



中華人民共和國香港特別行政區政府總部衛生福利及食物局
Health, Welfare and Food Bureau
Government Secretariat, Government of the Hong Kong Special Administrative Region
The People's Republic of China

Our Ref.: () in HWF CR 52/581/89

Tel: 2973 8240

Fax: 2102 2540

14 July 2006

Ms Monna LAI
Assistant Legal Adviser
Legislative Council Secretariat
Legislative Council Building
8 Jackson Road
Central
Hong Kong

Fax: 2877 5029

Dear Ms Lai,

Smoking (Public Health) (Amendment) Bill 2005 (the Bill)

On 19 June and 24 June 2006, you wrote to us to enquire further on LC Paper No. CB(2)2406/05-06(01) and the proposed Committee Stage Amendments (CSAs) on the proposed section 10(3) of the Bill. This letter serves as a consolidated response from the Department of Justice, Health, Welfare and Food Bureau and the Intellectual Property Department to the two letters.

Letter on 19 June 2006

Your view that use of a trade mark in advertisement to attract customers' attention to the cigarette product is not a protection to be afforded by the Trade Marks Ordinance (TMO) nor the Paris Convention (point (a) on page 3)

Article 1(2) of the Paris Convention states the scope of intellectual property protection to include its object trade marks, and also the repression of unfair competition (with the details spelt out in Article 10bis).

In addition to distinguishing the goods of one enterprise from the goods of another enterprise, trade marks also serve other functions in

relation to origin, quality and marketing. Thus trade marks may appear on the goods themselves or on the container or wrapper in which the goods are when they are sold. Trade marks may equally be used in advertisements (newspaper or television etc) or in the windows of the shops in which the goods are sold.

Section 18 (1) (Infringement of registered trade mark) of the TMO provides that a person infringes a registered trade mark if he uses in the course of trade or business a sign which is identical to the trade mark in relation to goods which are identical to those for which it is registered. A sign, as defined in sub-section 18(5)(g), would include its usage on business papers or in advertising.

Your view that if the judgment of the Court of Justice of the European Communities is adopted in Hong Kong, there may not be any deprivation of the intellectual property rights nor the goodwill of registered and unregistered trade marks. (last paragraph on page 5)

In the *British American Tobacco Investments and Imperial Tobacco case* [2002] EUECJ C-491/01, Japan Tobacco alleges that Article 7 of the Directive prohibits it from exercising its intellectual property rights by preventing it from using its trade mark MILD SEVEN in the Community and by depriving it of the economic benefit of its exclusive licences for that trade mark. The European Court, in determining the validity of the relevant Directive in the light of Article 20 of TRIPS, categorically states that the lawfulness of the Community measure would not be assessed in the light of TRIPS, as the Community does not intend to implement any WTO obligations or makes any express reference to the precise provisions of the WTO agreements. As a result, the European Court finds that there is no need for it to examine the validity of the Directive in the light of Article 20 of TRIPS. (Please refer to paragraphs 54 to 56 of the judgment). The significance of this rider is that whether the European model is consistent with TRIPS is moot.

Letter on 24 June 2006

Your question in point (A)

Paragraph 9 of Annex II to CB(2)1897/05-06(01) did point out that prohibiting the words “low tar”, “light”, “ultra-light” or “mild” etc. went further beyond the requirements of Article 11(a) of the Framework Convention on Tobacco Control (“FCTC”). As explained in previous Bills Committee meetings, it is an obligation of Parties to the FCTC to comply with the FCTC requirements but the FCTC does not prohibit them from taking measures over and above the FCTC requirements. Including

specific words in the prohibition would provide greater clarity and certainty to tobacco product manufacturers or their agents, or wholesale distributors of tobacco products and the community as to what are the objectionable words if used on tobacco product packets and retail containers. The new words added in the CSAs are words cited in Article 11(a) of the FCTC.

Your question in the second last paragraph of page 2

We informed Bills Committee members that all applications for registration of trade mark containing the “proscribed words” that are filed in and after March 2006 have been objected to under section 11(4)(b) of the TMO on the ground that they are likely to deceive the public. These cases are still being processed, and it would not be appropriate to comment on the details.

Both revocation of a trade mark’s registration under section 52(1) and declaration of invalidity of a trade mark’s registration under section 53(1) of the TMO can be made by any person by initiating an application to the Court or to the Registrar.

Your view expressed on page 5 at the last part of (a) under the Heading “Unregistered trade mark” that drafting of Schedule 5A does not reflect the policy intent (point (b) on page 5)

Your view was that

“even if the owner of a business is prohibited from using his unregistered trade mark, the goodwill of his business is unlikely to be destroyed. The prohibition in section 10(3) is unlikely to be held as amount to “徵用” or a “deprivation” of property under Basic Law Article 105”

We would like to reiterate that unregistered trade marks and well-known marks with the proscribed words that met the corresponding conditions are proposed to be allowed to be used because we have to ensure that Hong Kong, China (“HKC”) continues to be in full compliance with the WTO TRIPS. Under the TRIPS, the term “intellectual property” refers to all categories of intellectual property such as protectable trade marks¹.

¹ Article 1(2) of TRIPS. Section 2: Article 15(1) (Protectable Subject Matter) provides that: “Any sign, or any combination of signs, capable of distinguishing the goods and services of one undertaking from those of other undertakings, shall be capable of constituting a trade mark. Such signs, in particular words including personal names, letters, numerals, figurative elements and combination of colours as well as any combination of such signs, shall be eligible for registration of trademarks.” A distinction is not made between trade marks and trade names in TRIPS. In any event, Article 8 [Trade Names] of the Paris convention provides that: “A trade name shall be protected in all the countries of

Trade marks (including well-known marks², unregistered trade marks in use and trade names³) are categories of intellectual property⁴. HKC, being a WTO member, has to give protection to these categories of intellectual property under the TRIPS. Intellectual property protection includes matters affecting the availability, acquisition, scope, maintenance and enforcement of intellectual property rights as well as those matters affecting the use of intellectual property rights specifically addressed in TRIPS.

Paragraph 11 of LC Paper No. CB(2)1897/05-06(01) pointed out a form of protection available to unregistered trade marks in Hong Kong. The protection mentioned therein is derived from the requirement of protecting all categories of intellectual property enshrined in TRIPS. This form of protection is also an illustration of the complexities of the legal issues involved. Paragraph 12 of the same paper went on to explain that such complexities would give rise to risk of litigation. The “litigation” here refers to litigation both in the domestic court and at international forum / level. Basic Law Article 105 is neither the sole nor the most important consideration in respect of unregistered trade marks (including trade names) and well-known marks in the formulation of the CSAs.

The policy intent, as explained in the above two paragraphs, is to enable HKC to be able to continue to be in full compliance with the TRIPS. It is not narrowly restricted to “exempt[ing] those persons who are entitled to take the action of passing off”. The present drafting of the proposed Schedule 5A rightly reflects our policy intent to protect trademarks

the Union without the obligation of filing or registration, whether or not it forms part of a trade mark.” In a WTO Dispute Settlement Case: *United States-Section 211 Omnibus Appropriation Act of 1998*, the Appellate Body finds that “*WTO Members do have an obligation under the TRIPS Agreement to provide protection to trade names.*” WT/DS176/AB/R, para 273(g).

² Owners of well-known marks have specific rights. Article 6bis [Well-Known Marks] of the Paris Convention provides that : “The countries of the Union undertake ... to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods.”

³ Unregistered trade names (like unregistered trade marks) which embody the goodwill of businesses can be protected internationally under Article 10bis [Unfair Competition] of the Paris Convention, and domestically through the common law passing off action.

⁴ Article 1(2) [Scope of intellectual property] of the Paris Convention provides that: “The protection of industrial property has as its object ... trade marks, ... and the repression of unfair competition.” Article 1 of TRIPS provides that : “... the term “intellectual property” refers to all categories of intellectual property that are subject to Sections 1 (Section 2: Trademarks) through 7 of Part II.: Article 15(2) of TRIPS permits Members to deny trademark registration on grounds other than those expressly provided for in TRIPS and in the Paris Convention. Denial of registration on “other grounds” would derogate from the Paris Convention only if the denial was on grounds that are inconsistent with the provisions of that Convention. *Appellate Body Report on US – Section 211 Appropriation Act*, paras. 171, 177 and 178.

(including trade names) and well-known marks to the extent required of WTO Members under TRIPS.

Your view that there is uncertainty of the class of persons to be exempted under section 5 of Schedule 5A (point (ii) on page 6)

You argue that a person who at one time before the appointed day is entitled to take the action of passing off to protect the goodwill of his business may not necessarily mean that he is entitled to take the action of passing off at another time before the appointed day if the goodwill of his business no longer exists. As explained in the above paragraph, the policy intent is not narrowly restricted to exempting those persons who are entitled to take the action of passing off. The current drafting of section 5 of Schedule 5A therefore does not make reference to a person's entitlement to take the action of passing off, which is not the determining condition for the proposed exemption.

Your view that there is uncertainty of the status of the exempted person under section 5 of Schedule 5A (point (iii) on page 6) and requests that the Administration clarifies the mechanism under which a person is exempted from section 10(3) (last paragraph under point (iii) on page 6 – 7)

It is up to any tobacco product manufacturer or his agent, or wholesale distributor of tobacco products to decide whether to use / continue to use certain words on the packet or retail container of his tobacco products. If he believes that he is able to satisfy the conditions set out in Schedule 5A, he may continue to use / proceed to use his trade mark on the packet or retail container of his product. Should he be prosecuted for breach of section 10(3), he will have to raise the defence that he is exempted from section 10(3) by proving compliance of the requirements under Schedule 5A.

Your view that if a person is exempted from section 10(3) before the appointed day, he is entitled to use his unregistered trade mark at any time after the appointed day (point (iv) on page 7)

Our policy intention is not that a person should be regarded as being entitled to use his unregistered trade mark "at any time after the appointed day" once he is exempted from section 10(3) "before the appointed day". The requirement as stated in the proposed section 5(a) of Schedule 5A is that a specified person must use his unregistered trade mark or trade name in good faith continuously in the course of retail sale of tobacco products in Hong Kong and such use must have begun before the appointed day.

Your view that it is uncertain whether a trade mark is a well-known trade mark unless determined by the Registrar or the court (point (a)(iv) under the heading “Well-known trade mark” on page 9)

If the owner of a well-known trade mark believes that he is able to satisfy the conditions set out in Schedule 5A, he may proceed to use his trade mark on the packet or retail container of his product. Should he be prosecuted for breach of section 10(3), he will have to raise the defence that he is exempted from section 10(3) by proving compliance of the requirements under Schedule 5A. The most straightforward way of proving compliance is to prove in the court that his trade mark is a well-known mark in Hong Kong in accordance with Schedule 2 of the TMO.

Your view that it is doubtful whether the rights of the owner of a trade mark that has not been determined by the court or the Registrar as a well-known trade mark amount to “property” to be protected under Basic Law Article 105 and the prohibition proposed under section 10(3) amounts to “徵用” or “deprivation of property under Basic Law Article 105

As explained in the last paragraph on page 3 of this letter, well-known trade marks is one category of intellectual property that HKC is obliged to protect under the TRIPS. Also, as explained in paragraph 2 of page 4, Basic Law Article 105 is neither the sole nor the most important consideration in respect of well-known marks in the formulation of the CSAs.

Your view that it is uncertain which class of persons can be exempted as owners of well-known trade marks (point (c) under the heading “Well-known trademarks” on page 11)

You consider that a trade mark that is well-known in Hong Kong at one time before the appointed day may not necessarily be well-known in Hong Kong at another time before the appointed day. This situation is highly unlikely to arise given the efforts that have to be spent by the trade mark owner for a mark to become well-known. Nevertheless, our policy intention is that the trade mark in question must have begun to be well-known in Hong Kong in respect of tobacco products before the appointed day, and must be well known in Hong Kong immediately before the appointed day.

Your view that it is uncertain which are the well-known trade marks that can be exempted from section 10(3) under Schedule 5A (point (d) under the heading “Well-known trademarks” on page 11)

As explained in the middle paragraph of page 5 of this letter, if the owner of a well-known trade mark believes that he is able to satisfy the conditions set out in Schedule 5A, he may proceed to use his trade mark on the packet or retail container of his product. Should he be prosecuted for breach of section 10(3), he will have to raise the defence that he is exempted from section 10(3) by proving compliance of the requirements under Schedule 5A. The most straightforward way of proving compliance is to prove in the court that his trade mark is a well-known mark in Hong Kong in accordance with Schedule 2 of the TMO.

Your view that it is difficult to prove compliance with the requirements under Schedule 5A (point (e) under the heading “well-known trademarks” on page 11)

The proposed Schedule 5A is clear that the burden of proof is on the specified person. It is a matter for him as to what evidence to keep and how the evidence is to be kept to prove compliance.

In relation, it would be highly appreciated if you could let us have the Chinese translation for all the letters you previously issued to us for reference and record purposes.

Yours sincerely,



(Miss Christine Au)

for Secretary for Health, Welfare and Food