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Health, Welfare and Food Bureau
Government Secretariat, Government of the Hong Kong Special Administrative Region
The People's Republic of China

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Dear Ms Lai,

Smoking (Public Health) (Amendment) Bill 2005

Thank you for your letter of 18 July. Our answers to your questions and comments on your views are set out in the following paragraphs.

Your focus on “to attract customers’ attention to the product” instead of an advertisement (second paragraph of your letter)

We note your view that your focus is on “to attract customers’ attention to the product” instead of on advertisement. Nevertheless, we would like to point out that the main point of paragraph 8 of LC Paper No. CB(2)2406/05-06 (01) was to discuss whether a general ban on the use of the “proscribed words” would leave the owners of registered trade marks containing the “proscribed words” with any meaningful and economically viable use of registered trade marks (to determine whether there is any de facto deprivation of any affected registered trade mark). In this assessment, the possibility of using the trade marks in question in tobacco advertisements to attract customers’ attention to the product should naturally be examined.

We also note your view which appears to accept that use of a trade mark in advertisement is a protection to be afforded by the Trade Marks Ordinance (Cap. 559) (“TMO”) and the Paris Convention but your emphasis is on “to attract customers’ attention to the product” instead of on advertisement. However, using a trade mark in advertisement to attract customers’ attention is part and parcel of the promotional and publicity function of using the trade mark in advertisement. As explained in our last letter of 14 July 2006, section 18 of the TMO provides for the protection of the right of a registered trade mark against infringement by a third party through, among other things, using a similar or identical sign in advertising.

Whether section 10(3), i.e. clause 11 of the original Bill, creates “an unjustifiable encumbrance” (third and fourth paragraph of your letter)

I note that you referred to the parts of the ECJ judgment, the judgment of the Macdonald’s case in Canada and the views of the Australian Competition and Consumer Commission in relation to “unjustifiable encumbrance” and asked about their relevance on whether there is any deprivation of intellectual property rights. This question has been addressed by the Administration in LC Paper No. CB(2)1897/05-06(01) and LC Paper No. CB(2)2456/05-06(01) submitted in April and June 2006 respectively and discussed at the meeting on 19 June 2006. In the relevant papers, the Administration has set out its comments on the ECJ case, the Canadian case and the views of the Australian Competition and Consumer Commission. To recap, our view is that the European version of the proportionality test cannot be assumed to be applicable to the rule requiring compensation for lawful deprivation under BL105. The Canadian case relates to a constitutional challenge on the basis of freedom of expression rather than property right protection. As regards the Australian matter, the voluntary undertaking given by Imperial Tobacco Australia Limited was not given as a result of a court order (i.e. there was no judicial determination of the issues). The Australian matter is therefore not of direct relevance to the constitutional issue of whether the Bill contravenes BL105.

Your request for clarification of the policy intent in setting the cut-off date for grandfathering registered trade marks containing the “proscribed words” under the proposed Schedule 5A at the appointed day and not March 2006 (point (a) in the sixth paragraph of your letter)

Section 11(4) of the TMO provides that a trade mark shall not be registered if it is contrary to accepted principles of morality or likely to deceive the public. The Registrar of Trade Marks, in the examination of whether a trade mark is likely to deceive the public, takes into consideration whether there is a real rather than an imagined possibility of deception

occurring at the date of the application for registration. The use of the words “the public” means that particular consideration must be given to the nature of the trade and its customers. Section 84 of the TMO provides that an appeal lies to the Court from any decision of the Registrar under the Ordinance. Before the enactment of any amendment to the Smoking (Public Health) (Amendment) Ordinance to prohibit the use of the “proscribed words”, any decision of the Registrar not to register a trade mark with the “proscribed words” can be subject to appeal. If the appeal is successful, the trade mark will have to be registered. If the cut-off date for the grandfathering arrangement is set at a date before the coming into effect of the Bill, there is a danger that a trade mark with a “proscribed word” may be ruled by the Court as not likely to deceive the public hence shall be registered on the one hand while the proposed amendment to the Smoking (Public Health) Ordinance (if enacted) prohibits the use of the “proscribed word” on the other.

Your request for clarification of the policy intent in exempting, by virtue of the grandfathering provisions under the proposed Schedule 5A, existing registered trade marks containing the “proscribed words” (point (b) in the sixth paragraph of your letter)

Under the proposed Schedule 5A, existing registered trade marks containing the “proscribed words” are not simply “grandfathered”. They have to satisfy also the following conditions –

- (a) the packet of the cigarette, and if the packet is within a retail container, the container also, bear a notation in the prescribed form and manner (section 2(e) of the proposed Schedule 5A). If the tobacco product concerned is not cigarette, the retail container of the tobacco product bears a notation in the prescribed form and manner (section 3(d) of the proposed Schedule 5A);
- (b) the trade mark remains registered in the register at the time when the tobacco products are sold (section 4(c) of the proposed Schedule 5A).

The “notation” condition is set to address, as far as possible, the concern of any possible misleading effect that the “proscribed words” may have. The condition that the trade mark must remain registered is set to ensure that no previously-registered trade mark with a “proscribed word” that has been revoked or declared invalid may continue to enjoy the exemption under the proposed Schedule 5A.

Your request for elaboration on what are the complex legal issues involved (points (a)(i), (a)(ii) and (a)(iii) in the eleventh paragraph of your letter)

Regarding your point (a)(i), as explained before, 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, i.e. the availability for unregistered and well-known marks to be protected, to be registered through acquisition, to have a wide scope of protection, to maintain their protection, to use and to enforce the rights. The relevant requirements are set out in Articles 3 and 4 of TRIPS and the Note to those articles.

As for your point (a)(ii), you questioned the legal basis under TRIPS for justifying protection of “such misleading trade marks” (i.e. unregistered trade marks and well-known marks). I would like to point out that the proposal to grandfather existing unregistered trade marks and well-known marks is not so much a case of TRIPS requiring the HKSAR to protect “misleading” unregistered trade marks and well-known marks as such, but the point is whether it is compliant with TRIPS for HKSAR to grandfather registered trade marks (subject to inclusion of the notation to dispel any misleading effects of the proscribed words), but not giving the same treatment to unregistered trade marks and well-known marks. According to Article 1(2) of TRIPS, the HKSAR needs to give adequate protection to all categories of intellectual property, including trade marks and trade names, whether registered or not.

Your point (a)(iii) asked for the precise provisions in TRIPS that allow HKSAR to ban the use of trade marks under the proposed section 10(3). There is no precise provision in TRIPS that deals expressly with trade marks containing the proscribed words as such, but our assessment is that the provisions in the proposed Schedule 5A have accorded sufficient protection to all categories of intellectual property and the proposed section 10(3) is in order with the proposed Schedule 5A in place.

Your request for the Administration’s assessment of the risk of litigation should there be no grandfathering arrangement for unregistered trade marks or well-known marks (point (b) in the eleventh paragraph of your letter)

The basic legal principle is that WTO members have to give effect to the provisions of TRIPS (Article 1(1)) in good faith. If the Bill is passed with a general legal prohibition of use of certain trade marks or names as represented by the Bill without a full grandfathering provision of existing

registered trade marks, unregistered trade marks in use, existing well-known marks and existing trade names in use bearing the proscribed words, the law as such would be inconsistent with TRIPS. Fundamentally, HKSAR should take all possible measures to prevent acting inconsistently with TRIPS.

Your view that 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 (second last paragraph of your letter)

The proposed Schedule 5A sets out in detail the conditions that must be met if a person wants to be exempted from the offence of using certain proscribed terms on tobacco product packages. It is consistent with general criminal procedural law to require a person who seeks to avail himself of a statutory exemption to prove that the conditions for the exemption are satisfied. We consider that the proposed Schedule 5A is a balanced model that can on the one hand reduce the risk of legal challenge against the offence provision and on the other hand provide the necessary requirements that are clear and stringent enough to deter people from abusing the grandfather exemption.

Yours sincerely,



(Miss Christine Au)
for Secretary for Health, Welfare and Food