Mark is not descriptive and has no recognized meaning, Mr. Wong suggested that it would be impossible for someone to come up with the three identical Chinese characters and use them independently in an identical sequence as the Opponent. Another matter considered relevant by Mr. Wong is the adoption of the baby head device in the Other Mark, which was the subject matter of the Revocation Proceeding. Lastly, Mr. Wong pointed to the history of copying of others’ marks by the Applicant, as noted by the court in the Hongdou case.

23. I have, in paragraphs 6 to 12 above, given an account of the background and the business operation of the Opponent that can be gleaned from the First and Second Wu Declaration. From the promotional expenditures and advertising materials provided by the Opponent, it is quite clear that the Opponent has substantial business

presence in mainland China and the Opponent's Mark has acquired a reputation there in relation to woolen products. Other information in the First Wu Declaration (such as the consolidated turnover figures of the HYX Group, the media attention the HYX Group enjoyed and its success in becoming an official sponsor of the Olympics Games 2008 etc.) also supports such a conclusion. Mr. Wong suggested that such reputation of the Opponent's Mark had spilt over to Hong Kong. It will however be apparent from the discussions below that a finding on the point is not necessary, nor do I have to decide whether the HYX Marks are well-known in Hong Kong.

24. Although the Applicant has not denied his knowledge about the use of the Opponent's Mark by the Opponent, the Applicant has advanced an explanation for the adoption of the suit mark. The Applicant suggested, in the Hon Declaration, that words like “恒源祥” are commonly used in business. The Applicant did cite examples, but only by making up names of other businesses on his own (in paragraph 5 of the Hon Declaration) and not by way of concrete evidence. I do not see how those can be of any probative value. The pointing to the application for registration of the Other Mark as support of use of it and the suit mark is also of no assistance since application for registration of a mark cannot be equated with use. Despite the auspicious connotations of each individual Chinese character, I see nothing common in putting the three characters “恒源祥” together in that particular sequence. No explanation has been offered for using them in the way they are used in the suit mark.

25. Further, by the Applicant's own admission, the device in the suit mark is a combination of the letters “H”, “Y” and “X”, the first letters of “Heng Yuan Xiang”, the Putonghua pinyin of “恒源祥”. Cantonese rather than Putonghua is the common dialect of Hong Kong, but the reason for adopting “Heng Yuan Xiang” as the English transliteration of “恒源祥” has also not been accounted for.

26. One other thing unanswered by the Applicant is the allegation of a history of dishonest behaviour as manifested by the Applicant's involvement in the Hongdou case. As the Applicant has not refuted any of the matters set out in the First Wu Declaration about the Hongdou case, I see no reason not to accept the position as set forth by the Opponent. I will therefore take into consideration the filing of the applications for registration of two trade marks (the “紅豆” mark and the Other Mark) by the Applicant on the same date, each resembling the trade marks of other parties, and the finding of dishonesty by the High Court in the Hongdou case as well.

27. It is notable that striking similarities exist between the Other Mark and the Baby Head Mark of the Opponent. The baby head devices appearing in the two marks are the same. Apart from the additional sheep head device and the number “1927” that are found in the Other Mark, the Other Mark and the Baby Head Mark differ only in terms of the configuration of their components. The sheep head device is not distinctive of goods in Class 25 as it merely indicates that the goods are made of wool. As for 1927, it is the year in which the original “恒源祥” store (which was later acquired by the Opponent through nationalization) was founded in Shanghai. Hence, the presence of that number in the Other Mark further accentuates the possibility of the Other Mark sharing the same origin with the Baby Head Mark and/or other HYX Marks.

28. The common features between the HYX Marks on the one hand and the Other Mark and the suit mark on the other cannot be explained away by coincidence, or the flimsy pretext put forward by the Applicant. The only reasonable conclusion from the state of affairs outlined above is that the Applicant has deliberately copied the HYX Marks, in particular the Opponent’s Mark, not only once, but twice, when he applied for the registration of the Other Mark and then later for the suit mark. I therefore find that the Applicant knew about the use of the Opponent’s Mark by the Opponent when he filed the application for registration of the suit mark.

29. At the time of the filing of the application for registration of the suit mark, the Opponent had already sought revocation of the Other Mark. Without waiting for the outcome of the Revocation Proceeding, the Applicant filed another application for the registration of another mark, again with features that were copied from the HYX Marks. There can only be one reason for this course of action and that is to prevent the Opponent from freely using its own marks in Hong Kong. Such conduct of the Applicant, if judged by ordinary standards of honest people, will no doubt be considered dishonest.

30. For the reasons stated above, the registration of the suit mark is one made in bad faith and hence precluded under section 11(5)(b) of the Ordinance.

Costs

31. As the opposition is successful, I award the Opponent costs. Subject to any representations, as to the amount of costs or calling for special treatment, made by either party 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.

(Caroline Chow)
for Registrar of Trade Marks
2 November 2012