

立法會
Legislative Council

Ref: CB1/BC/17/98/2

LC Paper No. CB(1)1991/99-00

(These minutes have been
seen by the Administration
and cleared by the Chairman)

Bills Committee on Trade Marks Bill

**Minutes of twelfth meeting held on
Friday, 11 February 2000, at 8:30 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 James TO Kun-sun
Hon HUI Cheung-ching
Hon CHAN Kam-lam
Hon Mrs Sophie LEUNG LAU Yau-fun, JP
Hon SIN Chung-kai
Hon FUNG Chi-kin

Member absent : Hon MA Fung-kwok

Public officers attending : Mr Philip CHAN
Principal Assistant Secretary for
Trade and Industry

Mr Rayman PERERA
Assistant Director (International Registration)
Intellectual Property Department (IPD)

Miss Finnie QUEK
Senior Solicitor, 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)943/99-00)

The minutes of meeting held on 6 November 1999 were confirmed.

II. Clause-by-clause examination of the Trade Marks Bill (the Bill)
(LC Paper No CB(1)909/99-00(01))

2. With reference to the list of drafting issues raised in submissions to the Bills Committee, members resumed clause-by-clause examination of the Bill.

Clause 17

Subclause (4)

3. Mr James TO sought clarification of the situation under which clause 17(4)(c) would apply. The Assistant Director of Intellectual Property (International Registration)(AD/IR) illustrated with the example of Re CA Scheimer's failed attempt to apply for the trade mark "Visa" in respect of contraceptive which was discussed at the last meeting. He said that clause 17(4) dealt with dilution of trade marks and not confusion.

4. Noting that the use of a reputed trade mark for dissimilar goods or services would be considered an infringing act, Mr James TO queried whether the registered trade mark owners should be conferred with such extensive rights to the exclusion of the use of the marks in all categories of goods/services. AD/IR explained that 17(4) was in line with Article 16(3) of the Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS Agreement) and Article 4(1)(b) of the World Intellectual Property Organization Joint Recommendation on the protection of well-known marks. The Administration was considering moving Committee Stage amendments (CSAs) to define well-known marks in the Bill. Members agreed to

discuss this further when the CSAs were ready for consideration.

(*Post-meeting note*: the draft CSAs on definition of well-known marks were circulated to members vide LC Paper No CB(1)1540/99-00(03))

Subclause (5)

5. Mr James TO enquired whether clause 17(5) would cover infringing acts carried out in the cyberspace. The Chairman said that the issue had been discussed at the eleventh meeting of the Bills Committee on 27 January 2000. She referred members to the Administration's response to the Law Society of Hong Kong at Annex B to LC Paper No CB(1)874/99-00 which was relevant to the issue of electronic infringement.

Subclause (7)

6. The Chairman drew members' attention to the comments on clause 17(7) made in the submissions to the Bills Committee. She pointed out the main areas of concern raised in the comments as follows-

- (i) it should be stated explicitly that clause 17(7) concerned comparative advertising. The way the provision was presently drafted was too indirect;
- (ii) in view of the absence of fair trading legislation or comprehensive legislation governing advertising in Hong Kong, it might not be appropriate to include a provision on comparative advertising in the Bill;
- (iii) the last part of the clause "if the use is without due cause and takes unfair advantage of, or is detrimental to, the distinctive character or repute of the trade mark" was unnecessary since this would not give any additional meaning to the requirement of "in accordance with honest practices in industrial or commercial matters".

7. AD/IR said that under the existing Trade Marks Ordinance (TMO)(Cap.43), it was uncertain whether "comparative advertising" would constitute an infringement of a trade mark. The Administration intended to allow "comparative advertising" under clause 17(7) provided that this was not disparaging and was in accordance with honest practices. He drew members' attention to the Administration's response to the Assistant Legal Adviser (ALA) dated 17 January 2000(LC Paper No CB(1)799/99-00(05)). He explained that the Administration's policy intention was not to restrict the application of the clause to "comparative advertising" only.

8. On the application of clause 17(7) to situations other than "comparative advertising", the Chairman doubted whether there was a real need for such an extended application. She opined that situations such as news reporting which had nothing to do with trade or business should be outside the context of the Bill. If clause 17(7) was drafted for the clarification of the existing ambiguous legal position

on "comparative advertising", express reference should be included in the clause to indicate clearly that "comparative advertising" would be allowed subject to certain restrictions. Mr FUNG Chi-kin commented that given an increasing trend for companies to advertise their products in comparison with those of their rivals, the Administration should be very cautious in formulating appropriate policies for monitoring advertisements in this regard.

9. In view of members' comments, the Administration undertook to review the drafting of the clause for the incorporation of an express reference to "comparative advertising".

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

10. As to the concern about the appropriateness of permitting "comparative advertising" in the absence of comprehensive legislative measures to regulate advertisements in Hong Kong, AD/IR referred members to the Administration's reply to ALA dated 17 January 2000(LC Paper No CB(1)799/99-00(05)), highlighting that in an UK case law *Cable & Wireless Plc & another v. British Telecommunications Plc*, it was held that "... codes of conduct are not a helpful guide as to whether an advertisement is honest for the purposes of section 10(6)(of the UK Trade Marks Act 1994). Honesty has to be gauged against what is reasonably to be expected by the relevant public of advertisements for the goods or services in issue." He pointed out that since clause 17(7) of the Bill was based on section 10(6) of the UK Act, it should be construed as independent of codes of practices on advertisement, statutory or otherwise.

11. ALA suggested that it might be useful to provide additional guidelines in clause 17(7) so that "comparative advertising" would only be allowed if the information provided or the presentation of the advertisement was not deceptive. The Chairman added that as permission on "comparative advertising" was a new element in the Bill which did not exist in TMO, the drafting should be done with extra caution. It should be very clear in the law as to the relevant restrictions on "comparative advertising". She opined that the present honesty requirement might not be adequate to serve this purpose and there was a risk that people would be confused as to the way they could mention their competitors in their advertisements without infringing the law.

12. AD/IR explained that the concept of deceptiveness would not be necessary as any advertisement which could satisfy the honesty requirement should not be deceptive. In response to the Chairman's concern over the clarity of the restrictions on "comparative advertising", he pointed out that the last part of clause 17(7) aimed at prohibiting the disparaging use of a trade mark in "comparative advertising". In this connection, he explained to members the Administration's response to the comments

by Messrs. Deacons Graham & James (Deacons) and the Hong Kong Institute of Trade Mark Practitioners Limited (ITMP) that the last part of clause 17(7) was unnecessary. He said that the last two clauses of clause 17(7) were designed to warn third parties about the dangers of denigrating a competitor's trade mark. Contrary to Deacons' submission, section 10(6) of the UK Trade Marks Act 1994 had been applied to a number of cases without difficulty. As a matter of fact, similar provisions were introduced to the trade mark laws in Singapore and Ireland. By adopting the same wording of the provisions in the UK Trade Marks Act, the courts of Hong Kong would be able to make use of the case law in other common law countries such as UK and Singapore.

13. Mr SIN Chung-kai supported the policy of allowing "comparative advertising" but considered that the wording of the restrictions should be further refined to make it clear to the public the circumstances under which "comparative advertising" would not be considered as an infringing act. He pointed out that it would be crucial for the Bills Committee to decide first whether the Administration's policy on "comparative advertising" should be supported. The Chairman said that as shown from the above discussion, members supported the policy of allowing "comparative advertising" in general. Nevertheless, this should be done with extra caution to guard against the disparaging of other trade marks. She opined that the wording "without due cause and takes unfair advantage of , or is detrimental to, the distinctive character or repute of the trade mark" in the last part of clause 17(7) was not clear enough to provide practical guidance on the type of advertisements which would not constitute an infringement under the law. While the honesty requirement alone was considered inadequate to safeguard the interest of trade mark owners in "comparative advertising", the language used in elaborating the other restrictions should be further refined to provide helpful guidelines to the public.

14. AD/IR responded that the last part of clause 17(7) would enable the judge to consider a case from a fuller perspective and make appropriate interpretation of the law accordingly. The application of these provisions to cases in UK had demonstrated that the court had no difficulty in applying the law. He pointed out that departure from the wording used in other common law countries would make the courts of Hong Kong unable to draw reference to case law of these countries. Nevertheless, the Administration had noted members' comments and would further consider refining the last part of clause 17(7).

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

Clause 18

15. AD/IR briefed members on clause 18, which was modelled on the existing

sections 33 and 34 of TMO. He drew members' attention to a printing error in the last part of clause 18(3)(c). The phrase "provided the use is in accordance with honest practices in industrial or commercial matters" should apply to clause 18(3)(a) to (c). The Administration would move a CSA to rectify this.

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

16. In response to Mr HUI Cheung-ching's enquiry on the rights of a trade mark registered in overseas jurisdictions, such as UK, AD/IR said that rights conferred to a registered trade mark were only confined to the place where the mark was registered. As a result, people in Hong Kong would be free to use of trade marks which were not registered in Hong Kong despite the registration of such marks in other places. However, if an unregistered trade mark or other sign had been so used in Hong Kong from a date preceding the earlier of the date of first use in Hong Kong of a registered trade mark and the date of registration in Hong Kong of that trade mark, its continued use of the mark would not constitute an infringement i.e. 18(4) of the Bill.

17. ALA sought clarification of the discrepancy between clause 18(3)(a) of the Bill and section 34(a) of TMO. She pointed out that the use of a registered trade mark by a person of the name or address of his predecessors in business was exempted under TMO but not the Bill. AD/IR responded that the practical application of clause 18(3)(a) was to protect the use of a person of his own name and address. The Chairman opined that as exemption was given under the existing law to the use of the name and address of a person's predecessors, the Administration should review the reasons for not providing the same in the Bill. AD/IR agreed.

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

18. Mr James TO enquired whether a person would be able to register a trade mark of his own name if he changed his name so that it would be identical to a registered trade mark. Illustrating this with an example, the Chairman said that a person changed her name to Mrs Fields and then attempted to register "Mrs Fields" as the trade mark for cookies, which was the same as a registered trade mark famous for cookies in Hong Kong. AD/IR explained that the exemption given under clause 18(3)(a) would be subject to the honesty requirement. So long as the use of the person's name was in accordance with honest practices in industrial or commercial matters, he should be able to use his own name. However, in the event that someone changed his name intentionally so that he could use a registered trade mark, this would not be considered as acting in accordance with honest practices.

19. Mr HUI Cheung-ching drew members' attention to the example of a famous trade mark, the "LEE's Jeans". He pointed out that LEE, being a very common Chinese surname, might be used legitimately by many people as their trade marks for jeans. He doubted whether clause 18(3)(a) would cause problems to registered trade marks like the "LEE's Jeans". AD/IR said that the Registrar would take a liberal view on the registration of this kind of marks. The Registrar would not be so restrictive as to block everyone out from the registration of a mark; yet he would judge whether the use of the mark was bona fide. As a person's name would not mean his surname only, he could seek alternative marks based on his name for registration. The concept of bona fide use had been in use in TMO section 34(a) and no problems similar to those mentioned above had been encountered.

20. In response to Mr James TO's enquiry on the Chinese version of clause 18(3)(a) where "name" was rendered as "姓名或名稱", the Government Counsel explained that "name" included both a physical person's or a legal person's name in legal terms. Therefore, the Chinese rendition was to cover the name of a legal person, such as that of a corporation.

Clause 19

21. Members agreed that discussion on this clause would be deferred until the Bills Committee had received the final round of oral presentation on parallel importation on 26 February 2000.

Clauses 20 to 23 - Infringement Proceedings

22. The Chairman drew members' attention to the comments by the International Trademark Association (INTA) on infringement proceedings. INTA proposed that both civil and criminal remedies under Part III of the TRIPS Agreement should be included in the Bill. She pointed out that clauses 20 to 23 covered only civil remedies despite that infringement of registered trade mark could be a criminal offence.

23. AD/IR explained that Hong Kong was fully compliant with the requirements of civil and criminal remedies under Part III of the TRIPS Agreement. The criminal procedures and sanctions available in respect of registered trade marks were provided in the Trade Descriptions Ordinance (TDO)(Cap. 362); whereas border measures were

provided in Part IIIA of the TDO. He informed members that TDO would be updated at a later stage since it had been in use for many years. At the present stage, the Administration had no intention of transporting the part of TDO covering criminal remedies of infringement proceedings to the Bill. It would be more desirable to consider this together with the reform of TDO. Moreover, the present arrangement of having the civil and criminal remedies for infringement of trade marks under TMO and TDO respectively had been in use for decades. Both the law enforcement agent i.e. the Customs and Excise Department (CED) and the legal practitioners were familiar and satisfied with the present arrangements. There was no urgent need to transport the part of criminal remedies in TDO to the Bill.

24. ALA remarked that she had raised a similar query under clauses 92 to 95 as to whether criminal offences relating to trade marks infringement in TDO should be incorporated into the Bill to make it self-contained. The Chairman opined that the fact that CED and the legal practitioners were satisfied with the present arrangements was not a sufficient justification for the maintenance of the status quo. As infringement of trade marks could be a criminal offence, the Bill would be incomplete if only civil remedies were included. While fully appreciating the technical constraints in incorporating the criminal remedies in TDO into the Bill at this stage, she urged the Administration to consider this at appropriate time in future so that the Trade Marks Ordinance would be self-contained.

25. ALA pointed out that there was inconsistency in the terms used in TDO and the Bill. She quoted an example of the term "similar mark" used in the Bill in comparison with the term "resembling marks" used in TDO to illustrate her point. She sought information on any plan to update/amend TDO so that the terms used would be consistent with those in the Bill. AD/IR said that the Administration had considered the need for consequential amendments to TDO in relation to the Bill. Nevertheless, such amendments might be so extensive that the TDO might be blown apart as a result. Therefore, it was concluded that no consequential amendment would be made to TDO at this stage. He undertook to provide members with additional information on the subject.

(Post-meeting note: the information paper on different terms used in TDO and the Bill was circulated to members vide LC Paper No CB(1)1193/99-00(03))

26. The Chairman invited the Administration to explain to members its response to ALA's enquiry on whether the Bill should have provisions for jurisdiction of the District Court in proceedings such as an order for disposal as in the case of the Copyright Ordinance (Cap. 528).

27. AD/IR replied that the Administration had sought the advice of the Secretary for Justice(S for J) on the issue of jurisdiction of the District Court under the existing TMO and the answer to this was negative. He informed members that under the Patents Ordinance (Cap. 514) and the Registered Designs Ordinance (Cap. 522), it was the Court of First Instance which had jurisdiction for order for disposal. In the UK, it was the jurisdiction of the High Court instead of the County Court which handled trade mark matters. Taking into account the practices under other intellectual property laws in Hong Kong and UK, further consideration should be made as to the appropriateness of giving the District Court the jurisdiction to handle trade mark matters.

28. The Chairman opined that it was absurd that the District Court was given the jurisdiction under the Copyright Ordinance but not under other intellectual property laws. ALA pointed out that this inconsistency among various intellectual property laws would be of concern to registered trade mark owners since the legal cost involved in bringing a case to the Court of First Instance was much higher to the District Court. In response to members' request, the Administration undertook to provide explanation on the different treatment between the various intellectual property laws regarding the jurisdiction of the District Court in handling intellectual property proceedings. It would also advise the Bills Committee whether the opinion of S for J on the matter could be released.

(Post-meeting note: the Administration's response was circulated to members vide LC Paper No CB(1)1526/99-00(01))

Clause 24

29. The Chairman drew members' attention to the comments by ALA, the Law Society and ITMP on the need to exempt legal representatives of trade mark owners from liability to the proceedings for relief from groundless threats of infringement proceedings under clause 24. She was concerned that clause 24 would penalize the legal representatives of trade mark owners. She pointed out that the provisions might be abused as the trade mark owners who initiated the threat of infringement proceedings would be behind the scene whilst their legal representatives would be exposed to proceedings against groundless threats. In the absence of similar provisions for ordinary proceedings, she queried the justification for such provisions in the Bill.

30. AD/IR explained that clause 24 was in line with the principles of the TRIPS Agreement (Paragraph 2 of Article 8) which stipulated appropriate measures might be needed to prevent the abuse of intellectual property right by right holders. The policy

intention of the provisions was to prevent unjustified threats of infringement proceedings. There was no intention of exempting legal advisors. This had not been done in the trade mark laws in the UK, Singapore or Ireland. There was also no such exemption in the Registered Designs Ordinance or the Patents Ordinance. Legal advisors should have the responsibility for giving proper legal advice to their clients before lodging threats of infringement proceedings. They should also be cautious in making threats of legal proceedings to ensure that these threats were not groundless. The request for an exemption for legal advisors would give rise to issues such as the exemption of trade mark agents. As registration of trade mark might be handled by trade marks agents instead of legal representatives of the trade mark owners, the same exemption might be requested by the agents. However, there would be practical difficulties in defining trade mark agents in the absence of any professional examination or recognized institution in this regard.

31. Notwithstanding clause 24(6) which provided that proceedings for relief from groundless threats might not be brought if an action for infringement of the trade mark began within 28 days after the threat was first made, the Chairman opined that this was inadequate to protect the rights of the legal representatives. Being in a passive position in the course of lodging the threat of infringement proceedings and the subsequent start off of the proceedings, the legal representatives would not be able to protect themselves from the proceedings of groundless threats if their clients initiated the act of threatening but subsequently disappeared or decided not to take any action within 28 days. Mr James TO shared her views and sought clarification of the objective of the provisions as well as the reason for including these provisions particularly in the context of the trade marks law. ALA also enquired about the rationale behind providing exemptions to legal representatives under the Copyright Ordinance but not under the Bill.

32. AD/IR reiterated that the policy intention of the provisions was to prevent unjustified threats and abuse of the rights by trade mark owners. He explained that a direct comparison between the Copyright Ordinance and the trade marks law was not appropriate since there was no registration process for copyright. In the context of the trade marks law, the representatives of trade mark owners could be either their lawyers or trade mark agents. Taking into account the difficulties in defining trade mark agents as mentioned above, the granting of exemptions to proceedings for relief from groundless threats was not so straightforward as in the case of the Copyright Ordinance. Moreover, there was no such exemption under other intellectual property laws such as the Patents Ordinance and the Registered Designs Ordinance.

33. While appreciating the need for a mechanism to prevent groundless threats, the Chairman said that there should be a balance to the consequences so caused. She requested the Administration to consider providing exemption to legal representatives of trade mark owner in light of members' comments. Members also requested the Administration to clarify whether a provision similar to clause 24 existed in other

intellectual property laws and if so, how it had worked since the enactment.

(Post-meeting note: the Administration's response was circulated to members vide LC Paper No CB(1)1010/99-00(01))

Date of next meeting

34. Members agreed that the next meeting of the Bills Committee would be held on Monday, 21 February 2000, at 8:30 am to continue with the clause-by-clause examination of the Bill.

35. The meeting ended at 10:30 am.

Legislative Council Secretariat

17 August 2000