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**Letterhead of Deacons Graham & James**

**BY HAND**

Your Ref :  
Our Ref :  
Direct Tel : 2825 9238 (Mr. Paul Scholefield)  
Date : 24 September 1999

Mr. Daniel Hui  
The Bill's Committee  
Legislative Council  
Legislative Council Building  
No.8 Jackson Road  
HONG KONG

Dear Mr. Hui,

**The Bill's Committee on Trade Marks Bill**  
**Invitation to provide Written Submissions**

| We are attaching a submission which we have prepared on the Trade Marks Bill and we set out below by way of background our interest in the matter.

**Our Firm**

Deacons Graham & James has one of the largest intellectual property practices in Hong Kong. On behalf of our clients, we currently file approximately 11% - 12% of all applications filed in Hong Kong. In addition, we would be handling at any one time approximately 4,000 - 6,000 trade mark applications in prosecution. Our client base covers a broad range of industry and commerce interest. We also deal with the Intellectual Property Department at all levels and are personally known to virtually all of the examiners.

We are represented on the Committees of the Law Society and Hong Kong Institute of Trade Marks Practitioners and fully support the submissions made by both of those organizations.

We are acknowledged internationally as one of the leading IP practices in Hong Kong. Mr. Scholefield of our firm was on the Patent Steering Committee and Alan Wells (the then Head of the Department) was on the Copyright Steering Committee.

Our firm has represented intellectual property proprietors before the Hong Kong Courts in a number of leading cases.<sup>1</sup> We feel the need to make a separate submission to the Bill's Committee independent of the organizations on which we are represented since each of those organizations is limited by its objectives. The Law Society's submissions represent only the views of members of the Law Society. The Institute's submissions cover the interests of firms mainly engaged in registering trade marks. We feel that we span both groups and can therefore make comments which are relevant to a much broader interest base.

### **The Bill**

Whilst we have no objection to the modernization and updating of the laws of Hong Kong, we do question the rationale behind the drafting of the Bill. We note that a significant amount of the draft has been taken from either the United Kingdom Act or the Australian Act with an occasional reference to the Singapore Trade Marks Act. These three Acts have all been enacted in their respective countries to ensure compliance with international standards on intellectual property. In particular, the United Kingdom Act was wholly intended to introduce into the United Kingdom law the EEC Harmonization Directive (Council Directive 89/104 of December 21, 1988). For Australia and Singapore, the main thrust was to comply with the requirements of the WTO.

None of the considerations in enactment of the three Acts applies in Hong Kong. We have by the World Trade Organization Amendments Ordinance 1996 ensured our compliance with the relevant WTO requirements.

At the time when the first draft of the Trade Marks Bill was published, Hong Kong was still a colony of the United Kingdom and as such the draft law was largely based on the United Kingdom Trade Marks Act 1994. Since 1<sup>st</sup> July 1997 Hong Kong has returned to the governance of the People's Republic of China and as such we would have to revisit whether a virtual copy of the United Kingdom law remains appropriate.

It is conceded that since Hong Kong will remain a common law jurisdiction for 50 years from the handover, a common law system for administration of trade marks should stay. However, we note that in particular Australia and Singapore have chosen to go their own way in the drafting of their laws to divest themselves of future reliance on the United Kingdom trade mark registration system.

### **The Draft**

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<sup>1</sup> *Canon Kabushiki Kaisha v. Green Cartridge Co. (HK) Ltd.*  
*Stitching Council Greenpeace Council v. Income Team Ltd. t/a Green Peace and Green Peace*  
*(F.E.) Ltd.*  
*Taxol,*  
*YSL v Ritz Hotel*  
*Judicial Review of the Registrar's decision in relation to an extension of time application*

It has been conceded by the Intellectual Property Department that the drafting of the Bill is based on the United Kingdom Act although certain drafting changes have been made to “simplify” and “clarify” provisions of the United Kingdom Act. However, at no time has there been any consultative paper produced explaining the deviations from the United Kingdom law and the rationale behind them. We therefore find that the current draft is a hybrid of the United Kingdom law with smatterings of laws of other countries thrown in. To take one example of the problems that will come, in the United Kingdom in *Wagamama*<sup>2</sup> in order to interpret the new UK law (S.10 in U.K., S.17 in draft Bill) on confusing similarity the Court was asked to look at the Council minutes relevant to the drafting of the European Harmonization Directive from which the UK law was virtually copied. The UK Courts refused to rely on the Council minutes to interpret the law and applied its own interpretation. Our law derives from the UK law but which interpretation should we apply?

We are concerned that not only are United Kingdom/European Court decisions only persuasive in Hong Kong but with the absence of any experience and/or access to the European rationale behind the United Kingdom Act, we are left in a void as to interpretation of our proposed new law. Our firm and the other professional bodies in Hong Kong have repeatedly asked the Intellectual Property Department to provide explanatory notes to accompany the drafting of the law and/or to provide a draft practice manual for implementation of the registration provisions of the new Bill but have been repeatedly denied them. The UK Trade Marks Registry produced a Manual to accompany the new UK law. Perhaps we could use most of this manual to draft a manual for Hong Kong. We think that it is not sensible to pursue this Bill without seeing the draft practice manual. Without a practice manual there is a lack of transparency in the law. There are circulars issued by the Intellectual Property Department but these are issued on an ad-hoc basis and are by no means comprehensive.

We find that as legal practitioners on day one of the introduction of the law, we will be advising our clients in a vacuum as to the likely interpretation of certain sections of the new law. As set out in our submissions, we are also disappointed to note that the current Bill adopts clauses from the United Kingdom Act which have already been decided upon by the United Kingdom Courts and found to be in one case<sup>3</sup> “a mess” and in other cases open to various interpretations.

### **Our Proposal**

We are, as a firm, happy to contribute to the drafting and comment on any new law proposed in Hong Kong. We are willing to assist the Intellectual Property Department in the drafting of a practice manual and in compiling an explanatory note to the new law. Perhaps Hong Kong should follow the Australian example and consult with the profession in preparing the draft rather than seeking

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<sup>2</sup> *Wagamama Ltd. v. City Centre Restaurants plc* [1995] FSR 713

<sup>3</sup> *Barclay's Bank plc v. RBS Advanta* [1996] RPC 307 Laddie J.

comments on an existing draft. In Australia there were several round table meetings with the profession before any drafting started.

We understand the financial constraints imposed upon government departments and also the time constraints on the drafting departments. However, we feel the introduction of the proposed new Bill in its current form will leave the law in Hong Kong in a state of serious uncertainty. We recommend that this Bill is not pushed through to enactment but that we take a step back and take time to reflect upon whether it is right for Hong Kong at the moment. There is **no urgency** for the implementation of the new trade marks law. We are not in the situation that we were with the Copyright, Design and Patents legislation which required amendment to divest Hong Kong of reliance on the United Kingdom laws.

### **Our Submissions**

We have attached our submissions on the most pertinent sections of the draft Bill which we feel require significant amendment. We do however have comments on a number of other sections but have already passed those comments to the Intellectual Property Department and perhaps do not wish to crowd the issues with the Legislative Council on those less important issues.

We would be happy to attend at the Bill's Committee to explain and/or to expand upon our submissions. In the event that you have any questions, please feel free to contact Mr. Paul Scholefield on 2825 9238.

Yours sincerely,

Paul Scholefield

Encl.

## **PART A: REGISTRABILITY ISSUES**

### **OVERVIEW**

It is understood that the Bill aims to:

1. remove the requirement that a mark must possess at least some inherent capacity to distinguish to qualify for registration;
2. abolish the two Parts A and B system and apply the old Part B concept of registering a mark capable of becoming distinctive; and
3. introduce a presumption that a mark should be registered unless there is a specific objection to it.

It is submitted that the Bill may not achieve these aims.

#### **1. Inherent distinctiveness - Clause 3**

Our concerns are that:

1. the wording of Clauses 3(1) and 10(1) & (2) may in combination be interpreted as requiring that a sign possess inherent capacity to distinguish in order to qualify as a trade mark;
2. the use of two different terms referring to the distinctiveness of mark, namely “capable of distinguishing” in clause 3 (1) and “devoid of distinctive character” in Clause 10(1)(b) lends itself to the conclusion that the terms are not identical in meaning.

#### **2. Devoid of any distinctive character - Clause 10**

The provisions of Clause 10(1) of the Bill arguably apply a much lower standard of distinctiveness than under the current Ordinance. The expression “devoid of any distinctive character” on the face of it would exclude from registration only marks wholly lacking in any distinctive character that cannot be proven to have acquired distinctiveness through use. Where a mark has some distinctive character, no matter how small, it should qualify for registration.

We must carefully consider firstly if this is what is really intended to be introduced into the Hong Kong law and secondly whether the new tests are in the best interests of Hong Kong.

It is believed a test of capable of becoming distinctive may be better for Hong Kong.

#### **3. Presumption of Registrability**

If it is the intention of the new law to include a presumption of registrability, this should be specifically provided for to bind both the Registrar and the Courts.

## **SUBMISSIONS**

### **Inherent distinctiveness**

Clause 3(1) defines a trade mark as meaning “any sign which is capable of distinguishing the goods or services of one undertaking from those of other undertakings and which is capable of being represented graphically”.

The use of the words “capable of distinguishing” in clause 3(1), particularly when read in conjunction with Clause 10(1), may be construed as adding an additional element to the registrability of mark which was not intended by the Bill, namely that a sign must have some inherent capacity to distinguish.

A sign must satisfy the definition of a trade mark before the question can be asked whether it possesses sufficient distinctiveness to qualify for registration under Clause 10(1). If it fails on this first count, the provisions of sub-Clauses (b), (c), and (d) do not come into play. The issue is to be determined as at the application date and without any account of evidence of use<sup>1</sup>. Clause 3(1) requires a sign to be capable of distinguishing. This suggests that prima facie the sign must be capable of distinguishing in order to qualify as a mark and the issue of use cannot be taken into account. Does this therefore serve to retain in the new Bill the requirement that a mark have an inherent capacity to distinguish as of the application date? It is submitted that arguably it does.

The words “capable of distinguishing” are taken from the existing Trade Marks Ordinance and have been considered by the Courts. The meaning of these words is clear.

Clause 10(1) specifies what should be refused registration. Clause 10(1)(a) refers to signs which do not satisfy the definition of trade mark in Clause 3(1). This provision is probably primarily intended to catch those signs which are incapable of being represented graphically and which cannot function to distinguish the goods or services of one proprietor from those of another. This interpretation sits comfortably with Clause 10(2) as whether or not a sign has been used is not a relevant consideration in determining whether the sign can operate as a trade mark. Whether or not that trade mark is registrable or protectable is another issue.

However, this intention is not necessarily spelt out by the draft Bill because of the use of the words “capable of distinguishing” in Clause 3(1). These words seem to introduce a distinctiveness requirement into the definition section in addition to different distinctiveness requirements for registrability purposes in Clause 10(1)(b), (c), and (d). Moreover, because of the specific exclusion of Clause 10(2) to clause 10(1)(a) that distinctiveness requirement in the definition section is arguably an inherent requirement.

If the intention of the Bill is:

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<sup>1</sup> *Clause 10(2)*

(a) to define trade marks in Clause 3(1) as signs intended to distinguish the goods or services of one proprietor from those of another and which can be represented graphically; and

(b) to set the standards for distinctiveness in Clause 10(1)(b),(c) and (d),

this may be better or more clearly achieved by replacing the words “capable of distinguishing” in Clause 3(1) with words such as “any sign for the purpose of distinguishing the goods or services of one undertaking ...” or even “any sign for distinguishing the goods or services of one undertaking...”.

This wording removes the potential risk of a Court requiring that a sign possess inherent capacity to distinguish before it can be considered to be a trade mark and also the ambiguity arising from the 2 distinctiveness tests.

Similar provisions have been adopted in the UK 1994 Act and were discussed by Jacob J. in *British Sugar plc v James Robertson & Son Ltd.*<sup>2</sup>.

In his decision Jacob J. said of the corresponding UK provisions<sup>3</sup>:

“But what about *capable of distinguishing*? Does this add any requirement beyond that found in Section 3(1)? Section 3(1)(b) bars the registration of a mark which is *devoid of distinctive character* unless it has *in fact acquired a distinctive character*. I cannot see that the closing words of the first sentence of Section 1(1) add anything to this. If a mark on its face is non-distinctive (and ordinary descriptive and laudatory words fall into this class) but is shown to have a distinctive character in fact then it must be *capable of distinguishing*. Under Section 10 of the old Act, for a mark to be registrable in Part B, it also had to be *capable of distinguishing*. But the Pickwickian position was that some marks, even though 100% distinctive in fact, were not regarded as *capable of distinguishing* within the meaning of that provision. I do not think the Directive and the 1994 Act take this more limited meaning over”.

Jacob J. therefore took the view that the words “capable of distinguishing” in the definition of a trade mark did not add to the registrability tests under the equivalent of our sub-Clauses (b), (c), and (d) of Clause 10(1) and that if a mark lacked inherent capacity to distinguish, evidence of use was required to support its registration.

However, the judge’s comments were *obiter* and he was not called upon to specifically consider in that case whether the mark actually constituted a trade mark within the meaning of the Act or whether any connection existed between UK Sections 1(1) and 3(1)(a). These issues have not been considered before the UK Courts and even if they had been any decisions would not be binding on a Hong Kong Court.

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<sup>2</sup> [1996] RPC 281

<sup>3</sup> *Supra* at page 305

These clauses are clearly open to interpretation. It is not Hong Kong's intention to reenact the requirement that a mark must possess some degree of inherent distinctiveness to be registrable, even though it may be 100% distinctive in fact. This ambiguity must be clarified before the new law is enacted.

### **Devoid of any distinctive character**

Clause 10(1)(b) refers to the expression "devoid of any distinctive character". This is a new test for Hong Kong and has been taken from the new UK Act. The words at face value would suggest that any mark which has a degree of distinctive character, no matter how small, should be regarded as inherently distinctive. It is unlikely that this is the intention behind the new law. It is also arguable whether it is in Hong Kong's interests to introduce a new test for distinctiveness when we could adopt the "capable of becoming distinctive" test which is already known to us and has been judicially considered.

Jacob J. in the *British Sugar* case<sup>4</sup> considered the meaning of "devoid of any distinctive character" and stated that it is "the sort of word (or other sign) which cannot do the job of distinguishing without first educating the public that it is a trade mark"<sup>5</sup>. He then went on to consider the effect of the UK equivalent to our Clause 10(2) and stated: "The proviso really means "has the mark acquired a sufficiently distinctive character that the mark has really become a trade mark"<sup>6</sup>. He concluded that in the case of a highly descriptive mark, such as TREAT, compelling evidence is required to establish factual distinctiveness.

This test has so far been accepted in the UK and has also been referred to in Australian decisions<sup>7</sup>.

The Australians have adopted distinctiveness criteria based upon the phrase "capable of distinguishing". To what extent the Australian test of distinctiveness differs from the UK position has not been judicially determined, but to date the decisions from the respective jurisdictions appear to be applying similar criteria.

It is important to consider whether it is appropriate for Hong Kong to adopt the UK test of "devoid of any distinctive character". We must consider how that phrase may be interpreted in Hong Kong. Does it really only exclude from registration marks which are totally devoid of distinctiveness or is it more in line with the existing Part B concept of capable of becoming distinctive? On the face of the words, the test is lower than the Part B test. Would Hong Kong prefer to stay with the stricter Part B test?

We must consider whether it is appropriate for Hong Kong to adopt a new basis of distinctiveness that has not been tested in the Hong Kong courts. Companies are not often prepared to take trade mark matters to the court for interpretation in Hong Kong. This means that we will be relying upon interpretation of the new provisions by the Registry. This is not in the public interest. Moreover, out of necessity, the Registry

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<sup>4</sup> *Supra*

<sup>5</sup> *Supra at page 306*

<sup>6</sup> *Supra at page 306*

<sup>7</sup> *See for example: Re Chocolaterie Guylian N.V. [1999] ATMO 28*



must look to the UK for guidance and this may also not be in the interests of or at times even relevant to Hong Kong as the UK position is influenced very largely by the European dimension.

We must consider whether Hong Kong might not be better staying with a Part B type test, perhaps such as the test adopted in the new Australian legislation. This would provide us at the outset with a known and judicially tested definition and possibly also a body of new Australian case law to look to which is not influenced by external factors such as those affecting the UK law.

We must consider whether it is in our interests to move into a position of uncertainty that may only be clarified by decisions from our own Courts, which may be few and far between? It will also be some time, perhaps years, before any useful bank of Registry precedents exists.

We must consider what marks we wish to regard as being inherently distinctive. Perhaps before deciding whether the UK criteria is best for Hong Kong, the Registry should, as a starting position, draft a practice manual setting out those types of marks to be considered as inherently registrable and those to be regarded as inherently non-distinctive. This is an exercise that has never been done in Hong Kong as we have had the luxury of being able to rely on the old UK Work Manual. However, it would assist us in determining what the right standard of distinctiveness is for us.

Now that Hong Kong has severed its ties from the UK, we should think carefully about what suits us as an independent jurisdiction, taking into account our links with China politically and geographically, our court system and the realities of trade mark registration and protection here. Only then can we properly decide whether we should use the UK tests for distinctiveness, adopt the “Part B” criteria as the Australians have done or adopt our own test for distinctiveness.

### **Presumption of Registrability**

The current approach of the Registry is to examine an application from the perspective that the mark is not registrable. It is possible that the Registry may adopt a more liberal attitude in the examination of marks under the new law. However, it is equally likely that it will continue to raise somewhat spurious objections to marks and put the onus on the Applicant to prove that the mark is registrable.

Moreover, as has been seen in the UK following the decision in the *British Sugar* case, what may satisfy the Registrar may not necessarily satisfy the Court. Further, the extent to which previously unregistrable marks are now registrable in the UK is not as great as was expected at the time the UK legislation was enacted.

If it is the intention of the new law to include a presumption of registrability, this should be specifically provided for to bind both the Registrar and the Courts.

If it is the intention that owners of marks ultimately have the onus of showing that their marks are registrable, the proposed wording of clause 10 is appropriate.

## **PART B: INFRINGEMENT**

### **OVERVIEW**

We are not sure of the aims of the Bill for infringement.

The aim should be to widen the infringement rights of registered proprietors and to simplify the infringement procedure.

#### **1. Confusing similarity - Clause 17**

Our concern is that this section actually restricts the rights of proprietors for some types of infringement.

Under Clause 17(2)(b) if an infringer uses a mark which is similar to a registered mark on identical goods the proprietor has to show that there will be public confusion before he can succeed in an action for infringement.

It is our recommendation that Clause 17(2)(b) be deleted or otherwise be revised so that the text for infringement returns to provide the relief was available under the Trade Marks Ordinance (as amended by the WTO Amendment Ordinance) ie no confusion is necessary.

#### **2. Comparative advertising - Clause 17(7)**

The Bill aims to permit comparative advertising so long as it is fair.

This clause was copied from Section 10 of the United Kingdom Trade Mark Act. The section has been the subject of review in *Barclay's Bank v. RBS Advanta*.<sup>1</sup> The drafting of the United Kingdom section was heavily criticised by Laddie J. who thought that the drafting was a mess.

Clause 17(7) should therefore be reviewed particularly the phrase "*if the use is without due course and takes unfair advantage of*."

#### **3. Rules of Evidence - Clause 77**

The Bill aims to remove the requirement for the Registrar to be bound by the rules of evidence.

This causes us concern as the rules of evidence keep litigants/opponents on an equal footing.

We do not recommend that this clause be retained. The Registrar should be bound by the same rules of evidence as the Court considering matters on appeal from the Registrar.

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<sup>1</sup> *Barclay's Bank plc v. RBS Advanta* [1997] RPC 307 Laddie J.

Since the Civil Evidence Ordinance has recently been amended to make the introduction of hearsay evidence more straightforward, there is no reason why the Registrar should feel concerned that he will not have before him all relevant probative matter.

## **SUBMISSIONS**

### **Clause 17**

This clause sets out the activities which infringe a registered trade mark. It is noted that this clause is largely derived from Section 10 of the Trade Marks Act 1994 in the United Kingdom although it does not adopt identical wording.

### **Clause 17(2)**

This clause introduces into the law the requirement for confusion on the part of the public before infringement can be established.

This seems to us to present a significant problem in the Hong Kong situation. For example, use of similar trade marks in relation to identical goods in the Temple Street or Golden Arcade situation will not amount to infringement.

It is often clear to purchasers when purchasing a product in Temple Street that they are not purchasing the genuine product and as such they are not confused. However, there is still damage to the reputation of the proprietor in the circulation of products bearing similar trade marks. For example, the use of the trade mark “CHANNEL” on perfume; Chanel may not be able to take any action under the infringement law as customers may not be actually confused.

This cannot be the intention of the Government. Hong Kong has been on the special watch list of the United States for failing to protect proprietors and Hong Kong proposes to have an anti-piracy law which must be intended to cover these types of infringement.

There is a further dichotomy in that under sub-Clause 4 of Clause 17 the proprietor of a famous trade mark may be able to protect the mark for use on unrelated goods but may not be able to protect the mark for use on identical goods if he cannot show public confusion - see *Kitchin & Mellor*<sup>2</sup> for comment on the UK equivalent section.

Clause 7 of the Trade Marks Bill seeks to clarify references to use “likely to cause confusion” but in fact that clarification muddies the waters even further.

The addition of whether “use is likely to be associated with an earlier mark” does not take us further forward.

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<sup>2</sup> *Trade Marks Act 1994 Page 27-31*

This wording has been considered in the United Kingdom in *Wagamama*<sup>3</sup>. The Plaintiff argued that the phrase in Section 10 “which includes the likelihood of association with the trade mark” imported a new and enlarged basis for infringement into United Kingdom trade mark law covering confusion in the classical sense and also a mere association between the marks even if there was no possibility of a misapprehension as to the origin of the particular goods or services. Laddie J. was not convinced by this argument. At page 731 in his decision he states “... As it is, no such clear and unambiguous words have been used and the language of the directive and the 1994 Act is consistent with the rights being restricted to classical infringement”.

In fact, it is clear from discussion in *Wagamama* that likelihood of association was taken from the Benelux trade mark law. We wonder what relevance this has to the Hong Kong position.

We therefore take the view that it is inappropriate to adopt into our law wording taken from the laws of other countries which has been interpreted in those countries and found to be ambiguous.

It is our recommendation that Clause 17(2)(b) be reviewed so that the test for infringement returns to the relief that was available under 1938 Trade Marks Ordinance as amended by the WTO Amendment Ordinance so that use of a similar trade mark on identical goods, as a trade mark, is sufficient to establish infringement.

It is also recommended that Clause 7 be reviewed in the light of the interpretation of “likelihood of association” in *Wagamama*.<sup>4</sup>

### **Clause 17(7)**

This clause is copied from Section 10(6) of the United Kingdom Act and purports to permit comparative advertising provided that it is in accordance with honest practices in industrial and commercial matters and does not take unfair advantage of or be detrimental to the distinctive character or repute of the trade mark.

Section 10(6) of the United Kingdom Act has been considered in *Barclay’s Bank v RBS Advanta* before Laddie J. who commented in his judgment that the drafting of this provision was “a mess” particularly with regard to the proviso contained in the second paragraph.

It would seem irrational for Hong Kong to adopt the identical wording which a learned Justice of the Chancery Division in the United Kingdom has described as “a mess” in the drafting. We recommend that this clause be re-written.

Since the intention is to follow the United Kingdom in relation to comparative advertising, we recommend that the decision in *Barclay’s Bank plc v. RBS Advanta* be considered and the clause be amended appropriately.

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<sup>3</sup> *Wagamama Ltd. v. City Centre Restaurants plc* [1995] FSR 713

<sup>4</sup> *Supra* at 3

## **Clause 77 - Application of Rules of Evidence**

This section states that the Registrar is not to be bound by the rules of evidence when considering contentious matters before him. We are astounded that the Intellectual Property Department has included this section.

The Intellectual Property Department comments that it finds *the St. Trudo*<sup>5</sup> trade mark decision unacceptably inflexible. This is not acceptable. The *St. Trudo* trade mark decision is a decision of the United Kingdom Court under the U.K. Trade Marks Act of 1938 considering whether the Registrar of Trade Marks could consider hearsay evidence when the admission of the evidence did not follow the rules which the Court would normally apply admitting hearsay evidence. The Court in the United Kingdom decided that since Registry matters may be appealed to the Court when those matters are before the Court; the Court should be considering them on the same grounds as the Registrar considered them. The Court is bound by the rules of evidence.

Firstly, the ratio of *St. Trudo* is a very sensible one. If there remains an appeal from decisions of the Registrar to the Court, the Court should be in the same position as the Registrar on evidence when considering an appeal. This is a logical conclusion. If the Registrar does not want to be burdened by the Rules of Evidence then appeals from the Registrar should be to an administrative body on like terms.

Clauses 83 of the Bill provides for appeals to the Court so logically the rules of evidence should apply before the Registrar.

However, more importantly the rules of evidence are there to ensure that both parties to a dispute proceed on like terms. The current position before the Registrar of Trade Marks now is that drafting of documents and the admission of evidence in contentious proceedings is extremely haphazard and often of a very poor quality. This should not be encouraged.

We presume that the Registrar is concerned mostly with hearsay evidence since the old rules of evidence were extremely strict on the admission of this evidence. However, the Civil Evidence Ordinance in Hong Kong has recently been amended to make the introduction of hearsay evidence more straightforward and as such the Registrar's concern in that regard has now been removed.

We do not find the IPD's comments particularly helpful. There is no explanation as to why *St. Trudo* is considered to be inflexible. The decision in *St. Trudo* is a sensible one and if anything should be enshrined in the new Bill.

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<sup>5</sup> *St. Trudo* [1995] RPC 370

## **PART C: POST REGISTRATION ISSUES**

### **OVERVIEW**

Our primary concerns are summarised below.

#### **1. Registered Trade Marks as Objects of Property - Clause 25**

Clause 25(5) provides for a method of execution by corporations without recognising that these corporations may have their own internal rules (eg. Articles of Association) for formal execution. Clause 25(5) may be inconsistent with the rules of some corporations.

Clause 27(3) does not address the circumstance where a third party claiming rights prior to an application for registration of a licensee's interest is wilfully blind.

Clause 27(4) does not address possible contractual rights of licensees to claim damages or account of profits before the relevant transaction date. Further, uncertainty from the meaning of "*registered*" may mean that delays by the Trade Marks Registry in processing an application for registration may mean that licensee's rights to sue for post-transaction date infringements will be seriously hindered.

#### **2. Licensing of Registered Trade Marks - Clause 34**

Clause 34(6) uses the imprecise term "*takes part*". It is not clear what this exactly covers and what needs to be engaged in for the relevant party to "*take part*" in proceedings.

#### **3. Proceedings Affecting Registration - Clause 50**

Clause 50(2) fails to recognise that it is not only "*names*" which may become common to the trade to entitle a revocation action. Devices and three-dimensional marks may also become common to the trade.

The limitation of the right to alter a trade mark registration to only name and address under Clause 53(2) does not accord with overseas practice or trends.

Also, should it sufficient for a challenge to an earlier registration based on acquiescence that the earlier owner knew of the later trade mark under Clause 57? Should knowledge of one's legal entitlements to prevent the use of that later trade mark also be required?

#### **4. Paris Convention and Well Known Trade Marks - Clause 61**

Clause 61(2) does not address that there is still a risk of public deception arising from use of a trade mark otherwise considered to be well-known if that use commenced before the new Ordinance.

The enforcement of rights under well-known trade marks under Clause 62(3) should correspond with the infringement proceedings for registered trade marks.

## 5. Administrative and Other Supplementary Provisions - Clause 88

Clause 88 allows for the possibility of including Saturday as a “business day”. This is inconsistent with international practice.

## 6. Offences - Clause 95

For Clause 95, the same definition of a “*director*” as is used in the Companies Ordinance should apply. Also, there is a drafting error in including a manager as an officer of a company.

## SUBMISSIONS

### Part IV - Registered Trade Marks as Object of Property

Clause 25(5) provides for the method of execution of an instrument of assignment or transmission by corporations. This states that the affixing of the common seal is one way in which corporations may sign such documents.

This does not recognise that the Articles of Associations of different companies may provide for different methods of execution. As such, it is possible that an instrument signed by a company may comply with the Bill but not with its own Articles of Association. This potential conflict needs to be resolved by perhaps inserting “*subject to any other method which may be specified by the Articles of Association or other rules of the corporation governing execution of documents on behalf of the corporation*”.

Clause 27(3) provides that until application for registration of a registrable transaction (e.g. assignment, licence, security etc) has been made then it is ineffective against another person acquiring a conflicting interest in the registered mark. That other person must have acquired that interest “*in ignorance*” of the registrable transaction.

This does not address the possibility of that other person being wilfully blind to the presence of the prior interest. Such a person may be as culpable as someone who is aware of the prior interest but attempts to defeat this prior claim. The term “*in ignorance*” is also an unusual one.

Under Clause 27(4) of the Bill an assignee or licensee of a trade mark is not entitled to damages or an account of profits in respect of any infringement which has occurred after the date of the transaction unless an application for registration of the transaction is made within a period of six months of the date of the transaction. The intention of this clause is clear.

However, it appears that the assignee/licensee may obtain damages or an account of profits in respect of infringements occurring before the relevant transaction date if the document under which the claim to trade mark rights is derived includes a contractual provision which enables the assignee/licensee to take action in respect of infringements which have occurred before the date of the transaction. While it is acknowledged that this situation would arise very rarely, this possibility should be addressed by the Bill

There is a further possible issue regarding the wording of Clause 27(4). The final proviso of that clause states that the entitlement to damages/account of profits will not apply until “the prescribed particulars of the transactions are registered”. It is not clear from the earlier sub-clauses of Clause 27 whether a registrable transaction will be taken as having been registered on the date that the application for recordal is filed or whether the date of actual registration is adopted (meaning that the Registrar may delay the “registration” of the transaction by raising objections to registration). Thus, it appears that if the date of actual registration is taken then the assignee/licensee’s entitlement to damages or an account of profits may rest upon the speed of processing of registrable transactions by the Registrar. However, Rule 33 of the draft Trade Marks Rules (which covers entry in the Register of particulars of registrable transactions) does clarify this issue.

#### **Part V - Licensing of Registered Trade Marks**

Clause 34 relates to the rights of certain exclusive licensees.

Clause 34(5) provides that if proceedings are commenced by a licensee for infringement then the owner must be joined as a plaintiff or added as a defendant and vice versa. Clause 34(6) states that the person who is so joined or added is not liable for costs in the action unless he “*takes part*” in the proceedings. The term “*takes part*” is not sufficiently clear. If the joined/added party merely provides evidence in the proceedings then will this constitute taking part?

#### **Part VII - Proceedings affecting Registration**

Clause 50(2) sets out grounds for revocation actions. Clause 50(2)(c) provides that a registration can be revoked if, due to the inactivity of the owner, the trade mark has become a “*common name*” in the trade for the goods or services. This does not address the situation where the mark is not a “*name*” but is a device mark or a 3-dimensional mark.

Clause 50(8) relates to use of a mark for services performed overseas. This clause is poorly drafted and difficult to understand.

Under Clause 50(3)(b) of the Bill, the act of applying the trade mark to goods or to the packaging of goods in Hong Kong solely for export purposes is deemed to constitute use of the mark in Hong Kong which will be available as a defence against a revocation action brought on the grounds of non-use. Despite the existence of this specific term, the provision in Section 37(2)/(2A) of the existing Trade Marks Ordinance empowering the Court or Registrar to impose limitations on the mark sufficient to permit that mark to co-exist on the Register with a conflicting mark which is actually used in Hong Kong have not been carried over into the Trade Marks Bill. In view of Hong Kong’s status as a transshipment centre, consideration may be given to including such provisions even though they are not present in the legislation of other Countries such as the United Kingdom.

Under Clause 53(2) of the Bill, the Registrar is empowered to allow the alteration of a registered trade mark which contains or consists of the owner’s name or address (but only to the extent that the alteration does not substantially affect the identity of the trade mark). Other jurisdictions (such as the United States) allow cosmetic changes to be made



to trade marks in order to cover situations such as the modernisation or up-dating of a logo provided that this does not substantially affect the identity of the mark. At present, alterations of this nature are allowed in Hong Kong and it is regrettable that the restrictive provisions of the Trade Marks Bill will remove this flexibility. This change will therefore necessitate the filing of replacement applications in the case of any amendment to a trade mark which does not relate to the owner's name or address. It is noted that Clause 50(3)(a) states that use of a trade mark "in a form which differs in elements which do not alter the distinctive character of the trade mark in the form in which it was registered" may be relied upon as a defence to non-use revocation proceedings. If flexibility is given in this respect, it is arguable that recognition should also be given to the possibility of alteration of the mark on the Register.

Clause 57 provides for the right of a registered owner to deny an earlier trade mark owner's rights if the earlier owner had acquiesced for 5 years in the knowledge of the use of that earlier mark. Should there also be a requirement that the earlier trade mark owner was aware of his or her legal rights to challenge that registration?

### **Part IX - Paris Convention and World Trade Organisation Agreement: Supplementary Provisions**

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Clause 61(2) allows the continuation of use in good faith of a trade mark which commenced before the date of commencement of the new Trade Marks Ordinance which covers a mark which would otherwise be recognised as well-known. While this provision is consistent with the wording of Hong Kong's obligations under relevant International Agreements, it presents a fundamental conflict, in that use of a trade mark which may be recognised immediately as a well-known trade mark belonging to a third party under Clause 61 of the Bill is inherently deceptive, even if the use is undertaken in good faith. If the mark is sufficiently recognised by consumers as to qualify as a "well-known mark", the use of the mark by any third party must surely result in deception.

Under Clause 62(3) protection of certain trade marks is extended to "goods or services which are the same as or are of a similar kind to those in relation to which it indicates control and warranty...". Ideally, the terminology used in this section should be consistent with Clause 17 (infringement) which refers to use of a trade mark "in relation to goods or services which are identical or similar to those for which [the mark] is registered".

### **Part X - Administrative and Other Supplementary Provisions**

Under Clause 88 of the Bill, the Registrar may specify that Saturday is a "business day". This is not consistent with international practice. Furthermore, it should be clearly specified that documents may be filed up to midnight on any particular day and provision should be made for on-line and physical filing of documents using, for instance, a deposit box which automatically locks at midnight. The fact that other institutions in Hong Kong may also be open on Saturday is not relevant, because other institutions are not affected by International Agreements affecting claims of priority rights obtained through physical filing of documents.

## **Part XXII - Offences**

Clause 95 relates to offences committed by and proceedings relating to corporations

Clause 95(1) states that “a director, manager, secretary or other similar officer of the corporation” may be liable for offences committed by a corporation. There is a drafting error here in that a manager is not an officer of a company - only directors and secretaries are company officers. There is also a question of whether liability should extend to these types of persons.

Clauses 95(3) and (4) define “director” for the purposes of Clause 95. The definition should follow the more detailed definition of a director from the Companies Ordinance to ensure consistency.