

Bills Committee on Trade Marks Bill

Government's Response to Further Submissions by Messrs. Deacons Graham & James

Introduction

This note sets out the Government's response to the submissions by Messrs. Deacons Graham & James ("Deacons") on the Trade Marks Bill dated 1 and 14 December 1999. It should be read together with the Government's response of November 1999 to an earlier submission by Deacons ("the November response").

Response to New Issues Raised

Registrability Issues in Clauses 3 and 10

2. We refer to our November response. The definitions in Clauses 3(1), 10(1) and 10(2) of the Bill are drawn from the UK Trade Marks Act 1994. The meaning of these clauses has been made very clear with the aid of numerous UK court decisions on the subject. Introducing a different definition into Clause 3(1) will only invite uncertainties.

3. Deacons' concern is that "the wording of Clauses 3(c) and 10(1) and (2) in combination may lead to the interpretation that to qualify as a trade mark a sign must be inherently capable of distinguishing". This concern is ill-founded. Kitchen and Mellor (a leading reference on the UK Trade Marks Act 1994) has this to say -

"The difficulties with the previous law concerned inherent adaptability or capability of distinguishing, i.e. distinctiveness in law as opposed to in fact. The concept of distinctiveness in law was used to refuse applications for marks which it was considered ought not to be registered either in Part A or B. Perhaps the best

example was *YORK[1984] R.P.C.231 (H.L.)*, where it was accepted that the applicant had shown 100 per cent distinctiveness in fact. Registration was refused because no distinctiveness in law could be shown – the reason was that ‘York’ was an indication of geographical origin. Under this Act (the Trade Marks Act 1994), a mark shown to be 100 per cent distinctive in fact will be registrable (page 26-12).”

As explained in the November response, the Trade Marks Bill will allow a hitherto “undistinctive” mark to be registered if distinctiveness is nonetheless acquired through use of the mark. This will correct the anomaly as illustrated in the York case.

Presumption of Registrability

4. We do not agree with Deacons’ assertion that the current wording of the Bill is excessively dependent on the reasonable exercise of discretion by the Registrar of Trade Marks. In fact, the Registrar’s discretion has been considerably circumscribed by the Trade Marks Bill when compared with the Trade Marks Ordinance (Cap.43). For example, there is nothing in the Bill that is as broad as the Registrar’s discretion in Section 13(2) of Cap.43.

5. In addition, we do not see any benefit in having a presumption of registrability. Indeed, it may even cause further problems. Someone may seek to challenge a decision not to register a mark (on the basis of the Absolute or Relative Grounds) because of some presumption that a mark is registrable. This could lead to problems. It is interesting to note that Geoffrey Hobbs Q.C. in the *Eurolamb Trade Mark [1997] RPC 275* decided that -

- (a) under the UK Trade Marks Act 1994, there was no presumption either way in favour or against registration. Each application had to be considered on its own merits; and
- (b) the combined effect of Section 37(4) and (5) of the 1994 Act was to eliminate the discretion which the registrar had under the 1938 Act and required him to decide positively that the mark either was or was not registrable [the equivalent sections in the Trade Marks

Bill are Clause 40(4) and (5)].

Infringement of registered trade marks - Clause 17

6. Deacons has again referred to the example of the hawker selling “Channel” perfume in Temple Street, and suggested that the owners of “Chanel” may not be able to bring an infringement action as “such use may not necessarily result in confusion because consumers know from the circumstances of sale that these products are not genuine”.

7. The question is whether Hong Kong courts are likely to hold that there is no infringement in such cases under Clause 17(3) of the Trade Marks Bill for the reasons mentioned by Deacons. We think this is highly unlikely. The Court of Appeal has recently shown its tough approach in a criminal case, *Secretary for Justice v Lam Chi Wah CAAR 4/99*. This concerned an offence under the Trade Descriptions Ordinance. It is worth quoting the judgement of Chan CJ/HC (at page 11) -

“Mr Macrae S.C., for the respondent, has very fairly conceded that the judge might be criticized for making these remarks. The truth of the matter is that Hong Kong does suffer internationally in reputation if it is perceived both locally and internationally that these types of counterfeit goods are widespread and tolerated in Hong Kong and are punishable only by fines which represent only a certain percentage of the value of the goods. The truth of the matter is also that these well-known trade names do suffer, both directly and indirectly. The distribution and sale of counterfeit goods does have an adverse effect on the sales and business reputation of these traders. There may be people who obtain counterfeit goods thinking that they are genuine. Alternatively, counterfeit goods may be so cheap or so commonplace that they degrade the genuine goods or people simply do not fancy these genuine goods any more. Time and time again, the Court of Appeal had expressed the concern that this type of offence would adversely affect the international reputation of Hong Kong and the confidence of trading partners in the other parts of the world. We would like to add that this would also ruin the industry and integrity of those honest and diligent traders and manufacturers.”

8. On the issue of “association”, it should be noted that both the

English court (*Wagamama*) and the European Court of Justice have rejected the idea that the Benelux view of “association” prevails (see *Sabel v Puma 1998 RPC 199* and *Cannon Kabushiki Kaisha v Metro-Goldwyn Mayer Inc. [1999] RPC 117*).

9. Deacons has stated that “it is absurd that the owner of a well-known trade mark will have to prove that confusion may result through unauthorized use of an identical mark on identical goods, whereas no such requirement is present if the unauthorized use is on goods which are totally different from those in which the reputation has been established”. In view of Clauses 61 and 17(4) of the Trade Marks Bill, we do not agree with this view.

10. Clause 61 of the Bill deals specifically with the right of the owner of a *well-known* trade mark to prevent the use of another trade mark which is identical or similar and used on identical or similar goods and services. There must be a likelihood of confusion. Clause 61 is consistent with Article 6*bis* of the Paris Convention and is also consistent with Article 4(1)(a) of the WIPO Joint Recommendation concerning the provisions on the protection of well-known marks (which also refers to the liability to create confusion).

11. Clause 17(4) deals with identical or similar marks in connection with dissimilar goods or services. The provisions are symmetrical to Clause 11(4) (of the relative grounds) and are designed to combat dishonest practices (see Article 10*bis*(2) of the Paris Convention). It is also consistent with Article 16(3) of the TRIPS Agreement and Article 4(1)(b) of the WIPO Joint Recommendation on the protection of well-known marks.

12. The decision of Mr Geoffrey Hobbs Q.C. [28.9.99] on *Re CA Scheimer's* failed attempt to apply for the trade mark “VISA” in respect of contraceptives is useful as an illustration and substantiates our argument. Mr Hobbs found that it was unnecessary to establish any likelihood of confusion in order to substantiate a claim under Section 5(3) of the UK Trade Marks Act 1994 (Clause 11(4) of the Trade Marks Bill). Mr Hobbs said, “Both sides agreed with the position I adopted in *Corgi TM [1999] RPC 549* that it is unnecessary for an objector to establish a

likelihood of confusion in order to substantiate an objection to registration under Section 5(3).” (see page 36). “...there would be cross-pollination between Sheimer’s use of the word VISA and Visa International’s use of the word VISA in the way I have described and that this would be detrimental to the distinctive character of Visa International’s earlier trade mark” (page 38).

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]).

Application of the Rules of Evidence – Clause 77

14. It is not true to say, as Deacons has done, that “The present practice of the Registrar is to routinely accept submissions cloaked as evidence”. Two recent decisions of the Registrar will illustrate the cases where evidence has been disregarded because of hearsay (See *Diesel* (TM No. 3200/92, Decision of the Registrar of Trade Marks dated 16 October 1999, at paragraphs 21-22) and *Tiffany* (Application no. 15562/92, Decision of the Registrar of Trade Marks dated 17 December 1999, at paragraph 42)). Other tribunals in Hong Kong have also adopted this approach (please refer to the summary at the annex).

15. The fact that tribunals of law (as opposed to the courts) should have a more informal approach to evidence is well illustrated by the examples of the various tribunals previously quoted. Ultimately the courts will be able to do justice if the Registrar has departed from proper norms.

Damages and Account of Profits before Transaction Date

16. We do not agree with Deacons that the wording of Clause 27(4) will hinder the prospective licensee's right to sue for infringements before the date of the transaction, as Clause 29(1) stipulates that the same treatment for registered trade marks is applicable to applications for registrations.

Trade and Industry Bureau
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Provisions on Evidence in Various Tribunals in Hong Kong

Tribunal	Legal Basis	Text of provision	Remarks
Small Claims Tribunal	Small Claims Tribunal Ordinance - Section 23(2)	"The rules of evidence shall not apply to proceedings in the tribunal, which may receive any evidence which it considers relevant."	<p>Section 7 of the Ordinance provides that the tribunal may at any stage of proceedings in the tribunal, either of its own motion or upon the application of any party, transfer the proceedings to the Minor Employment Claims Adjudication Board, the Labour Tribunal, the Lands Tribunal, the District Court or the Court of First Instance, whereupon the practice and procedure of such board, tribunal or court, as the case may be, shall apply.</p> <p>Section 28 provides for appeal to the Court of First Instance.</p>
Labour Tribunal	Labour Tribunal Ordinance - Section 27(2)	"The rules of evidence shall not apply to proceedings in the tribunal, which may receive any evidence which it considers relevant."	Section 32 provides for appeal to the Court of First Instance.
Obscene Articles Tribunal	Control of Obscene and Indecent Articles Ordinance - Section 11(b)(i)	"A Tribunal when exercising its jurisdiction under Part III may, subject to that Part and Part VIII, determine its own procedure and in particular may- receive and consider any material, whether by way of oral evidence, written statements, documents or otherwise, notwithstanding that such material would not	Section 30 provides for appeal to the Court of First Instance.

Tribunal	Legal Basis	Text of provision	Remarks
		be admissible in evidence in civil or criminal proceedings".	
Insider Dealing Tribunal	Securities (Insider Dealing) Ordinance - Section 17	"The Tribunal may, for the purposes of an inquiry under this Ordinance- receive and consider any material whether by way of oral evidence, written statements, documents or otherwise, notwithstanding that such material would be admissible in evidence in civil or criminal proceedings in a court of law".	Section 29 provides that an order of the Tribunal may be registered in the Court of First Instance and shall, on such registration, become for all purposes an order of the Court of First Instance. Section 31 provides for appeal to the Court of Appeal.
Transport Tribunal	Road Traffic Ordinance - Section 19(2)	"A Transport Tribunal may receive such evidence as it thinks fit, and neither the provisions of the Evidence Ordinance (Cap 8) nor any other rule of law relating to the admissibility of evidence shall apply in the proceedings before the Tribunal."	-