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Infringement or Not?

**Claimant's registered trademark
in class 14**



Respondent's mark



ISSUE: Will the Claimant succeed in a claim for infringement of registered trademark against the Respondent?

BACKGROUND: Since 2010, the Claimant has been the exclusive distributor of one medical product named "化糖貼" (meaning blood sugar balance) in Hong Kong. To procure to stop parallel imports from being sold in Hong Kong, the Claimant registered the above trademark in class 14 and claims against traders of parallel imports. The Claimant alleges that there is a likelihood of confusion between the registered trademark and the Chinese characters "化糖貼" that appear in parallel imports under section 18(2) of the Trade Marks Ordinance, Cap. 559.

YOUR OPINION PLEASE SEND TO: bennykong@bk.com.hk

- Benny Kong & Yeung ranks amongst the top 13th firms in Hong Kong in term of volume of e-filing with the Intellectual Property Department of Hong Kong in 2012 (www.ipd.gov.hk).
- Benny Kong & Yeung is a firm of solicitors established in 1996 and practices in Intellectual Property laws.
- Mr. Benny Kong, is the vice chairman of the Hong Kong Institute of Patent Attorneys Association (www.hkpa.org.hk).
- Since 1996, Benny Kong & Yeung has handled more than 500 IP litigation cases in Hong Kong.



Word Marks — Descriptiveness — Distinctiveness — Litigation Strategies

According to section 11 of the Trade Marks Ordinance, Cap. 559, a trademark which is descriptive would normally be rejected for the application to be a registered trademark. If a word mark describes the features of a product (or service), under normal circumstances, the Trade Marks Registry would refuse the application.

Passing Off

Although descriptive word mark may fail in applying to become a registered trademark, the owner of the word mark (“the Owner”) would still be protected by common law of “passing off”. If somebody without the Owner’s consent used that word mark, and at the same time use it in the same or a related field of business, the Owner can sue the infringer based on the tort of “passing off”, and to prohibit the infringer from using the word mark and to compensate any loss, etc.

Misleading Condition

To use “passing off” as the only ground for litigation to sue the infringer, the Owner must prove that the infringer’s use of the word mark would mislead the buyers, and inducing them to believe that the infringer is the owner of that product (“Misleading Condition”).

Looking at Misleading Condition from the perspective of evidence, the Owner needs to put forward a lot of documents (including contracts, invoices, promotional files, etc) in order to prove the public visibility of the word mark. This is energy-consuming. Sometimes during the process of putting forward evidence, the Owner needs to disclose some important information (e.g. names of customers, sales rate), these make evidence giving an even more difficult task.

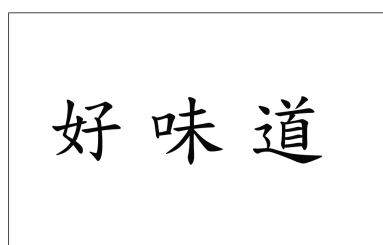
If the infringer did not use the Owner’s name on the infringing product, but used his own name or the infringer’s information has been printed on the infringing product, it is even harder for the owner to prove the Misleading Condition.

Descriptiveness

When the Trade Marks Registry refuses the application for trademark with the reason of descriptiveness, the applicant may consider the following measure:-

“Change part of the word mark to patterns (“Pattern Trademark A”) or modify part of the word mark to a pattern and add some other patterns to the surroundings of the first pattern (“Pattern Trademark B”). After these, apply for trademark registration using Pattern Trademark A and/or Pattern Trademark B.”

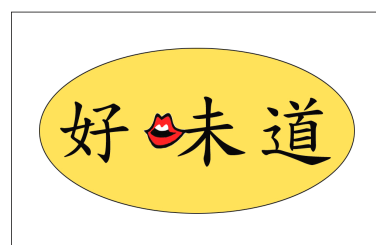
for example:



Word Mark



Pattern Trademark A



Pattern Trademark B

When the Trade Marks Registry received Pattern Trademark A and Pattern Trademark B, the application would be considered with the relevant factors. Among those factors, the most important ones are “descriptiveness” and “distinctiveness”.

Distinctiveness

Undoubtedly, the distinctiveness of Pattern Trademark A and Pattern Trademark B are higher than that of a word mark. Therefore, there is a greater chance for the Trade Mark Registry to approve Pattern Trademark A and Pattern Trademark B as registered trademarks than approving a word mark. The distinctiveness of Pattern Trademark B is higher than that of Pattern Trademark A.

If Pattern Trademark A is accepted as a registered trademark, the Owner (the owner of the registered trademark) can use the registered trademark to “beat the counterfeits”.

Since Pattern Trademark B has less descriptiveness and more distinctive than Pattern Trademark A, therefore Pattern Trademark B has a higher chance to be approved as a registered trademark. If only Pattern Trademark B is approved as registered trademark and Pattern Trademark A rejected, the



Owner of the registered trademark can still use the above way to “beat the counterfeits”, the only point to be aware is: Do not get over the line.

Trade Marks Ordinance: Similar + Confusing

If the market is occupied with infringing products with the word mark (“Infringing Products”), the registered trademark holder can use the following two causes of action to request the infringers to stop the infringement, or even to sue the infringers:-

- Infringement of registered trademark, and
- Passing off.

According to Trade Marks Ordinance, Cap. 559 s. 18(2), if the infringer used a trademark similar to a registered trademark in the course of business, and the use of that trademark may confuse the public (“Confusing Condition”), then the infringer has infringed a trademark.

Using the above example of “好味道” word mark as a demonstration, if anyone used Pattern Trademark A, the registered trademark holder just needs to prove there is a possibility of “misleading”, then the infringer may have to bear civil liabilities – infringement of registered trademark. Sometimes, the infringer might also have committed the criminal offence under section 9 of the Trade Descriptions Ordinance, Cap. 362.

Evidence

Obviously, to prove “Confusing Condition” is much easier than to prove “Misleading Condition”. The threshold of using registered trademark to put forward evidence for suing infringer is much lower than “Misleading Condition” in common law of “passing off”.

Even if the Infringing Product contains the information of the infringer, it is not very difficult for the registered trademark owner to prove that his product has been confused with the Infringing Product, from the eyes of the buyers. Using the above way of adding patterns to word mark is an effective way to protect the Owner’s intellectual property rights.



Set up Overseas Companies — Holders of Intellectual Property — Tax Incentives

In 2011, the Writer assisted two “promptly” listed groups to restructure their status of intellectual property holder, to foster more efficient development in the future, or in any “appropriate time” to apply for being listed. At the same time, the Writer believes that corporations of large scale should also pay attention to the following intellectual property issues: -

“Corporation can set up an overseas company to hold all the intellectual property rights (including registered trademarks, registered patents and registered designs). Thus, corporation can receive a certain level of tax incentives and better management.”

Under the advice of accountants and the Writer (as the IP lawyer), the above two groups respectively set up an overseas company (registered in BVI) and then transferred all the intellectual property rights to the newly established overseas company.

Tax Incentives

According to accountants, the above arrangement can allocate a part of the corporation’s profits to the overseas company as the overseas company’s “Licence Fee”. The overseas company upon receiving the Licence Fees grants the use rights of the intellectual property to the corporation for use. As long as the Licence Fee is reasonable, Hong Kong Inland Revenue Department would accept it (or called as no challenge).

For whether the Licence Fee is reasonable or not, it depends on the corporation’s nature of business, type of intellectual property rights and the ratio of Licence Fee to the corporation’s profits. Out of coincidence, after deep consideration, the Licence Fee set out by the two groups are both 15%.

Currently, Hong Kong’s profit tax is 16.5%. If the profit is HK\$10 million, through the above arrangement, every year the corporation can save up to HK\$247,500 profit tax. Elaborating from this, for HK\$100 million profit, the amount saved for profit tax would be HK\$2,475,000!

Evidence of Chain Effect

Apart from tax incentives, the above arrangement also brings advantages to the corporation from the legal responsibility aspect. To separate corporation’s businesses (factories in China, Hong Kong company and/or retail stores) from intellectual property rights into two companies can at the same time separate the legal liability of the corporation, laying a safety veil for the corporation. Under extreme circumstances, the above separation can avoid the problem of “chain effect”.



On the other hand, when the corporation is expanding geographically (e.g. in different countries and cities) and extending its scope of sale (e.g. vertically or horizontally), licensing program might then be a main project for the corporation. If a corporation is owned by one independent company, and grants the use rights of intellectual property rights to the mother-companies and subsidiary companies, the corporation would receive better tax incentives and legal protection.

Obviously, the corporation needs to first consider the start-up costs and annual audit fee for setting up an overseas company. If a corporation is considering refining management and expanding the business, the Writer suggests the corporation to consider the above arrangement as early as possible.

Trade Marks Ordinance, Cap. 559 Section 52 — Revocation of Trademark Registration — Re-applying for Registration

A smooth trademark registration on average takes less than 5 months – counting from the application date to the Trade Marks Registry granting a registration certificate.

The Trade Marks Registry may refuse the application. If the reason to reject the application is that, before the application, there was already a registered trademark in the Trade Marks Registry which looks exactly the same or very similar to the applying trademark, and that registered trademark is for the same category of product or service as the applying trademark, the application might never be accepted.

Revocation a Registered Trademark

When the applicant receives a letter rejecting the application with the above reason from the Trade Marks Registry, he should consider the following actions:-

1. Apply to revoke the registered trademark:-

The applicant may apply to the High Court of Hong Kong revoking the registered trademark mentioned in the rejection letter, and to claim for costs of litigation from the registrant. Normally, the process of revocation starts with an “Originating Summons” together with a supporting affirmation. When the applicant (plaintiff in the action) and the holder of the registered trademark (the defendant)

have filed their respective pleadings to the Court and exchanged evidence, the Court would fix a hearing date. From the filing of Originating Summons by the applicant to the Court to the hearing day, it normally takes about 8 months (depends on the complexity of the case).

Reason for Re-Application

2. Re-application for registration:-

Even if the applicant succeeds in revoking the registered trademark at the High Court, this does not mean that the applicant's application for registration ("1st Application") will succeed. According to the Trade Marks Ordinance, Chapter 559 Section 52(7), unless there are special circumstances, the Trade Marks Registry would not assess the 1st Application.

The above s.52(7) states, inter alia, that:-

"Where the registration of a trade mark is revoked to any extent, the rights of the owner shall be deemed to have ceased to that extent as from...the date of the application for revocation..."

In other words, even if the applicant successfully revoked the registered trademark through Court proceedings, the right of the holder of the registered trademark is still effective before the application of the Originating Summons. Therefore, the Trade Marks Registry would refuse 1st Application.

For the above technical question, the best solution for the applicant is: on the day after the filing date of the Originating Summons, make an application ("2nd Application") which is exactly the same as the 1st Application to the Trade Marks Registry. When the registered trademark has been successfully revoked, the Trade Marks Registry can then assess the applicant's 2nd Application and the applicant's rights would start from the second day of the 2nd application, if approved.

There are a number of reasons to revoke a registered trademark, including: within any three consecutive years, the holder of the registered trademark has not in reality used the registered trademark in Hong Kong for that product. When relying on this as reason for revoking the registered trademark, the applicant needs to consider employing private investigators to collect evidence and to discuss the evidence with lawyers.



Infringing Products Sold Through Online Shopping

Online shopping has become part of our lives. Its existence provides buyers and sellers a cost-efficient and convenient trading platform. At the same time, the trend of online shopping also triggers serious infringement problems.

The most famous online shopping platforms are Taobao.com, Yahoo!, eBay, etc. They provide entrepreneurs and sellers an effective channel to promote and sell products. What if the products sold by those sellers are infringing products. Have the online shopping internet service providers ("ISP") and the buyers breached the law? Online shopping is not country-bound – the seller can be at one end of the world, and the buyer at the other end. It involves comparatively more complicated intellectual property rights. In this article, the Writer will discuss on intellectual property right infringement with reasons.

There are 5 kinds of intellectual property rights:

1. Registered trademarks;
2. Registered patents;
3. registered designs;
4. Copyrights; and
5. Passing off.

If the seller is selling infringing products (that means infringement of one or more of the above 5 kinds of intellectual property rights), the seller definitely needs to bear the liability of infringing the subject.

For the ISP, the kind of infringement it is liable for depends on its cooperation and contractual relationship with the seller and the buyer. The ISP cannot put "innocence" as defence for infringement of registered trademarks, registered designs, registered patents and passing off.

The ISP might also be treated as the seller of the infringing products. If the identity of the product producer has been hidden by the ISP, there would be a higher chance for the ISP be treated as the seller of the infringing product during litigation. Therefore, the ISP's legal responsibility might be the same or almost the same as the seller of the infringing product!

It is only if the original product does not consist of the above 4 kinds of intellectual property rights, and the holder only has copyright, that the ISP can rely on "innocence" as defence to a copyright infringement claim. Within a reasonable time after receiving notice (like 14 days), the ISP can still rely on the following reason to defend:-

"Before receiving the notice, the ISP does not know that the product it was promoting and selling is an infringing product."

However, the above defence of innocence is not suitable for the Online Shopping service provider if it continues to sell and/ or assist to sell the infringing product after receiving the notice. Hence, ISP should promptly decide whether to continue with the sale of and/ or assistance to sell the potential infringing product or not after receiving the notice.

If the buyer bought the product only for personal consumption, then the buyer would not be liable for any infringement claim. Nevertheless, if the buyer has bought a large amount of the infringing product, then his acts might be treated as for purpose of selling, thus may be liable for proven infringement claim.

Actually, the ISP's responsibility to infringement of intellectual property rights is no difference with that of department stores – both parties need to bear the responsibility for intellectual property right infringement. The only difference between the two is that the ISP's buyers and sellers might be in different countries, where the transacting parties for department stores are in the same place. Nonetheless, when discussing Online Shopping service provider's intellectual property right responsibility, the readers have to evaluate on the place of the infringement, the applicable law is therefore that of the country where the acts were done – for sellers it is the exporting country, for buyers it is the importing country. In reality, this is a hard task for the ISP, as they need to understand intellectual property laws of all countries.

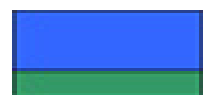
Most ISP would impose various policies (including establishing a system requesting complainants to provide information, written agreement with terms trying to transfer the liability to sellers and buyers, etc.), but their responsibility is still there.

Techniques for Trademark Registration — With the Focus on Infringement of Intellectual Property Rights

Before a corporation registers a trademark, it should bear in mind the following important issue:-

“If the trademark contains a number of elements, should the corporation use all the elements for trademark registration or just to register one or some of the elements?”

For example,  is a trademark composed of the following 3 elements:-



(element 1)

Dr. Kong

(element 2)

FOOTCARE

(element 3)



When the corporation is applying for registration, the trademark to be registered may be a combination of the above 3 different elements.

If a corporation ignore the above issue or do not understand the importance of the issue, it will combine all the elements as one trademark for registration. Although this will increase the chance of registration (because of its distinctiveness), this neglects the registered trademark's "execution power". The "execution power" of a registered trademark is inseparable from infringement problems.

Effectiveness of Enforcement Matters

When infringement has been discovered, can corporation use the registered trademark to "effectively" terminate the infringing acts? The word "effectively" is the Writer's focus in this article.

In reality, a registered trademark's execution power depends on how similar it is to the infringing trademark. If the infringing trademark and the registered trademark is "exactly the same", not only can the registrant sue the infringer using section 18 (1) of the Trade Marks Ordinance, Cap. 559, he can also use the following two methods with greatest execution power to terminate the infringement within the shortest period of time, or even to punish the infringer:-

- Start a civil litigation against the infringer for infringement of registered trademark, and use O.14 application for Summary Judgment to end the Court action quickly; and
- Report to Hong Kong Customs and Excise Department. According to section 9(2) of the Trade Descriptions Ordinance, Cap. 362, the Customs will hold justice for the registrant – to investigate into infringement and/or prosecute the infringer.

However, if the infringing trademark uses just one or some of the elements of the registered trademark, that means the infringing trademark is not "exactly the same" as the registered trademark, according to section 18(2) of the Trade Marks Ordinance, Cap. 559 the above 1 and 2 lethal ways to combat infringement may not be that useful.

According to the said section 18(2), when infringing trademark is just similar to a registered trademark, the owner of the registered trademark needs to prove to the Court that the infringer's use of the infringing trademark would create "public confusion". Normally, the defendant would defend that the use of the infringing trademark would not confuse the public. In such diverging case, O.14 application is not applicable. Then, the registered trademark owner would need to wait for 1 to 2 years before the trial, or even longer, for the civil proceedings to be gone through. On execution power, suing an infringer who used a similar trademark would lead to a long and expensive litigation process.

On the other hand, when the Customs discovers that the infringing trademark is only a close relative of



the registered trademark, they will deal with the report in a more serious way. A criminal charge against user of an infringing trademark is a serious offence and needs to go through criminal legal trial process. In consideration of all evidence and the legal principle of “proving beyond reasonable doubts”, the Customs may reject reports of infringing similar registered trademark.

From the above, we can see that when a corporation wants to apply for registration of a trademark, it should not ignore the execution power of the registration. The Writer suggests corporations to consider the followings:-

1. When infringement happens, infringing trademark might use the whole of the registered trademark or just one part (element) of it, and
2. If that part (element) of the trademark is distinctive and if resources are available, corporations should apart from registering the whole trademark, also register the parts (element) of it.

The Writer has 20 years of handling intellectual property right disputes. He believes that there is only benefits but no harm for corporations to consider the execution power of the trademark before registration.

Certificate of Registered Design — Product Exposed

When a designer has finished designing a product or a pattern, he can apply for registering the design as registered design, so as to receive protection under the Registered Designs Ordinance, Cap. 522. The scope of protection includes, anyone except the registrant cannot use the registered design without the registrant’s consent. Protection can last for at most 25 years (counting from the date of application). However, designer should be careful of the following issues, especially on “prior publication of registration”.

Meaning of Prior Publication

“Prior Publication” means that the design has been exposed before registering it at the Designs Registry. Publication includes showing the design to customers, advertising the design and showing in exhibitions. Although the Designs Registry may not know that the design has been published to public before the application date, the successful registration of the design might still be subsequently cancelled.

Under the section 45 of the Registered Designs Ordinance, Cap. 522, the Court has the power to revoke a registered design. There are a few reasons to revoke the registered design, the common one



is: the design is not novel before the application. According to the Writer's experience, there are two types of lacking of novelty:-

1. The registered design lacks of novelty, e.g. it is a combination of different designs in the market.
2. The registered design has been disclosed by the applicant before the application date.

The Writer has seen more than a thousand registered designs. According to experience, he can tell which registered designs have been published to the public before application date upon looking at the Certificate of Registered Design. This is more than 90% accurate. In the followings, the Writer will share this experience.

Two types of documents are shown in the Certificate of Registered Design:-

- Design Drawings or Line Drawings; and
- Photos of the product.

Photos of "Made Product"

In general, the existence of photos of the product hints us that the design has been published to public before the application date. This is because those photos (about 1 to 7 photos) usually show the "made product". This implies that the product has "moulds" and been "manufactured" before the application date. Order acceptance is done before "manufacturing" the product. Before receiving orders, the design of the product must have been shown to the customers for promotional purpose. Thus, on the date of application, the product or the design of the product has been published through showing, selling, promoting and even manufacturing. Hence, certificate of registered design can tell us whether the design has been published to public before the application date.

Therefore, the Writer suggests designers should register designs as soon as possible or, if needed carefully deal with documents for design registration.