

立法會
Legislative Council

LC Paper No. CB(1)787/99-00
(These minutes have been
seen by the Administration)

Ref: CB1/BC/17/98/2

Bills Committee on Trade Marks Bill

**Minutes of fourth meeting held on
Saturday, 23 October 1999, at 9:00 am
in the Chamber of the Legislative Council Building**

Members present : Hon Margaret NG (Chairman)
Hon Kenneth TING Woo-shou, JP
Hon MA Fung-kwok
Hon HUI Cheung-ching
Hon Mrs Sophie LEUNG LAU Yau-fun, JP
Hon SIN Chung-kai

Members absent : Hon Albert HO Chun-yan
Hon Mrs Selina CHOW LIANG Shuk-yee, JP
Hon James TO Kun-sun
Hon CHAN Kam-lam
Hon FUNG Chi-kin

Public officers attending : Mr Stephen SELBY
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

**Attendance by
invitation**

: Lloyd Wise & Co

Mr TSANG Chin-wah
Chartered Patent Agent

Mr Allan WOODLEM
Trade Mark Attorney

International Trademark Association (INTA)

Ms Jeannie SMITH
Chair Legislative Analysis Subcommittee
INTA Asia-Pacific

China Patent Agent (HK) Ltd

Miss LU Yue-min
Manager of Trademark Department

Swiss Business Council in HK

Mr John BUSER
President

The British Chamber of Commerce in HK

Mr Christopher HAMMERBECK
Executive Director

Deacons Graham & James

Mr Paul SCHOLEFIELD
Solicitor, Partner

Mr Lindsay ESLER
Solicitor, Partner

Mr Chris BRITTON
Solicitor, Partner

Unilever Hong Kong Ltd

Ms Eva KWAN
Commercial Controller

Mr Marc DESENFANS
General Manager

Ms Linda WONG
Regional Counsel
North & South East Asia & Australasia

Pepsico Inc.

Mr Jonathan CHEUNG
Vice President Counsel, Asia Pacific

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

Staff in attendance : Miss Anita HO
Assistant Legal Advisor 2

Mr Daniel HUI
Senior Assistant Secretary (1)5

I Meeting with deputations

The Chairman invited representatives of the deputations to present their comments on the Trade Marks Bill (the Bill).

International Trademark Association (INTA)
(written submission - LC Paper No. CB(1)1903/98-99)

2. Ms Jeannie SMITH said that INTA supported the main principles of the Bill and considered that the enactment of the Bill would contribute to maintain Hong Kong's position as a major international trade centre. INTA believed that there were a few areas in the Bill which could be improved. She briefed members on INTA's comments on specific provisions of the Bill as set out in sections 2 and 3 of INTA's written submission to the Bills Committee. She highlighted INTA's comments in

three particular areas of concern, namely, well-known marks, parallel importation and geographical indications.

3. On provisions on well-known marks, Ms SMITH said that INTA welcomed clause 61 of the Bill which provided protection to well-known marks. The proposal was in line with the international trend and similar provisions in the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement). INTA considered however that the criteria for determining whether a mark was well-known as provided in clause 4 of the Bill was unduly restrictive, and that the criterion that the mark should be well-known in Hong Kong should be deleted. Ms SMITH suggested that the Administration should make reference to Article 16.2 of the TRIPS Agreement and amend clause 61 to include the factors outlined in Article 2 of a Joint Recommendation concerning Provisions on the Protection of Well-known Marks adopted by the World Intellectual Property Organization (WIPO) in November 1999.

(Post-meeting note: A copy of the WIPO Joint Recommendation on protection of well-known marks provided by INTA has been circulated to members vide LC Paper Nos. CB(1)237/99-00 and 256/99-00.)

4. On parallel importation, Ms SMITH advised that Hong Kong Government should recognize the rights of trade mark owners. In a free market, trade mark owners should be given the right to use and license rights narrowly or extensively. Clause 19 of the Bill as presently drafted would allow unrestricted parallel importation of goods which might not be in the best long term interest of consumers. Goods were priced differently in different countries because of a whole range of factors. Allowing unrestricted movement of parallel imports might encourage competition in the short term. In the long term it would reduce competition and drive up prices. A parallel importer had no incentive to maintain the reputation and quality of the trade mark goods. Parallel imported pharmaceutical products were of particular concern. INTA urged the Administration to amend clause 19 of the Bill to adopt the doctrine of national exhaustion of intellectual property rights. If this was not accepted by Government, a not very desirable alternative was to include a further exception to clause 19 to the effect that the clause did not apply where the goods sought to be imported were materially different from those on the Hong Kong market.

5. Ms SMITH clarified that INTA's written comments on geographical indications aimed specifically at the protection of wines and spirits rather than geographical indications generally. INTA noted the Administration's comment that geographical indications would be protected by way of certification marks and collective marks in the Bill. She remarked however that these were not the only way of protection. Certification marks and collective marks might not necessarily be geographical marks. From the legal point of view, a trade mark indicated one origin but geographical marks might indicate many origins so long as they originated from the same geographical area. Under Articles 22 and 23 of the TRIPS Agreement, geographical indications were required to be protected. Article 22 of the TRIPS Agreement did not require registration per se of geographical indications as long as

there were means to prevent their misleading use. Article 23 provided for stronger protection for wines and spirits. Ms SMITH said that at the symposium on international protection of geographical indications organized by the WIPO in September 1999, the United States and Japan had proposed a multilateral system for notification of geographical indications. Details of the proposal was set out in a paper for the symposium.

(Post-meeting note: a copy of the said WIPO paper provided by INTA was subsequently circulated to members vide LC Paper No. CB(1)206/99-00(02).)

Lloyd Wise & Co

(written submission - LC Paper No. CB(1)1891/98-99(07))

6. Mr TSANG Chin-wah said that Lloyd Wise & Co had two comments on the Bill. Firstly, Lloyd Wise considered clause 77 of the Bill unreasonable. Clause 77 provided that the Registrar of Trade Marks was not bound by the rules of evidence in any proceedings before him. The reason given by the Administration for clause 77 was that the rules of evidence as interpreted by the United Kingdom court was too restrictive. Lloyd Wise did not agree with Administration's view. Mr TSANG said that there would be inconsistency and injustice if different rules of evidence were applied in different courts. Lloyd Wise urged that the Registrar should be bound by the rules of evidence in proceedings before him under the Bill. Secondly, Lloyd Wise suggested that an official register of recognized trade mark agents should be established. This would provide members of the public with a means to know who were professionally qualified trade marks agents. Whilst the register need not be established right away, the Bill should make provisions to provide for the setting up of such a register in future.

China Patent Agent (HK) Limited

(written submission - LC Paper No. CB(1)1918/98-99(06))

7. Members noted the submission.

Swiss Business Council in Hong Kong

(written submission - LC Paper No. CB(1)1891/98-99(06))

8. Mr John BUSER said that in proposing any new trade mark legislation for Hong Kong, the objective should be making the registration of trade mark in Hong Kong easier and cheaper. According to a survey conducted by a Swiss business organization, Hong Kong was the fifth most expensive country in protecting trade marks, amongst 184 countries surveyed. He suggested that Hong Kong should join the Convention of Madrid which would make the protection of trade marks in Hong Kong much easier and convenient because a trade mark registered with the Convention could be extended to the 40 member-states of the Convention. The cost of one registration through the Convention was about 100 Swiss Franc (SF) per country and the cost for extending the protection to 40 member states would be about 4,000 SF.

These figures compared favourably with the cost of about 3,000 SF for registration of a trade mark in Hong Kong currently. Mr BUSHER also commented that it was more important to get a good trade mark legislation rather than rushing the Bill through the legislative process.

British Chamber of Commerce in Hong Kong

(written submission - LC Paper No. CB(1)1918/98-99(03))

9. Brigadier C HAMMERBECK said that the British Chamber of Commerce (BCC) supported the overall objectives of the proposals in the Bill. He however pointed out that it was generally accepted that there was a wide abuse of copyrights in Hong Kong and that the Government had been failing to enforce copyrights. Members of BCC remained concerned about the adequacy of enforcement actions taken by the Hong Kong Government on protection of intellectual property rights. BCC members were of the view that the Bill seemed to place the burden of enforcing intellectual property rights on the owners. BCC considered that this should be shared by the intellectual property owners as well as the Hong Kong Government.

Deacons Graham & James

(written submission - LC Paper No. CB(1)1970/98-99)

10. Mr Paul SCHOLEFIELD said that Deacons Graham & James (Deacons) had one of the largest intellectual property practices in Hong Kong and was responsible for the first trade mark registration in Hong Kong. Deacons agreed with the joint submission made by the Law Society of Hong Kong and the Hong Kong Group of the Asian Patent Attorney Association. Since Deacons' detailed comments on provisions of the Bill had been set out in its written submission, Mr SCHOLEFIELD highlighted the following four general comments on the Bill:

- (a) Deacons was concerned about the loose drafting of the Bill and would be willing to contribute in this aspect;
- (b) Deacons was not clear about the underlying philosophy for the new legislation;
- (c) Deacons was concerned that a large part of the Bill was based on European Community trade mark legislation the drafting of which was poor. Moreover, difficulties to reconcile court decisions on trade mark litigations in the United Kingdom and the European Community had already surfaced. One such example was on parallel importation; and
- (d) Deacons was of the view that much of the existing problems were related to the trade mark registration process and the Bill would not address these problems. Since the procedures for examining applications for trade marks registration would be specified in the practice manual,

Deacons urged that it be involved now or at an early stage on the drafting of the practice manual.

Unilever Hong Kong Ltd, Colgate - Palmolive (Hong Kong) Ltd, Levi Strauss & Co., Johnson and Johnson (Hong Kong) Ltd. and Pepsi Co., Inc.
(joint written submission - LC Paper No. CB(1)136/99-00(02))

11. Mr Marc DESENFANS said that he represented five companies, Unilever Hong Kong Ltd, Colgate - Palmolive (Hong Kong) Ltd., Levis Strauss & Co., Johnson and Johnson (Hong Kong) Ltd., and Pepsi Co., Inc. The companies represented some major brands with about 2,000 registered trade marks in Hong Kong. The companies employed locally more than 650 people directly and 3,500 people indirectly and invested \$280 million annually to support the brands. The companies did not support clause 19 of the Bill which allowed unrestricted parallel importation because the proposal was not beneficial to Hong Kong consumers. He said that many trade mark products sold locally were specifically designed to cater for the needs of the local market, whereas parallel imports were not tailor-made for the local market. Parallel imports might only be priced a little bit cheaper but consumers would not get the same quality. Parallel imports would also cause confusion to consumers as they were sold under the same trade mark but in fact were different. The long-term economic impacts of unrestricted parallel importation was significant. It would make Hong Kong become a dumping ground of Asia. The adverse impact on registered brand companies included reduced advertising budget, lack of resources to introduce new products to suit local consumers or even pull-out from the local market. These would adversely affect Hong Kong's economy. Mr DESENFANS said that the five companies supported the doctrine of national (territorial) exhaustion of rights and requested that clause 19 of the Bill be deleted or at least be amended to recognize the exclusive rights of trade mark owners in assignment.

12. Mr Jonathan CHEUNG of Pepsi Co supplemented that the impact of parallel importation on the local industry should not be underestimated. If parallel importation was allowed, trade mark owners would not invest in infra-structure such as setting up a manufacturing base or increasing advertising in Hong Kong, both of which would contribute to the local economy. He said that in countries where parallel importation was allowed, there were at the same time legislation to protect the manufacturing industry from the influx of dumped products such as anti-dumping legislation or legislation to outlaw unfair trade practices. He wondered whether Hong Kong had any anti-dumping legislation to protect local manufactures from the import of cheap products.

Discussion

Parallel importation

13. In reply to Mrs Sophie LEUNG LAU Yau-fun's question on the relationship between anti-dumping legislation and parallel importation, Mr Jonathan CHEUNG

explained that building up a brand incurred higher costs in Hong Kong than in neighbouring low-cost countries. These costs include land, staff, advertising, delivery, etc. There were bound to be price differences between locally manufactured products and products manufactured in low-cost countries.

14. Mrs Sophie LEUNG asked whether the trade mark owners or its licensees had the responsibility to protect their brand products. Mr Jonathan CHEUNG responded that consumer protection was not always unlimited. A balance had to be struck between allowing cheap imports and protection of the local industry. Clause 19 had limited the ability of trade mark owners to assign his rights on a territorial basis. Mr DESENFANS added that it should be a joint effort of trade mark owners and the Administration to protect intellectual property rights. Some factors were beyond the control of trade mark owners. For example, Hong Kong's neighbouring countries had devalued their currencies by 30% to 40% but Hong Kong still had a strong currency. This had enlarged the price differential between local products and overseas products.

15. The Chairman enquired about the policy adopted in other jurisdictions in relation to parallel importation. Mr SCHOLEFIED said that there were competing interests in different sectors of the society on the subject of parallel importation. He was of the view that it might not be a satisfactory means to address the issue of parallel importation in a piece of intellectual property right legislation. The subject should be dealt with in laws relating to unfair competition. At present, parallel importation of pharmaceutical products was unregulated. As a consumer, he considered this dangerous. Mr SCHOLEFIED added that under the previous trade marks law in the United States, a trade mark owner could seek to halt parallel importation of a product on grounds of labelling. While trade marks laws could be adopted to deal with parallel importation, he considered that there were better legislation to deal with the issue. He noted however that the current trend was towards national or regional exhaustion of intellectual property rights subject to restraints on labelling or other requirements.

16. Mr Chris BRITTON said that he supported parallel importation as a consumer. However Hong Kong as a whole need to decide whether it went for free trade or protectionism. Once Hong Kong had decided on its position internationally, this should be reflected in all laws. Mr BRITTON said that protecting the copyright of local industry in the Copyright Ordinance (Cap. 528) had led to increasing problem of copyright piracy in Hong Kong which was not in the interest of everybody.

17. Mr DESENFANS said that parallel importation was not a simple question of free trade versus protectionism. It was about protection of consumer interests. In countries where international exhaustion of rights was upheld, there were other ways to protect consumers. However, Hong Kong was a free port and had no protection barriers at all, such as import duties and specification of labelling. Ms Linda WONG added that according to a research by Unilever Hong Kong Ltd., the European Union (EU) allowed exhaustion of intellectual property rights in EU countries only and the WTO did not support international exhaustion of rights. As regards whether allowing

parallel imports would lead to lower prices, Ms WONG referred to an economic study by the National Economic Research Associates which found that with international exhaustion of rights within EU countries, substantive price differences for branded products between different Members States of EU still existed. Mr Jonathan CHEUNG remarked that in the United States and the Mainland, a trade mark owner could assign his rights in a trademark on a territorial basis. He said that allowing unrestrained parallel importation would deprive the rights of trade mark owners in effecting territorial assignment.

18. Ms SMITH referred members to a study done by EU on parallel import released in February 1999. She said that the study did not make a recommendation on the issue but trade marks owners surveyed in the study anticipated that their interests would be adversely affected if unrestrained parallel importation was allowed. She remarked that most countries like the United States had some form of control on parallel importation.

19. Referring to the study mentioned by Ms SMITH, Mr SCHOLEFIED said that empirically there was no evidence to suggest one way or the other on the economic impact of parallel importation.

20. Mr BUSHER considered that a trade marks law was not an appropriate forum to deal with the issue of parallel importation, which was about distribution control of genuine products by owners.

21. Mrs Sophie LEUNG enquired about the impact of purchasing goods and services through the internet on protection of intellectual property owners' rights. Brigadier HAMMERBECK and Ms SMITH opined that it was a long way to assess the full impact of the internet on the daily life of people and on revenues and duties of a country and that the scrutiny of the Bill should not be delayed or affected by the issue of electronic trading through the internet.

Need for enactment of the Bill

22. Mrs Sophie LEUNG requested Deacons to elaborate on its query about the need to enact the Bill. Mr SCHOLEFIELD said that although the existing Trade Marks Ordinance was archaic to a certain extent and the law needed modernization through the routine amendment, he was uncertain as to why the new Bill was brought forward. There was no localization need and there were no court cases to show that the present law was unworkable. He was concerned about the moving from a common law trade mark system to a piece of legislation which was heavily influenced by the United Kingdom and the continental legal system. Since the existing practitioners were not familiar with the continental legal system, they would need to spend a lot of time to understand the operation of the new regime and that would be very expensive to practitioners and trade mark applicants alike.

23. Ms SMITH commented that although enactment of the Bill would mean that trade mark practitioners had to adapt to the new regime, a modernized trade mark law was necessary for Hong Kong to maintain its international trade centre status. Non-enactment of the Bill would be damaging to Hong Kong which would make her behind international laws. She suggested that the drafting and other policy aspects of the Bill be improved to make it acceptable to parties concerned.

24. The Chairman remarked that as the Bill had been introduced by the Administration to the Legislative Council, the Bills Committee had the responsibility to examine the necessity for and the desirability of the Bill. Provided that members of the Bills Committee were satisfied that there was a need for a modernized piece of legislation, members would then consider the drafting issues. Unless there were insurmountable drafting difficulties, the Bills Committee would try to work through them. Given that the current session would end on 30 June 2000, the Bills Committee had to complete scrutiny of the Bill, otherwise the Bill would lapse and the Administration would have to re-introduce the Bill in some future time.

The Administration's response

25. At the Chairman's invitation, the Director of Intellectual Property (DIP) said that the Administration would make a detailed written response to the comments of the various organizations later. He thanked the deputations for the comments made and stressed that many of them had made useful contributions during the consultation process although the Administration had not accepted each and every of their suggestions. The Administration would be happy to maintain dialogue with interested parties concerned through the Bills Committee to work out a consensus on the best outcome of the Bill.

26. Commenting on a remark that the WTO was not in support of international exhaustion of rights, DIP said that according to the Administration's research, the WTO was completely open on the issue of parallel importation. He would welcome evidence to suggest that WTO was in favour of national or international exhaustion of rights.

27. The Principal Assistant Secretary for Trade and Industry (PAS/TI) said that the Administration could not accept the comment made by a representative of a deputation that the relevant provisions on parallel importation in the Copyright Ordinance had led to proliferation of copyright piracy activities. The Administration had been endeavoring to combat piracy. He said that the Administration was preparing an information paper on the issue of parallel importation for consideration of the Bills Committee.

II. Any other business

28. The Chairman reminded members that the next meeting of the Bills Committee would be held on 29 October 1999 at 10:45 am.

29. There being no other business, the meeting ended at 10:45 am.

Legislative Council Secretariat

13 January 2000