

Copyright (Amendment) Ordinance 2009

This was gazetted on 27 November 2009 (but is not yet in force). It sets out the "safe harbour" numeric limits in relation to the offence of copying and distribution of printed works for the purpose of or in the course of trade.

Under amendments to the Copyright Ordinance made in 2007, it is a criminal offence to make an infringing copy of a printed work for distribution or distribute an infringing copy of a work, for the purpose of or in the course of business, if this results in financial loss to the copyright owner and is done on a *frequent or regular basis*. The offence applies to books, magazines, periodicals and newspapers. These provisions were pending the setting of numeric limits ("safe harbours") for the number of copies that can be made, without incurring criminal liability. These are contained in the 2009 amendment ordinance as follows:

- (a) for newspapers, magazines and periodicals (*excluding* academic journals), a maximum of 500 A4-size pages embodying infringing copies of copyright works within *any* 14-day period; and
- (b) for books and academic journals, a maximum total retail value of \$6,000 within any 180-day period. The retail value of a book (or an academic journal, or an article in an academic journal) will be counted towards the total retail value when the user makes for distribution or distributes infringing copies of more than 25% of the number of pages of the book (or the academic journal), or makes for distribution or distributes infringing copies of a complete copy of the article.

Directors and partners responsible for the internal management of a company or partnership will be responsible for the criminal acts of the company or partnership. The Ordinance provides a defence if it can be shown that the director or partner did not authorise the infringing act. It will be necessary that the defendant had set aside financial resources and actually incurred expenditure for the acquisition of appropriate licences, or sufficient copies of the copyright work in question. The Court will also take into account of whether policies or practices have been introduced against using infringing copies and whether action had been taken to prevent the use, copying and distribution of infringing copies.

It is important to note that the Bill specifically *excludes intranet* distribution but distribution of an infringing copy by email or fax will be caught by the offence.

Please note that the offence and the numeric limits are not yet in force.

Consultation on Copyright Tribunal Rules

This concerns the Government's proposals to formulate a new set of concise and user-friendly rules to modernise the practice and procedure of the Copyright Tribunal. The idea is to maintain fairness and to make proceedings as flexible and cost-effective as possible, taking into account the underlying objectives of the civil justice reforms. The proposals are at a very preliminary stage and are not too contentious.

The Copyright Tribunal is an independent, quasi-judicial body established under the Copyright Ordinance to hear and resolve disputes relating to the use/licensing of copyright works. The current proposals are to:

- apply the relevant principles of the Civil Justice Reform as the fundamental value of dispute resolution before the Tribunal;
- have one standard procedure and form for all types of applications/references before the Tribunal;
- exercise active case management;
- promote Alternative Dispute Resolution
- empower a single member of the Tribunal to exercise certain adjudication powers (currently a fully constituted Tribunal of at least three member is required);
- allow the Tribunal to issue Practice Directions from time to time to regulate its administrative matters;
- prescribe a set of self-contained rules (the current rules refer to and apply certain provisions of the Arbitration Ordinance).

The consultation is currently on-going. We submitted a paper on behalf of the Institute on in October 2009, and this has been circulated to members.

Refined Proposals for Strengthening the Protection of Digital Copyright

The Government has also released refined proposals for strengthening the protection of digital copyright in November 2009 (<http://www.legco.gov.hk/yr09-10/english/panels/ci/papers/ci1117cb1-341-8-e.pdf>). This consultation has been going on since 2006.

The refined proposals include:

- criminal sanctions available against those who *initiate* unauthorised communication of copyright works to the public in the course of business conducted for profit, or where it is made to such an extent as to affect prejudicially the copyright owners;
- introducing a statutory regime to prescribe the circumstances under which online service providers' liability for copyright infringement will be limited; there will be a voluntary code of practice. The Government has been working on this through a "Tripartite Forum" comprising copyright owners, Internet Users and OSPs. This is on-going.
- introducing a copyright exception for temporary reproduction of copyright works by online service providers, which is technically required for (or enables) the transmission process to function efficiently;
- prescribing in law additional factors to help the court consider the award of additional damages, in recognition of the difficulties encountered by copyright owners in proving the extent of actual loss, particularly in the digital environment; and
- introducing a media shifting exception so the owner of a non-infringing copy of a sound recording may make one copy of that recording in each device they lawfully own for their personal and domestic use.

However, the bureau did not support introducing an alternative infringer identity disclosure mechanism that is not subject to scrutiny by the court (therefore, still need to rely on Norwich Pharmacal); introducing statutory damages for copyright infringement actions involving the Internet (although there will be the additional damages mechanism); and, introducing new criminal liability pertaining to unauthorised downloading and peer-to-peer file-sharing activities.

The Government will start preparing the necessary law changes and will continue to consult with a view to tabling the amendment bill at the Legislative Council in the second half of next year.

Winnie Yue

Bi-Annual Meeting between HKITMP and IPD

We met with the IPD for our bi-annual meeting on 1 December 2009 to discuss about various working issues. A summary of the issues discussed and IPD's response are set out below.

1. Members have reported instances where **Section 12** objections (relative grounds for refusal objections under the TMO) are raised against a single class of a multi-class application, examiners would only accept a written consent with respect to only the objected to class and goods upon division of the multi-class application.

IPD confirms that it is not necessary to divide the multi-class application in such case despite the written consent only providing for the objected to class and goods.

Action: IPD will remind Examiners on this point.

2. IPD has consistently refused pattern marks formed by repetition of registered marks from inherent registration under **Section 11(1)(b)** of the TMO (absolute grounds for refusal objection - devoid of any distinctive character).

IPD explains that examiners will look at the pattern as a whole. If the registered mark is subsumed in a pattern or forms only a small part of the mark, it would be considered merely decorative. The registered mark needs to be prominent amidst the pattern itself.

Action: IPD will provide explanation and examples in the Work Manual.

3. HKITMP sought clarification on application of **Sections 12(4) and 18(4)** (protection of internationally well-known trade marks) to the extent of similar goods and services following the ECJ Adidas Salomon decision.

IPD confirms that it adopts the ECJ's position on well-known trade marks and not the literal reading of Sections 12(4) and 18(4) which provide that an internationally well-known trade mark is protected (only) to the extent of dissimilar goods and services.

Action: IPD will amend the Work Manual to clearly identify the application and interpretation of the statutory provisions following the ECJ decision.

4. HKITMP followed up on previous discussions on **defensive** trade mark registration noting that there has been no acceptance under **Section 60** since the TMO came into force in 2003. Examiners in practice apply a higher threshold than that provided by the statutes, and in some instances have required evidence of use in respect of the applied for goods and services, frustrating the purpose and nature of defensive trade mark applications.

IPD clarifies that for instance enforcement records are not compulsory although useful, and notes that the responsible examiners may have arbitrarily heightened the statutory threshold in requiring use on the applied for goods and services.

Action: IPD will brief the responsible examiners.

5. Members have reported that some examiners require certification mark applications made under **Section 62** to be supported by regulations specifically stating that there is a register of members and that it is available for public inspection, while Provision 6(2) of Schedule 4 of the TMO merely requires "The regulations must indicate ... (a) the persons authorized to use the certification mark". In practice, the regulations would often provide who can use the mark e.g. members and non-members, manufacturers of the goods, etc., and sometimes they even refer to a register, but the regulations often do not explicitly and mechanically specify "... which is held at and is open for public inspection during reasonable business hours". The legislation does not provide that these specific wordings must be included in the regulations. It should be sufficient for the Declaration of Competency to simply confirm that there is a register of members which is open for public inspection during reasonable business hours.

IPD clarifies that Regulation 6(2) of Schedule 4 states that the Regulations "... must state the persons authorized to use the mark" and since persons authorized can change from time to time, IPD would accept the Regulations stating that there is a register of members available for public inspection. However, this information has to be stated in the Regulations and not just in the Declaration.

6. Changes were made to the Work Manual Chapter on Absolute Grounds for Refusal regarding **Section 11(5)(a)** (use prohibited in Hong Kong by virtue of any law) in 2008. The sentence which stated that the section would be invoked where use of a trade mark would amount to an offence under the Trade Descriptions Ordinance was removed. What was the significance of this deletion? Did it relate to the new "quasi-passing off" offences introduced by the amendments to the TDO so to avoid potential conflict since it is made clear in the Practice Manual that this section is not intended to include passing off (or conflict with earlier rights such as copyright or designs)?

IPD clarifies that the mentioning of TDO in the Work Manual section regarding Section 11(5)(a) objections has been dropped, because to contravene the TDO, a number of factors (relating to use of the mark) would need to be proved (such as intention), and therefore it is not appropriate for examiners to take into account the TDO without extraneous evidence to prove such use, when examining an application. However, a Section 11(5)(a) TDO ground could still be used in support of inter parte proceedings.

7. Changes were made to the Work Manual Chapter on bad faith objections under **Section 11(5)(b)**. The previous reference to the Registry conducting its own Internet searches to check whether the applicant is attempting to register another person's mark were deleted. The previous guidelines on whether an objection under this section would be justified were also deleted. Instead, examiners may now raise questions on their own initiative if he is suspicious of an applicant's honest intention, for instance if the mark is generally known to be the trade mark of a particular company, or if the applicant has simultaneously filed a number of applications for different marks generally known to belong to another. In such a case, the examiner may ask for proof of entitlement to file an application. This initiative is useful for well-known marks or those marks that the individual examiner knows of. However, the previous references in the Work Manual should still be good law, and the HKITMP enquired why the Registry saw fit to delete the references.

IPD clarifies that the previous references to case law in the Work Manual were deleted as the cases related to inter parte proceedings. To raise an objection under Section 11(5)(a), an examiner should examine the mark on its own. IPD has changed its practice since January 2009. If an examiner has queries as to the ownership of a mark based on Internet findings, he will now issue an observation letter instead of an objection.

8. Members have reported inconsistent application of **Rule 7(4)** (genuine intention to use a mark in respect of a large variety of goods or service). Some examiners require actual evidence of use and refuse evidence of sample expansion made by an applicant's competitors or other trade mark owners in the same or similar industry to show a trend of expansion in the particular industry (e.g. luxury goods extending to hotel services etc.). On the other hand, some examiners would allow substantial number of classes under the same applications to proceed without any showing of intention to use a mark.

IPD clarifies that if for instance the applicant is a conglomerate as opposed to a specialty store, objection may not be raised. IPD also clarifies that a Statutory Declaration without supporting evidence will not add to the veracity of the claim of genuine intention to use the mark. Instead, IPD will accept and will amend the Work Manual to provide that a Board Resolution confirming a genuine intention to use the mark on a wide range of goods and services applied for will likely be acceptable.

9. Members have also noticed inconsistent approach in the **classification or descriptions** of goods and services. Examiners have issued deficiency letters despite the IPD's previous acceptance of the same descriptions and often times in the same owner's name.

IPD generally follows the Nice International Classification and wordings published on IPD's website. However, examiners will raise objections if a description is unclear.

10. **Reclassification** - in case where the reclassification only involves deletion of the old class description, without actually changing the class number (e.g. Schedule III: 48), would the Registry consider simply amending those registrations and then notify the registrants without issuing a formal reclassification notice requesting confirmation?

The international class number has been inserted for administrative convenience under earlier versions of the TMO. IPD will continue to issue notices to delete references to "Schedule III ..." and owners and agents do not need to reply to confirm. However, confirmation from the owner or agent will expedite the updating.

11. Unlike under the old law, examiners no longer object to inclusion of the "®" (R in a circle) symbol as part of a trade mark.

IPD will only bring to the applicant's attention that it is an offence to use the "®" (R in a circle) symbol when the mark is in fact not registered but will not officially object to the application. Such representation of the mark cannot be amended by deleting the "®" (R in a circle) symbol under the current TMO, and a new application would have to be filed.

12. Some examiners have allowed inclusion of third parties' registered trade marks in the specifications. Examples include the registered trade marks "Vaseline", "Karaoke", etc.

*IPD has posted a list of registered trade marks and corresponding generic descriptions on its website since May 2009. IPD will accept applications from owners of prior marks to rectify errors under **Section 57(6)**. IPD will also consider initiating a project to notify owners the need to rectify their registrations under **Rule 66** of the Trade Marks Rules.*

13. In certain cases, the trade mark owner notified the examiner of discrepancy in the specification (e.g. issue raised under item **13** above) or of prior conflicting rights, but the owner was only notified of the amendment or restriction of the application (e.g. to replace the trade mark with a generic description or to delete overlapping goods) after it had incurred time and costs to commence an opposition to the application. Sufficient clarity as to the status of an application upon request by an interest party should be provided in such cases.

IPD clarifies that it cannot disclose the status of a pending application to a third party. In the sample case, the IPD refunded the official opposition fee. HKITMP suggested that IPD updates the database on an expedited basis (e.g. 2 days before the opposition deadline).

14. **Form T9** - how to clearly indicate partial surrendering of goods?

IPD concedes that the current Form T9 needs to be amended, but due to cost reasons the form will only be re-designed when the complete system is upgraded in 2011.

In the meantime, agents should expressly state in a cover letter the exact goods or services to be (partially) surrendered, and the exact description of the remaining goods or services.

15. IPD is preparing a checklist of evidence for use required for "honest concurrent use" and "acquired distinctiveness" for posting on its website in December 2009.

16. Where written consents provide a commercially agreed delineation of goods and services, the consent should be accepted even though the goods and services after delineation still appear to consist of similar or overlapping goods or services. We also noted that the consent should overcome any concerns by the examiner that the claim is not "clear and concise". A hypothetical example was given in respect of consent given by a music entertainment company given to a third party to the inclusion of the phrase "entertainment in which the overriding content is not music". We noted that if two arms length businesses could agree and understand the phrase as delineating their commercial interests the Examiner should also accept that.

IPD confirms that consent is "king".

Patsy Lau / Ruby Chan

Intellectual Property Developments in China - An Introduction to the Revised Patent Law of China

This was a seminar jointly presented by the Licensing Executives Society China, Hong Kong Sub-Chapter (LES-HK) and Hong Kong Trade Development Council (HKTDC) on 13 November 2009.

Speakers were:

Mr YIN Xintian	Director-General of Legal Affairs Department of State Intellectual Property Office (SIPO) & SIPO Spokesman
Mr DONG Jiangxiong	Director of Legal Affairs Department of China Patent Agent (H.K.) Ltd. Attorney-at-Law, Patent Attorney & Trademark Attorney
Mr JIANG Jiancheng	Managing Partner of Peksung Intellectual Property Ltd. Attorney-at-Law, Patent Attorney & Trademark Attorney
Ms Michelle MA	Managing Partner of Liu, Shen & Associates Attorney-at-Law, Patent Attorney & Trademark Attorney

Topics covered by the respective speakers:

- Mr YIN Xintian: Introduction to the revised PRC Patent Law
- Mr DONG Jianxiong: Introduction to the interpretation of the Supreme People's Court on issues concerning application of the law in trials on patent infringement disputes
- Mr JIANG Jiancheng: Changes in practice due to the revised PRC Patent Law
- Ms Michelle MA: Design Patents - new practice under the revised PRC Patent Law

Descriptions:

The third amendment to the PRC Patent Law has been in force since 1 October 2009. The seminar provided both an introduction to the fundamentals of the amendments to the PRC Patent Law and hands-on demonstrations on practising the revised patent law. Representing the Institute, council member Deanna Wong attended on invitation from LES.

The seminar was divided into two segments. The first segment covered the opening ceremony and an introduction and overview of the amendments to the PRC Patent Law and interpretations of the Supreme People's Court on how to apply the law to patent litigations. In particular, Mr YIN gave a review of the first and second amendments to the patent law and highlighted some representative changes of the third amendments to the patent law, such as the introduction of absolute novelty requirement, genetic resource disclosure, security check before foreign filing, offer to sell for design, patenting design, and etc. Mr DONG offered interpretations of the 25 articles in the revised patent law relating to patent infringement disputes from the point of view of the Supreme People's Court.

The next segment was devoted to more detailed hands-on topics, demonstration and Q & A. Mr JIANG demonstratively explained some newly introduced issues under the revised patent law regarding genetic resource disclosure, double filing/patenting of invention & utility model applications, security check before foreign filing, etc. Ms MA shared her expertise with informative examples on the practising of the revised patent law on patenting designs, and she underscored some new issues after the granting of a design patent, such as the newly established "evaluation report" system, offer to sell, and extended grounds for design invalidation.

Attendees included legal professionals, research and development specialists, inventors, designers and business executives.

Deanna Wong

Asian Patent Attorneys Association

The 15th General Assembly and the 56th and 57th Annual General Meeting of the Asian Patent Attorneys Association was held at the Hong Kong Convention and Exhibition Centre in Hong Kong from 18 November to 22 November 2009. There was a record breaking attendance at the meeting with over 1400 delegates from all over the world. Mr. Wong Yan Lung, the Secretary of Justice officiated the opening of the conference.

Peggy Cheung

Recent EU Decisions on Likelihood of Confusion

The Hong Kong Trade Marks Ordinance (Cap. 559) is similar in effect to the UK Trade Marks Act 1994 and the European Trade Marks Directive. Therefore, the principles and decisions from the European Court of Justice and the Office of Harmonization for the Internal Market are of persuasive value for the purpose of interpreting the statutory provisions of our TMO.

Below are summaries of some recent decisions from the OHIM and the ECJ on the application of the “global appreciation test” formulated by the ECJ to provide useful guidance on interpretation of section 12(3) of the TMO.

In **Heineken España, S.A. v Echter Nordhäuser Spirituosen GmbH** (Case No. B 1 373 846), the Opposition Division of the OHIM held that the contested mark “LATINO” was confusingly similar to the earlier trade mark “Latin Lover”, both of which covered goods in Class 33. The Office held that the marks had a medium degree of visual and phonetic similarity as they both contained the word “LATIN”. Further, the marks were also considered to be conceptually similar as they both referred to a person from Latin America.

In applying the global assessment test, the Office provided that visual, phonetic and conceptual similarities do not necessarily carry equal weight. The type of goods and services applied for may affect the analysis and render one element to be more significant than the others. Class 33 alcoholic beverages (the goods in question) are usually referred to aurally at bars, pubs and clubs. Due to the noise level at these venues, consumers would not be able to clearly distinguish two similar sounding marks. Therefore, the phonetic similarity of the respective marks would significantly increase the likelihood of confusion. Accordingly, the opposed application was rejected.

On the other hand, in **Perry Ellis International Inc v Ambrosi** (Case No. B 1 167 683), the Opposition Division of OHIM held that visual similarity between marks is generally more significant in respect of clothing as purchase decisions for clothing are usually made on a visual basis. In this case, the Office held that competing device marks each consisting of a penguin drawing in respect of clothing were not confusingly similar. The mere fact that the marks consisted of a penguin drawing was not per se sufficient to

establish visual confusion. As the device marks did not consist of any word element, they were not subject to phonetic assessment.

The Office further noted that in cases where the targeted consumers would self select the goods by primarily relying on the visual representation of the marks, visual similarity would carry more weight in the assessment of likelihood of confusion.

Therefore, the assessment of similarities of marks and whether likelihood of confusion exists is dependent on the inherent nature of the marks and the conditions under which the goods are sold.

The significance of visual distinctiveness of marks in the application of the global assessment test was confirmed in **NHL Enterprises BV v Office for Harmonisation in the Internal Mark (OHIM)** (Case T-414/05). Both the contested mark and the earlier trade mark in this case consisted of the word “KING”. However, the Court held that the visual differences between the marks counterbalanced the similarities arising from the identical word “KING”. It is worth noting that words do not always speak louder than the devices. This decision confirmed that all relevant factors, including the nature of the goods in question, consumers’ perception, how the goods are marketed or selected should all be taken into consideration in applying the global assessment test.

Patsy Lau

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M e r r y C h r i s t m a s !