

## Hijacking Intellectual Property Rights: Shadow Companies

### What is a Shadow Company?

It is not uncommon to find companies incorporated in Hong Kong with a name very similar or identical to household brand names, other's trade names or trademarks – see examples below:

Brands	Companies Incorporated in Hong Kong	CURRENT STATUS (as at Nov 2022)
Adidas 愛迪達	Adidas Limited 阿迪達斯有限公司	<ul style="list-style-type: none"> <li>- Changed Name: Adidas AG Limited 阿迪達斯有限公司</li> <li>- Changed Name: Company Registration Number 2931487 Limited 公司註冊編號 2931487 有限公司</li> <li>- Now: Striking Off</li> </ul>
Emerson 艾默生	Aimosheng Group Limited 愛默生集團有限公司	<ul style="list-style-type: none"> <li>- Changed Name: Company Registration Number 3028313 Limited 公司註冊編號 3028313 有限公司</li> <li>- Now: Deregistration</li> </ul>
Michelin 米芝蓮	Hong Kong Michelin Tour Limited 香港米芝蓮薈有限公司	<ul style="list-style-type: none"> <li>- Changed Name: Hong Kong Fine Dining Tour Limited</li> <li>- Now: Dissolved</li> </ul>
Simon 西蒙電氣	Simon Electric (China) Limited 西蒙電氣(中國)有限公司	<ul style="list-style-type: none"> <li>- Changed Name: Company Registration Number 1609247 Limited 公司註冊編號 1609247 有限公司</li> </ul>
Vitasoy 維他奶	Hong Kong Weita International Limited 香港維他國際有限公司  HK Vita Group Co., Limited 香港維他集團有限公司  Weita Group (HK) Limited 維他集團(香港)有限公司  Weita International Industrial Co., Ltd 維他國際實業有限公司  Weitaniu Food Group (Yatai) Limited 維他牛食品集團(亞太)有限公司  Hong Kong Vita International Trade Co., Limited 香港維他國際貿易有限公司	<ul style="list-style-type: none"> <li>- Changed Name: Hong Kong HQ Group Co., Limited 香港華橋集團有限公司</li> <li>- Now: Dissolved</li> <li>- Now: Dissolved</li> <li>- Changed Name: Company Registration Number 2608020 Limited 公司註冊編號 2608020 有限公司</li> <li>- Now: Dissolved</li> <li>- Now: Dissolved</li> <li>- Changed Name: Hong Kong Wellxi Industry Co., Limited 香港維吸實業有限公司</li> <li>- Now: Dissolved</li> </ul>

Xiaomi 小米	Xiaomi Electrical Equipment Technology Limited 小米電器科技有限公司	- Changed Name: Company Registration Number 2688203 Limited 公司註冊編號 2688203 有限公司
--------------	--	---

### Characteristics of a Shadow Company

All these companies in the second column of the table above are typical “*shadow companies*” which exhibit the following characteristics:

- They are largely inactive companies and do not have substantial business activities in Hong Kong;
- Their directors and shareholders typically located outside Hong Kong, very often in the People’s Republic of China (“*PRC*”);
- They engage secretarial companies based in Hong Kong to serve as their company secretary;
- They use the address of their company secretary as their registered office address; and
- Many of them use, or are suspected of using, their Hong Kong company name as a front to give legitimacy to infringing activities taking place in the PRC or overseas.

### Company Registration Confers No IP Rights

In Hong Kong, like most major common law jurisdictions, company names and trademark registrations are governed by two separate and independent statutory regimes. Registration of a company name with the Companies Registry does not confer any trademark rights or other intellectual property rights in respect of the company name. Companies Registry is not required to examine a proposed company name at the time of incorporation of the company to see if it may conflict with another person’s rights to the name or part of it. Unless the proposed company name is identical to an existing Hong Kong company name, or contains restricted words such as ‘bank’ or ‘trust’, the Companies Registry will not raise any objection and will approve the proposed name.

### How To Tackle Shadow Companies Who Hijack your Brand Names / Trade Names / Trademarks?

#### (A) Administrative Actions / Remedies

Before resorting to court action / litigation, the brand owners could consider taking either of the following administrative actions depending on the “age” of the shadow companies:

##### (1) Shadow Companies under 12-month old

- Initiating change of company name request with the Companies Registrar (“*CReg*”) under Section 108(1)(a) and (b) and Section 108(3)(a) of the Companies Ordinance.
- The CReg has the power to direct a company which was incorporated for less than 12 months, to change its name if the name is “the same as” or “too like” a name of an earlier incorporated or established body corporate.

##### (2) Shadow Companies over 12-month old

- Initiating deregistration complaint of defunct company under Section 744 of the Companies Ordinance.

- For an identified shadow company which was incorporated over 12 months ago, the brand owner could attempt to lodge a complaint with the CReg to strike off the shadow company on the basis that it is defunct, ie not carrying on business or in operation.

To take either of these administrative actions, we would need to make submissions with the CReg with reasons in full and any available evidence of confusion and / or evidence showing the shadow company aged 12 months or more is indeed defunct. If the CReg is satisfied, it will direct the under 12-month-old shadow company to change its name or strike off the shadow company of more than 12 months old. Although the CReg tends to be conservative in handling Section 744 complaints and would accept some minimal activities (eg mere filing of an annual return) as valid operation activities, there are quite some success cases recently – see the last column of the table above.

## **(B) Criminal / Civil Sanctions**

Having tried out and exhausted administrative actions / remedies, the brand owners could commence civil proceedings on the grounds of passing off (and possibly trademark infringement if the defendant company uses an identical or confusingly similar mark in the course of trade in Hong Kong).

Most of the time, the shadow company does not defend the actions and default judgments and injunction orders can be obtained. Under Section 108(2) of the Companies Ordinance, though the CReg is not a party to the court proceedings, the CReg may issue written notice to direct the shadow company to change its name upon receiving a copy of the court order and a notice in specified form from a person in whose favour the court order has been made restraining the shadow company from using its name or any part of its name. The shadow company and its responsible person will commit an offence and become liable to a fine for failure to comply with this notice.

## ***Our Recommendations***

Considering time and cost efficiency, we do recommend brand owners to be proactive, say, keep monitoring newly incorporated companies to screen out names “too like” their brands so as to tackle these shadow companies with administrative actions as soon as possible.

*This article is for your general information only and does not constitute any legal advice or opinion delivered by Chloe Lee & Co. We do not guarantee that the contents of this article are accurate and free from errors. We disclaim any liability in respect of your reliance upon or use of the information contained herein.*

If you would like to know more about what we do, please visit us at [www.chloelee.hk](http://www.chloelee.hk) or contact us at [law@chloelee.hk](mailto:law@chloelee.hk)

Chloe Lee  
Principal, Chloe Lee & Co  
T: +852 3905 1079  
E: [ip@chloelee.hk](mailto:ip@chloelee.hk) / [law@chloelee.hk](mailto:law@chloelee.hk)