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Hong Kong Intellectual Property Law 2019 Review

Produced in partnership with *Lawrence Yeung of ONC Lawyers*



This article will provide a review on the intellectual property law, highlighting the significant developments in the areas of patent, trade mark and copyright in 2019.

After the launch of the new original patent system, Hong Kong has been making efforts to further enhance its trade mark and copyright system, by introducing the Trade Marks (Amendment) Bill 2019 and the Copyright (Amendment) Bill 2019, hoping to stay in line with the standards under the international systems and treaties. Concerning the legal principles in relation to trade mark applications, the legal status of the Trade Marks Registry Work Manual and the test for bad faith trade mark application are reviewed in the Hong Kong cases *Nanyang Brothers Tobacco Company Limited v N.V. Sumatra Tobacco Trading Company* [2019] HKCFI 3115 and *Wong To Yick Wood Lock Ointment Ltd v Nippon Taisun (HK) Ltd* [2019] HKCFI 1298 as discussed below.

The launch of new original grant patent system in Hong Kong

A new patent system was introduced by the Hong Kong Intellectual Property Department on 19 December 2019, which was effected by the commencement of operation of the Patents (Amendment) Ordinance 2016 and the Patents (General) (Amendment) Rules 2019. The notable features of the new patent system as explained below is expected to bring the local patent system on par with the patent practices of the internal community and contribute to the development of Hong Kong as an innovation and intellectual property trading hub in the long run.

New and direct local original grant patent ("OGP") route for filing standard patent applications

Under the old patent system, the Patents Registry was only responsible for re-registering foreign-approved patents under the Re-registration Route.

The new OGP route allows patent applicants to file patent applications directly in Hong Kong with the Patents Registry, independent of the three designated patent offices outside Hong Kong, thereby dispensing with any prior filing of corresponding applications as required under the old Re-registration Route.

An OGP application is now subject to both formality examination and substantive examination by the Patents Registry for determining the patentability of the underlying invention. The new OGP route runs in parallel with the existing Re-registration Route. Applicants may choose either the existing Re-registration Route or the new OGP route for registering their patents depending on their business strategies.

Refinement of existing short-term patent system

Short-term patents are valid for a maximum term of eight years. Before the launch of the new patent system, a short-term patent application is only subject to formality examination and only one independent claim is allowed for each application.

After the reform, the refined short-term patent system increases the number of independent claims allowed in an application from one to two independent claims, provided that the two claims are related to one single invention. Further, short-term patents may be subject to post-grant substantive examination by the Patents Registry, upon request by its owner or a third party having reasonable grounds or legitimate business interests, for determining their validity. This mechanism aims at safeguarding the integrity of the existing short-term patent system while maintaining its overall cost-effectiveness.

Before commencing legal proceedings to enforce a short-term patent, the owner must file a request for substantive examination of the patent with the Patents Registry. The owner of a short-term patent who threatens another person with infringement proceedings relating to an unexamined short-term patent must, upon request by the alleged infringer, provide him or her with adequate information to identify the patent.

Regulation of use of titles and descriptions

The new patent system further provides stricter regulation on the use of misleading or confusing titles and descriptions. In particular, the law in Hong Kong now prohibits the use of the following titles or descriptions relating to patent practice:

1. “registered/certified patent agent”;
2. “registered/certified patent attorney”; and/or
3. any title or description which may cause anyone to believe that the person using the title/description holds a qualification that is specifically granted for approving him to provide patent agency services in Hong Kong, and such qualification is recognised by law or endorsed by the Government.

On the other hand, the use of any title or description that solely relates to a person’s qualification for lawfully providing patent agency services in a place outside Hong Kong is permitted as long as the place is clearly specified.

To conclude, the new patent system is a major milestone in the development of Hong Kong’s patent regime, which allows applicants to apply for standard patent protection directly in Hong Kong, provides safeguards against potential abuse of the short-term patent system and enhances the regulation on the use of titles and descriptions.

Is it sufficient for you to simply follow the Trade Marks Registry Work Manual?

Trade mark applicants and practitioners often refer to The Trade Marks Registry Work Manual (“**Work Manual**”) for guidance in handling applications for trade mark registration and other proceedings under the Trade Marks Ordinance (Cap. 559). In *Nanyang Brothers Tobacco Company Limited v N.V. Sumatra Tobacco Trading Company* [2019] HKCFI 3115, the Court of First Instance (“**CFI**”) explicitly held that the Work Manual does not have the force of law and the Opponent cannot rely on it to justify its substantial delay.

Background

The Opponent (being the Appellant on appeal) in this case opposed the trade mark registration application in Class 34 made by the Applicant (the Respondent on appeal). The hearing was originally scheduled to be heard on 13 March 2018. On 12 January 2018, the Opponent applied to cross-examine the Applicant’s witness in the hearing (“**Application**”).

The Registrar of Trade Marks (“**Registrar**”) ultimately allowed the Application after a paper hearing, which led to the adjournment of substantive hearing, and ordered the Opponent to pay the Applicant’s costs of and occasioned by the Application and the paper hearing in view of the considerable delay in making the Application without justification. The Opponent appealed against the costs decision made by the Registrar.

CFI decision

Under the grounds of appeal, the Appellant argued that, among others, the Registrar erred in finding that there was delay on the part of the Appellant in making the Application and failing to consider the fact that the Appellant had been relying on the Work Manual, which provides that notification of cross-examination should be made to the Registrar and the other party “as soon as practicable” after the date for the hearing is notified to the parties, on the timing of making the Application.

The CFI held that the Appellant had been advised on the need of cross-examination at an earlier stage of the proceedings therefore the delay was obvious and substantial. Regarding the Appellant’s purported justification for the delay by relying on the provisions of the Work Manual, the CFI held that the guidelines in the Work Manual are only guidelines and do not have the force of law. Further, there was nothing to stop the Appellant from notifying the Registrar and the Respondent of their intention of cross-examination earlier to avoid the adjournment of the hearing.

The CFI also made references to some comments made by the Registrar in other cases that the proper time for making an application for cross-examination should be after the conclusion of the evidence and some of the provisions in the Work Manual may not be in line with modern practice. As the Work Manual does not have the force of law, the Court should respect the view of the Registrar in how to conduct the proceedings in the Trade Mark Registry. Costs order has been an effective tool to regulate the conduct of legal proceedings.

As such, the CFI held that there was a substantial delay in making the Application and the Appellant could not rely on the Work Manual which has no force of law to justify their delay, and thus dismissed the appeal.

In handling trade mark registration applications and proceedings under the Trade Marks Ordinance, the individuals and companies are reminded to not only follow the guidelines stipulated in the Work Manual, but also pay attention to the relevant case laws and court procedures, to avoid any unfavourable costs decisions due to delay.

Hong Kong Court confirmed the test on bad faith trade mark application

Background

In *Wong To Yick Wood Lock Ointment Ltd v Nippon Taisun (HK) Ltd* [2019] HKCFI 1298, the Hong Kong Court reviewed and applied the relevant English legal principles and case authorities on bad faith trade mark application. In this case, the Applicant applied for invalidation of a registered trade mark mainly based on two grounds, passing off and bad faith.

Passing off

For the ground of passing off, the Court applied the principles in *Wong To Yick Wood Lock Ointment Ltd v Sky Harvest Medicine Ltd* [2018] 3 HKLRD 506 and held that a claim for passing off may be made in the absence of a common field of business activity or actual competition for the same customers.

In view of the Applicant’s immense reputation and goodwill, the intention of the Respondent to deceive the public and the similarity in the nature of goods of the parties, the Court held that the subject trade mark is instrument of deception and the Applicant successfully established passing off.

Bad faith application

In determining whether the trade mark application is made in bad faith, the Court applied the legal principles on bad faith adopted in the English Authorities. Currently the test for bad faith is to judge the Respondent’s conduct against an objective standard, namely “acceptable commercial behaviour observed by reasonable and experienced persons in the particular commercial area being examined”. The Court is expected to inquire on the Respondent’s state of knowledge concerning the matters in issue and then take into account this knowledge when deciding whether the

Respondent's conduct fell below the objective standard, with the Respondent's own view on the appropriate standard being irrelevant.

In particular, the general principles on bad faith application applied in the case can be summarised as below:

1. The relevant date for assessing whether the trade mark application was made in bad faith is the application date.
2. The evidence later than the application date is also relevant if it casts light backwards on the position as at the application date.
3. A person is presumed to have acted in good faith unless the contrary is proved. An allegation of bad faith is a serious allegation, which must be distinctly proved on the balance of probabilities. Cogent evidence is required and it is insufficient to prove facts which are also consistent with good faith.
4. Bad faith includes not only dishonesty, but also "some dealings which fall short of the standards of acceptable commercial behaviour observed by reasonable and experienced men in the particular area being examined".
5. The legislation intended to prevent two main classes of abuse of the trade mark system, concerning abuse in relation to the relevant office and third parties.
6. The Court must make an overall assessment, taking into account all relevant factors, when determining whether the trade mark applicant acted on bad faith.
7. The Court must first ascertain what the trade mark applicant knew about the matters in question and then decide whether, in the light of that knowledge, his or her conduct is dishonest (or otherwise falls short of the standards of acceptable commercial behaviour) judged by ordinary standards of honest people. The applicant's own standards of honesty (or acceptable commercial behaviour) are irrelevant to the enquiry.
8. Consideration must be given to the applicant's intention.

Applying the above legal principles on bad faith, and in the absence of any explanation from the Respondent when they had ample opportunity to do so, the Court held that the Respondent had copied the Applicant's trade marks and their commercial behaviour fell far short of the standards of acceptable commercial behaviour observed by reasonable and experienced people in the particular area. In the circumstances, the Respondent's registered trade mark was invalidated.

Legislative proposals for amending law on trade mark and copyright

Trade Marks (Amendment) Bill 2019

The Trade Marks (Amendment) Bill 2019 was gazetted on 8 February 2019. The Bill sought to amend the Trade Marks Ordinance (Cap. 559) ("TMO") with the following purposes:

1. to enable application and implementation of the Madrid Protocol in Hong Kong;
2. to introduce miscellaneous amendments to align the TMO with the latest international standards and enhance the trade mark application and registration system in Hong Kong; and
3. to specify the enforcement responsibilities of the Customs and Excise Department ("C&ED") in respect of the criminal provisions under the TMO.

Whilst the trade mark registration system in Hong Kong only confers territorial protection, international registration through the Madrid System is a means designed to facilitate the multi-jurisdictional trade mark registration. Under the Madrid System, a qualified trade mark applicant may file an international application through their local trade mark office, and designate one or more of the contracting jurisdictions to the Madrid Protocol. If any of those jurisdictions accepts the international application, the applied-for trade mark will be registered and provide protection to the trade mark owner in such jurisdiction, in the same way as a domestic trade mark registration in such jurisdiction would do so.

Amendments are proposed to introduce new processes and modifications to the existing application and registration procedures and give effect to the provision of the Madrid Protocol in Hong Kong.

Further, the Hong Kong Police Force is currently the law enforcement agency for criminal offences under the TMO, while intellectual property offences under the Copyright Ordinance, Prevention of Copyright Piracy Ordinance and Trade Descriptions Ordinance are enforced by the C&ED. It is proposed that the TMO be amended to better align enforcement responsibility and put the enforcement under TMO with the C&ED, granting them powers to enter and search premises with a warrant issued by a magistrate, seize goods and inspect documents, search and arrest any person whom a C&ED officer may reasonably suspect of having committed an offence under the TMO, and forfeit and dispose of items in respect of a committed offence.

Copyright (Amendment) Bill 2019

The Copyright (Amendment) Bill 2019 was gazetted on 1 November 2019, seeking to enhance the copyright exceptions relating to persons with a print disability in the Copyright Ordinance (Cap. 528) (“CO”) to bring them into line with the standards under the Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired, or Otherwise Print Disabled (“**Marrakesh Treaty**”).

Whilst the existing CO has set out some exceptions or permitted acts that allow the production of specially adapted copies of copyright works for the use by persons with a print disability, the Bill seeks to further improve the provisions to benefit a wider print-disabled population by:

1. extending the definition of “print disability” to cover persons with a perceptual or reading disability, including dyslexia, to enable them to enjoy the copyright exceptions;
2. clarifying that audio forms of certain types of copyright works may be used in the production of accessible copies; and
3. allowing cross-border exchanges of accessible copies made pursuant to the copyright exceptions with authorized entities in other jurisdictions.

Author

Lawrence Yeung

Partner, ONC Lawyers

Lawrence's niche areas of practice include intellectual property (IP) portfolio, IP asset management, worldwide IP protection strategies, copyright, patent (PCT) filings, trademark and licensing, domain names, design protection and enforcement/litigation worldwide, including China and Hong Kong. Lawrence also advises on geographical indications and certification trademark applications.

Lawrence has been focusing on IP for more than 15 years, during which he rendered substantial IP advice to several FORTUNE 500 companies. His several prominent cases entailed successfully coordinating a raid action with a successful outcome against a trademark infringer in China for a well-known Japanese electric manufacturer, a successful raid action coordinated with Hong Kong Customs against two leading Karaoke chain stores in Hong Kong. Lawrence also assisted in handling a pre-eminent US based food and beverage manufacturer's trademark portfolio in Asia.

Lawrence also manages several leading companies (both local and overseas) trademark portfolios, including clearance check, filing strategies, filings, maintenance and applications and/or registrations, oppositions and infringement actions.

Before joining ONC, Lawrence previously worked as an Associate with a top tier IP practice of an International law firm for almost 3 years, during which he was subsequently promoted as a Managing Associate. Lawrence has also been appointed as Advisor of IP Consultation Service for Hong Kong small and medium enterprises, the Intellectual Property Department of the Government of the Hong Kong SAR, with support from the Law Society of Hong Kong. Lawrence is also a visiting IP lecturer of Hong Kong University SPACE, which augments Lawrence's practical experience and enables him to stay ahead of the latest IP developments.

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