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Secretary for Health, Welfare and Food  
Health, Welfare and Food Bureau  
(Attn: Mrs Ingrid YEUNG, DS(H)2)  
19/F, Murray Building  
Garden Road, Hong Kong

By Fax (2840 0467) and By Post

19 June 2006

Dear Mrs YEUNG

**Smoking (Public Health) (Amendment) Bill 2005 (“the Bill”)**

I refer to the Administration’s Reply to the Assistant Legal Adviser’s Letter of 6 June 2006 and the Annex (LC Paper No. CB(2)2406/05-06(01) tabled on 15 June 2006 (“the Administration’s Reply”)) and have the following comments :

Paragraph 9 of the Administration’s Reply states that “It is therefore arguable that the cumulative effect of the Bill and the Ordinance is to leave the owners or licensees of the relevant trade marks with no meaningful and economically viable use of the trade marks. There is a serious risk that they would amount to a (de facto) deprivation as far as registered trade marks incorporating the words mentioned in clause 11 are concerned.”. Reasons for such argument are set out in paragraphs 3 to 8.

Opportunities for infringement of trade mark and right of the owner of trade mark to take legal action against infringement are entirely two different matters

Paragraph 3 of the Administration’s Reply states that “It is, however, to be noted that the restrictions imposed by clause 11 of the Bill on the use of the relevant trade marks apply equally to the owners and any unauthorized user of the trade marks. If the Bill is passed in its present form, it is arguable that the opportunities for infringement of the owners’ rights (just as those for the owners’ own use of the trade marks) will be so extensively reduced that the “right to take legal action against infringement” will become insignificant and meaningless.”.

My view is that “the opportunities for infringement of the owners’ rights” and “the right to take legal action against infringement” are entirely two different matters. The “right to take legal action against infringement” of the owner of a registered trade mark derives from the registration of his trade mark under the

Trade Marks Ordinance (Cap. 559) (“the Trade Marks Ordinance”). The “right to take legal action against infringement” of the owner of an unregistered trade mark derives from the goodwill or reputation in the market acquired by him from the use of his trade mark in his goods and services.

Thus, it seems that the “right to take legal action against infringement” is not affected by the infringement or possible infringement of the trade mark. The owner’s “right to take legal action against infringement” is the same irrespective of whether the infringement of his right increases (e.g. when his trade mark is popular) or the infringement of his right decreases (e.g. when his trade mark is not popular). An owner’s “right to take legal action against infringement” is the same as the other owner’s “right to take legal action against infringement”, irrespective of whether one owner’s trade mark is more popular than the other.

#### Tobacco advertisement – not to be protected by registration of trade mark

Paragraph 4 of the Administration’s Reply states that “Given the provisions of the Ordinance and the Bill on tobacco advertising (with “tobacco advertisements” extremely broadly defined as discussed in paragraph 8 below) and the circumstances analyzed in paragraphs 5-9 below, it is doubtful that the two italicized uses (i.e. offer or expose the goods for sale under the trade mark (e.g. in retail outlets under the trade mark) and in advertising, of the trade mark will still be possible for all practicable purposes.”.

Paragraph 7 states that “This means that even if the relevant trade marks are printed on the body of the cigarette, they will not be visible to potential customers who can only see the packets but not the cigarettes themselves at the time and place of purchases.”.

Paragraph 8 states that “If there were not restriction or prohibition regarding cigarette advertisements, it would still be possible to use the relevant trade marks in various contexts other than the package or retail container so as to identify the cigarette product, distinguish it from other cigarette products and attract customers’ attention to it. However, under the Ordinance, the contexts in which tobacco advertisements (which are extremely broadly defined in section 14 of the Ordinance to include any object displayed to the public in the course of business that includes as part of the object the trade mark or brand name of a tobacco product) are already very limited. Furthermore, the Bill proposes to eliminate the very few remaining contexts in which tobacco advertisements may be used under the Ordinance (i.e. in the stall or pitch of a licensed hawker and in the premises of a retail dealer employing two or fewer persons – see clause 14 of the Bill).”.

My views are:

- (a) The purpose of the protection of trade mark, as set out Article 1(2) of the Paris Convention and stated in paragraph 3 of the Annex to the Administration's Reply, is that "The protection of industrial property has as its object... trade marks,... and the repression of unfair competition.".

The use of the trade mark as set out in the first part of the first sentence of paragraph 8, namely, "to use the relevant trade marks in various contexts so as to identify the cigarette product", distinguish it from other cigarette products, is within the scope of protection of a registered trade mark. It seems that "use of a trade mark in advertisement to attract customers' attention to the cigarette product" is not a protection to be afforded by the Trade Marks Ordinance nor the Paris Convention.

- (b) There are various methods which the owner of a trade mark can use his trade to distinguish his goods from other goods. Application of the trade mark to the surface of the goods or their packaging is only one of the uses recognized under section 18(5) of the Trade Marks Ordinance. There are many goods being sold in the marked which trade marks are not visible by potential customers on the body of the goods and their packaging but are still distinguishable from other goods. Therefore, that "the trade mark is not visible by potential customers on packaging of the goods" does not necessarily mean that the potential customers cannot distinguish the goods from others. It is open for an owner to adopt various ways for his goods to be identified and distinguished from other goods.
- (c) It seems that inability to use a trade mark in tobacco advertisement or on the packaging will not affect the other uses of the trade mark by its owner, nor the goods being distinguishable from other goods.

Rights of trade mark registered under the Trade Marks Ordinance are not absolute

I do not share the view as set out in paragraph 10 of the Administration's Reply that upon registration of a trade mark under the Trade Marks Ordinance, the owner may expect that he will be entitled to use the trade mark during the prescribed period (10 years under Cap. 559). The right of the owner a registered trade mark and unregistered trade mark is not absolute.

- (a) Under the Trade Marks Ordinance, section 11(4)(b) provides that "likely to deceive the public" is an absolute ground for refusal of registration. Section 12(2)(c) provides that a trade mark shall not be registered if the use of the trade mark in relation to those goods or services is likely to

cause confusion on the part of the public.

Section 52 of the Trade Marks Ordinance provides that:

(1) An application for the revocation of the registration of a trade mark may be made by any person, and may be made either to the Registrar or to the court.

(2) The registration of a trade mark may be revoked on any of the following grounds, namely-

- (a) that the trade mark has not been genuinely used in Hong Kong by the owner..., for a continuous period of at least 3 years,...
- (b) ...
- (c) that in consequence of the use made of it by the owner or with his consent, in relation to the goods or services for which it is registered, the trade mark is liable to mislead the public particularly as to the nature, quality or geographical origin of those goods or services; or...

Section 53 provides that:

(1) An application for a declaration of invalidity of the registration of a trade mark may be made by any person, and may be made either to the Registrar or to the court.

(2) In the case of bad faith in the registration of a trade mark, the Registrar himself may apply to the court for a declaration of the invalidity of the registration.

(3) The registration of a trade mark may be declared invalid on the ground that the trade mark was registered in contravention of section 11 (absolute grounds for refusal of registration).

Therefore, it appears that the owner of a registered trade mark is not entitled to expect that his rights are absolute. His rights to use the trade mark registered under the Trade Marks Ordinance are conditional upon his fulfillment of the conditions set out in the Ordinance and his trade mark is liable to be revoked or declared invalid as provided in the Ordinance. "Registration of the relevant trade marks" cannot be taken as to imply that "the Registrar did not consider that they were likely to deceive the public" and "the trade mark has not been revoked under section

52” cannot be taken to suggest that “it has not been established that it is liable to mislead the public”.

(b) Paragraph 9 of the Annex states that:

Article 20 (Other Requirements) of TRIPS provides that: “The use of a trade mark in the course of trade shall not be unjustifiably encumbered by special requirements... use in a special form or use in a manner detrimental to its capability to distinguish the goods or services of one undertaking from those of other undertakings.”

Whether section 10(3) creates “an unjustifiable encumbrance” depends on whether the judgment of Court of Justice of the European Communities in The Queen and Secretary of State for Health Case No. C-491/01 and the Canadian Case of J.T.I. Macdonald v. the A.G. of Canada (“the Macdonald’s case) and the views of the Australian Competition and Consumer Commission (“the Commission”) in the undertaking to the Commission given for the purposes of Section 87B of the Trade Practices Act 1974 by Imperial Tobacco Australia Limited on 3 November 2005 are also adopted in Hong Kong. If there is no deprivation of the intellectual property rights of a registered trade mark, nor the goodwill of the owner of an unregistered trade mark, Hong Kong’s obligations under the relevant international conventions to protect trade marks will not be affected.

It is appreciated that your reply in both Chinese and English could reach us as soon as possible.

Yours sincerely

(Monna LAI)  
Assistant Legal Adviser