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The Court of Final Appeal Clarifies the Applicable Test for Interim Relief in Aid of Foreign Proceedings

As one of the world's most established international financial centres, Hong Kong is a place where many foreign companies and individuals would park their assets. In order to facilitate the process of foreign court that has primary jurisdiction, section 21M of the High Court Ordinance (the "HCO") was introduced under the Civil Justice Reform in 2009, which empowers Hong Kong courts to grant interim relief, including injunctions, in aid of proceedings outside Hong Kong which are capable of giving rise to a judgment which may be enforced in Hong Kong. *In Compania Sud Americana de Vapores SA v Hin-Pro International Logistics Ltd FACV 1/2016*, having considered the origin and object of section 21M, the Court of Final Appeal of Hong Kong (the "CFA") clarified the correct tests to applications made under section 21M.

BACKGROUND

In the subject case, Hin-Pro International Logistics Ltd (the "Respondent") shipped goods under bills of lading issued by Compania Sud Americana de Vapores SA (the "Appellant"). Notwithstanding the exclusive jurisdiction clause stipulating that any claims arising under the bill of lading should be subject to the jurisdiction of the English High Court, the Respondent initiated proceedings against the Appellant in the PRC courts. In response to that, the Appellant brought proceedings in the English courts against the Respondent's breach of such exclusive jurisdiction clause and obtained an anti-suit injunction from the English court against the Respondent. However,

the Respondent disregarded the anti-suit injunction and obtained favourable judgment against the Appellant before the PRC Court.

In view of this, the Appellant commenced a second English action for damages for the further breaches of the jurisdiction clause, and in support thereto, obtained an ex parte worldwide freezing order against the Respondent for the amount awarded by the PRC Court. The Appellant also obtained a Mareva injunction in Hong Kong ("HK Mareva") (granted ex parte and continued inter parte) to freeze the Respondent's assets in Hong Kong under section 21M to aid the English actions and the worldwide freezing order.

The HK Mareva was subsequently discharged upon the Respondent's application and the Court of Appeal of Hong Kong (the "CA") dismissed the Appellant's appeal against the discharge. The Appellant appealed to the CFA.

Overturning the CA's decision, the CFA reinstated the HK Mareva and clarified the correct approach to the two-stage test involved in determining a section 21M application.

SECTION 21M – THE FIRST STAGE

At the first stage, the CFA confirmed that the court needs to consider if the proceedings that have been or are to be commenced in the foreign court results in a judgment, the judgment is one that the Hong Kong court may enforce under section 21N of HCO as a precondition. If so, the court will abide by the general principles governing interim relief and must consider similar general questions to those that would arise if the relief had been sought in support of an action in the Hong Kong court. For a Mareva injunction, the relevant questions would be (i) whether there is a good arguable case, and (ii) whether there is a real risk that the defendant will dissipate his assets in Hong Kong.

The CFA further clarified that given the object of section 21M is to facilitate the process of foreign court that has primary jurisdiction, the question that Hong Kong court has to consider is whether the plaintiff has a good arguable case in the foreign court, but not before the Hong Kong court as wrongly postulated by the CA. The reasoning for the same is that foreign judgments will be enforced in Hong Kong even though the claim is one that would not have succeeded under the law of Hong Kong. As such, there is no reason in principle why the prospect of such a judgment should not receive the protection of interim relief under section 21M.

The CFA also confirmed that where the court of primary jurisdiction has considered the strength of the plaintiff's case and rendered its judgment, its conclusions will normally carry weight with the Hong Kong court. On the other hand, where foreign proceedings have yet to be commenced or concluded, the Hong Kong court in determining the grant of

interim relief under section 21M, has to form a view, based on all the available material whether there is a good arguable case before the foreign court.

SECTION 21M – THE SECOND STAGE

The second stage of the test would involve a wide discretion of the court to refuse the grant of relief sought if the court finds it unjust or inconvenient to grant the relief given the fact that the Hong Kong court has no jurisdiction to the subject matter of the foreign proceedings concerned, except under section 21M. While the CFA held that it would be inappropriate to formulate a list of unjust or inconvenient circumstances, it recognized that judicial comity is a matter that properly fell to be taken into account here at the second stage.

Further, the CFA clarified that it has been recognized that an anti-suit injunction in support of an exclusive jurisdiction clause, while constituting an indirect interference with the process of a foreign court, does not thereby infringe judicial comity. This is because the relief is directed not against the foreign court, but against the individual defendant who is disregarding his contractual obligations. In the subject case the Hong Kong court was not asked to assist the English court to enforce an exclusive jurisdiction clause, but to enforce an award of damages by the English Court for breach of such a clause. As such, there is no breach of judicial comity.

CONCLUSION

This is a welcomed judgment by the CFA to clarify that when determining section 21M applications in Hong Kong, the court has to look at whether the applicant has a good arguable case before the foreign court but not whether he has a good arguable case under Hong Kong law had the proceedings been commenced in Hong Kong. When the foreign court has not considered the strength of the case, the Hong Kong court will need to make an assessment on its own as to the prospect of success of the applicant's case before the foreign court, which may involve expert evidence on the relevant foreign law in some cases to prove a good arguable case by the applicant.

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Key to Successful Priority Claims in China: Coherence in Trademark Specimen

In this article, we will draw your attention to one of the problems trademark owners face when claiming priority with the China Trademark Office (CTMO).

In order to secure the priority date and win the race in PRC trademark filing, it is not uncommon to prepare a trademark application based on the information provided by a foreign trademark office online database when the original priority document is not yet available. In some jurisdictions such as Canada and the EU, however, the trademark specimen as shown in the online database may not be identical to the specimen as printed in the original priority document.

Under the current examination standard of the China Trademark Office (CTMO), the specimen of the mark as shown in the application must be exactly the same as the specimen of the mark in the original priority document.

Minute details such as the spatial arrangement and font-type of the applied-for mark would also be scrutinised, and any discrepancy would lead to a rejection of the original priority document as supporting evidence to the trademark application.

Accordingly, due care must be exercised when preparing priority-based trademark filings, and applicants are advised to cross-check the details of the applications with those in the original priority document before filing to ensure that the original priority document will be accepted by the CTMO and that the relevant priority date will be secured.



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Our Winning Story: Battle against Pre-emptive Bad Faith Filing

Trade mark squatting has remained a headache for foreign brand owners who wish to enter into the China market but have yet to use its marks or acquired fame in the country. This is largely due to the first-to-file system as well as the rather inflexible approach to find bad faith on the part of the registrant.

Here, our client, a cookware company from the United States and owns trademark rights for its logo worldwide, has obtained a favorable decision against a nearly identical device mark at the Trademark Review and Adjudication Board after nearly 10 years of battle. The mark was pre-emptively filed by a business entity which colluded with our client's Chinese manufacturers to produce counterfeits. Yet, the client has little success in the opposition and opposition review procedure.

Although the client has little evidence to prove use of its mark and its fame in China, we successfully assisted the client to invalidate the mark registered by the squatter at the Trademark Review and Adjudication Board.

1. NOTARIZED TELEPHONE CONVERSATION

We approached the registrant anonymously, and worked with the notary to conduct a notarized telephone conversation with the registrant. The registrant confirmed during the conversation that he knows that the mark it

registered is a brand originating from the United States, and he has manufactured products without their authorization. This evidence of bad faith has painted the bad faith of the registrant in the Examiner's mind.

2. COPYRIGHT RECORDATION

Given that the disputed mark is a logo, we have submitted the U.S. trademark registration certifications, copyright recordal certificate obtained in China, notarized catalogs prior to the date of application of the mark and copyright assignment agreement to form an evidence chain to prove that our client has a prior copyright of the client's logo. The TRAB found that the application for registration of the disputed mark constitutes infringement upon our client's prior copyright and invalidated the mark.

Despite the obvious bad faith on the part of the registrant, brand owners still need to deploy creative strategy and diligent evidence collection effort in maneuvering the Chinese legal system.

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