



Newsletter No. 200 (EN)

**Registration of Trademarks in Hong Kong &
Latest Legal Developments in Hong Kong
and Mainland China's Trademark Law**

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I. Introduction

In the following Newsletter, we would like to inform you about trademark registration in Hong Kong and the latest legal developments in Hong Kong's and Mainland China's trademark law.

II. Trademarks

Hong Kong's trademark registration system provides territorial protection. In order to obtain protection as registered trademarks in Hong Kong, trademarks must be registered under

- the Trade Marks Ordinance (Chapter 559) ("TMO"); and
- the Trade Marks Rules (Chapter 559A) ("TMR").

In Sec. 3 (1) and (2) TMO a trademark is defined as

"[...] any sign which is capable of distinguishing the goods or services of one undertaking from those of other undertakings and which is capable of being represented graphically.

[A] trademark may consist of words (including personal names), indications, designs, letters, characters, numerals, figurative elements, colours, sounds, smells, the shape of goods or their packaging and any combination of such signs."

Trademarks as referred to in the TMO include

- certification marks;
- collective marks; and
- defensive trademarks.

III. Period of Trademark Protection

The duration of trademark protection varies from country to country. Hong Kong stipulates a protection period of 10 years (Sec. 49 (1) TMO), whereas e.g. Macau has a protection period of 7 years and Canada of 15 years.

The commencement of the protection period in Hong Kong takes effect from the filing date of the application, whereas e.g. in China the protection period begins with the day of actual registration.

In Hong Kong, trademark protection is renewable (Sec. 49 (2) TMO). The application for renewal should be filed before the expiration of the registration, and a 6 month additional period is provided for the renewal application. In theory, therefore, renewed trademark protection could be applied for without limitation, thus granting indefinite protection. This is one major difference of trademark protection in comparison to other intellectual property rights, as for example patents.

IV. Why register a Trademark?

There are three main reasons as to why to register trademarks:

1. Avoiding of Lock-Up Situations

If a company's trademark is not registered in a jurisdiction, another party, e.g. a competitor targeting the market, can register the trademark there and thereby legally preventing anyone (especially the actual trademark owner) from using the trademark and expanding their business under that name (*lock-up situation*). A solution would be to change the company's name and to create a

new trademark, which comes at significant marketing efforts and high costs. Despite the costs and efforts that come with building up a new trademark, in most cases this is not feasible since European investors tend to enter foreign markets with long established trademarks which come with competitive advantages.

2. Trademark Protection

Registering a trademark means having the exclusive right to use the trademark in relation to the goods and services for which the mark is registered. Trademark certification provides *prima facie* proof of ownership. Other persons using the trademark in trade or business may be liable for trademark infringement. Legal action can be taken against them.

However, depending on the quality of the legal system of the respective jurisdiction, trademark registration may not give the protection generally attributed to it: e.g. in China it might already be difficult to identify a trademark infringer and take legal steps. However, e.g. in Hong Kong - as a Common Law jurisdiction - even unregistered trademarks may receive protection by the Common Law action of “*passing off*”: The original owner of an unregistered trademark must prove its reputation and that the other person’s misuse of the trademark will cause damage to the original owner. However, the action of “*passing off*” is generally a more difficult action to bring forward than an action for trademark infringement of a registered trademark.

3. Trademarks as Assets

Thirdly, registration might influence the perceived value of the business as (potential) investors look at the registered trademarks of a company and might sometimes even be a precondition of doing business, as is the case e.g. in China when wanting to do business on the online shopping portal “*Taobao*”.

V. Factors to be considered before an Application

Before filing an application with the Trademark Office (Trade Marks Registry), the following points should be taken into consideration:

1. Classes to be applied for

On the one hand, one must decide on the class(es) of goods and/or services to apply for. Different goods and services have been classified based on the Nice Agreement concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks into 45 Trademark Classes, dated 15 June 1987 (34 classes of Goods, 11 classes of Services - “**Nice Classification**”), used in Hong Kong with effect from 1 January 2015. The Nice Classification has been adapted in over 80 countries.

The problem remains, however, that the Nice Classification is interpreted differently, in particular the classes, in each country. Applications for multiple classes will usually result in more costs, so in order to keep the registration costs low, it may be feasible to limit the classes to the core products. However, trademarks will only be protected in the applied classes, so a broader protection can be enjoyed when registering for more classes. In Hong Kong, an application runs the risk of being objected on the grounds of unfair competition if filed for registration in a multitude of classes. Furthermore, before applying it should be taken into consideration that a later expansion of the business may require more or different protection.

2. Distinctiveness of the Trademark

On the other hand, the distinctiveness of the trademark is of central importance. According to Sec. 11 (1b) TMO, absolute grounds for refusing the registration of trademarks include the lack of any distinctive character. Therefore, before applying, it should be assessed whether the trademark is special

enough in order to be distinctive. E.g. a trademark that merely describes goods and services or shows the quality, purpose, quantity or value of them is most likely not to be considered distinctive.

Important indications for distinctiveness are:

- whether a trademark stands out from the crowd and clearly sets goods and services apart from those of competitors;
- invented words that are in no way associated with the line of business it stands for;
- if words are combined with graphics.

Points to be avoided include:

- usage of words that are associated with the goods and/or services;
- usage of a well-known terms or representations in the respective line of business.

There is no clear line when a trademark is devoid of distinctive characters. The experience, however, shows that the Hong Kong Trade Marks Registry is particularly strict with regards to what is distinctive and what is not. Therefore, the aforementioned points should be considered carefully.

VI. Trademark Registration

1. Application Process

In Hong Kong the application process is as follows:

(0) Trademark Search

Trademark search is optional. It serves to find out if there are any trademarks registered already in the desired class(es).

(1) Application

The application for the registration of a trademark has to be filed with the Registrar

according to Sec. 38 TMO and Rule 6 et seq. TMR.

(2) Deficiencies Check

After the application, the Trade Marks Registry will check whether the information provided (including the name of the applicant, its address, the representation of the mark, a statement of the goods and services) is complete and correct. If the registration is duly filed, the filing date will later serve as the date of registration.

(3) Search & Examination

Initially, the Trade Marks Registry will conduct a search of the trademark records in order to assess whether the same or a similar trademark has already been registered or applied for registration by another person in respect of the same or similar class(es) of goods or services. Furthermore, the Trade Marks Registry will check if the trademark satisfies the registration requirements as laid out in the TMO, in particular whether the trademark is distinctive (*see above*).

If the requirements for registration are not met, the Trade Marks Registry will object the application and issue an opinion how to overcome the objection. If the applicant fails to meet the Registry's requirements and the objection remains, the applicant has three more months from the date of the further issued opinion to satisfy the registration requirements or to call for a hearing. In the hearing the evidence for and against the trademark registration will be considered. The hearing officer will take a decision at the end of the hearing.

(5) Publication for Opposition (3 months)

If there is no objection or the suggestions were implemented, the trademark will be published in the Hong Kong Intellectual Property Journal. An opposition notice can be filed within three months. Approximately 95% of publications in Hong Kong go unopposed, mainly due to the high costs for opposing.

(6) Registration

The Registrar of Trade Marks will enter the details of the trademark into the trademark register, a certificate of registration will be issued and notice of the registration will be published in the Hong Kong Intellectual Property Journal. As mentioned above, the registration of the trademark will date back to the application's filing date.

2. Revocation and Invalidation

Once a trademark is registered, there are different possibilities to remove it from the trademark register:

It is possible to request to have a registered trademark removed from the register in whole or in part on the grounds of “*non-use*” (Sec. 52 (2a) TMO): Among other things, this requires that the trademark has not been used for at least 3 years. The burden of proof in this respect lies with the party seeking removal. Experience has shown that it is close to impossible to furnish evidence that a trademark has not been used. Therefore, it is advisable to take such measures only where respective proof may be easily obtained, e.g. where a company has been de-registered for more than 3 years.

It is also possible to file for an “*invalidation*” on the grounds that a trademark should not have been registered in the first place. In particular, this is the case where the requirements of Sec. 53 TMO are met, e.g. if there was an earlier trademark application that should have been registered earlier.

VII. Latest Legal Developments

1. Hong Kong:

Tsit Wing (Hong Kong) Co Ltd v TWG Tea Company Pte Ltd (FAMV 6/2015)

a) The Case

The plaintiffs belong to the Tsit Wing Group, whose principal business is wholesaling and retailing of coffee and tea products. They had also expanded to include coffee

shops under their business. The Tsit Wing Group has been conducting business in Hong Kong since 1932 and has, among other things, in 2006 obtained registrations for two figurative trademarks in Hong Kong, incorporating the letters TWG (standing for ‘Tsit Wing Group’) for coffee and tea.

The defendant operates under the acronym ‘TWG’, standing for ‘The Wellness Group’, a group from Singapore operating tea salons in various cities since 2008. In 2011 the defendant opened a tea salon in Hong Kong, with full knowledge of the plaintiffs’ trademarks, using similar signs incorporating the letters TWG. A short time after the defendant’s entry into the Hong Kong market, the plaintiffs sought an interlocutory injunction against the defendants to restrain them from using the TWG sign in Hong Kong.

There is a long litigation history in this case,

- beginning with the plaintiff’s successful sought of an interlocutory injunction before the Court of First Instance for trademark infringement and “*passing off*” of trademarks under Sec. 19 (1) and (3) TMO,
- followed by an unsuccessful appeal by the defendants to the Court of Appeal and
- a further application to Hong Kong’s Court of Final Appeal, which now has been granted.

b) The Decision

The permission to appeal the injunction was granted, since the defendant was able to show that he had a reasonable prospect of success. The judge granted the defendant’s leave on appeal, taking into consideration that the interim injunction would result in substantial consequences, such as the defendant having to pull out of the Hong Kong market completely. The injunction was lifted under the condition that the defendant would limit his business geograph-

ically to Hong Kong's International Financial Centre.

The Court of First Instance later decided in favour of the plaintiff. The judgement was later upheld by the Court of Appeal. With regards to the trademark infringement, the question of similarity between the plaintiffs' registered TWG trademarks and the defendant's TWG sign and whether there was a likelihood for confusion had to be answered. Both courts decided the two marks were similar and therefore a likelihood of confusion and the requirements for passing off were met. The courts found that:

- The plaintiffs had established goodwill in Hong Kong.
- There was a misrepresentation or a likelihood of deception of the public by the defendant's use of its TWG sign in Hong Kong, because of a high degree of similarity between the plaintiffs' trademarks on the one hand and the defendant's signs on the other hand. The courts also took into consideration that there was a high degree of similarity between the goods for which the marks were registered and the goods and services offered by the defendant in using the signs.
- By the defendant's use of the similar marks, damages would be caused to the plaintiffs' business.

The defendant's right to appeal was granted by the Appeal Committee after the defendant applied to the Appeal Committee of the Court of Final Appeal, submitting nine questions for consideration concerning the interpretation of Hong Kong's trademark law and the tort of "*passing off*", of which six were considered of requisite importance and should be submitted to the Court of Final Appeal (pursuant to Sec. 22 (1) b of the Court of Final Appeal Ordinance). The final appeal hearing is to be held in January 2016.

c) Comment

Even though the case is not concluded yet, it shows that for the legal assessment of trademark infringement the first impression and the overall impression of the marks and signs are crucial factors taken into consideration by the courts.

2. China:

"New Balance" - RMB 98 million Trademark Verdict

a) The Case

On 24 April 2014, the Guangzhou Intermediate People's Court condemned New Balance Trading (China) Co., Ltd., the local sales company for the U.S. sports brand "New Balance" to pay RMB 98 million (approx. EUR 14 million) for the violation of trademark rights of a Chinese individual, Mr. Zhou Yuelun, the plaintiff.

New Balance distributed its products in China through its local sales company pronounced "Xin Bai Lun", whereas in Chinese "Xin" meaning "New" and "Bai Lun" being a phonetic translation of "Balance".

The plaintiff lawfully registered trademarks for "Bai Lun" in 1996 and "Xin Bai Lun" in 2008. New Balance tried to oppose the registration on the grounds that it had been using an identical version of the mark „Xin Bai Lun" since 2003. However, the claims were rejected in 2011. New Balance continued using the mark in China. In 2013, the plaintiff brought a trademark infringement procedure against New Balance on the basis of an infringement of the "Xin Bai Lun" trademark.

In this context it is important to note that Chinese law does not recognize or protect trademarks unless they are registered with the Chinese Trade Mark Office ("*first-to-file-system*").

b) The Decision

The Guangzhou Intermediate People's Court decided that both marks were sub-

stantially similar, thereby providing a basis for the trademark infringement claim. The court stated that because of New Balance's opposition to the trademark's registration, it was aware of the plaintiff's registered trademarks. By continuing trading under the plaintiff's trademark, New Balance acted in bad faith. The Court dismissed New Balance's reasoning that "Xin Bai Lun" was a direct Mandarin translation of its company's name. The Court declared that New Balance had committed a malicious trademark infringement and set the damages at RMB 98 million (approx. EUR 14 million)

c) Comment

The case shows the importance of applying early for trademarks in China, as China's trademark system is based on the "*first-to-file-system*". Further, the case highlights the importance of applying for trademarks in English and Chinese characters, taking into consideration the cultural and linguistic inconsistencies between Mandarin and other languages. To find a translation of the trademark which properly reflects the company's brand, a consultation with an experienced translator is advisable.

3. China:

Protection of geographical indication 'Champagne' and '香槟' (Champagne in Chinese)

a) The Case

On 10 February 2015, the Beijing Number 1 Intermediate People's Court rendered a judgement in which it held that although 'Champagne' was not a registered trademark in China at the time the case was filed, the mark must be protected as an appellation of origin.

The Comité Interprofessionnel du Vin de Champagne (plaintiff) was founded in 1941 in France and established by statute to represent the common interests of growers in the region in France called Champagne. According to the plaintiff's rules only sparkling

wines produced in the Champagne region of France using particular grapes and certain processes are allowed to be called 'Champagne'.

In 2011, the plaintiff had discovered that the defendant, Beijing Sheng Yan Yi Mei Trading Co., Ltd., was selling soft drinks using the name 'Champagne' and '香槟'.

b) The Decision

The Court decided that although 'Champagne' was not registered as a trademark in China (at the time of filing the case), it had been established that 'Champagne' is the denomination for an alcoholic beverage and therefore must be protected as an appellation of origin. The court was convinced by the evidence submitted by the plaintiff that 'Champagne' had gained a high popularity and was recognized by the relevant public as a geographical indication, identifying sparkling wines from the Champagne region in France.

Further, the court emphasized that China was committed to provide legal protection for geographical indications since joining the World Trade Organization (WTO) in 2001 and becoming a party of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) in 2007. The court found that obtaining trademark registration therefore is not a precondition for legal protection.

c) Comment

This is the first case where a Chinese court decided on a geographical indication to be protected in China without registration. Nonetheless, registration of geographical indication in China is strongly recommended. There are mainly three ways to achieve this:

- Registration of certifications or collective marks at the Trademark Office;

- Registration of *sui generis* geographical indications at the General Administration of Quality Supervision, Inspection and Quarantine; or
- Registration of agricultural products with the Ministry of Agriculture.

*We hope that the information provided in this newsletter was helpful for you.
If you have any further questions please do not hesitate to contact us.*

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