

立法會
Legislative Council

LC Paper No. CB(1)1011/99-00

(These minutes have been
seen by the Administration)

Ref: CB1/BC/17/98/2

Bills Committee on Trade Marks Bill

**Minutes of seventh meeting held on
Thursday, 11 November 1999, at 4:30 pm
in Conference Room A of the Legislative Council Building**

Members present : Hon Margaret NG (Chairman)
Hon Mrs Selina CHOW LIANG Shuk-ye, JP
Hon MA Fung-kwok
Hon James TO Kun-sun
Hon CHAN Kam-lam
Hon Mrs Sophie LEUNG LAU Yau-fun, JP
Hon SIN Chung-kai

Members absent : Hon Kenneth TING Woo-shou, JP
Hon Albert HO Chun-yan
Hon HUI Cheung-ching
Hon FUNG Chi-kin

Public officers attending : Miss CHEUNG Siu-hing
Deputy Secretary for Trade and Industry

Mr Philip CHAN
Principal Assistant Secretary for Trade and Industry

Mr Peter CHEUNG
Deputy Director
Intellectual Property Department

Mrs Teresa GRANT
Assistant Director (Registration)
Intellectual Property Department

Miss Finnie QUEK
Senior Solicitor
Intellectual Property Department

Mr Jeffrey E GUNTER
Senior Assistant Law Draftsman

Ms Phyllis POON
Government Counsel

Mr Johann WONG
Assistant Secretary for Trade and Industry

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

Staff in attendance : Miss Anita HO
Assistant Legal Advisor 2

Ms Sarah YUEN
Senior Assistant Secretary (1)4

I Meeting with the Administration

Parallel Importation of Trade Mark Articles

(LC Paper No. CB(1)334/99-00(01) - Information paper provided by the Administration)

At the Chairman's invitation, the Deputy Secretary for Trade and Industry (DS/TI) briefed members on the rationale for adopting the principle of "international exhaustion" for parallel importation in clause 19 of the Trade Marks Bill (the Bill) as set out in the information paper provided by the Administration (LC Paper No. CB(1)334/99-00(01)).

2. Some members were concerned whether allowing unrestricted parallel importation of trade mark articles into Hong Kong was in the best long term interest of consumers. They pointed out that the quality of some trade mark articles might vary in order to adapt to different local weather conditions, labelling requirements, etc. For example, a trade mark shampoo produced for sale in a middle-east country where the weather was dry would not achieve the best result when used in Hong Kong. However, Hong Kong consumers would only recognize the trade mark and bought the shampoo on the belief that it was the same shampoo produced for the Hong Kong market. In this sense, consumers' interest would be adversely affected.

3. In response, DS/TI advised that the primary function of a trade mark was to indicate the origin of the goods or services. There was no reason to prevent the

importation of genuine products. The purpose of clause 19 was to provide consumers with a wider choice of products. As long as sufficient product information was provided, consumers should be able to make their choice. As regards concerns on the safety of parallel-imported goods, DS/TI pointed out that there were separate and specific pieces of legislation governing product safety. For example, the Pharmacy and Poisons Ordinance (Cap. 138) stipulated the label, dosage form and other specifications of a drug that had to be registered with the Pharmacy and Poisons Board before a drug might be distributed in Hong Kong. The Consumer Goods Safety Ordinance (Cap. 456) provided for a general safety requirement for consumer products sold in Hong Kong. There were also specific safety requirements on specific products such as toys, children's goods and electrical appliances.

4. Mrs Selina CHOW LIANG Shuk-ye opined that the existing legislation on consumer goods governed safety aspects only. However, the problem was not that parallel imported goods were unsafe but that there was no guarantee on their quality and that the products were different from those tailor-made for the local market. She doubted whether consumers were kept informed of the differences between parallel imported goods and mainstream imports and whether existing legislation provided sufficient protection to consumers in this respect.

5. Noting that clause 19(2) enabled a trade mark owner to prevent parallel importation where the condition of the parallel-imported goods had changed or been impaired after they had been put on the market anywhere in the world, Mr MA Fung-kwok enquired about the criteria in determining whether "the condition of the parallel-imported goods had changed or been impaired. He also pointed out that under the Copyright Ordinance (Cap. 528), parallel importation of copyright work attracted criminal offence during a certain period after publication of the work. He queried how clause 19 of the Bill could reconcile with the relevant provisions in the Copyright Ordinance.

6. The Deputy Director of Intellectual Property (DD/IP) replied that clause 19(2) provided protection to a trade mark owner to prevent parallel importation if the quality of the trade mark goods had changed or been impaired such that the sale of these goods in Hong Kong would adversely affect the reputation and goodwill of the trade mark concerned. DD/IP further advised that the Copyright Ordinance did not apply to trade mark goods. Copyright holders could not prevent under the Copyright Ordinance parallel importation of goods with a trade mark of which he had the copyright. There was no inconsistency between the Copyright Ordinance and clause 19 as far as parallel-imported trade mark goods were concerned. DS/TI supplemented that the Administration's original policy intent was to allow parallel importation of copyright work. The existing provision under the Copyright Ordinance regarding restrictions on parallel importation of copyright work was the outcome of lengthy discussions by LegCo before the reunification with the Mainland in 1997. The Administration had made it clear that it was prepared to review the existing provisions on parallel importation of copyright work should LegCo members consider it necessary.

7. Both the Chairman and Mrs Selina CHOW pointed out that the enactment of clause 19 would take away the rights of trade mark owners to assign their mark on a territorial basis. In that sense, clause 19 would inhibit free commercial activities and decisions. This concern was legitimately put forward in the joint submission from five companies which represented quite a number of brand names in Hong Kong. Members enquired whether the Administration had fully assessed the social and economic effects of the enactment of clause 19 on Hong Kong.

8. DS/TI and the Principal Assistant Secretary for Trade and Industry (PAS/TI) advised that Hong Kong had adopted a free trade policy which was the cornerstone of Hong Kong's success. The Administration believed that keeping all markets open was the key to economic growth. Globalization of trade was a world trend. Clause 19 would encourage competition to ensure the widest availability of goods at the best prices for consumers. Consumers should be given the choice to purchase parallel imports or mainstream imports with the full knowledge that after-sale service might not be available for the former. As a matter of fact, parallel importation existed currently but this had not driven out mainstream imports from the market. Moreover, clause 19(2) would provide protection for the reputation of established trade mark and safeguard consumers against deception.

9. Mrs Selina CHOW said that the Hong Kong Government had taken a great stride in expressly legitimizing parallel importation. The United States of America did not allow unrestricted parallel importation. She and the Chairman asked whether any other jurisdictions had provisions similar to clause 19. DS/TI advised that Singapore and Australia had similar provisions on parallel importation. Section 123 of the Australian Trade Marks Act 1995 provided that "In spite of section 120, a person who uses a registered trade mark in relation to goods that are similar to goods in respect of which the trade mark is registered does not infringe the trade mark, if the trade mark has been applied to, or in relation to, the goods by, or with the consent of the registered owner of the trade mark." Clause 19 of the Bill was very similar to section 29 of the Singaporean Trade Marks Act 1998. Section 29(1) of the Act provided that "Notwithstanding section 27, a registered trade mark is not infringed by the use of the trade mark in relation to the goods which have been put on the market, whether in Singapore or outside Singapore, under that trade mark, by the proprietor of the registered trade mark or with his express or implied consent (conditional or otherwise)." Section 29(2) provided that "Subsection (1) does not apply where the condition of the goods has been changed or impaired after they have been put on the market and the use of the registered trade mark in relation to those goods is detrimental to the distinctive character or the repute of the registered trade mark." DS/TI further said that although the UK Trade Marks Act 1994 allowed parallel importation within the European Union only, there were great demands for international exhaustion of rights in the UK. She would provide a written submission on the Australian and Singaporean legislation and the relevant case law for members' reference.

(Post-meeting note: the information was provided by the Administration and circulated to members vide CB(1)676/99-00(02))

10. Mrs Sophie LEUNG LAU Yau-fun pointed out that the USA, being the manufacturing base of many trade mark articles, had imposed restrictions on parallel importation in order to protect the local manufacturing industries. She said that the effects of parallel importation on different categories of goods were different. In the case of apparel products, trade marks were normally assigned on a territorial basis. In countries where international exhaustion of rights were upheld, import tariffs would be imposed on apparel products in order to protect the local manufacturers.

11. Summing up the discussion, the Chairman said that some members were not convinced of the Administration's explanations that clause 19 would bring long term interests to consumers. Members remained concerned about the impact on trade mark owners and local licensees if parallel importation of trade mark articles was allowed without restrictions. She drew to the Administration's attention that the International Trademark Association, the Hong Kong Bar Association, the Law Society of Hong Kong and the Hong Kong Group of the Asian Patent Attorneys Association had views on clause 19. She requested the Administration to address their comments and provide a further information paper to assess the social and economic effects of clause 19 on Hong Kong for consideration of the Bills Committee.

(Post-meeting note: the information was provided by the Administration and circulated to members vide CB(1)660/99-00(03))

Revocation of registration of trade marks
(LC Paper No. CB(1)334/99-00(02))

12. The Chairman recapitulated members' concern about the different wording of clause 50 from that of Article 19 of the WTO Agreement of Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement). Article 19 of the TRIPS Agreement specified that the registration of a trade mark might be cancelled only after an "uninterrupted period of at least three years of non-use". Clause 50, however, provided for revocation of registration where a trade make had not been put to genuine use for three years. She said that although the Administration had explained that clause 50 complied with Article 19 of the TRIPS Agreement, members were concerned whether the clause had reflected the spirit of the Article.

13. The Assistant Director of Intellectual Property (Registration) (AD/IP(R)) advised that clauses 50(2) (a) and (b) mirrored section 37(1) (a) of the existing Trade Marks Ordinance (TMO) (Cap. 43) and were compliant with Article 19 of the TRIPS Agreement. Clauses 50(2)(c), (d) and (e) were not mandated by provisions in the TRIPS Agreement, but had been incorporated as grounds for revocation as they had always been under the TMO. AD/IP(R) further advised that clause 50(2)(c) provided a basis for revocation where a registered trade mark had become generic through the acts or inactivity of the trade mark owner. Clause 50(2)(d) provided for revocation if the use of the mark rendered it liable to mislead the public to the nature, quality or geographical origin of the goods. Clause 50(2)(e) provided for revocation on breach of any condition of registration.

14. The Chairman and Mrs Sophie LEUNG were concerned about the intended meaning of "genuine use" under clause 50(2)(a). AP/IP(R) advised that the words "genuine use" were adopted in order to increase the transparency of the provision. "Genuine use" of a trade mark had to be trade related. For example, using the trade mark as a logo only in the context of two small advertisements during the 3-year period might not be considered as genuine use of the mark.

15. On clause 50(3)(b), AD/IP(R) advised that use of a trade mark in Hong Kong included applying the trade mark to goods or to the packaging of goods in Hong Kong solely for export purposes. Mrs Sophie LEUNG welcomed this provision, in particular, in the context of the garment industry where it was common that the trade mark was applied in Hong Kong on the finished product imported from elsewhere.

II. Any other business

Date of next meeting

16. Members agreed to hold the eighth meeting of the Bills Committee on 29 November 1999 at 2:30 pm.

17. There being no other business, the meeting ended at 6:15 pm.

Legislative Council Secretariat

17 February 2000