

O/0742/24

TRADE MARKS ACT 1994

TRADE MARK REGISTRATION No. 2592095

IN THE NAME OF ZL GLOCAL LTD

AND

APPLICATION No. 84873

BY ZHONG LUN LAW FIRM

FOR RECTIFICATION OF THE REGISTER

PLEADINGS AND BACKGROUND

1. Following an assignment dated 3rd May 2022, trade mark registration 2592095 was transferred from Zhong Lun Law Firm Limited to the current registered proprietor, ZL Glocal Ltd (“the registered proprietor”).

2. The trade mark looks like this:

中伦律师事务所
ZHONG LUN LAW FIRM

3. It was registered in 2011 in the name of Zhonglun W&D Law Firm Ltd in relation to a range of services in class 45, including *legal services*.¹

4. On 17th December 2019, Stobbs IP Ltd, a firm of Trade Mark Attorneys, filed:

(i) Form TM21A notifying the registrar that Zhonglun W&D Law Firm Ltd had changed its name to Zhong Lun Law Firm Ltd;

(ii) Form TM33 notifying the registrar that it had been appointed to represent Zhonglun Law Firm Ltd; and

(iii) Form TM16 notifying the registrar that Zhonglun Law Firm Ltd had transferred the trade mark to Zhong Lun Law Firm, a Chinese entity with an address in China, by virtue of an assignment dated 2nd December 2019.

5. The Form TM33 was signed by ‘Stobbs’ on the stated basis that “*We have been appointed by the above trade mark owner,*” which was stated to be ‘Zhong Lun Law Firm Ltd’.

6. The Form TM16 was not accompanied by a copy of the assignment document. Rather, it was signed by ‘Stobbs’ as the “*Old Owner’s Recorded Representative*”, i.e. as the representative of Zhong Lun Law Firm Ltd.

¹ The full list of services is at annex A

7. On 31st March 2022, Mr Haibin Xue filed a Form TM21A notifying the registrar that Zhong Lun Law Firm had changed its name to Zhong Lun Law Firm Ltd. The Form TM21A was signed by Haibin Xue as ‘The Recorded Representative of the Owner’.

8. The subsequent notice of assignment to ZL Glocal Ltd referred to in paragraph 1 above, was also signed by Haibin Xue, this time on behalf of both Zhong Lun Law Firm Ltd and ZL Glocal Ltd.

9. For ease of reference and to avoid confusion, from here on I will refer to Zhong Lun Law Firm Ltd as ‘the English company’ and Zhong Lun Law Firm as ‘the Chinese entity’.

10. On 5th January 2023, the Chinese entity applied under section 64 of the Trade Marks Act 1994 (“the Act”) for the register to be rectified as follows:

“We request you to reverse the following two actions:-

1. Application to record change of owners name from Zhong Lun Law Firm to Zhong Lun Law Firm Limited filed by Haibin Xue.....

2. Application to record change of ownership from Zhong Lun Law Firm Limited to ZL Glocal Limited filed by Haibin Xue..... on 3rd May 2022

For the avoidance of doubt we seek to put the ownership of this application back to how it was as of 3rd January 2020.

The two recordal requests detailed above were made by Haibin Xue a former employee of Zhong Lun Law Firm without authorisation of Zhong Lun Law Firm. The rightful trade mark owner Zhong Lun Law Firm has not changed its name or assigned this mark to any other party this has not been authorised and Haibin Xue was acting illegally.”

11. On 26th January 2023, the application for rectification was served on Mr Haibin Xue as the representative of ZL Glocal Ltd, as required by Rule 44 of the Trade Mark Rules 2008. The proprietor was invited to submit a counterstatement.

12. On 10th April 2023, the registered proprietor filed a letter purporting to be a counterstatement stating that:

“1. Application to record change of representative filed by Stobbs on 23” December 2019 has never been authorised by the original trade mark owner Zhong Lun Law Firm Ltd (previous company name Zhonglun W&D Law Firm Ltd). Stobbs was acting illegally.... .

2. Application to record change of owner details made by Stobbs on 2 January 2020 was done without authority and hence was illegal for the same reasons as specified under paragraph 1 above.... .

3. Application to record change of owner's name from Zhong Lun Law Firm Ltd to Zhong Lun Law Firm filed by Stobbs on 3” January 2020 has never been authorised or was done illegally by way of misrepresentation or fraud. Zhong Lun Law Firm Ltd, the original and rightful owner Zhong Lun Law Firm Ltd has never officially or formally agreed to assign the trade mark to any other party..”

REPRESENTATION

13. The registered proprietor is represented by Mr Haibin Xue. The Chinese entity is represented by Stobbs IP Ltd. A hearing took place via video link on 11th June 2024. Mr Dominic Hughes appeared as counsel for the registered proprietor. Mr Julius Stobbs represented the Chinese entity.

THE EVIDENCE

14. The Chinese entity's evidence consists of a witness statement by Decai Zhang (with 4 exhibits) and two witness statements by Xingyu Huang (with 1 exhibit to the first statement and 4 exhibits to the second). Exhibit DZ02 to Mr Zhang's statement consists of a copy of a deed of assignment dated 2nd December 2019 transferring ownership of trade mark 2592095 from the English company to the Chinese entity. Mr Huang's second statement was filed in reply to the evidence filed on behalf of the registered proprietor.

15. The registered proprietor's evidence consists of a witness statement by Mr Haibin Xue (with 1 exhibit). It was accompanied by written submissions dated 20th November 2023.

THE LAW

16. Section 64(1) of the Trade Marks Act 1994 (“the Act”) states:

“(1) Any person having a sufficient interest may apply for the rectification of an error or omission in the register:

Provided that an application for rectification may not be made in respect of a matter affecting the validity of the registration of a trade mark.”

17. The Chinese entity plainly has sufficient interest in the recorded name of the proprietor of trade mark 2592095 to apply for rectification of the register.

18. Mr Hughes submitted that the application is barred by the proviso to section 64 of the Act because it is “*a matter affecting the validity of the registration of a trade mark.*” In support of this submission he drew my attention to the decision of Mr Geoffrey Hobbs KC, as the Appointed Person, in *Swinging Blue Jeans Trade Mark (Ennis v Lovell)*.² However, as I pointed out to him at the hearing, the underlying problem with the applicant’s case in *Swinging Blue Jeans* was that the trade mark registrant was not the true proprietor of the mark. The parties claiming to be the true proprietors were trying to regularise that, as they saw it, by correcting an ‘error’ in the register. The difficulty with that approach was that if the person who applied for registration and proposed to use the mark was, as the applicant for rectification submitted, susceptible to an action for passing off as at the date of the application for registration, then the trade mark was invalid from the outset. This is why the proviso prevented the correction of the ‘error’ under section 64(1). By contrast, there is no suggestion that the trade mark at issue in these proceedings was invalidly registered. The only dispute is about whether subsequent changes of ownership are valid. Such arguments do not engage the proviso to section 64(1).

19. The stated subject matter of the application is the reversal of the ‘change of name’ of the proprietor notified to the registrar on 31st March 2022, and the subsequent assignment to the current registered proprietor notified to the registrar on 3rd May 2022. I will, therefore, address these transactions first.

20. There is no suggestion that the assignment from the English company to the current registered proprietor on 3rd May 2022 was irregular in itself. The basis on which

² [2014] RPC 899

the Chinese entity asks for this to be reversed is that the earlier 'change of name' on 31st March 2022 was irregular: it was really a transfer of ownership from the Chinese entity to the English company masquerading as a mere change of company name. Once that error is reversed, the subsequent assignment becomes irregular because the supposed assignee (i.e. the English company) transferred a trade mark it did not own.

21. There is no doubt that the change brought about by the Form TM21A filed on 31st March 2022 was irregular. Although the Chinese entity and the English company are connected in the way explained below, there is no dispute that at the time of the transaction in question they were separate legal entities. The TM21A is not the appropriate form for recording transfers of ownership: it says so on the form itself. Further, the person who filed and signed the form - Haibin Xue – did not represent the then registered proprietor, the Chinese entity. Therefore, it is clear that the 'change of name' recorded on 31st March 2022 created an error in the register. This appears to have been compounded by a further error when the subsequent assignment recording the further transfer of the trade mark from the English company to the current registered proprietor was entered in the register.

22. The registered proprietor answers these irregularities by claiming that they served the underlying purpose of correcting previous errors in the register created by (1) the filing of the assignment dated 2nd December 2019 recording the transfer of ownership from the English company to the Chinese entity, and (2) the appointment of Stobbs IP Ltd as the representative of the English company for the purposes of recording this transfer of ownership. According to the registered proprietor, there was no such lawful transfer of ownership of the trade mark, and Stobbs IP Ltd never represented the English company.

23. As Mr Stobbs submitted at the hearing on behalf of the Chinese entity, the proper course for the English company (or the current registered proprietor) to seek to correct those errors (if that is what they are) would be to file their own application for rectification of the register. Instead the English company transferred ownership back to itself by recording a supposed change of company name.

24. I have considered whether to rectify the register by simply removing the 'change of name' filed in March 2022 from the register and giving the English company, or the current registered proprietor, a period of time in which to apply for rectification of the register in respect of the changes recorded in December 2019. This is because the application to record the assignment from the English company to the Chinese entity on 2nd December 2019 appears to have been irregular in at least one important respect; namely, that it was signed by 'Stobbs' as the representative of the English company. When I asked Mr Stobbs at the hearing whether the English company had appointed his firm, he replied:

"We had not had correspondence with the UK entity, but because we had documentary evidence that the trade mark had been assigned, there was, in our view, no need to obtain that because we had the correspondence confirming that there was agreement between the parties in relation to the process."

25. In other words, the Chinese entity appointed Stobbs IP Ltd to record the assignment, and provided it with documents from which it understood that both parties wanted to record the transfer of ownership. The significance of this can be appreciated by examining the wording of Rule 49 of the Trade Mark Rules 2008, which is as follows:

"49.—(1) An application to register particulars of a transaction to which section 25 applies or to give notice to the registrar of particulars of a transaction to which section 27(3) applies shall be made—

(a) relating to an assignment or transaction other than a transaction referred to in sub-paragraphs (b) to (d) below, on Form TM16;

(2) An application under paragraph (1) shall—

(a) where the transaction is an assignment, be signed by or on behalf of the parties to the assignment;

(b) -

or be accompanied by such documentary evidence as suffices to establish the transaction.”

26. By notifying the registrar on Form TM33 that it had been appointed by the English company, Stobbs IP put itself in the administratively convenient position of being able to sign the Form TM16 on behalf of both parties to the purported transfer of ownership. However, in reality the firm had not been appointed by the English company, which as it turns out contests the validity of the transfer. This illustrates why professional representatives must exercise appropriate care and due diligence before recording themselves as representing a person with an interest in an intellectual property right. Regrettably, that does not appear to have happened in this instance.

27. Mr Stobbs answer to this irregularity was that his firm could have provided a copy of the assignment document and asked for the transfer to be recorded on the basis of the alternative administrative procedure set out in the proviso to Rule 49(2). That may well be so. However, this does not alter the fact that, as filed, the Forms TM16 and TM33 were irregular because Stobbs IP was not in fact appointed to represent the English company.

28. If the English company filed its own application for rectification of the errors in the register resulting from the irregular Forms TM16 and TM33 (and the TM21A recording the change of name of the English company) filed in December 2019, and was successful, this would no doubt be followed by a further application by the Chinese entity to record the transfer of ownership in December 2019 on the basis of the assignment document that has since been provided. In these circumstances, I have decided that inviting further applications for rectification is only likely to delay matters and inflate the costs of the parties. I received full arguments about the validity of the assignment document at the hearing. Indeed, it was the principal subject of submissions from both sides. I have therefore decided to determine all the matters raised in the existing application for rectification and those raised in the counterstatement.

29. I will first decide if the assignment is valid. I will then give directions setting out what must be done to correct the register. The terms of the deed of assignment are re-produced below:

“BETWEEN

ZHONG LUN LAW FIRM LIMITED located atLONDON..., a law firm organized and existing under the laws of the United Kingdom (hereinafter referred to as "the Assignor");

Zhong Lun Law Firm, located atBeijing CHINA..., a law firm organized and existing under the laws of the People's Republic of China (hereinafter referred to as "the Assignee");

Trade Mark	Registration No.	Class
中伦律师事务所 ZHONG LUN LAW FIRM	UK00002592095	45

WHEREAS the Assignor is the registrant of the trade mark set out below (hereinafter referred to as "the Trade Mark") according to the database of Intellectual Property Office of United Kingdom;

NOW THIS ASSIGNMENT WITNESSETH that, the Assignor hereby assigns and transfers unto the Assignee the Trade Mark. The Assignment of the Trade Mark is irrevocable, unconditional, gratuitous and permanent.

The Assignor hereby undertakes to execute all such documents and to take all such acts as may be necessary to perfect this assignment to the Assignee.

IN WITNESS whereof the Assignor and the Assignee have hereunto executed this Assignment the day and year first above written.”

30. The parties are agreed that the assignment document is subject to the laws of England and Wales.

31. There appeared to be a dispute as to whether the assignment document dated 2nd December 2019 in evidence is a true copy of a real document. However, when I pressed Mr Hughes about this at the hearing, he confirmed there is no suggestion the document is a fabrication. Nor is it disputed that it carries the signature of Haibin Xue and, indeed, the signatures of the other two directors of the English company, Linna Li and Emily Sollars Wang.

32. Although Mr Hughes did not really develop this argument at the hearing, his skeleton argument included a submission that the Chinese entity “...is required to prove the basis on which it says that each party executed and delivered the deed.” And “It is obvious that, if the deed is not held to be effective, then it is a contract without consideration and so, it is submitted, is not enforceable.”

33. Mr Stobbs’ skeleton dealt with this matter very fully and clearly, as follows:

“s.1(2) Law of Property (Miscellaneous Provisions) Act 1989 states that:

An instrument shall not be a deed unless –

(a) It makes clear on its face that it is intended to be a deed by the person making it or, as the case may be, by the parties to it (whether by describing itself as a deed or expressing itself to be executed or signed as a deed or otherwise); and

(b) it is validly executed as a deed by that person or, as the case may be, one or more of those parties.

In this case, the deed of Assignment states on its face that it is a deed, and so meets the requirement of s.1(2)(a). The deed of Assignment was validly executed in line with s.1(2)(b) Law of Property (Miscellaneous Provisions) Act 1989 because it satisfies the requirements of s.44 and s.46 Companies Act 2006, which govern the execution of deeds for Companies in England and Wales:

s.44 Companies Act 2006 states:

(1) Under the law of England and Wales or Northern Ireland a document is executed by a company—

(a) by the affixing of its common seal, or

(b) by signature in accordance with the following provisions.

(2) A document is validly executed by a company if it is signed on behalf of the company—

(a) by two authorised signatories, or

(b) by a director of the company in the presence of a witness who attests the signature.

(3) The following are “authorised signatories” for the purposes of subsection (2)

(a) every director of the company.

s.46 Companies Act 2006 further states:

(1) A document is validly executed by a company as a deed for the purposes of section 1(2)(b) of the Law of Property (Miscellaneous Provisions) Act 1989 and for the purposes of the law of Northern Ireland if, and only if—

(a) it is duly executed by the company, and

(b) it is delivered as a deed.

(2) For the purposes of subsection (1)(b) a document is presumed to be delivered upon its being executed, unless a contrary intention is proved.”

34. I accept Mr Stobbs' submissions on this matter. The deed of assignment dated 2nd December 2019 does indeed self-identify itself as such. It is clear from section 44(1) and (3) of the Companies Act that a deed of assignment signed by two or more officers of a company is effective, without more, to transfer ownership of a trade mark. In fact the deed was signed by all three directors of the English company. Therefore, it was duly executed. There is no evidence to counter the presumption it was delivered. Consequently, the subsequent recording of the assignment would, if done correctly, appear to be in accordance with section 24 of the Act. This states:

“(1) A registered trade mark is transmissible by assignment, testamentary disposition or operation of law in the same way as other personal or moveable property.

It is so transmissible either in connection with the goodwill of a business or independently.

(2) -

(3) An assignment of a registered trade mark, or an assent relating to a registered trade mark, is not effective unless it is in writing signed by or on behalf of the assignor or, as the case may be, a personal representative.”

35. Mr Hughes highlighted the assignor’s undertaking in the deed “*to take all such acts as may be necessary to perfect this assignment to the Assignee.*” He submitted this meant the deed was only an agreement to assign (in the future). Further action was required in order to give effect to the agreement. Accordingly, the proper course would have been for the assignee to apply to the court for an order requiring the assignor to grant specific performance of its obligations under the deed to transfer the trade mark. I reject these submissions. The deed states that “*the Assignor hereby assigns and transfers unto the Assignee the Trade Mark.*” These words mean the assignment took effect from the date of the document. The subsequent reference to perfecting the assignment merely records the assignor’s obligation to assist the assignee in recording the transfer.

36. This brings me to the matter which, at least by the date of the hearing, appears to be at the heart of things as far as the English company is concerned, i.e. that the assignment was the result of duress and undue influence exercised by the Chinese entity. According to Mr Hughes, as a matter of equity, this made the deed of assignment ineffective and unenforceable. The parties are agreed that the leading authority in this area of law is *Royal Bank of Scotland pic v Etridge (No 2)*.³ My attention

³ 2001 HLUK 44

was drawn, in particular, to the following paragraphs from the leading speech in that case delivered by Lord Nicholls of Birkenhead:

“6. The issues raised by these appeals make it necessary to go back to first principles. Undue influence is one of the grounds of relief developed by the courts of equity as a court of conscience. The objective is to ensure that the influence of one person over another is not abused. In everyday life people constantly seek to influence the decisions of others. They seek to persuade those with whom they are dealing to enter into transactions, whether great or small. The law has set limits to the means properly employable for this purpose. To this end the common law developed a principle of duress. Originally this was narrow in its scope, restricted to the more blatant forms of physical coercion, such as personal violence.

*7. Here, as elsewhere in the law, equity supplemented the common law. Equity extended the reach of the law to other unacceptable forms of persuasion. The law will investigate the manner in which the intention to enter into the transaction was secured: “how the intention was produced”, in the oft repeated words of Lord Eldon LC, from as long ago as 1807 (*Huguenin v Baseley* 14 Ves 273, 300). If the intention was produced by an unacceptable means, the law will not permit the transaction to stand. The means used is regarded as an exercise of improper or “undue” influence, and hence unacceptable, whenever the consent thus procured ought not fairly to be treated as the expression of a person's free will. It is impossible to be more precise or definitive. The circumstances in which one person acquires influence over another, and the manner in which influence may be exercised, vary too widely to permit of any more specific criterion.*

8. Equity identified broadly two forms of unacceptable conduct. The first comprises overt acts of improper pressure or coercion such as unlawful threats. Today there is much overlap with the principle of duress as this principle has subsequently developed. The second form arises out of a relationship between two persons where one has acquired over another a measure of influence, or ascendancy, of which the ascendant person then takes unfair advantage. An

example from the 19th century, when much of this law developed, is a case where an impoverished father prevailed upon his inexperienced children to charge their reversionary interests under their parents' marriage settlement with payment of his mortgage debts: see *Bainbrigge v Browne* (1881) 18 Ch D 188.

9. In cases of this latter nature the influence one person has over another provides scope for misuse without any specific overt acts of persuasion. The relationship between two individuals may be such that, without more, one of them is disposed to agree a course of action proposed by the other. Typically this occurs when one person places trust in another to look after his affairs and interests, and the latter betrays this trust by preferring his own interests. He abuses the influence he has acquired. In *Allcard v Skinner* (1887) 36 Ch D 145, a case well known to every law student, Lindley LJ, at p 181, described this class of cases as those in which it was the duty of one party to advise the other or to manage his property for him. In *Zamet v Hyman* [1961] 1 WLR 1442, 1444-1445 Lord Evershed MR referred to relationships where one party owed the other an obligation of candour and protection.”

“13. Whether a transaction was brought about by the exercise of undue influence is a question of fact. Here, as elsewhere, the general principle is that he who asserts a wrong has been committed must prove it. The burden of proving an allegation of undue influence rests upon the person who claims to have been wronged. This is the general rule. The evidence required to discharge the burden of proof depends on the nature of the alleged undue influence, the personality of the parties, their relationship, the extent to which the transaction cannot readily be accounted for by the ordinary motives of ordinary persons in that relationship, and all the circumstances of the case.

14. Proof that the complainant placed trust and confidence in the other party in relation to the management of the complainant's financial affairs, coupled with a transaction which calls for explanation, will normally be sufficient, failing satisfactory evidence to the contrary, to discharge the burden of proof. On proof of these two matters the stage is set for the court to infer that, in the absence of a satisfactory explanation, the transaction can only have been procured by

undue influence. In other words, proof of these two facts is prima facie evidence that the defendant abused the influence he acquired in the parties' relationship. So the evidential burden then shifts to him. It is for him to produce evidence to counter the inference which otherwise should be drawn."

37. The registrar does not deal with many cases in which questions about the enforceability of agreements made under duress/undue influence arise. I have therefore considered whether to transfer this case to the court under section 64(2)(b) of the Act. Neither party requested such a transfer. Although this is not decisive, I have taken this into account. I have also taken into account that Mr Stobbs' skeleton argument provided a clear and very helpful summary of the leading case law in this area, which prompted Mr Hughes to take me through the leading authority in some detail at the hearing. Therefore, I am sufficiently well informed to make the required decision without requiring the parties to bear the additional costs and delay that would inevitably result from transferring the case to the court at this late stage.

38. Turning then to the matter at issue, the first question is whether it is open to the English company to run this defence at all. The reason this question arises is that the letter the English company filed as a counterstatement said only this about the notice of assignment filed by Stobbs IP Ltd:

"Application to record change of owner's name from Zhong Lun Law Firm Ltd to Zhong Lun Law Firm filed by Stobbs on 3" January 2020 has never been authorised or was done illegally by way of misrepresentation or fraud. Zhong Lun Law Firm Ltd, the original and rightful owner Zhong Lun Law Firm Ltd has never officially or formally agreed to assign the trade mark to any other party."

39. As can be seen, there was no express claim that the assignment came about as a result of duress or undue influence. However, it was broadly denied that the English company had "*officially or formally agreed to assign the trade mark.*" The claim of duress and undue influence was subsequently raised in express terms in written submissions filed on behalf of the English company on 20th November 2023. The Chinese entity had ample opportunity to consider this argument prior to the hearing. In these circumstances, I consider it is open to the English company to run the

duress/undue influence argument. Perhaps the most significant point about the pleadings of the English company is that the claim of duress/undue influence did not warrant a specific mention when the letter purporting to be a counterstatement was drafted.

40. Mr Haibin Xue gives evidence that what is now the English company, was previously part of Zhong Lun W&D Law Firm (a separate firm to the Chinese entity in these proceedings). Then, in 2012, the English company “demerged” from that business and entered into what he calls a ‘collaboration agreement’ with the Chinese entity. Mr Haibin Xue adds:

“7. During the course of collaboration with the [Chinese entity], [the English company] gradually discovered that the [Chinese entity] was not trustworthy and always tried to take unfair advantage of [the English company]. An extreme example to show the [Chinese entity’s] character is a recent incident. In December 2022, to force [the English company] to surrender the Trademark, the [Chinese entity] did not even mind taking illegally (sic) action to hack [the English company’s] domain name causing substantial business interruptions to [the English company]. [The English company] had no option but to report this to the police in the UK as evidenced by Exhibit 01 herewith attached.

8. To enhance its bargaining power, [the English company] became more determined to keep the Trademark under its own name, as [the English company] believes that if the [Chinese entity] has any chance to obtain the Trademark, it would have no hesitation to abuse it to its own advantage.

9. The (sic) achieve its purpose, the [Chinese entity] gradually increased the pressure to force [the English company] to transfer the Trademark to the [Chinese entity], and the pressure became coercion and undue influence when [the English company] was involved in a commercial dispute where the [Chinese entity’s] support and assistance was needed in 2019.

10. In the circumstances, although against [English company’s] will, [the English company] still “agreed” on the assignment of the Trademark to the

Applicant. For the protection of [the English company's] fully legitimate interests, [the English company] used its best efforts to delay and invalidate the forced assignment, including intentionally leaving the purported deed of assignment unwitnessed and intentionally avoiding the provision of authority which was necessary but wrongly advised by the Applicant's UK "lawyer" as unnecessary as admitted by the Applicant own evidence.... .”

41. Mr Xingyu Huang’s evidence in reply explains that he has been a partner in the Chinese entity since 2013. He says that “*commercial collaboration agreement*” referred to by Haibin Xue was in fact a merger agreement according to which Mr Haibin Xue agreed to transfer his shares in the English company to the Chinese entity in return for him being admitted as a partner in the latter. In support of this claim, he exhibits a copy of a Memorandum of Understanding dated 16th December 2011 between the Chinese entity, the English company, and Haibin Xue and Linna Li as partners in the latter.⁴ The document is covered by a confidentiality order preventing general publication of the contents, except for certain facts. For present purposes, it is sufficient to record that:

- (1) The merger was to take effect from 1st January 2012;
- (2) Haibin Xue and Linna Li were to become partners in the Chinese entity;
- (3) The agreement did not cover ownership of UK trade mark 2592095;
- (4) The agreement was governed by Chinese law and the parties agreed that any dispute would be resolved by reference to the China International Economic and Trade Arbitration Commission.

42. There was a dispute about the agreement, mainly about the ownership of shares in the English company. This was resolved by a decision of the Arbitration Commission dated 29th December 2023.⁵ I understand that following the arbitration decision, the shares in the English company have been transferred to the Chinese entity. Thus the English company is now owned by the Chinese entity, but the current registered proprietor is not.

⁴ See exhibit XH03

⁵ See exhibit XH04

43. According to Haibin Xue, “*the pressure* [from the Chinese entity to transfer the UK trade mark] *became coercion and undue influence when* [the English company] *was involved in a commercial dispute where the* [Chinese entity’s] *support and assistance was needed in 2019.*” The commercial dispute appears to have been between the partners in, and directors of, the English company. There is no evidence of overt duress from the Chinese entity, i.e. of threats or menacing demands. The only specific action of the Chinese entity identified by Haibin Xue relates to a domain name. The facts of what happened are disputed. It is not necessary to go into them because they are irrelevant. This is because whatever happened in December 2022 cannot have coerced the English company to sign the deed of assignment three years earlier. It is telling that the English company has not identified any specific example of alleged duress prior to the date of the disputed deed of assignment. Instead, the English company appears to rely mainly on the Chinese entity applying ‘undue influence’ to force it to assign the UK trade mark.

44. It is common ground that the initial burden is on the English company to provide evidence of the facts from which a presumption of undue influence can properly be drawn. To do this it must show that “*the transaction* [in question] *cannot readily be accounted for by the ordinary motives of ordinary persons in that relationship, and all the circumstances of the case.*” If this much is shown, the burden shifts to the Chinese entity to rebut the presumption of undue influence.

45. Mr Hughes submitted the following established a *prima facie* case of undue influence:

- (1) The Chinese entity is much larger than the English company;
- (2) There was no financial consideration for transferring the trade mark to the Chinese entity;
- (3) The English company had owned the trade mark for 8 years before it was assigned;
- (4) The English company needed the support of the Chinese entity in the dispute in 2019;

(5) The English company did not receive independent legal advice before agreeing to transfer the trade mark.

46. There is no specific evidence about the size of the Chinese entity, but it seems likely that it is larger, possibly much larger, than the English company. However, apart from indicating that it probably has access to greater financial resources, I do not consider this goes very far in establishing that the Chinese entity had undue influence over the English company at the time of the disputed deed of assignment.

47. It is true that the UK trade mark was assigned for zero consideration. I accept this is unusual and, at least when taken in isolation, would normally require an explanation. However, standing back and looking at all the circumstances of the case, I do not find it surprising. This is because the assignment was closely connected to the transfer of ownership of the shares in the English company to the Chinese entity in return for the partners in the former business becoming partners in the latter business. Once the English company became, in effect, a subsidiary of the Chinese entity, it was natural for the latter to want to control the trade mark rights of its UK subsidiary, particularly as it has virtually the same name as the Chinese entity. Although it was strictly only the shares in the English company that were to be transferred, the commercial consequences of the transaction had obvious implications for control of the UK trade mark rights. Therefore, I do not think the absence of specific consideration for transferring the trade mark points to undue influence.

48. The fact that the English company held the trade mark for 8 years before it was assigned does very little to found a presumption of undue influence either. Firstly, it is not clear whether, or when, the English company told the Chinese entity that it had registered the mark in the UK. Therefore, no inferences can be drawn from the delay between the mark being registered and the Chinese entity taking steps to acquire ownership of it.

49. There is evidence that the English company felt it needed the support of the Chinese entity to resolve a dispute that occurred in the UK in 2019. Mr Haibin Xue provides no particulars about this commercial dispute, e.g. who it was with, what it was about, or what support was required from the Chinese entity in order to resolve it.

Consequently, his evidence about this matter does virtually nothing to establish a rebuttal presumption of undue influence.

50. The evidence of Mr Xingyu Huang on behalf of the Chinese entity provides more insight into the commercial dispute in 2019, and the role of the Chinese entity in relation to this matter. He exhibits copies of emails (with English translations) between Mr Haibin Xue and Decai Zhang in the days leading up to the assignment document dated 2nd December 2019.⁶ On 25th November 2019, Mr Zhang emailed the partners/directors of the English company saying that the Chinese company had become aware of a dispute between the partners about ownership of shares in the English company and sharing of lawyers' fee income, and that this may result in legal action. Decai Zhang asserted that the shares in the company were the property of the Chinese entity. He continued:

"... we respect the basic rights of you three as partners in ZL London, and we suggest that you, on the condition of not harming the interests of Zhong Lun Beijing and ZL London, resolve the dispute related to the sharing of ZL London's lawyers' fee revenues (note: not the dispute on the shares) among yourselves by friendly negotiations. If all parties agree, we are also willing to step in and assist in mediating the dispute."

51. Mr Haibin Xue replied later the same day, saying:

"My understanding is that three partners of the London Office acknowledge that Zhong Lun Beijing owns all the shares in ZL London and promise to transfer all the shares to Zhong Lun Beijing."

Ms. Linna Li and I consistently respect and accept the decisions of the Management Committee and oppose submitting the disputes among Zhong Lun partners to third parties before submitting them to the Management Committee. However, since the beginning of the year, Ms. Emily Sollars Wang has repeatedly violated the opinions of the Management Committee, expanding

⁶ See exhibit XH02

disputes among the three partners externally. This includes, but is not limited to, reporting ZL London and its other two partners to the Solicitors Regulation Authority (unsuccessfully) and threatening to file a lawsuit through more than two external law firms.”

52. He continued:

“...I hope the Management Committee can make specific management decisions regarding the above matters. Particularly, decisions on appropriate penalties for the partner who violates the suggestions and decisions of the Management Committee.”

53. Mr Decai Zhang responded on 30th November stating:

“Although the three of you have disputes about sharing of ZL London's lawyers' fee revenues, we are glad to see and appreciate that all three of you unanimously agree to safeguard Zhong Lun Beijing's interests and to prioritize the transfer of the trademark under the name of ZL London to Zhong Lun Beijing.

As such, please, no later than business hours of 3 December (Tuesday) London time, separately or jointly sign the legal document relating to the transfer of all trademarks.

We understand that the dispute over the sharing of ZL London's lawyers' fee revenues has not been resolved. If the three of you wish for our intervention to assist in reaching a settlement, we are ready to provide assistance based on a clear understanding of the facts.”

54. To which Mr Haibin Xue replied later the same day:

“I will arrive at Beijing on Monday and can sign the relevant agreements on behalf of Ms. Li with Ms. Yang, including agreements on transfer of trademark and shares.

Here, I would also like to request Emily Sollars Wang to hereby confirm that she has no objections to transfer to Zhong Lun what she consistently and actively claimed for, i.e. the Zhong Lun trademarks held by the London office and the shares held by the three shareholders, and that she supports the opinions of Ms. Li and me.”

55. If the dispute about the division of lawyers’ fees is the commercial dispute to which Mr Haibin Xue refers in his evidence, then the impression created by these exchanges is not that the Chinese entity was seeking to exert undue influence over the assignment of the trade mark by the English company. Rather, the partners in the English company recognised they should transfer the shares and ownership of the UK trade mark to the Chinese entity. Additionally, two of them were actively seeking the support of the Chinese entity to prevent legal action against the English company by the third partner. For its part, the Chinese entity was taking a relatively neutral position on that matter, merely offering to mediate on request. This impression is confirmed by the contents of a further email from Haibin Xue dated 1st January 2020 (i.e. after the assignment document was signed) stating that:

“As the trademark of Zhong Lun has hereby been transferred from ZL London to the Head Office of Zhong Lun, the use of the trademark by the London Office is now subject to the authorization of the Head Office. This makes ZL London an integral part of Zhong Lun, at least from the perspective of brand sharing.”

And:

“I suggest and request the Management Committee to exercise its authority and fully handle the disputes between the London partners.”

56. It seems likely that Haibin Xue thought that transferring the UK trade mark would make it more likely that the Chinese entity would step in and help resolve the dispute between the UK partners. However, this is a million miles from the Chinese entity seeking to abuse a position of undue influence to gain ownership of the UK trade mark. I see no evidence of the Chinese entity abusing a position of power over the English company. Nor is there is evidence, as often appears in cases of this kind, of the injured

party placing its trust in the person applying undue influence. On the contrary, it is clear from Mr Haibin Xue's evidence that he did not trust the Chinese entity. Mr Hughes submitted that this was not necessary. Even if he is right, that does not make the absence of trust in the Chinese entity irrelevant. It is difficult to abuse a position of trust if there was no trust.

57. Insofar as it is possible to reduce the test for the exercise of undue influence to a single sentence, I find the following observation from *Bank of Scotland pic v Etridge (No 2)* instructive:

"The means used is regarded as an exercise of improper or "undue" influence, and hence unacceptable, whenever the consent thus procured ought not fairly to be treated as the expression of a person's free will."

58. The English company has not established that the factual circumstances at the time of the deed of assignment were such as to raise a rebuttable presumption of undue influence. Even if I am wrong about that, I find the Chinese entity has done enough to rebut it. On the evidence, the transfer of the UK trade mark was an expression of the free will of the partners/directors of the English company. The fact that they hoped to secure a collateral advantage from doing so does not mean their actions were the result of undue influence by the party they were looking to for help. Nor does Mr Haibin Xue's evidence that he used his "*best efforts to delay and invalidate the forced assignment, including intentionally leaving the purported deed of assignment unwitnessed*" alter my assessment. All it shows is that he was still trying to keep control of the UK trade mark after willingly assigning it to the Chinese entity in the hope of receiving assistance.

59. As to the lack of independent legal advice, I do not consider this supports a presumption of undue influence, or that the absence of such advice undermines the Chinese entity's rebuttal of the claim. This is because:

(1) The party against whom undue influence is asserted in this case had a direct relationship with the party making the claim and therefore had a clear understanding of the consequences of what it was doing (as opposed to the

position in some of the reported cases where it was the undue influence of the defendant's spouse or relation that resulted in the defendant's liability to a third party, usually a financial institution);

(2) The parties are lawyers who should be better able than most people to make informed decisions about their own interests.

(3) Independent legal advice is neither automatically sufficient nor necessary to establish or rebut a claim of undue influence.⁷

60. I therefore reject the arguments advanced on behalf of the English company, that the December 2019 deed of assignment was ineffective because it was the result of duress or undue influence.

61. This leaves me with the question of what should be done about the errors in the register resulting from the:

(1) irregular notice of 'change of name' filed by the English company in March 2022;

(2) subsequent notice of assignment to the current registered proprietor;

(3) irregular appointment of Stobbs IP Ltd as the representative of the English company in December 2019;

(4) irregular means used to record the assignment of the UK trade mark from the English company to the Chinese entity.

62. I direct that:

(1) The Chinese entity cures an omission in the register by filing a replacement TM16 (identified as such) signed by it, or on its behalf, as assignee of UK trade mark 2592095, accompanied by a copy of the deed of assignment dated 2nd December 2019, and the appropriate registration fee.

⁷ See *Inche Noriah v Shaik Allie Bin Omar* [1929] AC 127 Lord Hailsham LC, at p 135: "*their Lordships are not prepared to accept the view that independent legal advice is the only way in which the presumption can be rebutted ...*"

(2) Subject to examination for compliance with formalities, the assignment should be recorded in the register.

(3) On receipt of the replacement TM16, the accompanying deed of assignment, and the registration fee, the entries in the register listed at paragraph 61(1) to (4) should be removed from the register as entries made in error.

63. The replacement TM16 etc. should be filed by 14th September 2024. This will leave the trade mark proprietor recorded as Zhong Lun Law Firm, a Chinese legal entity.

64. If no replacement TM16 etc. is filed by 14th September 2024, the entries in the register listed at paragraph 61(1), (3) and (4) should be removed from the register as entries made in error. The assignment from Zhong Lun Law Firm Ltd to the current registered proprietor will remain.⁸

COSTS

65. The Chinese entity has been successful and would normally be entitled to a contribution towards its costs. However, the application for rectification has been complicated and compromised by earlier irregular entries in the register made on the applicant's behalf.

66. In the circumstances, I direct that each side should bear their own costs.

Dated 8th August 2024

Allan James
For the Registrar

⁸ The fact that the English company changed its name from Zhong Lun W&D Law Firm Ltd to Zhong Lun Law Firm Ltd is a matter of public record and, therefore, does not, of itself, prevent the recordal of the assignment to ZL Glocal Ltd

ANNEX A

Class 45: Legal services; conveyancing services; security services for the protection of property and individuals; social work services; consultancy services relating to health and safety; consultancy services relating to personal appearance; provision of personal tarot readings; dating services; funeral services and undertaking services; fire-fighting services; detective agency services.