

Legislative Council Panel on Commerce and Industry

Commencement of the new Trade Marks Ordinance

Introduction

This paper reports on the progress of preparatory work for the commencement of the new Trade Marks Ordinance (hereafter referred to as “the new Ordinance”) scheduled for January 2003.

Background

2. The Legislative Council (LegCo) passed the new Trade Marks Ordinance in May 2000. It will, when brought into implementation, replace the existing Trade Marks Ordinance which was enacted in 1955. The new Ordinance modernizes trade mark law, simplifies registration of marks, increases the range of signs that can be registered as trade marks and provides a higher standard of trade mark protection.

3. We intend to bring the new Ordinance into effect in January 2003 as the necessary subsidiary legislation and supporting computer service will be ready by then. The legal profession has urged the Government to bring the new legislation in as soon as possible.

Progress of preparatory work

Supporting service

4. To tie in with the operation of the new Ordinance, IPD is installing new computer systems to facilitate electronic commerce in relation to the trade mark register. The first phase will be ready in January 2003.

Subsidiary legislation

5. Under section 91 of the new Ordinance, the Director of Intellectual Property (DIP) is required to lay down a set of Trade Marks Rules to provide for the technical details and procedures of trademark registration. DIP has conducted four rounds of consultations with practitioners in the course of preparing these Rules. He will incorporate most of the views expressed into the Rules, which will be submitted to LegCo for negative vetting in December 2002.

6. In addition to the Trade Marks Rules, we will submit to LegCo in early December 2002 a Regulation to provide the list of current Paris Convention Countries and WTO members in Schedule 1 of the new Ordinance.

Further discussions on mandatory labeling requirement

7. The new Ordinance contains a provision (section 20 at Annex A) on parallel importation of trade mark goods. It states that a trade mark owner would have no right to prevent parallel importation of goods bearing his mark, if such goods have been put on the market anywhere in the world under that trade mark by the owner or with his consent. This provision will not apply if the parallel imported goods have been impaired or changed and the reputation of his mark is adversely affected.

8. The existing Trade Marks Ordinance is ambiguous on whether parallel importation of trade mark goods is allowed. In practice, parallel imported trade mark goods are readily available in the local market. Thus section 20 of the new Ordinance serves no more than codifying the *de facto* situation, while strengthening the position of trademark owners in situations where goods have been impaired or changed with the result that the reputation of their marks is adversely affected.

9. During the scrutiny of the new Ordinance (Bill), a number of authorized distributors objected to the formalization of parallel importation of trade mark goods. They demanded mandatory labelling to identify parallel importers on the concerned trade mark goods.

10. We did not support, and remain opposed to, the mandatory labelling requirement because:

- (a) section 20 of the new Ordinance already offers adequate protection to consumers as the provision will not apply if it is proved that the condition of the parallel imported goods has been impaired or changed with the result that the reputation of the owner of the concerned mark is adversely affected;
- (b) the labelling will not offer any real protection to consumers as there is no contractual relationship between them and importers (the relationship is between consumers and

retailers). This means consumers cannot sue the importers concerned for unsatisfactory quality of the parallel imported trade mark goods;

- (c) there are sufficient provisions requiring the mandatory labelling of certain types of consumer goods in other laws for safety or hygiene reasons, e.g. drugs, food, etc.; and
- (d) a mandatory labelling requirement discriminates against lawful parallel importers and increases their cost of doing business, which may be wholly or partially transferred to consumers.

11. The Government has, however, undertaken to -

- (a) ask the Consumer Council to step up consumer education and encourage retailers to improve their service to consumers; and
- (b) listen to the view of authorized distributors and discuss with the industry how to further protect consumer interests.

12. We attended a special meeting of the then LegCo Trade and Industry Panel in May 2000 on the labelling question. We met with authorized distributors in July 2000 to exchange views. We also consulted relevant bureaux and departments and reviewed the need for a labelling requirement for products under their purview. They have advised that with the exception of beer, there is no need to introduce additional labeling requirement. Details of the review are at Annex B.

13. We met with representatives of authorized distributors in mid-October to discuss the result of the review. At the meeting, they supported in principle liberalization of parallel import for trade mark goods. However they continued to call for imposing the labelling requirement on parallel imported trademark goods because -

- (a) this would provide an additional channel for consumers to identify parallel importers and hold them responsible for any problems with the goods. Without the label, consumers would lodge their complaints with authorized distributors who will have to bear the cost of handling the complaints. In their views, this is not a level playing field; and

- (b) this would assist retailers in identifying the source of supply of problematic parallel imported goods.

14. We reiterated at the meeting that the label would not offer any real protection to consumers as there is no contractual relationship between them and importers. It would only increase the cost of doing business. We have also pointed out that there are already labelling requirements for certain categories of consumer goods for safety or hygiene reasons. We therefore cannot see any valid reasons for imposing a labelling requirement on all parallel imported trade mark goods.

15. We have requested the assistance of the Consumer Council for a publicity programme on consumer education in relation to parallel importation. The publicity materials are largely ready. And consideration is being given to whether and how appropriate legislation might provide recourse for consumers for injury or damage in the use of unsafe parallel imports.

Commerce and Industry Branch
Commerce, Industry and Technology Bureau
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Section 20: Exhaustion of rights conferred by registered trade mark

- (1) Notwithstanding section 18 (infringement of registered trade mark), a registered trade mark is not infringed by the use of the trade mark in relation to goods which have been put on the market anywhere in the world under that trade mark by the owner or with his consent (whether express or implied or conditional or unconditional).
- (2) Subsection (1) does not apply where the condition of the goods has been changed or impaired after they have been put on the market, and the use of the registered trade mark in relation to those goods is detrimental to the distinctive character or repute of the trade mark.

Food and Alcoholic Beverages

Labelling requirements of prepackaged foods are stipulated under the Food and Drugs (Composition and Labelling) Regulations (Cap. 132W).

2. As part of our ongoing efforts to enhance food safety, we keep the food labelling requirements under review in the light of changing circumstances and the latest international practices and standards. In the latest round of review, the Government has identified several areas that can be improved. For example, we propose to require food labels to declare the presence of allergenic substances and to introduce more detailed labelling for food additives. We will also allow more flexibility on the marking of the “best before” and “use by” dates of prepackaged foods.

3. Currently, all prepackaged foods with an alcoholic strength by volume of more than 1.2% are exempted from all food labelling requirements. To be in line with international practice, we propose that all alcoholic drinks (including beer) with an alcoholic strength by volume of more than 1.2% should fulfill the statutory food labelling requirements as stated in Schedule 3 of Cap. 132W which includes (a) name or designation of the food product; (b) durability; (c) special condition for storage or instruction for use; (d) name and address of manufacturer or packer; and (e) count, weight or volume. Labelling of the list of ingredients for drinks with an alcoholic strength by volume of more than 1.2% as stated in Schedule 3 of Cap. 132W is exempted due to practical difficulty in enforcement. In addition, drinks with alcoholic strength by volume of more than 10% will be further exempted from the requirement to indicate a minimum durability period.

4. We consider that the above proposed amendments are adequate for providing the authority with the necessary information to safeguard public health. The amendment regulations will be submitted to the Legislative Council in the 2002-03 legislative session.

Drugs

5. There are adequate provisions for the recall of problematic drugs in the present system of control and registration of pharmaceutical products.

If a pharmaceutical product is imported into Hong Kong by more than one importer, each of them is required to apply for registration of the product and will be assigned a different registration number. Having consulted the traders concerned and in view of the effective registration system already in place, the Pharmacy and Poisons Board decided in October 2000 not to include importers' information on labels of pharmaceutical products.

6. Information on all pharmaceutical products registered in Hong Kong is available at the web-site of the Pharmaceutical Service of the Department of Health (<http://www.info.gov.hk/pharmser/c-index.htm>). Such information includes the name of the product, the active ingredients, the registration number and the name and address of the registration certificate holder.

Electrical Products

7. According to the Electrical Products (Safety) Regulation, suppliers (including retailers) of electrical products are required to provide a Certificate of Safety Compliance for the concerned products. The certificate specifies the safety details of the product and manufacturer's name and address. The Regulation also provides adequate provisions for the recall of unsafe electrical products by suppliers. The Economic Development and Labour Bureau considers the existing regulation sufficient to ensure the safety of electrical products and that there is no need to specify the details of importers on a label.

Toys and Children's Products

8. The Toys and Children's Products Safety Ordinance stipulates that toys and children's products should comply with the statutory safety requirements and provides sufficient arrangements for the recall of unsafe toys and children's products. Moreover, labelling requirements are included in the Toys and Children's Products Safety Regulation, which requires that information of the manufacturer, the importer or the supplier be set out on toys and children's products. It is an offence for contravening any of the above requirements.