



中華人民共和國香港特別行政區
Hong Kong Special Administrative Region of the People's Republic of China

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LEGISLATIVE COUNCIL SECRETARIAT

來函編號 YOUR REF :
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Secretary for Health, Welfare and Food
Health, Welfare and Food Bureau
(Attn: Mrs Ingrid YEUNG, DS(H)2)
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Garden Road, Hong Kong

By Fax (2840 0467) and By Post

18 July 2006

Dear Mrs YEUNG

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

I refer to your letter purporting to answer some of my queries raised in my previous letters and have the following comments:

My letter dated 19 June 2006

Point (a) on page 3

Please note that the my view is that "it seems 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 (Cap. 559) ("the Trade Marks Ordinance") nor the Paris Convention. My focus is on "to attract customers' attention to the product" instead of on advertisement.

Last paragraph on page 5

My view is that "whether section 10(3) creates "an unjustifiable encumbrance" depends on whether the judgment of Court of Justice of the European Communities in The Queen and Secretary of State for Health Case No. C-491/01 ("ECJ") and the Canadian Case of J.T.I. Macdonald v. the A.G. of Canada ("the Macdonald's case") and the views of the Australian Competition and Consumer Commission ("the Commission") in the undertaking to the Commission given for the purposes of Section 87B of the Trade Practices Act 1974 by Imperial Tobacco Australia Limited on 3 November 2005 are also adopted in Hong Kong. If there is no deprivation of the intellectual property rights of a registered trade mark, nor the goodwill of the owner of an unregistered trade mark, Hong Kong's obligations under the relevant international conventions to protect trade marks will not be affected."

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The parts of the ECJ and the Macdonald's case and the views of the Commission I referred to are in relation to "unjustifiable encumbrance" (as set out in my letter dated 6 June 2006) and their relevance on whether there is any deprivation of intellectual property rights instead of paragraphs 54 to 56 of ECJ as mentioned in your letter.

My letter dated 24 June 2006

My question on trade mark registered under the Trade Marks Ordinance ("registered trade mark")

The Administration's confirmation 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 Trade Marks Ordinance **on the ground that they are likely to deceive the public**" is noted.

In the light of the Administration's stance that trade marks containing the "proscribed words" are likely to deceive the public, please account for the following policy intent:

- (a) the cut-off date for grandfathering the registered trade marks containing the "proscribed words" under Schedule 5A is the appointed day and not March 2006; and
- (b) the existing registered trade marks containing the "proscribed words" which are likely to deceive the public and thus, liable to be revoked under section 52 of the Trade Marks Ordinance or declared to be invalid under section 53 of the Trade Marks Ordinance are to be exempted by virtue of the grandfathering provisions under the proposed Schedule 5A.

My questions on unregistered trade mark and well-known trade mark

I note that the Administration has advised that 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.

So far, the other reason given by the Administration for unregistered trade marks and well-known marks with the proscribed words that met the corresponding conditions are proposed to be allowed to be used is "because we have to ensure that Hong Kong, China ("HKC") continues to be in full compliance with the WTO TRIPS.". "HKC, being a WTO member, has to give protection to these categories of intellectual property under the TRIPS. Intellectual property protection includes matters affecting... as well as those matters affecting the use of intellectual property rights specifically addressed in TRIPS.".

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Your comment on passing off action is that "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".

I have set out in my letter my views on the protection given to the unregistered trade mark and well-known trade mark under the Trade Marks Ordinance ("the Protection") and that the proposed section 10(3) in the Bill does not appear to affect the Protection. The protection required under TRIPS as set out in pages 3 and 4 of your letter seems to have been covered by the Protection e.g. "eligible for registration of trade marks" in Note 1 of page 3, "to prohibit the use of a trade mark" in Note 2 of page 4, "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" in Note 3 of page 4 and "denial of registration of other trade marks" in Note 4 of page 4.

It appears that so far the Administration has only advised the Bills Committee that:

- (a) HKC has to be in full compliance with the WTO TRIPS,
- (b) there are complex legal issues involved, and
- (c) such complexities would give rise to risk of litigation

However, the Administration has failed to elaborate on:

- (a) what are "the complex legal issues involved", including but without limitation to, :
 - (i) the protection, in particular, the TRIPS provisions, which will be affected by the proposed section 10(3) as to amount to "HKC's non-compliance with WTO TRIPS";
 - (ii) in the light of the Administration's stance that trade marks containing the "proscribed words" are likely to deceive the public, the TRIPS provision(s) requiring for protection of such misleading trade marks, if any, which are to be affected by the proposed section 10(3) as to amount to "HKC's non-compliance

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with WTO TRIPS"; and

- (iii) if the prohibition on use of unregistered trade marks and well-known trade marks containing the proscribed words in Hong Kong will amount to HKC "not in full compliance with the WTO TRIPS" and thus such trade marks have to be exempted by the grandfathering approach, the WTO TRIPS provisions which allow HKC to ban the use of such trade marks under the proposed section 10(3) in the CSAs.
- (b) the Administration's assessment of the risk of litigation in this aspect. Whether the risk is the same "serious risk" as assessed by the Department of Justice in relation to registered trade mark containing the proscribed terms?

Uncertainty of status of an exempted person

In the light of the uncertainties raised in my letter, the policy of leaving a person to decide whether he is exempted under Schedule 5A and upon being prosecuted, to raise the defence that he is exempted by proving compliance of the ambiguous requirements is undesirable.

It is appreciated that your reply in both Chinese and English could reach us by close of play, 19 July 2006.

Yours sincerely



(Monna LAI)
Assistant Legal Adviser