

立法會
Legislative Council

Ref: CB1/BC/17/98/2

LC Paper No. CB(1)2021/99-00
(These minutes have been
seen by the Administration
and cleared by the Chairman)

Bills Committee on Trade Marks Bill

**Minutes of eighteenth meeting held on
Thursday, 6 April 2000, at 10:45 am
in Conference Room A of the Legislative Council Building**

- Members present** : Hon Margaret NG (Chairman)
Hon Kenneth TING Woo-shou, JP
Hon Mrs Selina CHOW LIANG Shuk-ye, JP
Hon HUI Cheung-ching
Hon CHAN Kam-lam
Hon Mrs Sophie LEUNG LAU Yau-fun, JP
Hon SIN Chung-kai
- Members absent** : Hon MA Fung-kwok
Hon James TO Kun-sun
Hon FUNG Chi-kin
- Public officers attending** : Mr Philip CHAN
Principal Assistant Secretary for
Trade and Industry
- Mr Rayman PERERA
Assistant Director (International Registration)
Intellectual Property Department (IPD)
- Mrs Teresa GRANT
Assistant Director (Registration), IPD
- Mr Johann WONG
Assistant Secretary for Trade and Industry
- Mr Jeffrey E GUNTER
Senior Assistant Law Draftsman

Ms Phyllis POON
Government Counsel

Clerk in attendance : Miss Odelia LEUNG
Chief Assistant Secretary (1)1

Staff in attendance : Miss Anita HO
Assistant Legal Adviser 2

Ms Rosalind MA
Senior Assistant Secretary (1)6

I. Confirmation of minutes of meeting
(LC Paper No CB(1)1299/99-00)

The minutes of meeting held on 18 January 2000 were confirmed.

II. Clause-by-clause examination of the Bill

2. Members resumed clause-by-clause examination of the Bill.

Schedule 1

3. Referring to paragraph 5 of Schedule 1 on regulations governing use of collective marks, the Assistant Legal Adviser (ALA) pointed out that the Chinese translation of regulations as "規例" might be misleading and suggested that the words "規章" be used instead. The Government Counsel (GC) responded that the Chinese translation of "regulations" was "規例" in accordance with the practice of the Department of Justice. Therefore, if the Chinese text was to be revised, changes had to be made to the English version as well. In response to Mrs Selina CHOW's enquiry on the usage of the words "規章" in other ordinances, GC said that to the best of her knowledge, these words were not used in the legislation of Hong Kong. However, the words were in use in the laws of the Mainland China.

4. The Chairman said that there should not be any confusion about the meaning of paragraph 5 if the full text in both English and Chinese would be taken into consideration. Members considered the drafting of paragraph 5 of Schedule 1 adequately clear.

Schedule 2

5. Members noted the Schedule.

Schedule 3

6. In response to ALA's question about the transitional arrangements for the entries in the existing Trade Marks Register (the Register) when the Trade Marks Ordinance (TMO) was repealed, the Assistant Director of Intellectual Property (International Registration) (AD/IR) said that all existing registrations would be transferred to the new Register upon the enactment of the Bill.

7. With reference to paragraph 3(1), the Chairman sought clarification of the arrangements for proceedings instituted before the enactment of the Bill. AD/IR said that these proceedings would be dealt with under the old law both procedurally and substantively. Upon the Chairman's request, he undertook to confirm whether this arrangement was in accordance with the general rule and revert to the Bills Committee should there be any conflict.

8. Members noted that the Annex to Schedule 3 listed out the provisions in TMO to be repealed upon the enactment of the Bill and the provisions in TMO which were relevant to the repealed ones for easy reference.

Schedule 4

9. The Chairman referred members to the marked-up copy of the consequential and related amendments at LC Paper No CB(1)1257/99-00(01) in examining Schedule 4.

10. The Chairman sought information on the reasons for introducing the amendments to the Trade Descriptions Ordinance (TDO) (Cap. 362) in paragraph 6 of Schedule 4. AD/IR responded that these amendments to TDO were made for the purpose of benefiting TDO with the new definitions in the Bill which were of relevance to the provisions of TDO. In response to ALA's question, he said that TDO covered the application of trade marks to goods only but not services. Therefore, infringement of trade marks related to the application to services would not be dealt with under TDO.

11. The Chairman expressed concern over the proposed amendments to TDO as stipulated in paragraph 7 of the Schedule. She asked whether the interpretations of applying a trade description, trade mark or mark to goods in paragraph 7 were new and sought clarification of the reasons for introducing these amendments. In her view, these proposed amendments were neither consequential nor related amendments to the Bill as they in effect expanded the scope of criminal liability in the application of a trade mark under TDO. Mrs Selina CHOW shared her concern and opined that anything which would broaden the scope of criminal liability should not be

categorized as consequential amendments.

12. The Senior Assistant Law Draftsman (SALD) explained that the proposed amendments in paragraph 7 were consequential to the introduction of a more elaborated definition of affixing a trade mark to goods in clause 2(2) of the Bill. From the law drafting point of view, new terms or definitions brought about in the Bill would be introduced to TDO as the existing TMO shared common terminology with TDO. The Assistant Director of Intellectual Property (Registration) (AD/R) added that the existing definition of applying a trade mark to goods was rather broad. The new interpretations in clause 2(2) of the Bill aimed at making it more specific by having more elaborated illustrations such as "woven in, impressed on, worked into," etc. The Administration did not envisage that the proposed amendments would broaden the scope of criminal liability. The move was considered an appropriate one for the modernization and clarification of the concept of applying trade marks to goods and should be considered as consequential to the enactment of the Bill.

13. While appreciating that the Administration had no intention of broadening the scope of criminal liability, the Chairman opined that the amendments in paragraph 7 should not be considered as consequential amendments and should better be dealt with during the review of TDO. She also raised doubts on treating the proposed amendments in paragraphs 8 and 11 of Schedule 4 as consequential or related amendments to the Bill. Paragraph 8 added new offences of producing counterfeit goods under TDO with reference to the provisions on copyright piracy in the Copyright Ordinance. Paragraph 11 provided for an increase in penalty on offences related to trade marks from a maximum imprisonment of five years to eight years. Members requested the Administration to review whether it was appropriate to deal with paragraphs 7, 8 and 11 in Schedule 4 in the context of the Bill.

(Post-meeting note: the Administration agreed to delete the three paragraphs. The draft CSAs were circulated to members vide LC Paper No CB(1)1540/99-00(03).)

Consideration of issues raised during clause-by-clause examination of the Bill

- (a) *Administration's response to issues raised at the meeting on 18 January 2000 (LC Paper No CB(1)962/99-00)*

Clause 4

14. On proposed amendments to clause 4 on the definition of well-known marks, AD/IR informed members that the Administration was considering introducing a definition of well-known marks with reference to the joint recommendation of the World Intellectual Property Organization by means of CSAs. The Chairman expressed concern about the way well-known marks would be defined. She pointed out that if the definition would only provide protection to marks which were well-known in Hong Kong, those world famous marks which were not promoted in Hong Kong would not be protected and this would adversely affect the international image

of Hong Kong. AD/IR explained that the proposed CSAs on well-known marks would be broad enough to include world-famous marks without specific promotion in Hong Kong. Members agreed to consider the subject further when the CSAs prepared by the Administration were ready.

(Post-meeting note: the draft CSAs provided by the Administration were circulated to members vide LC Paper No CB(1)1540/99-00(03).)

Clause 9(3)

15. Members noted that the Administration was considering how best clause 9(3) should be drafted to reflect the Administration's intention that the Government should be bound by the Bill as well.

(Post-meeting note: the draft CSA prepared by the Administration was circulated to members vide LC Paper No CB(1)1540/99-00(03).)

Clause 10(4)(a)

16. The Chairman said that the introduction of the concept of "public order" in the registration of trade marks would be unnecessary and might even create problems in application. Members agreed that no amendment to clause 10(4)(a) would be required.

*(b) Trade Marks Bill and the issue of "Cyber-squatting"
(LC Paper No CB(1)1099/99-00)*

17. Members noted the information paper.

(c) Different terms used in the Trade Marks Bill and the Trade Description Ordinance (LC Paper No CB(1)1193/99-00(03))

18. AD/IR explained that the information paper was prepared in response to ALA's comments on the need to maintain consistency in terminology adopted in the Bill and TDO. There were different criteria in respect of criminal and civil trade mark actions. It was not necessary to establish criminal liability for trade mark offences in order to found an infringement action, and vice versa. There was therefore no compelling reason to have the language used in the Bill and TDO to exactly mirror each other.

19. The Chairman remarked that the Bills Committee and the Administration had a consensus on the necessity of reviewing TDO some time later with a view to incorporating the TDO into the new Trade Marks Ordinance. This would enable the provision of a single legislation covering both civil and criminal offences in relation to trade marks.

(d) *Clause 27(4) - Assignee's right to claim damages*
(*LC Paper No CB(1)1327/99-00(01)*)

20. AD/R brought members through the paper, which attempted to address their concerns raised at the meeting on 21 February 2000. Members had requested the Administration to review the propriety of depriving the right of an assignee in seeking damages from the assignor for infringement of the trade mark occurring during the interim period ("the interim period") after the date of transaction and before the registration of the transaction with the Registrar of Trade Marks (the Registrar). She pointed out that until an assignee lodged an application to be registered as the owner of a trade mark, he could not sue his assignor for infringement because the assignor was still the "official" owner on the Register. It was conceptually difficult in finding that the registered owner of a mark during the interim period could be sued for infringement of the mark. The assignee's remedy in these circumstances should be on the basis of his contract with the assignor. There was no provision in other jurisdictions such as the United Kingdom, Ireland, Singapore, Australia and India which allowed the assignee to seek damages for infringement from the assignor during the interim period. Therefore, the Administration considered the present wording of clause 27(4) appropriate.

21. The Chairman had reservations about clause 27(4) as it might override the contractual obligations in assignments. She opined that the ownership of a trade mark was transferred by the registrable transaction between the assignor and assignee and the registration of the transaction should not constitute ownership but should only be a record of that. It would then be unjustified to deny the assignee of his right to seek damages for infringement of the trade mark during the interim period. Mrs Selina CHOW shared her view and said that if the assignee had no right to seek damages for infringement in the event that the assignor continued to use the mark during the interim period, the contractual obligations of the assignment would be undermined.

22. SALD referred members to the definition of "owner" in clause 2 of the Bill which stipulated that "an owner means the person whose name is for the time being entered in the register as the owner of the trade mark". He explained that the owner of the trade mark during the interim period would be the assignor in accordance with the definition in clause 2. AD/R added that with the above definition, it would be conceptually difficult for an assignee to take infringement proceedings against the assignor during the interim period as the latter was still the "official" owner in the register. Nevertheless, despite that the assignee would not be entitled to damages for infringement under the trade mark law, his rights to sue the assignor through breach of contract or passing off would not be affected. Regarding the Chairman's concern about the overriding of contractual obligations by clause 27(4), she said that the trade mark law had not gone so far as to regulate all aspects of the relationship between the parties involved in trade mark transactions. Under the present regime of trade mark registration, infringement as defined in the legislation did not cover breach of contractual terms.

23. Taking into consideration the definition of trade mark owner under clause 2 of the Bill, the Chairman considered clause 27(4) unnecessary as the assignee would have no right to claim damages for infringement before his name was entered in the register as the owner of the trade mark. She queried the propriety of the concept of ownership constituted by registration in law.

24. Mrs Selina CHOW pointed out that the provisions in question were contradictory. The definition clause provided that an owner of a trade mark was the person whose name was entered in the register, but clause 27(4) stipulated that "Where a person becomes the owner or a licensee of a registered trade mark by virtue of a registrable transaction". She remarked that this discrepancy in what constituted ownership would create problems. It was confusing that a person was considered an owner under the contract, i.e. by virtue of the registrable transaction but not so considered under the trade mark law during the interim period before his name was entered in the register. The Chairman added that if the Administration intended to recognize ownership of trade mark through registration only, clause 9(2) might need to be revised as well to the effect that only registered owner of a registered trade mark had the rights and was entitled to the remedies provided by the trade mark law. She and Mrs Selina CHOW urged the Administration to reconsider clause 27(4) and the definition of "owner" in clause 2.

25. SALD said that the definition of "owner" in clause 2 was in line with that for other registration system. AD/R added that the Registrar would recognize ownership of the assignee when he lodged an application to be registered as the owner. During the interim period, the assignee was not the owner for the purpose of the trade mark law. Yet he was the owner in relation to the assignor. If a case of this nature was brought to court, it might be possible that the person whose name was on the register, i.e. the assignor, held damages on trust for the person who was actually entitled to the damages, i.e. the assignee.

26. Mrs Selina CHOW remained concerned about the assignee's right to seek damages in the inevitable time lag between the date of assignment and the date of registration of the assignee as the owner on the Register. Mr HUI Cheung-ching opined that the assignee should be able to register the transaction within six months of the transaction as required by law. However, he agreed that there was a grey area regarding the rights of the assignee as the owner of the trade mark during the interim period.

27. AD/R said that there might be a time lag between the point at which the assignee got his right, i.e. when he signed the assignment with the assignor, and the point at which he got all his rights conferred by the trade mark under the trade mark law, i.e. when he lodged an application for registration as the owner. Nevertheless, when the assignee was registered as the owner, he was not prevented from going back in time to seek damages for infringement entitled to him as an owner. AD/IR added that the purpose of clause 27(4) was to provide incentive for the assignees to apply for

registration as soon as possible, otherwise, they would not be entitled to the rights conferred by the trade marks under the trade mark law. He drew members' attention to sections 27(1) and 31 of TMO. Section 27(1) provided for the exclusive right to the use of the trade mark by a person registered as the proprietor of the mark. Section 31 provided that equities in respect of a trade mark might be enforced in like manner as any other personal property. Taking section 27(1) in contrast with section 31, in the circumstances where there was an assignment of a trade mark, the assignee would be able to enforce his rights under the common law. The same would apply to situations under clause 27(4). To address members' concern over the rights of the assignee, he said that a clause similar to section 31 of TMO could be included in the Bill.

28. SALD explained that the circumstances dealt with under clause 27(4) would be similar to the situation overseas where there was a registration system for property transactions. Purchasers of properties would try to register their transactions as soon as possible so that they could have all the rights to the properties they bought. Infringement of the trade mark during the interim period would still be an infringement. The difference was that the right to seek remedy was not with the assignee but with the assignor as long as the latter's name remained on the Register as the owner of the mark.

29. Appreciating the Administration's intention to encourage early registration of transactions, the Chairman doubted the clarity of clause 27(4). She urged the Administration to further review clause 27(4) taking into account members' comments on the possible unfairness to assignees whose rights to seek damages for infringement would be undermined. Mrs Selina CHOW shared her views and pointed out that there was ambiguity in the present clause which might give rise to confusion and misunderstanding about the rights of an assignee.

Admin. 30. Concluding the discussion, the Chairman requested the Administration to clarify the meaning of ownership of a registered trade mark in the Bill. In this connection, members' concern about whether registration of a transaction constituted ownership and the remedy available to an assignee for infringement of the mark occurring in the interim period should be taken into consideration.

Date of next meeting

31. Members noted that the next meeting was scheduled for Monday, 17 April 2000, at 8:30 am to discuss the issue of parallel importation.

32. The meeting ended at 12:50 pm.