

Bills Committee on Trade Marks Bill**Extracts on Clause 17(7) -
“Infringement of registered trade mark
(Comparative Advertising)”****(Revised as at 26 January 2000)*****I Bill***

(7) Nothing in subsections (1) to (6) shall be construed as preventing the use of a registered trade mark by any person for the purpose of identifying goods or services as those of the owner of the registered trade mark or a licensee, but any such use which is otherwise than in accordance with honest practices in industrial or commercial matters shall be treated as infringing the registered trade mark if the use is without due cause and takes unfair advantage of, or is detrimental to, the distinctive character or repute of the trade mark.

II UK Trade Marks Act 1994

10(6) Nothing in the preceding provisions of this section shall be construed as preventing the use of a registered trade mark by any person for the purpose of identifying goods or services as those of the proprietor or a licensee.

But any such use otherwise than in accordance with honest practices in industrial or commercial matters shall be treated as infringing the registered trade mark if the use without due cause takes unfair advantage of, or is detrimental to, the distinctive character or repute of the trade mark.

III. Submissions***(a)(i) Deacons (CB(1)1970/98-99)***

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.

drafting

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.

(a)(ii) Administration's Response (CB(1)302/99-00(01))

24. Laddie J's criticisms centred on the drafting of Section 10(6) of the Trade Marks Act 1994, and in particular the part highlighted below -

“But any such use otherwise than in accordance with honest practices in industrial or commercial matters shall be treated as infringing the registered trade mark if the use without due course takes unfair advantage of or is detrimental to, the distinctive character or repute of the trade mark”

The Hong Kong equivalent is in clause 17(7) of the Trade Marks Bill.

25. Laddie J. had this criticism of section 10(6) of the UK Trade Mark Act-

“Fourthly, it seems 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. In other words the use must either give some advantage to the defendant or inflict some harm on the character or repute of registered mark which is above the level of de minimis.” (page 316)

26. Jacob J. in *Vodafone Group Plc & Anor v Orange Personal Communications Services Ltd* [1997] FSR 34 agreed with Laddie J. that the words “takes advantage of or is detrimental to” in most cases add nothing of significance to the words “honest practices in industrial or commercial matters” since if a defendant is not honest he will almost invariably also be taking advantage of or causing detriment to the plaintiff's mark. The use of the words “in most cases” is significant, and indicates there may be cases where use might be honest notwithstanding that it takes unfair advantage of or is detrimental to another mark.

27. The UK provisions on comparative advertising have been followed almost word for word in the new Singapore Trade Marks Act 1998 (section 27(b)) and the Irish Trade Marks Act 1996 (section 14(6)). It should be noted that the approach adopted by the UK, Singapore and Ireland is more precise than that of Australia, which simply provides in section 122(1)(d) of the Trade Marks Act 1995 (in defining when a mark is not infringed): “The person uses the trade mark for the purposes of comparative advertising.”

drafting

28. The meaning of the relevant clauses as analysed by the learned judges is clear enough. It should also be noted that Laddie J. and Jacob J. were able to apply section 10(6) of the UK Trade Marks Act 1994 (on which clause 17(7) of the Trade Marks Bill is based) and have now given guidance on what it means. It is therefore unnecessary to amend clause 17(7).

drafting

(a)(iii) Deacons’ Second Response to the Administration (CB(1)698/99-00)

III. Comparative Advertising - Clause 17(7)

No.28 : We are puzzled why the Government does not wish to improve the drafting of this clause. The fact that judges in the United Kingdom have ultimately been able to apply a corresponding section of the United Kingdom Act 1994 is not a persuasive reason to retain superfluous wording in a section which has been described as “a mess” by those same judges. The fact that two judges have struggled to interpret the United Kingdom section and have indicated that the words “without due cause takes unfair advantage of, or is detrimental to, the distinctive character or repute of the trade mark” are imprecise suggests that Hong Kong should not copy this wording into its law.

It may surely be argued that *any* advertising which uses a competitor's trade mark is potentially detrimental to the character or repute of that trade mark since that character or repute is obviously dependent on the repute of the goods or services on which it is used. In order to be successful, comparative advertising must successfully denigrate the competitor's product and that product will be regarded less favourably by consumers, thereby damaging the character or repute of the mark. In *Barclay's Bank v. RBS Advanta* Laddie J. concluded that the wording in question adds nothing to, and at most had the effect emphasising, the first limb of Section 10(6) of the U.K. Trade Marks Act (which corresponds to Clause 17(7) of the Bill). Although the Singapore Trade Marks Act 1998 copied the same wording, we understand that it has already been heavily criticised and may actually be amended.

In view of the fact that Hong Kong does not have fair trading legislation or effective policing of advertising standards, it should clearly avoid slavishly copying comparative advertising legislation from countries which do have such controls.

Paragraph 26 of the Government's Response contains an illogical suggestion that a trader may take unfair advantage of, or act in a way detrimental to, another mark while still acting "honestly". The wording of the relevant clause in the Bill is derived from the Paris Convention: "honest practices in industrial and commercial matters" and the EC Directive on Harmonisation of Trade Mark Laws (Article 5(5)): "without due cause takes advantage of, or is detrimental to, the distinctive character or the repute of the trade mark". The Government appears to have difficulty reconciling this pot-pourri of legislation with its own policy intentions.

Since Hong Kong is not bound by the EC Directive and lacks the underlying legislation of the United Kingdom which governs advertising generally, it is clear that proper consideration should be given to drafting a clause which is both appropriate for Hong Kong and more importantly, self-contained.

(a)(iv) Administration's Response (CB(1)874/99-00(02))

Comparative Advertising - Clause 17(7)

13. We believe that Clause 17(7) deals adequately with comparative advertising, and do not agree with Deacons that the last three sentences of Clause 17(7) are unnecessary as they clearly elaborate what is meant by honest practices. The last two sentences of Clause 17(7) are designed to warn third parties about the dangers of denigrating a competitor's trade mark. Contrary to Deacons' submission, Section 10(6) of the UK Trade Marks Act 1994 have been applied in a number of cases without difficulty (see *BT v AT&T* [18 Dec 1996] (unreported), *Macmillan Magazines v RCN Publishing* [1998] FSR 9, *Cable & Wireless Plc v British Telecommunications Plc* [1998] FSR 383, and *Emaco Ltd & another v Dyson Appliances Ltd* [The Times 8 Feb 1999]).

(b)(i) The Law Society of Hong Kong and
The Hong Kong Group of the Asian Patent Attorneys Association
CB(1)278/99-00(01))

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.

drafting

(b)(ii) Administration's Response (CB(1)874/99-00(01))

Clause 17(7)-Comparative advertising

29. The Law Society and APAA contend that this clause is unnecessary.

30. We would first like to clarify our reference to “vested rights” mentioned in their submission. It was a comment made in relation to Clause 18(3) of the Trade Marks Bill and has no relevance here.

31. Clause 17(7) is designed to deal with comparative advertising, that is, advertising in which a mark is used by a competitor to identify the trade mark owner's goods or services. The example quoted by the Law Society and APAA, the use of the description “MACDONALD-style” hamburgers, is not intended to identify the trade mark owner's goods (that is the hamburgers of the Macdonald Corporation). Instead, this is a classic example of the use of the mark, where the quoted description is to identify the competitor's goods, i.e. “My (the competitor's) hamburgers are MACDONALD-style”. This is a clear example of infringing use under Clause 17(5) and one does not need to consider whether the use is “otherwise in accordance with honest practices” under Clause 17(7).

32. The proposal that Clause 17(7) should be amended to include a reference to “an advertising circular or other advertisement issued to the public” seems to be unnecessarily restrictive. What if the comparative advertising takes place on the container surrounding a particular product? Is the container “an advertising circular” or “other advertisement”?

(c)(i) ITMP (CB(1)1953/98-99)

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

This section 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*. The drafting of the United Kingdom section was heavily criticised by Justice Laddie who thought that the drafting was a mess.

drafting

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

(c)(ii) Administration's Response (CB(1)676/99-00(04))

(b) Comparative Advertising - Clause 17(7)

7. The comparable section in the UK Trade Marks Act 1994 (Section 10(6)) has now been explained in two important English High Court decisions. We do not think it necessary to change clause 17(7) as we can rely on the English decisions for guidance on the application of the provision. A more detailed analysis is at the Annex to the Deacons paper.

drafting

(d) **Hong Kong Bar Association (CB(1)206/99-00(01))**

(3) section 17(7) is intended to apply only to comparative advertising and not to parallel imports.

On (3), we raise the concern that section 17(7) may be interpreted to cover parallel imports, as may be the case regarding the equivalent section 10(6) of the U.K. Trade Marks Act 1994. We understand that IPD is considering making it clear that section 17(7) will not be so interpreted by way of suitable amendments.

(e) **The Intellectual Property Committee of the American Chamber of Commerce in Hong Kong (CB(1)292/99-00)**

3. Limited comparative advertising to be allowed. This will allow traders to compare their products or services provided that the manner of comparison is honest and in keeping with industry standards. This will benefit consumers since it will give them more information on what products and services are available.

(f)(i) **Letter from Assistant Legal Adviser of Legislative Council Secretariat to the Administration**

Clause 17(7)

Just by reading this clause, one may not get the impression that this clause relates specifically to “comparative advertising”. Instead, one may get the impression that one is not prevented to mention others’ trade marks, say, in news reporting etc. In the light of various comments by different bodies on this clause, can the drafting of this clause be improved?

(f)(ii) **Second Letter from Assistant Legal Adviser of Legislative Council Secretariat to the Administration**

Clause 17(7)-Comparative advertising

In the last paragraph of your paper (ref: CB(1)458/99-00(01)), you mentioned that “there are safeguards in the US law against deceptive or unfair advertisement and advertisement that weakens the distinctive quality of the trade mark or disparages the mark”. What are these safeguards?

I note that in many jurisdictions where comparative advertising is permitted, they also have some forms of regulation over advertising. For example, in U.K. they have the Control of Misleading Advertisement Regulations 1988 and the British Code of Advertising Practice. Yet right after passing of the UK Trade Marks Act 1994 permitting comparative advertising, disputes notably the *Barclays Bank Plc. v. RBS Advanta [1996]*, *Vodafone Group Plc. v. Orange Personal Communication Services Ltd. [1997]* arose.

In Hong Kong, we do not have a comprehensive law on advertising. We only have some piecemeal legislation to regulate advertisements on some specific areas such as on undesirable medical advertisements. If the scope of what is permitted in advertising is so unclear, will there be a surge in litigation once this clause is enacted? Has the Administration considered any measures to regulate advertising before legitimising comparative advertising?

(f)(iii) *Administration's Response to the Assistant Legal Adviser of Legislative Council Secretariat*

Clause 17(7)

Clause 17(7) is intended to cover more than just “comparative advertising”. Indeed, your example of news reporting would be allowed if it satisfies the conditions laid down in the clause (“for the purpose of identifying goods or services as those of the owner of the registered trade mark or a licensee”). Limiting the application of the clause to “comparative advertising” only will be too restrictive and is contrary to our policy intention.

You have asked about the safeguards in the US Lanham Act. That Act (15 USC Section 1125) sets out the safeguards against deceptive or unfair advertisements that weakens the distinctive quality of the trade mark or disparages the mark. Sub-section (a)(1)(B) of the Act forbids the use of any word, symbol, device, etc. in commercial advertising or promotion which misrepresents the nature, characteristics, qualities etc. of one's goods. Sub-section (c) forbids the commercial use of a famous mark which causes dilution of the distinctive quality of the mark. Nonetheless, there is an exception provided in sub-section (c)(4) allowing fair use of a famous mark in comparative advertising or promotion to identify the competing goods or services under that famous mark.

On “regulation” of advertisements, it should be noted that in *Cable & Wireless Plc & another v. British Telecommunications Plc* [1998] FSR 383 at 390, it was held that “... codes of conduct are not a helpful guide as to whether an advertisement is honest for the purposes of section 10(6) (of the UK Trade Marks Act 1994). Honesty has to be gauged against what is reasonably to be expected by the relevant public of advertisements for the goods or services in issue.” Clause 17(7) of the Bill is based on section 10(6) of the UK Act, and should be construed, too, as in the decision to be independent of codes of practices on advertisement, statutory or otherwise.

Prepared by

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