

**Government's Response to the Legal Issues Raised by  
Messrs. Deacons Graham & James**

**Part A – Registrability Issues**

**I. Clauses 3 and 10**

Issues raised by Deacons

Three points were made in respect of clauses 3 and 10 of the Trade Marks Bill, which relate to the definition of a “trade mark” and the absolute grounds for refusal of an application to register a trade mark –

- (a) clauses 3(1), 10(1) and (2) may be interpreted as requiring a sign to possess inherent capacity to distinguish;
- (b) “capable of distinguishing” and “devoid of distinctive character” not identical; and
- (c) “capable of becoming distinctive” a better test.

Government's Response

2. Clause 3(1) of the Bill is based on Section 1(1) of the UK Trade Marks Act 1994. The wording of clause 3(1) enables Hong Kong to comply with its obligations under the TRIPS Agreement. Article 15(1) of the agreement defines a trademark as “Any sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings...”.

3. We do not agree that clause 3(1) and clause 10(1) introduce the additional element that “a sign must have some inherent capacity to distinguish”. Clause 3(1) merely sets out the requirements that a sign must function as a trade mark if it is to be considered for registration. As the definition of a trade mark is so broad that it includes any sign, there is a need to state that the sign fulfills the purpose of a trade mark, i.e. by indicating the origin of goods. This is the purpose of clause 3(1). This is not a new requirement. The same requirement is present in section 2(1) of the Trade Marks Ordinance (Cap. 43) (see definition of a

trade mark relating to goods and services).

4. Indeed, the Trade Marks Bill has omitted precisely the notions of “an inherent adaptability to distinguish” or “an inherent capacity to distinguish”. These notions could be found in sections 9(3) and 10(2) of Cap. 43, and have led to the absurd situation where marks that were perfectly distinctive in fact could be rejected (see YORK Trade Mark [1984] RPC 231). This anomaly will be rectified under the Bill where a mark not considered distinctive can become distinctive through use (clause 10(2)).

5. It is necessary to retain both clauses 3(1) and 10(1)(a). Clauses 3(1) and 10(1)(a) together mean that the Registrar must be convinced that the mark indicates origin of goods. If it does not satisfy this first criterion, the application of the mark must be rejected. Nonetheless, even if the mark does satisfy this first criterion, the mark still has to be distinctive before it could be registered.

6. Clause 3(1) of the Bill was adopted from section 1(1) of the UK Trade Marks Act 1994. The meaning of “capable of distinguishing” and “devoid of distinctive character” under the UK Trade Marks Act 1994 has now been explained in a number of UK cases. This has provided some clear guidance on the interpretation of the two phrases.

(a) A mark must be a sign which can be graphically represented. A sign has been defined as being something that conveys information (Philips Electronics BV v Remington Consumer Products [1998] RPC 283, page 298). “Graphically represented” conveys the idea that the mark can be recorded and published in a permanent form. It also carries the idea that a clear description of the sign must be given (Application for “Blue Bottle” held to fail for this reason (TY Nant Spring Waters Ltd’s Trade Mark Application [1999] RPC 392)).

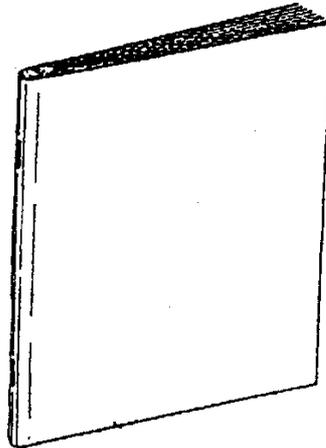
(b) The test to be satisfied to see whether a sign is “capable of distinguishing” has been explained in British Sugar plc v James Robertson & Sons Ltd [1996] RPC 281, at page 305 :

“Thus, capable of distinguishing means whether the mark can in fact do the job of distinguishing” (per Jacob. J).

- (c) In AD2000 Trade Mark [1997] RPC 168, Geoffrey Hobbs QC in discussing Section 1(1) of the UK Trade Marks Act 1994 said :

“This implies that the requirements of section 1(1) [of the UK Act] are satisfied even in cases where a sign represented graphically is only “capable” to the limited extent of being “not incapable” of distinguishing goods or services of one undertaking from those of other undertakings” (page 173).

- (d) In Wickes Plc’s Trade Mark Application [1998] RPC 698, one of the grounds for rejecting the following application (made in a number of classes (including Class 16 for publications)) for a 3 dimensional booklet was that the mark had no capacity to distinguish.



Mr Allan James said “there appears to me to be a more fundamental problem with the applicant’s evidence. It does not in my judgement, establish that the relevant public regard the sign applied for as a badge of origin – as a trade mark.” (page 706).

- (e) A mark that cannot function as a trade mark should fall foul of the Absolute Grounds (see clause 10(1)(a)).

7. As regards the argument on the notion of “Devoid of Distinctive Character”, it should be noted that “distinctive character” has been discussed in the following UK cases.

- (a) Jacob J. said in Philips Electronics BV v Remington Consumer Products [1998] RPC 283 :

“Thus I think the real question here is whether there is factual bar preventing the sign from really being distinctive. I think the test for this is to ask whether, no matter how much the sign may be used and recognized, it can really serve to convey in substance only the message : “here are a particular trader’s goods” (page 301).”

- (b) Geoffrey Hobbs QC discussed “distinctive character” in AD 2000 Trade Mark [1997] RPC 168 at page 175) :

“Two points identified by Jacob J. in *British Sugar Plc v James Robertson & Sons Ltd* (supra) should be borne in mind in this connection. First (page 302) that for a sign to be distinctive of a person’s goods or services in the required manner it must generally speaking be incapable of application (meaning fair and honest application) to the goods or services of anyone else : see further *The Canadian Shredded Wheat Co Ltd v Kellogg Co of Canada Ltd* (1938) 55 RPC 125, 145 lines 42 to 46 per Lord Russell. Second (page 306) that a sign does not possess enough of a distinctive character for the purposes of section 3(1) if people exposed to the use of it are not generally likely to regard it as something which provides an indication as to the provenance of the goods or services with reference to which it is used.”

8. What constitute “distinctiveness” will have to depend on the facts of each case. There have been, historically, marks involving letters of the alphabet, numerals and geographical locations which have not been regarded as distinctive. Clauses 10(1)(c) and (d) are prime examples of marks which are not regarded as distinctive. It is also clear from clause 10(2) that “use” can enable an indistinctive mark to be registered.

9. We feel that the requirements of clauses 3(1) and 10(1) of the Bill are not contradictory but logically follow. The wording of clause 3(1) follows wording that appears in the TRIPS Agreement (Article 15). It incorporates suitable wording that appears in the UK Trade Marks Act 1994 (section 1(1)), the Irish Trade Marks Act 1996 (section 6(1)) and the Indian Trade Marks Bill (section 2). Similar wording also appears in the Singapore Trade Marks Act 1998 (section 2).

10. The interpretation given to the UK equivalent of clauses 3(1) and 10(1) by the UK courts shows a sensible interpretation. There is no reason why the UK approach should not work in Hong Kong. To introduce a new test “capable of becoming distinctive” as suggested by Deacons serves no useful purpose other than to isolate Hong Kong from developments that have taken place elsewhere in the common law world.

11. Deacons have questioned whether it is appropriate for Hong Kong to adopt the “devoid of any distinctive character” test. It should be noted that in a consultation paper issued in 1993, we have proposed essentially the same definition of a trade mark as is now set out in the Bill. The “Absolute Grounds for Refusal of Registration” were also proposed to include the same phrase “trade marks which are devoid of any distinctive character”. The only comment received on the “devoid of any distinctive character” test was that it should be expanded to all grounds referred to in the Absolute Grounds (Law Society). In any case, the concept of “use” will not be relevant in a case where a sign does not function as a trade mark.

12. Deacons have also questioned whether Hong Kong might not be better off were we to adopt only the current “Part B” test. This would entrench the idea of requiring marks to have some inherent capacity to distinguish. (See section 10(2) of the Trade Marks Ordinance). As we have explained in the foregoing, such an approach should be discarded because it prevents the registration of marks even though they are perfectly distinctive in fact (see YORK case).

13. It is submitted that the tests adopted in the Bill (capable of distinguishing/distinctive in character) are in the circumstance the best for our trade mark registration regime. The tests have already been thoroughly argued before and analysed by the Courts in the United Kingdom. The interpretations given there will provide the guidance needed by practitioners in Hong Kong, and indeed throughout the common law jurisdictions.

## **II. Presumption of Registrability**

### Issues raised by Deacons

14. Deacons argued that if it is the intention of the new law to include a presumption of registrability, this should be specifically provided to bind both the

Registrar and the Courts.

### Government's Response

15. The Trade Marks Bill is intended to make it easier to register a trade mark, and in that sense it may be argued that this intent should be stated as a presumption of registration. The fact is that a mark can only be registered if it does not breach the Absolute Grounds (clause 10), the Relative Grounds (clause 11) and survives any possible opposition. We do not see any merit in including an express presumption of registrability.

## **Part B – Infringement**

### **I. Infringement of Registered Trade Mark – Clause 17**

#### Issues raised by Deacons

16. Deacons recommended that clause 17(2)(b) of the Bill should be revised so that the test for infringement is the same as that under the Trade Marks Ordinance (as amended by WTO Amendment Ordinance), i.e. no "confusion" is necessary to establish infringement.

#### Government's Response

17. Clause 17(2)(a) deals with the use of an identical sign in relation to similar goods or services. Clause 17(2)(b) deals with confusion, which is defined in clause 7. It can be seen that the element of "confusion" is crucial because the function of a trade mark is to suggest origin. The element of confusion is already present in section 27(1) and section 27A(1) of Cap.43. Reference is also made to section 2(4) of Cap.43.

18. As regards the example of "Channel", this mark would clearly cause confusion. "Channel" could not be registered under Cap.43 or the Trade Marks Bill for perfumes if there is an earlier registered mark "Chanel". The action under the Bill is for infringement and not for passing off. The test under clause 7 of the Trade Marks Bill is "likely to confuse"; it is therefore not necessary for there to be actual instances of confusion.

19. The arguments by Deacons relating to clause 17(4) of the Bill are not understood. Clause 17(4) was brought in to enable Hong Kong to comply with Article 16(3) of TRIPS. An owner of a well-known trade mark may obtain protection in respect of identical or similar goods but has to prove likelihood of confusion (see clause 61). We do not understand Deacons' reference to Kitchen & Mellor regarding "the Trade Marks Ordinance" (page 27-31).

## **II. "Use likely to be associated with an earlier mark"**

### Issues raised by Deacons

20. Deacons asked for clause 7 to be reviewed in the light of *Wagamama Ltd v City Centre Restaurant Plc* [1995] FSR 713.

### Government's Response

21. In the "Wagamama" case, Laddie J. found that confusion meant "classic infringement", i.e. confusion as to source or origin of goods (page 721). He went on to say "It was enough that the similarity of the marks would make a customer believe that the alleged infringer's goods were associated with proprietor's goods or services, for example that they were an extension of the range of goods made by the proprietor"; see *Ravenhead Brick Co v Ruabon Brick Co* (1937) 54 RPC 341 (the "Rus"/"Sanrus" case). However, even in these cases, the association had to be an association as to source or origin. In this action this type of confusion as to source has been referred to by both parties as "classic infringement." (page 721).

22. There is no need to amend clause 7. It is clear that clause 17(2) requires the element of "confusion", and "likelihood of association" (clause 7(2)) is included expressly as one of the circumstances which are likely to lead to confusion. This ties in with the concept of "classic infringement" which the law enshrines, and which is already the case under Cap.43.

## **III. Comparative Advertising – Clause 17(7)**

### Issues raised by Deacons

23. Deacons asked for this sub-clause to be revised in the light of the criticisms by Laddie J. in *Barclays Bank plc v RBS Advanta* [1996] RPC 307 on

the equivalent section 10(6) of the UK Trade Marks Act 1994, which was “a mess”.

### Government's Response

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.”

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).

#### **IV. Application of the Rules of Evidence – Clause 77**

##### Issues raised by Deacons

29. Deacons would like the Trade Marks Registry to be bound by the strict rules of evidence.

##### Government’s Response

30. The Trade Marks Registry has avoided unnecessary formality when conducting contentious proceedings (registrability or opposition hearings). Rigid adherence to the rules of evidence can be counter-productive in such situations. For example, an applicant for the mark may not put all the facts or arguments before the Registrar in a hearing. The Registrar should have the flexibility to seek the relevant facts and arguments. The Registrar also has a duty to protect the public interest.

31. We agree with the Australian approach that unnecessary formality should be avoided. The Australia Trade Mark Regulations provide in 21.15(7) and (8) as follows -

“(7) A hearing must be conducted with as little formality and technicality, and with as much expedition, as the requirements of the Act and

these Regulations and a proper consideration of the matters before the Registrar, allow.

- (8) The Registrar is not bound by the rules of evidence but may inform himself on any matter that is before him or in any way that the Registrar reasonably believes to be appropriate.”

32. It is clear that clause 77 of the Bill does not give the Registrar *carte blanche* to do whatever he likes. Clause 77 is prefaced by the words “Except as otherwise provided in this Ordinance ....”. More importantly, every decision of the Registrar can be appealed to the Court. The Registrar is bound by the rules of natural justice and is charged with acting fairly and reasonably. That, in the final analysis, is the ultimate sanction.

33. Although the effect of the recent amendments to the Evidence Ordinance has been to severely limit the effect of the hearsay rule; the admissibility of hearsay evidence has not been totally abolished.

### **Part C - Post Registration Issues**

34. The Government’s response to each of issues raised by Deacons are set out below.

#### Execution by Corporation - clause 25(5)

35. Clauses 25(4) and (5) have to be read together. Clause 25(5) confirms that a company can execute an assignment. It indicates one way of executing an assignment. It does not purport to stipulate the various ways in which an assignment can be executed by a company. That is a matter for company law and the company’s own articles. No amendment is required.

#### Wilful Blindness - clause 27(3)

36. Before an application to register a transaction is made to the Registrar, these details will not be on the register. The issue is then when the person acquiring the conflicting interests knows, or does not know, of the transaction. The purpose of this clause is to protect a person with no actual knowledge of the transaction. Wilful blindness is not an appropriate concept.

This requirement is not in the UK Trade Marks Act 1994 (sSection 25(3)(a)), the Irish Trade Marks Act (section 29(3)(a)) or the Singapore Trade Marks Act (section 39(3)(a)) all of which use the word “ignorance”. No amendment is required.

Damages/Account of profits before Transaction Date. Meaning of Registered Purchaser and hindering licensee’s right for sue - clause 27(4)

37. The purpose of clause 27(4) is to encourage the registration of a registrable transaction. The sanction against entitlement to damages contained in clause 27(4) only applies to a period after the date of the transaction. What is crucial is that an application to register a registrable transaction has to be made under clauses 27(3) and 27(4). Once an application is lodged, there is an entitlement to damages/profits for the period after the date of transaction up to the date of actual registration. There is nothing in the foregoing which prevents the commencement of an action for infringement or affects the right to an injunction. No amendment is required.

Taking Part - clause 34(6)

38. The term “take part” can be found in *Stroud’s Judicial Dictionary* (5<sup>th</sup> ed.) on p.2586. It is regarded as a very broad expression which is wide enough to include cases where a party concerned has done something official, e.g. filing into court an address for service, or given evidence in court.

Expansion to device/3-dimensional marks - clause 50(2)(c)

39. The expansion of this clause to refer to devices and 3-dimensional marks is not supported. It is difficult to see how a device/3-dimensional shape can become a common device/3-dimensional shape in the trade for goods/services. No amendment is required.

Revocation of registration - meaning of clause 50(8)

40. The wording of this clause comes from section 39(1A) of Cap.43. It is intended to clarify that one can use a mark even though the services are to be provided elsewhere (e.g. Shenzhen). No amendment is required.

Revocation of registration - limitations needed in clause 50(8)

41. Sections 37(2) and 2(A) of Cap.43 have been rarely used in Hong Kong, and are therefore not adopted in the Trade Marks Bill. Commenting on the equivalent sections in the UK Trade Marks Act 1938 (section 26(2)) Kerly said “Section 26(2) gives power to the tribunal to impose territorial limitations...This power, which has been rarely used, is clearly one to be used with caution...” (Kerly’s Law of Trade Marks, 12 Edition, page 196). No amendment is required.

Alteration of Registered Trade Mark - clause 53(2)

42. Section 51(1) of Cap.43 provides that a registered trade mark may be altered or added to in any manner not substantially affecting the identity of the mark. The Registrar is often bogged down in arguments with the private sector as to whether an alteration substantially affects the identity of a mark.

43. The idea behind clause 53(2) of the Trade Marks Bill is to get away from such time consuming arguments. If an applicant wishes to make changes to a mark he has the option of filing another application. Clause 50(3)(a) also provides that use of a trade mark includes use 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. Our approach, which follows international trends, is mirrored in the UK Trade Marks Act 1994 (Section 44(2)) and the Singapore Trade Marks Act 1998 (Section 20(2)). No amendment is required.

Acquiescence - clause 57

44. There is no good reason for insisting on the earlier trade mark owner being aware of his or her legal rights to challenge a subsequent registration. It would be tantamount to obliterating the purpose of clause 57 in that every earlier trade mark owner would claim that they were not aware of the legal right to challenge. Ignorance of the law has never been accepted as a good excuse.

45. All that the proposed new legislation requires is a knowing toleration (see Blackstone’s Guide to the Trade Marks Act 1994, page 119, discussing section 48 of the UK Trade Marks Act 1994). Clause 57 follows international trends and is mirrored in the UK Trade Marks Act 1994 (section 48), the Singapore Trade Marks Act 1998 (section 24) and the Irish Trade Marks Act (section 53). No amendment is required.

Well-known marks - clause 61(2)

46. Clause 61(2) follows international trends and is necessary to preserve historic rights acquired in good faith. The respect for prior rights is provided for in Article 16(1) of the TRIPS Agreement, which provides “The rights described above shall not prejudice any existing prior rights...”. Clause 61(2) relates to the past. It cannot support an application in the present for a well-known mark.

47. Clause 61(2) is drafted to follow international trends and is reproduced in section 56(3) UK Trade Marks Act 1994, section 55(4) Singapore Trade Marks Act 1998, section 61(3) Irish Trade Marks Act 1996 and section 36(2) South African Trade Marks Act 1993. No amendment is required.

National emblems etc. - clause 62

48. Clause 62 enables Hong Kong to comply with Article 6ter of the Paris Convention and deals with the registration of a mark. The wording of the Paris Convention should be followed.

Hours of Business and Business Day - clause 88

49. Most institutions in HK are open on Saturdays for the transaction of business. The position is the same in other Asian economies, e.g. Singapore (see its Trade Marks Rules 79 and 80 (1998)). No amendment is required.

Offences committed by and proceedings relating to corporations - clause 95

50. In respect of the second issue, there is no “drafting error” in including the reference to a “manager” in clause 95(1). Under Section 2 of the Companies Ordinance (Cap 32), the term “director” is taken to include “any person occupying the position of director by whatever name called”; and the term “officer,” in relation to a body corporate, includes “a director, manager or secretary.” In fact the word “manager” is present in the corresponding sections of the Copyright Ordinance (section 125(1)), the Patents Ordinance (section 145(1)), and the Registered Designs Ordinance (section 89(1)).

51. In respect of the first issue, the intention is to catch any person who are in the position of directors and shadow directors in relation to the corporation;

hence the provision in clause 95(3). The concept expressed in clauses 95(3) and (4) is not new. See, for example, sections 57(2) and (3) of the Securities and Futures Commission (Cap 24). No amendment is required.

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