

How Far Can Injunctions Go? Part I: The Extraterritorial Reach of Trademark Injunctions from Hong Kong to China

March 3, 2022 – The TMCA

by Janet Wong, Lilian Shi, and Tiffany Shimada



Foreign brand owners whose brands are being infringed in other countries may have an avenue to pursue extraterritorial injunctions. In this two part post, we examine how two courts: one in Hong Kong and the other in the U.S. have recently ruled to enforce

injunctions against trademark infringers in Mainland China and Europe, respectively.

From Hong Kong to Mainland China

The High Court of Hong Kong recently discussed whether the court has jurisdiction to grant an interlocutory injunction with extra-territorial effect in respect of infringement of IP rights. In BIOZEAL, LLC AND ANOTHER v. NATURE'S STORY CO LTD AND ANOTHER [2021] HKCFI 3137, the plaintiffs (which are based in the U.S.) sought injunctions to restrain the defendants (which are Hong Kong companies affiliated with the plaintiffs' former distributor) from operating flagship stores on certain e-commerce platforms and marketing products to consumers in Mainland China by reference to the plaintiffs' marks.

In that case, Mr. Justice Lok, the judge in charge of the Intellectual Property List of the High Court of Hong Kong, clarifies that the "double actionability rule" (which has largely been abolished in English law) still applies under Hong Kong law in respect of infringement of IP rights. By this rule, the Court will hear an action involving an alleged infringement committed outside the jurisdiction if the infringement is actionable under both Hong Kong law and also the law of the country where the infringement took place. Mr. Justice Lok provided a useful summary of the relevant principles for global brand owners, including U.S. companies, to apply for injunctions to stop passing-off activities outside jurisdiction. Essentially,

(i) In so far as a claim for infringement of intellectual property rights outside jurisdiction is concerned, the law is treating passing-off (and injurious falsehood) differently from other types of intellectual property rights such as patents and registered trademarks (where separate registration of the claimant's right in that jurisdiction is required).

(ii) To sue the defendant from committing passing-off outside jurisdiction, the court must have personal jurisdiction over the defendant (usually by showing that the defendant is a Hong Kong resident or a company incorporated in Hong Kong).

(iii) The claimant can formulate the claim in either or both of the following manners:

(a) the defendant is trying to export an instrument of deception (the most usual case being using Hong Kong "shadow" company with the name incorporating the claimant's trademark to carry on business outside Hong Kong including granting licences to others to use the relevant trademark) with a view to deceive the public and consumers outside Hong Kong;

(b) the defendant's passing-off activities are also actionable in the foreign jurisdiction concerned.

(iv) In the case of (b) above, the claimant would have to produce evidence of the relevant foreign law to prove that the defendant's passing-off activities are also actionable under the law of that jurisdiction.

Since the Hong Kong court has personal jurisdiction over the defendants in that case

(due to the fact that the defendants are incorporated in Hong Kong) and the plaintiffs have established good arguable case that the defendants have committed passing-off actionable in Hong Kong and that the plaintiffs will probably suffer enormous irreparable damage caused by the continuous acts of the defendants, Mr. Justice Lok granted injunctions in that case restraining the defendants (but not the plaintiffs' former distributor based in China that the Hong Kong court does not have personal jurisdiction) from committing the wrongful acts in Mainland China.

The defendants have been granted leave to appeal the interlocutory injunctions to the Hong Kong Court of Appeal but their application to stay the execution of the interlocutory injunctions pending the appeal was dismissed.

This is the first successful injunction in Hong Kong concerning a cross-border e-commerce platform based on the double actionability rule, allowing the Hong Kong court to take into consideration torts committed by the defendants outside of Hong Kong.

It is quite common for infringers in China to use a front company in Hong Kong (i.e. "shadow companies" as discussed above) to facilitate illicit activities in China. This recent Hong Kong court decision should be welcomed by foreign brand owners as it is now clarified that it is possible to use the Hong Kong court as an avenue to pursue legal actions against infringing activities in Mainland China.

Stayed tuned for the second part of this post where we will examine the extraterritorial reach of trademark injunctions from U.S. to Europe.