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## **Introduction to HKITMP**

This submission is made by The Hong Kong Institute of Trade Mark Practitioners ("HKITMP"), the membership of which consists of solicitors, barristers, trade mark agents and patent agents, who are principally engaged in trade mark and other intellectual property practice. The HKITMP's aim is to protect the interests of trade mark owners, for which purpose we are active in regular liaison with the Intellectual Property Department, international bodies representing rights owners and also industry bodies.

The HKITMP acts as a conduit and forum for discussion, and promotes the views of the professionals who engage in protecting and defending brands and other intellectual property works.

This submission on behalf of the HKITMP has been prepared by Council members who have a particular interest and expertise in this issue and who have been available on short notice. The proposed response has also been circulated to the entire Council of the HKITMP for comment prior to finalization and submission.

The views expressed are from a legal and policy perspective in our capacity as solicitors and intellectual property law practitioners, acting independently without regard to the views of any particular body or organization.

## **Background**

We understand that the rationale for the Trade Descriptions (Amendment) Bill 2007 (gazetted on 21 December 2007) was to strengthen the existing regulatory regime for the protection of consumers and tourists against malpractices in the retail business such as dishonest retailers inducing customers to enter into transactions by giving misleading price indications, making false or misleading representations in relation to after-sale maintenance services or, in the case of electronic products, the inclusion or otherwise of certain accessories. In addition, there was concern about retailers making false or misleading representations regarding their connection with or



endorsement by individuals such as celebrities, or organisations of good standing and reputation.

### Summary of HKITMP's Concerns

The HKITMP's concerns are twofold:

- a. Firstly, certain amendments criminalise conduct which has traditionally been a civil concern. Criminalisation of any conduct is a very serious matter. We wonder about the reasons for the changes and whether sufficient thought has been given to the test to be applied and the implications. We would like to take the opportunity to comment more about this aspect during the Bills Committee hearing on 18 February 2008.
- b. Second, even if it is decided to criminalise such conduct, we consider the scope of the offences to be uncertain and vague. The offences are expressed in terms not familiar to the courts and for which there is no history of case law and jurisprudence.

### Specific comments on s. 13 C

We are concerned by the impact of the proposal under s. 13 C to prohibit the making of false or misleading representations that any trader is connected with or endorsed by an individual or organisation of good standing or reputation. Such misrepresentations are normally disputed by the celebrities themselves or competitors and have traditionally been dealt with under the common law action of passing off.

Passing off requires the establishment of three major elements:

- the plaintiff's goodwill;



- the defendant's misrepresentation which will confuse the public into believing that the goods or services offered by him are the plaintiff's goods or services, or that their businesses are somehow associated or connected; and
- damage or likelihood of damage to the plaintiff by the misrepresentation.

The need to establish all three elements means that making out a case in passing off can be difficult and it is a quite controversial area of law. The protection by celebrities of their name and image is also particularly problematic. The UK and HK courts have been reluctant to recognise a mere right of publicity as in the US (under which a personality has the right to control the commercial exploitation of his or her identity), or one of unfair competition as in Europe.

We query whether it is appropriate to impose criminal liability (which is much more severe than civil) in such an area where certainty is highly in issue.

### **Section 13C (1)**

This provides that:

*"any person who in the course of any trade, business or profession, makes a false representation to any other person that a particular seller (whether or not the seller is the one who makes the misrepresentation) who sells any goods in the course of any trade or business is connected with or endorsed by any individual or body commits an offence."*

This offence would appear to be a significant departure from the traditional law relating to the civil action of passing off. The requirements of Section 13C (1) are even lower than for a passing off action yet there are serious criminal implications.

- There is no requirement that the individual or body is reputable. A letter from the Secretary of Commerce and Economic Development of 21 January 2008 (in answer to queries raised by the LegCo Secretariat) indicates that this is



their intention. Therefore, a criminal offence could be committed even if the individual or body actually has no protectable goodwill under the common law.

- There is also no need to establish confusion and damage to the plaintiff which are fundamental requirements under passing off.
- The term "false representation" has not been defined. This will lead to arguments and speculation on what amounts to "false". It is not clear whether the term covers "misleading" representations.
- The legislature should make clear what "false" representations covers and specifically whether embraces "misleading" representations. If the intention is to prevent more than simple cases (e.g. where a false claim is made that the seller is an authorised distributor or licensee of X, when they are not) that should be made clear.
- The scope could be wider depending on the definition of a "representation".
  - If for example a party uses the word "Gucci" as part of its company name when it is not connected with Gucci, is this a false representation for the purpose of an offence under section 13C (1)?
  - Does it include the use of a photograph or other indication, such as get-up, or does some kind of explicit statement or claim need to be made?
  - Is there an overlap with section 13C (2)?

A great deal would appear to depend on how the term "representation" is defined. The meaning of "representation" should be clarified.

It appears that the intention of the amendment is to punish the person for making a false representation rather than protecting the intellectual property rights of others. Is that correct?



## Section 13C (2)

Section 13C (2) covers the use of **names** which are identical or very similar to the name of a **reputable** individual or body which may lead to misunderstanding. In such cases, if the maker of the representation ought reasonably to expect that the recipient of the information is likely to be confused because of the similarity in the names, the maker of the representation must take steps to prevent the person to whom the representation is made, from misbelieving that the reputable person is closely connected with or endorsed by the seller of the goods.

- The section only applies to misunderstandings arising from the use of **names** and not other indications of a connection (e.g. use of a photograph or get-up).  
- Is this intentional since misunderstandings can be caused by things other than just confusing names?
- Does it mean legitimate identical or similar names (similar to the "own name" defence under the Trade Mark Law)? The Explanatory Memorandum to the Bill seems to suggest that it is, since it refers simply to misunderstanding that may occur if the name of a person is identical or very similar to a reputable person. If it is, then the offence is very narrow.  
If it is not and covers the many instances where people deliberately adopt identical or similar names, then how is it different from making a "false representation" under section 13C (1)?  
This depends on what a "representation" is (see above).
- The word "presentation" is not qualified as being "false" but there is the additional requirements of the recipient of the information being "likely to mistake". Is the "likely to mistake" intended to be equivalent to the requirement for "confusion" under passing off? If so it is preferable for that word to be used. If the difference was deliberate it will make it more difficult to prosecute since there is no precedent for how that new term will be interpreted.



- The test is one of “good standing” and “reputation”. This is not the same as “goodwill” which is a concept already well-analysed under passing off. Indeed it should be noted that “goodwill” is a form of legal property which is different from mere reputation which is an issue of fact. A business with goodwill has reputation but simply because a person, mark or product has a reputation that does not mean that there is goodwill that will be protected under the law of passing off.
- Whilst we are not saying that reputation has no relevance in passing off we note that the requirement under 13 C (2) (b) has the added requirement for the individual or body to be “widely known to be of good standing” as well. How is that phrase to be defined since this is not a concept considered under the well discussed and litigated tort of passing off?
- There is also no requirement of damage, as there is in the civil action of passing off.

#### **Section 13C (4)**

We note that there is a defence under section 13C (4) if the defendant can “*prove that he had reasonable cause to believe that the representation was true*”. This phrase appears to be vague and inappropriate in the context of what could be judged to be a criminal offence.

- It appears from correspondence between the LegCo Secretariat and the Commerce and Economic Development Bureau that this defence may be amended to a less onerous test of “did not know and had no reason to believe that the statement was false”. This would appear to be more in line with other intellectual property laws but see the Copyright Ordinance where secondary infringement requires the defendant to know or have reason to believe.



- We query whether it is more appropriate to have a positive requirement for knowledge, since it is a criminal offence?

## General Comments

- The TDO applies only to false trade descriptions applied to *goods provided in the course of trade*. The provisions do not apply to false representations relating to the provision of *services*. There may be situations where an organisation offers both goods and services and makes representation in relation to both. For example, a hotel may make a claim about an open harbour view or proximity to the MTR to entice people to book a room and also buy products in their gift shop. Any misrepresentation would be criminal in relation to the purchase of the goods but not the offer of accommodation services. Given the intention to protect consumers, should the provision of services be included for the sake of consistency?
- How will these new offences interact with the law of passing off where there is a significant existing body of case law, academic commentary and jurisprudence?
- If the unauthorised use of a celebrity name or image amounts to a false or misleading representation, query whether the Government intends to introduce an effective right of publicity without the provisos set out in the common law?
- What is the difference between the offences under section 13C (1) and (2)?
- The proposals require many subjective assessments to be made.
  - Given the severity of the penalties, query how easy it will be for Customs to determine, e.g. what is a “representation”?
  - When is a “representation” misleading?
  - What constitutes good standing or reputation?



- Does this mean that even if the law is amended, it is unlikely to be enforced?
- Competitors or businesses who may legitimately wish to make reference to a person or body (not even a reputable person or body) in a manner that would not constitute passing off may, nevertheless, find themselves guilty of a criminal offence which carries a maximum penalty of a \$500,000 fine and 5 years imprisonment.
- To the extent that the criminal provisions are intended to protect the public at large, rather than the rights of the individual or body, differences in approach may be understandable. However, the harsh penalties coupled with a lower threshold of liability and vague untested language is something that needs serious consideration.

**Even if the legislature is set on the policy it is important that the language is sufficiently clear to enable enforcement bodies to apply it with confidence. Our members have had the experience that even in cases where we believe situations are clear enough for prosecution and supported by evidence there is a reluctance to prosecute under existing provisions of the TDO. Given the uncertainties in the proposed amendments and lack of judicial interpretation of crucial language we wonder if changes which may appear to satisfy certain interest groups would be difficult to implement and accordingly have little practical application.**