

## PLAINTIFF'S REPUTATION OR GOODWILL

Reputation and goodwill<sup>2</sup> (referred to as 'reputation') is itself a rather amorphous concept. The plaintiff must prove a sufficient reputation in the minds of the public as a logically necessary prerequisite to establishing the necessary degree of deception or confusion.<sup>3</sup>

### The plaintiff's badge of recognition with the relevant public

The plaintiff's reputation or goodwill may be known to the public via various badges of recognition. There must be some indicia to show the goods or services issued under the plaintiff's aegis. This may take the form of a name, word, a device or a particular get-up of the goods. Anything distinctive of the plaintiff's goods or services may suffice for a badge of recognition. There is no reason in principle why a distinctive aroma or sound might not qualify as a form of badge of recognition, through the vehicle of which reputation is proven.<sup>4</sup>

### Names and logos

The badge of recognition might be either an English or a Chinese name or a name in any or no language.<sup>5</sup>

### Utilitarian get-up

Some authorities have expressed the view that get-up which is purely functional or utilitarian may be objectionable as a badge of recognition of the plaintiff's reputation.<sup>6</sup>

- 2 In trade mark infringement proceedings, the fact of registration is the functional equivalent to reputation in a passing off action.
- 3 For example, in *Sony KK & Anor v Saray Electronics Ltd & Ors* [1983] FSR 302, the English Court of Appeal held that when members of the public buy electronic equipment, they assume the seller is an authorised dealer who is in a position to give a manufacturer's guarantee. See also Clive Thorne, 'Sony v Saray — A New Look At Passing Off' [1983] 4 EIPR 104.
- 4 The issue of distinctiveness of badges of recognition is essentially the same concept as distinctiveness in registered trade mark law. However, in trade mark legislation and judicial interpretation thereof, certain things such as surnames and geographical names were historically deemed incapable of being distinctive for the purposes of registration as a trade mark, even on proof of 100% distinctiveness in fact. Similarly, shapes which formed the whole surface area of the goods, sounds and aromas were excluded from the definition of a registrable trade mark. At least the latter limitation is in the process of annihilation, particularly through the formulation of the trade mark in the TRIPS Annex to the current text of GATT. This formulation allows any distinctive sign to be registered as a trade mark. National laws must be brought into line with this formulation in TRIPS.
- 5 Examples include *Interfood Ltd v Sandy Trading (HK) Co Ltd* HCA No 2159 of 1976 and *Alexandra Knitters v Alenda Knitters* [1972] HKLR 362.
- 6 *Kempton Properties Ltd v Jimmy's Co Ltd* HCA No 1196 of 1978, [1978] HKLR 455.

However, in *Reckitt & Colman Products v Borden Inc.*,<sup>7</sup> the House of Lords held that a plastic replica of a lemon containing lemon juice could serve as a badge of recognition of the plaintiff's reputation.

### Non-utilitarian get-up

In *Kjeldsen & Co v Hong Kong Peggy Foods*,<sup>8</sup> the badge of recognition included the get-up of the goods. Liu J found the plaintiff's 'get-up' of the butter cookies had been consistent throughout some ten years and went on to say that there was no magic in the word get-up, they were merely an available badge of recognition through which reputation might or might not be proved to exist in the minds of the relevant public.

### Reputation as a purchaser rather than as a retailer

It is the plaintiff's connection with the goods and services that is in issue on the question of reputation. This connection may take the form of various indications of a manufacturer's, wholesaler's, retailer's, selector's or distributor's reputation.<sup>9</sup> In Hong Kong, a plaintiff's reputation as a buyer for a foreign company has been held to be protected in another decision of Higgins J, *JC Penney Co Inc v Penneys Ltd.*<sup>10</sup> However, whether the decision is good law is, with respect, questionable.

### Descriptive trade names and acquisition of secondary meaning

A decision of lasting importance was made in *Reddaway v Banham*.<sup>11</sup> The decision recognised that it was possible to pass off goods under the descriptive name 'Camel Hair Belting', even though the name itself forms part of the ordinary stock of language. We have already referred to the problem of trade names which are descriptive, and the necessity to show some secondary meaning in terms of the public's appreciation of the name. One of the leading Hong Kong cases in this area is *Commercial Trade Mark Services SA v Liscaroll Co Ltd t/a Commercial Investigation Services & Ors.*<sup>12</sup>

- 7 (1990) 17 IPR 1.
- 8 HCA No 165 of 1981.
- 9 *Wilkinson Sword Ltd v Cripps & Lee Ltd* [1982] FSR 16 raised the problem of parallel imported goods. The defendant purchased the plaintiff's goods in the USA and put them on sale in the United Kingdom. The plaintiff's US goods, though otherwise identical to its UK goods, were inferior in quality. Falconer J held the plaintiff had pleaded an actionable misrepresentation. This decision may have far-reaching implications.
- 10 [1975] HKLR 598.
- 11 [1896] AC 199.
- 12 [1983] 2 HKC 474. The leading case on secondary meaning in England is probably *My Kinda Town Ltd v Soll & Anor* [1983] RPC 15.

goods and accessories, such as T-shirts, soft toys, posters and the like. Personality rights or sponsorship rights relate to the practice of famous individuals, such as those in the media, arts or sports, negotiating a fee for the use of their persona in endorsing certain goods or services.

It will be argued below that the ultimate basis of decision in the character merchandising cases (and by a similar line of reasoning to the personality and sponsorship cases) is that where the public believes a 'commercial arrangement' should exist between a plaintiff who is known to have created a fictional character and a defendant character merchandiser, and in fact no such arrangement exists, the defendant is found guilty of an actionable misrepresentation in passing off.<sup>26</sup> If this is accurate, there are substantial logical difficulties with the reasoning adopted in some of these cases. However, there is little doubt that the judicial motive is to prohibit objectionable misappropriation. Rightly so, in this author's view.

Why might the public assume in a character merchandising case the existence of a commercial arrangement (and license fee) between plaintiff and defendant, invariably wrongly, otherwise a case will not arise? One might guess that it is because the public assumes the law requires the defendant to acquire permission from the plaintiff. Yet in the *Crocodile Dundee* cases,<sup>27</sup> the courts utilised a public belief in what the law requires as the basis for finding a misrepresentation in cases which in reality were about what the law of passing off does, or more accurately, should require.

Extended passing off, as it is sometimes called, is commonly pleaded in character merchandising cases, whether knowingly or otherwise. The action was accurately summarised by Marumba<sup>28</sup> as follows:

Here the defendant does not necessarily seek to disguise the source of his goods or services. He simply makes a representation which links him with the plaintiff or his goods. The public while recognising that the goods or services in question come from the defendant, is nevertheless deceived into believing that the plaintiff is somehow associated with them — and this is the essence of the extended action for passing off. The proprietary interest filched does not involve the plaintiff's trading goodwill; it is promotional goodwill, the ability to recommend or promote other goods and services — or merchandising rights — which are appropriated.<sup>29</sup>

Most of the recent character merchandising cases adopt the extended notion of passing off. Once it is shown that there has been a misappropriation of the plaintiff's promotional goodwill, the courts look for a misrepresentation

26 *Hogan v Koala Dundee Pty Ltd* (1988) IPC 90 per Pincus J, *Pacific Dunlop v Hogan* (1987) 12 IPR 225 per Gummow J, approved by the Full Federal Court of Australia at (1989) 14 IPR 398.

27 *Hogan v Koala Dundee Pty Ltd* (1988) IPC 90 per Pincus J, *Pacific Dunlop v Hogan* (1987) 12 IPR 225 per Gummow J, approved by the Full Federal Court of Australia at (1989) 14 IPR 398.

28 *Commercial Exploitation of Personality* (Law Book Co Sydney, 1986).

29 *Ibid.*, at p 65.

to satisfy the other element of the tort. As can be seen from the cases, this misrepresentation is sometimes artificially constructed.<sup>30</sup>

The action has been extended to character merchandising cases to mean the unauthorised use by a company of a personality in promoting its products. In essence, a wrong is committed if the public is being misled into believing that there is a business connection or some authorisation between the plaintiff and defendant, when in fact, there is not.

There have been a number of character merchandising cases in the last decade, including the *INXS* case in 1986,<sup>31</sup> the *Sue Smith* case in 1988,<sup>32</sup> and the most talked about character merchandising cases, or the '*Crocodile Dundee*' cases.<sup>33</sup>

Since these landmark decisions regarding character merchandising in the framework of passing off, there have been a few decisions which follow the reasoning of the *Hogan* cases. In the case of *Surge Licensing Inc v Pearson*,<sup>34</sup> the applicants sought a permanent injunction to prevent the respondents from producing and marketing wearing apparel with the cartoon characters known as the 'Teenage Mutant Ninja Turtles'. The applicants had the exclusive right to promote and market the characters under a licence agreement with a US company. The applicants claimed unauthorised character merchandising. It was held by the court, granting the application, that there was such a similarity between the images on the respondent's products and those in the cartoon and elsewhere as to cause confusion in the minds of the general public, namely, that there was an association between the respondent's products and the licensed products.<sup>35</sup>

Another 1991 case involving character merchandising was that of *Anheuser-Busch Inc v Castlebrae Pty Ltd*,<sup>36</sup> where Davies J held that in looking at the distinctiveness of a trade mark, it is relevant to consider the increasing awareness generally of the existence and commercial significance of character merchandising. The applicants were successful in gaining injunctive relief under passing off.<sup>37</sup>

In the recent English decision of *Mirage Studios v Counter-Feat Clothing Co*<sup>38</sup> (the *Turtles* case), Vice Chancellor Browne-Wilkinson referred to Australian decisions made prior to the *Hogan* cases. The first plaintiffs in

30 M Padbury, 'Character Merchandising: Overview and Recent Developments' [1993] 6 Australian Intellectual Property Law Bulletin 85.

31 *Hutchence v South Seas Bubble Co* (1986) 64 ALR 330.

32 *10th Cantanae Pty Ltd v Shoshana Pty Ltd* (1987) 79 ALR 279.

33 *Paul Hogan v Koala Dundee Pty Ltd* (1988) 83 ALR 187 and *Pacific Dunlop Ltd v Hogan* (1989) 87 ALR 14.

34 (1991) 21 IPR 227.

35 *Ibid.*, at p 232, per Einfield J.

36 (1991) 21 IPR 54.

37 The applicants were also successful under the infringement of copyright and contravention of s 54 of the Trade Practices Act 1974 (Commonwealth), and the court ordered, inter alia, that the respondent's trade mark be expunged from the register (at p 62).

38 [1991] FSR 145.

Mr Geoffrey Hobbs QC had this to say in the case *AD 2000 Trade Mark*:<sup>73</sup>

Section 3(1)(d) prohibits the registration of signs which satisfy the requirements of section 1(1), but nonetheless 'consist exclusively of signs or indications which have become customary in the current language or in the bona fide and established practices of the trade'. Signs and indications of that kind are common to the trade and available for use by all who choose to use them so long as no misrepresentation is thereby conveyed as to the provenance of the goods or services in respect of which they are used. Such signs and indications are accordingly excluded from registration by section 3(1)(d) and the proviso to section 3(1) unless and until they can be seen to have acquired the extra dimension of a distinctive character as a result of the use that has been made of them. [Emphasis supplied.]

### Section 11(2) — evidence of use

Also in *AD 2000 Trade Mark*, Mr Geoffrey Hobbs QC said that:

[t]he proviso to section 3(1) indicates that the essence of the objection to registration under section 3(1)(b) is immaturity: the sign in question is not incapable of distinguishing goods or services of one undertaking from those of other undertakings, but it is not distinctive by nature and has not become distinctive by nurture.<sup>74</sup>

An objection under section 11(1)(b), (c) and/or (d) can be overcome if it can be shown that, before the date of application for registration, the trade mark has in fact acquired a distinctive character as a result of the use made of it (section 11(2)).

In *Kabushiki Kaisha Yakult Honsha's Trade Mark Application*,<sup>75</sup> an application to register a three-dimensional bottle mark was refused under section 3(1)(b) of the 1994 Act. The application could not be saved by the proviso because the survey evidence adduced was not in relation to use prior to the date of application.

Since geographical objection could be overcome by evidence of use, it was thought that 'York' should be registrable under the new law for trailers.<sup>76</sup>

### Section 11(3) — shape marks

Section 11(3) is identical with section 12(3) of the old TMO, which has already been covered.

### Section 11(4) — contrary to morality or likely to deceive the public

Section 11(4) provides that a trade mark shall not be registrable if it is contrary to the principles of morality or if it is one that is likely to deceive the public.

<sup>73</sup> Note 52 above, at p 175.

<sup>74</sup> *Ibid.*, at p 174.

<sup>75</sup> Unreported, UK Trade Marks Registry, Mr Allan James, 17 December 1998.

<sup>76</sup> Cf *Work Trailer Holdings v Registrar of Trade Marks* [1982] FSR 111. See also Phillips and Firth, *Introduction to Intellectual Property Law* (3rd ed, Butterworths, 1995).

A mark may be contrary to accepted principles of morality if it would cause offence to a section of the community. The second limb, 'likely to deceive the public' is similar in wording to the first part of section 12(1) of the old TMO.<sup>77</sup> Under both the new and the old TMO, this limb targets on marks which raise an expectation that cannot be fulfilled, such as the classic example of 'Orwoola' for clothes which do not contain wool.<sup>78</sup> Widely phrased as it is, this limb can also cover deception arising from similarity between marks, which is specifically dealt with elsewhere, viz, section 20 of the old TMO and the 'Relative Grounds' of the new TMO.

Though both can be relied upon in a case of deceptive resemblance, sections 12(1) and 20 of the old TMO differ in two important respects. The latter requires that the opponent's mark be registered, and that the opponent's goods be the same, or of the same description, as those of the applicant.<sup>79</sup> Given that section 20 is narrower in scope than section 12(1), a mark that is objectionable under section 20 will also be 'likely to deceive' under section 12(1), but not vice versa. Unsurprisingly, section 12(1) finds favour with traders who are concerned that their legitimate interests might be affected by marks which they regard as likely to deceive. In *Re Omega*,<sup>80</sup> for instance, the manufacturer of 'Omega' watches succeeded in its opposition under section 12(1) to an application to register 'Omega' in respect of writing instruments.

In *Tunlees Watch Manufactory (HK) Co Ltd v Montres Rolex SA*,<sup>81</sup> even though the proposed mark, which consisted of the letter 'R' encased in dots in the shape of a crown, was visually and aurally different from the opponent's mark, 'Rolex', it was held that through long usage of an 'R' mark on the back of Rolex watches sold in Hong Kong, the opponent had established a reputation in its own unregistered 'R' mark so as to make the registration of the proposed mark 'likely to deceive' under section 12(1).

In the United Kingdom, there used to be a test for determining whether there is likelihood of deception under section 11 of the 1938 Act,<sup>82</sup> which

<sup>77</sup> S 12(1): 'It shall not be lawful to register as a trade mark or part of a trade mark any matter the use of which would be likely to deceive or would be disentitled to protection in a court of justice or would be contrary to law or morality, or any scandalous design.' This section is in turn similar to s 11 of the 1938 Act, see note 82 below and *Kerly's Law of Trade Marks and Trade Names* (13th ed, Sweet & Maxwell, 2001) at p 202, para 7-164.

<sup>78</sup> *ORWOOLA Trade Mark* [1910] 1 Ch 130.

<sup>79</sup> S 20(1): 'Except as provided by section 22, no trade mark relating to goods shall be registered in respect of any goods or description of goods that is identical with or nearly resembles a trade mark belonging to a different proprietor and already on the register in respect of — (a) the same goods; (b) the same description of goods; or (c) services or a description of services which are associated with those goods or goods of that description.'

<sup>80</sup> [1995] 2 HKC 473. Alice Lee, 'Protecting Trade Marks in Hong Kong: *Re Omega*' (1996) HKLJ 180.

<sup>81</sup> [1993] HKDCLR 15.

<sup>82</sup> 'It shall not be lawful to register as a trade mark or part of a trade mark any matter the use of which would, by reason of its being likely to deceive or cause confusion or

*continued on next page*

the applicant to offer any disclaimer, limitation or condition as he, the applicant, may think appropriate.<sup>120</sup>

A related provision is section 12(8) of the new TMO, which provides that the owner of an earlier mark may consent to the registration regardless of any objection that may be raised under the Absolute Grounds in section 11. Should such consent be given, the Registrar has no option but to allow the registration.

## REGISTRATION OF TRADE MARKS

A major departure of the new TMO from the old Ordinance is the abolition of the division of the Register into Parts A and B.<sup>121</sup> Despite that different tests have been laid down for the two parts, namely, 'adapted to distinguish' for Part A (section 9) and 'capable of distinguishing' for Part B (section 10), their difference is easier to state than to give effect to. A mark that is distinctive but not to such an extent as to fulfil the requirements for Part A may be accepted for Part B registration, and be transferred to Part A after it has acquired sufficient distinctiveness through use.<sup>122</sup>

Such a subtle distinction, which is said to be one in degree only, is far from helpful to trade mark owners and applicants. Hence proposals were made, and accepted, to combine the two parts of the Register. Also gone is the presumption of validity for Part A marks under section 30 of the old TMO.

### Application and registration procedures

Under section 40 of the new TMO, as it was under section 8 of the old Ordinance, a mark must be registered in respect of a particular class or classes of goods or services, which are to be specified at the time of application according to a prescribed system of classification.<sup>123</sup>

The Registrar will then examine the application and, if necessary, carry out a search of earlier trade marks.<sup>124</sup> The applicant, on being informed of the acceptance of his application, will have to arrange for its publication in the official journal in accordance with the Trade Marks Rules.<sup>125</sup> Any person may, within the prescribed period<sup>126</sup> after the publication of an application for registration, raise his opposition by giving notice to the Registrar.<sup>127</sup>

120 As to the effect of a disclaimer, see *PACO/PACO LIFE IN COLOUR Trade Marks* (note 107 above).

121 See s 4 of the old TMO.

122 For a detailed discussion on the distinction between the requirements of ss 9 and 10, see *YORK Trade Mark* (note 21 above).

123 See the Trade Marks Rules. See also s 12 of Sch 5 to the new TMO, which empowers the Registrar to bring existing registered marks into conformity with the new classification system. As to the effect of an unduly wide specification of goods, see *BETTY'S KITCHEN CORONATION STREET Trade Mark* [2000] RPC 825.

124 S 42(1) and (2) of the new TMO.

125 S 43 of the new TMO.

126 See the Trade Marks Rules.

127 S 44 of the new TMO.

By virtue of section 10 of Schedule 5 to the new TMO, a pending application<sup>128</sup> made under the old TMO will be processed under the old law, and if registered, the mark will be deemed to be registered under the new Ordinance (section 2(1) of Schedule 5). If, however, the pending application has not yet been advertised under section 14 of the old TMO before the commencement of the new Ordinance, the applicant has an option to have it converted into an application under the new Ordinance (section 11(1) of Schedule 5). In such a case, the applicant must give notice to the Registrar in the prescribed form not later than six months after the commencement date of the new TMO (section 11(2) of Schedule 5).

### Term and scope of registration

Under the old TMO, a trade mark shall be registered for an initial period of seven years and thereafter for 14 years upon renewal (sections 17(2) and 45).

Now, under section 49 of the new TMO, the initial term shall be ten years beginning on the date of registration and may be renewed in accordance with section 50 for further periods of ten years. This term of ten years registration has been widely adopted in countries such as the United Kingdom, Australia and Mainland China, and Hong Kong simply follows their practice. In the past, the date of registration might mean the earlier date of application for the same mark in a Paris Convention country (section 13A of the old TMO), but now the international priority dates are only relevant for the purposes of establishing which rights take precedence (section 41(2) of the new TMO).

Another change with practical significance is the abandonment of the concept of association of marks. By virtue of section 26 of the old TMO, where the proprietor of a registered mark applies for the registration of a similar or identical mark in respect of the same or same description of goods or services, the Registrar may require that the two marks be entered on the register as associated marks, so that neither of them can be transferred without a concurrent transfer of the other mark to the same person. Despite its attractiveness, however, this concept of association of marks is not mentioned in the TRIPS Agreement, which leaves it to members to deal with the matter as they consider appropriate. In view of the amendments in this respect in other countries and the expense and complications involved in the transfer of associated marks, the new TMO has not retained this concept. Furthermore, by virtue of section 2(4) of Schedule 5 to the new TMO, the concept of association shall cease to apply to existing associated marks as well.

### Collective and Certification trade marks

Section 61 of the new TMO introduces for the first time the concept of collective trade marks. A collective trade mark is one that indicates who is

128 'Pending application' is defined in s 1(4) of Sch 5. See also *TABO Trade Mark* [2000] RPC 360.

or services protected by the trade mark'. This is different in wording from section 46 of the 1994 Act which uses the expression 'proper reasons for non-use', but mirrors the language of Article 19 of the TRIPS Agreement.<sup>187</sup> Be it called 'valid reasons' or 'proper reasons', the new expression is so different from 'special circumstances' that it has been said that any comparison between the two is bound to be unhelpful.<sup>188</sup>

In *INVERMONT Trade Mark*,<sup>189</sup> the word 'proper' was said to be less restrictive than 'special' and might be given the meaning of 'apt, reasonable, justifiable in all the circumstances'. Abnormal situations in the industry or the market, or temporary but serious disruptions affecting the registered owner's business alone, could be proper reasons for non-use, but not normal delays in the marketing function. The *INVERMONT* approach was adopted in *CABAÑAS HABANA (DEVICE) Trade Mark*,<sup>190</sup> where the US trade embargo which had been in force for 33 years and had become a normal condition of trade was not accepted as a proper reason for non-use, and in *K-2 Trade Mark*,<sup>191</sup> where the non-compliance with the EC regulation on the tar content of cigarettes was due to the registered owner's unwillingness to change the taste of the cigarettes and, as such, did not qualify as a proper reason under section 46.

Apart from non-use, other grounds for revocation are also spelt out in section 52(2) of the new TMO, such as a mark becoming generic, or being used in such a way that it is liable to mislead the public, particularly as to the quality or geographical origin of the goods or services in question.

Note also that under section 53, it is possible to declare a registered trade mark invalid on the ground that it was registered in contravention of section 11 (Absolute Grounds) or section 12 (Relative Grounds).<sup>192</sup> This is similar in effect to section 48 of the old TMO which enables a person aggrieved by an entry made in the register without sufficient cause, or wrongly remaining on the register,<sup>193</sup> to apply for an order to have it expunged. The term 'person aggrieved' has been liberally and generously

187 'If use is required to maintain a registration, the registration may be cancelled only after an uninterrupted period of at least three years of non-use, unless valid reasons based on the existence of obstacles to such use are shown by the trademark owner. Circumstances arising independently of the will of the owner of the trademark which constitute an obstacle to the use of the trademark, such as import restrictions on or other government requirements for goods or services protected by the trademark, shall be recognised as valid reasons for non-use.'

188 *MAGIC BALL Trade Mark* [2000] RPC 439.

189 Note 186 above.

190 [2000] RPC 26.

191 [2000] RPC 413.

192 Note, however, that no such declaration can be made if the owner of the earlier mark has acquiesced for a continuous period of five years in the use of the mark in question (s 59).

193 *GE Trade Mark* (note 83 above) and *Qingyuan Rowa Electronics Co Ltd v Rowa Electrical & Trading Co Ltd* [1999] 3 HKC 540.

construed<sup>194</sup> to include someone who, though not trading in the same class of goods, alleges that the mark in question is so similar to his own that there is a likelihood of deception under section 12(1) of the old TMO.<sup>195</sup>

Where the grounds of invalidity exist in respect of some, but not all, of the goods or services for which the mark is registered, the declaration will be made as regards those goods or services only (section 53(8)). Accordingly, the registration will be deemed never to have been made in respect of those goods or services, though transactions which are past and closed will not be affected (section 53(9)).

## RECTIFICATION AND CORRECTION OF THE REGISTER

Under section 48 of the old TMO, any person aggrieved by any error or defect in any entry may apply to the court or the Registrar for an order to rectify or correct the entry as the court or Registrar may think fit.

The corresponding provision, section 57, in the new TMO uses a seemingly wider expression 'any person having a sufficient interest', though in reality the requirement may still be the same, given that the term 'person aggrieved' has already been widely interpreted.<sup>196</sup> Note, however, that rectification under section 57 may not be made in respect of matters affecting the validity of the registration of a trade mark,<sup>197</sup> which is now separately dealt with under sections 52 and 53. Only clerical errors are to be corrected under section 57, or the United Kingdom equivalent, section 64 of the 1994 Act. Apart from persons having a sufficient interest, such as the owner or licensee of the mark concerned or a trade rival, the Registrar may also on his own initiative correct any error or omission that is attributable to the staff of the Registry (section 57(6)).

## ANCILLARY MATTERS

### Bilingualism

Chinese and English are the official languages of Hong Kong under Article 9 of the Basic Law and section 3 of the Official Languages Ordinance (Cap 5). However, the old TMO does not specifically provide for bilingualism.

Section 76 of the new TMO expressly provides that the official language in which an application for registration of a trade mark is filed shall be

194 *Re Wowi & Device Trade Mark* [1998] 3 HKC 221, also reported as *Mila Schön Group SpA v Lam Fat Yuen t/a Tung Kwong Co* [1998] 1 HKLRD 682.

195 *Re Gay Giano Trade Mark* [1996] 2 HKC 646.

196 See *Kerly's Law of Trade Marks and Trade Names* (note 77 above), at p 51, paras 3-33 and 3-34.

197 S 57(2).

Article 8 (1) to (4) of the Chinese Trademark Law is the same as what is required by the Paris Convention. Article 8 (5), (6) and (8) are in compliance with the international practice, and Article 8 (7) and (9) are in combination with the practical situation in China. All these requirements cannot be said to be in contravention of the Paris Convention, hence they are in compliance with the principle laid down in the TRIPS Agreement.

According to the provisions of Article 7 of the Chinese Trademark Law, the condition 'capable of distinction' is applicable to all trademarks, not just to registered trademarks. The Chinese Trademark Law has imposed an even higher requirement than the TRIPS Agreement.

Under Article 16 (1) of the TRIPS Agreement, one of the conditions for acquisition of registration and use is a requirement not to prejudice any existing prior rights.

The TRIPS Agreement does not specify what rights are contained in the 'existing prior rights' that may impose opposition on trademark registration. However, in the process of revision of the Paris Convention, the relatively unified opinion, which emerged in the discussion by some inter-governmental international organisations of industrial property and in the model laws of WIPO, is that the 'existing prior rights' should, at least, include the following:

- (1) right to the trade name under protection;
- (2) exclusive right to industrial design under protection;
- (3) copyright;
- (4) right to geographic name under protection;
- (5) right of attribution;
- (6) right to own persona;
- (7) merchandising right; and
- (8) right of prior use of trademarks that have acquired market reputation.

Since the Implementing Regulations of the Chinese Trademark Law were revised in 1993, the concept of 'prior right' has been incorporated into Rule 25, but a gap with the TRIPS Agreement lies mainly in that both the Chinese Trademark Law and its Implementing Regulations stress the 'subjective mentality' of the defendant. If a defendant does not 'acquire a trademark registration by fraud or any other unfair means', a prior user cannot claim for himself. In fact, the subjective mentality of the subsequent right holder should not be stressed as far as such prior rights as copyright, right of design, right of portrait are concerned. The TRIPS Agreement does not take the subjective mentality of subsequent applicants as the precondition or element of a prior right protection.

In most countries, registration is the only way to acquire a trademark right. However, in a small number of countries, 'actual use of a trademark in business activities' is indeed the way to obtain a trademark right and registration is merely an administrative confirmation of trademarks in existence. Although such countries are becoming fewer, such countries do exist. Consideration is taken of this fact in Article 15(3) of the TRIPS Agreement, which positively accepts that countries like the United States

take 'use of a trademark' as a basis for an administrative authority to decide on registrability. However, the TRIPS Agreement does not allow or take 'lack of use' as the only ground for rejecting a registration. Given the existence of 'pre-emptive registration' of trademarks in China, some people have suggested that 'lack of use' be taken as a ground for rejecting or revoking registrations. This is the result of a lack of understanding of the TRIPS Agreement.

However, the 'use requirement' for trademark registration generally means something else, namely what Article 19 of the TRIPS Agreement requires: if a registered trademark has not been put to use for an uninterrupted period of three years without justification, it may be cancelled by an administrative authority. In China, as well as in many other countries, 'use' is interpreted in the Trademark Law in a rather broad term in their respective trademarks. For instance, use of a registered trademark in an advertisement or an exhibition only, or by a licensee rather than by its registrant himself, is deemed in compliance with 'the use requirement'. Article 19(2) of the TRIPS Agreement merely provides that when 'subject to the control of its owner, use of a trademark by another person' (mainly referring to the use by a licensee) shall be recognised as use required of the trademark for purpose of maintaining the registration. In other words, it is up to the members themselves to decide according to law in what activities the use is also in compliance with the requirement. Nonetheless, if the government of a member state disallows import of a given good for a period of three years, its administrative authority for trademark affairs has no right to cancel the registration of the trademark therefor for reason of non-compliance with the 'use requirement'. Moreover, the impossibility of use of a registered trademark caused by the action of a member government for some time should also be taken as non-use with 'valid reasons', hence the trademark involved should not be cancelled. When the Chinese Trademark Law was under the second revision, some rashly suggested cancelling all the registered trademarks that were not used. This is not desirable as, at the very least, some special circumstances will be overlooked.

Article 16(1) of the TRIPS Agreement stresses that a trademark proprietor has the right to prevent a third party from using identical or similar signs for goods or services that are identical or similar to those in respect of which the trademark is registered. The trademark laws of China and most other countries make provisions on this point.

Do trademark proprietors themselves have the right to use signs 'similar' to their own registered trademark, or use their own trademarks for 'similar' goods? According to Article 30 of the Chinese Trademark Law, where a registrant not only uses a registered trademark, but uses a sign similar to the registered trademark, what he has done is 'unilaterally changing the registered word, figurative element or their combination'. The Trademark Office in these circumstances may cancel the registration. Use of a registered trademark for non-designated goods without an application for approval (even in a similar class of goods) could result in registry action or cancellation of the mark.

in *Green v Broadcasting Corporation of New Zealand*<sup>67</sup> held that a television quiz show with isolated features and changing material each time did not entail sufficient unity to be called an original dramatic work.

Though not expressly included in section 4(2), an artistic work, such as a drawing, photograph or engraving, is also 'recorded' at the same time when it is being created.<sup>68</sup>

### Qualifying factors

Until the enactment of the Copyright Ordinance, it was not sufficient that a work fell within one of the categories of copyright works and satisfied the requirements of originality and labour, skill and effort. There was also a requirement that the work be connected to the jurisdiction by a recognised connecting factor. These connecting factors were dictated by the international conventions on copyright, that is, the Berne Convention and the Universal Copyright Convention, and depended on whether the work in question was published. If it was not published, its author had to be a qualified person within the meaning of the 1956 Act, that is, he must be a national or resident of a country or territory to which the Act extended, or in the case of a company, it must be incorporated in a country to which the Act extended. If the work was published, that is, released to the public in quantities reasonably sufficient to satisfy public demand, then the author had to be a qualified person or the work had to be first published in a country or territory to which the relevant provisions of the Act had been applied or extended.

An illustration is *Kemp v Sing Pao Newspapers and Publications Ltd.*,<sup>69</sup> where the plaintiff had licensed copyright in the photographs taken by him in Vietnam to a Japanese magazine. The defendant, a Hong Kong newspaper, copied these photographs from the Japanese magazine, thereby infringing the plaintiff's copyright. Although copyright would not have subsisted in the photographs under Vietnamese law, it subsisted in Hong Kong because of the nationality of the person defined as their 'author' under Hong Kong law.

However, the present Copyright Ordinance, in Division X of Part II, has adopted an 'open qualification system'<sup>70</sup> under which all entities, wherever domiciled, resident or incorporated, can own Hong Kong copyright unless the Chief Executive expressly denies protection to their jurisdiction of origin on the basis that such jurisdiction does not adequately protect Hong Kong copyright works. The Chief Executive is empowered under section 180(2) to designate, by regulation, the country, territory or area relating to such

67 [1989] RPC 700. See also *Norowzian v Arks Ltd & Ors (No 2)* (note 43 above).

68 Cf *Merchandising Corp of America v Harpbond* [1983] FSR 32.

69 [1994] 3 HKC 244 (DC).

70 See Pendleton, 'The Danger of Protecting Too Much: A Comparative Analysis of Aspects of Intellectual Property in Hong Kong, Britain and the United States' [2000] EIPR 69 at p 71.

denial of copyright. As a result of this important advance in copyright protection, copyright owners, as an evidentiary matter, will probably find it much easier to establish their copyright ownership than it was under the previous system where they were obliged to prove fulfilment of one of the required connecting factors.<sup>71</sup>

### DURATION OF COPYRIGHT

Sections 17 to 21 of the Copyright Ordinance govern the duration of copyright works. For literary, dramatic, musical and artistic works, the general provisions are sections 17(1) to (5), which make the duration of copyright dependent upon whether the identity of the author is known: if so, the duration of copyright is the life of the author plus 50 years;<sup>72</sup> if not, the duration is 50 years from the end of the year in which the work was first made, or if it is made available to the public during that period, 50 years from the year in which it is first so made available.<sup>73</sup> Computer-generated works and works of joint authorship are covered in section 17(6) and (7), whereas government copyright is expressly excluded from these general provisions<sup>74</sup> and specifically dealt with in sections 182 to 184 of the Copyright Ordinance.

The duration of copyright in other works, except published editions, is also 50 years from certain specified events. A sound recording enjoys copyright protection for 50 years from the year in which it is made or released, whichever is the longer.<sup>75</sup> A film normally<sup>76</sup> enjoys copyright for 50 years from the year in which the last of the following designated persons dies:

- (1) the principal director;
- (2) the author of the screenplay;
- (3) the author of the dialogue; or
- (4) the composer of music specially created for and used in the film.<sup>77</sup>

If the identity of such persons is unknown, the duration is 50 years from the end of the year in which the film is made, or if it is made available to the public during that period, 50 years from the year when it is so made

71 For literary, dramatic and musical works, see s 2(1) and (2) of the 1956 Act. For artistic works, see s 3(2) and (3) of the 1956 Act. Those provisions had been applied to Hong Kong by Orders in Council pursuant to an express power under s 32 of the Act.

72 S 17(2). Note that the duration is different in UK (s 12(2) of the 1988 Act).

73 S 17(3). See also s 17(5) for the meaning of 'making available to the public'.

74 S 17(8).

75 Provided that the sound recording is released within 50 years of its making, see s 18(2).

76 That is, a film with a known director, author or composer, see s 19(2) and (3). Note that the duration in the UK is different (s 13B of the 1988 Act).

77 S 19(2).

dimensional objects reproduced from such drawings, subject, in the past, to the so-called 'non-expert defence' under section 9(8) of the Copyright Act 1956:

The making of an object of any description which is in three dimensions shall not be taken to infringe the copyright in an artistic work in two dimensions, if the object would not appear, to persons who are not experts in relation to objects of that description, to be a reproduction of the artistic work.

This provision was included in the 1956 Act at the instigation of the Gregory Committee, which recommended its inclusion to prevent the protection of artistic works (which include drawings, irrespective of artistic quality) from leading to monopolies in certain sorts of industrial processes or components. The Committee was particularly concerned about electric circuit diagrams, and the subsection was intended to prevent copyright monopolies over such subject matter.

The Gregory Committee and the draftsmen of the 1956 Act might not have appreciated fully the consequences of removing 'plans' from the definition of *literary works* (where they were in the Copyright Act 1911) and lumping them into the category of *artistic works* in the 1956 Act. Under the 1911 Act, the definition of technical drawings as literary works was viewed as implicitly limiting their scope of copyright protection, as they would be viewed principally as a form of instruction for the making of the corresponding three-dimensional item, rather than as a *depiction* of the three-dimensional item itself. In the same way, copyright in a cookbook would not be infringed by cooking a dish according to the recipe, copyright in a *literary work* (including technical plans or drawings under the 1911 Act) would not be infringed by making the corresponding three-dimensional item. The 1911 Act in this way strove to safeguard the idea-expression dichotomy.

By lumping technical drawings in with artistic works, the 1956 Act rendered it easier to find three-dimensional infringement of a two-dimensional work. Hence, the supposed 'necessity' for the unusual non-expert defence. The Copyright Ordinance, while retaining technical drawings within the definition of artistic works, has done away with the non-expert defence. The full effects of this are yet to be seen.

In *Takmay Industrial Co Ltd v Wah Sang Industrial Co*,<sup>134</sup> the Hong Kong Court of Appeal raised a rather novel, if not chauvinistic, illustration of the old section 9(8) 'non-expert' defence. They jovially suggested that men were qualified non-experts with regard to dress designs while women were qualified non-experts for simple mechanical part drawings. As to the effect of section 9(8), Roberts CJ held that if something was an obvious copy, it would be an infringement. During argument, it was stated that judges often had to decide this question without evidence of what a non-expert would think, though Graham J, in *George Hensher v Restawile Upholstery (Lancs) Ltd*,<sup>135</sup> doubted

134 Note 60 above.

135 [1973] 1 All ER 160.

if a judge was entitled to do so. In the end, the Court of Appeal relied upon *LB (Plastics) Ltd v Swish Products Ltd*<sup>136</sup> as authority for a judge being a qualified non-expert and held that the dolls and their dresses were, when viewed through the eyes of a non-expert, reproductions of the plaintiff's working drawings and thus, though the judge at first instance did not consider the defence, it failed in any event. Further, it was up to the defendant to plead and establish the section 9(8) defence, the failing of which would entitle the judge to find against him.

In another Hong Kong case, *Canon Kabushiki Kaisha v Green Cartridge Co (HK) Ltd & Anor*,<sup>137</sup> the High Court considered whether the right to repair defence, recognised in the *British Leyland*<sup>138</sup> case, applied to the alleged infringement of copyright in drawings of cartridges, and parts thereof, for printers and copiers by the manufacture and dealings in the cartridges and parts. The trial judge indicated that the *British Leyland* defence could only apply where the individual parts were repaired by the narrowest means; in this case, the cartridges, as a whole, did not require repair. The plaintiff, therefore, succeeded at first instance in its allegations that the defendant had infringed copyright because the defendants had manufactured *complete* cartridges for the purpose of replacing cartridges when the toner was depleted or when a component of the cartridge failed. This did not, according to the court, constitute repair as commonly understood. However, this was reversed on appeal, the majority of the court holding that replacement of the cartridge as a whole was within the *British Leyland* repair defence, being the only practical means for the owner to repair its machine and keep it in working order. On appeal to the Privy Council, the holding at trial was restored.

#### Authorising infringement of copyright

Authorising any of the restricted acts mentioned in section 22(1) is also a type of primary infringement.<sup>139</sup> It has been judicially defined as including acts or omissions which have the effect of sanctioning or approving the infringing acts of others. So it seems that in order to make out a case of authorising, one needs proof of a specific intent or perhaps even affirmative action. The cases below consider what is meant by 'authorising', though at times it is extremely difficult to reconcile the decisions.

The first decision, *Falcon v Famous Players Film Co*,<sup>140</sup> concerned a defendant who supplied a film to a cinema owner for the purpose of allowing him to show the film in public, on condition that the defendant would

136 Note 122 above.

137 [1995] 1 HKC 729, [1995] AIPR 124, [1995] FSR 877 (HC); [1996] 2 HKC 180 (CA); [1997] 2 HKC 1 (Privy Council).

138 Note 120 above.

139 See s 22(2).

140 [1926] 2 KB 474.

to provide a remedy for infringement of copyright, alternative to, or to some extent cumulative with, the remedy of damages for infringement, and the availability of such damages depended upon proof of infringement.

Even when infringement is proved, the section 18 remedy could be draconian, though perhaps no more so than the often lauded treble damages available under US law. The measure of damages is the market value of the goods, not the market value less the cost price of the goods, that is, the profit earned on the sale of the goods. Hence, the remedy sometimes led to extreme and indiscriminate results. Their Lordships illustrated this point in drawing attention to situations where the substrate of the infringing goods might be composed of some precious metal, say, gold. In these circumstances, the measure of damages under section 18 would have been the full market value of the goods, not the market value of the goods minus the value of the gold as it would normally be under section 17.<sup>193</sup>

## CRIMINAL SANCTIONS

### Copyright Ordinance

The old Copyright Ordinance<sup>194</sup> contained a regime of criminal offences<sup>195</sup> in relation to copyright infringement. Now, offences are listed in sections 118 and 120 of the new Ordinance, supplemented by provisions in relation to the admission of evidence (section 121), investigation and related powers (sections 122 to 124), disclosure of information and inspection of articles (sections 126 to 130), and forfeiture and disposal of seized articles (sections 131 to 133).

Under section 118(1), it is a criminal offence to commit any of the following acts:

- (1) the making of an infringing copy for sale or hire;
- (2) the import or export of an infringing copy otherwise than for private and domestic use;
- (3) the possession of an infringing copy for the purpose of, in the course of, or in connection with,<sup>196</sup> any trade or business;

193 For a detailed discussion of *Infabrics*, see P Sinden, 'Patent and Copyright Law for the 80's', *Law Lectures for Practitioners* (1982), at p 55.

194 Cap 39 LHK, 1975 ed.

195 This regime supplemented and co-existed with the criminal penalties under s 21 of the 1956 Act.

196 The phrase 'in the course of, or in connection with' was inserted by the Intellectual Property (Miscellaneous Amendments) Ordinance 2000 with a view to deterring the commercial use and possession of infringing copies. One of the worries was that the original expression 'for the purpose of trade or business' might have unnecessarily restricted the scope of criminal liability for copyright infringement to the sale of or dealing in infringing copies. Hence provisions were inserted to clarify that 'it is immaterial whether or not the trade or business consists of dealing in infringing copies of copyright works' (see for instance s 118(8A), added by the 2000 Ordinance).

*continued on next page*

- (4) the sale, offer, exhibition or distribution of an infringing copy for the purpose of, in the course of, or in connection with, any trade or business; and
- (5) the distribution otherwise than for the purpose of, in the course of, or in connection with, any trade or business to such an extent as to affect prejudicially the owner of the copyright.

A person committing one of these offences is, according to section 119(1), liable on conviction to a maximum fine of \$50,000 per infringing copy and to imprisonment for up to four years. However, under section 118(4), if the aforementioned acts — except the distribution — relate to an article specifically designed or adapted for making copies of a particular copyright work and provided that there was an intention to use this article for the purpose of, in the course of, or in connection with<sup>197</sup> any trade or business, the maximum fine can be up to \$500,000 and the imprisonment is for up to eight years.<sup>198</sup> Finally, one should note that section 120 of the Copyright Ordinance has extraterritorial effects. Under this provision, which had its predecessor in section 5A(1) of the now repealed Intellectual Property (World Trade Organization Amendments) Ordinance 1996,<sup>199</sup> any person who makes an infringing copy or an article falling within section 118(4) outside Hong Kong, but for export to Hong Kong, otherwise than for his private and domestic use, commits an offence, if he knows or has reason to believe that this item is intended for Hong Kong.

There is a defence relating to the aforementioned acts that the accused did not know and had no reason to believe that the copy in question was an infringing copy. Note, however, that in any case — unlike in section 21 of the Copyright Act 1956 — the burden of proof to establish this defence lies on the potential infringer. Likewise, a person charged with an offence under section 118(4) of the new Ordinance must prove that he did not know and had no reason to believe that the article was used or was intended to be used to make the infringing copies for sale or hire or for use for the purpose of, in the course of, or in connection with, any trade or business (section 118(5)). Note also that for the purposes of these criminal sanctions,

However, against all expectations, the new provisions aroused grave public concern in response to which the Copyright (Suspension of Amendments) Ordinance 2001 (Ord No 13 of 2001) was enacted to revert the criminal provisions under ss 118 and 120 back to the position before the implementation of the 2000 Ordinance in relation to (a) parallel-imported computer programs lawfully made overseas; (b) infringing copies in a printed form (such as photocopies of newspapers); and (c) infringing copies downloaded from the Internet and technically required for the viewing or listening of works other than computer programs. The Suspension Ordinance was enacted on 22 June 2001, with retroactive effect from 1 April 2001 (the commencement date of the 2000 Ordinance). By virtue of s 3 of the Suspension Ordinance, the suspension shall cease to have effect on 31 July 2002.

197 Inserted by s 7 of the Intellectual Property (Miscellaneous Amendments) Ordinance 2000. Note, however, the Copyright (Suspension of Amendments) Ordinance 2001 (note 196 above).

198 S 119(2).

199 Ord No 11 of 1996.

new Ordinance. The New Zealand copyright owner of the drawings for a pair of scissors alleged that the defendant had possession of infringing copies of its scissors and possession of a mould for the making of such infringing copies. Leonard J of the Court of Appeal drew attention to section 9 of the Ordinance (see section 121 of the new Copyright Ordinance) and the utility of providing an affidavit which served as a rebuttable presumption of copyright ownership,<sup>211</sup> and said that the section was there to be used.

*Attorney General v Hondar Plastics*<sup>212</sup> was another case relating to a prosecution under section 5 of the old Copyright Ordinance. The magistrate enquired, upon a case stated, as to whether it was necessary for drawings, as defined by section 48(1) of the Copyright Act 1956, to have an element of artistry to comply with section 3(1)(a). The magistrate had reached a tentative conclusion that it did on the basis of *George Hensher v Restawile*.<sup>213</sup> Pickering ACJ held that no such element of artistry was necessary and it was clear that the magistrate had confused the requirement of artistic craftsmanship with that of artistic copyright.

Among the other supplementary provisions, sections 131 and 133 deal with the forfeiture of seized or detained articles. Section 131(2) provides that notice of seizure must be served on the owners within 30 days. Within the next 30 days, the owner or any interested party must give notice in writing to the Commissioner of Customs and Excise of his full name and address for service in Hong Kong and claim that the articles in question are not liable to forfeiture (section 131(5)). If no one is charged with any offence under the Ordinance and no one claims that the articles are not liable to forfeiture, they will be automatically forfeited under section 131(7). If, however, a notice of claim is given under section 131(5), the Commissioner is required to apply to a magistrate, the District Court, or the Court of First Instance for forfeiture (section 133(1)).

In *Commissioner of Customs and Excise v Golden Science Technology Ltd & Ors*,<sup>214</sup> the Commissioner did not apply for forfeiture within a reasonable time after receipt of a notice of claim and the respondents, whose premises had been raided, applied for judicial review and for access to their premises and the machines kept there pending the final hearing of the criminal proceedings. The judge granted the application subject to conditions, and in the appeal by the Commissioner, it was contended, inter alia, that those conditions were insufficient. In addition, the Commissioner applied for an interlocutory order under section 21L of the High Court Ordinance<sup>215</sup> to restrain the respondents from using the machines pending trial. Dismissing the appeal, the Court of Appeal held that it should not

211 Section 9 (and the new s 121) probably has its genesis in s 20(1)(a) of the Copyright Act 1956, where copyright is presumed unless the defendant puts the subsistence of copyright in issue. See 'Authorship and Ownership of Copyright' above.

212 [1976] HKLR 730.

213 Note 61 above.

214 [1999] 4 HKC 169.

215 Cap 4 LHK.

have been necessary for the Commissioner to apply for interlocutory injunctive relief under section 21L. Rogers JA, after referring to the power of the court to make orders under sections 132 and 133(12) for the forfeiture, delivery up or disposal of seized articles, commented on the relevant statutory provisions as follows:

The scheme of the seizure, detention, delivery up and forfeiture provisions of the Ordinance thus appears to provide a speedy resolution of claims and disputes in respect of articles which have been seized including, if necessary, temporary arrangements pending the exercise by the court of powers under s 132 following the hearing of any criminal proceedings.<sup>216</sup>

It was further held that the conditions imposed by the judge below and the additional undertaking offered by the respondents at the hearing of the appeal were sufficient to alleviate the Commissioner's concern.

### Penalties

There have been various decisions concerning penalties under the old Ordinance, which are still of importance at least in so far as the new law has not altered the prior position. *Mei Ya Magnetic Tapes Co Ltd v R*<sup>217</sup> was not a case under the old Copyright Ordinance though similar principles appear to apply. The corporation in this case was charged with offences under the Merchandise Marks Ordinance,<sup>218</sup> namely, forging trade marks on a large number of blank cassette tapes. Taking into account the fact that the husband of a director of the defendant corporation had previously been summoned and heavily fined for like offences, the magistrate did not think it appropriate to treat the corporation as a first offender even though this was the corporation's first conviction, and imposed a fine of \$160,000 for all seven offences. The Court of Appeal held that it was wrong in principle to go behind the veil of incorporation in a case like this and to allow the offences of the husband to influence the court with regard to the corporation. The court noted that there was a great disparity between the fines imposed upon the lady director (\$46,000 in total) and the fines imposed upon the company in respect of precisely the same offences. However, that only meant that the lady director was fortunate. The court said that the question for it to decide was what was an appropriate fine for a company on first conviction for these offences. The fine had nothing to do with the commercial value of the tapes and cannot be analysed as if the fine should be at a certain rate per cassette tape. The court reduced the fine to \$91,000 and ordered that 50% of the fines should be paid to the informer.<sup>219</sup>

216 Ibid, at p 175.

217 Cr A No 1113 of 1976.

218 Cap 41 LHK, 1981 ed, now repealed by the Trade Descriptions Ordinance (Cap 362).

219 Special provisions for payment of fines to informers were provided for in the repealed Merchandise Marks Ordinance.

concerning the acquisition of rights in or under registered designs are deemed to apply to transactions, etc, affecting rights in applications, with the requirement of registration of the particulars being replaced by a requirement to give written notice of them to the Registrar.

### Examination and registration

Once an application has been given a filing date under section 14 of the Ordinance, the Registrar must examine it to see whether it satisfies the formal requirements. If any deficiencies are found, the Registrar must give written notice of them to the applicant, who has three months from the date of the notice within which to correct them.<sup>23</sup> If the deficiencies are not corrected in time, the application is deemed withdrawn. If the application is found to satisfy the formal requirements or if any deficiencies are corrected in time, the Registrar must, subject to the discretion in section 26 of the Ordinance, register the design by entering in the register particulars of the design and the name of the applicant or his successor in title as owner, issue a certificate of registration to the owner, advertise the fact of registration and publish a representation of the design by notice in the *Gazette*. The Registrar has a discretion under section 26 to refuse registration where he determines that, after examination and the giving of an opportunity to correct deficiencies as to the formal requirements, the formal requirements are not satisfied or the design is on the face of it not new or otherwise not registrable. Where the Registrar refuses registration under the discretion, he shall give written notice to the applicant, stating the reasons for refusal. Where an application is refused, the applicant continues to enjoy any right of priority which he enjoyed immediately before the refusal and no other right may be claimed under the Ordinance in respect of the application. According to section 27, nothing in the Ordinance, unless expressly stated, imposes any obligation on the Registrar to consider or have regard to any question of registrability of a design, priority of an application or whether the design is properly represented in the application.

## TERM OF REGISTERED DESIGNS

### Term of design registered under the Ordinance

The initial period of registration of a design is five years beginning on the filing date of the application; the period of registration is then renewable for four further five-year terms, giving a possible total term of 25 years. An owner wishing to renew must apply and pay the renewal fee during the three-month period before the expiry of the current term. If the renewal fee is not paid, the registration ceases to have effect at the end of the current

<sup>23</sup> S 24(2) of the Registered Designs Ordinance; s 22(1) and (2) of the Registered Designs Rules.

term. However, if the owner pays the fee (including any additional fee) within a six-month period after the end of the current term, the registration is treated as having never ceased to have effect. If the design was at the time of registration a corresponding design in relation to an artistic work<sup>24</sup> in which copyright subsists or was only registrable because of section 10(1),<sup>25</sup> the period of registration expires at the same time as the copyright in the artistic work, if that is earlier than when it would normally expire, and cannot be renewed.<sup>26</sup> Further, a design registered pursuant to section 11(1) of the Ordinance shall not extend beyond the period of registration of the original registered design. A registered design may be surrendered by the owner in respect of any or all of the articles in respect of which it is registered.

### Term of design deemed registered under the Ordinance

The scheme of the Ordinance is to prescribe an initial period of registration for such deemed registered designs and then to allow them to be renewed, after which they continue life as though registered under the Ordinance. With respect to designs registered in the United Kingdom before the commencement date and subsisting or treated as subsisting on that date, the initial period of registration begins on the commencement date and ends on the earlier of (1) the date on which the right in the design expires under the Registered Designs Act 1949, or (2) the date on which the right in the design would expire under the United Kingdom Act were it not possible to extend it. With respect to designs applied for in the United Kingdom before the commencement date and registered there after it, the initial period of registration begins on the date of registration under the United Kingdom Act and ends on the earlier of (1) the date on which the right in the design expires under the United Kingdom Act, or (2) the date of expiry of the first (five-year) period of registration under the Act.

The owner of such a deemed registered design can, under section 92(1), then renew the period of registration for further five-year periods after the initial period of registration, provided that the combined term under the United Kingdom Act and the Ordinance does not exceed 25 years and six months. In order to renew for a further five-year term after the initial period of protection, the owner must apply to the Registrar before the later of (1) the date six months before the expiry of the initial period of registration, or

<sup>24</sup> 'Corresponding design' means a design which, if applied to an artistic work, would produce something which would be regarded as a copy of the work for the purposes of the Copyright, Designs and Patents Act 1988: Registered Designs Ordinance, s 2(1).

<sup>25</sup> Previous use had been made of the artistic work with the consent of the copyright owner but such use did not consist of or include the sale, letting for hire, or offer or exposure for sale or hire of articles to which the design (or a design differing only in immaterial details or common trade variants) had been applied.

<sup>26</sup> S 29(1) of the Registered Designs Ordinance.

## CHAPTER 5

## Patents

Hong Kong does not have a patent office with examination facilities. Instead it re-registers certain patents granted elsewhere — at the present time China, the United Kingdom and the European Patent Office. Until 27 June 1997, when it was repealed by the Patents Ordinance,<sup>1</sup> the Registration of Patents Ordinance provided a system of re-registration and enforcement of patents obtained in the United Kingdom or the European Patent Office (designating the United Kingdom). The rights and privileges conferred under the statutory formula were essentially those which the patent holder enjoyed in the United Kingdom.

With Hong Kong's change of sovereignty on 1 July 1997, the Patents Ordinance changed the constitutional basis of the law but in effect continued the old system save that Chinese patents as well as United Kingdom and European Patents (designating the United Kingdom) could be re-registered in Hong Kong. The Registration of Patents Ordinance, although repealed, continues to apply to acts of alleged infringement occurring before 27 June 1997.<sup>2</sup>

In the United Kingdom, the history of the patent system stretches back to the 17th century, when the monarch instigated a practice of rewarding loyal subjects with trading monopolies conferred by letters patent. This mode of granting patents, ie by virtue of the royal prerogative, continued until 1977 when the Patents Act of that year replaced the Patents Act 1949. Under the Patents Act 1977 a patent is granted on a statutory basis and the rights and privileges it confers, together with the preconditions as to obtaining those rights and privileges, are set out in a statutory code. Formerly, these matters were largely governed by a large body of judge-made case law.

The patent system has long since abandoned the rationale of rewards for loyal subjects and has embraced the economic justification of encouraging innovation. In contemporary times, it has frequently been asked whether the patent system fulfils this function. Further, the appropriateness of innovation as the goal of the patent system has been increasingly questioned.<sup>3</sup> It is not appropriate to pursue these questions here, but anyone

1 Ordinance No 52 of 1997, published in the *Gazette* on 30 May 1997.

2 Patents Ordinance, s 158.

3 See Hugh Brett, Opinion, 'The Patent System — What Future in the Creation of Wealth' [1983] 4 EIPR 83.

involved or interested in the patent system should be aware that they are being posed.

## SUMMARY OF THE PATENTS ORDINANCE

**The types of patent which can be registered**

It is now possible to register two types of patent in Hong Kong, the usual 20-year patent (called a 'standard patent') and a new 8-year patent (called a 'short-term patent').

**Application for and grant of a standard patent**

The Patents Ordinance provides for the registration as a standard patent of a patent which has been registered in a 'designated patent office'.<sup>4</sup> The application has to be made in two stages known as a 'request to record' and a 'request for registration and grant'. The applicant must, within six months of publication of a patent application in a designated patent office, request the Registrar of Patents to record the application. Provided that the formal requirements are satisfied, the Registrar must record the application, publish the request to record and advertise the fact in the *Gazette*. The request for registration and grant can only be filed after the request to record has been published and the patent granted in the designated patent office. The applicant, within six months of the later of those two events, must request the Registrar to register the designated patent and grant a standard patent. If the formal requirements are satisfied, the Registrar must register the designated patent, grant a standard patent and issue a certificate to that effect. He must then publish the specification, send the certificate to the proprietor and advertise the grant in the *Gazette*.

**Application for and grant of a short-term patent**

An application for a short-term patent may be made by a person alone or jointly with another. It must be filed with the Registrar and has to comply with a number of formal requirements set out in section 113, including the provision of a specification with a description, one or more claims but no more than one independent claim, an abstract and a search report.<sup>5</sup> A date of filing is given to the application upon the filing of a specified minimum of materials. Once the date of filing is given, the Registrar must examine

4 The Patent Offices of Beijing, London and Munich.

5 The search report must be a prior art search by a prescribed searching authority (ibid, s 113(8)). 'Prescribed searching authority' means the three designated patent offices and the International Searching Authorities appointed under Art 16 of the Patent Cooperation Treaty (Patents (General) Rules s 71). The International Searching Authorities presently appointed are the patent offices of Austria, Australia, Japan, Russia, Sweden and the United States of America and the European Patent Office.

## Infringement

Under section 80(1), civil proceedings may be brought by the proprietor of a patent (both standard and short-term) for an injunction, delivery up, damages or an account and a declaration that the patent is valid and has been infringed. Neither damages nor an account can be made against persons not aware and not having reasonable grounds for supposing that the patent existed.<sup>11</sup> Where a patent is amended, no damages shall be awarded for pre-amendment acts, unless the specification as originally published was framed in good faith and with reasonable skill and knowledge.

Where there are co-owners of a patent, the right to prevent infringement belongs to those co-owners with the right to do the act in question and there will be infringement unless the consent of all such co-owners is obtained under section 85(1). One co-owner can sue for infringement without the consent of the others, but all must be parties, defendants if necessary pursuant to section 85(2). Under section 86, an exclusive licensee can sue for infringement but the proprietor must be joined, as plaintiff or defendant. Any person becoming an owner, co-owner or exclusive licensee of a patent is not entitled to damages or an account in respect of the period between the transaction and its registration, unless he applies to register it within six months of its date or the court is satisfied that this was not practicable.

A person who in Hong Kong, before the priority or filing date of a patent, does or makes in good faith effective and serious preparations to do infringing acts has the right under section 83 to continue or do such acts and (if in the course of business) to assign the right, but not to grant a licence.

Under section 88, an applicant for a standard patent has the same right, from the date of publication of the application to the date of grant, to sue for damages as though the patent had been granted on the date of publication of the application, although he can only bring proceedings once the standard patent is granted and if the acts would also infringe the patent as granted.

The court has power to grant a certificate of contested validity and a party relying successfully on the validity of the patent in subsequent proceedings is entitled to his costs on the indemnity basis.

A person aggrieved by threats of proceedings for infringement of patent (other than by making a product for putting on the market or by using a process) may, under section 89, bring proceedings for a declaration, an injunction and damages. Notification of the existence of a patent does not of itself constitute a threat of proceedings.

The court has power to make a declaration of non-infringement, notwithstanding that no allegation of infringement has been made, provided that the person has applied in writing to the proprietor for a written acknowledgment of non-infringement with full particulars in

<sup>11</sup> Patents Ordinance, s 80(1).

writing of the act and the proprietor has refused or failed to give such acknowledgment.<sup>12</sup>

In proceedings for alleged infringement of short-term patents, the proprietor has to establish validity (the reverse is the position with standard patents) and evidence of prima facie validity is sufficient for this purpose under section 129(1). Where interlocutory proceedings for an injunction or delivery up are brought, any party may apply for an early trial order, which the court will grant unless the interests of justice would not be served.

## Amendment of patents and applications

In any proceedings in which the validity of a patent (standard or short-term) is put in issue, the court may allow amendment under section 102, on such terms as it thinks fit and the amendment shall have effect from the date of grant. A person may give notice of opposition and the court shall consider this in deciding whether to allow amendment. Under section 103, amendments of patents and applications are invalid to the extent that they extend the subject matter disclosed in the application as filed or extend the protection conferred by the patent.

The proprietor of a patent (standard or short-term) may apply to the court to amend it and amendment may be allowed on such terms as the court thinks fit, provided that it does not extend the subject matter disclosed in the application or the protection conferred by the patent.<sup>13</sup> No amendment is allowed if there are proceedings pending before the court in which the validity of the patent may be put in issue. Any person may give notice of opposition to the amendment to the court and the court shall consider this in making its decision. Amendments must be recorded and published, and the fact of amendment advertised in the *Gazette* and they have effect from the date of grant of the patent.

## Revocation of patents

Under section 90, The court may revoke a patent (standard or short-term) on any of the following grounds:

- (1) the invention is not a patentable invention;
- (2) the patent was granted to a person not entitled to it;
- (3) the specification does not describe the invention clearly and completely enough for it to be performed by a person skilled in the art;
- (4) the matter disclosed in the specification extends beyond that disclosed in the application;
- (5) the protection conferred by the patent has been extended by an invalid amendment of the application or specification;

<sup>12</sup> S 90.

<sup>13</sup> Patents Ordinance, ss 46(1) and 103(3).

Rogers J also held that the patentee's rights included the right to relief in respect of a partially valid patent provided by section 63. Even if this were wrong, he held that the Hong Kong court could, in any event, have stayed proceedings to give the patentee time to apply to amend the patent in the United Kingdom and grant an interlocutory injunction pending resolution of any amendment proceedings in the Patent Office.

Rogers J also referred, without comment, to the view expressed in the Legislative Council that the effect of section 64 of the 1977 Act (the right to continue use, begun before the priority date) was included by implication, by section 6 of the Ordinance.

In contrast, Rogers J held that section 71 of the 1977 Act (which gives a potential infringer the right to seek, and the court the power to grant, a declaration of non-infringement) did not relate to the rights and privileges of the patentee and that its effect was not felt in Hong Kong. Of course, this did not affect the court's ordinary power to grant a declaration of non-infringement, a power which the judge regarded as particularly useful in cases of this type and one which he said the court should interpret liberally where possible.

One effect of this identification of the rights and privileges of a Hong Kong certificate holder with those of a United Kingdom patentee was that the privileges and rights of a holder of a patent granted under the 1949 Act were to be ascertained by reference to the 1977 Act and not the 1949 Act or the common law. If and in so far as the 1977 Act affected the rights of the holder of a patent granted under the 1949 Act, the rights of the certificate holder in Hong Kong were similarly affected.

Although the cases cited above substantially clarified the position under the Registration of Patents Ordinance, the situation remained unsatisfactory. It was unlikely that the threats action in section 70 of the 1977 Act existed in Hong Kong, although a party threatened could, presumably, seek a declaration of non-infringement under the general law.<sup>36</sup> It was also unclear whether an exclusive licensee under a patent had a right of action in Hong Kong. Penlington J considered that there was such a right in *Pfizer v Jiwa*,<sup>37</sup> but section 6 of the Ordinance referred only to the certificate holder.

## Validity

Although the validity of existing registered patents (ie those registered under the Registration of Patents Ordinance) is now determined under the Patents Ordinance,<sup>38</sup> the objections of lack of novelty, lack of inventive step and disclosure of added matter are the same under the old and new law and the same principles will, it is submitted, continue to be applied.

36 See the comments of Rogers J in *Canon v GCC* [1995] AIPR 124 at pp 135-142, [1995] 1 HKC 729 at pp 740-747, [1995] FSR 877 at pp 882-888.

37 [1988] 1 HKLR 76, [1988] RPC 15.

38 Patents (Transitional Arrangements) Rules, s 3(1) and Schedule I, Part II.

Although references in these paragraphs are to the Patents Act 1977, they are written so as to represent the current law.

## Novelty

In order to be patentable under section 1(1)(a) of the Patents Ordinance, an invention must be new, that is to say, it must not form part of the state of the art as defined in section 2(1). The state of the art comprises all matter which has been made available to the public anywhere by written or oral description, use or in other way.<sup>39</sup> Such sources, however, are not to be read in combination for novelty purposes. Briefly stated, if a prior publication contains clear and unmistakable directions to do what the patentee claims to have invented, that claim will lack novelty. In *Merrell Dow Pharmaceuticals Ltd v NH Norton & Co Ltd*, the following statement of the law was cited with approval by the Court of Appeal:<sup>40</sup>

If the prior inventor's publication contains a clear description of, or clear instructions to do or make, something that would infringe the patentee's claim if carried out after the grant of the patentee's patent, the patentee's claim will have been shown to lack the necessary novelty, that is to say, it will have been anticipated.

The House of Lords in *Merrell Dow Pharmaceuticals Ltd v Norton NH & Co Ltd*<sup>41</sup> did not disagree with this approach but stressed that, in order to be part of the state of the art, the *invention* must have been made available to the public. This meant that communication of information was required. Use of a product, accordingly, makes an invention part of the state of the art only in so far as that use makes the necessary information available.<sup>42</sup> Further, the information disclosed must enable the public to know the product under a description sufficient to work the invention. It is established that matter comprised in the state of the art must be the subject of an 'enabling disclosure', that is, one which discloses the working of the invention.

## Obviousness or lack of inventive step

In order to be patentable, an invention must entail an inventive step.<sup>43</sup> An inventive step is present where, having regard to the state of the art, the

39 Ibid, s 2(2). Availability to the public has been held to mean that the matter must have been available to at least one member of the public who was free in law and equity to use it: *PLG Research Ltd v Ardon International Ltd* [1993] FSR 197 at 226. This obviously does not include disclosures made in confidence. The articles by C Floyd, 'Novelty under the Patents Act 1977: the state of the art after *Merrell Dow*' [1996] 9 EIPR 480 and R Doble, 'Novelty under the EPC and the Patents Act 1977' [1996] 9 EIPR 511 provide interesting reading on the subject.

40 [1995] RPC 233 at p 241(CA), upholding Aldous J at [1994] RPC 1.

41 [1996] RPC 76.

42 At p 86. See also *Milliken Denmark AS v Walk Off Mats Ltd* [1996] FSR 292 at pp 309-312.

43 Patents Act 1977, s 3.

The leading case on interpretation of patent specifications under the pre-1977 Act law was *Catnic Components Ltd v Hill and Smith (Catnic)*.<sup>64</sup> As will be seen, these principles almost certainly still apply.

In essence, *Catnic* may be taken as authority for the following propositions:

- (1) there is one doctrine concerning the construction of patent specifications. There are no separate concepts of 'pith and marrow', mechanical equivalents or non-textual infringement;
- (2) in all cases involving the interpretation of a specification a purposive construction is to be applied. 'Purposive' implies that a feature will be construed as intended by the patentee to be essential where a man skilled in the art would so view it, having regard to the function of the feature in the context of the invention as a whole;
- (3) objective reasons will normally have to be advanced in infringement proceedings to show why the patentee intended to define his invention narrowly; and
- (4) further, the courts will, in certain circumstances, protect things which the patentee might have claimed in the light of his disclosure.

It is the purposive characterisation of essentiality that constitutes the major departure from the prior law.

Lord Diplock stated that objective reasons will be required to confine the scope of the patentee's monopoly narrowly.<sup>65</sup>

No plausible reasons have been advanced why any rational patentee should want to place so narrow a limitation on his invention. On the contrary, to do so would render his monopoly for practical purposes worthless, since any imitator could avoid it and take all the benefit of the invention by the simple expedient of positioning the backplate a degree or two from the exact vertical.

Lord Diplock set out the principles of infringement in the following difficult but crucial passage.<sup>66</sup> It addresses the point of infringement where the defendant has used a variant (obviously if no variant has been used and all the features of any claim have been taken, infringement will have occurred and the process need not be undertaken).

The question in each case is: whether persons with practical knowledge and experience of the kind of work in which the invention was intended to be used, would understand that strict compliance with a particular descriptive word or phrase appearing in a claim was intended by the patentee to be an essential requirement of the invention so that any variant would fall outside the monopoly claimed, even though it could have no material effect upon the way the invention worked.

The question, of course, does not arise where the variant would in fact have a material effect upon the way the invention worked. Nor does it arise unless at the date of publication of the specification it would be obvious to the informed reader that this was so. Where it

64 [1982] RPC 183, [1981] FSR 60.

65 At p 65, a passage cited as an example of purposive construction by Staughton LJ in *Glaverbel v British Coal* [1995] RPC 255 at p 269.

66 At p 66.

is not obvious, in the light of then-existing knowledge, the reader is entitled to assume that the patentee thought at the time of the specification that he had good reason for limiting his monopoly so strictly and had intended to do so, even though subsequent work by him or others in the field of the invention might show the limitation to have been unnecessary. It is to be answered in the negative only when it would be apparent to any reader skilled in the art that a particular descriptive word or phrase used in a claim cannot have been intended by a patentee, who was also skilled in the art, to exclude minor variants which, to the knowledge of both him and the readers to whom the patent was addressed, could have no material effect upon the way in which the invention worked.

The question of whether *Catnic* applies to infringement under the 1977 Act was first considered by the Hong Kong courts in *Improver v Raymond*. The case concerned a ladies' depilatory device for use in removing unwanted hair from the arms and legs. The Improver patent claimed essentially a device in which the plucking and removal of the hairs was achieved by a helical spring bent into an arcuate shape and rotated at very high speed. The rotation coupled with the arcuate form caused the windings of the spring to open and close at great speed, allowing them to grip and extract the hairs. The defendant's device contained a flexible rubber rod with perpendicular slits along its length instead of a helical spring. The effect achieved by bending the rod into an arcuate form and rotating it very fast was substantially the same as in the patent. The main questions for the courts to consider at trial and on appeal were: (1) how patents were to be construed under the Patents Act 1977, and (2) whether the defendant's variant infringed.

At the trial,<sup>67</sup> Mayo J held that the *Catnic* approach was entirely consistent with the Protocol, relying on a number of English decisions to the same effect. The judge held in favour of the defendant principally on the basis that the defendant's device worked in a manner materially different from the invention in the Improver patent. In the Court of Appeal,<sup>68</sup> Penlington JA (giving the judgment of the court) adopted the following formulation of the *Catnic* principles which had been framed by Hoffmann J in the corresponding English proceedings.<sup>69</sup>

- (1) Does the variant have a material effect upon the way the invention works? If yes, the variant is outside the claim. If no ...
- (2) Would this (ie that the variant had no material effect) have been obvious at the date of publication of the patent to a reader skilled in the art? If no, the variant is outside the claim. If yes ...
- (3) Would the reader skilled in the art nevertheless have understood from the language of the claim that the patentee intended that strict compliance with the primary meaning was an essential requirement of the invention? If yes, the variant is outside the claim.

The Court of Appeal also expressed agreement with the following comments on those principles by Hoffmann J.

67 [1990] 1 HKLR 33.

68 [1991] 1 HKLR 251, [1990] 2 HKC 28.

69 *Improver Corp v Remington Consumer Products* [1990] FSR 181.