

**REVISED JOINT WRITTEN SUBMISSIONS TO THE BILLS
COMMITTEE
ON
THE TRADE MARKS BILL (“THE BILL”)**

**THE LAW SOCIETY OF HONG KONG AND THE HONG KONG GROUP OF THE
ASIAN PATENT ATTORNEYS ASSOCIATION**

JOINT WRITTEN SUBMISSIONS TO THE BILLS COMMITTEE ON THE TRADE MARKS BILL (“THE BILL”) BY THE LAW SOCIETY OF HONG KONG AND THE HONG KONG GROUP OF THE ASIAN PATENT ATTORNEYS ASSOCIATION

EXECUTIVE SUMMARY

1. We support any effort to improve the rights of trade mark proprietors and to the extent the Bill sets out to achieve this we support it.
2. In so far as amendments is required to modernise the law (which we accept is desirable), we would prefer this to be effected in accordance with the language of the present law without necessarily introducing completely new legislation, noting that the Bill is largely a re-enactment of European civil law based legislation.
3. Any reform should take into account Hong Kong’s needs. The Bill has little impact on questions of infringement other than in respect of well-known marks and similar goods/services (which we support), but infringement may be more difficult to prove in respect of similar marks.
4. The Bill has a significant impact on registration procedures and the administration of justice (ie threats actions). These proposals are widely opposed by some practitioners.
5. Criteria for registration of signs “capable of distinguishing” is too narrow (eg colours, shapes).
6. Criteria for protecting well-known marks is too constrained.
7. No good reason for changing the test for infringement from an objective to a subjective one. Definition of “association” needs to be improved.
8. Provision should be made for infringement by electronic means (including over the internet).
9. Provision should be made for infringement by making packaging for use outside Hong Kong (in the light of the Beautimatic (1999) decision).
10. The provision for comparative advertising is unnecessary and too broad in any event.
11. The exhaustion of rights provision is too broad and changes the existing law.
12. “Threat of proceedings” actions are unnecessary in Hong Kong.
13. Time for registering transactions is too inflexible.
14. Time limits and extensions of time. **The proposals are widely condemned.** The matter needs to be reviewed and the proposals re-drafted, either maintaining the current system or, for example, adopting the Australian approach.
15. Recognition of agents. We propose a register of trade mark agents.

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A PRELIMINARY

1. Background

The proposed amendment and consolidation of the law relating to trade marks has met with considerable interest among professionals engaged in the practice of intellectual property law in Hong Kong. Hong Kong has had a trade mark law for over 100 years and the present law stems, with amendments, from 1954. It is modelled on the UK Trade Marks Act 1938. It was amended in 1991 to provide for trade marks for services and was most recently amended in May 1996 to comply with Hong Kong’s obligations under the World Trade Organization. We support any effort to improve the rights of trade mark proprietors and to the extent the Bill sets out to achieve this we support it.

2. The need for reform

We have been informed by the Intellectual Property Department (“IPD”) that reform of the trade mark law is “vital”. The reasons given include the need for the law to be TRIPs compliant and in accordance with the Basic Law. We agree. However, the present law is by and large TRIPs compliant and the only relevant aspect of the Basic Law so far as we are aware is language. In so far as amendment is required to modernise the law (which we accept is desirable), we would prefer this to be effected in accordance with the language of the present law without necessarily introducing completely new legislation.

Although there is always room for improving legislation, for reasons appearing below we consider that wholesale reform of the trade mark law using the UK model is not necessarily the best approach. Thus, there are aspects of the Bill which appear to have been included simply because they appear in the UK legislation, but are not in fact necessary in Hong Kong. We fear that not enough has been done to consider and learn from the experience (good and bad) of other jurisdictions.

Any reform should take into account Hong Kong’s needs. In terms of policy, the Bill has little impact on questions of infringement other than extending infringement to cover well-known marks and similar goods/services (which we support in principle), but infringement may be more difficult to prove in respect of similar marks if the likelihood of confusion also has to be proved (see our comments on Clauses 7 and 17 below).

3. Model for the law

It is apparent that many aspects of the Bill are included because they are found in the UK Trade Marks Act 1994 (“the UK Act”) without necessarily (so it seems) giving thought to the value or applicability of such legislation to Hong Kong. In particular, it should be clearly understood that reform of the UK trade mark law under the Trade Marks Act 1994 (“the UK Act”) was to bring UK law in line with the European Trade Marks Directive of 21 December 1988 (to harmonize European laws) and the Council

Regulation of 20 December 1993 (to introduce the Community trade mark). Much of the wording of the UK Act stems from this essentially civil law secondary legislation, in language unfamiliar to the common law. Hong Kong has no obligation to follow this legislation.

The UK Act represents a fundamental change in trade mark law, as confirmed recently by Walker LJ in the UK Court of Appeal in Procter & Gamble Ltd's Trade Mark Applications [1999] RPC 673 at 674:

“It is common ground that the Trade Marks Act 1994 marks an important departure. Authorities decided by reference to earlier statutes - in particular the Trade Marks Act 1905 and the Trade Marks Act 1938 [equivalent to the current law in Hong Kong] - may no longer be apposite. The 1994 Act is not a consolidating Act. It was passed in order to give effect to the Trade Marks Directive of the Council of what was then the European Economic Community (89/104). It must be construed in a manner consistent with its community origins and purposes”.

and at 675 (in the context of what was meant by a mark “devoid of distinctive character” - see our comment on Clause 10 below).

“The use in the 1994 Act of the word “distinctive” is not new in trade mark legislation. It played an important part in both the 1905 Act and the 1938 Act. But in those statutes it was defined. By contrast there is no definition of “distinctive” in the 1994 Act, either in the same terms or in different terms”.

This decision also quotes the judgement of Jacob J in Philips Electronics NV v Remington Consumer Products [1998] RPC 283: “[the] old law has been swept away.....We now have a European law and one cannot get any help from the details of the old law of any particular European country”.

4. Consultation - The Bill, Rules and Work Manual

A draft of the Bill and proposed Rules was issued for comment by interested parties on 31 December 1998, with a very tight deadline for submission of views on 30 January 1999. Our preliminary submissions were filed with the IPD on 26 January 1999. We were invited to make supplemental submissions which were filed on 2 March 1999. The Bill was published on 6 April 1999.

Although some of the matters we raised with the IPD have been addressed in the Bill, we are disappointed that a number of concerns have been ignored. Many of these are concerns of a purely practical nature - not policy issues - to make the law more workable. A number of these practical aspects will also be contained in the new Rules and in a Work Manual to be issued by the IPD. In this respect, we are most concerned that these practical matters will not be reviewed by the Legislature, but will be introduced by the Registrar under enabling provisions of the Bill (Clause 90).

Other procedural matters will be left entirely to the discretion of the Registrar. For example, Clause 40(3) of the Bill, which only allows representations or amendments in relation to a trade mark application to be made “within such period as the Registrar may

specify”. This is in contrast to the present law, which specifies the period and procedures for extending the time within which such action may be taken.

B SPECIFIC ISSUES

(“Clauses” refer to clauses of the Bill; “Response” refers to the IPD’s response of 19 April 1999)

1. Clause 3(2) - Combination of colours

According to its Response, the IPD accepts that a single colour may be registrable (eg ORANGE for telecommunications), but the words “combination of colours” has been retained. We propose that this be changed to “a colour or combination of colours”.

2. Clause 4 - Well-known trade mark

The Response states that because the Paris Convention refers to “well-known in that country”, this provision must refer to well-known in Hong Kong. However, under “the one country two systems” principle, the territory should extend to the Mainland and arguably Macau and Taiwan. In practice we would prefer to omit any reference to Hong Kong and simply provide for protection for well-known marks entitled to protection under the Paris Convention as provided by Clause 61(1).

3. Clauses 7 and 17 - Confusion and association

We are concerned about the change in emphasis for infringement in respect of “similar” marks. The existing objective test (ie as envisaged by a judge) is “a resemblance so near as to be likely to deceive or cause confusion”. It involves no consideration of the way in which the mark is used. Under the Bill, this test is changed to a two-fold subjective requirement of similarity and use likely to cause confusion on the part of the public (see Clause 17(3)(a) and 17(3)(b)). This is a narrower test than at present and would exclude from infringement all cases where it is argued that as a result of the way in which the defendant uses the mark, the public are not actually or likely to be confused. We consider that the present test (ie so similar as to be likely to deceive or cause confusion) should be preserved.

Clause 7 further provides for confusion to be judged by reference to the concept of confusion by “association” with another mark. This is a concept borrowed from the UK Act, but for some reason different wording is used in the Bill. Section 10 of the UK Act simply states that confusion includes the likelihood of association with another mark; by contrast Clause 7 of the Bill defines confusion to include use likely to be associated with another mark. In practice, the concept of association under the UK Act has not been found to expand the meaning of confusion beyond what judges already understood it to mean.

Given Hong Kong’s commitment to broadening the extent of trade mark protection, we prefer to maintain the existing test for similar marks (ie likely to deceive or cause confusion). We also suggest a possible amendment Clause 7 to state that confusion includes use which although not actually confusing any member of the public does by reason of being associated with [an earlier trade mark under 7(1) or registered trade

mark under 7(2) as the case may be] diminish the distinctive character of that mark. This reflects the existing wording of Sub-Clause 17(4) with respect to infringement of “reputable” marks used on non-similar goods or services, but it may be noted that this Sub-Clause does not extend to identical or similar goods and services.

4. Clause 10(1)(b), Clause 10(2) and 10(3) - Marks devoid of any distinctive character and unregistrable signs and shapes

We question the terminology in Clause 10(1)(b) for the refusal on absolute grounds of trade marks which are “devoid of any distinctive character”. A trade mark is defined by Clause 3(1) as any sign “capable of distinguishing the goods or services of one undertaking from those of other undertakings”. The meaning of the words “devoid of distinctive character” (as opposed to “not capable of distinguishing”) is unclear and leaves uncertain what may or may not be registered.

The words are subject to differing interpretations in European jurisprudence, and it has been suggested that previous UK decisions are incompatible with the Directive on this point (see opinion of the Advocate General in the Windsurfing cases C-108/97 and C-109/97). For these reasons, we believe that the exclusions of Clause 10(1)(a), (c) and (d) are sufficient and that Clause 10(1)(b) should be deleted.

To reflect the above, Clause 10(2) could be amended to state that a trade mark shall not be refused registration “if..... it in fact distinguishes or is capable of distinguishing the goods or services of the applicant as a result of the use or intended use made of it or any other circumstances”. (For reference, this wording is based on Section 41(5) of the Australian Trade Marks Act 1995).

Further we consider that an aspect of shape should not be excluded from registration, as provided by Clause 10(3), if it otherwise qualifies as a trade mark under Clause 3(1). The Registry or the courts may still decide that certain shapes are unregistrable on the basis that they are “not capable of distinguishing”, but should not in our view be prevented from registering functional, technical or valuable shapes that have are or have in fact become 100% distinctive. Registrable shapes may include functional containers such as the Coca-Cola bottle and Jif lemon dispenser, technical devices such as the Philishave rotary head shaver, or attractive items such as distinctive watch designs. Removing any constraint from registering such distinctive shapes would be widely welcomed by users of Hong Kong’s trade mark registration system.

5. Clauses 17(5)(g) and 17(6) - Electronic infringement

The meaning of trade mark infringement does not specifically extend to infringement by electronic means (including over the internet), although use in the course of trade or business may cover such means (see Clause 6 - references to use). We believe the reference to use on or as a business paper should be extended to any use on “documents” specifically to include electronic documents, whether or not in human readable form.

6. Clauses 16(2)(a), 16(3)(b), 17(5)(a) and 17(6)(a) - Application of sign to packaging

The decision in Beautimatic International Ltd v Mitchell International Pharmaceuticals Ltd (The Times 5 July 1999) has revealed a loop-hole in the equivalent UK Trade Marks Act (Section 10) such that the application of a trade mark to packaging or labelling intended for export and subsequent application to goods outside the jurisdiction does not infringe any provisions of the Act. To cure this defect (which would have serious implications with respect to pirate labelling or packaging activities taking place in Hong Kong), it is suggested that the following words be added to the following clauses:

“or would constitute an infringement if applied to goods in Hong Kong” at the end of Clause 16(2)(a);

“if applied to goods in Hong Kong” at the end of clause 16(3)(b);

“whether or not such packaging is to be applied to goods in Hong Kong or elsewhere” at the end of Clause 17(5)(a); and

“whether or not such packaging or labelling is to be applied to goods in Hong Kong or elsewhere”.

7. Clause 17(7) - “Comparative advertising”

The intention behind this clause, as it appears in Section 10(6) of the UK Act, is to permit honest comparative advertising. However, in its Response, the IPD indicates that the clause is intended to “protect vested rights” which does not seem quite right. “Vested rights” are rights acquired by another party, as provided under Clause 18(4).

Clause 17(7) is very broadly worded and clearly extends beyond advertising. For example, the provision of “MACDONALD-style” hamburgers would have to be shown not to be honest, to be used without due cause and to be taking unfair advantage of or be detrimental to the distinctive character or repute of the “MACDONALD” trade mark before it could be held to be an infringement. This clause is not well drafted and appears to be unnecessary. However, if it is to be retained, since it is intended to cover comparative advertising, the underlined words “...for the purpose of identifying in an advertising circular or other advertisement issued to the public goods or services as those of the owner of the registered trade mark or a licensee...” should be added.

8. Clause 19 - Exhaustion of rights

We note the intention to adopt the international exhaustion approach. This is a substantial change to the existing law, for which we are unaware there has been any call. In a free market, traders have the right to licence their rights territorially. There is currently much debate about “unauthorised” supply of trade marked goods in Hong Kong and the opportunities for counterfeiting and consumer harm that this provides. European law requires European exhaustion of rights on which the Hong Kong Bill has been modelled. However, we do not consider that the case for international exhaustion of rights in Hong Kong has been made out.

In any event, the proposed wording of this clause appears to be defective. It could be read to mean that once a trade mark owner has marketed goods under a trade mark anywhere, there is no infringement of that mark in relation to any future consignment of those goods. Accordingly, the wording we propose is:

“A registered trade mark is not infringed by the use of a trade mark in relation to any goods in respect of which the owner or any licensee of the trade mark has at any time expressly or impliedly consented to the use of that trade mark in Hong Kong whether by putting those goods on the market in Hong Kong or elsewhere.”

9. Clause 24 - Threats actions

We continue to see no justification for giving a potential defendant to a trade mark infringement action the right to sue a potential plaintiff for simply “threatening to bring an action” (note that threatening an action is not the same as or in the same category as threatening a person - we do not in any way condone the latter). There have been many cases establishing that an ordinary letter before action can constitute such a threat. Requiring the complainant to institute proceedings does not assist the parties to resolve matters out of court, as is very commonly done in Hong Kong. We continue to strongly oppose this unnecessary measure.

The further request to exempt practitioners representing their clients from being sued for threatening proceedings is for the proper administration of justice. Solicitors and barristers are officers of the court and (unlike other practitioners such as trade mark agents) have the right to institute legal proceedings and are governed by strict rules of conduct and ethics. The fear of legal proceedings against lawyers under this provision could unduly influence them from acting as they should in their client’s best interests. The proposed right of action extends to those merely “aggrieved” (including criminal importers of counterfeit goods - manufacturers have no right of action) by a “threat” of legal proceedings, which solicitors and barristers are statutorily empowered to institute. It is therefore wholly inappropriate, in our view, to restrain lawyers from carrying out their duties by allowing threats actions to be brought against them, unless of course the threatened proceedings are unprofessional in which case appropriate sanctions are already available.

10. Clause 27 (4(a)) - Time for registering transactions

We previously submitted that the 6 month period for registering a transaction should not begin on the “date of the transaction” (which is ambiguous) but upon the date of the document recording the transaction or, if later, the effective date of the transaction. It will be appreciated that the effective date of an assignment or licence may well be more than 6 months prior to the actual date of the agreement. Although the IPD comments in its Response that amendments to the Bill have been made, this does not appear to be the case and the issue we have raised has not been addressed. We therefore propose amendment of this Clause.

11. Clause 40(3) - Time limits for making representations on applications or amendments

As indicated at the beginning of this paper, the Bill provides no guidance or certainty as to the time within which an applicant may make representations or amendments in relation to a trade mark application, but merely “within such period as the Registrar may specify”. Further draft Rule 62(1) envisages extensions of time by the Registrar “as he thinks fit and upon such terms as he may direct”.

The profession is united in its opposition to this proposal, which gives the Registrar complete discretion as to time limits and extensions of time. The IPD has indicated that the question of time limits will be addressed in an IPD Work Manual and will be the subject to discussion with the profession. However, we have to say that our experience of discussions with the IPD on this subject under the present Rules has not been happy. Despite extensive submissions, the IPD has remained inflexible in its practice on extensions of time, invariably to the detriment of applicants.

In the circumstances, we consider that it is imperative that clear provisions are contained in the law specifying periods for responses and providing for extensions of time. For further reference, a note setting out our present misgivings and concerns about the IPD’s interpretation of Trade Marks Rules 18 and 19 are attached. We cannot stress too strongly the importance we attach to this matter. In the circumstances, we urge the setting up of a working party specifically to consider this issue and to draft appropriate legislation.

12. The Australian approach to time limits

Recent amendments to the Australian trade mark law (Australian Trade Marks Act 1995) have introduced new procedures for dealing with time limits and extensions of time. These include extensions of time in the event of an error or omission of the applicant or its agent or circumstances beyond control of the person concerned. By contrast, under its present practice in Hong Kong, where it has a wide discretion, the IPD is very reluctant to grant extensions of time in such circumstances, notwithstanding that it has the discretion to do so.

There are also provisions in the Australian legislation for applications to be deferred in circumstances where there are relevant proceedings relating to a conflicting mark and for restoring applications which have lapsed. We believe that these provisions could be very usefully included in Hong Kong’s new law.

We believe that the approach taken in Australia, namely spelling out the procedures on time limits and extensions of time in a transparent fashion is the correct approach. By contrast, the proposed discretionary approach is likely to lead to uncertainty, unfairness and considerable practical difficulties. We consider it is most important that specific provisions be laid down in the legislation setting out the time limits and circumstances where extensions of time may be given. We suggest that these should be drafted broadly along the lines of the Australian legislation.

13. Clause 42 - Opposition proceedings

The “prescribed period” for filing a notice of opposition is, under proposed Rule 12(1), limited to 3 months without any possibility of an extension of time, even by consent. We strongly submit that the Registrar should be able to grant extensions of time and that extensions of time should be obtained where the parties consent. The IPD’s Response is that it does not agree. We fail to see what benefit there is to the Registry or the parties to require oppositions to be filed where both parties wish to settle the matter. There is a provision for time to be extended in the present legislation, which is very commonly relied upon. We consider that the legislation should be user friendly and find the IPD’s intransigence on this issue very disappointing.

14. Clause 87 - Recognition of agents

In common with other professionals, we consider that there is a very strong argument for having a register of trade mark agents in Hong Kong. Persons so registered should be able to hold themselves out as a “registered trade mark agent” and the use of this designation should be restricted only to those persons who are so registered.

We do not propose any restriction on who may practice as an agent for trade marks (other than already proposed), but only that such persons who are “duly qualified” should be included on the register. We are looking at ways to provide for and recognise such qualification, including by examination. We are convinced that this will not only encourage high standards of professional service but also protect consumers from receiving unqualified advice

We suggest the following provision:

- “(1) Rules made under Section 90 may provide for the keeping of a register of persons who act as agents for others for the purpose of applying for or obtaining the registration of trade marks.
- (2) The rules may contain such provisions as the Registrar thinks fit regulating the registration of such persons and the designation of such persons so registered.
- (3) The Registrar may delegate to another person the keeping of any register set up under the rules”.

C CONCLUSION

As we have indicated, there are considerable practical implications of the Bill which will have a great impact on users of Hong Kong’s trade mark system. Whilst we support any effort to improve the rights of trade mark proprietors, many of the proposed changes seem either unnecessary, unhelpful or unfair. We would urge your committee to take full account of our concerns.

29 October 1999

**INTELLECTUAL PROPERTY DEPARTMENT
INTERPRETATION OF CIRCULAR NO. 12 OF 1997
Ex-parte extension of time and in considered replies under Trade Mark Rules 18 and 19.**

NOTE ON LAW SOCIETY AND APAA CONCERNS

The profession continues to have serious misgivings and concerns about the IPD's interpretation of Trade Mark Rules 18 and 19 and the exercise of its discretion under Rule 91.

The following issues arise:

1. The circular states that the Registrar will apply the provisions of Trade Marks Rules 18 and 19 strictly. However, the Registrar appears to take the position that the time limit for responding to an objection under Rule 18 cannot be extended by the time limit provided under Rule 19 in the event that the Registrar is later willing to accept the applications subject to conditions, amendments, disclaimers, modifications or limitations.
2. Where the Registrar accepts the application subject to conditions, etc. (eg. disclaimer or amendment of the specification) under Rule 19(1A), the applicant should have a period of 6 months to object or agree the conditions under Rules 19(1B) or (1C). However, the Registry practice is to state that the acceptance of such conditions must be completed within, for example, a period of 3 months and that such period is an extension of the 6 month period provided under Rule 18. In our view, this is an incorrect interpretation of the Rules.
3. The Registry requires a "considered reply" to be accompanied by substantive procedures, such as the filing of a letter of consent or amendment of specification. In reality, this is often impractical and may involve unnecessary expense. Thus, in the event that the applicant argues for amendment of the specification or a letter of consent, but the Registry does not accept this argument, filing the amendment and obtaining the consent is a wasted exercise. A "considered reply" should mean providing the Registry with all the arguments necessary for the Registry to make a decision. Only when the Registry has made such a decision can the applicant take steps to comply with a condition. In the event of such condition being set, the applicant should have the full period of 6 months under Rule 19(1C) to comply with such condition.
4. The Registry's response to repeated objections from the profession so far has been to point out that the Registry's response time has been improved. However, in practice, with the Registry's "strict" interpretation of the Rules, the 6 months period is almost invariably eaten up by the time the Registry's response received and transmitted to the client and instructions from the client have been received and transmitted to the Registry.

5. Apart from the response time, the quality of the Registry's response is often not as helpful as it might be. For example, there have been numerous occasions where requests to amend specifications have been received at a late stage or have been followed up by subsequent further requests for amendments. There is also a worrying increase in the number of cases where the Registrar changes its decision having initially accepted the mark for registration. There have also been cases where the Registrar has raised a number of objections which the applicant has tried to overcome, but has then been informed that the Registry will under no circumstances accept the mark for registration. In these circumstances, all the effort of the applicant has been wasted.
6. The Registry requires "strong and compelling reasons" in support of extensions of time under Rule 91. Rule 91 states that the Registrar need only be "satisfied" that the circumstances are such as to justify an extension of time. There is no requirement for any "strong and compelling reasons", which is a higher threshold. The Registrar has often proved inflexible in accepting an agent's "oversight" as a sufficient excuse. In ex-parte cases, this can be very unfair and penalise an applicant unduly. Where a new application is filed, it is not clear what happens to co-pending applications and whether, for example, the co-pending applicant is informed of the lapse of the previous application.
7. It is not clear what reasons are to be considered as "compelling" reasons for granting an extension of time.
8. Although there is a clear provision in Rule 91 for extensions of time to be granted after the time has expired, it appears that the Registry removes pending applications within a matter of days after the expiry of the term.

The practice under the Circular has been widely condemned by the profession. The Registry appears committed to enforcing the practice without heed to these concerns. There is now a further concern that under proposed amendments to the Trade Marks Ordinance, there will be nothing either in the Ordinance or the Rules specifying time limits for responding. The matter will be left entirely at the discretion of the Registrar. This is a most disturbing prospect.

October 1999