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Panel on Commerce and Industry

Meeting on 20 November 2018

**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 recent developments of 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. 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. With an essential function to guarantee the identity of the origin of the marked goods or services to the consumers, trade marks serve as 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) ("TMO").¹ The owner of a registered trade mark has the exclusive right to use the trade mark in

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

relation to 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

4. Trade mark rights are territorial in nature and are granted in each jurisdiction independently according to its own laws and practice. Traditionally, trade mark owners need to apply for registration of their trade marks in each jurisdiction where they wish to obtain local protection. Trade marks registered in the Mainland or other countries or regions do not automatically receive protection in Hong Kong.

Madrid Protocol

5. Under the administration of the World Intellectual Property Organization ("WIPO"), the Madrid Protocol is an international agreement which seeks to facilitate the registration and management of trade marks in different jurisdictions. Under the Madrid Protocol, an international application can be filed by a trade mark owner via the trade mark office where the basic mark is held. With the payment of one set of fees, the trade mark owner may designate one or more contracting parties in which protection is sought. The trade mark office of each designated contracting party examines the international application according to its domestic trade mark laws and practices to consider granting registration. Trade mark owners may also manage their trade mark portfolios maintained in different jurisdictions through a single procedure with WIPO. While China is one of the contracting parties to the Madrid Protocol, the agreement currently does not apply to Hong Kong.⁴

Latest developments of the proposed application of the Madrid Protocol to Hong Kong

Public consultation

6. The Administration launched a three-month consultation exercise from November 2014 to February 2015 to gauge the views of stakeholders and the public on the proposed application of the Madrid Protocol to Hong Kong.⁵ Of

² Section 14 of TMO.

³ Section 49 of TMO.

⁴ The Central People's Government may apply the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks ("Madrid Protocol") to Hong Kong in accordance with Article 153 of the Basic Law.

⁵ Details of the consultation issues including benefits of the proposed application and implications for stakeholders are in LC Paper No. CB(1)211/14-15(05).

the 21 submissions received mainly from trade associations, chambers of commerce and professional bodies, the majority of the respondents supported the proposal in view of the overall benefits for Hong Kong and businesses. However, some respondents, mainly from the trade mark profession, expressed concerns about the possible lack of practical benefits and possible adverse effect on the local trade mark profession as a result of a reduction of locally filed trade mark applications.

7. The stakeholders were also consulted on the need for a possible arrangement between Hong Kong and the Mainland without prejudice to the proposed application of the Madrid Protocol to Hong Kong. While many respondents supported such further exploration, there were views that given the major differences between the trade mark laws and practices of the two places, certain technical complexities would need to be overcome and the administrative and costs implications for Hong Kong would also need to be studied.

The Administration's considerations

8. The Administration considers that the Madrid Protocol represents an efficient international trade mark registration and management system ("Madrid System") well designed to facilitate trade and investment across economies.⁶ Businesses stand to benefit from one-stop streamlined service and savings in time and costs in obtaining and managing international registration of their trade marks.

9. As regards the concerns over the possible adverse effect on the local trade mark profession, the Administration considers that over the longer term, the increase in utilization of the Madrid System and the designations to Hong Kong may result in more local agents being engaged in handling an increasing volume of provisional refusals or oppositions. In order to defend and protect their rights in Hong Kong, foreign applicants or registration holders may be more prepared to engage local lawyers in connection with infringement actions and dispute settlements. As such, the application of the Madrid Protocol to Hong Kong may result in increased volume and value of work for the legal profession in Hong Kong, which would be conducive to the development of Hong Kong into a centre for international legal services and dispute resolution and an IP trading hub in the region.

10. Since the Madrid Protocol is an international agreement and is not applicable to mutual designations between Hong Kong and the Mainland, the Administration considers it desirable to put in place a special arrangement between Hong Kong and the Mainland to facilitate the reciprocal filing of trade

⁶ The Madrid Protocol has a total of 102 contracting parties (as at October 2018), many of which are major trading partners of Hong Kong.

mark applications alongside the Madrid Protocol. Yet, in view of the need to undertake further studies and discuss with the relevant Mainland authorities on the arrangement and in order not to delay reaping the benefits of the international trade mark registration system, the Administration considers the implementation of the Madrid Protocol in Hong Kong a priority.

11. Having considered the views received and having regard to the overall benefits in the best interest of Hong Kong, the Administration decided to proceed with the implementation of the international registration system under the Madrid Protocol in Hong Kong.

12. According to the Administration's proposal, after the Madrid Protocol is applied to Hong Kong, an international application can be filed in Hong Kong through the Hong Kong Trade Marks Registry ("HKTMR") under the Intellectual Property Department ("IPD") as an Office of Origin. International applicants may also seek territorial extension of protection of an international registration both in Hong Kong and on the Mainland, or in one of the two jurisdictions according to their business needs. HKTMR can also directly liaise with WIPO to follow up the international applications filed in Hong Kong, and directly receive requests from WIPO for territorial extension of protection of an international registration with designations to "Hong Kong SAR of China".

13. Subject to the progress of various tasks (including amending TMO and its subsidiary legislation, setting up the information technology system, drawing up the detailed workflow and relevant internal manuals, setting the fee levels, carrying out staff training and publicity work, etc.), the Administration anticipates that the Madrid Protocol can be applied to Hong Kong in 2022-2023 the earliest.

Previous discussions by the Panel on Commerce and Industry

14. The Panel discussed the outcome of the public consultation exercise on the proposed application of the Madrid Protocol to Hong Kong and the way forward on 19 May 2015 and 21 February 2017. The major views and concerns expressed by members are summarized in the ensuing paragraphs.

Impact on the business of local trade mark agents

15. At both meetings, members expressed concern that the number of trade mark registrations filed in Hong Kong might be drastically reduced upon the implementation of the Madrid Protocol. They were worried about the possible adverse impact on local trade mark agents' business as a result of a reduction of locally filed trade mark applications.

16. The Administration advised that such possible adverse impact on the local trade mark profession might be off-set by a number of factors. As the Madrid Protocol was an international agreement and hence was not applicable to mutual designation between the Mainland and Hong Kong, Mainland applicants could not designate Hong Kong in their international applications made under the Madrid System. Currently, over 60% of local applications were filed by applicants from the Mainland, Taiwan, Hong Kong and some other countries which had yet to join the Madrid Protocol, such local applications should not be affected by the implementation of the Madrid Protocol in Hong Kong. The Administration projected that the business of the local trade mark agents might be slightly affected upon the implementation of the Madrid Protocol in Hong Kong in the short term. Yet, over the longer term, the increase in the utilization of the Madrid System and the designations to Hong Kong might result in more local agents being engaged in handling an increasing volume of provisional refusals or oppositions.

17. The Administration also 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, whereas 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.

Effects on Hong Kong's trade mark regulatory regime

18. At the meeting on 19 May 2015, members were concerned whether the application of the Madrid Protocol to Hong Kong would take away HKTMR's approval authority for international trade mark applications submitted under the Madrid System. The Administration advised that 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 HKTMR of IPD. IP rights would also be enforced in accordance with the laws of Hong Kong.

Benefits of the Madrid Protocol

19. At the same meeting, members enquired about the benefits for Hong Kong to join the Madrid System. The Administration advised that 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 under the Madrid System. 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 WIPO.

Manpower of the Intellectual Property Department

20. At the meeting on 21 February 2017, members were concerned whether IPD would need additional manpower at the directorate level to take forward the implementation of the Madrid Protocol in Hong Kong. The Administration advised that the relevant work was currently undertaken by existing staff of IPD. It would keep in view the workload of IPD and would not rule out the possibility of requiring additional staff at the directorate level in the future.

Latest position

21. The Administration will brief the Panel on 20 November 2018 on the proposed amendments to TMO which seek to enable implementation of the Madrid Protocol in Hong Kong; update certain provisions of TMO; and confer powers on the Customs and Excise Department to enforce the criminal provisions under TMO.

Relevant papers

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

List of relevant papers

Date of meeting	Meeting	Paper
19/5/2015	Panel on Commerce and Industry	<p>Administration's paper on "Consultation on the 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>
21/2/2017	Panel on Commerce and Industry	<p>Administration's paper on "Proposed application of the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks to the Hong Kong Special Administrative Region: updates on developments and proposed implementation arrangements" (LC Paper No. CB(1)555/16-17(05))</p> <p>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 prepared by the Legislative Council Secretariat (LC Paper No. CB(1)555/16-17(06))</p> <p>Minutes of meeting (LC Paper No. CB(1)780/16-17)</p>