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By Fax (No. 2877 5029)

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Dear Miss Ho,

Trade Marks Bill

Thank you for your letters of 2 November and 10 December 1999. Below is our response to the various points raised.

Clauses 2 and 91(a) - Definition of "Paris Convention Country"

There is no need to amend Clause 91(a) to specifically empower the Chief Executive in Council to amend a designation made under that Clause. The matter is covered by section 28(1)(c) of the Interpretation and General Clauses Ordinance (Cap. 1). Clauses 91(b) and (c) expressly authorize the Chief Executive in Council to "amend" Schedules 1 and 2 to the Bill because section 28(1)(c) of Cap. 1 does not cover amendments to a Schedule of an Ordinance since the Schedule itself is not subsidiary legislation. Section 28(1)(c) of Cap. 1 would only empower amendments to the regulation that amends the Schedule.

There are also many other examples in our Ordinances where a power is given to designate something but no express power is given to amend the designation. For example, section 24(2) of the Layout-Design

(Topography) of Integrated Circuits Ordinance (Cap. 445), section 8 of the Patents Ordinance (Cap. 514) and sections 70(4), 180(2), 236(2) and 276(2) of the Copyright Ordinance (Cap. 528). Other examples include section 59(2) of the Electricity Ordinance (Cap. 406) and sections 13C(1), 13H(1) and 60 of the Immigration Ordinance (Cap. 115).

Clause 3 - Meaning of “trade mark”

We have no objection to referring to “sound” and “smell” marks in Clause 3(2) and will propose a Committee Stage Amendment to this effect. The Chinese text of the Bill will therefore contain an equivalent reference to sound and smell marks to remove any doubts on the term “標誌”. However, we do not propose to make a reference to “taste” as it is a more controversial item. The leading reference text on the UK Trade Marks Act 1994 (on which our Trade Marks Bill is based) contains a criticism on this issue (Kitchin and Mellor, page 26-15). We consider that it will be more appropriate to leave the law to develop on this point.

Clause 4

We note the Chinese text of the Paris Convention where “effective establishment is rendered as “有效機構” and is therefore different from the Chinese text of Clause 4(1)(c). As explained in our letter of 24 September 1999, the meaning of the phrase “effective establishment” in Chinese is “該等工商機構是實際進行工商業活動的”. We believe that it will more accurately reflect our intention by using the word “實際” instead of “有效”. In a leading text on the Paris Convention, “Guide to the Application of the Paris Convention for the Protection of Industrial Property” by Professor G.H.C. Bodenhausen, this interpretation is explained further: “The words ‘real and effective’ were added in the Additional Act to the Convention adopted by the Revision Conference of Brussels in 1897-1900. The purpose of this addition was to avoid abusive claims to application of the Convention.” The question of whether an establishment is real and effective, and not a faked or ephemeral one, will again be determined by the administrative or judicial authorities of the country...” (pages 34, paragraph (d)). Accordingly, the term “real and effective” means “not faked or ephemeral”. In addition, we are not sure if it is correct to describe an establishment as “有效” in Chinese.

Clause 9(3)

We consider that it is not necessary to add a comma before the words “or organ” so that it would not be misread as referring to “private

organ” only. The punctuation in Clause 9(3) follows the normal drafting practice, which can be expressed as follows : where a series of items is enumerated in a section or subsection and a conjunction is used immediately before the last item in the series, no punctuation should be added after the penultimate item in the series. Clauses 4(1)(c), 14(2), 25(2) and 60(1) of the Bill illustrate this practice.

Clause 10(1)(d)

The Law Society has requested that the expression “honest and established practices of the trade” be added to the Bill. This is based on section 3(1)(d) of the UK Act which uses the expression “in the bona fide and established practices of the trade”. The expression is also used in Article 6^{quinquies} of the Paris Convention and the full expression used is “in the bona fide and established practices of the trade of the country where protection is claimed”.

Clause 10(4)(a)

“Public order” or “public policy” in section 3(3)(a) of the UK Act is a translation of “ordre public”, a concept flowing from Europe. It relates to situations inducing a riot or public disorder or leading to criminal or other general offensive behaviour. Such a concept of “public order” does not appear in the current Trade Marks Ordinance and should not be introduced in the Bill.

Article 6^{quinquies}B of the Paris Convention permits members to deny trade marks registration or to invalidate such registration in certain cases, one of which is where they are contrary to morality or public order. The Article does not require members to deny registration in any of those cases.

Clause 11(8)

Clause 11 deals with the “relative grounds” on which the Registrar may refuse the registration of marks. Clause 11(8) stipulates that registration of a mark may be refused (despite the consent of the owner of the earlier trade mark) if it is likely to cause confusion on the part of the public. The Registrar will exercise this power very rarely. More detailed guidelines will be set out in the Work Manual, which will be made available to the legal profession.

Clause 12(1)(b)

As we have explained in our letter of 24 September 1999, we will prepare a Committee Stage Amendment to change “other circumstances” in Clause 12(1)(b) to “other special circumstances” to tally with section 22 of the Trade Marks Ordinance.

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.

Clause 19

Sections 27, 27A, 28 and 28A of the Trade Marks Ordinance (Cap. 43) set out the rights conferred by the registration of marks for goods

or services in Part A and Part B of the Trade Marks register respectively. The existing provisions in Cap. 43 are ambiguous as regards parallel imports. In practice, however, there is a proliferation of businesses selling, for example, parallel-imported cosmetics or automobiles.

Clause 23 - Infringement proceedings

A copy of the Bill had been sent to the Judiciary who was referred to the definition of “court” in Clause 2. The Judiciary has made no comment on this point.

Clause 24

There is no intention to exempt a legal advisor. This has not been done 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 such exemption in the Registered Designs Ordinance (section 57), or the Patents Ordinance (section 89). The request for an exemption for legal advisors raises other issues. For example, why should legal advisors only and not other trade mark agents be exempt?

We feel that no lawyer or trade mark agent would threaten an action where there were no grounds of action. There are already adequate safeguards as set out in Clause 24(5) and (6). The Copyright Ordinance requires a different treatment because copyright need not be registered as in the cases of trade marks, patents and registered designs.

Clauses 55(6) and 74

The exemption in Clause 74 of the Bill is mirrored in section 74 of the Registered Designs Ordinance and section 139 of the Patents Ordinance. The Registrar should be immune from liability as regards his official acts. This is in line with case law, for example, in *Yuen Kun Yen v The Attorney General of Hong Kong [1998] AL 175*, it was held that the Commissioner of Deposit-taking Companies had no liabilities to various depositors because there was no requisite duty of care.

Clause 81

There is no need to add “or the licensee” after “the owner” in the Clause. Clause 81 relates to the revocation of a registered trade mark for “non-use”. The registered proprietor or owner of the mark is therefore the best person to prove what use he has made of his mark.

Clause 85(1)

The exemption of the Registrar from costs in Clause 85(1) is mirrored in section 62(1) of the Registered Designs Ordinance. This exemption is to protect public officers who have exercised their duties in good faith.

Part XII – Offences

We consider that it is inappropriate to incorporate the Trade Descriptions Ordinance (TDO) into the Bill at this juncture. Nonetheless, we are grateful for your comment on section 9 of the TDO. We will propose a Committee Stage Amendment to amend the term “proprietor of the trade mark” to “owner of the trade mark” to tally with the language used in the Bill.

Chinese text

The Chinese text of this letter will be sent to you shortly.

Yours sincerely,

(Philip Chan)
for Secretary for Trade and Industry

c.c. D of J (Attn. : Mr. Jeffrey Gunter, SALD and
Ms. Phyllis Poon, GC)
DIP (Attn. : Mr. Ray Perera)
Clerk to the Bills Committee on Trade Marks Bill