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Panel on Commerce and Industry

Meeting on 21 February 2017

**Updated background brief on the application of
the Protocol Relating to the Madrid Agreement Concerning the
International Registration of Marks
to the Hong Kong Special Administrative Region**

Purpose

This paper provides updated background information on the proposed application of the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks ("Madrid Protocol") to the Hong Kong Special Administrative Region ("HKSAR"). It also summarizes the views and concerns expressed by members of the Panel on Commerce and Industry ("the Panel") on the subject in previous discussions.

Background

The trade mark system in Hong Kong

2. Trade marks are the most widely used form of registered intellectual property ("IP") throughout the world. The essential function of a trade mark is to guarantee the identity of the origin of the marked goods or services to the consumers. It is an important tool for branding, market innovation and competition, and facilitates business acquisition, licensing, franchising and all innovative forms of IP trading.

3. A registered trade mark is a property right obtained by the registration of the trade mark under the Trade Marks Ordinance (Cap. 559).¹ The owner of a registered trade mark has the exclusive right to use the trade mark in relation to

¹ Section 10 of the Trade Marks Ordinance (Cap. 559) ("TMO").

the goods or services for which the mark is registered throughout the territory of Hong Kong.² The registration of a trade mark in Hong Kong is valid for a period of 10 years and registration may be renewed for further periods of 10 years each.³ In other words, the validity of a trade mark registration is potentially perpetual.

4. Trade mark rights are territorial in nature and are granted in each jurisdiction independently according to its own laws and practice. These rights are confined to the place in which the mark is being applied for and registered. The trade mark registration system in Hong Kong provides protection of marks registered in Hong Kong only. Trade marks registered in Mainland China or other countries or regions do not automatically receive protection in Hong Kong. Thus, traditionally, a trade mark owner needs to apply for registration of his trade mark in each jurisdiction where he wishes to obtain protection by registration.

Madrid Protocol

5. To facilitate the obtaining of protection of marks and the subsequent management in multiple countries or jurisdictions, the International Bureau ("IB") of the World Intellectual Property Organization ("WIPO") administers a system for international registration of trade marks ("Madrid System"). Under the Madrid System, a trade mark owner may apply for registration in one or more countries or territories by filing a single application and paying one set of fees. The Madrid System also simplifies the post-registration management of the marks through a central depository of WIPO which enables trade mark owners to centrally request and record further changes, or renew the registrations, through a single procedural step with IB. The Madrid System is governed by two international treaties, namely the Madrid Agreement Concerning the International Registration of Marks⁴ and the Madrid Protocol.⁵

² Section 14 of TMO.

³ Section 49 of TMO.

⁴ The Madrid Agreement Concerning the International Registration of Marks ("Madrid Agreement") was concluded in 1891 providing a system for extension of trade mark registration from one country to other countries. Major trading nations such as Australia, South Korea and the United States have not acceded to the Madrid Agreement.

⁵ The Madrid Protocol was adopted in 1989. A number of new features were introduced with a view to addressing certain concerns and limitations under the Madrid Agreement. In recent years, most of the new accessions are to the Madrid Protocol only. Almost all contracting parties to the Madrid Agreement have joined the Madrid Protocol, including major trading nations such as Japan and the United Kingdom. The full text of the Madrid Protocol is available at http://www.wipo.int/wipolex/en/wipo_treaties/text.jsp?file_id=283484.

6. Only sovereign states or qualified inter-governmental organizations (e.g. the European Union) may become contracting parties to the Madrid System. China is a contracting party to the Madrid Protocol. Currently, the Madrid System is not applicable in Hong Kong. The Central People's Government may apply the Madrid Protocol to Hong Kong in accordance with Article 153 of the Basic Law.⁶

Consultation on the proposed application of the Madrid Protocol to Hong Kong

7. The Administration considers that it would be in Hong Kong's overall interest to apply the Madrid Protocol to Hong Kong. Joining the Madrid System will enhance the credibility of Hong Kong's trade mark regime, help establish Hong Kong as an international IP trading hub and reinforce Hong Kong's image as an international city and a knowledge-based economy.

8. The Administration launched a three-month consultation exercise on 11 November 2014 inviting views and comments from the public, particularly from stakeholders such as professional bodies in the trade mark business on the proposed application of the Madrid Protocol to Hong Kong and the need for and the desirable features of a possible special arrangement between Hong Kong and Mainland China to facilitate the reciprocal filing of trade mark applications.

9. The Administration received 21 submissions mainly from trade associations, chambers of commerce and professional bodies. In general, the majority of the respondents supported the application of the Madrid Protocol to Hong Kong in view of the overall benefits for Hong Kong and businesses. But some respondents, mainly from the trade mark profession, harbored doubts about the necessity of the proposed application, expressing concerns over the possible lack of practical benefits and possible adverse effect on the local intellectual property profession.

Discussion by the Panel

10. The Panel discussed the issues and arrangements of the consultation on the proposed application of the Madrid Protocol to Hong Kong as well as the outcome of the consultation exercise at its meetings on 18 November 2014 and 19 May 2015 respectively. The major views and concerns expressed by members are summarized in the ensuing paragraphs.

⁶ Article 153 of the Basic Law provides that:
"The application to the Hong Kong Special Administrative Region of international agreements to which the People's Republic of China is or becomes a party shall be decided by the Central People's Government, in accordance with the circumstances and needs of the Region, and after seeking the views of the government of the Region. ..."

Application of the Madrid Protocol in Hong Kong

11. Given that Hong Kong was not a contracting party to the Madrid Protocol, some members enquired at the meeting on 18 November 2014 whether it would be compulsory for trade mark owners in Hong Kong to apply for trade mark registrations in overseas countries through the Madrid System once the Madrid Protocol was applicable to Hong Kong. These members also enquired whether such applications must be routed through the Mainland China Trademark Office as the People's Republic of China, not Hong Kong, was a contracting party to the Madrid Protocol.

12. The Administration replied that the implementation of the Madrid Protocol in Hong Kong would provide an additional pathway for Hong Kong trade mark owners to apply for trade mark registrations in multiple jurisdictions through a one-stop process available under the Madrid System. Trade mark owners in Hong Kong could still choose to file separate applications for trade mark registration directly with the concerned overseas trade mark offices. If the Madrid Protocol was applied to Hong Kong, trade mark applicants who wished to seek trademark registration in overseas countries under the Madrid System should submit their international applications to the Trade Mark Registry of the Intellectual Property Department ("IPD"), not the Mainland China Trademark Office, to certify that the relevant applications fell within the scopes of the basic marks before the international applications were forwarded to IB of WIPO for checks on formality and classification. As the substantive examination of a trade mark under the Madrid Protocol was to be handled by the trade mark office of the particular designated contracting party in accordance with the respective local laws and procedures, international applications seeking trade mark registrations in Hong Kong would be assessed in accordance with Hong Kong's trade mark law and subject to the approval of the Trade Mark Registry of IPD.

13. At the meeting on 19 May 2015, some members were concerned whether the application of the Madrid Protocol to Hong Kong would take away the Trade Marks Registry's approval authority for international trade mark applications submitted under the Madrid System. The Administration replied that the Madrid System provided procedural convenience for trade mark applicants to register and manage their marks in multiple countries and jurisdictions. However, the substantive registration requirements and the related dispute resolution mechanisms in a particular jurisdiction would be subject to the relevant local legislation and practice. Hence, international applications under the Madrid System designating Hong Kong would still be subject to substantive examination conducted by the Trade Marks Registry of IPD. IP rights would also be enforced in accordance with the laws of Hong Kong.

Benefits of the Madrid Protocol

14. A number of members enquired about the benefits for Hong Kong to join the Madrid System at both meetings. At the meeting on 18 November 2014, members particularly asked whether joining the Madrid System could help local enterprises save costs in trade mark registrations.

15. The Administration advised at both meetings that traditionally, a trade mark owner needed to apply for registration of his trade mark in each jurisdiction where he wished to obtain protection. However, under the Madrid System, a trade mark owner could seek to protect his trade mark in one or more countries or territories by filing a single application for registration and paying one set of fees. The Madrid System also simplified the post-registration management of the marks through a central depository of WIPO which enabled trade mark owners to centrally request and record further changes, or renew the registrations, through a single procedural step with the IB of WIPO.

16. At the meeting on 18 November 2014, the Administration also advised that IPD would determine the fee levels of international applications under the Madrid System in accordance with the cost-recovery principle. The fees charged by IPD on processing international applications designating Hong Kong under the Madrid System were expected to be lower than those on domestic applications, as checks on formality and classification would be conducted centrally by the IB of WIPO before the international application was sent to the designated contracting parties for further processing.

Impact on the business of local trade mark agents

17. A number of members expressed concern at both meetings that the number of trade mark registrations filed in Hong Kong might be drastically reduced upon the implementation of the Madrid Protocol. These members were worried about the possible adverse impact on local trade mark agents' business.

18. The Administration advised that a study of overseas experience showed that subsequent to their joining the Madrid Protocol, some countries had experienced an overall increase in the number of both domestic and international applications for trade mark registration while some other countries had experienced a decrease in the number of domestic applications while at the same time recording an increase in the number of international applications, suggesting that the impact of the Madrid Protocol could not be easily generalized. Moreover, it was believed that the Madrid Protocol would provide an additional procedural option for overseas trade mark owners to protect their trade marks in Hong Kong by designating Hong Kong in their international applications, but this option would not displace the existing

domestic application channel for seeking trade mark registration in Hong Kong. The increase in international applications on the other hand might bring new business opportunities for the local trade mark practitioners, particularly the small and medium law firms.

Latest position

19. The Administration will brief the Panel on 21 February 2017 on the Government's follow-up work on the proposal to apply the Madrid Protocol to HKSAR and the way forward.

Relevant papers

20. A list of relevant papers is shown in the **Appendix**.

Council Business Division 1
Legislative Council Secretariat
15 February 2017

List of relevant papers

Date of meeting	Meeting	Paper
18/11/2014	Panel on Commerce and Industry	<p>Administration's paper on "Consultation on proposed application of the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks to the Hong Kong Special Administrative Region" (LC Paper No. CB(1)211/14-15(05))</p> <p>Minutes of meeting (LC Paper No. CB(1)345/14-15)</p>
19/5/2015	Panel on Commerce and Industry	<p>Administration's paper on "Consultation on proposed application of the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks to the Hong Kong Special Administrative Region: outcome of consultation" (LC Paper No. CB(1)831/14-15(05))</p> <p>Background brief on the application of the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks to the Hong Kong Special Administrative Region prepared by the Legislative Council Secretariat (LC Paper No. CB(1)831/14-15(06))</p> <p>Minutes of meeting (LC Paper No. CB(1)1100/14-15)</p>