

# *THE JOURNAL*



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## *Letter from the President*

*Dear Members,*

*I hope that everyone had an enjoyable Christmas and New Year and I wish you all a very Prosperous Year of the Ram.*

*The Annual General Meeting was held at the Hong Kong Club on 24 September 2002. Over 40 members were present at the AGM and the dinner afterwards. I would like to thank everyone who has expressed in interest in serving on council and I also welcome our new council members.*

*The Patents Subcommittee, Trade Marks Subcommittee and last, but not least, the Education Subcommittee have been busy reviewing proposed changes to the Patents Rules, the draft Trade Marks Rules and setting the Final Year Examination Papers, respectively. I would like to thank members of these subcommittees for all their hard work.*

*In October 2002, the 4th draft of the Trade Marks Rules was published for consultation. We were given a deadline of 18 October 2002 within which to put forward any comments. The Trade Marks Subcommittee got together to review the draft Rules and I am pleased to report that we were able to meet the deadline set by the Government and the Institute's comments were submitted on 18 October 2002. Copies of our submission are available to members upon request.*

*Following submission of our comments, the Government invited us to attend a meeting along with representatives from the Law Society and APAA (Hong Kong Chapter) to discuss the issues raised in our submission.*



*On 5 March 2003, the Law Society, APAA, HKITMP and INTA met with IPD for a further 3-hour meeting to discuss their differences. HKITMP has since met again with IPD a number of times to discuss our concerns. As a result of these meetings, IPD has been persuaded to amend the Rules to allow for some extensions of time as set out below:*

*For applications, there will still be a 9-month maximum period to respond to the Registrar's first opinion. After the Registrar's second opinion, there will be a further period of 3 months within which to satisfy any objections or call for a hearing. However, this period may be extended for further periods of 3 months (unlimited) on grounds including consent, related revocation or invalidation proceedings, assignment, preparing evidence or other exceptional circumstances.*

*For oppositions, the 3-month period for notice of opposition and counterstatement will be extendible by 2 months.*

*We consider this to be a reasonable compromise and are grateful for IPD's co-operation. The amendment will now be proposed to Legco for its approval. We expect the changes to be gazetted in time for the 4 April commencement.*

*On 29 November 2002, Graeme Hall (Chairman of the Patents Subcommittee and our immediate past president) and myself attended the Panel Meeting to put forward the Institute's views on the proposed amendments to the Patents (General) (Amendments) (No. 2) Rules 2002. The Institute supported the proposed changes but, unfortunately, the amendments were withdrawn because of the implication and effect on pending appeal proceedings before the Court (see article below).*

*The final year students of the Diploma on Hong Kong Trade Marks Law and Practice sat their 2 written exams on 7 December and 14 December 2002. Examiners are now busy marking the exam papers and it is hoped that the results will be published in March 2003. Year 1 of the Diploma course will start in May 2003.*

*I was invited by IPD to moderate the session on "Intellectual Property Management in Different Industries" at the Joint Symposium on the Mainland, Hong Kong SAR and Macao SAR Intellectual Property Symposium 2002 held in Guangzhou on 9-10 December 2002. The Symposium was organized by the Hong Kong Intellectual Property Department, the State Intellectual Property Office and Macao SAR Economic Services. I was pleased to see many of our members there.*



*Please note that the Institute has successfully applied for CPD points to be awarded for attendance at this symposium.*

*The Institute organised a Racing Night at the Happy Valley Race Course on the evening of 12 March 2003. 55 people attended the event, which was an excellent turn out. A great time was had by all.*

*Congratulations to Lindsay Esler on his new role as Managing Partner of Deacons and to Charmaine Koo on her election to partnership at Deacons.*

*Please also note that Informa Asia Publishing Ltd is offering HKITMP members a 20% discount on subscriptions to Trademark World before the end of March 2003.*

*Yours sincerely*

*Peggy Cheung  
President*



## **The New Hong Kong Trade Marks Ordinance**

*The long-awaited new Trade Marks Ordinance (Cap 559) will come into force on 4 April 2003, almost three years after it was enacted and ten years after the Intellectual Property Department issued a consultation paper on trade mark law reform. The new Trade Mark Rules will also come into force on 4 April 2003.*

*Some of the major changes under the new legislation are outlined further below.*

### **Definition of Trade Mark**

- *Widened to encompass any sign which is capable of distinguishing the goods or services of one undertaking from those of other undertakings and which is capable of being represented graphically.*
- *'Sign' is undefined but will embrace anything that is capable of functioning as a trade mark in the marketplace.*
- *A wider range of trade marks are registrable, including single colour marks, sound and smell marks.*

### **No Division of Register and Standard of Registrability**

- *The division of the register into Part A and Part B is abolished.*
- *The new Ordinance effectively adopts the old Part B standard as the test for the registrability of a trade mark.*

### **No Presumption of Registrability**

- *The new Ordinance generally provides that the Registrar must accept an application for registration of a trade mark if it appears that the requirements for registration have been met.*
- *The equivalent provision in the UK legislation has been interpreted as being neutral with regard to registrability, so there is no presumption for or against registrability and the Registrar has no burden to discharge in order to justify a decision to refuse an application. The*



*Intellectual Property Department has made it clear that this is also the approach it will adopt in relation to the new Ordinance, as stated in the chapter of the work manual dealing with absolute grounds for refusal.*

### **Multi-class Applications and Filing Fees**

- *An application may now specify one or more classes of goods or services.*
- *The official filing fee for the first class is \$1,300 (\$650 for each subsequent class), which also covers the cost of publication and registration.*

### **Classification**

- *The 8<sup>th</sup> edition of the Nice Agreement is adopted. Amongst other things, the 8th edition divides class 42 into four classes by revising class 42 and adding new classes 43, 44 and 45.*

### **Associated Trade Marks**

- *The concept of associated trade marks has been abolished and any associations previously in place cease to have effect on 4 April 2003.*

### **Defensive Trade Marks**

- *A defensive trade mark must now be exceptionally well known in Hong Kong, although the mark no longer needs to comprise an invented word or words, device or devices or a combination thereof.*

### **Collective Trade Marks**

- *The concept of a collective trade mark has been introduced. An association, group or body which owns a trade mark may register the mark as a collective trade mark and allow its members to use the mark to indicate membership of the association, group or body.*

### **Well-known Trade Marks**

- *Protection is extended to well-known trade marks where use is likely to cause confusion on the part of the public, except where there has been acquiescence, or use of a similar mark in good faith which commenced prior to 4 April 2002.*
- *The new Ordinance contains a schedule setting out a non-exhaustive, non-binding list of factors or guidelines for assisting the Registrar and the court in determining whether a*



*trade mark is well-known in Hong Kong.*

### **Examination Timeframes**

- *The Intellectual Property Department has been persuaded to make amendments to the non-extendible time limits first set down in the new Rules (see the President's Letter above).*
- *After the initial six months to respond to the first examination report and a single extension of three months, the applicant may have a further three months to satisfy the requirements for registration or call for a hearing.*
- *This second period of three months may then be extended for further periods of three months in certain circumstances (eg. where the applicant needs additional time to obtain consent or an assignment, or in other exceptional circumstances).*

### **Disclaimers, Limitations and Conditions**

- *The applicant may now disclaim any right to the exclusive use of any specified element of the trade mark, or agree that the rights conferred by registration will be subject to a specified territorial or other condition or limitation.*

### **Publication and Opposition**

- *Publication of accepted applications is now effected electronically on the Internet directly by the IPD.*
- *A notice of opposition or a counterstatement may now be filed within three months.*

### **Term of Registration and Renewal**

- *The initial registration period is now ten years, renewable indefinitely for successive periods of ten years.*
- *Existing registrations that were due for renewal on or after 4 April 2003 may be renewed for ten years, whilst registrations that fell due for renewal prior to 4 April 2003 could be renewed for fourteen years.*

### **Registrable Transactions**

- *The new concept of registrable transactions has been introduced, which includes assignments, licences and security interests. The bureaucratic restrictions of the old Ordinance have been removed, so that an assignment or licence will now be effective provided that the transaction is in writing and signed by the assignor or the grantor.*



- *Recordal of an assignment or licence is not mandatory, but it is important to file a recordal application so that the transaction will be effective against a person acquiring a conflicting interest who is ignorant of the transaction.*
- *There will be no right to damages or an account of profits for infringement occurring between the transaction date and the recordal date of the transaction unless the recordal application is filed within six months of the transaction date, or the court is satisfied that it was not practicable for the application to be made within this period and that the application was filed as soon as practicable thereafter.*

### ***Revocation for Non-use***

- *A registration may now be revoked on the ground of non-use for a continuous period of three years.*

### ***Alteration of Trade Marks***

- *The option to amend a trade mark to include the applicant's house mark subject to certain conditions is retained.*
- *Other amendments are possible but only for the purpose of restricting the goods or services covered by the application, correcting the name or address of the applicant, correcting errors of wording or of copying and correcting obvious mistakes, provided that the correction does not substantially affect the identity of the trade mark or extend the coverage of the goods or services covered by the application.*
- *Only limited alteration is permitted once a trade mark is registered. The name or address that appears on the trade mark may be amended but only if the alteration does not substantially affect the identity of the trade mark.*

### ***Definition of Infringement***

- *The definition of infringement has been widened and the new Ordinance lists a wide range of goods, material and articles that infringe a registered trade mark.*

### ***Exceptions to Infringement***

- *There will be no infringement where there are prior common law rights or where a registered trade mark is used in certain ways (eg. use of one's own name) and is in accordance with honest practices in industrial or commercial matters.*
- *Comparative advertising will also not constitute infringement provided that is in accordance*



*with these practices.*

- *The use of a trade mark in relation to goods, which have been put on the market anywhere in the world with the consent of the trade mark owner and subsequently imported into Hong Kong, will not constitute infringement.*

### ***Relief for Groundless Threats of Infringement Proceedings***

- *There is a new cause of action where a person threatens to bring an action against another person for trade mark infringement.*
- *A person aggrieved by the making of the threats may bring the action where the registered trade mark owner, or a licensee authorised to bring infringement proceedings, does not bring such proceedings against the threatened person within 28 days of the threat being made and pursue those proceedings with due diligence.*
- *Barristers and solicitors are exempted for any act done by them in a professional capacity on behalf of a client.*

### ***Transitional arrangements***

- *The old Ordinance will continue to apply to pending applications filed and advertised prior to 4 April 2003.*
- *The old Ordinance will also to apply to pending applications filed prior to 4 April 2003 and advertised on or after 4 April 2003, except in relation to the period within which notices of opposition or counterstatements may be filed, where the new Rules will apply.*
- *An application is generally treated as pending on 4 April 2003 if the Registrar has not issued a written decision (eg. a formal hearing decision) on the matter before this date.*
- *Applications which are pending, unadvertised and without a written decision as at 4 April 2003 may be converted and considered pursuant to the provisions of the new Ordinance, provided conversion takes place within six months of the commencement date, or until 4 October 2003.*
- *A conversion request cannot be revoked. A converted application loses any priority claim made more than six months prior to the commencement date and is deemed to have been filed on the commencement date. A converted application may therefore be subject to relative grounds for refusal arising since the application was originally filed.*
- *Trade marks registered and in force under the old Ordinance will be transferred to the new register pursuant to the new Ordinance, along with series marks and any disclaimers, conditions or limitations entered on the old register.*



### **Conclusion**

- *Hong Kong has traditionally followed United Kingdom legislation and the new Ordinance largely follows the UK Trade Marks Act 1994. To this extent UK case law will continue to assist in the interpretation of the new Ordinance.*
- *Hong Kong can, however, be expected to find its own way in the significant number of areas where the new Ordinance does not directly follow the UK Act or the legislation in comparable jurisdictions.*

*Kim Nicholson, Simmons & Simmons*

## **Patents - Merck Sharp & Dohme Ltd v Registrar of Patents [2002] 4 HKC 463-474**

*The recent case of Merck Sharp & Dohme Ltd v Registrar of Patents [2002] 4 HKC 463-474 was a rare case of a patent case in Hong Kong reaching the Court of Final Appeal (CFA). Although the case started as an arcane dispute over one relatively obscure rule, it led to quite an interesting discussion of the rules and prompted the Government to attempt to amend the rule in question.*

*The case revolved around Section 39(1) of the Patents (General) Rules (“Rule 39(1)”) which applies when a patentee has obtained permission from the Court to amend a patent under Section 46 of the Patents Ordinance. In particular Rule 39(1) states that when the patent has been amended by court order “the proprietor...shall, within one month of the making of such a court order, file with the Registrar notice of such amendment”.*

*In Merck the patentee had sought to make an amendment under S.46 to bring the Hong Kong patent into agreement with the European patent that had been amended following opposition proceedings in Europe. The patentee was obliged to use S.46 rather than S.43 because the Hong Kong patent was a deemed standard patent to which S.43 did not apply. Although the Court allowed the amendment, in the Merck case the notice required under Rule 39(1) was lodged at the Registry two days out of time (for various reasons, not least being a delay by the Court between the initial making of the order and the issue of the sealed order) and as a consequence the Registry*



*refused to enter the amendment.*

*The patentee went back to Court and in the first instance attempted to obtain an extension of time for filing the notice at the Registry arguing that the Court had such power either under the High Court Rules, or by virtue of the Court's inherent jurisdiction. This application was refused by Madam Justice Kwan who indicated that she would have granted an extension of time if she had the power to do so, however, in this situation the Court had no power to extend the period specified in Rule 39(1). This decision was upheld by the Court of Appeal who also rejected an argument that the one month should run from the date that the sealed order was issued, rather than the date on which the order was first pronounced.*

*The patentee then sought leave to appeal to the CFA. In the leave proceedings the issue arose as to whether Rule 39(1) might in any event be ultra vires. The patentee was granted leave to appeal to the CFA and the Registrar was joined as a respondent to the proceedings. In written arguments placed before the CFA in advance of the hearing the Registrar attempted to argue that Rule 39(1) was not ultra vires. In the event those arguments were not maintained at the hearing and the Registrar acknowledged that Rule 39(1) was, in fact, ultra vires.*

*In the judgment given by Mr Justice Ribeiro PJ the CFA ruled that Rule 39(1) was ultra vires because through it the Registrar was acting beyond the powers conferred by the Patents Ordinance. In particular Section 46(5) of the Patents Ordinance states that upon receipt of the court order and supporting documents "the Registrar shall record the amendments", and while S.46 (7) refers to "Rules of court" that may be made providing for the notification of the amendment to the Registrar, these are rules of court and by S.149(1)(a) the Registrar has no power to make any rules of court. Thus the CFA held that "in purporting to make the relevant rules with a view to how S.46 orders are carried into effect, the Registrar was assuming powers that the legislature had not given him. He was therefore acting ultra vires."*

*At the same time as the CFA was considering the appeal, but before judgment was given, the Government made an attempt to amend Rule 39(1) to remove the one month time limit. However, Legco was reluctant to endorse an amendment to a rule that it seemed was likely to be found ultra vires. Legco took the view that if the rule was ultra vires, then it would be as if it never existed and they could not amend something that did not exist. The attempt to amend the rule, therefore, failed.*



*Following the CFA's decision, however, it would seem that Rule 39(1) no longer has any effect and there is no statutory time limit for recording at the Registry any amendment made under S.46. Some people have expressed concern over this and that there should be some time limit. However, any rule created by the Registrar attempting to do this would still be ultra vires. The CFA recommended that rules of court be formulated to achieve this instead. Alternatively, presumably any order made by a Court could include a requirement that the order be recorded with the Registrar within a specified time limit.*

*In the writer's opinion, however, many of these arguments are academic since any patentee who has gone to the time and expense of amending under S.46 will be anxious to ensure that the amendment is recorded with the Registrar and is unlikely to have any reason for wanting to delay doing so.*

*Graeme Hall, Lloyd Wise & Co*

## **Criminal Enforcement in Mainland China Against Counterfeiters**

*The explosion of counterfeiting in China over the last 10 years is clearly a side effect of the country's breakneck economic growth. The rising tide of counterfeit exports likewise reflects China's ability to sell just about anything at a competitive price. Most observers assume that the weakness of the "rule of law" in China prevents the government from keeping counterfeiting in check. This assumption is basically correct, but as with anything else in China, the reality is a bit more complicated.*

### **The courts**

*In China, as in all other countries, trade mark owners can pursue counterfeiters civilly (usually for compensation and an injunction against further violations) or criminally. However, Chinese courts handle only a very small percentage of the counterfeiting cases that arise each year; the vast majority are dealt with by a range of administrative enforcement bodies, including local offices of the General Administration of Customs, the State Administration for Industry and Commerce (SAIC) and the Technical Supervision Bureau, the enforcement powers of which are generally limited to confiscating fakes and imposing monetary fines. Predictably, most*



*counterfeiters have come to regard the threat of such economic penalties as a mere cost of doing business and brand owners with experience in the field regard such fines as having little or no deterrent impact.*

### ***Enforcement resources***

*In China, civil remedies and administrative penalties are considered secondary tools for dealing with violations. Counterfeiters worldwide normally operate in the shadows and it is inherently difficult for brand owners to recover compensation for damages (including investigation and legal costs) and for enforcers to collect administrative fines.*

*In recognition of these difficulties, the World Trade Organization's (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) explicitly requires that criminal enforcement be made available to address both counterfeiting and copyright piracy.*

*In most countries, trade mark owners complain of the lack of resources and training for criminal enforcement. The same is true in China, and will likely remain so for the foreseeable future. But in response to concerns of both local and foreign rights holders, the Chinese government recently began providing more resources and training to Chinese police and prosecutors for anticounterfeiting work. As a result, a few foreign companies report significant increases in criminal prosecutions against targets they have pursued over the last year.*

### ***Ambiguities in the law***

*China's Criminal Code (last amended in 1997) allows prison terms of up to three years for counterfeiters if the circumstances are deemed "serious" or the sales "relatively large" and up to seven years if the circumstances are "especially serious" or the sales "huge." These penalties are consistent with international standards. Government enforcers and brand owners alike have long complained, however, that police and prosecutors have been reluctant to commence criminal investigations and prosecutions because of the lack of guidance from the central government over the meaning of the terms "relatively large" and "serious."*

*In April 2001, just prior to China's WTO entry, the Supreme People's Court, the Supreme People's Procuratorate, and the Ministry of Public Security issued two documents that attempt to clarify the standards for prosecution and imposition of criminal liability in cases involving trade mark*



*counterfeiting, the production and sale of "fake and shoddy goods," trade secret violations, and a range of other economic crimes. Unfortunately, most of the new counterfeiting standards in these documents are either ambiguous, unreasonably high, or both.*

*The government and judiciary have been conducting research that may lead to new criminal liability standards in the future. Industry associations hope that any new standards will, in particular:*

- 1 Clearly define how the value of products seized in raids should be calculated and set minimum valuation levels that are not unreasonably high;*
- 2 Provide clear and practical standards for criminal prosecution of repeat offenders, particularly those who have already received administrative sanctions for counterfeiting or related offences;*
- 3 Require criminal prosecution of counterfeit manufacturers or vendors that operate without a valid business license (so-called "underground operators"); and*
- 4 Establish less onerous standards for criminal action against counterfeiters that target "well-known" trade marks.*

*Aside from criminal enforcement reforms, brand owners hope that new Customs regulations will eliminate or substantially reduce the obligation of brand owners to pay bonds and storage fees following seizures of counterfeit products. Perhaps more importantly, industry associations are seeking corresponding reforms that will require Customs to transfer promptly to police all cases involving the seizure of significant quantities of counterfeit goods.*

*Brand owners were encouraged by China's revised Trademark Law and its implementing regulations—which took effect December 1, 2001 and September 15, 2002, respectively—particularly provisions that raise maximum fines for infringers and that seem to require mandatory confiscation of all infringing products seized by local SAIC offices. The provisions also give trade mark owners access to preliminary injunctions and allow up to ¥500,000 (\$60,500) in compensation for statutory damages. The recently amended Copyright Law and Patent Law include similar changes.*



*Joe Simone, Baker & McKenzie*

## **Foreign News**

### **Australia**

*February 2003 - The Copyright Amendment (Parallel Importation) Bill 2002 is being considered by the Senate. The proposed new law provides that importation of goods into Australia which have been marked with a trade mark with the trade mark owner's consent in the country of origin will not be an infringement. There will also be a presumption of infringement when investigating parallel imports of literary works or computer programs made overseas.*

### **China**

*17 October 2002 - China's Trademark Review and Adjudication Rules come into effect, superceding the prior rules of 1995. The new rules narrow the scope of cases that can be examined by the Trademark Review and Adjudication Board and imposes procedural changes similar to trial stages under the PRC Civil Procedure Law.*

*17 March 2003 - Public registration of .cn domain names opened.*

### **European Union**

*February 2003 - The Office of Harmonisation in the Internal Market now allows community trade mark applications to be filed online. In addition there are plans by the European Commission to abolish the national search system under Article 39 of the Community Trademark Regulations.*

*1 January 2003 - Pre-application for Community designs commenced and applications filed during the pre-application period will be considered as filed on 1 April 2003. Registration will be effective in all 15 member states of the European Union and will extend to new member states on their accession to the European Union.*

### **Hong Kong**

*The new Trade Marks Ordinance and Trade Mark Rules will be effective from 4 April 2003.*



*The IPD online trade mark search facility has now been officially launched at <http://ipsearch.ipd.gov.hk/tmlr/jsp/index.html>*

### ***Ireland***

*January 2003 - The Republic of Ireland has launched its online search facility at [www.patentsoffice.ie/eRegister/default.asp](http://www.patentsoffice.ie/eRegister/default.asp)*

### ***Italy***

*March 2003 - In accordance with a newly approved law, Italy will create specialized court divisions to hear intellectual property disputes in 12 district courts and courts of appeal,*

### ***Singapore***

*February 2003 - The Singapore Supreme Court is to set up a specialized intellectual property court, staffed by judges and judicial commissioners with intellectual property expertise to deal with both domestic and international disputes. The move is in line with the Economic Development Board of Singapore's plans to turn Singapore into an intellectual property hub.*

*Compiled by 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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