

立法會
Legislative Council

LC Paper No. CB(1) 416/99-00

(These minutes have been
seen by the Administration)

Ref: CB1/BC/17/98/1

Bills Committee on Trade Marks Bill

**Minutes of the third meeting held on
Wednesday, 20 October 1999, at 10:45 am
in Conference Room A of the Legislative Council Building**

- Members present** : Hon Margaret NG (Chairman)
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 Kenneth TING Woo-shou, JP
Hon Albert HO Chun-yan
Hon MA Fung-kwok
Hon James TO Kun-sun
Hon FUNG Chi-kin
- Public officers attending** : Mr Peter CHEUNG
Deputy Director
Intellectual Property Department
- Mr Ray PERERA
Assistant Director (International Registration),
Intellectual Property Department
- Mrs Teresa GRANT
Assistant Director (Registration)
Intellectual Property Department
- Mr Philip CHAN
Principal Assistant Secretary for Trade and

Industry

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

Mr Daniel HUI
Senior Assistant Secretary (1)5

—

I Discussion with the Administration

Comparison of major changes between the Trade Marks Ordinance and the Trade Marks Bill

Members continued discussion on the comparison of the major changes between the Trade Marks Ordinance (Cap. 43) (TMO) and the Trade Marks Bill (the Bill) as set out in the comparison table prepared by the Administration (LC Paper No. CB(1)1897/98-99(02)). The Chairman reiterated that the focus at the current stage was to understand the changes to the TMO to be effected by the Bill and the basis for the proposed changes. Discussions on the desirability and justifications for the proposed changes would be left for future meetings.

Item 11 (of the comparison table prepared by the Administration) - Division, merger and registration of a series of trade marks

2. The Assistant Director of Intellectual Property (International Registration) (AD/IP(IR)) advised that section 26 of the TMO provided for the registration of a series of trade marks in one registration. A series of trade marks meant a number of trade marks which resembled each other in respect of material particulars and differed only in matter of a non-distinctive character. This concept of a series of trade marks as one registration was carried over to clause 49 of the Bill. Clause 49 introduced some new concepts for application and

registration of a series of trade marks. The new provision would allow multi-class applications, i.e. one trade mark application covering a number of classes of goods/services. Since registration of the trade marks might be approved for some but not all of the relevant classes of goods/services, clause 49 provided for the division of an application into two or more separate applications. Clause 49 would also allow merging several trade mark applications into one application and merging separate trade mark registrations into one registration. However, registration of the trade marks which were the subject of the application for division or merger had to be of the same kind. The proposed changes were intended to simplify the registration process. The United Kingdom Trade Marks Act 1994 had similar provisions in respect of division, merger and registration of a series of trade marks.

Item 12 - Infringement of registered trade marks

3. AD/IP(IR) said that compared with sections 27, 27A, 28 and 28A of the TMO, clauses 15 to 18 of the Bill provided far more detailed provisions on infringement of registered trade marks and broadened the scope of infringement. Infringement under the TMO only embraced an identical or nearly resembling trade mark in respect of identical or similar goods. Under clause 17(4) of the Bill, use of an identical or similar sign in relation to dissimilar goods or services would be considered an infringing act.

4. In reply to the Chairman's question on the basis for broadening the scope of infringement, AD/IP(IR) advised that the proposed change was necessary in order to comply with the requirements in the Agreement on Trade-Related Aspects of Intellectual Property Rights (the TRIPS Agreement).

5. Mrs Selina CHOW LIANG Shuk-yee expressed concern about the unclear meaning of the word "similar" in clauses 16 to 18. She opined that in judging whether two signs were similar, subjectivity would be inevitable. AD/IP(IR) said that the word "similar" was used in the relevant provisions in the TRIPS Agreement and was thus adopted in the Bill. The meaning of "similar" had to be determined on a case-by-case basis and each case would have to be judged by the relevant facts. There was case law on the meaning of "similar" under the UK Trade Marks Act 1994.

Admin. 6. At members' request, the Administration agreed to provide the case law for members' reference.

Item 13 - Comparative Advertising

7. Explaining the meaning of comparative advertising under clause 17(7), AD/IP(IR) advised that when a commercial organization made a comparison of its goods/services with those of its competitor, the trade mark of the competitor would likely be used in the advertisement. Clause 17(7) of the Bill legitimised comparative advertising under specified conditions, namely the use of the trade mark to identify the trade mark owner's goods; use in an honest

way; and use not taking unfair advantage of, or being detrimental to, the distinctive character or repute of the mark.

8. Noting that there was no equivalent provision in the TMO, members queried the need for expressly providing for comparative advertising. AD/IP(IR) said that comparative advertising would be useful for consumers, provided that it was advertising in an honest way. It was in the interest of consumers to be informed of the relative merits of goods/services of the same kind provided by different companies. He added that legitimizing comparative advertising sprang from the Paris Convention for Protection of Industrial Property (the Paris Convention) which outlawed unfair competition. The trade mark legislation in the United Kingdom and Singapore also legitimised comparative advertising.

9. Mrs Selina CHOW pointed out that comparative advertising was going on without an express provision to legitimize it. Members were concerned whether clause 17(7) as it was drafted might be open to abuse. In response, AD/IP(IR) advised that an explicit provision would remove the uncertainty of the legality or otherwise of comparative advertising. There had been several authoritative cases in the United Kingdom which provided guidance on the meaning of "honest practices".

10. Members agreed to discuss the issue further.

Item 14 - Parallel imports

11. Elaborating on clause 19 of the Bill, the Principal Assistant Secretary for Trade and Industry (PAS/TI) advised that compared with the existing provision in the TMO, the clause provided in clearer terms the circumstances under which the rights conferred by registered trade marks would be exhausted. In essence, parallel imports would not infringe a registered trade mark, except where the condition of the goods had been changed or impaired and the use of the trade marks in relation to those goods was detrimental to the reputation of the trade mark. Removing restrictions on parallel imports would enable consumers to enjoy a wider choice of products in the market.

12. Mrs Selina CHOW expressed reservations about the proposed change in policy and pointed out that some submissions from non-government organizations had objected to the proposal. She opined that the issue concerned a balance of interest not only in respect of consumers, but of retailers and importers as well. She observed that the trade mark law of the United States did not expressly provide for the treatment of parallel imports; that the Australian trade mark law did not go for a blanket liberalization of parallel imports and that the United Kingdom legislation provided for exhaustion of rights within the European Economic Area only. She enquired the reasons for Hong Kong's uniqueness in this respect. In response, AD/IP(IR) advised that the Australian trade mark law was designed to provide for international exhaustion of rights. The UK position on exhaustion of

rights in and outside the European Economic Area was being debated. An UK report of a select committee had advocated change. He added that the international trend was towards international exhaustion of rights.

Admin.

13. Noting that the subject of parallel imports was a controversial policy issue, the Chairman requested the Administration to provide a paper to explain the policy objectives, and whether clause 19 made any change in policy. The paper should also clarify Hong Kong's obligations under the relevant international treaties interpreted in the strict sense, compare clause 19 and the relevant provisions in other jurisdictions, explain whether and how concerns in this regard raised in the written submissions had been addressed, and predict the trend on treatment of parallel imports having regard to the impact of increased trading through the Internet. PAS/TI agreed to provide the paper for discussion at the Bills Committee meeting on 6 November 1999.

Item 15 - Action for infringement and remedy available

14. AD/IP(IR) advised that the existing provision of the TMO did not spell out transparently the remedies available for infringement. Clauses 20 to 23 of the Bill provided more specific provisions on proceedings relating to infringement. Clause 20(3) of the Bill specified that remedies available in infringement proceedings included damages and injunctions. Clause 21 stipulated the six-year time limit for applying for an order for delivering up of infringing goods. He drew members' attention to clause 23(4) concerning the removal of a registered mark from infringing goods. Under clause 23(4)(b), the court should only make an order to remove the mark from the infringing goods which would enter the channels of commerce under exceptional circumstances. AD/IP(IR) said that the subclause had been carefully drafted in accordance with Article 46(2) of the TRIPS Agreement. This was different from the UK Trade Marks Act which simply provided for an order for erasure and from the Australian and the United States trade marks laws which made no specific provision in this respect.

Item 16 - Collective marks

15 AD/IP(IR) advised that clause 59 and Schedule 1 to the Bill provided specifically for collective marks. A collective mark was a sign which distinguished goods/services of members of an association which was the owner of the sign from those of other undertakings. The protection of collective trade marks was necessary to fulfil the obligation under Article 7bis of the Paris Convention. The proprietor of a collective trade mark would be required under the Bill to control the manner in which the mark was to be used. The TMO did not provide for collective trade marks. At present, these marks could be protected only by way of registration as certification marks.

Item 17 - Assignment of trade marks

16. The Assistant Director of Intellectual Property (Registration) (AD/IP(R))

advised that clause 27 of the Bill sought to simplify the registration of assignment of registered trade marks. Under the TMO, the Registrar of Trade Marks (the Registrar) was required to be satisfied as to title before registering the assignment of a registered trade mark. The Registrar would be relieved of this responsibility under the Bill. The proposed change was necessary because there were practical difficulties for the Registrar to ascertain the title of a registered trade mark. Moreover, it was logical that the assignee should, in his own interest, ensure good title to the trade mark being assigned.

17. AD/IP(R) further said that the Bill proposed another improvement in that a proprietor of a registered mark had greater freedom to assign. The existing TMO imposed restrictions on assignment without goodwill and on assignment of applications. In reality, trade mark applications were being assigned but the relevant information would not be on the register until the registration had been completed. Under the Bill, an applicant or a proprietor of marks was free to assign. The particulars of the assignment of an application would not be on the register of trade marks but would be available in the Trade Marks Registry.

Item 18 - Registration of transactions affecting registered trade mark

18. AD/IP(R) advised that clause 27(2) of the Bill enabled certain transactions, including assignments, security interest, etc., related to a registered trade mark to be registered. The consequences of failing to register a registrable transaction were spelt out in clause 27(3) and (4). Under clause 27(4) damages for infringement would be restricted if application to register particulars of such transaction was not made within 6 months. The objective of clause 27(2) to (4) was to encourage trade mark owners to register the relevant transactions in a timely manner. The TMO imposed no time-limit on notification of transactions affecting a registered trade mark to the Registrar or penalty for late notification. This had resulted in a long timelag between the dates of transactions and notification. The information on the trade marks register was therefore not up to date.

Item 19 - Defensive trade marks

19. Explaining the concept of defensive trade marks, AD/IP(IR) said that if a registered trade mark had become so well-known through use that its use on other goods/services would detract from its distinctive character, such trade mark might be registered as a defensive trade mark in respect of any or all other goods/services. The concept of defensive trade marks existed in the TMO and was retained in the Bill. Clause 58 of the Bill would remove a restriction under the TMO which specified that a defensive trade mark might only be registered in respect of invented words or a device mark or a combination of them. AD/IP(IR) further advised that the provision on defensive trade marks was not retained in the UK Trade Marks Act 1994 but the Australian Trade Marks Act 1995 kept it.

20. Mrs Selina CHOW was concerned about the criteria for registration of defensive trade marks. AD/IP(IR) emphasised that the applicant had to satisfy the Registrar that the trade mark concerned was well known and that the use of it on other goods/services would detract from its distinctive character for the goods related to the trade mark.

21. On the drafting of clause 58, the Senior Assistant Law Draftsman advised that the clause had simplified the complex wording of sections 55 to 57 of the TMO and there were some changes in terminology. AD/IP(IR) supplemented that the wording of clause 58 was modelled largely on the relevant provisions in the Australian Trade Marks Act 1995. The Administration noted the Chairman's view that the words "the circumstances described in" in subclause (5)(b) were redundant.

Item 20 - Proceedings for relief from groundless threats of infringement proceedings

22. AD/IP(IR) said that clause 24 of the Bill provided a remedy to anyone who had been threatened with an action for infringement if the action was groundless. The TMO did not have similar provisions. Clause 24 was proposed in order to fulfil Hong Kong's obligation under Article 8(2) of the TRIPS Agreement to prevent abuse of intellectual property rights. Members noted that similar provisions had been included in the Copyright Ordinance (Cap 528) and the Registered Designs Ordinance (Cap 522).

Item 21 - Language of proceedings before Registrar

23. AD/IP(IR) advised that there was no provision in the TMO dealing with bilingualism although in practice the Registry complied with the bilingual requirement. Clause 75 of the Bill dealt with the language of proceedings before the Registrar. The provision was in line with that in the Registered Designs Ordinance and the Patents Ordinance (Cap 514).

Item 22 - Restraint use of Royal Arms

24. AD/IP(IR) explained that section 88 of the TMO which imposed restrictions on use of "Royal Arms" as trade marks had not been reproduced in the Bill as it was no longer appropriate after the reunification.

Table of Comparison of Trade Mark Laws
(LC Paper No. CB(1)1897/98-99(01))

25. The Chairman pointed out that most of the major provisions in the Bill followed closely the UK Trade Marks Act 1994. The UK enacted the Trade

Marks Act 1994 which differed substantially from the Trade Marks Act 1938 in order to bring in the relevant European Directives. However, the European Directives were of no relevance to Hong Kong. As such, there were queries on the need for introducing the Bill.

26. In response, AD/IP(IR) advised that some of the ideas of the European Directives had drifted into the TRIPS Agreement and a harmonization process on trade mark laws was taking place. Since the TMO was modelled on the UK Trade Marks Act 1938, it was desirable to model the Bill on the UK Trade Marks Act 1994 to maintain continuity. Moreover, the UK Trade Marks Act 1994 was a piece of modern legislation and the concepts included in the Act were sound. The UK Trade Marks Act 1994 was followed by many common law countries. By modelling its law on the UK Trade Marks Act, Hong Kong could draw upon a large body of case law, although the cases were of persuasive authority only.

27. Members went through the comparison table of trade mark laws in Hong Kong, the United Kingdom, Australia and the United States. They noted that the Administration was considering introducing amendments to clause 3 of the Bill to make express reference to sound and smell in the meaning of trade mark.

Major differences between the second Draft Trade Marks Bill and the Trade Marks Bill

(LC Paper No. CB(1)1897/98-99(03))

28. Members noted the major differences between the second draft Trade Marks Bill and the Bill.

II Any other business

Comparison table prepared by Assistant Legal Adviser

29. The Chairman said that the Assistant Legal Adviser 2 (ALA2) had prepared a comparison table regarding other changes between the TMO and the Bill which had not been mentioned in the comparison table provided by the Administration. (The comparison table prepared by ALA was subsequently circulated to members vide LC Paper No. CB(1)205/99-00). ALA2 drew members' attention to the changes related to the powers of the Registrar and the penalty provisions which were quite important but had not been mentioned in the comparison table provided by the Administration.

Admin. 30. The Chairman requested and the Administration agreed to provide a response to the said changes mentioned by ALA.

Summary of concerns raised in submissions to the Bills Committee

Clerk
Admin.

31. The Chairman said that the Clerk had prepared a summary of concerns raised in submissions to the Bills Committee which would be a useful reference for members in the course of examining the Bill. She suggested that the summary table should be issued to members and the Administration and should be updated when new submissions had been received. At the Chairman's request, the Administration agreed to provide detailed response to the submissions of non-government organizations for discussion at the Bills Committee meeting on 6 November 1999.

Date of future meetings

32. The Chairman reminded members that the fourth meeting of the Bills Committee would be held on 23 October 1999 at 9:00 am to receive deputations and the fifth meeting would be held on 29 October 1999 at 10:45 am.

33. Members agreed to schedule the sixth meeting of the Bills Committee for 6 November 1999 at 9:00 am to receive the second batch of deputations and discuss the Administration's detailed response to comments raised in the submissions to the Bills Committee.

34. There being no other business, the meeting closed at 12:30 pm.

Legislative Council Secretariat

19 November 1999