IN THE COURT OF APPEAL OF THE REPUBLIC OF SINGAPORE

[1994] SGCA 19

CA 48/1992

Between

Swanfu Trading Pte Ltd

… *Appellant*

And

Beyer Electrical Enterprise Pte Ltd

… *Respondent*

GROUNDS OF DECISION

Trade Marks and Trade Names — Rectification of register; Trade Marks and Trade Names — Rectification of register; Trade Marks and Trade Names — Rectification of register; Words and Phrases

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Swanfu Trading Pte Ltd v Beyer Electrical Enterprise Pte Ltd

[1994] SGCA 19

CA 48/1992
Warren Khoo L H J; Rajendran S J; L P Thean JA
18 February 1994

1 Cur Adv Vult

2 This appeal is against the decision of the learned judicial commissioner Mr MPH Rubin (as he then was) on an application under s 40(1)(b) of the Trade Marks Act (Cap 332) (`the Act`) that the appellants` registered trade mark be expunged from the register for lack of bona fide use for a period of five years ending one month before the date of application. The learned judicial commissioner`s judgment is reported in [1993] 1 SLR 293 .

3 The relevant provisions of s 40(1)(b) read as follows:

> (1) Subject to section 41 [which is not relevant], a registered trade mark may be taken off the register in respect of any of the goods or services in respect of which it is registered on application by any person aggrieved to the court, on the ground either -
>
> …
>
> (b) that up to the date one month before the date of the application a continuous period of 5 years or longer had elapsed during which the trade mark was a registered trade mark and during which there was no bona fide use thereof in relation to

> those goods or services by any proprietor thereof for the time being:
>
> …

4 Several issues were raised in this appeal. In the view which we take on the issue whether the appellants could be said to have used the registered trade mark at all, the appeal would be dismissed on that ground, and there is no need to deal with the others. However, as much argument has been addressed to what constitutes bona fide use within s 40(1)(b), we propose to deal with that issue.

5 The application to expunge being made on 26 September 1991, the relevant period is taken to be the period between 26 August 1986 and 26 August 1991. It is not disputed that the respondents (`Beyer`) were an `aggrieved person` and therefore had the locus standi to apply under the section.

6 **The facts**

7 The uncontroverted facts are as follows. The mark was registered on 7 June 1977 in Class 11 in respect of gas rice cookers and gas cookers for a period of seven years, the prescribed period under the Act before its amendment in 1991. The registration was in the name of Sim Hock Tee and Sim Li Beng trading as Swanfu Trading Company, a firm. The mark is represented as follows:

8 From 1977 to the early 1980s, the mark, with the omission of the word `Swanfu`, was used quite extensively by the firm in relation to the goods for which it was registered. They were distributed by a related firm, Hiap Huat Trading Co.

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9 According to the evidence of the appellants (`Swanfu`), in the early 1980s, because of falling demand, the firm ceased to import these goods, but existing stocks continued to be sold by Hiap Huat. The extent of the sale is a matter of controversy.

10 In February 1985, the registration of the trade mark was renewed for a period of 14 years from 7 June 1984. Swanfu Trading Co ceased to carry on business as of 14 April 1988, as shown in the records of the Registry of Businesses.

11 On 20 July 1991, the mark was assigned to Swanfu upon an application filed on 19 February 1990, together with three other registered trade marks. There is no evidence when Swanfu were incorporated. However, Mr Sim Hock Tee, a director of Swanfu, said that between December 1990 and July 1991 he made visits to Taiwan to locate manufacturers of home appliances, including gas cookers, with a view to importing them for sale in Singapore under the Aloha trade mark. Swanfu eventually placed an order on 20 July 1991 for US$106,125 worth of gas cookers of various models. The purchase order describes the goods as `Aloha gas cookers`. They arrived in several shipments in Singapore and Hiap Huat commenced marketing them under the registered trade mark (again without the word `Swanfu`).

12 **No bona fide use issue**

13 On the issue of bona fide use, the only evidence given for Beyer was a statement by Mr Thomas Yeo, their managing director, in his affidavit simply asserting that:

> *I am aware from my own knowledge of the gas cooker market that [Swanfu] have not made any bona fide use of the said registered mark for at least the last five years.*

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14 Mr Yeo said he should know because he had been the manager of the firm Aik Leong Electrical Enterprise from 1971 to January 1991 (except for four years from 1976 to 1980 when he was away for further studies in Hawaii). Aik Leong, and the company bearing that name which was incorporated to take over the firm`s business in January 1991, had been dealing in a large variety of home appliances including gas cookers and rice cookers, including a long list of brands which may be described as household names, eg National, Sharp, Sanyo, Mitsubishi and Philips.

15 It was part of his job as manager to ensure that there was an adequate retail market for these home appliances, and he had to visit retailers to canvass for sales and maintain goodwill.

16 In answer to Mr Yeo`s allegation that there had been no bona fide use of the mark for five years, Swanfu witnesses deposed as follows: Firstly, there was the evidence of Mr Sim that the mark was extensively used by Swanfu Trading Co in respect of gas rice cookers, gas cookers and gas stoves from 1977 until the early 1980s; that because of stiff competition and a fall in demand in the early 1980s the firm ceased to import any further goods bearing the registered mark. However, existing stocks of the goods continued to be sold by Hiap Huat until late 1986. An invoice dated 2 December 1986 by Hiap Huat showing the sale of four Aloha gas cookers for $25 each was produced. Secondly, there was the evidence of Lee Kia Koy that his firm purchased various appliances with the Aloha mark from Hiap Huat on one occasion each in the years 1985, 1986 and 1987 and two Aloha gas cookers in 1988. Thirdly, there was the evidence of another dealer Mr Lee Kai Teck that his firm Kong Ming Electric and Radio Service bought about 40 Aloha rice cookers from Hiap Huat, and he had sold all except two units. The last Aloha rice cooker had been sold in 1988, and there was one still on display. Fourthly, there was the evidence of Low Sai Huay

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whose firm Guan Huat Lee Jwee Kee sold Aloha gas cookers in 1987 to individual customers.

17 The learned judicial commissioner approached the issue as follows. Firstly, he held that the onus was on Beyer to establish, on a prima facie basis, absence of use during the relevant period. He cited the following passage from Windeyer J`s judgment in ***Estex Clothing Manufacturers Pty Ltd v Ellis and Goldstein Ltd*** :1

> *Slight evidence may suffice at this stage, for the applicant has the task of proving a negative and the registered proprietor is probably in a better position to prove user than is the applicant to prove non-user.*

18 He found that Beyer had, on the basis of Mr Yeo`s evidence, made out a prima facie case.

19 Secondly, the learned judicial commissioner analyzed the authorities, and he summarized their effect as follows:

> *To summarize, the authorities referred to the court support the view that a single act of sale,* ***if conclusively proved*** *[the judicial commisioner`s emphasis], will suffice to constitute user. But the fewer the use, the heavier is the onus: see* ***Nodoz Trade Mark****(supra). Cases also lay down the principle that the use must* ***be genuine and substantial as judged by commercial standards****[my emphasis]: see* ***Electrolux Ld v Electrix Ld & Anor*** *[1954] 71 RPC 23 at 43. By genuine, I mean authentic and if the chief purpose of use is merely to validate the registration, then the use is not bona fide: see* ***Imperial Group Ltd v Philip Morris & Co Ltd*** *(supra) which distinguishes the* ***Electrolux*** *case (supra).*

20 Thirdly, he referred to the evidence of sales (as summarized above) and found that the sales were all clearance of leftover stock, since Swanfu admitted that they had stopped importing stocks in the early `80s. He held that these sales did not constitute, commercially speaking, sales in the normal course of trade.

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Finally, the learned judicial commissioner also found that Swanfu or their predecessors had abandoned the use of the registered mark. He referred to the fact that the Hiap Huat invoices up to January 1986 had the Aloha mark printed on them, but that the Hiap Huat invoice of 2 December 1986, and subsequent invoices, while featuring other marks, noticeably omitted the Aloha mark. He was therefore driven to the conclusion that the mark had been abandoned before Beyer began marketing cookers under their Aloha mark in mid-1991.

21 **Our views**

22 On the burden of proof, we agree with Windeyer J`s observations in ***Estex Clothing Manufacturers Pty Ltd v Ellis And Goldstein Ltd*** at p 259 that, in the first instance, some evidence of no bona fide use is sufficient on the part of the applicant, since he has the task of proving a negative and the registered proprietor is probably in a better position to prove user than is the applicant to prove non-user.

23 However, more importantly in our view, Windeyer J went on to point out:

> *But if evidence be given for the respondent to controvert the applicant`s prima facie case, then when all the evidence is complete the question is still, has the applicant proved his case? I do not for a moment accept the proposition of the applicant in these proceedings that the ultimate burden of proving its case does not rest upon it.*

24 We agree entirely with these statements of Windeyer J. In our view, while the evidential burden shifts to the respondent resisting an application to expunge when some evidence of non-use has been given on behalf of the applicant, the ultimate, legal or persuasive burden of proof of the whole case still rests squarely on the applicant. If at the end of the day, the evidence is even

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either way, it is our view that the applicant should be treated as not having discharged the burden of the whole case, and the application must fail.

25 Secondly, as to the meaning of `bona fide use`, as decided by the cases, there is support for the view that even a single sale will suffice to constitute user. This was the view taken by the assistant comptroller in ***`Nodoz` Trade Mark*** . The alleged sale there consisted solely of one single sale by post from the respondents to a person who gave the Brighton (England) post office as his address.

26 The assistant comptroller, who decided the case at first instance, went on the assumption that the sale had been proved, and on that basis he held that it constituted bona fide use. He said:

> *In the absence of evidence that this use was not a bona fide use, I am bound to conclude that it was a bona fide use within the meaning of s 26 [the equivalent of s 40].*

27 On appeal, the question posed by Wilberforce J was whether that isolated transaction was sufficiently established and whether, if it was established, it constituted a sufficient use of the trade mark to qualify or displace the strong prima facie general case set up by the applicant. The learned judge was not satisfied that the alleged sale to the purchaser in England had been proved. He expressly left open the question whether the isolated transaction, if proved, was either not substantial enough to satisfy the requirements of the Act or should be disregarded on the ***de minimis*** principle.

28 It was in the context of the question of proof of user by evidence of an isolated transaction that the learned judge made the observation that the fewer the acts relied on the more solidly they ought to be established.

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29 In the instant case, it should be noted that Beyer did not challenge the evidence of sales produced on behalf of Swanfu. There was no suggestion that these sales were anything other than genuine sales. What Beyer contended was that the sales were of left-over stock and could not be considered as use in the course of trade, and it was contended that the sales would not qualify as bona fide user within the meaning of the section. No authority was cited for such a proposition. We, for our part, have serious doubts about the soundness of it. The sales from Hiap Huat to the dealers and the retail sales from the dealers to customers were no less sales in the course of trade, and would not be any the less so by being characterized as sales of left-over stock. It is not a requirement of the Act that use of a trade mark has to be continuous. The proprietor of a registered trade mark does not lose his right to the trade mark if he does not make a continuous use of it, because of market conditions, for instance. However, if he does not use it for a continuous period of five years, he runs the risk of it being expunged upon an application by a person aggrieved under s 40 (1)(b) of the Act.

30 **Substantiality point**

31 The learned judicial commissioner said that the use must be genuine and substantial as judged by commercial standards. He referred to ***Electrolux Ld v Electrix Ld & Anor (No 2)*** . In that case, the plaintiffs had been the registered proprietors of the trade mark `Electrux` since 1928. They sued the defendants for infringement on the ground of the defendants` use of a mark `Electrix`. The defendants applied to have the plaintiffs` word `Electrux` removed from the register on the ground that there had been no bona fide use. From the date of its registration in 1928 up to the 31 March 1947, the mark `Electrux` was never used, although it was renewed in 1942. From 1934 or at least from 1936, the defendants had been using `Electrix` on their goods. It was not until 31 March

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1947 that the plaintiffs began making and selling a cheaper model of a suction cleaner under the name `Electrux`. It was withdrawn in September 1947 because of some technical defects, but was put on the market again in August 1948. It was admitted by the plaintiffs that the decision to use the mark was motivated by considerations that the plaintiffs would be faced with an expungement application if they continued not to use the mark.

32 The question in the ***Electrolux*** case3 was whether the use by the plaintiffs of `Electrux` from 31 March 1947 onwards was a bona fide use so as to enable them to resist the defendants` application to expunge. Sir Raymond Evershed MR was of the view that the use could not be considered to be a pretended use. He went on to say that there was no evidence to show that the use was spasmodic or temporary. He then said, at p 36:

> *Commercially speaking, it is not shown that the use made by the plaintiffs of this mark was not an ordinary and genuine use, and it certainly was substantial. If that is so, then it seems to me that the use is not disqualified because the occasion was the realization on the plaintiffs` part that the defendants were in serious competition with themselves and because the plaintiffs desired, if they could, to gain a particular advantage ...*

33 It seems to us that the important point about the ***Electrolux*** case3 is Sir Raymond Evershed, MR`s statement in regard to the quality of the use, ie a genuine as opposed to a pretended or colourable use. The reference to substantiality made by the Master of the Rolls, and also by Jenkins LJ, was made in the factual context of the case, where, indeed, the marketing of the Electrux suction cleaners during the period they were marketed was substantial and was on a commercial scale. The case, however, does not, with respect to the learned judicial commissioner, lay down the principle that the use must be substantial in order for it to be bona fide. We make the same comment in relation to the

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reference that the sale was not `spasmodic` or `temporary`; they were also made in the factual context of the case.

34 In the subsequent English Court of Appeal case of ***Imperial Group Ltd v Phillip Morris & Co*** , there were dicta supporting the view that the ***Electrolux*** case3 laid down the proposition that to be bona fide, any use must be a real commercial use on a substantial scale. Thus Lawton LJ said at p 79:

> *According to the judgments given in this court in that case a bona fide use should be `ordinary and genuine` (per Lord Evershed MR at p 36), `perfectly genuine,` `substantial in amount`, `a real commercial use on a substantial scale` (per Jenkins LJ at p 41) and not `some fictitious or colourable use but a real or genuine use` (per Morris LJ at p 42).*

35 The ***Imperial*** case4 concerned the question under the equivalent of s 40(1)(a), ie whether at the time of application to register the trade mark `Nerit` there was any ***bona fide*** intention to use the mark. On a finding that at the time of application for registration the only intention was to secure some protection for the use of the unregistered word `Merit` as a brand name or possibly to stop competitors using this word `Merit`, in spite of the fact that there was quite substantial use, the Court of Appeal felt that the mark ought to be removed from the register. The basis of the decision was that what the proprietor of the registered trade mark had done to demonstrate a use was nothing but a charade, and there was never any ***bona fide*** intention to use at all.

36 It is clear that the references to substantial use on a commercial scale were made in that context, primarily by way of a contrast. Thus Lawton LJ continued:

> *The plaintiffs never intended to use the mark `Nerit` in the ordinary course of their business; their use of it was not substantial; it was not a real use in any commercial sense; it was a colourable stratagem for making their trade rivals think that*

> *they were using the mark `Nerit` in a way which gave it the protection of the Act.*

37 It seems to us, as was laid down in the ***Electrolux*** case,3 that the primary meaning of `bona fide` in s 40(1)(b) is `genuine`, as opposed to `fictitious`, `pretended` or `colourable`. Naturally, the more substantially a registered trade mark is used in a commercial way, the easier it is to see that it is bona fide. The references to substantial use in these cases must not be construed as laying down a principle for the purpose of an application under s 40(1)(b). The primary question in a case under s 40(1)(b) is whether there has been a bona fide use in the sense of a genuine use by way of trade. As the circumstances of proprietors of registered trade marks vary from one to another and the circumstances of a particular proprietor vary from time to time, there is no reason to have a hard and fast rule that the use must be substantial for the purpose of resisting an application under this section.

38 At the end of the day, the question that had to be answered in this case was whether, on the evidence before the court, Beyer had discharged the burden of proof of the whole case that there had been no bona fide user. It seems to us that, but for one aspect to which we shall now refer, the question could have admitted of only one answer, and that is that they had not.

39 **Omission of `Swanfu` from mark**

40 As can be seen in the pictorial representation above, the registered mark in question includes at the bottom of it the word `Swanfu`. It is not disputed that what Swanfu and their predecessor had been using, to the extent that they had been using one in relation to their goods, was a mark without the word `Swanfu`. Beyer contended that the word `Swanfu` was an essential feature of the mark, that the word `Swanfu` was a feature by which the mark would be recognized

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in its function of distinguishing Swanfu`s goods from similar goods of other traders. Its omission from the mark used affected the identity and form of the mark both to the eye and the ear. The fact that the word `Swanfu` would by itself have been capable of registration under the Act as a mark was also a relevant consideration.

41 The learned judicial commissioner accepted these contentions of Beyer. He went into the question quite thoroughly and it is not necessary for us to re-tread the same grounds. It suffices for us to say that we agree with his conclusions and the reasons which he gave for them.

42 On this ground alone, Beyer must be held to have succeeded in showing that Swanfu had not at any time during the relevant period used the registered trade mark in relation to their goods at all. This alone would have been sufficient for them to succeed in their application to have the mark expunged from the register.

43 **Conclusion**

44 In the result, we dismiss the appeal with costs. The deposit paid into court by the appellants as security for costs will be released to the respondents` solicitors to account of the respondents` costs.

45 Appeal dismissed.

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Warren Khoo L H J
Rajendran S J
L P Thean JA

Tan Tee Jim (Allen & Gledhill) for the appellants
Dedar Singh Gill (Drew & Napier) for the respondents
