

立法會
Legislative Council

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LC Paper No. CB(1)2017/99-00

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

Bills Committee on Trade Marks Bill

**Minutes of thirteenth meeting held on
Monday, 21 February 2000, at 8:30 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 SIN Chung-kai
Hon FUNG Chi-kin
- Members absent** : Hon Kenneth TING Woo-shou, JP
Hon MA Fung-kwok
Hon James TO Kun-sun
Hon Mrs Sophie LEUNG LAU Yau-fun, JP
- Public officers attending** : Mr Philip CHAN
Principal Assistant Secretary for Trade and Industry
- Mr Rayman PERERA
Assistant Director (International Registration)
Intellectual Property Department
- Mrs Teresa GRANT
Assistant Director (Registration)
Intellectual Property Department
- Miss Finnie QUEK
Senior Solicitor
Intellectual Property Department

Mr Johann WONG
Assistant Secretary for Trade and Industry

Mr Jeffrey E GUNTER
Senior Assistant Law Draftsman

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)1011/99-00)

The minutes of meeting held on 11 November 1999 were confirmed.

II. Clause-by-clause examination of the Bill

2. With reference to the list of drafting issues raised in submissions to the Bills Committee (LC Paper No CB(1)909/99-00(01)), members resumed clause-by-clause examination of the Bill.

Issue of "cyber-squatting"

3. Mr SIN Chung-kai sought information on whether the problem of "cyber-squatting" would be addressed by the Bill or by provisions under other legislation. He also enquired whether the Bill provided any protection to trade mark owners against registration of their trade marks as domain names on the Internet and whether the Registrar would accept registration of domain names as trade marks.

4. The Assistant Director (International Registration)/Intellectual Property Department (AD/IR) explained that the registration of domain names was not under the purview of the Intellectual Property Department. Nevertheless, a person could attempt to register a domain name as a trade mark and the application would be subject to the same test as other applications which did not involve domain names. He said that a trade mark owner could try to prevent others from using his registered trade mark as domain names either through informing the party concerned of his ownership

or by bringing infringement proceedings against the alleged infringer, whichever he considered appropriate. As to the issue of "cyber-squatting", he said that at present, internet trading which took unfair advantage of the trading reputation of another person and thus caused losses to the other person could leave the trader open to civil action for the tort of passing off.

5. The Chairman opined that members were concerned about the issue of "cyber-squatting" and its relation with the Bill. While appreciating the difficulties in formulating precise policies at this stage, members would like to know whether the Bill had any relevance to the registration or protection of domain names. If the Bill was considered not the proper context to tackle the issue, the Administration should advise members where and how this should or could be addressed. She requested the Administration to provide an information paper to address the above concerns.

(Post-meeting note: the information paper provided by the Administration was circulated to members vide LC Paper No CB(1)1099/99-00)

Clause 24

6. Upon members' request at the last meeting held on 11 February 2000, the Administration provided an information paper on "relief from groundless threats of infringement proceedings"(LC Paper No CB(1)1010/99-00(01)). The Chairman invited AD/IR to brief members on the main points of the paper.

7. AD/IR said that similar provisions on relief from groundless threats were found in the Patents Ordinance (Cap. 514), the Registered Designs Ordinance (Cap. 522), the Copyright Ordinance (Cap. 528) and the Layout-Design (Topography) of Integrated Circuits Ordinance (Cap. 445) in Hong Kong. Similar provisions were also found in the trade mark laws in Australia, Ireland and the United Kingdom (UK). Clause 24 of the Bill was drafted with reference to section 21 of the UK Trade Marks Act 1994. Owing to the especially influential nature and ability to inflict commercial damage of threats of intellectual property proceedings, special provisions were made to safeguard against the abuse by intellectual property owners of their power to make threats of infringement proceedings. Clauses 24(5) and 24(6) stipulated the circumstances under which proceedings for relief of groundless threats would not apply. He highlighted that clause 24 was not applicable where the persons threatened were the alleged "primary infringers" of the trade marks i.e. those applying the trade marks to goods or their packaging, or supplying services under the trade marks (clause 24(1)). To conclude, the remedies provided in clause 24 were accepted internationally as a precaution against the abuse of intellectual property rights.

8. The Chairman opined that the justification for providing remedies against groundless threats should be reviewed. As similar remedies were not available for other civil proceedings, it would be necessary to strike a balance between freedom of commerce and protection of intellectual property rights. She opined that the words "any person aggrieved by the threat" in clause 24(1) might be too wide in coverage which might in effect upset that balance. She sought clarification of the people

eligible for the relief from groundless threats and of the differences, if any, between the provisions in the Bill and similar provisions in the intellectual property laws in other overseas jurisdictions such as UK, Singapore and Ireland.

9. AD/IR referred members to clause 24(1)(a)and(b) and explained that clause 24 would not apply where the person threatened was an alleged "primary infringer" but would apply to alleged "secondary infringers" down the distribution chain, for example, the wholesalers and retailers. The reason for making such a distinction was that wholesalers and retailers might not have knowledge about whether the trade marked goods they sold were infringing goods. However, their suppliers might suffer loss if the wholesalers and retailers removed their stocks from display in response to the threats of infringement proceedings. He advised that it had been recognized internationally among different jurisdictions that threats of trade mark infringement proceedings had wide repercussion and policy makers had taken the view that some kind of remedies should be provided to persons aggrieved. As to the differences between clause 24 of the Bill and similar provisions in other jurisdictions, he said that the major difference from the UK provision was the provision of relief from groundless threats to importers in the Bill but not in the UK trade mark law. Having considered the provisions in UK, the Administration was of the view that such distinction between importers, wholesalers and retailers would not be defensible. Therefore, relief would be provided for groundless threats of infringement proceedings made to various persons including importers, excluding "primary infringers" only.

10. Since the Administration's policy intention was to provide specific remedies to "secondary infringers" down the distribution chain for groundless threats of infringement, the Chairman remained unconvinced of the need for such a wide application of the relief provisions to "any person aggrieved". She opined that it would be reasonable to provide remedies to people being threatened of infringement proceedings but this should not be extended to a third party. Mrs Selina CHOW shared this view and enquired whether a retailer of parallel imports could bring proceedings for relief from groundless threats if the manufacturer of the trade mark goods threatened to take infringement proceedings against the parallel importer.

11. AD/IR said that if clause 19 of the Bill on liberalization of parallel importation was passed, the act of introducing parallel imports would not constitute an infringement and the threats in this regard by the trade mark owner or manufacturer might be groundless. In this case, the retailer as well as the parallel importer could seek relief from groundless threats. In response to the Chairman's query on whether the application of clause 24 would be so wide as to include every consumer of trade mark goods, AD/IR said that anyone who sought remedies from groundless threat had to prove that he suffered loss as a result of the threat. The court would be very careful in interpreting the words "any person aggrieved" and would not adopt an interpretation which was so loose as to include every consumer of trade mark goods. Under the existing Trade Marks Ordinance (TMO)(Cap 43), the same wording "any person aggrieved" was used and had been interpreted as somebody who was blocked by a pre-existing trade mark.

12. For the purpose of illustrating the application of clause 24(1), the Senior Assistant Law Draftsman (SALD) said that a retailer who received a letter from the trade mark owner threatening infringement proceedings might decide to remove the goods in question from his shelves and then report to the distributor. The distributor, who was not threatened by the trade mark owner, might seek relief from groundless threat if he wished to defend his right of distribution.

13. Having considered the justification for remedies for groundless threats, the Chairman drew members' attention to the comments by the Assistant Legal Adviser (ALA), the Law Society of Hong Kong (Law Society) and the Hong Kong Institute of Trade Mark Practitioners Limited (ITMP) on the need to exempt legal representatives of trade mark owners from proceedings for relief from groundless threats. She shared the views of these organizations that legal representatives of trade mark owners were only acting on behalf of their clients in the act of threatening infringement proceedings. They should not be held responsible for the threat. She quoted the example given in the submissions that in Thailand, there had been cases where people felt aggrieved sought remedies from the law firms instead of the trade mark owners because the former were financially more capable of compensating the plaintiffs' claimed losses. This might lead to abuse of the remedy provisions and penalize the legal representatives who threatened infringement proceedings on their clients' behalf. She sought information about whether exemption to legal representatives was provided in intellectual property laws in overseas jurisdictions. Mrs Selina CHOW shared her view on the need for providing exemption to legal representatives.

14. AD/IR said that the Administration had no intention of exempting legal representatives from proceedings under clause 24. Such exemption was provided in the Australian trade mark law but not in UK, Singapore or Ireland. He referred members to the comments by Laddie J. in *Antec International Ltd. v South Western Chicks (Warren) Ltd*[1997] FSR 278 in paragraph 10 of LC Paper No CB(1)1010/99-00(01) that legal professionals should be cautious in making allegations of trade mark infringement so that the allegations made would not be unsupported. He also pointed out that exemption to legal representatives would give rise to issues such as whether trade mark agents should be exempted and how to define these agents in the absence of accredited professional examination or institution.

15. The Chairman said that it would be unfair to imply that legal professionals tended to abuse their professional status all the time. The comments by Laddie J. might have been made under justifiable circumstances but would not stand in general. If clause 24 was enacted as law, the lawyers would find means to protect themselves from being penalized. However, this would give rise to the question of whether the law would be inhibiting trade mark owners from protecting their rights by inhibiting their legal representatives.

16. The Principal Assistant Secretary for Trade and Industry (PAS/TI) said that the law treated threats of intellectual property proceedings differently because of their pernicious nature. The commercial pressure created by a threat of intellectual property proceedings was often sufficient to ensure that a claim would not be tested in

court. The relief from groundless threats provision in intellectual property statutes would serve to strike a balance between protecting intellectual property rights and the interest of those who suffered commercial loss as a result of groundless threats. Nevertheless, he undertook to reconsider the drafting of clause 24 in light of members' comments on the need for providing exemption to legal representatives of trade mark owners.

(Post-meeting note: the Administration proposed to move Committee Stage amendments (CSA) to clause 24 to provide exemption to legal representatives of trade mark owners and the draft CSAs were circulated to members vide LC Paper No. CB(1)1540/99-00(03))

17. For further discussion of the subject, Mrs Selina CHOW requested the Administration to provide the relief for groundless threats provisions in trade mark laws in UK, Australia, Singapore and Ireland and explain with examples as to how often these provisions had been invoked.

(Post-meeting note: the information was circulated to members vide LC Paper No. CB(1)1327/99-00(02))

Clause 25

Subclause (1)

18. Mr CHAN Kam-lam sought clarification of the Chinese rendition "非土地財產" of "personal property" in subclauses (1) and (7). SALD explained that there was a distinction in English between real property and personal property and the Chinese rendition adopted was to reflect this distinction.

Subclauses (4) and (5)

19. The Chairman drew members' attention to the comments by Deacons Graham & James (Deacons) on clause 25(5). Deacons suggested adding a sentence at the end of the subclause to allow for different methods of execution of documents. Mrs Selina CHOW considered Deacons' suggestion reasonable as it would allow for flexibility in the means of executing documents. She sought clarification of the difficulties anticipated by the Administration in accepting Deacons' suggestion.

20. The Assistant Director (Registration)/Intellectual Property Department (AD/R) explained that since trade mark ownership might belong to an individual or a company in Hong Kong or overseas, the practice in execution of documents adopted by different owners in different countries might vary. In view of the impracticality of setting out all the methods different companies would use to execute their documents, the Administration had decided to take the safest and most conservative way commonly used in Hong Kong i.e. the assignment was "made in writing and is signed by or on behalf of the assignor or his personal representative" under clause 25(4) or was

executed by affixing the seal of the corporation under clause 25(5).

21. The Chairman opined that the drafting of clause 25(5) would not limit the flexible application of clause 25(4) since it was stipulated in clause 25(5) that "The requirement in subsection (4) may be satisfied". The Bill was not drafted in such a way as to give an exhaustive list of all the acceptable methods for execution of documents. She agreed with Mrs Selina CHOW that Deacons preferred a clearer provision in clause 25(5) so that flexibility in execution would be ensured. Nevertheless, it would be a matter of preference in drafting rather than something which would have material effect on the application of the Bill.

22. ALA sought clarification of the requirement under clause 25(4) that the assignment had to be made in writing and signed by or on behalf of the assignor. She pointed out that in the UK Trade Marks Act 1994, execution of documents was only required to be in writing without the need for signing. In the case of Japanese corporations, the normal practice was to affix either the seal of the corporation or the personal seal of its manager. She sought information on whether the affixing of a corporation or personal seal would satisfy the requirement in clause 25(4). AD/R responded that the affixing of the seal of a corporation would satisfy the requirement of "in writing and signed" under clause 25(4). The affixing of a personal seal only would in certain circumstances amount to "signing".

23. The Chairman opined that the drafting of clause 25(4) and (5) was clear. However, improvement might be made to avoid unnecessary confusion that assignors were required to satisfy both clauses 25(4) and (5). Mr HUI Cheung-ching agreed that the drafting of the clause was clear. He did not envisage any practical difficulty for individual owners or corporate owners to satisfy the requirement of signing or affixing a seal since these had been their normal trade practices. Mrs Selina CHOW said that if there was no practical difficulty in satisfying the requirement of clauses 25(4) and (5) and it was only a matter of drafting preference, she had no strong view on the present drafting of the clause.

Subclause (7)

24. Noting the possibility of using a registered trade mark as collateral for a loan under subclause (7), Mr SIN Chung-kai doubted the need for such a provision. While he had no strong view against the use of a trade mark as collateral, he felt that this was merely a business matter between the trade mark owner and the lender and it might not serve any specific purpose to have this expressly stipulated in the Bill. In addition, he sought information on whether there was a similar provision under TMO.

25. AD/R said that the purpose of having this provision was to achieve transparency on the use of trade marks. Clause 25 was a preliminary clause on the nature of registered trade marks and served as an introduction to clauses 27 to 29 that followed. Issues such as what a trade mark owner could do with his mark and what things the Registrar should take note of were covered in clause 25. AD/IR supplemented that although there was no explicit provision on the use of trade marks

as collateral in TMO, there was a somewhat hidden message in this regard. The trade mark owner was allowed to enter a disclaimer or memorandum with the Registrar under section 50(1)(e) of TMO.

26. Members agreed to review the need for subclause (7) if necessary after the Bills Committee had scrutinized clauses 26 to 29.

Clause 26

27. In response to the Chairman's enquiry on the difference between clause 26 and the relevant provision in the existing law, AD/R said that the major difference was the change from the concept of a joint ownership under section 19 of TMO to that of a tenancy in common in the Bill. She pointed out that the present provisions on the concept of joint ownership of a trade mark was ambiguous. While most of the jointly owned trade marks belonged to owners who were business partners, tenancy in common was more often in use and clause 26 of the Bill would therefore reflect the situation in practice more accurately.

Clause 27

28. The Chairman drew members' attention to the comments by Deacons, Law Society and ITMP on clause 27(4). She invited the Administration to respond to the query raised concerning the use of the "date of transaction" instead of the date of instrument or the effective date of transaction concerning registrable transactions. AD/R explained that the use of the "date of transaction" would remove difficulties in determining the actual effective date of transaction which might be retrospective or some time in future.

29. The Chairman related the concern of Deacons about the inadequate protection to the assignees or licensees to claim damages between the date of transaction and the date of registration. She opined that it was extraordinary that the assignees could only be entitled to damages of the trade mark if they had registered the transaction. It would be unfair to the assignees if the assignors intentionally continued to use the trade mark in the period after the assignment and before registration of the transaction. The right to use the trade mark was transferred by the transaction and not the registration. Clause 27(4) would change the fundamental principle of contract and go too far as to impose sanctions for delayed registration or non-registration of transaction. Mrs Selina CHOW shared her view and commented that although there might be a need for imposing sanctions for non-registration, the Administration should review whether the sanctions stipulated in clause 27(4) were appropriate.

30. AD/R explained that an up-to-date register would be important for provision of reliable information to the public. Under the present law, there was no deadline for registration of transactions nor sanction for delayed or non-registration. It had been difficult to maintain an up-to-date register. There were also administrative difficulties in registering transactions at present in the absence of simplified provisions for ensuring validity of the transactions. She pointed out that although the assignee

who failed to register the transaction would not be entitled to damages for infringement, he would still be entitled to other remedies such as injunction or remedies against the breach of contract. Moreover, a period of six months would be allowed for the assignee to apply for registration of the transaction under clause 27(4)(a). AD/IR added that in the circumstances stated in clause 27(4)(b), the assignee could defend in court his late application for registration of the transaction.

31. The Chairman agreed that it would be desirable to maintain an up-to-date register. Nevertheless, she had reservations about the appropriateness of the proposed sanctions for delayed or non-registration in clause 27(4). She 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 after the date of transaction and before the registration of the transaction with the Registrar of Trade Marks.

(Post-meeting note: the information paper provided by the Administration was circulated to members vide LC Paper No. CB(1)1327/99-00(01).)

Clauses 28 and 29

32. Members noted the clauses.

Date of next meeting

33. The next meeting of the Bills Committee would be held on Saturday, 26 February 2000 at 9:30 am to receive oral presentation on clause 19 of the Bill.

34. The meeting ended at 10:30 am.

Legislative Council Secretariat
30 August 2000