

# *THE JOURNAL*

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## **Letter from the President**

*Dear Members,*

*At the October Annual General Meeting, Peggy Cheung completed her term as President. With her bright and cheery disposition, Peggy led the Institute through an eventful 2 years. Of particular note, were the Institute's discussions with IPD and representations to Legco, resulting in major improvements to the proposed rules to the new Trade Marks Ordinance. Also during this time, the Trade Mark Diploma Course was consolidated. We all thank Peggy for her hard work and commitment.*

*Jeannie Smith, Barry Yen, Steven Birt, Patsy Lau and Davina Lee were re-elected to Council. Irene Ng, who had worked hard on Council, stood down. Anne Choi was elected to Council for the first time. Lindsay Esler, Graeme Hall, Peggy Cheung, Henry Wheare, Nicholas Horvath, Kim Nicholson, Justin Davidson, Charmaine Koo, Winnie Yue and I continue as Council members. Steven Birt has been elected Vice President. Justin Davidson has taken over the role of Membership Secretary. Davina Lee continues as Treasurer and Charmaine Koo as Secretary. Also, I thank Winnie Yue who edits our newsletter, Patsy Lau and Kim Nicholson for keeping the Diploma Course on track and Nick Horvath for his work as company secretary.*

*The Council will continue to work hard to enhance and protect the interests of our profession in this time of great change. The new trade mark law with its streamlined and simplified procedures has been implemented. The Trade Marks Register is now widely accessible on the Internet, as will be the Designs and Patents Registers in the near future. The introduction of electronic filing for trade marks, patents and designs will allow faster and easier access to the Registries. Although these developments are to be supported for the assistance and benefits they may bring, it is essential that we ensure that intellectual property owners are not disadvantaged by any lowering of the standards and integrity of the profession, as a possible consequence.*



*The Institute is also continuing to provide opportunities for members to socialize. The Wine Tasting event on 5 December was a very enjoyable evening where members from various firms got together. We were delighted that several of our friends from IPD, led by Teresa Grant, were also able to join us on this occasion. This resulted in some lively discussion during the evening.*

*Finally, I would like to encourage members to take an active interest in the Institute and to support its work and events. If you have any suggestions or concerns related to the work of the Institute please contact me or any Council member.*

*I wish you all a very merry Christmas and a healthy, happy and successful 2004.*

*Best regards*

*Sandra Gibbons  
President*

## **AGM News**

*For those of you who attended the Annual General Meeting held on 14<sup>th</sup> October 2003, you will be aware that, immediately before that meeting, we held an Extraordinary General Meeting to amend the Articles of the Institute.*

*One of the amendments was to create a new category of “Affiliate”. An Affiliate is not a member of the Institute. A member needs to show that a substantial part of his or her practice in Hong Kong has been in Hong Kong trade mark law. To qualify as an Affiliate, an applicant need only prove, to the satisfaction of the Council, that a part of his or her practice has been in trade mark law. Over the years, we have had applications from many senior lawyers whose main speciality is not trade mark law. Until now, our only option was to offer student memberships which, for senior lawyers, would have perhaps been a bit insulting!*

*An Affiliate shall be entitled to attend meetings of the Institute (but not vote) and to attend social functions that we arrange from time to time. This category is intended to enable Affiliates to be able to participate in the activities of the Institute even though they would not qualify as members.*



*The other amendments made at the EGM relate to service of notices, which can now be effected by fax or electronically.*

*Nick Horvath, Horvath & Giles*

## **Prevention is Better than Cure for China's Copycat Pharmaceuticals**

*On December 1, 2002 China introduced a new set of rules for the protection of “new pharmaceuticals” and the production of generic pharmaceuticals. The new rules replace exclusive production periods for new pharmaceuticals with relatively short “monitoring periods.” They also reduce the scope of pharmaceuticals eligible for “new pharmaceutical” protection, and consequently, enlarge the scope of pharmaceuticals eligible for production as generic pharmaceuticals.*

### **Background**

*In compliance with the obligations it undertook when concluding the 1992 Memorandum of Understanding Between the Government of the People's Republic of China and the Government of the United States of America on the Protection of Intellectual Property (the “China-US IPR Memorandum”), China amended its patent law so that patents would be available for pharmaceuticals. The amended patent law came into force on January 1, 1993. The China-US IPR Memorandum also provided that China would implement a system of administrative protection for pharmaceuticals that had been granted exclusive rights in the US prior to amendment of China's patent law.*

*Accordingly, China introduced the Regulations on the Administrative Protection of Pharmaceutical Products (the “Administrative Protection Regulations”), which enable holders of exclusive rights in pharmaceuticals, such as patents, granted before 1993 in countries other than China (not just the US), to apply for administrative protection. Administrative protection is a kind of quasi-patent protection, which is enforced primarily through the State Food and Drug Administration (the “SFDA”).*



*This type of administrative protection is a transitional system that will eventually fall into disuse because it applies only to pharmaceuticals for which exclusive rights had been granted in other countries prior to January 1, 1993.*

*Administrative protection for new pharmaceuticals, on the other hand, was not linked to the system of patent protection but to an independent system of pharmaceutical protection governed by the Measures for Examination and Approval of New Pharmaceuticals (the “New Pharmaceutical Measures”), which were issued on April 22, 1999. Under the New Pharmaceutical Measures, successful applicants could be granted exclusive licence and production periods of from 6 to 12 years. This protection did not prevent import or sale in China of the same pharmaceuticals but prohibited production in China by parties other than the rights holder.*

### **“Generic plus”**

*Under the New Pharmaceutical Measures, “new pharmaceuticals” were defined as pharmaceuticals and traditional Chinese medicines that have never been produced in China, or for which a new indication, a new method for administration, a change in the form of dosage, or a new formulation, is to be adopted.*

*One of the implications of this broad definition was that if a foreign-made pharmaceutical had never been manufactured in China, a Chinese pharmaceutical producer could simply copy it and apply for “new pharmaceutical” protection, provided the foreign pharmaceutical did not have Chinese patent or administrative protection. Thus, Chinese pharmaceutical producers were able to obtain “new pharmaceutical” protection for copies of foreign pharmaceuticals even if the foreign pharmaceuticals had been imported and sold in China for a long period of time. In fact, 97% of the pharmaceuticals that were granted protection as “new pharmaceuticals” between the years of 1996 and 2000, other than prepared traditional Chinese medicines, were copies of foreign pharmaceuticals.<sup>1</sup>*

*These measures were capable of producing the anomalous situation of preventing a foreign pharmaceutical producer from manufacturing its own pharmaceuticals in China if a Chinese*

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<sup>1</sup> Song Ruilin, “Xin Yao Baohu Zhidu Mianlin Ganga” (“System for protection of new pharmaceuticals faces embarrassment”). Downloaded from worldmedicineneeds.com at [www.worldmedicineneeds.com/hyzz/03.htm](http://www.worldmedicineneeds.com/hyzz/03.htm) on October 22, 2003.



*pharmaceutical producer had obtained “new pharmaceutical” protection for the pharmaceuticals before the foreign producer established manufacturing facilities in China. Another potential anomaly would be that a patent holder could apply for “new pharmaceutical protection” after the patent had run out if the pharmaceutical had not been manufactured in China before.*

### ***New system for “new pharmaceuticals”***

*The system for protection of new pharmaceuticals described above was abolished by the Implementing Regulations for the Law of the People’s Republic of China for the Administration of Pharmaceuticals, effective September 15, 2002, and the Measures for the Administration of Pharmaceutical Registration (for Trial Implementation) (the “Pharmaceutical Registration Measures”), effective from December 1, 2002. Now, instead of exclusive licence and production periods of from 6 to 12 years, China will implement “monitoring periods” ranging from 3 to 5 years for new pharmaceuticals that have been approved for production. Although one purpose of the monitoring period is to protect the public, the monitoring period also has the effect of protecting the producer’s interests. During the monitoring period, the SFDA will not permit other enterprises to produce or import the pharmaceutical. Nor will it accept new pharmaceutical applications from other applicants for the same type of pharmaceutical.*

*One of the important changes is the introduction of a narrower definition of “new pharmaceutical” which are now defined as pharmaceuticals that have never been sold in China. Chinese pharmaceutical producers will no longer be able to copy foreign pharmaceutical imports and obtain protection for the copies as “new pharmaceuticals.” Perhaps, the practical effect of this will be that Chinese pharmaceutical producers will continue to copy foreign pharmaceuticals that have not been imported into China and obtain “new pharmaceutical” protection for such copies. They will also continue to copy foreign pharmaceuticals that are imported and sold in China, provided that such foreign imports are not subject to Chinese patent or administrative protection, but they will only be able to produce such copies as generic drugs without the benefits of the protection given to new pharmaceuticals.*



### ***Generic pharmaceuticals***

*The 2002 Pharmaceutical Registration Measures also replaced China's 1999 rules on generic pharmaceuticals.*

*China does not permit the production of generic pharmaceuticals unless it has already issued a state pharmaceutical standard for the pharmaceutical in question. This is because state pharmaceutical standards are based, in part, on clinical studies that have been carried out and China will not authorize the production of generic drugs until it has reviewed relevant clinical studies. So, if a relevant state standard has been issued and the drug in question is not subject to patent protection, administrative protection or a monitoring period for new pharmaceuticals, a pharmaceutical producer may apply to produce it as a generic drug.*

*The Pharmaceutical Registration Measures have dropped the term "generic." Instead, they provide rules for applications to produce pharmaceuticals "for which there are already state standards." Under the Pharmaceutical Registration Measures, the applicant will submit a Pharmaceutical Registration Application Form to the provincial-level drug authorities after completing trial production work in accordance with the relevant technical requirements. The provincial-level drug authorities will conduct a documentary examination and arrange for an on-site inspection and testing of samples. They will produce an examination opinion and submit the application to the SFDA. The SFDA will carry out a comprehensive review of the application materials. If the SFDA approves production, it will issue a Pharmaceutical Registration Approval Document and a pharmaceutical approval document number.*

### ***Transitional arrangements***

*China set forth the transitional arrangements for new pharmaceutical protection in notices issued on February 12, 2003 and October 10, 2003.*

*The exclusive licence and production periods for new pharmaceuticals that obtained new pharmaceutical protection before September 15, 2002 (the date on which the Implementing Regulations for the Pharmaceuticals Law of the People's Republic of China came into force) will*



remain unchanged. Special transitional protection periods are prescribed for new pharmaceuticals for which clinical studies had been approved prior to September 15, 2002 but which had not yet obtained production approval. Applications received before September 15, 2002 for which clinical studies had not been approved and applications accepted after September 15, 2002 are to be governed by the new rules.

Tan Loke Khoon, Baker & McKenzie

## **ECJ Decisions**

### ***Adidas v Fitnessworld (C408/01) ECJ 23 October 2003***

The European Court of Justice (ECJ) has handed down its decision in **Adidas v Fitnessworld**. The case concerned Adidas' well-known 3-stripe trade mark, which is registered for, amongst other things, "sports clothing". Adidas claimed that its trade mark was being infringed by Fitnessworld using a similar 2-stripe motif, also on sports clothing. The case examines Article 5(2) of the Trade Mark Directive, which is commonly thought of as a provision against trade mark dilution. The European Union has a harmonised trade mark regime and so, although this is a Dutch case, it will affect brand owners throughout the EU.

Article 5.1(b) of the Trade Mark Directive provides that a trade mark is infringed where a similar sign is used on identical or similar goods AND, therefore, there exists a likelihood of confusion on the part of the public. All European Union Member States must implement this provision. The Dutch court found that the public would not be confused between 2 and 3 stripes. Therefore, Adidas could not proceed on the basis of Article 5.1(b).

Member States have the option, under Article 5.2, to provide extra protection for marks with a "reputation". Article 5.2 provides for protection for such marks where an identical or similar sign is used on dissimilar goods and where this use "takes unfair advantage of or is detrimental to the distinctive character or the repute of the trade mark". Crucially, Article 5.2 contains no requirement to prove confusion.

#### *Article 5(2) and similar goods*

Article 5.2 is expressly about "dissimilar" goods. However, in the case of **Davidoff v Gofkid** in



January 2003, the ECJ held that it also entitles member states to extend protection to identical and similar goods. In *Adidas*, the UK government pointed to the use of the word “entitled” to argue that extending protection to identical and similar goods was an option and that member states could implement Article 5.2 solely to protect dissimilar goods. The ECJ disagreed. If member states choose to implement Article 5.2, they must do so in a way that protects dissimilar, similar and identical goods and services.

#### *Article 5(2) and confusion*

*Fitnessworld* argued that Article 5.2 amounts to a requirement that the alleged infringement must create confusion on the part of the public. The ECJ held that this is not necessary. However, the ECJ did hold that infringement would require the public to establish a link between the alleged infringement and the mark. For that reason, if the two stripes used by *Fitnessworld* were viewed by the public as purely decorative and the public did not link them with *Adidas*' three stripes, there would be no infringement.

#### ***Doublemint (C191/01) ECJ 23 October 2003***

*Wm Wrigley Jr Company* applied to register DOUBLEMINT as a Community Trade Mark (CTM) for various classes of goods, including chewing gum. This was initially rejected by OHIM (which administers CTMs). *Wrigley* appealed to the First Board of Appeal at OHIM which rejected the application on the grounds that DOUBLEMINT is descriptive of certain characteristics of the goods in question (e.g. the mint flavour of the chewing gum). The Regulation establishing the CTM sets out (in similar wording to the harmonised trade mark law applying throughout the EU) that the following are not registerable: **trade marks which consist exclusively of signs or indications which may serve, in trade, to designate the kind [or] quality ... or other characteristics of the goods.**

This requirement can be overcome through evidence of distinctiveness acquired in use – but acquired distinctiveness was not an issue in this case. It is important in approaching this case, to ignore the fact that DOUBLEMINT is a well-known mark. On further appeal to the Court of First Instance, the Court noted (without further consideration) the Board of Appeal's assessment that DOUBLEMINT was capable of carrying several descriptive meanings. The Court of First Instance held, however, that this fact gave DOUBLEMINT an ambiguous and suggestive meaning that is open to various interpretations. The Court held that DOUBLEMINT was, therefore, not “exclusively descriptive”. OHIM appealed to the ECJ.



Significantly, the ECJ heard case **C-383/99 Procter & Gamble v OHIM**, the **BABY-DRY** case, the same year and upheld registration of the **BABY-DRY** trade mark for nappies because of its “unusual syntactical juxtaposition” of the words **BABY** and **DRY**. Relying on that case, Wrigley argued that the grammatical structure of **DOUBLEMINT** was similarly “unusual and elliptical” and wholly satisfied the guidelines laid down in **BABY-DRY** for the assessment of a distinctive term.

However, the ECJ ruled that the Court of First Instance had applied an incorrect test to the **DOUBLEMINT** mark by asking whether a mark was “exclusively” descriptive. It noted that restrictions on registering descriptive marks are imposed in the public interest, to ensure that descriptive designations may be freely used by all. The Regulation could not be interpreted as restricting just “exclusively” descriptive expressions. A mark would be considered descriptive if at least one of its possible meanings designates a characteristic of the goods or services concerned. The ECJ referred the case back to the Court of First Instance for further consideration.

The Court of First Instance will now have to give consideration to whether the Board of Appeals was right in considering **DOUBLEMINT** to carry any descriptive meanings.

Justin Davidson, Freshfields Bruckhaus Deringer

## **Foreign News**

### **New Zealand**

The new Trade Marks Act 2002 came into force in August 2003.

### **Taiwan**

A new Trademark Law came into effect on 28 November 2003. The new law permits multiple class filing, abolishes the association system, allowing all existing associated registrations to become independent registrations,



### **India**

*New Trade Marks Act enacted 15 September 2003. Amongst the changes, it is now possible to obtain registration for service marks in accordance with the 7<sup>th</sup> (not 8<sup>th</sup>) edition of the Nice Classification, multiple class applications are possible, no more Part A and B registration and well-known marks are now recognised.*

### **Macedonia**

*Macedonia is to bring in a new Industrial Property Law in the New Year which will introduce an opposition procedure. The Macedonian IP Office will only raise objections on absolute grounds. Objections on relative grounds may be raised by owners of conflicting marks through the opposition procedure.*

### **USA**

*The United States became a member of the Madrid Protocol on 2 November 2003.*

### **Ukraine**

*A new law "On Amending Certain Laws of Ukraine Concerning the Protection of Intellectual Property" came into effect in June 2003 which brings Ukraine's laws in line with TRIPS. In particular opposition and cancellation provisions have been amended.*

*Davina Lee, Bird & Bird*

*Please send any comments about this edition of The Journal, any letters or articles for future issues, to the Editor Winnie Yue at [hedleyue@netvigator.com](mailto:hedleyue@netvigator.com)*

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