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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

22 September 2006

Dear Mrs YEUNG

Smoking (Public Health) (Amendment) Bill 2005 ("the Bill")

I refer to your letter dated 20 September 2006 and have the following comments:

Absolute Ban on specific words, regardless of whether they are in fact misleading or not – infringement of rights of owners of trade marks or trade names incorporating those words? Risk of litigation involved?

I note that:

(a) despite the views of the Basic Law Unit of the Department of Justice and the Intellectual Property Department as set out in your letter, the Administration maintains the position that an absolute ban of specific words has to be provided under clause 11 of the Bill due to the following advantages:

(i) it is clear to tobacco companies which are the words or terms that cannot be used; and

(ii) it obviates the need for litigation on a case by case basis to prove that using the words or terms in a particular context creates misleading effect, as the use of the words or terms is completely banned;

(b) in Paragraph 9 of the Administration's response (LC Paper No. CB(2)1897/05-06(01)), the Legal Policy Division of the Department of Justice stated that "However, clause 11 of the Bill goes further by

> providing for an absolute ban of the use of "light", "lights", "mild", "milds", "low tar", "醇" and "焦油含量低", in addition to any other words which imply or suggest that the cigarettes concerned are less harmful than others. In other words, clause 11 of the Bill, unlike Article 7 of the EU Directive or Article 11(a) of the WHO Framework Convention on Tobacco Control, imposes an absolute ban on the use of such terms as "mild", regardless of whether they are in fact misleading in a particular case.".

It appears that neither the Administration, the Department of Justice nor the Intellectual Property Department are certain that the use of the words or terms specified in the absolute ban will definitely create misleading effect. Thus, it is likely that the use of a word or term specified under the absolute ban does not create misleading effect. Please account for the policy intent to ban the use of a word or term which does not create misleading effect. Will the absolute ban on use of such non-misleading trade mark or trade name infringe the legal rights, including property rights, of its owner? Will the absolute ban amounts to "HKC's non-compliance with WTO TRIPS"? What is the risk of litigation involved?

My queries on the scope of the grandfathering-cum-notation approach proposed under Schedule 5A of the Bill

1. Your reply that "Grandfathering exemption is granted to the extent necessary to protect pre-existing intellectual property rights. However, safeguard is built in by (1) requiring appropriate notation to be added to dispel potentially misleading effects (if any); and (2) retaining the possibility of revoking the exemption even after the Bill is passed, if the use of the relevant grandfathered mark is determined to be in fact misleading, despite the presence of the notation." appears to be self-contradictory and inconsistent with your views given in your letter dated 16 June 2006 (CB(2)2434/05-06(04)) that:

> "Our proposal of having a notation would serve to alert smokers that the use of misleading words does not in any way indicate that cigarettes contained therein are less harmful to health than others. We believe that the notation approach would help smokers beware from having any false impression that a particular cigarette brand is less harmful than other brands. In this regard, Hong Kong would have fulfilled the above requirement to the maximum extent within the context of its own local laws."

My opinion is that Hong Kong can only fulfill its obligation under Article 11 1(a) of the FCTC if the notation prescribed under the Bill does dispel the misleading effects of the grandfathered trade marks and trade names. The safeguard described in scenario (2) that "after the Bill is passed, the use of the relevant

grandfathered mark is determined to be **in fact** misleading, despite the presence of the notation" should not happen and is, therefore, not necessary.

2. Your policy that "In view of the wide application of a trade name, the legislative intent is that it should be left to the court to determine what amounts to a trade name. We do not consider it necessary to define trade name for the purposes of Cap. 371." does not appear to serve the purposes of the absolute ban, namely, clarity for the tobacco companies and avoidance of litigation. If the scope of the ban to be imposed and the exemption to be granted under Schedule 5A are not clearly set out, how can the parties affected aware that they fall within the ban and claim exemption by adding the appropriate notation on the tobacco packaging?

3. My previous comments on the uncertainties created under the Schedule 5A still stand.

It is appreciated that your reply in both Chinese and English could reach us by noon, 25 September 2006.

Yours sincerely

(Monna LAI)
Assistant Legal Adviser

c.c. DoJ (Attn: Miss Shandy LIU, SGC)
IPD (Attn: Mr Peter Cheung, DDIP)