TRADE MARK USE IN HONG KONG:
A COMPARATIVE STUDY

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Introduction

A current controversy in European trade marks law concerns whether an alleged infringer needs to use the registered proprietor's sign as a trade mark before an infringement action can succeed. Unfortunately, the European Court of Justice (ECJ) has been inexplicit about this requirement, which has in turn led the English Court of Appeal2 and the House of Lords3 to reach differing conclusions on the same point of law. This confusion over whether trade mark use is a precondition for infringement has also trickled down to the lower courts in England.4

Given that the Trade Marks Ordinance (TMO) in Hong Kong is largely inspired by its United Kingdom counterpart, it is likely that our local jurisprudence would inevitably track the British position or more accurately positions. Thus it is pertinent for us to resolve this conundrum before this European confusion becomes our own.

In this paper, I shall essentially argue that the an unauthorized user has to be using the registered sign as an indicator of trade origin of his goods before he can be found liable for trade mark infringement in Hong Kong. Second, I also propose that in determining whether there is trade mark use by the junior user, one looks not at the intention of the alleged infringer but whether the relevant public would perceive his use as an indicator of the trade origin of his own wares.

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1 Arsenal Football Club v. Reed, [2003] All ER 1.
2 Arsenal Football Club v. Reed, [2003] 3 All ER 865.
3 R v Johnstone, [2003] 3 All ER 884.
Part 1 of this paper begins by examining this dispute with specific reference to British law and analyzes whether the ECJ had indeed dismissed the need for an alleged infringer to be using a registered sign in a trade mark sense before liability can be found.

Part 2 is a comparative study and critique of the case law emanating from the United States, Canada and Australia on trade mark use, and in the process, I seek to use their experiences to shed light on the current European position. Part 3 proceeds by discussing the legal test courts can use to identify whether an alleged infringer is using a registered proprietor's mark in the trade mark sense i.e. as an indicator of origin of the junior user's own wares.

Part I: Whither Trade Mark Use is required

The current TMO in Hong Kong came into effect in April 2003 and section 18(1)-(4) of the TMO provides that an infringement may be found if the alleged infringer “uses in the course of trade” an infringing sign. The Hong Kong legislation essentially tracks the statutory position in the United Kingdom, which was redrafted in 1994 to implement the 1989 European Community Directive (89/104) to approximate trade marks law in the Union. Given that there is no local case law on whether trade mark use is required before liability under section 18(1)-(4) is triggered, one inevitably has to turn to English/ECJ case law for guidance.

In Arsenal v Reed, Arsenal, a famous football club sued Reed pursuant to section 10(1) of the UK Trade Marks Act (TMA) [in pari materia with section 18(1) of our TMO] for selling memorabilia marked with the former’s trade marks. Reed contested the infringement, claiming that the marks were used on his goods not as an indicator of trade origin but as a badge of loyalty to the Arsenal football club. A sign at Reed's stall disclaiming any affiliation with Arsenal was also entered into evidence in support of Reed’s argument.

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5 See Section 10(1)-(3) of the UK Trade Marks Act.
6 Supra note 1 and 2.
In response to the English High Court’s query of whether third-party use of a registered mark that did not indicate trade origin was infringing, the ECJ replied that:

“..... the essential function of a trade mark is to guarantee the identity of origin of the marked goods or services to the consumer or end user by enabling him without any possibility of confusion, to distinguish the goods or services from others which have another origin.”

According to the Court, it follows thus that the exclusive right granted under article 5(1)(a) of the TM Directive (which section 10(1) of the TMA is based on) must therefore be reserved for cases in which “a third party’s use of the sign affects or is liable to affect the functions of the trade mark, in particular its essential function of guaranteeing to consumers the origin of goods.” Therefore use of a trade mark, even if it is identical to the registered sign, would be non-infringing if such a third-party use cannot affect the function of the registered owner’s ability to guarantee to consumers the origin of his goods. The ECJ held that the use of Arsenal’s mark on the defendant’s goods would create an impression that there is a material link in the course of trade between the goods concerned and the trade mark proprietor and the disclaimer does not sufficiently diffuse the confusion since Reeds’ products can be given or sold to other consumers after they were removed from the stall. On the facts, it is immaterial that the use of the registered mark is perceived as a badge of support for loyalty to the proprietor as the use of the sign by the third party is also liable to affect the guarantee of origin of the goods.

When the case was remitted to the High Court, the trial judge held that the ECJ had exceeded its jurisdiction by making factual findings (i.e. there was a clear possibility that origin confusion could occur, when it found otherwise) that it was not entitled to, and thus

7 Supra note 1 at para 48.
8 Id. at para 51.
9 Id. at para 61.
found for the defendant. On appeal, the Court of Appeal reversed the trial judge’s decision; whilst agreeing that the ECJ had made factual findings, the Court of Appeal held that this was inevitable in the circumstances. More controversial however is the Court of Appeal’s spin on the ECJ’s judgment:

It is important to note that the ECJ is not concerned with whether the use complained about is trade mark use. The consideration is whether the third party’s use affects or is likely to affect the functions of the trade mark.

Essentially, the Court of Appeal is suggesting that the test for trade mark use is different from one which determines whether third party use affects the functions of a trade mark. In making that assumption, the Court of Appeal subsequently declares that that the ECJ did not require an alleged infringer to be using a registered mark in a trade mark sense before liability is incurred.

The confusion worsened when the House of Lords in R v Johnstone opined that to violate section 10(1) – (3) of the TMA, [in pari materia with section 18(1) – (4) of our TMO] the alleged infringer has to be using the registered mark in a trade mark sense. The case concerned the criminal prosecution of a bootlegger accused of making illegal copies of performances of famous singers on compact discs labeled with the performers’ registered marks. In his defense, the accused argued that he was only using the registered names to identify the artists included in his compilation and not as an indication of trade origin. The appeal essentially related to whether the accused could rely on the civil defenses for trade mark infringement in his criminal prosecution, and in deciding this point of law, the House of Lords had to thus consider whether non trade mark use of a registered sign constituted a defense. In determining that the offending use of a registered mark must be use as a trade mark, it is interesting to note

10 It is outside the scope of this paper to discuss whether the ECJ has exceeded its jurisdiction in making this factual finding. For a fuller discussion, see Gareth Davies, Of Rules and Referees: Arsenal Football Club v. Matthew Reed, [2003] 28(3) European Law Review 408.
11 Supra note 2 at para 37.
12 Supra note 3.
that the House quoted extensively from the ECJ in *Arsenal*, and without any legal analysis, summarily reached the opposite conclusion from the Court of Appeal in *Arsenal*.13

It is certainly curious why the English Court of Appeal interpreted the ECJ’s decision in *Arsenal* to buttress its position that trade mark use is no longer required, when the House of Lords used the same extract to reach a diametrically opposite interpretation. The Court of Appeal quoted at length from the ECJ’s judgment, and even distilled the correct legal principle that the “relevant consideration was whether the use complained about was likely to damage that property right that ... is likely to affect or jeopardize the guarantee of origin which constitutes the essential function of the mark.”14 Yet strangely, the Court followed this observation with its declaration that this “did not depend on whether the use complained of was trade mark use.”15

It would thus appear that the Court of Appeal had essentially wrongly assumed that the test that determines whether third party use affects the functions of a trade mark is different from one that looks at whether there is trade mark use.

To be fair, academics too have made the same mistake. Illanah Simon argues that the “trade mark use” approach is defendant-centred, in the sense that it focuses on the connection that consumers will make between the mark and the defendant’s goods whilst the alleged ECJ approach according to her focuses on the impact that the defendant’s use had on how the trade mark acts as a trade mark for the proprietor.16 Simon is right so far as she stipulates that the “trade mark use” approach looks at the connection that the consumer makes between the registered mark and the defendant’s goods but it is not any association that is relevant but a connection that goes to indicate trade origin. Similarly, her interpretation of the ECJ approach is correct so far as she highlights that the Court looks at how third party use affects the essential function of trade mark, but she fails to see that in asking whether third party use affects the ability of the a registered mark to guarantee the origin of its goods, we can essentially asking

11 Id. at para 16-17.
14 Supra note 2 at para 33.
15 Id.
16 Embellishment: Trade Mark Use Triumph or Decorative Disaster. [2006] 28(6) EIPR 321.
whether the third party is using the registered mark to indicate the trade origin of the goods for which the mark is applied. To determine whether the third party is using the registered mark to indicate the trade origin of his goods, thereby affecting the ability of the registered mark to guarantee the origin of its goods, we have to essentially examine whether consumers perceive the third party use as one that indicates trade origin i.e. whether there is trade mark use. Where the defendant’s use of a mark is not understood by the public to be a designation of origin, there can be no trade mark infringement because such a use does not prejudice the essential function of a registered trade mark. As observed by Lord Walker in Johnstone: ‘trade mark use’ is a convenient shorthand expression for use of a registered trade mark for its proper purpose (that is, identifying and guaranteeing the trade origin of the goods to which it is applied) rather than for some other purpose.17 Whether we use the term “trade mark use” or the “essential function” formulation, we are applying the same test.

Whilst the Court of Appeal in Arsenal dismissed the legal requirement for trade mark use, it had nonetheless gone on to examine whether there was indeed trade mark use on the facts. However, its analysis on trade mark use was rather unfortunate as the Court seemed to imply that consumer confusion of origin was required before trade mark use could be found.18 Aldous L.J. held that the evidence established that a substantial number of consumers were confused and assumed that Reed’s goods were produced by Arsenal, and therefore there was trade mark use.19 Earlier, the ECJ seemed to suggest the same:

Even on the assumption that such a notice may be relied on by a third party as a defence to an action for trade mark infringement, there is a clear possibility in the present case that some customers, in particular if they come across the goods after they have been sold by Mr Reed and taken away from the stall where the notice appears, may interpret the sign as

17 Supra note 3 at para 76.
18 Supra note 2 at para 67-69.
19 Id.
designating Arsenal FC as the undertaking of origin of the goods.20

This is indeed a strange pronouncement by the Court. After all, an alleged infringer can be making a trade mark use of a registered mark even if there is no consumer confusion regarding the origin of the goods sold. This is after all the basis of dilution laws. Section 10(3) of the TMA and section 18(4) of our TMO protect the registered mark proprietor from third party use that takes unfair advantage of or is detrimental to the distinctive character of his famous mark, regardless whether consumers are confused over the origins of the defendant's wares. By implying that trade mark use is evidenced by pre- or post sale confusion by consumers, the Court was unwittingly reading in a confusion requirement into the dilution laws, a view it later disavowed in Adidas v. Fitnessworld.21

In Arsenal, the trade marks were affixed to items of clothing. The 'trade mark use' issue should be resolved by asking whether consumers would perceive the marks to be an indicator of Reed's wares, regardless whether they believe the goods actually originated from Arsenal. Even if consumers knew for a fact that the memorabilia in question originated from Reed, if they perceive that Reed was using the Arsenal mark as an indicator of trade origin, there would be trade mark use. An example would be if a trader decides to sell contraceptives labeled Visa.22 Consumers would generally not believe that the famous credit card company is behind this new product. Nonetheless, the trader would still be making a 'trade mark use' of the registered mark because the term Visa is used to indicate the origin of his wares, despite the absence of consumer confusion over the origin of

20 Supra note 1 at para 57.
21 [2004] 1 C.M.L.R. 14. In Adidas, the ECJ held that protection pursuant to article 5(2) of the Directive (in pari materia with section 10(3) of the TMA) is not conditional on a finding a likelihood of confusion between the registered mark and the sign on the part of the relevant section of the public. It is sufficient for the degree of similarity between the mark with a reputation and the sign to have the effect that the relevant section of the public establishes a link between the sign and the mark.
22 This is not a wholly hypothetical scenario. In C. A. Sheimer (M.) Sdn Bhd's Trade Mark Application, 2000 RPC 484, Visa International successfully contested a trader's attempt to register the mark Visa for contraceptives on the ground that trade mark dilution would occur.
the goods. Thus, in Arsenal, even if Reed had permanently tagged a disclaimer to every piece memorabilia he sold, such that every consumer coming across Reed’s product after it is taken from the stall would know that the product did not originate from Arsenal, there could still be trade mark use. The question of consumer confusion is simply irrelevant to the issue of trade mark use. Thus the ECJ were certainly right to hold that whether the registered marks, when affixed to memorabilia, were purchased or worn as badges of support was irrelevant to the issue of trade mark use.23 A consumer can buy a clothing item labeled with the Arsenal mark from Reed with the full intent of supporting that football team, whilst believing that Reed was using the registered mark as an indicator of his wares. Both considerations are not mutually exclusive. Where there is indeed confusion over origin, such trade mark use should be prohibited because as observed by the Court of Appeal in Arsenal: “the wider and more extensive the use, the less likely the trade marks would be able to perform their function.”24 But where there is no confusion over origin, such trade mark use should also be prohibited because dilution by blurring or tarnishing could occur to the registered mark. To ensure clarity of the law, the issue of trade mark use should be examined separately from the issue of origin confusion, and courts in the future should avoid language that suggests an inter-relationship.

Turning to Johnstone, as discussed above, the House of Lords was right to have held that trade mark use was required before an civil infringement action can succeed against an alleged infringer. On the facts, Johnstone was using the names of the various artists to indicate the names of the various performers whose performance have been recorded without permission. Certainly people buying the music compact discs may mistakenly believe that the bootleg discs in question were released with the consent of the performers. But this does not mean that the average consumer understands the use of the performers’ names in this instance was one whereby the alleged infringer was using the registered names to indicate the trade origin of his wares. As argued above, origin confusion is a separate issue from ‘trade mark use’. Also, one might take offense that Johnstone and his

23 Supra note 1 at para 61.
24 Supra note 2 at para 48.
fellow pirates were making illicit copies of performances which cost the recording industry millions of dollars a year, but so far as the performers' rights have been infringed, recourse should have been sought under copyright law.25

Critics like Nigel Parker are less impressed by the House of Lords in Johnstone.26 He argues that since registered names like Bon Jovi is not a descriptive term, having no meaning beyond the identification of a unique trade source of sound recordings, when they are used on goods, such trade marks inevitably indicate a trade connection with the performers, thus infringement must result if such application of the marks occur without the proprietor's permission.27

There are two fundamental flaws with this statement. First, unauthorized use of distinctive trade marks like Bon Jovi or Beatles need not necessarily be a use that indicates a trade connection with the proprietor's goods. An example would be if a clothing manufacturer starts selling T shirts that read "Bon Jovi's Music Suck" on the front. While the clothing manufacturer is using the Bon Jovi mark to refer to that registered musical group in question, consumers would not perceive this use as one that makes any trade connection with the registered proprietor but merely one that mocks the latter's works. Consider another example. It is discovered that employees of soft drink manufacturer Coca-cola work under very harsh conditions in China and a T shirt manufacturer, World Peace, decides to organize a boycott against Coca-cola products by selling clothing in England with the words "Coca-Cola runs a sweat shop!, Quench your thirst somewhere else!" emblazoned across the apparel. There would be no consumer confusion over the alleged infringing sign and the registered mark since the sign is specifically making reference to the registered proprietor, Coca-Cola. There is no trade mark confusion when the alleged infringer has used a sign to indicate origin in the registered owner of the mark as opposed to using the mark to indicate the origin of itself.28 Coca-Cola's true grievance against World Peace is that the

25 See supra note 3, Lord Hoffman, in para 40.
27 Id at 207.
28 There is also no trade mark dilution since World Peace is not selling his T shirts under the brand name Coca-Cola. See infra discussion on trade mark dilution.
bad publicity which the latter is generating against its products would invariably affect sales. Whilst its reputation would be affected, the damage is not caused by the use of the trade mark but by the message conveyed in the slogan. If we were to allow such infringement actions to take place, taken to its logical conclusion, we would in effect be granting a potentially unlimited monopoly to registered proprietors to pre-empt any adverse reports on their companies and any mention of their registered names that is not used to describe the wares of the defendant would trigger liability.

Second, even where the use of a registered mark by an alleged infringer suggests a trade connection with the proprietor, it does not necessarily mean that there has been unauthorized use of the mark in a trade mark sense. Lord Nicholls alluded to this when he opined the following:

A buyer of a (unauthorized) compact disc may expect the recording has been approved by or on behalf of the performer. But that expectation, where it exists, is not necessarily indicative that the performer’s name is being used on the compact disc as a trade mark or that the average buyer so understands.29

Trade mark use is not satisfied by just a mere finding of a professed trade link with the proprietor. As elaborated upon above, the issue is whether the use of the marks by the alleged infringer was one by which he was identifying the origin of his wares. Often the two would overlap, like in the Arsenal, where the use of the registered mark created an impression that there was a material link in the course of trade between the goods concerned and the trade mark proprietor and concurrently the use of the registered mark could be perceived by consumers as fulfilling the essential of function of guaranteeing the origin of the alleged infringer’s goods. But they may not coincide, like in Johnstone, where the consumers would perceive a trade connection between him and the registered proprietor but not view the use of the marks an indicator of the origin of his wares.

29 Supra note 3, at para 40.
Furthermore, Parker argues that since the infringer's way of presenting the registered proprietor's mark may be identical in every respect with the owner, it thus follows that the issue of "trade mark use" would inevitably only require an assessment of the infringer's subjective intentions. While the presentation of the marks on the goods may be a factor in deciding whether there is trade mark use, this is not the only sole factor. As opined by Lord Walker in Johnstone, there is a laundry list of factors which may contribute to making such a determination: the prominence and purpose with which a registered mark is used, presence of other brand names on the goods, and any other matters going to the alleged infringer's good faith and honesty. How the courts should determine whether there has been trade mark use is the subject of Part 2 of this paper. Suffice to say at this moment, the crux is not whether the defendant subjectively intended to use the mark as an indicator of his wares but whether consumers perceived his use as so.

With the confusion in appellate courts, it is not surprising that the lower courts in the United Kingdom are divided about whether trade mark use is a requirement for infringement. In Electrocoin Automatics, the High Court agreed with the Law Lords in Johnstone and held that:

The implication of article 5(5) of the Directive and the thrust of the guidance provided by the judgments... is that the rights conferred by registration of a trade mark are not engaged (and therefore not infringed) by use of a sign "other than for the purposes of distinguishing goods or service."

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30 Supra note 26.
31 Supra note 3 at para 87.
32 Electrocoin Automatics v. Coinworld, supra note 4 at para 85. In that case, the Court held that the plaintiff's registered mark "BAR-X" for gaming machines was not infringed by the defendant's use of "BEAR-X" to designate their amusement machines as there was no likelihood of consumer confusion. On the other hand, the defendant's use of "BAR-X" in the winning alignment of gaming symbols was not the use in the course of trade for the purposes of the TMA as they were not used for the purposes of distinguishing the defendant's gaming machines.
On the other hand, in O2 v. Hutchinson, the High Court had a different take on trade mark use. In that case, Justice Lewison held that Hutchison had infringed on O2's registered bubbles mark by using it in the former’s advertisement to refer specifically to O2’s services. He essentially stated that “use can count as infringing use even if the trade mark n question is used to indicate that the origin of the goods or services in question is the proprietor of the mark.” His conclusion rested essentially on two factors. First, the judge held that to accept Hutchinson’s argument that the registered mark must be used as an indicator of the trade origin of goods the defendants are selling, he would have to concede that the law on exhaustion in relation to parallel imports from outside the EEA had all been wrongly decided. According to the learned judge, since the proprietor of the mark is entitled to prevent the import of genuine goods within the EEA in certain instances by relying on his right to prevent infringement of his mark, the proprietor must a fortiori be allowed to prohibit unauthorized uses when the alleged infringer uses the registered mark to refer to the proprietor’s services. Unfortunately, I do not see how the doctrine of exhaustion furthers the claimant’s argument. The doctrine of exhaustion operates to provide a defense for resellers of genuine products to sell the marked goods within the European Economic Area (EEA) in instances where the registered proprietor had consented to its first sale in the EEA. Similarly in Hong Kong, a registered proprietor’s right to a remedy is exhausted under section 20 of the TMO if he consents to the first sale of his goods anywhere in the world. In these exhaustion cases, the registered marks were used to identify the trade origin of the very goods the resellers were selling, albeit the goods once belonged to the registered proprietor, thus there was no dispute whether the resellers were using the registered sign in the course of trade. On the facts in O2, the registered bubbles marks were not used as an identifier of the trade origin of the services the

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33 O2 v Hutchinson, supra note 4. On appeal, the Court of Appeal has agreed to make a reference to the ECJ on whether a defendant infringes article 5(1) of the Directive when he uses a registered sign purely for the purpose of comparing the merits of his goods with those of the trade mark owner and in such a way that the essential function of the trade mark to guarantee the trade mark as an indicator of origin is not jeopardized. [2006] EWCA Civ 1656 at para 32.

34 Id. at para 105.

35 Is. at para 99.
defendants were selling. Instead, the registered marks were used specifically to refer to the proprietor’s services for the purposes of price comparison.

Second, he relied on the ECJ precedent of *Christine Dior v Evora.*\(^{36}\) In that case, the European Court held that the proprietor of a trade mark may prohibit the reseller of his goods from using his registered mark to sell those goods if the use of the trade mark in the reseller’s advertisement “seriously damages the reputation of the trade mark.”\(^{37}\) The learned judge thus held that:

> It seems to me that the ECJ is recognizing that a trade mark may have functions beyond simply guaranteeing a trade origin... As the ECJ recognized... the “image” of a trade mark is something that the proprietor is entitled to protect.\(^{38}\)

Since the ECJ now protects the image of a branded mark, the judge reasoned a fortiori that the Court had junked the requirement that the alleged infringer must use the trade mark as an indicator of the trade origin of the goods he sell. Unfortunately this reference to *Evora* again does not in any way lend support to Justice Lewison’s claim. After all, in *Evora*, the reseller was using the registered mark Christian Dior as the indicator of the trade origin of his goods. The only issue in that case was whether this use was not an infringement because the trade mark proprietor had exhausted his right to a remedy by consenting to the first sale of the very same goods. Thus whilst the ECJ has indeed circumscribed the scope of the doctrine of exhaustion in *Evora* by recognizing that the trade mark proprietor may still regulate the use of his marks post sale when the reseller’s use in advertisements seriously damage the proprietor’s reputation, the ECJ has in no way granted a license to registered proprietors to prohibit the use of their marks when the junior user is not using the mark as an indicator of the goods he is selling.

Returning to developments at the ECJ, *Adidas v. Fitnessworld* was the first time the Court addressed the requisites of trade mark

\(^{36}\) Id.
\(^{38}\) Supra note 33 at para 101.
infringement in a dilution action. In that case, the claimant Adidas claimed that the defendant had infringed its trademarked three strip motif by marketing sports clothing which bore two parallel stripes. The ECJ held that trademark protection under article 5(2) of the Directive [in pari materia with Section 10(3) of the TMA and section 18(4) of the TMO] was not conditional on finding a likelihood of consumer confusion between the reputable registered mark and the alleged infringer’s sign; it is sufficient if the relevant public establishes a link between the infringer’s sign and the registered mark. The ECJ went on to opine the following:

The fact that a sign is viewed as an embellishment by the relevant section of the public is not, in itself, an obstacle to the protection conferred by article 5(2) of the Directive where the degree of similarity is none the less such that the relevant section of the public establishes a link between the sign and the mark. By contrast, where, according to a finding of fact by the national court, the relevant section of the public views the sign purely as an embellishment, it necessarily does not establish any link with the registered mark. That therefore means that the degree of similarity between the sign and the mark is not sufficient for such a link to be established.

Unfortunately, this statement has been read by some academics to support their view that the European Court does not require trade mark use to be found before infringement can be established under article 5(2). Antill and James essentially based their conclusion on the basis that the ECJ answered this reference without specific reference to the necessity for the defendant’s use to be perceived as trade mark use. However, if we were to examine the abovementioned extract closely, a different conclusion would be reached. The ECJ in Adidas was suggesting that if the relevant public were to perceive the infringing sign as purely serving a decorative

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39 Supra note 21.
40 Id at para 39 and 40.
42 Id.
function, notwithstanding any similarity, there would not be any sufficient link to establish an action in trade mark dilution. In other words, where the infringing sign is perceived by consumers as being used purely to decorate the defendant’s goods and not used as an indicator of the origin of his own wares, any similarity between the sign and the registered mark is not sufficient to find liability. Following Arsenal where the Court stated that trade mark use was required before infringement could be found under article 5(1), the ECJ was opining that use to indicate the origin of the defendant’s wares i.e. trade mark use (and not mere decorative use) is required before trade mark infringement can be found under article 5(2).

More recently in Anheuser-Busch, the ECJ was given another opportunity to clarify its stance on trade mark use. After repeating the mantra that the exercise of exclusive right of a trade mark proprietor is to ensure that the trade mark can fulfill its function of guaranteeing to consumers the origin of the goods, the Court affirmed that the use of a registered sign must be such that:

Consumers targeted, including those who are confronted with the goods after they have left the third party’s point of sale, are likely to interpret the sign, as it is used by the third party, as designating or tending to designate the undertaking from which the third party’s goods originate.44

Where the use of a registered sign is for purposes other than to distinguish the goods concerned, the ECJ held that article 5(5) of the Directive 89/104 allows the individual Member State to determine the nature, if any, of the protection afforded to the trade mark proprietor.45

In view of Anheuser-Busch, it is clear that the ECJ has not dismissed the need for trade mark use by a third party before an infringement can succeed. Admittedly, the ECJ did not expressly state that “trade mark use” is required, but in holding that use of a registered sign must be such that consumers would “likely to interpret the sign, as it is used by the third party, as designating or tending to

44 Id. at para 60.
45 Id. at para 64.
designate the undertaking from which the third party’s goods originate,” the Court is essentially reading in this requirement. After all, trade mark use essentially means use of a trade mark to indicate the origin of the goods for which the mark is applied. Furthermore, in holding that use of a registered sign for purposes other than to distinguish the goods concerned falls outside the Directive, the ECJ is stating that article 5(1) and (2) [and therefore section 10(1)-(3) of the TMA] do not afford any protection to a registered proprietor if a third party uses his mark other than to distinguish the trade origins of the goods concerned i.e. non trade mark use is not infringing.

Most recently in Adam Opel, the ECJ voiced its most explicit support for trade mark use yet. Autec had used the Opel car logo on toys consisting of scale models vehicles it manufactured and sold. The German national court had held that the average consumer was used to scale models being based on real examples and would understand that the Opel logo appearing on Autec’s products merely indicated that this was a reduced scale reproduction of an Opel Car. In this event, the ECJ held the following:

If, by those explanations, the referring court intended to emphasise that the relevant public does not perceive the sign identical to the Opel logo appearing on the scale marketed by Autec as an indication that those products come from Adam Opel or an undertaking economically linked to it, it would have to conclude that the use at issue in the main proceedings does not affect the essential function of the Opel as a trade mark registered for toys.

Naturally, neither the ECJ jurisprudence nor the House of Lords decision of Johnstone is binding on our courts. But so far as our legislature has chosen to craft our trade marks legislation in the mold of our British counterpart, we can examine their precedents and the principles underlying them with some favour. The essence of trade mark law is to protect the identity of the origin of goods and to stop an

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46 Supra note 44.
47 Supra note 45.
infringer from using a registered mark to brand his own wares. It should not be used to grant the proprietor something akin to copyright whereby he can censure the mere reproduction of his registered mark by unauthorized users indefinitely.

Part II: Trade Mark Use in Other Common Law Jurisdictions

Trade Mark Use in Australia

Under the current trade marks regime in Australia, trade mark use is expressly required before an infringement action can succeeded against an unauthorized user of a registered mark. However even before the legislature decides to expressly include trade mark use as a prerequisite, the courts have perceived this as a necessary precondition to infringement.

Under section 62(1) of the now repealed 1955 Trade Mark Act, a registered trade mark is infringed by a person, who not being the registered proprietor of the trade mark or a registered user, uses a mark which is substantially identical with, or deceptively similar to, the trade mark, in the course of trade, in relation to goods or services in respect of which the trade mark is registered. Essentially under the old Australian legislation, the alleged infringer must be using the registered mark in the course of trade, a requirement which

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49 Protection against confusion based infringement is provided in section 120(1) of the Trade Marks Act 1995 states: A person infringes a registered trade mark if the person uses as a trade mark a sign that is substantially identical, or deceptively similar to, the trade mark in relation to goods or services in respect of which the trade mark is registered. Protection against trade mark dilution is provided in section 120(3) whereby “A person infringes a registered mark if: (a) the trade mark is well known in Australia; and (b) the person uses as a trade mark a sign that is substantially identical with, or deceptively similar to, the trade mark in relation to (i) goods that are not of the same description as that of the goods in respect of which the trade mark is registered… and (c) because the trade mark is well known, the sign would be likely to be taken as indicating a connection between the unrelated goods or services and the registered owner of the trade mark; and (d) for that reason, the interest of the registered owner are likely to be adversely affected.
is *in pari materia* with the infringement prerequisite under Section 18(2) of the TMO.\(^{50}\)

Notwithstanding the absence of an express trade mark use requirement, the High Court of Australia had held that this was a cardinal principle before liability can be incurred. In the seminal decision of *Shell v. Standard Oil*,\(^{51}\) the High Court had to decide whether the infringer's unauthorized use of Shell Company's registered caricature image on television was use as a trade mark that triggered liability, Kitto J. (with whom Dixon CJ, Owen and Taylor J. agree) held that the relevant question was whether the use of the image was "thrown on to the screen as being marks for distinguishing Shell petrol from other petrol in the course of trade?"\(^{52}\) On the facts, although the alleged infringing image was used with reference to Shell petrol, the message concerned the qualities of that petrol and not to its brand or origin, and thus no infringement resulted.

In *Musidor v Tansing*,\(^{53}\) an Australian lower court applied this requirement of trade mark use in an infringement action that was factually similar to the *Johnstone* dispute. The alleged infringer was carrying out a business of selling compact discs embodying the unauthorized sound recording of live performances given by the Rolling Stones, with the packaging labels bearing the musical group's registered mark. A majority on the Court held that there was no trade mark infringement under section 62(1) of the 1955 Trade Marks Act as the registered marks were used to identify a recording of a live performance by the Rolling Stones rather than to indicate a recording of a live performance in the course of trade between the registered proprietor and the alleged infringer, and therefore there was no trade mark use of the registered mark.\(^{54}\) Whilst one might fault the majority for assuming that alleged infringer's use of the mark did not indicate a trade connection with Rolling Stones (after all, consumers might think he had the consent of the Rolling Stones to sell these live recordings), the majority is nonetheless right to reject the infringement action given that, as

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\(^{50}\) Protection against trade Mark dilution was not provided under the 1955 Trade Marks Act.

\(^{51}\) (1963) 109 CLR 407.

\(^{52}\) Id. at 425.

\(^{53}\) 52 FCR 363.

\(^{54}\) Id. at 376.
elaborated upon earlier in my discussion on Johnstone, a misrepresentation of a trade connection with the proprietor does not necessarily mean an unauthorized use of the registered mark in a trade mark sense. As long as the alleged infringer is not using the registered mark to identify the origin of his own wares, any finding of a professed trade link with the proprietor is irrelevant to the issue of trade mark use.

My critics might however argue that section 62(1) of the 1955 Trade Marks Act differs from section 18 of the TMO in one major respect that would justify a different approach in Hong Kong. Specifically, section 62(1) required the alleged infringer to "use a mark" in the course of trade while pursuant to Section 18 of the TMO, liability is incurred if the infringer "uses in the course of trade ... a sign" (emphasis mine). Their argument would run as follows: since the language of section 18 requires the use of a sign rather than a trade mark, the term "sign", being broader than the term "trade mark", therefore permits infringement to occur when there is a non trade mark use of a registered mark. My response would be that Section 18 must be read in conjunction with section 14(1) of the TMO which states: The proprietor of a registered trade mark has exclusive rights in the trade mark which are infringed by use of the trade mark (emphasis mine) in the Hong Kong without his consent. The phrase "use of the trade mark" in section 14(1) suggests that infringement as provided under section 18 must be one whereby the alleged infringer is using the registered sign as a trade mark (i.e. to indicate the origin of the defendant's goods) and not for other purposes. Therefore so far as the trade mark use is concerned, there is essentially no difference between the old Australian statute and the current section 18 provision under the TMO and guidance could and should be sought from Australian decisions bearing on this issue.

Trade Mark Use in the United States

In the United States, trade mark use is also not expressly required in the Lanham Act. For infringement of federally registered marks, the Act requires that the alleged infringer "use in commerce" any copy of a registered mark in connection with the sale that is likely to cause
confusion, mistake or deception. Famous marks are also protected against trade mark dilution if the alleged infringer makes "a commercial use in commerce of a mark or trade name."

For confusion related infringement, the United States courts have unfortunately not required the alleged infringer to be using the registered mark as an identifier of his own wares. Instead, liability is triggered if the unauthorized use is likely to cause the purchasing public to believe that the registered proprietor produces, licenses or otherwise endorses the products on which the alleged infringer applies the mark. In *Boston Athletic*, the First Circuit enjoined the manufacture and sale of unlicensed T-shirts bearing the registered Boston Marathon logo as the court found that the purchasing public was likely to believe that the sponsor of the Boston Marathon produced, licensed or endorsed the defendant's wares. On the other hand, where it was unlikely for source or sponsorship confusion to occur when a retailer sold non-officially manufactured jewelry with the mark owner's emblem, the action in trade mark infringement failed.

The courts were probably influenced by the view of the leading trade marks scholar in the United States who stated the following:

There is no separate statutory requirement of "trade mark use". A requirement of trademark use is implicit in the requirement that there be a likelihood of confusion for infringement to occur. Thus "trademark use" is not a separate element of plaintiff's case, but is only one aspect of the likelihood of confusion requirement for infringement.

With due respect to McCarthy, the conflation of the issues of confusion and the trade mark use is most unfortunate. As discussed

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55 Section 32(1) of the Lanham Act.
56 Section 43© of the Lanham Act.
58 Id., *Boston Athletic* at 32.
59 Supra note 57, *Supreme Assembly* v. *Ray Jewelry*.
earlier, trade mark use can occur in the absence of consumer confusion over source or sponsorship. This is after all the basis of the trade mark dilution theory which is enshrined in Section 43© of the Lanham Act. The dilution laws essentially grants protection to famous marks even in the absence of a likelihood of confusion, if the defendant’s use would diminish the strong identification value of the registered proprietor’s mark vis-à-vis his goods. Thus, courts should avoid any suggestion that trade mark use is a subset of confusion as the two concepts can be mutually exclusive.

Interestingly, as far as trade mark dilution is concerned, McCarthy concedes that a defendant must be using the registered sign as its own trade mark. He argues thus:

There is no dilution of the trade mark meaning of the plaintiff’s word mark if the defendant is not using the word as a trademark. Dilution requires that even in the minds of those who perceive distinct sources and affiliation, the ability of the senior user’s mark to serve as a unique identifier of the plaintiff’s goods or services is weakened because the relevant public now also associates that designation with a new and different source.61

Following his lead, courts in the United States have also required the alleged infringer to be using the registered mark to identify the origin of his wares before a dilution action can succeed.62 Unlike the British courts in Mothercare and Bravado, the American courts have rightly rejected the suggestion that trade mark use refers to any non-descriptive use that indicates trade origin, regardless whether the alleged infringer is using the mark to refer to the registered proprietor’s goods or the origin of his own wares. In America, when the defendant is merely using the registered mark to identify the trademark owner’s products and not his own wares, this would be considered a nominative fair use that falls outside the reach of the

61 Id. at Chapter 24:103.
dilution laws.\textsuperscript{63} In \textit{Playboy v. Terri Welles}, the Ninth Circuit held that the one time recipient of ‘Playmate of the Year’ title was not violating the dilution laws when she used Playboy’s registered mark on her internet website to promote herself commercially since she was in effect using the registered mark to refer accurately to a product of Playboy’s.\textsuperscript{64} The Court held thus:

A nominative use, by definition, refers to the trademark holder’s product. It does not create an improper association in consumers’ minds between a new product and the trademark holder’s mark. When Welles refers to her title, she is in effect referring to a product of PEI’s. She does not dilute the title by truthfully identifying herself as its one-time recipient any more than Michael Jordan would dilute the name “Chicago Bulls” by referring to himself as a former member of that team.\textsuperscript{65}

While this defense of nominative use originates from dilution proceedings, its reasoning could be extended \textit{a fortiori} to confusion-related infringement. After all, where the alleged infringer uses the registered mark to refer to the complainant’s goods and not his own, there can be no consumer confusion over the origins of the wares and the function of the trade mark in guaranteeing to consumers the origin of the goods is not affected. Consider for instance this hypothetical advertisement: Linux works as well as Microsoft Windows. Since the advertiser is using Microsoft’s mark to refer to the proprietor’s very own goods, there can be no consumer confusion over the trade source of the Windows operating system. Confusion-related infringement can only occur when there are two similar marks that confuse the relevant public into thinking there is only one single trade source. Where a mark is used only to identify its true owner, whether this use is authorized by the registered proprietor or not, no confusion over

\textsuperscript{63} The test for nominative fair use is laid out in \textit{New Kids on the Block}: (1) the product or service must be one not readily identifiable without use of the trade mark; (2) only so much of the mark may be used as is reasonably necessary to identify the product or service; (3) the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder.

\textsuperscript{64} Supra note 63, Playboy.

\textsuperscript{65} Id. at 805.
trade origin can occur, and the proprietor should have no recourse under trade mark laws.

My critics might counter by arguing that a requirement of trade mark use is often redundant for confusion related infringement as non-trade mark use of a registered mark would not cause actionable confusion over trade origin and hence trade mark liability would not accrue in any event. This might be true in the United States where section 32(1) of the Lanham Act explicitly requires the proprietor to prove a likelihood of confusion. However in Europe, when the alleged infringer uses a sign that is identical with the senior user’s mark, the Trade Marks Directive relieves the proprietor of the evidentiary burden of proving consumer confusion. Thus, without an implied requirement that the junior user be using the registered mark as an indicator of his own wares, as discussed in my earlier example of Coca-Cola, registered proprietors in Hong Kong would be able to police any adverse publicity about their companies by prohibiting the use of their registered names even though the alleged infringer is not using the registered mark to brand his own goods.

Trade Marks Use in Canada

The infringement provisions in Canada do not expressly stipulate a requirement of trade mark use either. Confusion-related infringement is prohibited under section 20(1) of the Trade-Marks Act which essentially provides that “the right of the owner of a registered trade-mark to its exclusive use shall be deemed to be infringed by a person not entitled to its use” selling goods “in association with a confusing trade-mark.” Protection against trade mark dilution is provided in section 22(1) which provides that “No person shall use a trade-mark registered by another person in a manner that is likely to have the effect of depreciating the value of the goodwill attaching thereto.”

Despite the absence of an explicit requirement that there must be trade mark use before liability accrue, the Canadian courts have read in this implied precondition for confusion-type infringement. In CGEM Michelin v. CAW, the Canadian Federal Court held that a workers union did not infringe on Michelin’s trade mark when the

6a See article 5(1)(a) of the Directive and section 10(1) of the TMA.
former used the latter’s registered name and corporate logo in their campaign materials to unionize employees of Michelin in Canada.\textsuperscript{67} The Court held that to succeed under an action in confusion related infringement under section 20(1), the defendants must “use the mark as a trade mark for the purpose of distinguishing or identifying the Defendants’ services in connection with the Plaintiff’s wares”\textsuperscript{68} Since Michelin’s registered name and corporate logo were not used to indicate the origin of the defendant’s services but as a campaign tool to criticize that very company and to encourage Michelin employees to unionize, there was no confusion-type infringement of Michelin’s registered marks.\textsuperscript{69}

In the same vein, the Federal Court held in \textit{Pepper King v. Sunfresh} that Loblaw did not infringe Pepper King’s registered ‘Volcano’ word mark when it used the mark on its food labels associated with the sale of salsa.\textsuperscript{70} The court rightly examined the issue of trade mark use separately from the issue of consumer confusion and in deciding the former issue, the judge held that section 20(1) “require that the use made of a trade must be for the purpose of distinguishing goods as goods of the defendant for there to be any deemed infringement.”\textsuperscript{71} The Court eventually concluded that the effect of the word ‘volcano’ as used in the Loblaw’s salsa label is to distinguish the degree of spiciness of the product and not to identify the salsa as coming from any particular source.\textsuperscript{72}

Strangely, for dilution type infringement, the alleged infringer does not need to be using the registered mark as an indicator of the origin of his wares before liability accrues. In \textit{Clairol}, the defendant hair dye trader Revlon used its competitor Clairol’s marks in a comparative advertisement and not as an indicator of the origin of the former’s goods.\textsuperscript{73} Notwithstanding this, the court held that dilution type infringement was established since the registered marks were used in association with the defendant’s wares and in a manner likely to

\textsuperscript{68} Id. at para 26.
\textsuperscript{69} Supra note 67 at para 41.
\textsuperscript{70} 8 C.P.R. (4th) 485.
\textsuperscript{71} Id. at para 45.
\textsuperscript{72} Id. at para 57.
\textsuperscript{73} (1968) 55 C.P.R. 176.
depreciate the value of the proprietor's goodwill. In the abovementioned case of *Michelin*, the court also dismissed the requirement for trade mark use in a dilution action and did so more explicitly:

There is no need under section 22 to prove the additional element of proof of use of the mark as a trade mark for the purpose of distinguishing wares or services... section 22 does not require proof of use of the trademarks as trademarks for the purpose of distinguishing goods and services.

Unfortunately, both the judges in *Clairol* and *Michelin* failed to offer a rationale for characterizing the elements of proof for use differently under section 22. Neither the confusion type infringement provision under section 20(1) nor the dilution provision provides expressly limits liability to unauthorized trade mark use by the infringer. Notwithstanding this, it is significant that in Canada, unlike the other jurisdictions discussed above, the term "trade-mark" is defined under section 2 to mean "a mark that is used by a person for the purpose of distinguishing or so as to distinguish wares or services manufactured, sold... by him from those manufactured, sold...by others." If the Canadian judiciary reads section 20(1) subject to the section 2 definition of trade-mark, as they so did in *Clairol* and *Michelin*, a fortiori, the same restriction should be implied under section 22(1). After all, in *Clairol* and *Michelin*, where the registered marks were used by the defendants to refer to the registered proprietor's own goods, this unauthorized use of the mark did not diminish or dilute the strong identification value of the proprietor's mark. Like my earlier example of Coca-Cola, *Michelin* and *Clairol*'s main concern is that the bad publicity which the unauthorized users are generating against their products or corporate image would invariably affect sales. Whilst their reputation would be affected, the

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74 Id. at para 45.
75 *Supra* note 67. On the facts in *Michelin*, the dilution action only failed because the court held that the registered marks were not used in association with the defendant union's wares and there was no depreciation of *Michelin*'s goodwill.
76 *Supra* note 67 at para 31.
damage is not caused by the use of their trade marks but by the unflattering messages conveyed in the defendants' advertisements.

Part II: Legal Test for Trade Mark Use

Given that I have argued in the previous Parts that trade mark use is a requisite precondition for infringement, I would hereby suggest a legal test that courts should adopt in identifying whether an alleged infringer is using the registered mark as an indicator of his own wares.

Whilst the ECJ had not provided any clues on how trade mark use can be established,77 Lord Walker in R v Johnstone did provide some guidance. His Lordship suggested that one can look at the prominent and apparent purpose with which the registered mark was used on the defendant’s wares, the presence (if any) of other signs on the defendant’s wares, the terms and prominence of any disclaimer and any other matters going to the alleged infringer’s good faith and honesty.78 While the abovementioned guidelines are helpful, they are effectively just evidential signposts for the courts to determine trade mark use and are not legal tests for the courts to reach a decision on whether there has been trade mark use.

The Canadian courts have on the hand devised such a legal test. In Tommy Hilfiger, the Federal Court of Appeal held that in determining whether a mark has been used as a trade-mark, “the user’s intention and public recognition are relevant considerations, and that one or the other may be sufficient to demonstrate that the mark has been used as a trade mark.”79 In that case, Tommy Hilfiger, an international clothing retailer sued International Clothiers for using its registered Crest Designs on the latter’s goods. International Clothiers contested the infringement claim, arguing that it intended to use the crest designs as mere ornamentation and not for the purpose of

77 See supra note 1. In Arsenal, the ECJ only established that essential function of a trade mark is to guarantee the identity the origin of the marked goods to the consumer by enabling him, without possibility of confusion, to distinguish the goods from others which have another origin. (para 48) No attempts were made by the ECJ to explain how courts can establish whether a particular sign is used to indicate the identity of the origin of the marked goods.
78 Supra note 3 at para 87.
indicating the trade origin of its wares. In upholding the infringement action, the Federal Court of Appeal held that trade mark use would be established when either the alleged infringer intends to use the registered mark as an indicator of his own wares or when the consumer perceives his use of the senior mark as an indicator of his own wares; both preconditions did not need to be concurrently satisfied.

This test is not wholly novel. The Court in Tommy Hilfiger essentially applied the "trade mark use" test developed by Romer L.J. in an old and possibly forgotten case of Nicholson’s Application, save that the learned judge was then determining whether the sign was used as a trade mark for registration purposes, a requirement under the 1905 Trade Marks Act in the United Kingdom. According to Romer L.J., for trade mark use to be established such that a sign is eligible for registration, either the user must intend for the mark to be used as an indicator of his goods or the relevant public perceived the use to be so; it was unnecessary that there should be both.

Before we extend Romer L.J.'s trade mark use test for registration purposes to infringement actions, one should bear in mind why the learned judge decided that intention without recognition would suffice:

If a trader uses a mark upon or in connection with his goods with the intention of indicating their origin, surely he is using it as a trade mark from the moment of the first user, which will probably be many months before the public has come to recognize the mark as indicating origin. If public recognition be a requisite of user as a trade mark, the proprietor must necessarily remain in ignorance of whether he is or is not using a trade mark until by some means or another he has ascertained the views of the public upon the matter.

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80 Id. at para 23.
81 Supra note 79.
82 (1931) 48 RPC 227.
83 Id. at 260.
84 Id.
It would appear Romer L.J. was concerned that if public recognition was a necessary precondition for trade mark registration, the time lag between the first use by a prospective registrant of his new mark and the period it was determined that the sign had become accepted by the public as a distinguishing mark would unfairly prevent registrants from benefiting from any trade mark protection in the interim.

It may be understandable to apply a more expansive test for trade mark use in registration disputes so that we do not unduly hamper prospective and otherwise eligible registrants from benefiting from trade mark protection. This concern does not exist in infringement actions. When a registered proprietor sues a junior user for using an alleged infringing sign, but the relevant public does not recognize this junior use as an indicator of the origin of the defendant’s wares, the ability of the proprietor’s mark to distinguish his wares, in the eyes of the consumer, from the infringer’s is not affected and there would be no reason to extend liability to such circumstances. On the other hand, where the alleged infringer did not intend to use the senior mark as an indicator of his wares but as a badge of loyalty or as mere ornamentation, but if the public perceives the mark as an indicator of the junior user’s wares, then trade mark liability should accrue because this unauthorized use affects the ability of the senior mark to distinguish the registered proprietor’s wares from another or dilutes the strong identification value of his pre-existing mark.

In light of my arguments, the trial judge in Tommy Hilfiger had certainly erred when he held that the alleged infringer had not used Tommy Hilfiger’s Crest Designs as a trade mark just solely on the basis that the former had no intention of using the designs as such and did not explore consumers’ perception on this matter. Unfortunately, the Federal Court of Appeal, whilst accepting that consumer recognition is a requisite for the determination of trade mark use, used the trial judge’s finding of consumer confusion to establish their finding that

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85 See Arsenal, supra note 1.
86 See Tommy Hilfiger, supra note 79.
88 Despite finding that there were no trade mark use on the facts, the trial judge went on and examined whether the infringing mark would cause confusion with the proprietor’s trade mark if trade mark use was present.
the crest design would be recognized by the relevant public as an indication of the defendant's trade origin. As elaborated upon earlier, the conflation of the two issues is most unfortunate as trade mark use may be absent on the facts even if consumer confusion over trade source occurred. The Court of Appeal should have thus the vacated the trial judge's decision and remitted the case for a factual finding on whether consumers perceive the defendant's use of the crest designs as an indicator of the origin of his own wares.

Therefore, it is my view that in determining whether there has been trade mark use for infringement purposes, the only precondition should be that the public perceives the infringing use as an indicator of the origins of the defendant's wares; the intention of the defendant vis-à-vis the use of the senior mark should thus be immaterial. Evidential signposts that courts can use to assist in determining whether this legal test is satisfied would be consumer surveys on whether they perceive the use to be an indicator of the trade origin of the marked goods, prominence of the use of the registered mark, the presence of the other marks, the terms and prominence of any disclaimer, the positioning, size of the alleged infringing sign and how the sign is applied to advertising materials or the packaging of the goods in relation to other features.

Conclusion

Intellectual property rights commentators who support the abandonment of "trade mark use" as a precondition of infringement often speak of the immense profits famous brand owners stand to lose if they do not have exclusive merchandising rights to their brand names. Rob Sumroy and Carina Badger point out a report in The Economist that revealed that the market for licensed products for movie paraphernalia for children alone in 2002 was worth about

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89 Supra note 79 at para 43.
90 See the evidential signposts suggested in Christodoulou v. Disney Enterprises, 2005 FCA 1401 at Para35.
US$132 billion dollars. According to both authors, if unauthorized users are free to use the registered marks, brand owners would lose the exclusive and profitable right to license the use of their names in paraphernalia and inevitably suffer staggering losses.

However, requiring the infringer to be using these brand names as an indicator of their trade origin is not necessarily inconsistent with the protection of the merchandising rights of brand owners. When we come across Manchester United duvets or Jurassic Park caps in shopping malls, it is not unusual for us to assume that these registered names are used as the identifiers of the trade origin of these products, regardless whether we believe the original registered proprietors are the sponsors/licensors of these products. So far as consumers perceive this use as an identifier of trade origin, brand owners would still have a remedy in trade marks against the unauthorized users.

But where the consumers merely perceive the unauthorized use as pure ornamentation and not as an indicator of trade origin, one must certainly question whether trade marks law should be the means by which a brand owner seek vindication. Trade marks law seeks to prevent uses of a registered name that confuses the consumers over the brand origin or blurs the distinctive significance of the mark. In both cases, the rationale behind the trade mark protection is to minimize consumer search costs. Grievances arising from uses of a mark that do not raise such concerns, either because the mark is used to refer specifically to the proprietor's products or where the unauthorized use is perceived by consumers as purely aesthetic in nature, should be settled in another forum and not forced into the confines of trade mark law. Whether we should have a stand-alone statute to protect merchandising right is outside the scope of this paper, but in any case, trade marks law should not be distorted to achieve this end.

In the same vein, Nigel Parker rants about the rampant state of CD piracy in the United Kingdom and chides the House of Lords for

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91 Rob Sumroy and Carina Badger, 'Infringing Use in the Course of Trade': Trade Mark Use and the Essential Function of a Trade Mark 163 at 165, in Illanah Simon and Jeremy Phillips ed. Trade Mark Use.
protecting the interests of the counterfeiters in *Johnstone*.92 Illicit copying of sound and video recording is certainly a huge global concern but this is primarily an issue in copyright law and not trade marks. Thus there is nothing incredulous as claimed by Parker about the law allowing a performer to enforce his trade mark rights against unauthorized sellers of merchandise such as scarves (if they are using the mark as an indicator of trade origin) but prohibits him from doing so in respect of sound recordings which are his core business.93 One must bear in mind that there is also nothing stopping these recording companies from seeking damages against the pirates in copyright infringement. In fact it is rather absurd to accuse the judiciary of being sympathetic to criminals when a more viable avenue is open to the prosecution or the aggrieved parties but they chose to pursue a claim that is not defensible in law.

Till our appellate courts in Hong Kong expressly rule that trade mark use is required before infringement may be found, it is to be expected that counsel for registered proprietors would continue to exploit this ambiguity in Europe and argue for a more expansive interpretation of infringing use. Inevitably, there would be some lower courts who would be seduced by their arguments and get incensed over how unauthorized users are ultimately free-riding on the goodwill first created by the brand owners. But we must let logic prevail. If and until we decide to enact a stand alone merchandising right statute, the ability of registered proprietors to regulate the use of their brand names is parasitic on the owner’s ability to prove a violation of copyright, trade marks or an actionable tort of passing off. Where the registered mark is not used as an indicator of trade origin, we cannot allow a trade mark infringement action to succeed just because we intuitively feel that the registered owner has a stronger claim than anyone else to control merchandising using his trade mark. In any case, if we take this misappropriation or free-riding argument to its logical conclusion, we would essentially require South China Morning Post or TVB to get a license from companies when the latter’s registered names are used in the news. This is a path we do not want

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92 Supra note 26.
93 Id. at 208.
to take in Hong Kong, or at least, not under the guise of trade marks law.