

## Hong Kong: the trade mark basics

**When first entering any overseas market, whether to sell goods or services or as a place of manufacture, one of the most important things to remember is that trade mark rights are geographical in nature. Hence, rights which you might have in one territory (such as the UK) do not necessarily provide corresponding protection in an overseas market. In view of this, we have put together some advice and top tips for those entering the Hong Kong market for the first time.**

### The 'heads up'

#### 1. Do not assume that Hong Kong is the same as mainland China

Many businesses assume that doing business in Hong Kong is effectively the same as doing business in mainland China, and while Hong Kong is very often used as a trade gateway to China, there are many subtle differences, both legal and practical, to keep in mind

#### 2. Failure to translate a brand into a Chinese version

Even the most well known consumer brands must ensure that they effectively translate their brand for the Hong Kong Market. The official languages in Hong Kong are Chinese and English, but the mother tongue of majority people in Hong Kong is Chinese. Failure to produce an official translation into Chinese will often mean the local consumers devise their own Chinese name for the mark, which could have an undesirable meaning. This will make it harder for the brand owner to control its trade mark rights and brand image. Careful translation of a brand name into Chinese characters is of vital importance, since the phonetic characters each have individual meanings; phonetic accuracy might have to be sacrificed in favour of characters which carry appropriate connotations.

#### 3. Not recognising cultural differences

Chinese culture is complex. Failing to recognise the importance of certain colours, numbers and images can result in your brand being seen in either a positive or a negative light. For example, the colours red and gold are particularly favoured and the number eight is seen as representing very good luck. In Chinese culture, each year is named after an animal and many animals are seen as having certain characteristics,

both good and bad. If your brand contains an image of an animal, make sure that the Chinese perception of that animal matches what you hope to portray about your products through your brand.

#### 4. Not conducting due diligence on agents and manufacturers

Hong Kong is well known as a gateway to doing business with mainland China, and many businesses engage a Hong Kong Agent to act as an interface with a factory in mainland China. It is critical to know with whom you are dealing and conduct full due diligence prior to doing business. If problems arise, it is much easier to enforce a contract against a manufacturer than a third party agent because the latter rarely keeps substantial assets on hand.

Whilst some agents may be particularly beneficial, identifying those of real value requires substantial investigation into historical performance and existing relationships on the market.

#### 5. Not understanding the cultural differences and their impact on the drafting of contracts

Hong Kong has a dual system of law; British and Chinese. Whilst this makes contracting with Hong Kong businesses easier for many UK businesses, there are still cultural differences to take account of. When drafting contracts (or even just negotiating basic heads of terms), precision is of vital importance. In the UK and many Western jurisdictions, it is possible to use terms such as 'in accordance with industry standards'

In Hong Kong, this type of vague generalisation could lead to problems. Your ultimate goal is to have a precise and enforceable contract and specificity of the terms is key.

### Some branding considerations for overseas companies planning expansion into Hong Kong

#### 1. Protect the corresponding Chinese version of the trade mark by registering it as a trade mark.

It is possible to apply for a series mark of up to four variants in one application at no extra cost. A trade mark registration is the best evidence to prove ownership of a mark and makes it much easier to establish an infringement claim. New brands should be registered as soon as possible. Before registering a new trade mark, it would be advisable to check if there are any prior marks which would block the registration and use of the same. If so, this could mean a re-branding exercise prior to entering the Hong Kong market.

#### 2. If you licence the use of the mark to a related company or third party, you should record the licence with the Hong Kong Trade Marks Registry

so as to protect the right of the owner, as well as the licensee. If no proper licence is recorded, the owner may lose its right to the trade mark if the licensee claims to have ownership of the mark through its own use.

3. Put the appropriate trade mark notice on goods, if appropriate; identify it is a registered mark and brand it as one. This practice could avoid the trade mark becoming generic in the marketplace.

4. Monitor the market for infringing goods, particularly on online trading platforms, for example **Alibaba, Taobao, 1688 and Aliexpress**, and act quickly where trade mark rights are infringed by others. Also, use **watching services** to ascertain whether any third parties are applying to register identical or similar marks and file an opposition thereto, if appropriate.

5. Use your mark! A registered mark is **vulnerable to cancellation from the register** if the owner does not use the mark for three consecutive years after registration without valid reasons for such non-use. The use of the mark must be the same as that on the register, or with only minor variations; new logos or misspellings will not be sufficient to maintain your rights. If there is no use of the trade mark in Hong Kong, it is advisable to re-file the application to pre-empt such cancellation.