# Wing Joo Loong Ginseng Hong (Singapore) Co Pte Ltd v Qinghai Xinyuan Foreign Trade Co Ltd and Another
[2008] SGHC 51

**Case Number** : OS 2038/2006

**Decision Date** : 09 April 2008

**Tribunal/Court** : High Court

**Coram** : Kan Ting Chiu J

**Counsel Name(s)** : Tan Tee Jim SC, Christopher de Souza and Alma Yong (Lee & Lee) for the plaintiff; M Ravindran and Vicki Heng (Ravindran Associates) for the first defendant; Lau Kok Keng, Charissa Soh and Wendy Lin (Rajah & Tann) for the second defendant

**Parties** : Wing Joo Loong Ginseng Hong (Singapore) Co Pte Ltd — Qinghai Xinyuan Foreign Trade Co Ltd; YCT Import & Export Pte Ltd

*Copyright – Whether proprietor having copyright – Onus of proof on proprietor – Failure of proprietor to prove claim – Third party never claiming to be owner of copyright – Alleged infringer's declaration granted in part*

*Trade Marks and Trade Names – Revocation – Whether mark becoming common name in trade for which it was registered due to acts or inactivity of proprietor – Whether there was non-use or suspension of use of mark for period of five years – Invalidity – Whether mark was customary to cordyceps – Whether mark was capable of distinguishing – Whether application for registration made in bad faith – Whether proprietor obtaining registration of mark through fraud and/or misrepresentation – Whether court having discretion not to revoke or invalidate mark if grounds under ss 22(1) or 23(1) Trade Marks Act (Cap 332, 2005 Rev Ed) have been made out – Relevant circumstances to be taken into consideration in exercise of power to revoke or invalidate – Whether registration should be invalidated*

9 April 2008 Judgment reserved.

Kan Ting Chiu J:

**The trade mark**

1 The plaintiff's principal application in these proceedings is to have a trade mark removed from the trade mark register. The mark, which is depicted below

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is described as "rooster flower", and consists of a picture of a rooster within a stylised flower border, the words "Rooster Brand" in English, and the Chinese words 雄鸡 meaning rooster. The registration extended over "traditional Chinese herbs, namely, cordy ceps, boxthorn fruit".

2 The trade mark was registered in Singapore with effect from 6 September 1995 by a certificate issued on 27 August 2001. The first registered owner of the trade mark was Qinghai Medicines & Health Products Import & Export Corp of Qinghai, China ("Qinghai Meheco"). Ownership of the mark was assigned to the first defendant, Qinghai Xinyuan Foreign Trade Co, another Chinese corporation, on 30 May 2003, and the assignment is recorded in the register.

3 In these proceedings, the parties refer to the trade mark as a Rooster trade mark (without the

flower border) and to cordyceps (spelt as one word), without boxthorn fruit, and I shall do likewise.

4 There is also an application for a declaration that the copyright in the Rooster mark and related labels bearing the mark do not belong to the defendants.

**Background**

5 The Rooster trade mark has been used for cordyceps in China since the 1950s, before there was a system for the registration of trade marks. When trade mark registration began in China in 1983, China Cereals Qinghai Branch had the rooster mark registered in its favour for cordyceps in 1985. In 1989, the rights to the mark were assigned to Qinghai Meheco, and the assignment was approved and recorded in the Trade Marks Office of the People's Republic of China in 1995. In 1995, Qinghai Meheco applied to register the Rooster trade mark in the Registry of Trade Marks, Singapore, and the certificate was issued in 2001, backdated to take effect from 1995.

6 The trade mark went through two assignments. The trade mark was assigned to the first defendant and another entity, Qinghai Yixin Medical Co ("Qinghai Yixin"). Subsequently, Qinghai Yixin assigned its rights to the trade mark to the first defendant, with the result that the first defendant became the sole owner of the trade mark.

7 The first defendant applied to the Registry of Trade Marks, Singapore to transfer the Singapore trade mark to its name, and the transfer was recorded in 2006, backdated to 2003. In 2005, the first defendant granted an exclusive licence to Yu Ceng Trading Pte Ltd ("Yu Ceng") to use the Singapore trade mark. In 2005, Yu Ceng applied for and obtained search warrants pursuant to which the plaintiff's premises were raided, and quantities of cordyceps with alleged counterfeit Rooster trade marks were seized. In 2006, Yu Ceng's licence was novated in favour of the second defendant, YCT Import & Export Pte Ltd.

**The present proceedings**

8 In the present proceedings, the plaintiff seeks remedies under two distinct areas of law, namely trade mark law and copyright law, for:

> 1. an Order that Trade Mark Registration No. T9508502Z in respect of the mark attached herewith be revoked pursuant to section 22(1) of the Trade Marks Act (Cap. 332) ("the Act") as from 15 November 2005 or such other date as this Honourable Court may deem fit;
>
> 2. further or alternatively, an Order that Trade Mark Registration No. T9508502Z in respect of the mark attached herewith be declared invalid pursuant to section 23(1), (3)(b) and/or (4) of the Act;
>
> 3. a Declaration that any copyright in [the Rooster] labels attached herewith or in any literary or artistic work in each of the said labels does not subsist in favour of the Defendants or any of them and that the Plaintiff has not infringed the copyright (if any);

9 The Trade Marks Act (Cap 332, 2005 Rev Ed) will be referred to hereinafter as "the Act", and all sections mentioned hereinafter are sections of the Act unless otherwise stated.

10 The plaintiff has also filed proceedings to set aside the search warrants. These applications have not been heard as they may be affected by the outcome of the present proceedings.

**Prayers 1 and 2 – Trade Mark**

***The application for revocation***

11 In its opening statement, the plaintiff submitted that:

> 6. Section 22(1)(c) of the Act provides that
>
> The registration of a trade mark may be revoked on any of the following grounds:
>
> …
>
> (c) that, in consequence of the acts or inactivity of the proprietor, it has become the *common name* in the trade for the product or service for which it is registered.
>
> 7. This gives rise to two issues in the present context:
>
> (1) Has the Rooster mark become, by 1 November 2006 (the date of this application), the *common name* in the trade for cordyceps for which it is registered?
>
> (2) If so, was this due to acts or inactivity of the Defendants?
>
> [emphasis added]

12 The plaintiff asserted that the Rooster trade mark has been used in relation to cordyceps from China from the 1950s at the latest.[note: 1] Originally, there was only one supplier of cordyceps, a state-owned company named China National Native Produce and Animal By-Products Import & Export Corporation ("China Tuhsu"). In the 1950s, China Tuhsu set up various provincial companies, and one of these companies, Guangdong Tuhsu, was authorised to export cordyceps. In the 1980s, other provincial companies including Sichuan Tuhsu and Qinghai Tuhsu were also allowed to export cordyceps, as were other state-owned companies such as the Foreign Trade Import & Export Corporation of Tibet Autonomous Region, China National Cereals, Oils and Foodstuffs Corp ("Cofco") and China Medicines and Health Products Import & Export Corporation ("China Meheco"). China Meheco's provincial companies, Sichuan Meheco, Chongqing Meheco, Qinghai Meheco and Guangdong Meheco, also enjoyed the same right. All these companies used the Rooster trade mark for their cordyceps and they competed amongst themselves.[note: 2] Cordyceps was also sold under other brands, but the Rooster brand was the best-established and the dominant brand in the market.

13 The plaintiff elaborated that:

> 12. All the companies used the Rooster mark and the Rooster labels for their cordyceps. This being the case, they competed with one another in other respects, such as price, quality of service and relationship. Each of the companies would claim that its cordyceps were of better quality than those from another company or another province, although in fact the quality would vary, depending on the year and quality of harvest. To distinguish the cordyceps of one company from those of others, the labels would indicate the particular provincial company which supplied the cordyceps concerned.[note: 3]

and added that it bought cordyceps from these companies.[note: 4]

14 The plaintiff went on to assert that:

> 26. [T]he Rooster mark and Rooster labels have been openly used in Singapore since at least the 1950s in relation to cordyceps from the various Chinese provincial companies. Both Qinghai Meheco and the 1st Defendant … were at all material times well aware of the use. …
>
> 27. [T]he Rooster mark was, and still is, commonly associated by cordyceps traders and customers in Singapore as denoting cordyceps from China. In particular, they do not associate the Rooster mark with any particular trader or source. They do not consider it to be a mark which distinguishes the cordyceps of one trader from those of another. Whenever they see the Rooster mark, mention it (verbally or otherwise) or hear it, they would intuitively have in mind cordyceps imported from China.

and reiterated in its closing submissions that:

> After 6 September 1995 (date of the trade mark application in Singapore), the mark *continued* to cease fulfilling its function as a trade mark and *continued* to be the common name for cordyceps emanating from China.[note: 5] [Emphasis added]

15 Section 22(1)(c) must be applied with particular attention to the cause and time when the trade mark becomes a common name in the trade. The cause must be the action or inaction of the proprietor. The term "the proprietor" should not be read as limited to the proprietor at the time of the application to revoke; it should be construed to apply to the chain of proprietors of a trade mark after it is registered. However, for s 22(1)(c) to apply, the trade mark must have become the common name in the trade after it has been registered. Where the trade mark is, as alleged, already the common name in the trade *before* its registration, that cannot be the consequence of the action or inaction of the proprietor.

16 The first defendant became the proprietor of the trade mark in 2003. On the plaintiff's case, the Rooster trade mark was the common name in the trade for cordyceps as early as the 1950s, and certainly by the 1980s, and it could not possibly have become the common name as a consequence of acts or inactivity of the first defendant or its predecessors in title.

**Section 22(1)(a) and (b)**

17 The plaintiff also referred to s 22(1)(a) and (b) of the Act which provide that a trade mark may be revoked on the grounds:

> (a) that, within the period of 5 years following the date of completion of the registration procedure, it has not been put to genuine use in the course of trade in Singapore, by the proprietor or with his consent, in relation to the goods or services for which it is registered, and there are no proper reasons for non-use;
>
> (b) that such use has been suspended for an uninterrupted period of 5 years, and there are no proper reasons for non-use;

18 The plaintiff argued that the trade mark "must be used as a *trade mark* (that is, to indicate the origin or source of the goods or services in question)"[note: 6] and that

> there was no such use in respect of the Rooster mark for the period of 5 years since the date of completion of the registration procedure (27 August 2001). Its evidence is that the mark has been used in Singapore since the 1950s in relation to cordyceps imported from China and has been perceived as such and that the use was not (and was not perceived to be used) to

> distinguish the cordyceps of one company or undertaking from another. Each of the Chinese provincial companies puts its own name as well as the name of its on the labels to distinguish its cordyceps from another company's. Such use continued during the said 5-year period.[note: 7]

and

> the Plaintiff's evidence is that the mark has been used in Singapore at all material times to denote cordyceps imported from China, not as a badge of origin to indicate or distinguish the cordyceps of one particular company or undertaking from another.[note: 8]

19 I do not understand the plaintiff to mean that the Rooster mark was not used on the first defendant's cordyceps as a trade mark. Such an assertion would imply that the first defendant had gone through the long process to have the Rooster mark registered without intending to use it as a trade mark. The plaintiff's contention was that even after it was registered, the Rooster mark did not actually function as a trade mark as it was the common name in the trade. That cannot constitute non-use or suspension of use, and relates to the *effect* of the use of the mark, which should be considered under the application to invalidate the registration.

**The application for invalidation**

20 The plaintiff's case is presented under four heads:

> (i) The Rooster mark was customary to cordyceps;
>
> (ii) The Rooster mark is not capable of distinguishing Qinghai Meheco's cordyceps from the cordyceps of other suppliers;
>
> (iii) The application for registration was made in bad faith;
>
> (iv) The first defendant obtained the registration of the Rooster mark in its name in 2005 and 2006 through fraud and/or misrepresentation to the Registrar of Trade Marks.

***(i) The Rooster mark was customary to cordyceps***

21 At the date of the application for registration, it was customary to use the Rooster mark to denote cordyceps from China. Consequently, the Rooster mark cannot be registered under s 7(1)(d) because:

> trade marks which consist exclusively of signs or indications which have become customary in the current language or in the bona fide and established practices of the trade

shall not be registered and the registration of the Rooster mark may be declared invalid under s 23(1), which provides that:

> The registration of a trade mark may be declared invalid on the ground that the trade mark was registered in breach of section 7.

***(ii) The Rooster mark is not capable of distinguishing Qinghai Meheco's cordyceps from the cordyceps of other suppliers***

22 As a result of the extensive use of the Rooster mark since the 1950s, the mark was not capable of distinguishing the cordyceps of one supplier from the cordyceps of another supplier and cannot be

a trade mark as defined in s 2(1):

> "trade mark" means any sign capable of being represented graphically and which is capable of distinguishing goods or services dealt with or provided in the course of trade by a person from goods or services so dealt with or provided by any other person;

For this reason, the registration of the mark may also be invalidated under s 23(1) read with s 7(1)(a) because:

> signs which do not satisfy the definition of a trade mark in section 2 (1)

shall not be registered.

***(iii) The application for registration was made in bad faith***

23 Qinghai Meheco's application for the registration of the Rooster mark in September 1995 was made in bad faith because Qinghai Meheco did not have the exclusive right to use the mark. The situation falls under s 7(6), which provides:

> A trade mark shall not be registered if or to the extent that the application is made in bad faith.

and the registration may be invalidated under s 23(1).

***(iv) The first defendant obtained the registration of the Rooster mark in its name in 2005 and 2006 through fraud and/or misrepresentation to the Registrar of Trade Marks***

24 Fraud and misrepresentation may invalidate the registration of a trade mark under s 23(4), which states:

> The registration of a trade mark may be declared invalid on the ground of fraud in the registration or that the registration was obtained by misrepresentation.

The alleged fraud or misrepresentation relates to the first defendant's application in 2005 to be registered as co-proprietor of the mark with Qinghai Yixin in 2005, and its application in 2006 as the assignee of Qinghai Yixin's interests in the mark, to be the sole proprietor of the mark.

25 The plaintiff submitted:

> In the present case, there were indeed untrue statements made by the 1st Defendant to [the Registrar of Trade Marks]. Specifically, it misrepresented and failed to disclose material facts and documents to [the Registrar of Trade Marks] on 2 occasions:
>
> (1) when the 1st Defendant and Qinghai Yixin applied to be registered as the proprietors in August 2005; and
>
> (2) when it applied to be registered as the only proprietor in March 2006.
>
> In particular, it materially misrepresented and/or failed to disclose material facts and documents to [the Registrar of Trade Marks] relating to its proprietorship of the mark (or, rather, the lack thereof).[note: 9]

26 The thrust and focus of the complaint is that registrations of the two *assignments* were tainted with fraud and misrepresentation. However, the plaintiff's applications in these proceedings, as set out in [8] hereof are to have the registration of the trade mark revoked and invalidated. This complaint is therefore outside the scope of the proceedings.

**Whether the Rooster mark is customary**

27 What does the concept of "custom" embrace for the purpose of s 7(1)(d)? While there are no binding authorities, there is a good persuasive authority. In *Hormel Foods Corporation v Antilles Landscape Investments NV* [2005] RPC 28, the UK Court of Appeal, in construing s 3(1)(d) of the 1994 UK Trade Marks Act ("the UK Act"), which is equivalent to our s 7(1)(d), held at [155] that the essence of the objection in the provision is that the sign is generic either amongst the general public or amongst the trade.

28 *Kerly's Law of Trade Marks* (Smith & Maxwell, 14th Ed, 2005) in discussing s 3(1)(d) of the UK Act and Article 3(1)(d) of the TM Directive (the equivalents to our s 7(1)(d)) states:

> These provisions are directed at preventing registration of those signs or indications which honest traders customarily use in trade – signs which are generic.[note: 10]
>
> …
>
> The essence of the objection is that the sign is generic, with the primary focus usually being on the perception of the mark amongst consumers, although the perception in the trade may be important in certain circumstances. Each case will turn on is own facts and evidence. The challenge with these grounds is to compile a sufficiently convincing body of evidence.[note: 11]
>
> …
>
> Expressing the underlying public interest in these terms serves to emphasise that these provisions set a high hurdle. Not only must the mark consist exclusively of generic matter, but the fact of genericism must be established. Bearing in mind the primary role of 3(1)(d) / 7(1)(d) are to prevent traders seeking to monopolise terms which are already generic, the fact of genericism can usually be demonstrated.[note: 12]

29 Another standard work on trade marks, *Cornish and Llewelyn, Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights* (Cornish & Llewelyn, Sweet & Maxwell, 6th Ed, 2007) in its discussion on the issue explains (at p 733) that a mark is generic when it is used as a description of the product itself, citing as examples, thermos, hoover, vaseline, tabloid, walkman and formica.

30 The plaintiff asserts that a mark does not have to be generic to be excluded from registration, and that a mark will be excluded if it lacks the capability to distinguish the goods or services of one undertaking from another. This argument involves two requirements which apply to different aspects of trade mark registration. Firstly, the capability to distinguish is a pre-requisite of a trade mark, as defined in s 2(1). If a mark does not have the capability, it is not a trade mark. For that reason alone, it cannot be registered. Secondly, a trade mark (i.e. a mark with the capability to distinguish) may be excluded from registration under s 7(1)(d) when it has *become customary* in the sense that it has become generic.

31 The lack of capability to distinguish and the fact of becoming customary are distinct matters. For a party to say that a trade mark falls foul of s 7(1)(d), it must show that the trade mark (a mark

with the capability to distinguish) has become customary or generic. When party asserts that a mark does not have the capability to distinguish, it is only saying that the mark is not a trade mark, and cannot be registered, and it is not saying that the mark is excluded from registration under s 7(1)(d) for being customary or generic.

32 Has the Rooster trade mark become customary or generic? This was brought up during the examination of Tan Hee Nam ("THN"), managing director and a principal witness of the plaintiff in the proceedings:

> Q: [I]f I were to go to Chinatown after this case and I go into any of those many suppliers and I say, "I want Rooster" would they know what I want? …
>
> A: If you were to go into those medical halls selling Chinese medical herbs and you said that you wanted to buy Rooster mark cordyceps then they would know that you wanted to buy that.
>
> Q: If somebody goes to a medical hall and says, "I want Rooster", would the operators of the hall be able to identify what is it that I want? …
>
> A: They will connect it with Rooster Brand and if – the word "xiong ji chong cao" [Rooster cordycep in Chinese] is mentioned, so it must be cordyceps -…
>
> …
>
> Q: [S]o if they went to a shop and said they wanted Rooster brand, you are saying that people would not know what I wanted, correct?
>
> A: Yes, as long as they did mention that it was a Rooster mark cordyceps then we would know what they want.
>
> Q: [D]on't use the word "cordyceps" just say "Rooster"?
>
> A: If only the word "Rooster" is mentioned then I'm afraid they won't know.[note: 13]

33 The answers gave an accurate reflection of the situation. "Rooster brand cordyceps", "Rooster mark cordyceps", or just "Rooster cordyceps" are understood to refer to Chinese cordyceps, whether supplied by the first defendant or by other Chinese sources. But "Rooster" by itself, without reference to cordyceps, does not have that effect, and the Rooster mark or brand is not synonymous to cordyceps in the way "thermos" is synonymous to vacuum flasks. That being the case, the Rooster mark does not fall under the prohibition under s 7(1)(d) against trade marks which have become customary.

**Whether the Rooster mark distinguishes Qinghai Meheco's cordyceps**

34 The defendants argued that the issue does not arise. It submitted that s 7(1)(a) was not pleaded.[note: 14] This was difficult to understand because in prayer 2, the plaintiff seeks to invalidate the trade mark under s 23(1), which enables a mark registered in breach of s 7 to be invalidated, which must include s 7(1)(a).

35 The defendants acknowledged that ss 22(1)(c), 22(1)(a) and (b), 23(4) and 7(1)(d) were pleaded because they were referred to in the plaintiff's closing submissions,[note: 15] leaving the implication that s 7(1)(a) was not referred to in those submissions. The defendants inexplicably

overlooked the specific mention of s 7(1)(a) in the submissions.[note: 16] If specific reference in the closing submissions constitute pleading, then s 7(1)(a) was clearly pleaded. But the answer is simply that when prayer 2 referred to s 23(1), which in turn refers to s 7, the whole of s 7 is brought within the plaintiff's case.

36 It should be pointed out that the Act was not in force when the Rooster mark was registered. The application was made on 6 September 1995, and under the transitional provisions in the Third Schedule of the Act, all applications made before 15 January 1999 were to be dealt with under the previous act, the Trade Marks Act (Cap 332, 1992 Ed). Under the previous Act, trade mark was defined without reference to the capability to distinguish. Nevertheless, the Rooster mark's capability to distinguish (or the lack of it) is relevant because para 17(2) of the Third Schedule of the Act provides that for the purposes of proceedings under s 23, the provisions of the Act are deemed to have been in force at all material times. By this deeming process, the current definition of trade mark applies to the Rooster mark for the application to invalidate under s 23.

37 A mark's capability to distinguish the goods of one person from the goods of other persons can be understood and ascertained in two ways. One way is to focus on the inherent nature of the mark. A mark consisting of the word "cordyceps", or a mark of a picture of a cordycep will not have the capability to distinguish one trader's cordyceps from those of other traders. The Rooster mark, looked at on its own in this way, is capable of distinguishing one trader's cordyceps from others.

38 The second way of assessing the capability to distinguish is to look at the mark and the surrounding circumstances at the time of the application to register, and decide whether the mark can identify the goods of the application from the goods of the applicant from the goods of other suppliers in the circumstances. Employing this method, if the Rooster mark is used by Qinghai Meheco as well as other provincial suppliers, it is not capable of distinguishing Qinghai Meheco's cordyceps from the other suppliers' cordyceps.

39 Thus, the basis for ascertainment of the capability to distinguish is critical. There are two decisions of the UK Court of Appeal dealing with the question of capability to distinguish under s 3(1)(a) of the UK Act which is similar to our s 7(1)(a). In *Philips Electronics NV v Remington Consumer Products Ltd* [1999] RPC 809 ("*Philips*"), Philips produced three-headed rotary shavers and registered a trade mark consisting of a picture of the head of a three-headed rotary shaver. When Remington introduced a three-headed rotary shaver under its own Remington mark, Philips sued Remington for trade mark infringement and Remington counterclaimed for Philips' mark to be revoked. One issue in the proceedings was the application of s 3(1)(a) of the UK Act. Aldous LJ who delivered the judgment of the Court held (at p 817) that:

> the capability of distinguishing depends upon the features of the trade mark itself, not on the result of its use.

and his Lordship went on to say (at p 818) that:

> The trade mark shows the head of a particular three headed rotary shaver and it would be recognised by the trade and public as such, albeit as one made by Philips. Even though there are a number of other designs of three headed rotary shavers that could be produced, the shape shown in the trade mark is a shape which, absent patent, registered design, copyright or unfair trading protection, another trader is entitled to make. It is not capable of distinguishing Philips' shavers of that shape from those of other traders who produce shavers with a similar shaped head.

40 To bring this to the context of the question under consideration, the approach taken was that because other manufacturers are entitled to produce shavers of similar shape to the shaver shown in Philips' mark, the mark has no capability of distinguishing Philips' shavers from shavers other companies *may* produce (but have yet to produce). The mark was found to be incapable of distinguishing solely by reference to its own features which were found not to distinguish Philips' shavers from shavers other companies may produce.

41 The UK Court of Appeal considered the question of capability to distinguish again in *Bach and Bach Flower Remedies Trade Marks* [2000] RPC 513 ("*Bach*"). In this case, the marks in contention were several Bach and Bach Flower Remedies marks in respect of herbal preparations. These remedies were the results of research and study undertaken by Dr Edward Bach who created 38 herbal remedies between 1928 and 1935. Over time, these remedies gained recognition, and became referred to generically as "Bach Flower Remedies". After Dr Bach's death, eight trade marks were registered between 1979 and 1991, which registrations were brought under the UK Act when it came into force. A company, the Bach Flowers Remedies Ltd was the proprietor of the marks. In 1997 another company, Healing Herbs Ltd which had been producing the 38 remedies, applied to invalidate the eight Bach marks on the ground that they were in breach of s 3(1)(a) of the UK Act.

42 The proprietor argued that the word "Bach" was capable of distinguishing their products. The applicants, on the other hand, argued that the use of the word "Bach" in the period prior to the registration should be considered, relying on the construction used by Aldous LJ in *Philips.* Morritt LJ, who delivered the judgment, found in favour of the applicant. He held at [34]:

> I accept the submission that the meaning of a word may depend on its usage. It is not uncommon for a proper name, by use, to acquire an adjectival meaning which is descriptive of the article to which it is applied. Examples given in the course of argument demonstrative [sic] the point. Thus the terms "a Bunsen burner" and "a Wellington boot" are wholly descriptive and cannot, without more, distinguish such burners or boots of one undertaking from those of another. In accordance with that use the expression has become the common name in the trade for the product in question. *cf.* section 46(1)(c). The question is whether or not the word "BACH" had, by 1979, acquired such a meaning so as to be incapable, without more, of affording the requisite distinction. If it had then section 1(1) is not satisfied, … Accordingly I accept the submission that it is both permissible and necessary in considering the application of paragraph (a) to determine the meaning of the word as used at the time of the application for registration.

and concluded that the use of the mark was relevant in assessing its capability to distinguish.

43 It is clear that the second method of determination was preferred and employed. The word 'Bach' was found to lack the capability to distinguish not because 'Bach' by itself could not distinguish the applicants' products, but because the word had come to apply to Dr Bach's remedies generically, without regard to the producer of the products.

44 The issues in *Bach* are the same issues in the present case. 'Bach', looked at by itself, was capable of distinguishing a producers' goods, as the Rooster mark was. With time, however, "Bach" became associated with the remedies created by Dr Bach. The Rooster mark by itself had the capability to distinguish, but it had become associated with cordyceps from all Chinese sources.

45 I accept the approach taken in *Bach* to be the appropriate approach. The capability to distinguish is a real and valuable attribute of a mark. In order to ascertain whether this attribute exists at the time of application to register the mark, it is necessary to look at the mark itself *and* the

surrounding circumstances. If the mark is inherently incapable of distinguishing a product from other products, it will not be registered. Where the mark is not inherently incapable to distinguish, it is still necessary to consider whether the mark has retained the capability, or whether it is lost because the mark is used by multiple parties (as in *Bach*) or has became generic, as in the case of the Wellington boot.

46 THN deposed in his affidavit that cordyceps of the Rooster brand were exported by Qinghai Meheco, Sichuan Meheco, Chongqing Meheco, Chengdu Meheco and Guangdong Meheco. He exhibited a newspaper article dated 9 February 1995 in which an expert in ginseng and herbs was reported to say that these companies supplied cordyceps under the Rooster brand. THN added that in the 1990s, when the cordyceps market in Singapore was getting increasingly competitive, the plaintiff and a few other companies in Singapore had themselves designated as authorised distributors of the Chinese suppliers. The appointments were advertised in the newspapers, and he exhibited a notice of appointment by Sichuan Meheco of four authorised distributors of its Rooster brand Sichuan cordyceps with effect from 17 September 1994, and a notice of appointment by Qinghai Meheco of the plaintiff and two other companies as authorised distributors for its Rooster brand cordyceps with effect from 30 August 1994. However, the good relationship did not endure, and Yu Ceng was appointed the first defendant's exclusive licensee in 2005. The effect of the evidence was to prove that besides Qinghai Meheco, other provincial suppliers were using the Rooster brand for the cordyceps, and Rooster brand cordyceps from these suppliers were sold in Singapore, at the latest as at 1994.

47 The defendant's response to this part of the plaintiff's case is narrow. It offered no rebuttal to the plaintiff's assertion that other provincial companies besides Qinghai Meheco were using the Rooster mark for their cordyceps. Its reply was that "(a)ny use by the other suppliers (which is not admitted, in any event) can only be infringing use."[note: 17]

48 The response is inadequate on two grounds. Firstly, the bare denial of the use of the Rooster mark by the other suppliers was ineffectual in the face of the evidence adduced by the plaintiff. Secondly, though the use of the Rooster mark in China by the other suppliers may be infringing use, that cannot be said of the use of the mark in Singapore before it was registered.

49 The plaintiff did not address the question whether the Rooster mark can distinguish Qinghai Meheco's cordyceps from the cordyceps of the other provincial suppliers sold under the same mark. There is unrebutted evidence that at the time of the application for registration in Singapore in 1995, the Rooster mark was used in Singapore on cordyceps of other suppliers besides Qinghai Meheco, and therefore, that the Rooster mark was not a trade mark as it did not distinguish Qinghai Meheco's cordyceps from that of the other suppliers which use the same mark.

50 Thus, the registration may be invalidated under s 23(1) of the Act, and I will consider whether there is a discretion under that provision, and if there is, how it should be exercised: see [61] et seq below.

51 I had directed parties to submit on whether the Rooster mark could have been registered despite being used by the various suppliers on the basis of honest concurrent use because s 25 of the Trade Marks Act (Cap 206, 1976 Rev Ed) (the "old act") which was then in force allowed for registration of a mark by more than one proprietor where there is honest concurrent use. On further reflection, I conclude that while this is a point of interest, it does not have a real bearing on the current proceedings because honest concurrent use was not considered when the mark was registered.

**Whether the application for registration was made in bad faith**

52 The plaintiff's case was that Qinghai Meheco's application to register the trade mark was made in bad faith because it did not have the exclusive right to the Rooster mark. The evidence was that since the 1980s, besides Qinghai Meheco, other suppliers including Sichuan Meheco, Chongqin Meheco and Guangdong Meheco were also supplying cordyceps under the Rooster mark to Singapore.

53 The application for registration should be considered from Qinghai Meheco's perspective. With the registration of the trade mark in China in 1985 in favour of China Cereals Qinghai Branch (Qinghai Meheco's predecessor in title to the mark), the other provincial suppliers had no right to the mark. When Qinghai Meheco applied to register the mark in Singapore in 1995 on that basis and against that background, the application was open to opposition by those provincial suppliers and other parties. It may be that if a proper opposition was put up, the application might not have been approved, but that cannot mean that the application was made in bad faith in the first place.

**Whether the first defendant's application to register the assignments of the mark was through fraud or misrepresentation**

54 As I have noted earlier, questions relating to the assignments fall outside of the plaintiff's application. This issue is therefore not to be determined here, but I will state my views on it.

55 The plaintiff's case arises from the devolvement of Qinghai Meheco's rights on the Rooster mark when the company was wound up to the first defendant and Qinghai Yixin, and then from Qinghai Yixin to the first defendant.

56 The plaintiff's complaints are that:

(i) the first defendant and Qinghai Yixin had informed the Registrar of Trade Marks of an assignment of the trade mark from Qinghai Meheco on 10 February 1999, before the first defendant was incorporated;

(ii) the first defendant and Qinghai Yixin did not inform the Registrar of Trade Marks that the 10 February 1999 assignment was superceded by another assignment of 14 August 2000, after the first defendant was incorporated; and

(iii) the first defendant and Qinghai Yixin misrepresented to the Registrar of Trade Marks that under a Joint Acquisition Agreement dated 30 March 2001 ("JAA") between Qinghai Meheco, and the first defendant and Qinghai Yixin, the Rooster mark was transferred from Qinghai Meheco to the first defendant and Qinghai Yixin, when the trade mark was not amongst the assets identified to be transferred.

57 The defendants' response was that the JAA referred to the joint acquisition of Qinghai Meheco after liquidation. Reference was also made to a Civil Judgment of the High Court of Qinghai Province dated 15 May 2001 that the *entire property* of Qinghai Meheco was to be transferred to the first defendant and Qinghai Yixin in accordance to the JAA. Following that, on 15 September 2003, the High Peoples' Court of Qinghai Province issued an order confirming that the liquidation of Qinghai Meheco was completed, implying that all the insolvency property of the company was disposed of. The defendants also referred to an Explanatory Statement issued by the Qinghai Economic Committee and State-owned Assets Supervision and Administration Commission of Qinghai Provincial Government dated 10 January 2006, which confirmed that the entire insolvency property of Qinghai Meheco, including the Singapore Rooster trade mark, was transferred to the first defendant and Qinghai Yixin.

58 During the hearing, the plaintiff and the defendants called lawyers from China to give evidence on the state, effect and operation of the Chinese corporate and insolvency law on whether the trade mark rights were in fact assigned with the other assets of Qinghai Meheco, and the effect of the Explanatory Statement.

59 After examining the evidence and the submissions of counsel, I am unable to come to a clear conclusion whether the trade mark rights were assigned, mainly because the uncertainties raised by the plaintiff were essentially matters which have to be determined under the Chinese law and procedure. Instead of having the parties' respective legal experts present their contradictory, inconclusive and sometimes unconvincing opinions on the matters, the issue is best resolved by seeking a formal decision from a competent court in China. Apparently, no issue has been raised by anyone in China that the trade marks of Qinghai Meheco had not been transferred by Qinghai Meheco to the first defendant and Qinghai Yixin.

60 On the evidence before me, the plaintiff has not proved that the applications to register the assignments were affected by fraud or misrepresentation. The applicant was not shown to have made the representation with the knowledge that it was untrue, or with a reckless disregard as to whether it was true or not; there was no proof of fraud. The plaintiff has not proved to my satisfaction that there was a misrepresentation.

**Discretion**

61 As the Rooster mark did not have the capability to distinguish Qinghai Meheco's cordyceps from the cordyceps of the other suppliers, the registration of the mark may be invalidated under s 23(1). Does that mean that the registration must be invalidated, or is there a discretion in the matter? The issue has received some consideration, but I think further reflection and examination are justified. Section 22(1) states that a trade mark *may* be revoked on the ground set out therein, and s 23(1) states that a trade mark *may* be declared invalid if it was registered in breach of s 7.

62 In the United Kingdom, the construction of s 46(1) of the UK Act, the equivalent of our s 22(1), was considered in *Premier Brands UK Ltd v Typhoon Europe Ltd* [2000] FSR 767 ("*Premier Brands*"), a decision of the High Court of the UK. Neuberger J held at p 811:

> I do not find any of the reasons supporting either view [whether there is a discretion or not] particularly strong. However, it does seem to me somewhat odd if the legislature has specifically provided for no revocation in the event of there being good reason for the non-use, but nonetheless has left the Court with a residual discretion, particularly without giving any indication as to what factors should be taken into account when exercising that discretion. Further, consideration of the combined effect of section 46(1)(c) and (d) suggest to me that it is more likely that the legislature intended that those two paragraphs were to represent mandatory, rather than discretionary, grounds for revocation.

63 It is a rather broad proposition that in cases falling within s 46(1) (our s 22(1)), there can be absolutely no ground for not revoking the mark. Sub-section (1) provides that a mark may be revoked if it is not put to use for five years after registration, or if its use has been suspended for five years or more. Sub-section (3) however states that a mark *shall not* be revoked if the use of the mark has commenced or resumed before the application (subject to sub-section (4)). Consequently, if the commencement or resumption of use preceded the application, even by a day, the mark shall not be revoked. What is the position where the commencement or resumption of use did not precede the application, but took place the day after the application? In such a case, the prohibition against revocation does not apply. Is it reasonable for that to be replaced by a compulsion to revoke? There

is no necessity to go from one extreme to the other. As a matter of logic, when revocation is not prohibited, that means that it is possible, not that it is mandatory. It can mean that there is a discretion whether to revoke, and that is entirely consistent and in harmony with the word 'may'.

64 This issue came up for consideration again in the UK in *Scandecor Development AB v Scandecor Marketing AB* [2002] FSR 122. In this case, a question which came up for the decision of the House of Lords was whether when the circumstances under s 46(1) of the UK Act exist, the court must revoke the trade mark. It is noteworthy that the learned judges did not adopt the approach taken in *Premier Brands*, and decided to seek the ruling of the European Court of Justice on the issue. Unfortunately, the case was settled before the European Court of Justice could give its ruling.

65 The issue has been considered in the context of s 22 in three reported High Court decisions in Singapore. These are *Reemtsma Cigarettenfabriken GmbH v Hugo Boss AG (No 2)* [2003] 4 SLR 155 ("*Hugo Boss*"), *Weir Warman Ltd v Research & Development Pty Ltd* [2007] 2 SLR 1073 ("*Warman*") and *Nation Fittings (M) Sdn Bhd v Oystertec Plc and Another Suit* [2006] 1 SLR 712 ("*Oystertec*"). In these cases, the High Court came to the conclusion that there is no discretion. While these cases deal with the 'may' in s 22, the reasons for the construction of the word in s 22 could be applied to the construction of the word in s 23 as well.

66 In *Hugo Boss*, Belinda Ang J held at [31] that:

> There are significant pointers in favour of "may" meaning that, if any of the grounds specified in the sub-s (1) are satisfied, the power must be exercised one way. They are:
>
> (a) In this case, the statutory power conferred on the court (or Registrar) is exhaustive in that registration may be revoked in no other than in four specific grounds for revocation.
>
> (b) Subsection (3) expressly covers the situation where there is no power to revoke even if sub-s (1)(a) or (b) is satisfied. It amounts to an exhaustive statement of the position so far as relevant. There is thus no room for discretion to operate.
>
> (c) There is no "sweeping up" clause to accommodate other grounds.
>
> (d) Subsection (7) is consistent with the absence of discretion. Once the grounds are established in respect of some goods and not the rest, partial revocation is to be ordered.

67 With respect, I do not find the pointers compelling, because:

(a) The fact that there are four specific and exhaustive grounds for revocation is not inconsistent with there being a discretion whether to revoke. What it means is that in the absence of any of these four grounds, there is no power to revoke.

(b) The fact that s 22(3) creates an exception to the liability to revocation does not imply that where the liability to revocation exists, there is no discretion in the exercise of the power to revoke.

(c) The fact that there is no "sweeping up" clause for revocation cannot mean that there is no discretion under the four grounds specified.

(d) Section 22(7) which states:

> (7) Where the registration of a trade mark is revoked to any extent, the rights of the

proprietor shall be deemed to have ceased to that extent as from —

(a) the date of the application for revocation; or

(b) if the Registrar or the Court is satisfied that the grounds for revocation existed at an earlier date, that date.

refers to the consequence of revocation, not whether there is a discretion to revoke.

68 The learned judge went on to state at [32]:

> The conclusion could be tested in another way. Firstly, if there is some unexpressed ground with [sic] which the court (or Registrar) could consider, it could only arise by implication as a matter of statutory construction. Section 22(1) states that a registered mark may be revoked on *the following grounds* and four grounds are enumerated. An implication cannot properly be found that goes against the express statement "*the following grounds*". The *expressio unius* rule gives the word "*may*" in s 22(1) the meaning "*may only*". Thus, no provision could be implied to cut down the operation of the specific terms of s 22. [emphasis in the original]

With respect, the maxim *expressio unius exclusio alterius* should not be applied in this manner. The four grounds set out in s 22(1) are the grounds on which a mark may be revoked. Applying the rule, these are the only four grounds on which the power to revoke can be exercised, i.e. it excludes any ground not specified from being taken into consideration. The effect of the rule is to exclude what is not expressly included. It does not prevent the exercise of a power from being discretionary if the power is discretionary on a proper construction.

69 In *Oystertec*, Andrew Phang Boon Leong J accepted the reasoning and conclusion of *Hugo Boss.* In *Warman*, VK Rajah J referred to the reasoning set out in *Hugo Boss* and adopted them at [98], adding:

> Indeed, as the purpose of trade mark registration is to ensure an accurate record of trade marks to serve, *inter alia*, as notice to rival traders that the registered mark is in use, any lack of *bona fide* use or intention to use evidenced by non-use during the relevant period must necessarily result in the removal of that trade mark from the register.

70 While it is correct that when a proper situation for revocation arises, the power to revoke should be exercised, that cannot exclude the converse, that in situations where the Registrar or Court finds that there are good reasons for not deregistering a mark, they should not be compelled to deregister it.

71 It is also appropriate to take note of the passage of the Act through Parliament in 1998. Under s 9A of the Interpretation Act (Cap 1, 2002 Rev Ed), the explanatory note and the Minister's speech can be referred to in aid of the construction of the provisions of the Act. The process started with the Trade Marks Bill (Bill No. 42 of 1998). There was an explanatory note to the Bill to the effect that:

> This Bill seeks to repeal the Trade Marks Act (Cap. 332) and replace it with new trade marks legislation in order —
>
> (a) to simplify and modernise trade mark law;
>
> (b) to enable Singapore to meet its obligations under the Agreement on Trade-Related

Aspects of Intellectual Property Rights (TRIPS) and the Paris Convention for the Protection of Industrial Property (Paris Convention); and

(c) to enable Singapore to accede to other international agreements relating to trade marks e.g. the Protocol relating to the Madrid Agreement concerning the International Registration of Marks (Madrid Protocol).

72 When the Bill was debated in Parliament, the Minister of State for Law highlighted six important changes in his speech, but he did not mention any change in the power to make changes to the register.

73 The trade mark legislation in operation at that time was the old act. Under this old act, the power to make rectifications to the trade mark register was governed by s 39(1) which provided that:

39. – (1) Subject to the provisions of this Act –

(a) the court *may* on the application in the prescribed manner of any person aggrieved by the non-insertion in or omission from the register of any entry, or by any entry made in the register without sufficient cause, or by any entry wrongfully remaining on the register, or by any error or defect in any entry in the register, make such order for making, expunging or varying the entry as it thinks fit;

(b) the court *may* in any proceeding under this section decide any question that it may be necessary or expedient to decide in connection with the rectification of the register;

(c) in case of fraud in the registration, assignment or transmission of a registered trade mark the Registrar *may* himself apply to the court under the provisions of this section;

…

[emphasis added]

74 It has been confirmed in three cases that the power in s 39 is discretionary. In *Davidoff Extension SA v Davidoff Commercio E Industria Ltda* [1987] SLR 462, FA Chua J held at p 466 that:

It is clear from the authorities that the court always has a discretion under s 39 to rectify or not in the light of all the circumstances of the case.

In *Re Jaguar Trademark* [1993] 2 SLR 466, Lai Siu Chiu JC affirmed at p 477 that:

under s 39 of the Act, the court has the discretion whether or not to rectify the register …

Finally, in *Super Coffeemix Manufacturing Ltd v Unico Trading Pte Ltd and Another and Another Appeal* [2000] 3 SLR 145 ("*Super Coffeemix*"), the Court of Appeal stated at [82] that:

It seems to us that by the use of the terms such as "may" and "as it thinks fit" in s 39(1)(a), the court has a discretion [to order as disclaimer].

75 There are several observations to be made here. Firstly, if the "may" in s 39(1) of the old act was discretionary, is there any reason to read the same word in s 22(1) and s 23(1) as mandatory? Secondly, if the change was intended, it was a significant change as the discretion is an important part of the power to rectify. If the Bill was bringing on a departure from the established position, it

would be reasonable for the Minister to mention that in his speech. Thirdly, there were no calls or representations for the power to be made mandatory, or criticisms against the retention of the discretion, which would have led to a decision to remove the discretion.

76 Having given the matter careful consideration, my conclusion is that the provisions should be construed to give the Registrar and the court a discretion whether to revoke or invalidate when the conditions are established.

**When the power to invalidate should be exercised**

77 Having found that the plaintiff has not established a case for revocation under s 22(1)(a), I focus my attention on the mark's liability to be invalidated under s 23 for not having the capability to distinguish.

78 When a power to revoke is created, the power should be exercised with care, against the background that an important function of a trade mark registration regime is to ensure order in the use of trade marks. The power should be exercised after all the relevant circumstances are taken into consideration.

79 The relevant circumstances for the exercise of the power to revoke would include, without being exhaustive, (a) the triggering factor, (b) the conditions at the time of the application to revoke, and (c) the balance of the interests involved.

80 I had thought the conduct of the applicant would also be relevant. When a party seeks the Registrar or the Court to use its discretion to remove a registered mark, its conduct and motivation should be considered. I am however constrained by Chitty J's ruling in *In re Hill's Trade Mark* (1893) 10 RPC 113 that in such proceedings, the question is not between the applicant and the respondent, but between the state and the respondent, and therefore the merits or demerits of the applicant are irrelevant, which the Court of Appeal endorsed in *Super Coffeemix.* However, while the principal consideration is the interest of the state, the reality is that the state rarely applies to remove a registration, and it is the applicant who wants the mark removed, not for the interests of the state, but for its own reasons. Against this background, the conduct of the applicant could be a relevant factor where there is a discretion whether to revoke or invalidate a registration.

***(a) The triggering factor***

81 There is an array of factors that bring s 23 into operation. For example, s 23(4) provides that:

> (4) The registration of a trade mark may be declared invalid on the ground of fraud in the registration or that the registration was obtained by misrepresentation.

82 All misrepresentations, innocent, negligent and fraudulent, are covered. No distinction is made on the materiality and nature of the misrepresentation, and no allowance is made for the curing of the misrepresentation. Some misrepresentations can be rectified, for example, an application may be made on the representation that the original proprietor has agreed to assign a trade mark to the applicant upon the payment of an agreed sum which has been paid, when in fact it was not due for payment. In such a situation, the fact that the sum was subsequently paid and received in full satisfaction by the original proprietor would diminish the case for revocation when compared to a situation where the very assignment agreement relied on does not exist.

***(b) Conditions at the time of the application***

83 The registration of a trade mark creates a new status quo. Circumstances can change significantly with the registration. A mark which did not have the capability to distinguish may acquire the capability when the other users of the mark stop using the mark.

***(c) The balance of the interests involved***

84 Three sets of interests, if not more, should be considered and weighed against each other. First, there is the public interest, that the public should not be deceived or confused by the use of a mark. Second, there is the interest of the proprietor of the mark, and of other parties who derive their interests from the proprietor, such as the licensees and distributors. Third, there is the interest of the party which seeks the removal of the mark.

**Whether the registration should be invalidated**

85 At the present, the Rooster mark is being used only by the defendants as the other users had ceased using the mark after it was registered in Singapore, so there is no confusion or deception arising from the defendants' use of the mark. There is the allegation that the counterfeit Rooster mark is being used by unauthorised parties. The remedy to such improper use is enforcement proceedings such as the defendants have commenced, and not the removal of the mark itself. In this respect, the defendants in taking action to promote the mark and protect it from infringement are exercising their existing legal rights. The plaintiff, on the other hand, has no interest in the mark. It does not claim ownership of the mark. Its case is that because the mark should not have been registered, the registration should be set aside now, and conditions be allowed to revert to the pre-registration state when the same mark was used for all Chinese cordyceps.

86 I find, on reviewing the facts and balancing the different interests, that the status quo should be maintained, and the registration of the Rooster mark should be continued.

**Prayer 3 - Copyright**

87 The first defendant claims to be the owner of the copyright to the Rooster mark incorporated in three labels used on the cordyceps it sells, and alleges that the plaintiff has infringed the copyright by being in possession of labels, and selling cordyceps with labels bearing unauthorised reproductions of the rooster brand labels.

88 The first defendant puts forward its claim through the evidence of Zhang Jianzhong ("ZJZ"), its managing director, and Huang Tao ("HT"), its Chinese law expert. ZJZ deposed in his affidavit:

> 116. *To the best of my knowledge and belief*, the China Trade Mark and the 3 labels … were created by Qinghai Xinyuan and/or its predecessors as follows:
>
> (a) *To the best of my information and belief*, the China Native Products Qinghai Branch created the Rooster Logo and Label (1) in the 1960s (i.e. the Rooster Logo and Label (1) were created by employees of China Native Products Qinghai Branch, using the resources of the company) … *I verily believe* that the said snow mountains and fields inspired the employees of China Native Products Qinghai Branch to design and create what eventually became a distinctive label of China Native Products Qinghai Branch, China cereals Qinghai Branch and their successors.
>
> Label (1) was used on Rooster brand products produced and sold by China Native Products Qinghai Branch and China Cereals Qinghai Branch until about 1988. I should note

that at that time, copyright law had not yet been implemented in the PRC. However, I am advised that at such time the General Principles of Civil Law of the PRC applied to the protection of copyrights and the assignments thereof. To the best of my information and belief, during this period, China Native Products Qinghai Branch made an agreement with China Cereals Qinghai Branch to assign its copyrights in the Rooster Logo and Label (1) to China Cereals Qinghai Branch. Although such agreement was not made in written form, the intention of both parties to transfer is evidenced by and can objectively be seen from China Cereals Qinghai Branch's registration of the China Trade Mark (which comprises the Rooster Logo) in 1985, with the consent and/or acquiescence of China Native Products Qinghai Branch.

When Qinghai Medicines took over the business in Rooster brand cordyceps from China Cereals Qinghai Branch around the time of its incorporation in 1989, *I verily believe* that the copyrights in the Rooster Logo and in Label (1) were transferred to Qinghai Medicines, as part of the process of Qinghai Medicines' assumption of the business in Rooster brand cordyceps. This intention is evidenced by the assignment of the China Trade Mark by China Cereals Qinghai Branch to Qinghai Medicines, which was approved and recorded by the China Trade Marks Registry on 28 September 1995.

(b) … Over time, modifications and refinements were made to Label (1), which resulted in the creation of Label (2). The modifications and refinements that led to the creation of Label (2) were carried out by Qinghai Medicines' employees, under the instruction of Qinghai Medicines, and with the full support and resources of Qinghai Medicines. The main reason for these modifications and refinements was that unauthorised parties were copying our labels, and we had to take steps to address this problem. As noted above, *I verily believe* that in the course of taking over the business in relation to Rooster brand cordyceps, Qinghai Medicines had acquired the copyrights in the Rooster Logo and in Label (1), and was therefore entitled to make the said modifications to Label (1), which resulted in the creation of Label (2). In any event, I should note that China Native Products Qinghai Branch never objected to the creation and use of Label (2) by Qinghai Medicines, and has never made any claims that Qinghai Medicines has committed any copyright infringement by doing so. Label (2) was used from about 1988 to about 2000.

(c) Label (3) was a significant departure from Labels (1) and (2). The main changes introduced were:

i. inclusion of shadow of Chinese flowers;

ii. inclusion of barcode;

iii. The inclusion of Chinese calligraphic script depicting the Chinese characters for cordyceps (i.e. "冬虫夏草"), which was painted by a famous Qinghai calligrapher who was engaged by Qinghai Medicines. *To the best of my information and belief*, Qinghai Medicines had paid a fee to the said calligrapher for the assignment of the copyright in the calligraphy work to Qinghai Medicines. However, there is no written assignment agreement evidencing this transfer. The calligrapher has since passed away;

…

Apart from the painting of the calligraphy as described above, the design, arrangement and creation of Label (3) was carried out by Qinghai Medicines' employees, under the instruction of Qinghai Medicines, and with the full support and resources of Qinghai Medicines. Label (3)

has been used since about 1995 to present. …

I am advised and do *verily believe* that when Qinghai Xinyuan acquired 100% of Qinghai Medicines' insolvency property on 28 May 2003, including all intangible assets, such assets also included all copyrights owned by Qinghai Medicines, such as the copyrights in the Rooster Logo, and in Labels (1), (2) and (3).

[emphasis added]

89 HT's conclusions on the substance and devolution of the copyright in the Rooster mark and the labels were made on the assumption that ZJZ's assertions are correct. HT made it clear in his expert report:

56. *[A]ssuming* that Zhang Jianzhong's statements in paragraph 116(a) of his Affidavit with respect to the creation of the Rooster Logo and Label (1) are true and accurate, China Native Product Qinghai Branch was the owner of the copyrights subsisting in the Rooster Logo and Label (1) pursuant to Article 16 of the 2001 Copyright Law, …

…

59. *Assuming* that the matters stated at paragraph 116(a) of the Affidavit of Zhang Jianzhong are true and complete, we are of the opinion that the assignment of the copyrights in the Rooster Logo and Label (1) from China Native Products Qinghai Branch to China Cereals Qinghai Branch complied with the provisions of the General Principles of Civil Law applicable to the said assignment.

…

62. I note from paragraph 116(b) of the Affidavit of Zhang Jianzhong that Label (2) was created by making modifications and refinements to Label (1), and that Label (2) was created by Qinghai Medicines' employees, under the instruction of Qinghai Medicines, and with the full support and resources of Qinghai Medicines.

…

64. Based on the information above, *assuming* it is true and complete, my opinion is that Label (2) is a derivative work within the meaning of article 12 of the 2001 Copyright Law, and the copyright subsisting in the same lawfully belonged to Qinghai Medicines, under Article 16(2) of the 2001 Copyright Law.

…

69. I note that apart from the painting of the calligraphy as described above, the design, arrangement and creation of Label (3) was carried out by Qinghai Medicines' employees, under the instruction of Qinghai Medicines, and with the full support and resources of Qinghai Medicines as stated at paragraph 116(c) of the Affidavit of Zhang Jianzhong.

70. *Assuming* the above information is true and complete, I am of the opinion that Label (3) constitutes a new work of fine art, which enjoys copyright protection under Article 3 of the 2001 Copyright Law, and the owner of such copyright was Qinghai Medicines, pursuant to Article 16(2) of the 2001 Copyright Law.

[emphasis added]

90 However, HT noted an error in ZJZ's affidavit and stated:

> 60. At paragraph 116(a) of the Affidavit of Zhang Jianzhong, he further notes that Qinghai Medicines took over the business in Rooster brand cordyceps from China Cereals Qinghai Branch around the time of its incorporation in 1989, and that he believes that the copyrights in the Rooster Logo and in Label (1) were transferred to Qinghai Medicines in the process. He states that this is evidenced by the assignment of the China Trade Mark by China Cereals Qinghai Branch to Qinghai Medicines, which was approved and recorded by the China Trade Marks Registry on 28 September 1995.
>
> 61. As noted above, under the 1990 Copyright Law that applied as at 1995, there were no provisions regulating the assignment of copyrights. However, in my opinion, assuming the explanations provided in the Affidavit of Zhang Jianzhong are true and complete, it is reasonable to infer that the copyrights in the Rooster Logo and Label (1) had been transferred to Qinghai Medicines.

91 In the circumstances, the soundness of ZJZ's assertions is critical to the first defendant's claim to the copyrights. In his affidavit, ZJZ did not make reference to any personal knowledge in the creation of the Rooster mark and labels, and he did not allude to any effort that he or the first defendant had made to establish the facts on the origin of the marks and the labels.

92 His statements relating to the history of the Rooster mark and the labels were made, as he stated and repeated, "to the best of my information and belief" and on the basis that "I verily believe" in them. He did not disclose the knowledge and information he alluded to and he did not state the basis of his belief.

93 Assertions such as these are open to criticism. The defendants criticised the evidence of Zhao Jian, who gave evidence on behalf of the plaintiff on the development of the Rooster mark in China, and THN when they submitted:

> 320. Zhao Jian had, in his affidavit, stated that it was his "belief" that the Rooster logo and the first Rooster label were devised by a company called Guangdong Tuhsu. However, during cross-examination, Zhao Jian had admitted that he had *no first-hand knowledge* that this was indeed true. Hence Zhao Jian's evidence on the issue of copyright is inadmissible as it is based on hearsay and on matters which Zhao Jian had no personal knowledge of. …
>
> [emphasis in original]
>
> 321. Similarly, THN had stated in his first affidavit that it was his belief that the Rooster logo and the first Rooster label were created by Guangdong Tuhsu. However, he had also admitted during his cross-examination that *he had no first-hand knowledge* that this was indeed true.[note: 18]
>
> [emphasis added]

94 When a person presents evidence on that basis, he is really asking that his bare statements be accepted at face value. If his statements are accepted by another party, they become agreed facts. But if they are not accepted, the evidence carries little or no weight.

95 The first defendant's claim on the copyrights therefore stands on a very weak factual

foundation. Beyond that, its legal foundation is also flawed. Its counsel submitted that:

> 318. The intellectual property rights in the Rooster Logo and the first Rooster label were then assigned to Qinghai Medicines sometime in 1989. Such an assignment is evidenced by the assignment of the China Rooster trade mark from China Cereals Qinghai Medicines to Qinghai Medicines, which assignment was approved and recorded by the PRC Trademark Office on 28 September 1995. …[note: 19]

96 There is a break in the reasoning in that statement. How did the assignment of a trade mark to Qinghai Meheco vest any copyright in it? This flaw is greater in view of HT's evidence that Chinese law did not provide for the assignment of copyrights.

97 The defendants glossed over these deficiencies and argued that the plaintiff had accepted ZJZ's evidence as it did not cross-examine ZJZ on his assertions, thus putting the rule in *Browne v Dunn* (1893) 6 R 67 in operation.[note: 20] This argument is flawed. The rule in *Browne v Dunn* is that a party which seeks to contradict the evidence of another party with its own evidence should disclose its evidence when it cross-examines the witnesses of the other party. Under the current practice of the filing of witnesses' affidavits of evidence-in-chief, each party would have disclosed its evidence even before any cross-examination begins. In any event, the plaintiff had, through THN, disclosed its case on the origin of the rooster mark and label even before ZJZ gave his evidence.

98 The process of proof of the first defendant's claim to the copyrights can be broken up into stages. When it claims ownership, the onus of proof is on it. To discharge the onus, it has to present proper and credible evidence. If it does that, the evidential burden shifts to the plaintiff to rebut the evidence. But if it fails to present any proper and credible evidence, its claim fails even if the plaintiff does not put up any evidence of its own, because there is nothing to rebut.

99 I find that the first defendant has failed to prove its claim, and that the plaintiff has made a case for a declaration sought in prayer 3, but restricted to the first defendant as the second defendant has never claimed to be the owner of the copyrights.

**Conclusion**

100 I dismiss prayers 1 and 2 with costs. With reference to prayer 3, I make the declaration, restricted to the first defendant. The first defendant shall pay the plaintiff costs, and the plaintiff shall pay the second defendant costs on this prayer.

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[note: 1]Plaintiff's Opening Statement, Annexure B para 7

[note: 2]Plaintiff's Opening Statement, Annexure B paras 8 to 11

[note: 3]Plaintiff's Opening Statement, Annexure B para 12

[note: 4]Plaintiff's Opening Statement, Annexure B para 13

[note: 5]Plaintiff's Closing Submissions para 31

[note: 6]Plaintiff's Opening Statement para 19, emphasis in original

[note: 7]Plaintiff's Opening Statement para 20

[note: 8]Plaintiff's Closing Submissions para 109

[note: 9]Plaintiff's Closing Submissions para 65

[note: 10]Paragraph 8-101

[note: 11]Paragraph 8-102

[note: 12]Paragraph 8-113

[note: 13]Notes of Evidence pages 85-87

[note: 14]Defendants' Reply Submissions para 13

[note: 15]Defendants' Reply Submissions para 6

[note: 16]Plaintiff's Closing Submissions paras 46 and 47

[note: 17]Defendants' Closing Submissions page 48

[note: 18]Defendants' Closing Submissions paras 320 and 321

[note: 19]Defendants' Closing Submissions, para 318

[note: 20]Defendants' Closing Submissions, para 326

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