

立法會
Legislative Council

Ref: CB1/BC/17/98/2

LC Paper No. CB(1)1685/99-00
(These minutes have been
seen by the Administration and
cleared by the Chairman)

Bills Committee on Trade Marks Bill

**Minutes of eleventh meeting held on
Thursday, 27 January 2000, at 8:30 am
in Conference Room A of the Legislative Council Building**

- Members present** : Hon Margaret NG (Chairman)
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 Mrs Selina CHOW LIANG Shuk-ye, JP
Hon MA Fung-kwok
Hon James TO Kun-sun
Hon FUNG Chi-kin
- 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

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)882/99-00)

The minutes of meeting held on 29 October 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. The Chairman invited the Assistant Director of Intellectual Property (International Registration) (AD/IR) to begin with clause 11.

Clause 11

3. Noting the grounds for refusal of registration under clauses 10 and 11, Mr SIN Chung-kai enquired whether there was any provision in the Bill requiring the Registrar to advise the applicant in writing of the reasons for refusal of registration of a mark. AD/IR responded that under the existing law, the Registrar had to notify the applicant in writing of his decision to refuse registration with the reasons. The same requirement would apply under clause 40(3) of the Bill. Members agreed that the provision should be examined in detail when they considered clause 40.

Subclauses (1) to (6)

4. The Chairman expressed concern about the provision for refusal of registration where "the use of the trade mark in relation to those goods or services is likely to cause confusion on the part of the public." in clauses 11(2)(c) and 11(3)(c). She doubted whether there was a need for having the concept of "likely to cause confusion" in the Bill. Noting that these two subclauses were closely related to clause 17 on infringement of trade marks, members agreed to consider them together with clause 17 later.

5. The Chairman noted that the relative grounds for refusal of registration set out in subclauses (4) and (5) would apply subject to subclause (6) where an objection on those grounds was raised in proceedings in opposition to the registration. She sought clarification of the difference in application of the grounds set out in subclauses (1) to (5). AD/IR explained that when the Registrar considered an application, he would examine the mark and would refuse registration if the grounds set out in subclauses (1), or (2), or (3) were met. However, the Registrar was not expected to detect the circumstances set out in subclauses (4) and (5) unless the trade mark owner concerned raised an objection to the registration. In other words, the Registrar could only refuse registration of a mark with reference to subclauses (4) or (5) if an objection was raised. This was different from the case of subclauses (1) to (3) where the Registrar could take the initiative to refuse registration of a mark. In any case, the Registrar had to give his reasons for refusal in writing. The applicant had the right to appeal against this decision and a registrability hearing would then be held.

Subclause (8)

6. The Chairman drew members' attention to the comments made by a number of organizations concerning subclause (8). She invited AD/IR to explain the reason for providing reserve power to the Registrar to refuse registration of a mark despite the consent given by the owner of the earlier trade mark to the registration. This was different from the provision in the UK Trade Marks Act 1994.

7. AD/IR said that in the UK Trade Marks Act 1994, the consent of the earlier trade mark owner would be conclusive. The Bill varied from the UK Act in that the Registrar had the reserve power to refuse registration if the Registrar was satisfied that the use of the mark was likely to cause confusion on the part of the public. He explained that the Administration's main concern lay in the registration of trade marks for pharmaceuticals. The use of the same mark for drugs manufactured by different manufacturers and for treatment of different diseases would cause confusion to the public. On the ground of health hazard, the Administration considered it appropriate to retain the power to refuse registration even if the earlier trade mark owner consented to the registration under certain circumstances. This power would be used very sparingly and relevant guidelines on the exercise of this power would be set out in the Work Manual of the Registrar's practice. Nevertheless, the Administration would not

insist on this arrangement should the Bills Committee consider that the owner's consent should prevail.

8. In response to Mr SIN Chung-kai's enquiry on whether trade mark owners could assign their marks freely to other parties, AD/IR answered in the affirmative. He said that subclause (8) dealt with the refusal of registration and not assignment of trade marks. He pointed out that when the trade mark owner assigned the mark to another party, the same article bearing the trade mark was on the market. However, different manufacturers under the same trade mark might cause confusion to the public. Different pharmaceuticals under the same trade mark for treatment of different diseases were of particular concern to the Administration.

9. While appreciating the Administration's intention to safeguard the public interest, the Chairman considered this inadequate to justify the provision of reserve power to the Registrar. She said that since trade mark owners were allowed to use the same trade mark for different drugs formulated for treatment of different diseases, she queried why persons other than the trade mark owner should be prohibited from offering different drugs under the same trade mark if the trade mark owner considered such doing agreeable. She pointed out that should there be public confusion as a result of the use of the same trade mark for different drugs, the problem should exist regardless of who the manufacturer was.

10. Mr SIN Chung-kai opined that if the Registrar was given the reserve power to refuse registration, there should be clear provision in the Bill and detailed guidelines in the Work Manual on the exercise of this power as well as on the mechanism for appeal. The Chairman considered that the provision of the reserve power would be unnecessary as its intended application would be rather narrow, i.e. mainly limited to trade marks for pharmaceuticals. In her view, protection of public health should be achieved through other means such as consumer education and product description requirements. AD/IR said that the applicant could appeal to the court against the decision of the Registrar and his decision was also subject to judicial review. Nevertheless, in view of members' concern, the Administration agreed to amend clause 11(8) to the effect that the Registrar could not refuse registration where the owner of an earlier trade mark had given consent to the registration. The Administration would provide the Committee Stage amendment (CSA) for members' consideration.

Admin.

Clause 12

11. Members noted that the Administration would propose a CSA to add the word "special" before "circumstances" in clause 12(1)(b) to tighten up the drafting.

Admin.

Clause 13

12. In response to the Chairman's enquiry on the need for clause 13(2) which specified the relevant clauses on infringement, Senior Assistant Law Draftsman (SALD) explained that the purpose of the subclause was to summarize briefly the rights

conferred by a registered trade mark.

13. Mr SIN Chung-kai sought clarification of the protection or otherwise of the rights of the applicant during the time gap between his filing of the application and the successful registration of the mark. The Assistant Director of Intellectual Property (Registration) (AD/R) said that clause 46 of the Bill provided that the filing date of the application for registration should be the date of registration of the trade mark. This being the case, once the mark was successfully registered, the rights conferred by the registered trade mark would cover the period during which the application for registration was being processed.

14. In response to Mr SIN Chung-kai's further enquiry on the rights of the owner of a unregistered trade mark who had put his goods on the Hong Kong market, AD/IR said that the owner could raise objection to the application for registration of his trade mark. Under the Bill, applications for registration of trade marks would be advertised and those who considered that their rights would be affected by the registration could raise objection to the Registrar. They could also take passing off actions under the common law against the applicants.

Clause 14

15. The Assistant Legal Advisor 2 (ALA2) sought clarification of the meaning of territorial limitation under clause 14(1)(b). AD/IR explained that the provision under clause 14(1)(b) applied when similar trade marks were registered for goods, one being sold in the local market and the other for export to overseas markets only. Under this circumstance, the rights conferred by the registered trade mark would be subject to specified territorial limitation initiated by the applicant. Registration of these marks should not cause any confusion to the consumers as the goods were sold at different markets.

16. Mr SIN Chung-kai enquired whether the rights of the trade mark owner would be protected if goods bearing his trade mark were put on sale through the Internet on overseas markets, for example, in the form of digital books. AD/IR replied that the trade mark owner had to register his mark in that particular country where his goods were put on sale in order to have the rights conferred by the registered trade mark. It was impossible for the owner of a trade mark registered in Hong Kong to bring infringement actions against any person using his mark in other countries if he had not registered his mark there.

Clause 15

17. Members noted the clause.

Clause 16

18. In reply to Mr SIN Chung-kai's enquiry about whether the word "sign" in

clause 16 included sound as well, AD/IR said that a sign could be made up of pictorial or audio elements. Therefore, sound could be registrable as a trade mark.

19. The Chairman drew members' attention to the comments made by the Hong Kong Institute of Trade Mark Practitioners Limited (ITMP) on clause 16(2). ITMP commented that clause 16(2) created a potential loophole for infringers to avoid any order for delivery up or disposal of the infringing goods by putting forward a defense that the trade mark was applied to the goods or their packaging before the mark was registered. AD/IR said that this potential "loophole" suggested by ITMP did not exist. Before a mark was registered, the "offending goods" were outside the scope of the Bill. If the goods were then imported into Hong Kong after the mark was registered, they would be caught by clause 16(2)(b).

20. The Chairman enquired whether there was any provision to cover situation where the goods were stocked in Hong Kong before registration of the trade mark and were put on the market after registration. AD/IR said that once the goods were put on sale, they would be covered by clause 16(2)(c). The Chairman further enquired whether stocking of infringing goods by itself would constitute an infringement. AD/IR referred members to clause 17(5) and pointed out that the circumstances under which a person was considered using a registered trade mark included offering or exposing the goods under the mark for sale, putting them on the market and stocking them for these purposes. SALD added that the term "infringing goods" in clause 16 was defined for the purpose of other provisions in the Bill and for limiting the remedies available. Clause 21 provided for a remedy for the trade mark owner to apply to the court for an order for the delivery up to him of any infringing goods but this remedy would not be available if the mark was applied to the goods before the registration of the trade mark. If the goods were put for sale after registration, they would fall foul of other provisions and the normal remedies such as claim for damages and application for injunction would be available.

21. As regards the suggestion of the Law Society of Hong Kong (Law Society) on clauses 16(2)(a) and (3)(b), AD/IR referred members to the Administration's response at Annex B of LC Paper No CB(1)874/99-00. He said that the Law Society suggested making the act of applying a mark to the packaging of goods in Hong Kong an infringement even if these goods were intended for sale on overseas markets. This was not the policy intention of the Administration. Under clause 13(1) of the Bill, a territorial test was established so that a trade mark owner's right was infringed only by the "use of the trade mark in Hong Kong". The *Beautimatic International Ltd v Mitchell International Pharmaceuticals Ltd* case quoted by the Law Society, in the Administration's view, merely illustrated the territorial boundaries of a trade mark owner's right instead of revealing the loophole in section 10 of the UK Trade Marks Act as the Law Society had claimed. There was infringement under Section 10(1) of the UK Trade Marks Act, if an unauthorized person applied a mark to goods in the UK in the course of his trade; but if he was merely responsible for manufacturing packaging with the mark, without applying it to any goods in the UK, there was no infringement. The same territorial test applied in Hong Kong. Packaging might be manufactured in

Hong Kong for legitimate uses overseas.

22. The Chairman opined that the territorial limitation of a trade mark owner's right might encourage the manufacture of the packaging of infringing trade mark goods in Hong Kong. Hong Kong might become an infringement centre as people would be free from any legal liability if they could prove that the goods involved would be exported for sale on other market outside Hong Kong. Mrs Sophie LEUNG suggested that this problem should be examined with reference to the enforcement experience of the Customs and Excise Department.

23. AD/IR said that it would be unfair if a trade mark owner could sue someone for infringement for manufacturing the packaging which was to be applied to goods for sale on overseas markets. If the law were extended to the effect as suggested by the Law Society, there was danger of penalizing innocent people involved in manufacturing trade mark labels for packaging purpose and trade mark owners who wished to make use of the printing expertise in Hong Kong. The rationale behind the Bill was that the infringement material must be in use to justify a case of infringement. The law should not go that far as to allow the trade mark owner to take action against infringement even if the material in question had not been used, i.e. the manufactured packaging had not been applied to the goods in this case. AD/R supplemented that provisions under clause 16(2) would only allow those who manufactured the packaging of trade mark goods without applying that to the goods to be freed from infringement claims. Those who manufactured the packaging and applied the sign to the goods in Hong Kong would be infringing the registered trade mark.

Clause 17

Subclause (1) to (3)

24. The Chairman drew members' attention to the comments by Messrs. Deacons Graham & James (Deacons) on the "likely to cause confusion" requirement in clauses 17(2)(b) and 17(3)(b) and suggested that this requirement be taken out because this made it more difficult to protect trade mark rights. Deacons referred to the example of hawkers selling "Channel" perfume in Temple Street, and suggested that the trade mark owner of "Chanel" might not be able to bring an infringement action as "such use may not necessarily result in confusion because consumers know from the circumstances of sale that these products are not genuine".

25. With reference to the Administration's response to further submissions by Deacons (circulated to members vide LC Paper No. CB(1)874/99-00(02)), AD/IR explained that it was highly unlikely for Hong Kong courts to hold that there was no infringement in such cases under clause 17(3) of the Bill for the reasons mentioned by Deacons. Contrary to the view of Deacons that trade mark owners' rights were not protected in cases like "Channel" sold in Temple Street, the remarks made by the judge of *Secretary for Justice v Lam Chi wah CAAR 4/99* which concerned an offence under the Trade Descriptions Ordinance (TDO), demonstrated that the court had taken a tough

approach in dealing with counterfeiting offences. In dismissing an appeal for mitigation of sentence, Judge CHAN remarked that the distribution and sale of counterfeit goods did have an adverse effect on the sales and business reputation of trade mark goods. This type of offence would adversely affect the international reputation of Hong Kong and the confidence of trading partners in the other parts of the world.

26. In response to the Chairman's enquiry on whether "Channel" perfume would be considered as counterfeit goods, AD/IR said that it would be an offence under TDO to apply a forged mark to goods. Although there was a slight difference in spelling between "Channel" and the registered mark "Chanel", it would certainly fail the test of confusion. When the two marks were not compared side by side, the doctrine of "imperfect recollection" would apply and consumers might be confused by the similarity and bought "Channel" perfume in the belief that it was genuine. For offences under TDO, offenders had tried to put forward similar arguments that no confusion would be caused as a result of the difference between the mark they used and the registered trade mark. However, these arguments had never been accepted by the court. He said that it was crucial to the trade marks law, whether in dealing with registration or infringement, that there must be a test of confusion because this was the very heart of distinguishing marks. Moreover, the element of confusion was already present in section 27(1) and section 27A(1) of the existing Trade Marks Ordinances (TMO) (Cap. 43).

27. Mrs Sohpie LEUNG agreed that there should be a test of confusion. She quoted an example to illustrate the application of the test of confusion in the United States. When the Miami basketball team "Heat" applied for registration of "Heat" as a mark for clothing, the owner of the famous trade mark "Heet" objected on the ground of likelihood of causing confusion and "Heet" won the case.

28. AD/R added that the test of confusion was wide enough to cover cases of similar marks such as that of "Channel" and "Chanel". Despite the sophisticated argument advanced by some people that there would not be any confusion, taking into consideration the circumstances of sale in places like Temple Street, the likelihood of confusion did exist. People might have bought these counterfeit goods because they thought that other people would be confused and would mistake these as genuine goods.

29. AD/IR said that without the test of confusion, the trade marks owners might run into trouble with other owners who have similar marks. This would also knock out many marks which could be legitimately used in the market, making the law over-protective on the rights of registered trade marks owners.

30. Members were satisfied with the Administration's explanation that the element of confusion existed in Article 16(1) of the Agreement on Trade-related Aspects of Intellectual Property Rights and TMO (Cap.43) and that it had been a crucial test for establishment of infringement cases. Members noted the Administration's advice that

there would not be any difficulties for the court to deal with infringement cases either by reference to TDO or clause 17 of the Bill.

Subclause (4)

31. The Chairman drew members' attention to the comments by Deacons on clause 17(4) that "it is absurd that the owner of a well-known trade mark will have to prove that confusion may result through unauthorized use of an identical mark on identical goods, whereas no such requirement is present if the unauthorized use is on goods which are totally different from those in which the reputation has been established". She sought the Administration's advice on these comments.

32. AD/IR referred members to paragraphs 10 to 12 of the Administration's response (LC Paper No. CB(1)874/99-00(02)). He said that in view of clauses 61 and 17(4) of the Bill, the Administration did not agree with Deacons' view. Clause 61 of the Bill dealt specifically with the right of the owner of a well-known trade mark to prevent the use of another trade mark which was identical or similar and used on identical or similar goods and services. There must be a likelihood of confusion. Clause 17(4) dealt with identical or similar marks in connection with dissimilar goods or services. The provisions were symmetrical to clause 11(4) (relative grounds for refusal) of the Bill and were designed to combat dishonest practices. It was consistent with Article 16(3) of the TRIPS Agreement and Article 4(1)(b) of the World Intellectual Property Organization Joint Recommendation on the protection of well-known marks. He explained Re CA Scheimer's failed attempt to apply for the trade mark "Visa" in respect of contraceptives. The Judge, Mr Geoffrey Hobbs Q.C., found that it was unnecessary to establish any likelihood of confusion in order to substantiate an objection to the registration of the mark "Visa" as the use by Scheimer would be detrimental to the distinctive character of Visa International's earlier trade mark. AD/IR stressed that the test of confusion was not relevant in the application of clause 17(4) as this provision dealt with dilution of marks. The test in clause 17(4) was "detrimental to the distinctive character or repute of the trade mark".

Subclause (5) and (6)

33. Members noted that the comments by the Law Society on clauses 17(5)(a) and 17(6)(a) had been dealt with under clause 16 in relation to the territorial boundary of trade marks owners' rights.

34. As regards the Law Society's comments on clauses 17(5)(g) and 17(6), AD/IR explained the Administration's response at Annex B to LC Paper No. CB(1)874/99-00(01). He said that there were no state-of-the-art clauses on electronic infringement. Moreover, the reference to "use" in clause 17(5) and clause 6 was very wide and embraced electronic use.

Dates of future meetings

35. Members agreed to schedule two meetings for Friday, 11 February, 2000 at 8:30 am and Monday, 28 February, 2000 at 2:30 pm to continue with clause-by-clause examination of the Bill.

36. The meeting ended at 10:30 am.

Legislative Council Secretariat

4 July 2000