

## Hong Kong Court of Final Appeal lays down tests for trade mark infringement and passing off

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*China Alert*

The Court of Final Appeal ("**CFA**") handed down its judgment in *TWG Tea Co Pte Ltd and another v Tsit Wing (Hong Kong) Co Ltd and others*, FACV 15 of 2015 in January 2016, in which it considered issues relating to trade mark infringement under section 18(3) of the Trade Marks Ordinance (Cap. 559) (the "**Ordinance**") and passing off.

The CFA dismissed the appeal and found for the Plaintiffs. In so doing, the CFA clarified aspects of the law relating to passing off and section 18(3) of the Ordinance.

### **Background**

The *Tsit Wing* group of companies, the Plaintiffs, carries on the business of, amongst others, supplying tea and coffee products. The Second Plaintiff is the registered proprietor of the following series of trade marks under registrations no. 300635463 and no. 300655470 in respect of goods including coffee, tea and sugar (together, the "**Plaintiffs' Marks**"):

The *TWG Tea* group of companies, the Defendants, carries on the business of, amongst others, supplying tea products and tea salon services, began operations in Hong Kong and opened a "Tea Salon and Boutique" in 2011. The Defendants adopted the following marks, all of which involve the use of the words "TWG TEA" (together, the "**Defendants' Signs**"):

The Appeal Committee granted leave to appeal and certified 6 questions of great general public importance relating to trade mark infringement and passing off (reproduced at the end of this note).

In dismissing the appeal, the CFA clarified certain aspects of the law.

### **Mere dilution without misrepresentation insufficient for passing off**

In relation to the passing off claim, the CFA held that the United States notion of "dilution" used to describe "*the gradual whittling away or dispersion of the identity*

*and hold upon the public mind of the trade mark by its use upon non-competitive goods, which has led to unfair competition by other traders, albeit without the likelihood of consumers being confused or deceived"* does not represent the law of passing off in Hong Kong.

The CFA affirmed that the law of passing off protects against the invasion of the plaintiff's goodwill by the activity of the defendant in cognate fields into which the plaintiff may wish to enter, where that activity causes or is likely to cause deception of those familiar with the mark or other indicia of the plaintiff. In other words, a plaintiff will not succeed in a claim for passing off based on a mere "dilution" of its identity where there is no misrepresentation or deception.

In this case, the Defendants were enjoined from using the Defendants' Marks in relation to tea salons and the retail of tea, even though the Plaintiffs had not used the Plaintiffs' Marks in relation to restaurants or cafes. The CFA found that the Plaintiffs may wish to exploit its reputation in relation to the supply of tea and coffee in cognate fields of business such as the operation of tea salons and other retail outlets, and affirmed the injunctions against the Defendants to prevent threatened activities in those fields.

### **Interpreting section 18(3) of the Ordinance**

The case also concerns the interpretation of section 18(3) of the Ordinance:

*"18(3) A person infringes a registered mark if –*

*(a) he uses in the course of trade or business a sign which is similar to the trade mark in relation to goods or services which are identical or similar to those for which it is registered; and*

*(b) the use of the sign in relation to those goods or services is likely to cause confusion on the part of the public"*

(emphasis added)

The CFA was invited to determine whether the wording of the Ordinance required a step-by-step consideration of "similarity" and separately the "likelihood of

confusion" caused by the "use" of the alleged infringing sign.

The CFA, having considered the wording of Trade Related Aspects of Intellectual Property Rights ("**TRIPS**") and the legislative history behind the passing of the Ordinance, held that the word "and" linking sections 18(3)(a) and 18(3)(b) of the Ordinance denotes the requirement of a causal link between "similarity" (in the mark/sign and goods/services) and the "likelihood of confusion".

The CFA nevertheless confirmed that the questions of "similarity" and "likelihood of confusion" are two distinct issues which are not to be elided.

### **Features other than dominant feature**

According to the CFA, when considering "similarity", the task is not to locate the respective "dominant" or "essential" features of the registered trade mark and the signs of the defendant, disregarding the significance of the other matters. The CFA confirmed that a court should consider any features of the mark and sign which appear to be "essential" or "dominant", but when doing so, the entirety of the mark and sign, together with the context, including evidence of what happens in a particular trade, should not be disregarded.

In relation to colour, the CFA confirmed because the Plaintiffs' Marks are registered as a series (each registration including a coloured version and a greyscale version and where colour is the only differing element between the two), it meant that colour is of non-distinctive character and does not substantially affect the identity of the trade mark.

Finally, the CFA also accepted that the emphasis in some older cases to aural comparison reflects "*retailing methods of a past age*" and may not therefore be applicable in modern days. Hence, in this modern world, words may not necessarily speak louder than devices.

### **Conclusion**

The CFA's decision is one of the few decided Hong Kong cases on trade mark infringement and passing off. It now clarifies the approach which should be taken by the Trade Marks Registry as well as the Courts and will no doubt be the leading

authority in trade mark opposition, infringement and passing off actions.

A few points should be noted from this decision:

- The requirement of "similarity" and "likelihood of confusion" in section 18(3) of the Ordinance are two separate issues which should be considered separately, and there is a causal connection between "similarity" and "likelihood of confusion".
- It has been common practice for trade mark owners to register a greyscale / black and white version and a colour version of the same trade mark as a series of marks in Hong Kong. Given the definition of a "series of trade mark" and the CFA's acceptance of the Court of Appeal's finding that such registrations meant that the colour is of non-distinctive character and does not substantially affect the identity of the trade mark, trade mark owners should be wary of registering greyscale / black and white and colour versions of the same mark as a series, particularly if colour is an element which the trade mark owner claims as a distinctive or distinguishing feature.
- To successfully obtain an injunction based on mere "dilution" of identity, a plaintiff will need to rely on section 18(4) of the Ordinance which protects registered marks which are "well known" against use by the defendant of an identical or similar sign which is "without due cause" and "takes unfair advantage of, or is detrimental to the distinctive character or repute" of the registered trade mark.

### **Questions certified by the Appeal Committee as being great general public importance**

*Question 1:* Whether it is correct in law to interpret Section 18(3) of the Trade Marks Ordinance Cap 559 as equivalent in all respects to Section 10(2)(b) of the UK Trade Marks Act 1994, which follows Article 5(1)(b) of European Directive 89/104, and if not, what is the proper approach for determining infringement of a registered trade mark under Section 18(3) of the Ordinance.

*Question 2:* Whether, in adopting either a global appreciation or step-by-step approach and, in the absence of any finding that the device elements in the marks and signs are negligible or insignificant, the questions of similarities and likelihood of confusion are correctly to be determined, in the case of marks and signs comprising letters of the alphabet and other elements, on the basis that the letters of the alphabet are (as held by the Judge) the "essence" of the marks or (as held by the Court of Appeal) only "at least one dominant feature of the marks" and the only features in the marks and signs "which have trade mark significance".

*Question 3:* Whether, in view of the requirement that visual, aural and conceptual

similarities of marks and signs be assessed by reference to the overall impression they create, it is correct in law to place any reliance on the adage that “in assessing the distinctive and dominant components in a composite mark, generally speaking words “speak louder” than devices” where the “words” are in fact three letters of the alphabet (and in the case of the Defendants’ signs the additional word “TEA”) and the devices in question are not negligible or insignificant and are visually and conceptually (and in so far as they can be described orally) completely different.

*Question 4:* Whether it is still correct in law to hold that a “mark registered in black and white is registered in respect of all colours” other than those in which it has been predominantly used.

*Question 5:* In determining the scope of a registration for the purposes of infringement, where a mark expressly claims specific colours as an element of that mark and is registered in series with the corresponding monochrome version of the mark, does it inevitably follow, or is the Court entitled to hold otherwise, that the expressly claimed colour scheme is “a matter of non-distinctive character which does not substantially affect the identity of the trade mark”.

*Question 6:* Whether mere potential dilution of a trade mark is sufficient damage to a plaintiff under the law of passing off.

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