

Att: Ms Odelia Leung  
Clerk to the Bills Committee

22 October 1999  
By fax only: 21210420

Dear Madam

**TRADE MARKS BILL**

I take this opportunity to provide comments on the draft bill.

First, I believe the government and all contributing departments have done a GOOD job in updating the trade mark law to reflect changes which have been put into effect in other common law countries like Australia, New Zealand and the United Kingdom. The vast majority of the changes are very welcome and eagerly awaited. Some of the changes are summarised below:

- . Part A and Part B of the register to be combined
- . owners of unregistered “well known” marks can oppose marks applied for in relation to goods/services on which the “well known” mark has not already been used.
- . registration and renewal period will be a uniform 10 years; instead of the present 7 years for the initial registration and 14 years for each renewal
- . multi-class applications will be available - that is, a single application can claim goods and/or services falling in more than one class
- . marks which are proven to be distinctive through use will be allowed even if they are prima facie not distinctive
- . cancellation based on non use. The onus will be on the proprietor to prove use and not the applicant to establish there has not been use
- . no need to record a licensee of a registered mark to obtain benefit of licensee’s use
- . no prohibition on sub-licensing
- . will recognise the assignment of pending applications
- . limited comparative advertising to be allowed
- . associations of similar marks will not be required

I recognise that in drafting some aspects of the new law the legislature must consider and balance practical and policy considerations. I do however believe that the *above* comments on the majority of the changes are beneficial to the business community are supported by them.

My comments on a few areas which have been controversial follow. Please note that while I am also a member of various organizations with a keen interest in this Bill, the following comments are purely personal and do not necessarily reflect the views of the organizations of which I am a member or the views of our firm's clients.

### **Section 11(8) - Letters of Consent**

The Registry should regard letters of consent as being conclusive in determining whether marks should be permitted to coexist on the Register. Letters of consent are not given lightly by corporations since:

- (1) they are essentially trade rivals whose fundamental aim is to secure the largest market share;
- (2) they risk diluting their own rights by offering consent to other parties; and
- (3) they may be the final stage of costly and time consuming negotiations which have lasted for several years.

Further, corporations are cautious about requesting letters of consent since any approach may be construed as meaning that the requesting party believes that the marks are confusingly similar. The Registrar's practice in the United Kingdom is to regard letters of consent as being conclusive in determining whether entries should be allowed to coexist on the register. I believe this is the proper approach and that the Hong Kong Registry should also adopt this approach.

### **Section 24 - Groundless threats**

The legislative need to consider whether it is in the interest of society for companies to make groundless threats of infringement against other parties who are typically their competitors..

Groundless threats of court action result in the incurring of management time and very often legal expenses. They also cause disruption to business and very commonly anxiety to those who have to deal with such threats. You will doubtless be aware of that businesses need to focus all their energy, time and financial resources to remain competitive in this difficult economic environment. The legislative may regard it as being proper to give business every support in this endeavour.

The proposed cause of action against parties making groundless threats would be some deterrent to parties issuing threats lightly or in a cavalier manner. By keeping it open for legal advisors to be sued for groundless threats it may also mean that they are more careful in advising their clients. Of course this should not be interpreted to say that experienced legal advisers in the area of intellectual property are not being a careful at this time.

If there is a basis for an infringement action neither the rights owner or their lawyer should feel threatened by the proposed provision. Of course there may be some situations where the rights are not obviously clear but in those circumstances the rights owner has the option of

immediately filling a writ which would not expose him to a claim for groundless threats. Alternatively the solicitor should take particular care in drafting the cease and desist letter. Further, in such borderline situations the legislative may take the view that defendants should not be put to the trouble and cost of considering whether to respond simply because there is a threat which may not be supported by court action.

The legislative may take the view that it is not unreasonable to raise a deterrent to parties, and their advisors, who have no compunction about asserting that they have a right to demand that certain actions should be stopped and that the recipient of the letter should also pay costs and damages.

From time to time letters before action (also known as cease and desist letters) may be sent to try to intimidate another party who is seen to have less financial resources or sophistication and who it is hoped will succumb to such threats..

Groundless threats provisions already exist in the Designs Ordinance and Copyright Ordinance.

Having said that, and being aware of contrary views, it should be noted that few matters proceed to trial for a number of reasons. Some of the reasons are related to cost, time, uncertainty of the result and the desire to spend efforts on the positive endeavour of creating goods or providing services. The reluctance to proceed to trial where a plaintiff has grounds would, I suggest, also extend to recipients of letters of demand threatening proceedings. That is, whilst a party may seek to respond by threatening an action based on groundless threats the likelihood of such an action being taken is likely to be low compared to the number of cease and desist letters which are sent out.

### **Section 88(2) excluded day**

Saturday should be regarded as being excluded day for the purposes of meeting any deadlines which are imposed. Saturday should be treated in the same way as Sunday and other public holidays.

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In conclusion I would re-iterate that the vast majority of the changes are welcome since they reflect the desires of the business community and in many cases reflect changes which have occurred in the commercial environment since the current Ordinance was drafted in the early 1950's. Please let me know if you would like me to clarify any of these comments.

Yours sincerely

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