

Bills Committee on Trade Marks Bill

Government's Response to Submissions by the Law Society of Hong Kong and the Hong Kong Group of the Asian Patent Attorneys Association

This note sets out the Government's response to the revised joint submission dated 29 October 1999 of the Law Society of Hong Kong and the Hong Kong Group of the Asian Patents Attorneys Association ("APAA") on the Trade Marks Bill. Some of the concerns raised, for example, the need for introducing a new trade marks law, are similar to those raised by Messrs Deacons Graham & James last September. We would therefore refer members to our response to Deacons issued last November, at Annex A, for our response to these concerns. We have separately set out at Annex B our response to other issues raised by the joint submissions.

Trade and Industry Bureau
January 2000

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Bills Committee on the Trade Marks Bill

Response to the Submission by Messrs. Deacons Graham & James

Introduction

This note sets out the Government's response to the submission by Messrs. Deacons Graham & James (Deacons) on the Trade Marks Bill dated 24 September 1999. This covering note will address the more fundamental policy issues. Specific legal issues raised by Deacons are dealt with at the Annex.

Rationale of the Bill

2. Deacons query the "rationale behind the drafting of the Bill" as "we have by the World Trade Organization Amendments Ordinance 1996 ensured our compliance with the relevant WTO requirements."

3. We do **not** agree that the need or otherwise for modernizing our trade mark should be justified solely on TRIPS compliance. We believe that there is a strong case for modernizing and streamlining the registration and protection of trade marks by providing an updated regulatory framework. Most provisions under the Trade Marks Ordinance have remained unchanged since the 1950s. With the evolution of international practice in the protection of intellectual property rights over this period, it is only logical that we should introduce the Trade Marks Bill to catch up with developments.

4. By enacting the Trade Marks Bill, we hope to provide better service to trade mark holders. We aim to reduce red-tape, enable easier registration of marks, increase the range of signs that can be registered as trademarks and provide a higher standard of protection, taking into account prevailing international developments.

UK Trade Marks Act 1994

5. Deacons has asked whether “a virtual copy of the United Kingdom law remains appropriate” on the grounds that “Hong Kong has returned to the governance of the People’s Republic of China”. It notes that “Australia and Singapore have chosen to go their own way in the drafting of the law”. At the same time, it seems to contend that any deviation from the UK law may create problems of interpretation.

6. Article 8 of the Basic Law provides for the maintenance of the common law in Hong Kong. Given that the current Trade Marks Ordinance is modelled on the UK Trade Marks Act 1938, it is only natural that our Trade Marks Bill follows closely the UK Trade Marks Act 1994 for continuity reasons. Departures from the UK Trade Marks Act 1994 have been included to take account of local conditions, to achieve consistency with local laws and to clarify the meaning of certain provisions.

7. Modelling the Trade Marks Bill on the UK Trade Marks Act 1994 will provide certainty : in drawing substantially from the UK law, Hong Kong can take advantage of guidance from relevant UK case law.

8. The UK Trade Marks Act 1994 has been regarded as a role model by many. It contains provisions which are not only TRIPS compliant, but also comply in a transparent way with the Paris Convention for the Protection of Industrial Property. Trade mark law reform in a number of common law countries such as Ireland, Singapore, Australia and South Africa has drawn reference from the UK Trade Marks Act 1994.

9. Deacons have referred to a "void" as to the interpretation of the new law because of the “absence of any experience and/or access to the European rationale behind the United Kingdom Act...”. We do not agree that there will be such a "void". The relevant European Directives reflected in the UK Trade Marks Act 1994 have already been adopted as the language and content of the TRIPS provisions, and Hong Kong will be obliged to comply with the latter in any event by virtue of our WTO membership. For example, the definition of trade mark in Article 2 of the European Directive can be found in Article 15(1) of the TRIPS Agreement. The rights conferred by a trade mark in Article 5 of the European Directive have found their way into Article 16(1) of TRIPS.

Work Manual

10. To familiarize practitioners with the Trade Marks Bill, we agree on the need for a Work Manual. The Intellectual Property Department is drafting the Work Manual which should be available for consultation with practitioners early next year.

Consultation

11. We find it difficult to accept Deacons' charge that the legal profession was not consulted on the drafting of the new trade marks law. The practitioners have participated fully at every stage of this long drafting process. A Consultation Paper entitled "Review of the Trade Marks Ordinance" was issued by the Intellectual Property Department in 1993 outlining the proposals for trade marks reform. In February 1997, various consultees were invited to submit their views on the first draft of the Trade Marks Bill. In December 1998, a second draft of the Bill and the first draft of the Trade Marks Rules was issued for consultation. The Legislative Council Panel on Trade and Industry was also consulted on the major provisions of the draft Bill in December 1998.

12. A Summary of Responses to comments received in respect of the draft Bill and Rules was sent to the various consultees in April 1999. We have had meetings with the Bar Association, Law Society, Institute of Trade Marks Practitioners, and Asian Patent Attorneys Association to explain our position on the various issues raised.

Conclusion

13. The Trade Marks Bill provides improvements which will enable Hong Kong to maintain world-class protection for trade marks with a modernized and user-friendly trade marks registration system. We believe that the timely enactment of the Trade Marks Bill will be in the public interest.

Trade and Industry Bureau
November 1999

**Response to Specific Legal Issues
Raised by the Law Society of Hong Kong and the Hong Kong
Group of the Asian Patent Attorneys Association (APAA)**

Clause 3(2) – “Combination of Colours”

The Law Society and the APAA have proposed to add “a colour” before “a combination of colours” in Clause 3(2) of the Bill. In our view, the wording of Clause 3(1) is very broad and refers to “any sign”. Clause 3(2) begins with the phrase “without affecting the generality of subsection (1)”, and therefore allows a *single* colour to be registered, provided it is distinctive. Article 15(1) of the TRIPS Agreement also uses the words “combinations of colours”. Nonetheless, we see no objection to further clarifying the wording of Clause 3(2) by adding “ a colour” before “a combination of colours”, and will propose a Committee Stage Amendment to this effect.

2. On a point of accuracy in relation to the example given in the submission, we should mention that the registrations for ‘ORANGE’ are for the word on a background of an orange-coloured square.

Clause 4 – Well-known trade mark

3. The Law Society and APAA have proposed to omit the reference to “Hong Kong” and extend protection to marks well-known in the Mainland and elsewhere.

4. We do not agree with this suggestion. As a Special Administrative Region of the People’s Republic of China, Hong Kong’s system of law is preserved (Article 8, Basic Law) and is separate from that in other parts of the Mainland of China. Hong Kong should maintain a separate intellectual property regime as set out in the Basic Law.

5. It is entirely appropriate that “well-known” is judged by the degree to which a mark is well-known in Hong Kong. Without such a limitation, an owner whose mark is well-known elsewhere might claim to

be able to exercise the rights under Clause 61 of the Bill when the mark in question is not in fact well known here.

Clauses 17 and 7 – Confusion and association

6. The Law Society and APAA have argued that the existing objective test (as envisaged by a judge) is “a resemblance so near as to be likely to deceive or cause confusion”. They claim that the Bill will change the test to a two-fold subjective requirement of similarity and use likely to cause confusion on the part of the public (see Clause 17(2) (b) and 17(2)(c)). This in their view is a narrower test than the present one and would exclude from infringement all cases where it is argued that, as a result of the way the defendant uses the mark, the public is not actually, or likely to be, confused. We submit, however, that there is no difference between the old law and what is being proposed in the Bill in relation to use likely to cause confusion.

7. Infringement is presently governed by sections 27(1) and 27A(1) of the Trade Marks Ordinance (Cap.43). Section 27(1) provides that a registered proprietor’s exclusive rights to use a trade mark are “infringed by any person who, not being the proprietor of the trade mark or a registered user thereof using by way of permitted user, uses in the course of trade a mark identical with or nearly resembling it, in relation to any goods in respect of which it is registered, or in relation to goods of the same description where such use would result in a likelihood of confusion”.

8. Kerly’s Law of Trade Marks and Trade Names (12th Edition page 271) has this to say about the test in section 4 of the former UK Trade Marks Act 1938, which was essentially in the same terms as section 27(1) of our Trade Marks Ordinance : “In an action for infringement the comparison is to be made between the mark as registered, taking into account any disclaimer, and the defendant’s mark as it appears in actual use.”

9. The same approach has been taken in relation to section 10(2) of the UK Trade Marks Act 1994 (which corresponds to Clauses 17(2) and (3) of the Bill). In *British Sugar plc v James Robertson & Sons Ltd* [1996] RPC 281 at 293, Jacob J said : “In *Origins Natural Resources Inc v Origin Clothing Ltd* [1995] FSR 280 at 284 (which was under section 10(2) because the marks were slightly different) I said that section 10 ‘requires

the court to assume the mark of the plaintiff is used in a normal and fair manner in relation to goods for which it is registered and then to assess a likelihood of confusion in relation to the way the defendant uses its mark, discounting added matter or circumstances”. This is essentially the same test as under the old law. Thus Sir Wilfred Greene MR, in *Saville Perfumery Ltd v June Perfect Ltd and FW Woolworth Ltd*, said ‘the statutory protection is absolute in the sense that once a mark is shown to offend, the user of it cannot escape by showing that by something outside the actual mark itself he has distinguished his goods from those of the registered proprietor’. I think the rule is the same under the 1994 Act because it follows the language of section 10 which merely requires the court to look to see what sign the defendant is using and says nothing about anything else.”

10. The way the defendant uses his mark (discounting added matter or circumstances) has to be taken into account, under both the present law and under the Bill, in determining whether there is a likelihood of confusion. We do not agree with the Law Society and APAA’s arguments in relation to the adoption of the phrase “use likely to cause confusion”.

11. The Law Society and APAA have also sought to amend Clause 7. We see no need to amend the clause and the reasons are set out in paragraph 21 of the annex to our response to the submission by Deacons (issued in November 1999). To recap, Clause 7 of the Bill deals with confusion and reflects what appears in section 10 of the UK Trade Marks Act 1994. The difference in wording is to make it clear that “likelihood of association” is not an alternative to “likelihood of confusion”.

12. This view has been endorsed in *Wagamama Ltd v Centre Restaurant plc* [1995] FSR 713 at 721, where Laddie J found that confusion under the 1994 Act means “classic infringement”, that is confusion as to source or origin of goods. He referred to the position under the 1938 Act on the question of confusion as to source or origin of goods. He said, “It was enough that the similarity of the marks would make a customer believe that the alleged infringer’s goods were associated with the 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.’” Laddie J then

went on to say, “There is no dispute between the parties that such classic infringement by confusion as to the source or origin of goods or services will also constitute an infringement under section 10 of the 1994 Act.” It is interesting to note that Laddie J’s views have been mirrored in the European Court of Justice (see *Sabel v Puma* [1998] RPC 199 and *Cannon Kabushiki Kaisa v Metro-Goldwyn Mayer Inc.* [1999] RPC 117).

13. The Law Society and APAA’s proposal to create a test for confusion which includes “use” which is “not actually confusing” would no be practicable.

Clauses 10(1)(b), 10(2) and 10(3) – Marks devoid of any distinctive character and unregistrable signs and shapes

Shape

14. We do not agree with the Law Society and APAA’s argument that an aspect of shape should not be excluded from registration.

15. Clause 10(3) of the Bill excludes certain shapes. This exclusion has been in our law (section 12(3) of Cap.43) since 1996. The equivalent section in the United Kingdom Trade Marks Act 1994 is discussed in Kitchin & Mellor’s Trade Marks Act 1994 Text and Commentary at 26-21. There it is said the purpose of the section is “to strike a balance between allowing registration of shapes which do function as trade marks and preventing unjustified and restrictive monopolies of shapes and containers”. This is a sensible objective. No amendment is therefore required for Clause 10(3).

16. In respect of the examples quoted, there is no constraint on registering *distinctive* shapes under the present law and there will be no constraint under the Bill either. The Coca-Cola bottle is distinctive and has been registered in Hong Kong. To quote other examples, the Remy Martin and Hennessy bottles have also been registered here.

Devoid of distinctive character (Clause 10(1)(b))

17. The Law Society and APAA have argued that Clause 10(1)(b) should be deleted. We do not agree with this proposal and have set out in detail our analysis of the legal issues and the reasons for our argument in paragraphs 2 to 13 of the annex to our response to the submission by

Deacons (issued in November 1999).

18. Nonetheless, we wish to reiterate that whether a trade mark is distinctive depends on the facts of each case. Historically, there are marks, for example, letters of the alphabet, numerals and geographical locations, which are not regarded as distinctive. To provide guidance on the practice of the Trade Marks Registry, the Intellectual Property Department will set out the relevant considerations in its Work Manual on what marks will be regarded as distinctive. Clauses 10(1)(c) and (d) contain the prime examples of marks which are not regarded as distinctive. It is also clear from Clause 10(2) that even a mark which is not distinctive could be registered through its use.

19. The interpretation given to the UK equivalent of Clauses 3(1) and 10(1) of our Bill by the UK courts has been practical and just. We consider that Clauses 3(1) and 10(1) are practical and there is no reason why their application in Hong Kong should not work. We oppose the proposal to delete Clause 10(1)(b).

Clauses 17(5)(g) and 17(6) – Electronic infringement

20. The Law Society and APAA believed that use on or as business papers should be extended to any use in “documents” specifically to include electronic documents, whether or not in human readable form.

21. No specific references to the Internet or electronic documents have been introduced into the Bill. This is deliberate as such specific references could be limiting in view of developing technologies. The wording in Clause 17(5) and in Clause 6 (“any use”) is very wide indeed and clearly, in our view, embraces electronic use.

22. The following comment has been made about section 10(4) of the 1994 Act (which corresponds to Clause 17(5) of the Bill) : “As for ‘use of a sign’, Section 10(4) of the Trade Marks Act 1994 provides a non-exhaustive list of instances of such use. It is considered that the instances most relevant to the use of trade marks on the Net are those listed in subsections 10(4)(b) and (d), including offering or exposing goods for sale; putting goods on the market; offering or supplying services; and using the sign in advertising. None of these instances of use is stated to be confined to non-electronic modes, and it is thought that all of them would catch use on the Net” (Intellectual Property and the Internet by Wedlake

Bell, Solicitor, Monitor Press, page 29).

23. It should be noted that references to “electronic means” and the Internet in the Copyright Ordinance are needed because for setting out every instance of the acts that constitute “copying”, “making available to the public” or “issue to the public”. The wording used in the Copyright Ordinance is drawn from international treaties. These considerations are not applicable to the Trade Marks Bill, as the wide definition of “use” in Clause 6 is already sufficient.

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

24. The Law Society and APAA have stated that the UK case, *Beautimatic International Ltd v Mitchell International Pharmaceuticals Ltd* (The Times 8th July 1999) has revealed a loophole in section 10 of the UK Trade Marks Act. They contend that the application of a trade mark to packaging intended for export and the subsequent application of these packaging to goods outside the jurisdiction does not infringe any provisions of the Act.

25. The *Beautimatic* case concerns an infringement action brought by a UK registered trade mark owner against two companies manufacturing packaging in the UK. The packaging bore the mark “LEXUS” which was identical to a UK registered mark. The two companies were :

- (a) Company A manufacturing packaging which was sent overseas where it was applied to goods produced and sold overseas; and
- (b) Company B manufacturing packaging which was applied to products in the UK.

26. The UK courts ruled that there was no infringement by Company A but that there was infringement by Company B. The judge had this to say on the UK 1994 Act, “To hold that, once an authorised person applies the ‘identical’ mark to ‘identical’ goods in the United Kingdom in the course of his trade, he falls foul of section 10(1), whereas if he merely is responsible for manufacturing packaging with the ‘identical’ mark, without applying it to any goods in this country, he does not come within section 10(1) appears to me to be a satisfactory conclusion. Not only does it best

accord with sections 9 and 10 as a matter of language, but it is clear and therefore practical; further it is not an unfair conclusion : the result does not seem to me to impose an unreasonable benefit on the proprietor or an unreasonable restriction on third parties”.

27. The effect is that there is infringement under Section 10(1) of the UK 1994 Act (equivalent to Clause 17(1) of the Bill), if an unauthorised person applies a mark to goods in the UK in the course of his trade; but if he is merely responsible for manufacturing packaging with the mark, without applying it to any goods in the UK (or in Hong Kong in the case of our Bill) there is no infringement. In our view, this case merely illustrates the territorial boundaries of a trade mark owner’s rights.

28. In the case of the Trade Marks Bill, Clause 13(1) establishes a territorial test so that a trade mark owner’s rights are infringed only by the “use of the trade mark in Hong Kong”. Packaging may be manufactured in Hong Kong for legitimate uses overseas. For example, the owner of a certain trade mark in Brazil may have packaging manufactured in Hong Kong for use on its goods in Brazil. There may be another owner of the same or similar trade mark in Hong Kong. If the particular packaging, manufactured in Hong Kong, is only to be applied to and used for goods in Brazil, it is difficult to see why the Hong Kong owner should have the infringement rights proposed by the Law Society and APAA. Whether there is infringement in Brazil in this case would depend on Brazilian law.

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"?

Clause 19 – Exhaustion of rights

33. We have set out the policy reasons for the liberalisation of parallel importation of trade mark goods previously in separate submissions. We would, however, wish to supplement the following clarification of the legal drafting of Clause 19.

34. Clause 19 of the Bill has not been modeled on European law (e.g. Section 12 of the UK Trade Marks Act 1994) but instead is modeled on Section 29 of the Singapore Trade Marks Act 1998. We do not accept that the drafting of Clause 19 is defective. Clause 19(1) establishes the principle of international exhaustion. Clause 19(2) sets out safeguards for the proprietor if the trade mark is used in respect of goods whose condition has been changed or impaired "after they have been put on the market", and where such use would be detrimental to the distinctive character or repute of the trade mark.

Clause 24 – Threats actions

35. We do not agree with the objection by Law Society and APAA against the remedy of groundless threats. Our detailed arguments in support of a need for such a remedy are set out in paragraphs 9-11 of our response to the submission by the Institute of Trade Mark Practitioners (issued in December 1999).

36. In support of our position that legal advisors should not be specifically exempted from liability if they act for a client who issued groundless threats, it should be noted that exemptions have not been provided in the UK Trade Marks Act 1994 (section 21), the Singapore

Trade Marks Act 1998 (section 35) or the Irish Trade Marks Act (section 24). There is also no exemption in the Registered Designs Ordinance (section 57) or the Patents Ordinance (section 89).

Clause 27(4)(a) – Time for registering transactions

37. The Law Society and APAA submitted that the six-month period should begin with the date of the document or, if later, the effective date of the transaction. We do not agree with this view.

38. To interpret the term “date of the transaction” in Clause 27(4), one has to look at Clause 27(2) where the transactions referred to are the assignment, the grant of a licence, the granting of a security interest, the making of an assent, and the court order. The date of the transaction is therefore the date a trade mark is assigned, the date a licence is granted, the date the security interest is granted, the date the assent is made and the date of the court order, respectively.

39. We consider that the term “date of the transaction” is amply clear. If we were to amend “date of the transaction” to “date of the instrument”, we would be inferring that “back dating” (namely, signing the instrument today and stating in it that the transfer of ownership of the trade mark was effective two years ago) is permissible. This would defeat the object of Clause 27(4), which is to encourage the registration of the transaction within a reasonable time frame. We believe six months is a reasonable time frame. No amendment to the Clause is therefore necessary.

Clause 40(3) – Time limits for making representations on applications or amendments

40. The Law Society and APAA have asked for clear provisions in the law specifying time limits for applications or amendments.

41. The Bill and the Rules contain detailed provisions relating to time limits in respect of the conduct of certain matters, for example, oppositions and declarations of invalidity. Clause 40(3) deals with the time period within which representations (or amendments to an application) can be made. However, we agree that the time referred to in Clause 40(3) should be specified in the Trade Marks Rules instead of in the Work

Manual. We will therefore propose a Committee Stage Amendment to Clause 40(3) such that the time limit will be prescribed in the Trade Marks Rules.

42. The time period for responding to official action will be decided after considering the needs of applicants and the Trade Marks Registry and after consulting the profession. At present we envisage periods similar to those applying in the UK registry. For replying to substantive registrability points, the UK registry allows six months. The alteration of time limits is something that will be spelt out in some detail in the Trade Marks Rules. Situations where an extension of time will not be permitted will also be spelt out.

Clause 42 – Opposition proceedings

43. We do not agree that there should be more extensions of time for filing notices of opposition. It is only reasonable that an applicant should be able to know within a reasonable time whether his mark is opposed. Additionally, one of the purposes for bringing in a new trade marks law is to streamline procedures so that speedier registration of marks can be obtained. It would not be desirable where files stay dormant pending some settlement elsewhere, which may be years in the making. Besides, a settlement is always possible after a notice of opposition has been filed. The notice of opposition is a relatively simple document capable of being filed within a reasonable time.

44. In this respect, the Trade Marks Bill is identical to the law in the United Kingdom and in Ireland. Singapore also sets a non-extendable period for filing notices of opposition.

Clause 87 – Recognition of agents

45. The question of whether there should be a register of trade mark agents has not yet been resolved. It is not possible to plan for a register in the absence of any professional body providing the proper training. This is a matter for future consideration.