

stated in *Moorgate Tobacco Co Ltd v Phillip Morris Ltd (No 2)*<sup>28</sup> to be his fear of judicial idiosyncratic notions of what is just in the marketplace under the guise of a misappropriation remedy is perhaps just what contemporary information society needs!

28 (1984) 156 CLR 414 at 440.

## CHAPTER 1

# Common Law Trade Marks — The Action for Passing Off

The common law tort of passing off is the original source from which the registered trade mark system drew its inspiration, its criteria of protection, even its scheme of organisation. There are many parallels between the two remedies and trade mark law continues to borrow liberally from the case law of passing off and, more recently, vice versa. Thus, an understanding of passing off greatly enhances one's understanding of the registered trade mark system.

It is impossible to overstress the importance of the juridical development of misrepresentation, rather than misappropriation, as the criteria of protection for information in the form of badges of consumer protection, such as a trade name.

Most, if not all, intellectual property disputes are contested by competitors. Consumer interests exist but are different in kind to competitor interests.<sup>1</sup> After all, good quality counterfeits, which are known by the consumer to be counterfeit, are much in demand by consumers (especially tourists in this jurisdiction). Thus competitors, such as the originator of a trade name, must prove an actionable misrepresentation to consumers through the actions of the party who appropriates its trade name. Mere misappropriation of the trade name is not enough. The common law has traditionally eschewed creating a general principle forbidding the misappropriation of the labour, skill, effort, investment of time and money of an originator or innovator of information.

The law of passing off involves establishing three major elements:

- (1) the plaintiff's reputation or goodwill via a badge of consumer recognition;
- (2) a misrepresentation by the defendant involving this badge of recognition; and
- (3) damage, or likelihood of damage, to the plaintiff's goodwill caused by the misrepresentation.

<sup>1</sup> See Pendleton, 'Excising Consumer Protection — The Key To Reforming Trade Mark Law' (1992) 3 Intellectual Property Journal 110.

Lord Oliver in *Reckitt & Colman Products Ltd v Borden Inc*,<sup>2</sup> the 'Jif Lemon case', put it as follows:

'The law of passing off can be summarised in one short general proposition — no man may pass off his goods as those of another. More specifically, it may be expressed in terms of the elements which the plaintiff in such an action has to prove in order to succeed. These are three in number.

First, he must establish a goodwill or reputation attached to the goods or services which he supplies in the mind of the purchasing public by association with the identifying "get-up" (whether it consists simply of a brand name or a trade description, or the individual features of labelling or packaging) under which his particular goods or services are offered to the public, such that the get-up is recognised by the public as distinctive specifically of the plaintiff's goods or services.

Secondly, he must demonstrate a misrepresentation by the defendant to the public (whether or not intentional) leading or likely to lead the public to believe that goods or services offered by him are the goods or services of the plaintiff. Whether the public is aware of the plaintiff's identity as the manufacturer or supplier of the goods or services is immaterial, as long as they are identified with a particular source which is in fact the plaintiff. For example, if the public is accustomed to rely upon a particular brand name in purchasing goods of a particular description, it matters not at all that there is little or no public awareness of the identity of the proprietor of the brand name.

Thirdly, he must demonstrate that he suffers or, in a quia timet action, that he is likely to suffer damage by reason of the erroneous belief engendered by the defendant's misrepresentation that the source of the defendant's goods or services is the same as the source of those offered by the plaintiff.'

These three elements of the action are not watertight categories. On the contrary, each must be considered in relation to the others. What each of the elements of the action entails is discussed below.

## Historical Development of the Action

Passing off appears to have developed as a separate species of action from the tort of deceit.<sup>3</sup> Success in an action for deceit was dependent, as it is now, upon proof of fraud. Passing off escaped this limitation with the introduction of the logically dubious, but historically necessary, concepts of constructive fraud and equity's concern for the protection of property, in a line of cases beginning with *Millington v Fox*.<sup>4</sup>

2 [1990] 1 WLR 491 at 499.

3 WL Morison, 'Unfair Competition and Passing Off' (1956) 3 Syd LR 50.

4 (1838) 3 My & Cr 338.

In 1916 passing off took on its recognisable modern form in *Reddaway v Banham*,<sup>5</sup> a decision of lasting importance in the area. 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. The property which is trespassed is not the name, but rather the business and goodwill which had become associated with the goods by virtue of an acquired secondary meaning in the name 'Camel Hair Belting'. Since that decision, passing off has focussed on the property in the business or goodwill likely to be injured by the misrepresentation. In one sense passing off is a misrepresentation which trespasses what is deemed to be property in certain manifestations of goodwill.<sup>6</sup>

*Erven Warnik v J Townsend & Sons (Hull) Ltd*,<sup>7</sup> or *Advocaat*, as it has become known, is generally regarded across common law jurisdictions as the leading modern authority on passing off. In delivering the judgment of the House of Lords, Lord Diplock explored what he saw as the ultimate boundaries to the action.<sup>8</sup> In recent times Lord Fraser's speech has been given as much attention as Lord Diplock's speech which originally was cited to the virtual exclusion of the other members of the House.

The decision represents an almost definitive statement of the modern law of passing off, but only 'almost' because of the degree of retreat in the Privy Council decision in *Cadbury Schweppes v Pub Squash*,<sup>9</sup> *Moorgate Tobacco Co Ltd v Phillip Morris Ltd (No 2)*<sup>10</sup> and subsequent decisions.

*Advocaat* was the last word in the series of so-called 'drinks cases', ie *Vine Products v MacKenzie*,<sup>11</sup> *Bollinger v Costa Brava*,<sup>12</sup> and *John Walker v Ost*.<sup>13</sup> What each of these cases had in common was a public reputation which associated them in the minds of the public with a particular region of the world: champagne with the province of Champagne, France; sherry with Spain; and scotch whisky with Scotland. In each case the courts had held it could be an actionable misrepresentation in the tort of passing off to offer beverages for sale under any of the names sherry, champagne or scotch if the drinks did not

5 [1896] AC 199.

6 See D Shanahan, *Australian Trade Mark Law and Practice*, 24<sup>th</sup> ed, (Law Book Co Ltd, 2002). However, it will be argued that on the present state of the authorities the misrepresentation must normally amount to deception, not cause mere confusion.

7 [1980] RPC 31.

8 See 'Trade Names — the *Advocaat* case', [1979] July EIPR 31.

9 [1981] RPC 429. See J Lahore, 'The *Pub Squash* Case — Legal Theft or Free Competition?' (1981) 5 EIPR 210. The nature of the retreat will be dealt with under the heading 'The defendant's misrepresentation', below.

10 (1984) 156 CLR 414 at 440.

11 [1969] RPC 1.

12 [1961] RPC 116.

13 [1970] RPC 489.

originate in the respective geographic localities bearing the same name. In *Advocaat*, the House of Lords found it proved that the beverage Advocaat had a reputation with the English drinking public, who associated it with Holland.

Their Lordships held that the defendant had committed passing off by putting on the market a drink called 'Keeling's Old English Advocaat', even though the ingredients differed somewhat from the plaintiff's original Dutch recipe.<sup>14</sup>

Lord Diplock specifically recognised in so holding, and hence countenancing the decisions in the drinks cases, that there was a substantial extension of the prior law. Previously it had been thought essential to show the public were deceived by the defendant's representation into thinking they were buying the plaintiff's goods when in fact they received the defendant's. It was not enough that the public were confused by the representation into not knowing whether the goods derived from the plaintiff's or the defendant's or whether the defendant had some connection with the plaintiff.

Lord Diplock identified the departure from the strict test of the pre-drinks cases law as involving a question of public policy.<sup>15</sup>

'The question of law for your Lordships is whether this House should give the seal of its approval to the extended concept of the cause of action for passing off that was applied in the Champagne, Sherry and Scotch Whisky cases. The question is essentially one of legal policy.'

The implications of *Advocaat* will be more fully addressed under the heading 'Defendant's misrepresentation', below.

## Plaintiff's Reputation or Goodwill

Reputation and goodwill<sup>16</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>17</sup>

14 Dutch Advocaat is spirit-based. The defendant's beverage was based on fortified wine. The evidence established that a casual drinker would detect no gross difference except in price.

15 At p 92.

16 In trade mark infringement proceedings, the fact of registration is the functional equivalent to reputation in a passing off action.

17 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.

It seems the plaintiff must be involved to some degree in commercial activity. In *Kean v McGivan*,<sup>18</sup> the English Court of Appeal refused a remedy in passing off to the Social Democratic Party on the basis that it was not involved in commercial activity to the extent required to found a passing off action. However, it has been held that charities have a protectable reputation,<sup>19</sup> as do churches.<sup>20</sup>

In *Tin Tin Yat Pao v Tin Tin Publication Development Ltd*,<sup>21</sup> the Court of Final Appeal emphasised the vital need for a link between goodwill and the goods or services associated with the business, in this case a newspaper. The proprietor of the Tin Tin Chinese language newspaper exclusively licensed the business and goodwill. By clause 1(2) of the license agreement, these rights were expressed to include the right to adapt the style, language, format, colouring, photograph, general design and outlay of the newspaper, the political stance of the newspaper — 'the right as to the goodwill of the said newspaper' and the right to register itself as the proprietor, publisher, printer and/or editor under the Control of Publications Consolidation Ordinance.

On a procedural application to amend the defence, the Court of Appeal held that such a licence was simply a licence of goodwill, dissociated from the conduct of a business and was in effect a licence in gross and of no legal effect. Their reasoning appeared to be that the licence conferred no right to sue in passing off. All members of the Court of Final Appeal adopted the judgment of Sir Anthony Mason NPJ, who disagreed with the Court of Appeal that this was a mere licence in gross. The basis of his disagreement was that there was a licence of the goodwill of the business to publish a newspaper:

'The answer to this argument is that this is a contract case not a passing off case. It is no answer to a soundly based claim in contract that a licence to operate a newspaper publishing business has expired, to say that the owner of that business has lost the exclusive right to the use of the name under which the newspaper is published. The passing off cases on which the respondent relies have no bearing on the issue under consideration. In essence they deal with the question whether a trade name or mark, admittedly an aspect of goodwill, has ceased to be distinctive of the business or goods of the proprietor or has become deceptive, a question which is different from the question before this Court.'

His Lordship was at pains to emphasise the connection between passing off and the goodwill of a business. Passing off, he observed, is firstly a remedy for the invasion of a *right of property not in the name or mark, but in the business or goodwill* likely to be injured by a relevant

18 [1982] FSR 119.

19 *Dr Barnardo's Homes v Barnardo Amalgamated Industries Ltd* (1949) 66 RPC 103.

20 *Holy Apostolic and Catholic Church of the East (Assyrian) Aust NSW Parish Assoc v Attorney General (NSW)* (1989) 16 IPR 619.

21 [2000] 3 HKC 1.

of law<sup>347</sup> and should not be taken as an open door for all evidence indiscriminately.<sup>348</sup>

### Appeals

In Hong Kong, appeals from the decisions or orders of the Registrar of Trade Marks are to be heard by the Court of First Instance,<sup>349</sup> which is empowered to make any order or exercise any other power which the Registrar could have made or exercised.<sup>350</sup>

This may be contrasted with the position in the United Kingdom, where appeals may be brought either to an appointed person or to the High Court.<sup>351</sup> In *ACADEMY Trade Mark*,<sup>352</sup> Mr Simon Thorley QC, the Appointed Person, explained that the purpose of the right of appeal to the appointed person was to provide a quick and cheap method of testing decisions of the Registrar. Moreover, it was said that the conduct of an appeal to the appointed person should mirror that before the High Court. In particular, there should not be any difference between the discretionary powers of the appointed person and the High Court.

347 Eg Small Claims Tribunal Ordinance, s 23(2); Labour Tribunal Ordinance, s 27(2); and Road Traffic Ordinance, s 19(2) (the Transport Tribunal).

348 See, for instance, *Tiffany Trade Mark* (HK Trade Marks Registry, Application No 15562/92, 17 December 1999, unreported) where hearsay evidence was rejected.

349 TMO, s 84(1). 'Court' is defined in s 2 to mean the Court of First Instance.

350 TMO, s 85.

351 1994 Act, s 76(2). 'Court' is defined in s 75 to mean the High Court.

352 [2000] RPC 35.

## CHAPTER 3

# Copyright

### General Introduction

In 1997, Hong Kong acquired for the first time its own purely local copyright law. The Copyright Ordinance (Cap 528), which came into effect on 27 June 1997, was in part inspired by the United Kingdom Copyright, Designs & Patents Act 1988, but without certain of the innovations therein derived from European Union law.<sup>1</sup> Practitioners will generally be pleased to see the end of the unwieldy United Kingdom Copyright Act 1956 with its often tortuous language, which was previously applicable in Hong Kong.<sup>2</sup> However, case law under the 1956 Act still applies where the Copyright Ordinance contains a provision which 'corresponds to'<sup>3</sup> a previous 1956 Act provision.<sup>4</sup> Moreover, a Copyright Ordinance provision which 'corresponds to' a provision in the 1956 Act shall not be construed as departing from the previous law due only to a 'change' — presumably referring to a clarification — of expression.<sup>5</sup> Furthermore, the 1956 Act will, in many circumstances, continue to apply to the determination of copyright ownership of works created before 27 June 1997.<sup>6</sup> For example, copyright in a film made before that date belongs to the producer. However, under the Copyright Ordinance, such copyright would belong equally to the producer and the director of the film. Hence, careful attention still needs to be paid to certain provisions of the 1956 Act, as well as the cases decided thereunder. Note also that prior to 27 June 1997, there was a relatively short local Hong Kong Ordinance, originally enacted in 1970, also known as the

1 In *Golden Bright Manufacturer Ltd v Sunlight Electronic Toys Manufacturing Co Ltd & Anor* [2007] 2 HKC 357, [2007] 2 HKLRD 589, Deputy Judge Gill said 'the Hong Kong Copyright Ordinance has been copied almost word for word from the UK equivalent, although that original has since been amended as a result of Britain's participation in the EU' (at para 69).

2 The Copyright Act 1956 had been extended to Hong Kong by the Copyright (Hong Kong) Orders 1972 to 1990, the first of such orders taking effect on 12 December 1972. Note that in Schs 6 and 7, the Act also preserved the operation of certain parts of the Copyright Act 1911 in relation to works created before this date.

3 This is the relevant — and broad — term used in Copyright Ordinance, s 193(2).

4 Copyright Ordinance, s 193(3).

5 Copyright Ordinance, s 193(2).

6 Copyright Ordinance, s 191 and Sch 2 para 10.

Copyright Ordinance (Cap 39), which merely operated as a supplement<sup>7</sup> to the United Kingdom Copyright Act 1956, as extended to Hong Kong. The Copyright Ordinance (Cap 39) is now repealed,<sup>8</sup> but due to the transitional provisions under the current Copyright Ordinance, the former law remains applicable in certain circumstances, in particular, in relation to infringing acts done before the commencement of the Ordinance.<sup>9</sup>

All references herein to the 'Copyright Ordinance' are to the current all-encompassing Copyright Ordinance, unless it is specifically stated that reference is made to the 'old' or 'former' Copyright Ordinance.

### *Constitutional basis of Hong Kong copyright*

The long-standing tradition of intellectual property protection in Hong Kong is recognised and preserved by Articles 139 and 140 of the Basic Law, which provide that the Hong Kong Special Administrative Region shall on its own develop appropriate policies and afford legal protection for intellectual property rights. Domestically, the Intellectual Property Department of the HKSAR Government is responsible for the formulation of policies and legislation to protect intellectual property in Hong Kong; the Legislative Council is empowered to pass laws and rules of application within the Hong Kong Special Administrative Region, entirely independent from those applicable elsewhere in the People's Republic of China; and the Customs and Excise Department is responsible for the enforcement aspect. On the international level, Hong Kong's adherence to the Universal Copyright Convention and the Berne Convention, previously via the United Kingdom, is now by way of the People's Republic of China.

### *The Copyright Ordinance and its predecessors*

Copyright<sup>10</sup> is a technical term and misleading in its ordinary language sense. It is more than just the right to prevent copying. A copyright owner

7 Copyright Ordinance (Cap 39) merely introduced a regime of criminal offences for copyright infringement as defined by the 1956 Act.

8 Copyright Ordinance (Cap 528), Sch 5.

9 Copyright Ordinance, s 191 and Sch 2.

10 There is a considerable literature available on copyright which includes K Garnett, G Davies & G Harbottle, *Copinger and Skone-James on Copyright*, 15th ed, (Sweet & Maxwell, 2005); Laddie, Prescott & Vitoria, *The Modern Law of Copyright and Designs*, 3rd ed, (Butterworths, 2000); and Jeremy Phillips, Robyn Durie & Ian Karet, *Whale on Copyright*, 5th ed, (Sweet & Maxwell, 1997). As Deputy Judge Gill put it in *Golden Bright Manufacturer Ltd v Sunlight Electronic Toys Manufacturing Co Ltd & Anor* [2007] 2 HKC 357, [2007] 2 HKLRD 589, 'English authorities and such texts as *Copinger* on issues such as interpretation of the UK statute are equally

*continued on next page*

has the right to prevent others from dealing with a work in certain ways, and the restrictions on ways of dealing vary with the type of copyright subject matter. Literary, dramatic, musical and artistic works, sound recordings, films, television and sound broadcasts, and typographical arrangements are separate types of copyright works with different characteristics and different types of protection. The 1956 Act differentiates between two principal species of copyright works: Part I — original works; and Part II — mechanical rights and published editions. This distinction was removed in the 1988 Act and in the Copyright Ordinance, but it should be kept in mind as an aid to understanding the very different kinds of work in which copyright subsists and the varying rights attaching to them.

The Copyright Ordinance now defines the nine categories of copyright works individually in their respective sections:

Literary works	Section 4
Dramatic works	Section 4
Musical works	Section 4
Artistic works	Section 5
Sound recordings	Section 6
Films	Section 7
Broadcasts	Section 8
Cable programmes	Section 9
Published editions	Section 10

Further, moral rights are introduced for the first time in Hong Kong and dealt with in Division IV of Part II of the Ordinance:

Right to be identified as author or director	Sections 89 to 91
Right to object to derogatory treatment of work	Sections 92 to 95
False attribution of work	Section 96

These provisions, which have no predecessors in the 1956 Act as previously extended to Hong Kong, are supplemented by section 97, which specifies the duration of moral rights, and by sections 98 to 100, dealing with waiver of those rights and their applicability to joint works and to parts of works, respectively.

Finally, artists' performances, first introduced in Hong Kong in 1996 by virtue of the Intellectual Property (World Trade Organization Amendments) Ordinance,<sup>11</sup> are now protected under Part III of the Copyright Ordinance. Previously, a performance was not protected by intellectual property law in Hong Kong, though it was often possible to

applicable to the Hong Kong ordinance' (at para 69). Locally, see *Butterworths Hong Kong Copyright Handbook*, 2nd ed, (Butterworths, 2006), and Pendleton, Garland & Margolis, *Intellectual Property Rights: Hong Kong SAR and People's Republic of China*, (LexisNexis looseleaf), Division IV.

11 Ord No 11 of 1996.

protect a performance under the terms of the contract between those viewing and staging the performance.

In addition to the Copyright Ordinance, there is also a short Ordinance specifically for the protection of layout-designs (typographies) designed for incorporation into an integrated circuit which can be incorporated into any type of material, whether semi-conducting material or not. The Layout-design (Typography) of Integrated Circuits Ordinance (Cap 445) was enacted in 1994 to confer on the owner of a layout-design (typography) rights akin to copyright, namely, the rights:

- (1) to reproduce, whether by incorporation into an integrated circuit or otherwise, all or part of his protected layout-design (typography) (section 4(1)); and
- (2) to commercially exploit his protected layout-design (typography), an integrated circuit in which this is incorporated, or an article that contains such an integrated circuit (section 4(2)).

To be protected under the Ordinance, a layout-design (typography) must be original in the sense that it is the result of its creator's own intellectual effort and is not commonplace among creators of layout-designs (topographies) and manufacturers of integrated circuits at the time of its creation (section 3(1)).

### Copyright analysis

Any traditional explanation of copyright begins by stating that copyright protects the form of expression and *not* the underlying *idea*.<sup>12</sup> This formulation is unexceptional in theory, but in many instances where the courts have found infringement, it would appear that what is being protected is something very close to the ideas themselves.<sup>13</sup> This problem

<sup>12</sup> See, for instance, Goff J in *Harman Pictures NV v Osborne & Ors* [1967] 2 All ER 324 at p 328, [1967] 1 WLR 723 at p 728, quoting Peterson J in *McCrum v Eisner* (1917) 87 LJCh 99 at p 102, who was in turn quoting Lindley LJ in *Hollinrake v Truswell* [1894] 3 Ch 420 at p 427. This long-established distinction between ideas and expressions is reiterated in Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), Art 9.2, to which Hong Kong is a party. For a modern restatement, see *Designers Guild Ltd v Russell Williams (Textiles) Ltd* [2000] 1 WLR 2416, [2001] FSR 11 (p 113) (HL).

<sup>13</sup> This is perhaps explicable in terms of those cases where the similarity between the plaintiff's and the defendant's works are so marked that the only conclusion open to the court, in the absence of explanation, is that the defendant sought to save himself the time and trouble of devising the work himself and directly copied the plaintiff's work. As Laddie J observed in *Autospin (Oil Seals) Ltd v Beehive Spinning (a firm)* [1995] RPC 683 at p 700, 'Furthermore many copyright cases involve defendants who have blatantly stolen the result of the plaintiff's labours. This has led courts,

*continued on next page*

recurs in any detailed analysis of copyright law and some have suggested that it is more accurate to say that copyright protects the skill, labour, investment, time and effort which are involved in compiling a work.<sup>14</sup>

In resolving copyright problems, the following two-stage analysis would be helpful.<sup>15</sup>

#### Stage one: Subsistence analysis

- (1) Analyse and classify the subject matter at hand. Examine the item sought to be protected to see if it belongs to one of the classes of works (outlined in more detail below) in which copyright can subsist. This is an examination of the nature of the work, not its originality.
- (2) If the work is of a class known to the Copyright Ordinance, then examine it for originality. Very little originality is required to establish copyright subsistence (however, if there is only the bare minimum of originality, the scope of protection will be consequently limited).<sup>16</sup>

#### Stage two: Infringement analysis

Only if it is established that the item sought to be protected is, or embodies, a class of work in which the Copyright Ordinance says copyright can subsist and, only after the (low) originality hurdle has been overcome, is the infringement analysis necessary. This analysis is a feature-by-feature and overall comparison of the two items at hand. In the feature-by-feature comparison, the more original features are entitled to a greater scope of protection. Similarly, at the risk of over-generalisation, an item that is, as a whole, more original has an accordingly broader scope of protection.<sup>17</sup>

If the work at hand fails the test of stage one above, that is, it is not amongst the forms of subject matter known to the Copyright Ordinance, or if it is not original, it is not necessary to apply stage two. However, an item that is not the subject matter of copyright, either because of its form or because it is unoriginal in a copyright sense, may, nonetheless, be protected by a passing off action. It is possible for a trader to build up sufficient public recognition of, and goodwill in, a non-original work, or

sometimes with almost evangelical fervour, to apply the commandment "thou shalt not steal". If that has necessitated pushing the boundaries of copyright protection further out, then that has been done.'

<sup>14</sup> See, for instance, Laddie J in *Autospin (Oil Seals) Ltd v Beehive Spinning* [1995] RPC 683 at p 698.

<sup>15</sup> A similar approach was suggested by Lord Reid in *Ladbroke (Football) Ltd v William Hill (Football) Ltd* [1964] 1 All ER 465 (HL) at p 469.

<sup>16</sup> See, for instance, *Kenrick v Lawrence* (1890) 25 QBD 99, a case of mundane literary work, discussed below.

<sup>17</sup> Such comparison is particularly difficult in the case of artistic works, see *Designers Guild Ltd v Russell Williams (Textiles) Ltd* [2000] 1 WLR 2416, [2001] FSR 11 (p 113) (HL).

## 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

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

<sup>2</sup> Patents Ordinance, s 158.

increasingly questioned.<sup>3</sup> It is not appropriate to pursue these questions here, but anyone 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

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

4 The Patent Offices of Beijing, London and Munich.

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 whether the formal requirements have been satisfied but he is not obliged to consider substantive questions such as patentability. A short-term patent may also be applied for by the applicant of an international application for a patent for a utility model designating China, once that application has entered its national phase. The application must be made within six months after entry into the national phase and is deemed to have as its date of filing the international filing date of the international application. If the formal requirements of an application are satisfied, the Registrar must grant a short-term patent and as soon as practicable publish the specification, issue a certificate of grant and advertise the grant in the *Gazette*.

### *Terms of patents granted under the Ordinance*

The term of a standard patent is 20 years from the date of filing the application in the designated patent office, subject to payment of renewal fees from the third year after its grant. The standard patent takes effect on the date of advertisement of its grant in the *Gazette* (section 39(1)). There are provisions covering late payment of renewal fees, restoration of lapsed standard patents and the effect on people doing infringing acts during the period of lapse.

The term of a short-term patent is eight years from the date of filing the application. The short-term patent takes effect on the date of advertisement of its grant in the *Gazette*. The provisions relating to restoration of lapsed standard patents also apply to short-term patents.

### *Property in patents and applications; registration*

Patents and patent applications (standard and short-term) are personal property and can be assigned or mortgaged and vest by operation of law in the same way as any other personal property.<sup>6</sup> The same applies to licences and (insofar as the licence allows sub-licensing) to sub-licences under patents and patent applications. Any assignment or mortgage of a patent or patent application or any assent relating to such patent, patent

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 Patent Cooperation Treaty (Patents (General) Rules, s 71), Art 16. 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.

6 Patents Ordinance, s 50(1)-(3).



application or right is void unless it is in writing signed by or on behalf of the assignor, mortgagor or grantor. An assignment or exclusive licence may confer on the assignee or exclusive licensee the right to bring proceedings for previous acts of infringement.

A register of patents is kept by the Registrar and registers patents and published standard patent applications and transactions, instruments and events affecting rights in or under patents and standard patent applications. The register is open to public inspection and certified or uncertified copies of entries or extracts from the register are available on payment of prescribed fees. Certified copies of entries in and extracts from the register or of documents or extracts kept at the registry or specifications of patents or published standard patent applications are admissible in evidence without further proof.

A person claiming to have acquired the property or a right in a patent or patent application by a relevant transaction, instrument or event (assignment, mortgage, licence, etc) is entitled against any person claiming to have acquired the property or right by an earlier transaction, etc, if, at the time of the later transaction, etc, the earlier person had not applied to register it or, in the case of an unpublished standard patent application or a short-term patent application, had not given notice of it to the Registrar and the later person did not know of it.<sup>7</sup>

The court has power under section 53 to rectify the register at the instance of any person aggrieved.

Each co-owner of a patent or patent application has the right (subject to any agreement to the contrary) to do by himself or his agent, for his own benefit and without the consent of or need to account to the co-owner(s), an act which would otherwise infringe.<sup>8</sup> However, a co-owner cannot (subject to any agreement) grant a licence under a patent or patent application or assign or mortgage a share in it without the consent of the other co-owner(s).<sup>9</sup> Any person claiming a proprietary interest in a patent may refer the question to the court for determination; the court can then make such order as it thinks fit pursuant to section 55.

### *Employees' inventions*

An invention made by an employee in the course of his normal duties or duties specifically assigned to him, where an invention might reasonably be expected to result from such duties, belongs to the employer; likewise if the employee had a special obligation, by virtue of the nature of his duties, to further the employer's interest.<sup>10</sup> Any other invention belongs to

7 Patents Ordinance, s 52.

8 Patents Ordinance, s 54(2) and (7).

9 *Ibid*, s 54(3) and (7).

10 Section 57(1).

the employee. Where an employee's invention has resulted in a patent of outstanding benefit to the employer and the patent either belongs to the employer or has been assigned or exclusively licensed to him, the court can award the employee compensation where it is just. Compensation should be assessed on the basis of a fair share of the benefit which the employer has or may reasonably be expected to derive from the invention. Any term in a contract which diminishes the employee's rights in an invention shall be unenforceable. The provisions do not apply to inventions made before the commencement of the Ordinance or to inventions where there was no Hong Kong connection with the employee at the time of making it.

### *'Tie in Clauses' as to patented products*

Under section 62(1), any condition or term of a contract for the supply of a patented product or of a licence to work a patented invention, or of a contract relating to such supply or licence, shall be void insofar as it restricts the right of the person supplied or licensed to acquire non-patented products from persons other than the patentee or his nominee, or obliges him to buy such products from the patentee or his nominee. This provision does not apply to contracts made or licences granted before the commencement of section 62. It is a defence to an action for infringement if the defendant can prove that at the time of the infringement, there was in force a contract made or licence granted by or with the consent of the plaintiff containing a term void under section 62.

Contracts for the supply of patented products, licences to work patented inventions and contracts relating thereto may be determined under section 63(1) and (2) on three months' notice by either party when the patent relating to the product or invention has ceased to be in force, but only to the extent that the contract or licence relates to the product or invention. The court also has the power to vary the terms or conditions of such contracts or licences. These provisions apply to contracts and licences made both before and after the commencement of section 63.

### *Compulsory licences for standard patents*

After three years from grant of a standard patent, any person may apply to the court under section 62(1) and (2) for a compulsory licence on any one of a number of grounds relating mainly to insufficient exploitation of the invention in Hong Kong. The court has the power to grant such licence as it thinks fit, provided that it is satisfied that the applicant has made reasonable efforts to obtain a licence from the proprietor on reasonable commercial terms and conditions, and that such efforts have not been successful within a reasonable time.