

Future Enterprises Pte Ltd v McDonald's Corp
[2007] SGCA 18

Case Number : CA 73/2006

Decision Date : 28 March 2007

Tribunal/Court : Court of Appeal

Coram : Chan Sek Keong CJ; Andrew Phang Boon Leong JA; Tan Lee Meng J

Counsel Name(s) : Stanley Lai Tze Chang and Vignesh Vaerhn (Allen & Gledhill) for the appellant;
Dedar Singh Gill and Yvonne Tang (Drew & Napier LLC) for the respondent

Parties : Future Enterprises Pte Ltd — McDonald's Corp

Trade Marks and Trade Names – Registration – Registered owner of "McCafe" mark opposing application to register "MacCoffee" mark – Whether "MacCoffee" mark similar to "McCafe" mark – Whether goods specified for "MacCoffee" mark similar to that for which "McCafe" mark registered such that likelihood of confusion existing on the part of public

Trade Marks and Trade Names – Registration – Registered owner of "McCafe" mark opposing application to register "MacCoffee" mark – Whether rights conferred by registration of "McCafe" mark statutorily restricted and rendered inoperative under opposition, invalidation and infringement provisions of Trade Marks Act by reason of prior unregistered right to proprietorship of "MacCoffee" mark – Sections 4(2), 8(7)(a), 23(3)(b), 28(2) Trade Marks Act (Cap 332, 2005 Rev Ed)

28 March 2007

Judgment reserved.

Chan Sek Keong CJ (delivering the judgment of the court):

1 This is an appeal by Future Enterprises Pte Ltd ("the appellant") against the decision of Tay Yong Kwang J ("the trial judge") dismissing its appeal against the decision of the Principal Assistant Registrar of Trade Marks ("PAR") who allowed the opposition of McDonald's Corporation ("the respondent") to the registration of the trade mark "MacCoffee" as a word mark in Class 30 for *instant coffee mix* by the appellant (see *Future Enterprises Pte Ltd v McDonald's Corporation* [2005] SGIPOS 21).

2 Originally, the appellant's application was to register the trade mark "MacCoffee" in Class 30 for, among other things, coffee, tea, cocoa, coffee-based beverages, artificial coffee, and cappuccino. The word mark was accepted for registration and advertised. The respondent filed an opposition to the application based on its prior registration of the trade mark "McCafé", also a word mark, in Class 30 for, among other things, coffee, and coffee substitutes. It was not disputed that the respondent had not, since its registration, used the trade mark "McCafé" in relation to the Class 30 goods listed in its specification. At the opposition proceedings before the PAR, the appellant indicated that it was prepared to restrict the class of goods to "instant coffee mix". The PAR upheld the opposition.

3 The trial judge affirmed the findings of the PAR that, (a) there were sufficient visual, aural and conceptual similarities between the marks; (b) the goods of the parties were similar if not identical; and (c) there was a corresponding likelihood of confusion on the part of the public (see [2006] 4 SLR 629).

Issues on appeal

4 In this appeal, the issues to be determined are:

- (a) whether the "MacCoffee" mark was similar to the "McCafé" mark;
- (b) whether the goods specified for the "MacCoffee" mark were similar to that for which the "McCafé" mark was registered such that a likelihood of confusion would exist on the part of the public; and
- (c) whether the rights conferred by the registration of the "McCafé" mark were statutorily restricted and rendered inoperative under the opposition provision (s 8(7)(a)), the invalidation provision (s 23(3)(b)) and the infringement provisions (ss 4(2) and 28(2)) of the Trade Marks Act (Cap 332, 2005 Rev Ed) ("the Act") (s 8(7)(a) was formerly s 8(4)(a) of the Trade Marks Act (Cap 332, 1999 Rev Ed)) by reason of the appellant's prior unregistered right to proprietorship of the "MacCoffee" mark for instant coffee mix.

Our decision

5 On issues (a) and (b), having regard to the general principles applicable to appeals against findings of fact in trade mark applications, we see no reason why we should disturb the dual findings of fact by the PAR and the trial judge of similarity and likelihood of confusion between the two word marks "MacCoffee" and "McCafé". In *Reef Trade Mark* [2003] RPC 5, Robert Walker LJ considered the function of an appellate tribunal in relation to appeals from the UK Trade Mark Registry, and concluded (at [28]) that "an appellate court should ... show a real reluctance, but not the very highest degree of reluctance, to interfere in the absence of a distinct and material error of principle". In *SC Prodal 94 SRL v Spirits International NV* [2003] EWHC 2756 (Ch), Laddie J expressed the same sentiments (at [19]) as follows:

It is not the duty of this court to overturn a decision of the Trade Mark Registry simply because it comes to the conclusion that it might have decided the case differently had it, that is to say the High Court, been the court of first instance. It has to be demonstrated that the decision at first instance was wrong in a material way; that is to say there must be some significant departure from a proper assessment of the law or the facts.

6 This prudent approach has been unequivocally endorsed in the recent case of *Sunrider Corporation v Vitasoy International Holdings Ltd* [2007] EWHC 37 (Ch) (at [10]). Such an approach is consistent with established principles relating to appeals from tribunals that are not in the nature of a rehearing, such as an appeal from a decision of the PAR.

7 The smorgasbord of trade mark cases which has reached the appellate courts demonstrates the innumerable (and subjectively perceived) similarities and differences that can be conjured up and persuasively articulated by an imaginative and inventive legal mind. Expert and experienced judges, such as Laddie J, have described trade mark infringement as "more a matter of feel than science" (in *Wagamama Ltd v City Centre Restaurants plc* [1995] FSR 713 at 732), and Chao Hick Tin JA (as he then was) similarly alluded to it as a matter of "perception" (in *The Polo/Lauren Co, LP v Shop-In Department Store Pte Ltd* [2006] 2 SLR 690 at [35]). In the light of the highly subjective nature of assessing similarity and the likelihood of confusion, we agree with the approach that an appellate court should not disturb the findings of fact of a trade mark tribunal unless there is a material error of principle.

8 In affirming the decision of the trial judge on grounds (a) and (b) for the reasons given by him (see [3] above), we have taken into account the fact that the appellant was already the registered proprietor of the "MacCoffee and eagle device" ("the composite mark") for goods in

Class 30 which included coffee and coffee-related products and that it had used the composite mark to market its instant coffee mix for the last decade, principally abroad, and recently in Singapore. In contrast, the present application involved the registration of "MacCoffee" as a word mark without any other distinguishing or distinctive feature. There was no evidence that the appellant had used the word mark in marketing its instant coffee mix in Singapore.

Prior unregistered rights of trade mark proprietors

9 Counsel for the appellant has contended that issue (c) raises a novel point of trade mark law in Singapore which was not canvassed before the trial judge. Given that the issue engaged points of law arising from the effect of a number of provisions in the Act and as counsel for the respondent was prepared to argue the point, we allowed counsel for the appellant to argue it.

Statutory restriction of the respondent's rights

10 The argument is founded on the appellant's common law right to the "MacCoffee" mark for instant coffee mix, alleged to have been acquired through its use in Singapore. Such rights if any, are statutorily protected under the Act. Counsel also argued that the appellant had acquired a similar right in Singapore to the "MacCoffee" mark for instant coffee mix by virtue of its international reputation for such products, primarily as a result of sales in Russia and in several other East European countries. It was then argued that the effect of such an acquired right is that the respondent is statutorily restricted from asserting its registered "McCafé" mark in opposition proceedings by reason of the appellant's earlier unregistered right to proprietorship of the "MacCoffee" mark. It was contended that such restriction should be taken into account for the purpose of rendering the "McCafé" mark inoperative under the opposition, invalidation and infringement provisions of the Act in relation to the appellant's unregistered mark.

11 Before discussing the merits of the appellant's contentions, there is a threshold question as to whether the appellant had in fact acquired the right to the use of the unregistered "MacCoffee" mark for instant coffee mix. The appellant relied on two arguments to establish this right. First, the appellant argued that it had been selling instant coffee mix abroad and in Singapore for many years, but principally abroad, and that it had extensively advertised such sales, as confirmed by the documentary evidence produced. A perusal of the documentary evidence revealed that the advertisements in question related primarily to marketing efforts in Russia and other East European countries, a substantial percentage of which highlighted the composite mark rather than the word mark. Moreover, it is pertinent to note that the appellant's motivation for using the eagle device as part of its marketing strategy was to convey the impression of a "sophisticated, western, capitalistic 'American' taste". In relation to its alleged use in Singapore, we are of the view that the appellant's adduced invoices are insufficient to surmount the threshold of proving use of the word mark "MacCoffee" in relation to instant coffee mix in Singapore during the material period so as to entitle it to protection on the basis of prior use.

12 The second argument is based on the international reputation of the "MacCoffee" mark stemming from its use in Russia and other East European countries since 1995. In support of this argument, counsel referred us to the decision in *Sprints Ltd v Comptroller of Customs (Mauritius)* [2000] FSR 814 ("Sprints"), a Privy Council appeal from Mauritius. In that case, there was an opposition to an application for registration of the trade mark "Chipie" for clothing. It was held that the opponent was entitled to claim proprietorship of the trade mark through use in Mauritius on the basis that it had used the mark extensively in other countries and that it had sent labels bearing the mark to a garment manufacturer in Mauritius for attachment to garments that were then exported for sale by the opponent in other countries. The Privy Council held that although it was necessary for the

opponent to establish use of its trade mark in Mauritius, the length of use was immaterial, especially in a case where the opponent was already using the trade mark elsewhere in the world. In such a case, proprietorship of the mark could be proved by minimal use in Mauritius.

13 Counsel for the appellant directed our attention to the following observations of the Privy Council in *Sprints*, at 822:

In order to create the risk of confusion there must essentially be a knowledge on the part of the public of the mark with which the confusion may occur. In many cases user may well be the means of establishing the reputation of the mark in a particular country and at a period when international travel and intercommunication was less intensive than it has now come to be user in the locality would be the ordinary or even the only way of establishing the local reputation. But [it] is essentially the reputation of the mark which will give rise to possible confusion and in light of the growth in international commerce and communication it may now be possible in the case of an internationally established trade mark to proceed upon evidence of its notoriety in a country even without any actual user of the mark there.

14 We do not disagree with this observation in relation to internationally established marks. Indeed, Parliament amended the Act in 2004 to give better protection to such marks by disallowing "squatters" from registering identical or similar marks for the purpose of preventing the rightful owners from using them in Singapore and exploiting the goodwill and reputation attached to such marks: see the Second Reading speech of the Minister for Law on the Trade Marks (Amendment) Bill in *Singapore Parliamentary Debates, Official Report* (15 June 2004) vol 78 at col 108. However, we note that the current legal requirements of "actual use" may need to be reconceptualised in the wake of the Internet and the corresponding ubiquitous nature of online advertisements and sales. It is not difficult to envision a future trade marks regime which provides for and protects the inevitable increase in the use of trade marks online as opposed to offline. The concept of the territoriality of a trade mark is likely to be affected by its ubiquitous use online. Be that as it may, the decision in *Sprints* supports the respondent's case rather than the appellant's case for three reasons. First, as we have stated, the sales invoices exhibited by the appellant related largely to sales or advertising overseas, with minimal evidence of local use related to that of the composite mark. Secondly, considering the issue in a domestic context, the respondent's position is equivalent to that of the opponent in that case, except that the respondent here is relying on an even stronger right, *viz*, that of a registered proprietor of the "McCafé" word mark. Thirdly, the decision typifies the nature and course of action which the appellant ought to have taken pursuant to s 8(7)(a) of the Act, to oppose the initial registration of the "McCafé" mark on the basis of its alleged common law right to the "MacCoffee" mark.

15 Reverting to counsel's submission that the rights of the respondent in relation to the "McCafé" trade mark ought to be restricted by reason of the appellant's unregistered mark, counsel has referred to two sets of provisions in the Act in support of his argument. They are (a) ss 8(7)(a) and 23(3)(b) and (b) ss 4(2) and 28(2). The first set of provisions entitles the appellant to object to the registration (either by opposing registration or invalidation) of the respondent's "McCafé" mark on the ground that it would conflict with its earlier unregistered right to the proprietorship of the "MacCoffee" mark for instant coffee mix. The second set of provisions provides a good defence to any action for infringement by the respondent for the same reason. Accordingly, the appellant argues that the effect of these statutory restrictions is to render the respondent's "McCafé" mark inoperative under the opposition, invalidation and infringement provisions of the Act. Counsel for the appellant also pointed out that the respondent had not used the "McCafé" mark for coffee or coffee-related products, but only in relation to the provision of services in its McDonald's McCafé restaurants.

16 In a nutshell, the appellant's argument is that its common law right to use the "MacCoffee" mark for instant coffee mix overrides the right of the respondent as the registered proprietor of the "McCafé" mark to oppose the appellant's registration of the "MacCoffee" mark for instant coffee mix. There is, of course, a tension inherent in a system of law that recognises at the same time both registered and unregistered interests or rights in property, whether movable or immovable, such as in the law of property or, in this case, the law of trade marks. However, notwithstanding its supposed novelty, the argument has, in our view, no merit in the context of the legislative framework of the Act in relation to the right to oppose registration of a trade mark. Counsel for the appellant has argued that "it is only during oppositions that the opportunity arises for the applicant to clarify its prior unregistered rights against the opposition mark".

17 We disagree. On the contrary, the Act affords ample opportunity for proprietors of unregistered trade marks to do so. They need not fear that such rights are unprotected by the Act or that registration destroys such rights, as the Act duly contemplates and provides an avenue for proprietors of prior unregistered rights to *oppose*, *invalidate* or even *revoke* a subsequent registration. In our view, the appellant's argument that the existence of the right, as the proprietor of an unregistered mark, to *oppose* or *invalidate* the registration of "McCafé" on the basis of passing off, or to *defend* an action for infringement, disentitles the respondent from asserting its rights as a registered proprietor of a similar mark in opposition proceedings, is wholly misconceived. There is no basis for such a principle as it would render incoherent the legislative framework for the protection of registered and unregistered trade marks under the Act.

18 We consider the first set of provisions in the Act relied upon by the appellant. The first section, s 8(7)(a), provides that "[a] trade mark shall not be registered if, or to the extent that, its use in Singapore is liable to be prevented by virtue of any rule of law (in particular, the law of passing off) protecting an unregistered trade mark or other sign used in the course of trade". This provision, by its express terms, will apply typically in opposition proceedings where the opponent is able to point to his common law right to the trade mark in question. It can have no application to the appellant, whose application is being opposed in the present case.

19 The second section, s 23(3)(b), provides that the registration of a trade mark may be declared invalid on the ground that there is an earlier right in relation to which the condition set out in s 8(7) is satisfied. This provision, by its express terms, can only apply in invalidation proceedings in respect of a registered trade mark. Again, this has no application to the present case.

20 The second set of provisions consists of ss 4(2) and 28(2) of the Act. The first section, s 4(2), provides that:

No proceedings shall lie to prevent or recover damages for the infringement of an unregistered trade mark as such; but nothing in this Act shall affect the law relating to passing off or rights under the Geographical Indications Act (Cap. 117B).

The second section, s 28(2), provides that:

Notwithstanding section 27, a person does not infringe a registered trade mark by using an unregistered trade mark that is identical with or similar to the registered trade mark in relation to goods or services identical with or similar to those for which the trade mark is registered if he, or he and his predecessor in title, have continuously used in the course of trade the unregistered trade mark in relation to those goods or services from a time before —

- (a) the date of registration of the registered trade mark; or

(b) the date the proprietor of the registered trade mark, or a predecessor in title, or a person who was a registered user of the trade mark under the repealed Act, first used the trade mark,

whichever is the earlier.

21 It is clear from the express terms of these two sections that they have nothing whatsoever to do with opposition proceedings. Moreover, the mischief to which these sections are directed, *ie*, infringement by the appellant of the respondent's trade mark, has not arisen and is not in issue before us.

22 In determining the scope of the rights conferred by the system of registration of trade marks, paramount consideration must be given to the legislative framework and the clear and unambiguous wording of its provisions. The Act provides for several distinct types of applications (eg, opposition, infringement, invalidation, revocation) for good reason. Construing the provisions to create a "defence" for unregistered marks on the basis of prior use in opposition proceedings initiated by proprietors of registered marks would undermine the rights conferred by registration. This would be detrimental to conceptual clarity and militate against the statutory objective of transparency and certainty sought to be achieved by a register of trade marks.

23 Indeed, the presumption of validity upon registration provided by s 101 of the Act (the register shall be *prima facie* evidence of anything contained therein) seeks precisely to avoid arguments of this nature. Grounds for the invalidity of registration have been exhaustively set out in s 23 of the Act, and must necessarily form the starting point for any challenge to the scope of rights conferred by registration. The general structure and purpose of the Act and the rights conferred by registration, in particular, the right to object to the subsequent registration of a similar mark resulting in a likelihood of confusion, cannot be allowed to be undermined.

24 The appropriate recourse for the appellant, if it alleges that the respondent has contravened its prior existing right in the word mark, "MacCoffee", was either to (a) file a notice of *opposition* to the registration of "McCafé" on the basis of its earlier right, pursuant to s 8(7)(a) of the Act; or (b) take out *invalidation* proceedings for the "McCafé" mark on the basis of passing off, pursuant to s 23(3)(b) of the Act. The first course is no longer available. The second course is still available, but not by the side door as a "defence" to opposition proceedings initiated by the respondent.

25 A trade mark, once registered, is valid for a period of ten years from the date of registration (s 18 of the Act) and may be renewed for further periods of ten years (s 19 of the Act). However, s 22(1) of the Act provides that a registered trade mark may be *revoked* if not put to genuine use within a period of five years. Again, such a legislative provision is incompatible with any claim by the appellant that the right of the respondent to oppose registration on the basis of its registration of "McCafé" has been restricted by the appellant's prior unregistered common law right to the trade mark "MacCoffee". It may be noted that the five-year validity period is soon to expire. The remaining course of action for the appellant now is simply to wait and see whether the respondent will use the "McCafé" trade mark for instant coffee mix before the expiry of that period. If not, it is open to the appellant to take out revocation proceedings against the "McCafé" trade mark in Class 30 on the grounds aforementioned.

26 The final and most compelling argument against the appellant's case is that, taken to its logical conclusion, it would result in the Trade Marks Register having two similar marks for the same kind of goods in Class 30, which would be the very antithesis of the rationale for having a system of registered rights.

Conclusion

27 We would accordingly dismiss the appeal with costs.

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