

立法會
Legislative Council

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LC Paper No. CB(1)1015/99-00

(These minutes have been
seen by the Administration)

Bills Committee on Trade Marks Bill

**Minutes of eighth meeting held on
Monday, 29 November 1999, at 2:30 pm
in Conference Room A of the Legislative Council Building**

Members present : Hon Margaret NG (Chairman)
Hon Mrs Selina CHOW LIANG Shuk-yee, JP
Hon MA Fung-kwok
Hon HUI Cheung-ching
Hon Mrs Sophie LEUNG LAU Yau-fun, JP

Members absent : Hon Kenneth TING Woo-shou, JP
Hon Albert HO Chun-yan
Hon James TO Kun-sun
Hon CHAN Kam-lam
Hon SIN Chung-kai
Hon FUNG Chi-kin

**Public officers
attending** : Mr Philip CHAN
Principal Assistant Secretary for Trade and Industry

Mr Peter CHEUNG
Deputy Director of Intellectual Property Department

Mr Rayman PERERA
Assistant Director of Intellectual Property
(International Registration)

Mrs Teresa GRANT
Assistant Director of Intellectual Property (Registration)

Mr Jeffrey E GUNTER
Senior Assistant Law Draftsman

Ms Phyllis POON
Government Counsel

Mr Johann WONG
Assistant Secretary for Trade and Industry, TIB

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 Confirmation of minutes of meeting

(LC Paper No. CB(1)415/99-00 - minutes of meeting on 27 September 1999
LC Paper No. CB(1)416/99-00 - minutes of meeting on 20 October 1999)

The minutes of the second and third meetings of the Bills Committee held respectively on 27 September 1999 and 20 October 1999 were confirmed.

II Meeting with the Administration

Similarity of marks

(LC Paper No. CB(1)334/99-00(02) - information paper provided by the Administration)

2. Explaining the information paper provided by the Administration, the Assistant Director of Intellectual Property (International Registration) (AD/IP(IR)) said that under the Trade Marks Ordinance (TMO) (Cap. 43), the wording used to describe similar goods was "goods of the same description", whereas in the Trade Marks Bill (the Bill), "identical or similar goods" were used for the purpose. As regards similar marks, the TMO used the wording "identical with or nearly resembles" another mark, while the Bill used the wording "identical or similar to another mark". AD/IP(IR) further advised that although the wording in the Bill was different, interpretation of the new wording by courts in the United Kingdom did not depart much from interpretation of the traditional wording.

Similar goods/services

3. AD/IP(IR) said that in determining whether two goods or services were similar in British Sugar Plc v James Robertson & Sons Ltd, the judge elaborated on the old judicial test for "goods of the same description" in Jellinek's Application O1946Q and gave some general guidance for consideration. The guidance included

respective uses of the goods, respective users of the goods, etc. The details were set out in paragraph 9 of the information paper.

4. The Chairman commented that there was a large element of subjectivity in applying the tests. Moreover, there was the question of whether the tests applied in Jellinek's Application O1946Q, which related to "goods of the same description", were applicable in determining whether two goods/services were similar. AD/IP(IR) replied that according to the British Sugar Plc v James Robertson & Sons Ltd, the tests applied were essentially the same, but the judge had added in the element of competition i.e. the extent to which respective goods or services were competitive with each other.

5. Mrs Sophie LEUNG LAU Yau-fun said that how a product was used could differ with different consumers, and the use of a product could also change over time. She doubted whether the tests could provide a clear cut guidance in determining whether two products/services were similar. The Assistant Director of Intellectual Property (Registration) (AD/IP(R)) advised that in applying the tests in Jellinek's Application, all facts would be given due weighting and not one single fact, e.g. use of the respective products, would dominate. Moreover, in applying the tests, it was not a question of one consumer's behaviour that counted, but the general behaviour of consumers that would be taken into consideration.

6. In reply to the Chairman's question, AD/IP(IR) confirmed that the wording on similar goods and similar marks used in the Bill were adopted from Article 16 of the WTO Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS Agreement).

Similar marks

7. AD/IP(IR) advised that paragraphs 10 and 11 of the information paper set out the approach taken by the European Court of Justice in considering whether there were similarities between two marks. It was clear from Sabel BV v Puma AG, Rudolf Dassler Sport [1998] RPC 199 that marks had to be compared as wholes and it was the overall degree of resemblance and the likelihood of confusion which had to be considered. The court in POLACLIP Trade Mark thus ruled that "POLACLIP" and "POLAROID" were not similar. Although the marks shared a common prefix "POLA", the ending of the marks were completely different resulting in the marks that looked significantly different to the eye. AD/IP(IR) further advised that the test on similar marks under the new UK Act was an elaboration of the old test in Pianotist O1906Q, details of which were set out in paragraph 15 of the information paper.

8. The Chairman noted that in Pianotist O1906Q, the court decided whether two marks were nearly resembling. She enquired whether the UK courts had applied the tests in Pianotist [1906] in deciding whether two marks were similar under the UK Trade Marks Act 1994. AD/IP(IR) replied that as the court was making a ruling under a new piece of legislation, the case law under the old legislation was of

persuasive authority only. However, it could be seen that the facts in Sabel BV v Puma AG and Pianotist [1906] were essentially the same. The Chairman expressed reservation and opined that it would depend on the court to interpret the new provision. She however remarked that since the wording "similarity of goods/services" and "similarity of marks" were modelled on the TRIPS Agreement, if it was decided that a new law which followed the TRIPS language was needed, then these terms had to be accepted but the situation had to be monitored as to how the courts would interpret the new wording after enactment of the Bill.

Comparative Advertising

(LC Paper No. CB(1)458/99-00(01))

9. The Principal Assistant Secretary for Trade and Industry (PAS/TI) said that comparative advertising was advertisement in which a competitor's trade mark was used by a trader to identify the competitor's product for comparison purpose. At present, comparative advertising using a trade mark which had been registered in Part A of the trade mark register was an infringement. The position as regards marks registered in Part B of the register was uncertain. However, in practice, there was comparative advertising in a number of businesses including for example mobile phone service providers. It appeared that this practice was accepted by trade mark owners in those trades. PAS/TI further advised that clause 17(7) of the Bill legitimized comparative advertising. In the Administration's view, provided that the advertisement was honest, it was reasonable to allow product and service providers to inform consumers about the relative merits of competing products. As regards the position in other jurisdictions, the UK Trade Marks Act 1994 expressly permitted comparative advertising. The provision in the 1994 Act had been interpreted in a number of cases before the UK courts and an objective test with respect to the definition of honest practices had also been established.

10. The Chairman said that the comments on clause 17(7) by members and non-government organizations covered two broad areas. Firstly, there was concern about the need to include a provision in the Bill which expressly permitted comparative advertising. Secondly, some non-government organizations had commented on the drafting aspect of the clause.

11. In reply to the Chairman's question on whether the UK court had criticized the principle of the provision on comparative advertising in the UK Trade Marks Act 1994 or its drafting, AD/IP(IR) said that the UK court was critical of the drafting of the provision. Specifically, Judge Laddie said "it seems to me that the final words of the proviso 'if the use without due cause takes unfair advantage of, or is detrimental to, the distinctive character or repute of the trade mark' in most cases adds nothing of significance to the first part of the proviso. An advertisement which makes use of a registered mark in a way which is not honest will almost always take unfair advantage of it and vice versa. At the most these final words emphasise that the use of the mark must take advantage of it or be detrimental to it". AD/IP(IR) further advised that there were five court cases in the UK involving the interpretation of 'honest practices' and the interpretations could provide Hong Kong with some guidance.

12. On the need for a provision on comparative advertising, the Deputy Director of Intellectual Property (DD/IP) said that intellectual property legislation were to deal with unfair competition. The purpose was to prevent free riders from riding on the labour skill and investment of intellectual property owners. The Paris Convention on Protection of Industrial Property (the Paris Convention) had specifically required that measures to prevent unfair competition should be included in legislation on protection of trade marks. As defined in the Paris Convention, unfair competition was any act of competition contrary to honest practices in industrial or commercial matters. Clause 17(7) of the Bill was in compliance with Article 10 bis of the Paris Convention.

13. Some members opined that different trades had been practising comparative advertising in the absence of legislation on the subject. They remained unconvinced of the need to expressly permit comparative advertising. AD/IP(IR) advised that clause 17(1) of the Bill specified that a person infringed a registered trade mark if he used in the course of business a sign which was identical to the trade mark in relation to goods or services which were identical to those for which it was registered. References in the Bill to "use of a trade mark" as defined in clause 6 were very broad. If an express provision on comparative advertising was not included in the Bill, making reference to a trade mark in connection with a compatible product would be considered an infringing act. As such, clause 17(7) to legitimize comparative advertising was necessary for the new regime of trade mark registration and protection.

14. Mrs Sophie LEUNG pointed out that clause 17(7) allowed comparative advertising provided that the advertisement was honest. She was concerned whether there was a clear definition of "honest" and whether the clause as presently drafted was sufficient to prevent abuse. AD/IP(R) advised that there were objective tests in determining honest practices. For example, claims about the effects of a product had to be supported by laboratory data or empirical evidence or else it would not be considered as honest practices. DD/IP said that members of the Paris Convention were required to enact domestic legislation to enshrine the principle in Article 10 bis of the Convention to protect against unfair competition. It was difficult to define fairness in language. Clause 17(7) which was modelled on the UK Trade Marks Act 1994 tried to quantify the concept in practical language. The meaning of "honest practices" had been interpreted by the UK courts and case law was available for reference. In the Administration's view, it was prudent to follow the precedents and adopt a provision similar to the UK law.

15. The Chairman opined that the important thing was to have objective criteria setting out in the law. What was considered honest practices of the trade should not be too difficult to know. The tests to be applied should be objective in the sense that the court would consider whether an ordinary person would consider the practice as honest. It was not for the infringer to say that he believed the practice was honest. The Chairman also said that using false data in a comparative advertisement would be a case for civil litigation.

16. The Assistant Legal Adviser 2 (ALA2) advised that the UK had a British Code of Advertising Practice which set out guidelines for honest practices in comparative advertising. She suggested that the Administration should provide some written guidelines on honest practices if comparative advertising was to be legitimized. ALA2 further advised that submissions from deputations, including the Law Society of Hong Kong, The Institute of Trade Mark Practitioners, Hong Kong Bar Association and Deacons, Graham and James had commented on the drafting of clause 17(7). The Law Society of Hong Kong and the Hong Kong Group of the Asian Patent Attorneys Association had suggested that clause 17(7) be amended to make it clear that the use of the mark was for the purpose of identifying goods/services "in an advertising circular or other advertisement issued to the public". ALA2 was of the view that the wording of clause 17(7) need to be revised to confine its application to comparative advertising should this be the policy intent.

17. In reply to the Chairman's question on whether the policy intent of clause 17(7) was to cover advertising activities only, DD/IP advised that the main purpose of clause 17(7) was to prevent unfair competition in the trade mark context. If the scope of clause 17(7) was narrowed to advertising only, there was a danger that the clause might not be able to cover scenarios not envisaged at present. The wording of clause 17(7) had stuck to the wording of Article 10 bis of the Paris Convention so as to catch any unforeseen situation. The Senior Assistant Law Draftsman supplemented that there were difficulties in defining "comparative advertising". As such, clause 17(7) was drafted without specifically mentioning the term.

18. Mrs Selina CHOW enquired whether there were any areas other than advertising that the Administration could think of where clause 17(7) would apply. AD/IP(IR) replied that the Administration could not think of any other situations at the present stage. Clause 17 was drafted in such a way that sub-clauses (1) to (6) specified the circumstances in which the rights of a trade mark owner were considered infringed. Clause 17(7) specified the exception and put in the condition that the use of a registered trade mark had to be in accordance with honest practices in industrial or commercial matters.

19. As regards Hong Kong Bar Association's comments on clause 17(7), AD/IP(R) said that the Bar Association was concerned whether parallel importation would contravene honest practices under clause 17(7). The Bar Association considered that a clause should be inserted to ensure that Clause 17(7) did not apply to parallel imports.

20. Summing up the discussion, the Chairman said that the Administration's policy intent with respect to clause 17(7) was that its scope of application should not be limited to advertising. Nevertheless, in view of the comments of non-government organizations, she requested the Administration to consider the merits of including the reference to "advertising" in clause 17(7). Mrs Sophie LEUNG reiterated her concern that clause 17(7) would open up a new arena and the possible adverse effects had yet to be quantified.

Order for Disposal

(LC Paper No. CB(1)458/99-00(02) - Information paper provided by the Administration)

21. AD/IP(IR) said that members were concerned about how the courts in Hong Kong might deal with infringing goods and materials in the absence of express provisions in TMO. He explained that in civil litigation, the court might forbid further infringement by injunction; and if the defendant was proved to have in his possession infringing articles, the court might order the erasure of the marks, the delivery up of the infringing articles, or the destruction of such articles. The court's authority in this respect was within its inherent jurisdiction in relation to an injunction. Since an order for erasure, obliteration, delivery up or destruction was in the nature of a mandatory injunction, it could also be said that the court was empowered by section 21L of the High Court Ordinance (Cap. 4) to make such an order.

22. AD/IP(IR) further advised that where the court ordered the erasure or obliteration of a trade mark, the goods would be returned to the defendant after such erasure or obliteration. The court would only order destruction of the infringing articles where erasure or obliteration of the offending marks was impracticable. AD/IP(IR) pointed out that litigants in trade mark infringement cases usually sought relief in the High Court since the District Court was subject to a monetary limit as to the amount or value of the property concerned. As regards criminal actions on trade mark infringement cases, section 30 of the Trade Descriptions Ordinance (Cap. 362) empowered the Court or Magistrate to order forfeiture or destruction of goods with forged trade marks which had been seized under the Ordinance.

23. AD/IP(IR) said that clause 23(4) of the Bill had been carefully drafted to comply with Article 46 of the TRIPS Agreement which provided that "the simple removal of the trademark unlawfully affixed shall not be sufficient, other than in exceptional cases, to permit release of the goods into the channel of commerce." In essence, clause 23(4) (a) specified that the court should not make an order permitting the removal of a registered trade mark unless it was satisfied that the infringing goods would not enter the channels of commerce after the registered trade mark had been removed.

24. ALA2 drew members' attention to section 134 of the Copyright Ordinance (Cap. 528) under which the District Court might entertain proceedings to deal with infringing goods. However, under the Bill, trade mark infringement cases had to be dealt with in the Court of First Instance of the High Court. The different legal proceeding requirements would create difficulties in cases involving both trade mark infringement and copyright infringement. The Chairman suggested that ALA2 set out her views in writing for the Administration's comment.

Admin.

(*Post-meeting note:* a letter was issued by ALA2 to the Administration on 10 December 1999 and circulated to members vide CB(1)676/99-00(06))

III. Any other business

25. Members agreed to hold the ninth meeting of the Bills Committee on 28 December 1999 at 10:45 am to discuss "parallel importation" and to commence clause-by-clause examination of the Bill.

26. There being no other business, the meeting ended at 4:20 pm.

Legislative Council Secretariat

17 February 2000