

# **Council Meeting in Hong Kong, November 2009**

## **Report of THE HONG KONG GROUP OF APAA**

**by Anne Choi**

### **A. CHANGES AND DEVELOPMENT IN LEGISLATION**

#### **1. Civil Justice Reform**

The Civil Justice Reform (“CJR”) has come into effect in Hong Kong on 2 April 2009. The aim of the CJR is to build a procedural system that reduces delay and expense and the Courts have been given greater case management powers to exercise initiative and take control over court proceedings.

The major changes brought about by the CJR are set out below:-

##### *Streamlining Civil Procedures*

- Parties to a court action have to complete a questionnaire after the close of pleadings. There will then be a hearing for the Case Management Summons whereby a timetable for the proceedings will be set down. The parties have to adhere to the timetable and any change to it will not be granted save in the most exceptional circumstances.
- For interlocutory orders, the Court will prescribe the consequences for non-compliance. Less leniency will be shown towards delay and failure in compliance with such orders.
- Before the CJR, interlocutory appeals from a Court of First Instance Judge to the Court of Appeal were as of right. With a view to preventing unmeritorious appeals, leave is required for most of such interlocutory appeals after the CJR.
- The Court has also been empowered to deal with certain matters e.g. interlocutory applications, on papers without any hearing so as to expedite the proceedings.

### *Improving Cost-Effectiveness*

- For most interlocutory matters, instead of having the costs taxed, the Court now adopts a broad-brushed approach and the costs are assessed summarily. Parties have to pay the costs so assessed promptly.
- Where costs are assessed by way of taxation, provisional taxation on paper will be available for all claims for whatever amount.

### *Facilitating Settlement*

- Under the new system, a defendant is entitled to propose payment terms (such as time of payment or interest rates for instalment payments) when making admissions for a monetary claim. This allows the plaintiff to enter judgment against the defendant administratively in accordance with the defendant's proposal(s).
- The old system of payments into Court has been expanded. Now both the plaintiff and defendant are entitled to make a sanctioned offer or sanctioned payment to settle the proceedings, thereby putting the other side at risk as to costs. This will assist in compelling a party to accept reasonable settlement offer(s) from the other party.
- Transparency between the parties will be enhanced to encourage settlement at an early stage of the proceedings. The Court's power to order discovery has been widened under the CJR. The Court can now order pre-action disclosure against potential defendants and pre-trial disclosure against non-parties in all types of cases, instead of being limited to personal injury and death cases as before.

### *Other key changes*

- (a) Pleadings, witness statements and expert reports now have to be verified by Statements of Truth;
- (b) The Court now has jurisdiction to order costs against non-parties where it is just to do so;
- (c) The process for commencing proceedings has been simplified with the use of petitions, and originating motions have been abolished, and
- (d) There is a code of conduct for all expert witnesses.

## **2. Copyright (Amendment) Bill 2009**

Under section 119B(1) of the **Copyright Ordinance (Cap. 528) (“the Ordinance”)**, a

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person commits an offence if he on a regular or frequent basis for the purpose of or in the course of any trade or business without the licence of the copyright owner of a copyright work in a printed form contained in a book, a magazine, a periodical or a newspaper, makes an infringing copy of the work for distribution or distributes an infringing copy of the work, resulting in a financial loss to the copyright owner (“the copying and distribution offence”).

To ensure that business operations would not be unreasonably fettered by this provision, statutory defences have been prescribed but have not yet been enacted pending, inter alia, prescription on numeric limits within which the copying and distributing offence will not apply. Upon extensive consultation amongst the publishing industry, the *Copyright (Amendment) Bill 2009* (“the *Bill*”) to provide for circumstances in which the copying and distributing offence does not apply was gazetted on 24 April 2009.

Clause 4 of the *Bill* adds a new schedule to the *Ordinance* which provides that the copying and distribution offence:-

- (a) does not apply to the making for distribution or distribution by a person, within any period of 14 days, of infringing copies of one or more than one copyright work in a printed form that is contained in magazines, periodicals (other than specified journals [essentially academic journals]) or newspapers if the total number of infringing pages made by the person within that period does not exceed 500; and
- (b) does not apply to the making for distribution or distribution by a person, within any period of 180 days, of infringing copies of one or more than one copyright work in a printed form that is contained in books or specified journals if the total value of qualifying copies made by the person within that period does not exceed \$6,000.

Further, the Secretary for Commerce and Economic Development is empowered under *sections 119B(3)(b) and (21)* of the *Ordinance* to prescribe by regulation the manner of copying or distribution of infringing copies to which the copying and distribution offence will not apply. This is to cater for situations where the market lacks suitable licensing schemes. Since more time is required for the relevant copyright owners to set up licensing schemes to cover Intranet distribution, Clause 4 of the *Bill* adds a further new *Schedule* to the *Ordinance* which provides that the copying and distribution offence does not apply to the distribution through a wire or wireless network of an infringing copy to which access is restricted by procedures of authentication or identification i.e. Intranet. However, distribution of an infringing copy embodied in a document to an electronic mail address or facsimile number is still a copying and distribution offence.

A Bills Committee on the **Bill** has been formed to scrutinize the legal and drafting aspects of the **Bill**. It is not clear when the **Bill** will be passed by the Legislative Council.

### 3. Consultation on *Copyright Tribunal Rules*

On 31 August 2009, the Intellectual Property Department (“IPD”) launched a public consultation on the drafting approach and direction for the new **Copyright Tribunal Rules** (the “**Rules**”) to be made pursuant to *section 174(1)* of the **Copyright Ordinance** (*Cap. 528*). The Copyright Tribunal is an independent, quasi-judicial body established under the **Copyright Ordinance** to hear and resolve disputes relating to use/licensing of copyright works. The new **Rules** are extended to provide “a new set of concise and user-friendly rules to modernize the practice and procedure of the Tribunal with a view to not only maintaining the fairness of the proceedings but also making the proceedings as flexible, convenient and cost-effective as possible in accordance with contemporary dispute resolution practice”.

The following major approach for the new rules has been proposed:-

- (a) Applying the relevant principles of the Civil Justice Reform as the fundamental value of dispute resolution before the Copyright Tribunal (“the Tribunal”) by setting out the following as the underlying objectives that the Tribunal should give effect:-
  - i. to maximize the cost-effectiveness of any practice and procedure in relation to proceedings before the Tribunal;
  - ii. to ensure each case is dealt with as expeditiously as is reasonably practicable;
  - iii. to promote a sense of reasonable proportion and procedural economy in the proceedings;
  - iv. to ensure fairness between the parties;
  - v. to facilitate settlement of disputes, and
  - vi. to ensure resources of the Tribunal are distributed fairly.
- (b) One standard procedure and form for all types of applications/references before the Tribunal.
- (c) Exercising active case management by reference to the Civil Justice Reform:-
  - i. requiring use of Statements of Truth to verify the facts pleaded and evidence adduced by the parties;
  - ii. empowering the Tribunal to convene case management conferences and

- pre-hearing reviews to give necessary directions on conduct of proceedings;
- iii. empowering the Tribunal to remedy or sanction against non-compliance with rules or the Tribunal's orders/directions.
- (d) Promoting Alternative Dispute Resolution. The IPD considered mediation might be a potential means of facilitating quick and cost-effective settlement in appropriate cases and proposed empowering the Tribunal to encourage and facilitate use of mediation in appropriate cases when exercising its active case management power.
- (e) Empowering a single member of the Tribunal to exercise certain adjudication powers. The objective is to dispense with the need for a three-member Tribunal to allow more flexibility and efficiency. The IPD therefore proposed adopting a rule to the effect that all interlocutory applications might generally be heard singly and to empower the presiding single member to exercise active case management mentioned in (c) above.
- (f) Empowering the Tribunal to issue Practice Directions from time to time to regulate its administrative matters.
- (g) Prescribing a set of self-contained rules and therefore delinking all direct links/cross-references to the *Arbitration Ordinance (Cap. 341)*. The current *Copyright Tribunal Rules* refer to and apply certain provisions of the *Arbitration Ordinance*. The major disadvantage of this approach is that the piece of legislation being referred to may be amended from time to time and in fact the *Arbitration Ordinance* may soon be repealed. It has therefore been proposed adopting a set of self-contained rules and removing all cross-references to the *Arbitration Ordinance*.

The relevant consultation period expired on 30 September 2009.

#### **4. Introduction of a Competition Law in Hong Kong**

In December 1997, the Government established a Competition Policy Advisory Group ("COMPAG") to review competition-related matters. In May 1998, COMPAG issued a Statement on Competition Policy ("the Statement") stating the objective of the Government's competition policy as being enhancing economic efficiency and free flow of trade and thereby benefiting consumer welfare. The Statement also indicated that "the Government will take action only when market imperfections or distortions limit market accessibility of market contestability, and impair economic efficiency or free trade, to the

detriment of the overall interest of Hong Kong.”

In 2000 and 2001, legislation was enacted to specifically prohibit certain types of anti-competitive conduct and the abuse of a dominant position in the telecommunications and the broadcasting markets.

In order to keep the competition policy abreast with time, COMPAG appointed a Competition Policy Review Committee (“CPRC”) in June 2005 to recommend future development for the competition policy in Hong Kong. In June 2006, CPRC submitted a report recommending that a new competition law with a clearly defined scope be enacted in Hong Kong to tackle anti-competitive conduct across all sectors.

On 6 May 2008, a public consultation paper on Detailed Proposals for a Competition Law was issued by the Commercial and Economic Development Bureau for a three-month consultation. Major proposals in the public consultation paper include:-

- (a) An independent Competition Commission (the Commission) in the form of a body corporate to be set up to enforce the new competition law;
- (b) The Commission should have the power to investigate, determine and apply remedies in respect of infringements of the conduct rules under the competition law ;
- (c) There should be a formal separation within the Commission between the investigation and adjudication of infringements;
- (d) A Competition Tribunal (the Tribunal) should be established to hear, amongst other things, applications for review of the decisions of the Commission and private actions under the competition law;
- (e) There should be a general prohibition on agreements and concerted practices that have the purpose or effect of substantially lessening competition;
- (f) The Commission should be required to issue guidelines that would give examples of the types of conduct that would commonly be considered anti-competitive;
- (g) Infringement of the conduct rules should be subject to civil, but not criminal, penalties;
- (h) Any person who has suffered loss or damage from a breach of the Ordinance should have the right to bring private proceedings seeking damages;
- (i) The Tribunal may strike out any action which the Tribunal considers to be without merit or vexatious;
- (j) With the permission of the Tribunal, representative actions, such as on behalf of consumers or small and medium-sized enterprises, should be permitted;
- (k) The Commission should be required in its guidelines to clarify that it would not

pursue an agreement where the aggregate market share of the parties to the agreement did not exceed a certain level, except where "hard core" conduct was involved;

- (l) An agreement may be exempted from prohibition on anti-competitive agreements if it yields economic benefits that outweigh the potential anti-competitive harm;
- (m) The conduct rules should not apply to any undertaking entrusted with the operation of services of general economic interest, such as essential public services of an economic nature;
- (n) The Chief Executive-in-Council may exclude from the prohibition on anti-competitive conduct if he considers that there are sound reasons of public policy for so doing;

The consultation findings show there was broad support in the community for the introduction of a competition law. At a meeting of the Panel on Economic Development of the Legislative Council on 30 March 2009, it was explained that the Government intended to introduce the Competition Bill into the Legislative Council in the 2008-2009 session, however, as more time would be needed to prepare details of the institutional framework and the exemption provisions in the Competition Bill, the schedule for introduction of the Competition Bill had to be revised to 2009-2010.

## **5. The new *Trade Descriptions Ordinance (Cap. 362)***

As reported last year, the *Trade Descriptions (Amendment) Ordinance 2008* was gazetted on 27 June 2008 to amend the *Trade Descriptions Ordinance (Cap. 362)*.

Amendments which have taken effect as from 2 March 2009 include the following:-

- (a) Expansion of definition of "trade description" - section 2
- (b) Special provisions applicable to goldware – Section 3
- (c) Price per unit of quantity on signs must be readily comprehensible – Section 13A
- (d) If price does not include basic accessories, purchaser is to be informed before payment – Section 13B
- (e) An offence for false or misleading representation as regards seller's connection with another person – Section 13C

## **6. Internet Treaties Take Effect in Hong Kong as from 1 October 2009**

The World Intellectual Property Organisation (WIPO) Copyright Treaty and WIPO Performances and Phonograms Treaty (collectively referred to as "the Internet Treaties") have become applicable to Hong Kong as from 1 October 2009. The objective of the

Internet Treaties is to update and enhance protection offered to copyright and related rights in light of new digital technologies.

The copyright legislation of Hong Kong has always been in line with the international standards and the degree of protection offered to procedures of phonograms by the existing copyright legislation has been higher than that offered by the Internet Treaties. The few remaining requirements of the Internet Treaties have already been incorporated into the Copyright Ordinance since April 2008.

## **B. NOTABLE CASES**

### **1. Re Creative Resources LLC [2009] 1 HKC 218 (Court of First Instance, HCMP 1607/2008, 9 January 2009)**

#### Background

Creative Resources applied to register the word “NAKED” as a trade mark for condoms. The Trade Marks Registrar refused the application on the ground that the word designated a characteristic of condoms and so was insufficiently distinctive in itself to function as a trade mark. The applicant appealed against the Registrar’s decision.

#### Issue

Whether the word “NAKED” designated a characteristic of condoms or merely evoked the characteristic.

#### Ruling

1. The court cited *P OHIM [Office for Harmonization in the Internal Market] v. WM Wrigley Jr. Company (DOUBLEMINT)* [2004] RPC 18 (per Advocate General Jacobs):-

*“There is clearly a line to be drawn between terms which may be used to designate products or their characteristics and those which are merely suggestive of such characteristics...., I would suggest that a proposed trade mark should be assessed from three points of view, although I would not claim that list to be final and exhaustive.*

*The first point of view concerns the way in which a term relates to a product or one of its characteristics.... The second point of view concerns the way in which a term is*



*perceived: how immediately is the message conveyed? The more ordinary, definite and down-to-earth a term is, the more readily a consumer will apprehend any designation of a characteristic and the more likely the term thus is not to qualify for registration as a trade mark....The third point of view concerns the significance of the characteristic in relation to the product, in particular in the consumer's mind...."*

The above three viewpoints were accepted by the court as a practical, non-exhaustive guideline for assessing whether a term is descriptive or suggestive of an attribute.

2. Adopting the above three viewpoints:-

- i. The term "naked" in fact bore no direct objective relation to a condom. This was because the adjective "naked" would not conventionally be used in English to modify the word "condom". It would be contradictory to describe a "condom" (a form of covering) as being "naked" (being without covering). It did not mean that a state of "nakedness" can have no relationship with condoms. It would require some imagination to link "nakedness" with any attributes of a condom.
  - ii. As a word, "naked" may be as "down-to-earth" as one might get. However again as in i. above, because of the paradox inherent in describing a form of covering as an absence of covering, the link between "nakedness" and the characteristics of a condom is not immediately discernible.
  - iii. "Naked" was not only suggestive of the sheerness of a condom and might convey more than that. The feeling of nakedness might equally arise because of one or more factors, such as the lightness, comfort or transparency of a condom. The word would suggest different bundles of attributes to different person, depending on the sensibility of their imaginations. The characteristics of a condom that might be conveyed by the word to any given person would be variable, elusive and incapable of full articulation.
3. For the foregoing reasons, the proposed mark "NAKED" did not directly describe a characteristics of condoms and registration of it would not contravene *Trade Marks Ordinance* ("TMO") section 11(1)(c).
4. Registration of the proposed mark would also not contravene section 11(1)(b) of the *TMO* since the term "naked" was likely to connote different things to different people and the proposed mark was thus capable of identifying the products of a particular undertaking in the mind of a given person and bearing a distinctive character.

2. **Dish Network LLC others v Zentek International Co Ltd and another [2009] 3 HKC 52 (Court of First Instance, HCMP 1357/2008, 9, 16 October 2008)**

Issue

Whether the mere availability of a software on a website for downloading amounts to publishing and thus constitutes infringement within the meaning of Section 275 (2) (b) of the *Copyright Ordinance (Cap.528)* (the “*Ordinance*”).

Background

The 1<sup>st</sup> and 2<sup>nd</sup> plaintiffs were US satellite broadcasters and the 3<sup>rd</sup> plaintiff was a Canadian satellite broadcaster. They provided encrypted programming services to subscribers for a fee. There were various types of devices in the market which could without the plaintiffs’ authorisation descramble the plaintiffs’ encrypted programmes. Pirate software was an essential component of most pirate devices. Some of the software was available from some privacy websites. These websites often restricted access to those who paid fees to become their members or subscribers. The plaintiffs had identified six websites (“the Websites”) which had been used for or involved in the sale of pirate hardware and software. The Websites used to be hosted in servers in North America. In 2006, they were moved to a server or servers of the 1<sup>st</sup> defendant located in Hong Kong and continued to sell the pirate hardware and software. Pirate software was available for downloading by members and subscribers at all of the Websites except [www.anton-pillar.com](http://www.anton-pillar.com).

The plaintiffs applied for Norwich Pharmacal relief against the defendants seeking disclosure by the defendants of the names, identities and some other information of the owners of the Websites as well as their members and subscribers who had taken part in the sale and purchase of the pirate hardware and software.

The plaintiffs relied on *section 275(2)(b)* of the *Copyright Ordinance (Cap. 528)*:-

“(1) A person who-

- (a) makes charges for the reception of programmes included in a broadcasting or cable programme service provided from a place in Hong Kong or elsewhere;
- or

(b) sends encrypted transmissions of any other description from a place in Hong Kong or elsewhere,

is entitled to the following rights and remedies.

(2) He has the same rights and remedies against a person who-

(a) ...; or

(b) publishes any information which is calculated to enable or assist persons to receive the programmes or other transmissions when they are not entitled to do so.

as a copyright owner has in respect of an infringement of copyright.”

The plaintiffs argued that the owners of the Websites in making available the pirate software for downloading have published such software within the meaning of *section 275(2)(b)* and the plaintiffs accordingly were entitled to the rights and remedies against them as infringers of the plaintiffs’ copyright.

The defendants argued that there would not be publication until and unless a person clicked on the link to initiate streaming of the pirate software from the defendants’ server in Hong Kong to his server in the U.S., and as the act of clicking took place in the U.S., the act of infringement by publishing took place in the U.S., not Hong Kong.

### Ruling

1. Deputy High Court Judge L. Chan adopted the meaning of “publish” as defined in the Oxford Dictionary and held that the mere availability of the software on the Websites (except [www.anton-pillar.com](http://www.anton-pillar.com)) amounts to publishing and constitutes an infringement of the plaintiffs’ copyrights and therefore there was cogent and compelling evidence that serious tortious activities against the plaintiffs had taken place in Hong Kong.
2. However, in relation to the propriety of requiring the disclosure of data contained in [www.anton-pillar.com](http://www.anton-pillar.com), evidence suggested that this website was just a chatroom where people discussed matters relating to piracy descrambling. There was no cogent evidence that tortious activities against the plaintiffs had taken place in this website and disclosure of any data in or relating to this website was not required. Only disclosure of data of those who had offered or accepted pirated software or hardware (whether for a price or otherwise) and those who had given instructions for the use of pirate hardware or software were required.

3. In view of the above, the court ordered the defendants to disclose to the plaintiffs information in relation to the owners and/or operators, members and subscribers of the Websites (except [www.anton-pillar.com](http://www.anton-pillar.com)). “Members and subscribers” were limited to those who had offered or accepted pirate hardware or software for a price or otherwise or those who had given instructions for the use of pirate hardware or software.

## **C. MATTERS OF INTEREST**

### **1. Intellectual Capital Management Consultancy Programme Launched**

On 5 March 2009 The Intellectual Property Department Government of HKSAR launched an Intellectual Capital Management Consultancy Programme (“the Programme”) to offer free consultancy services to enterprises (especially small and medium enterprises) to help them manage their intellectual property.

An Intellectual Capital Management Consultant will visit the office of a participating enterprise twice to help it with the following:-

- i. Analyzing the existing knowledge of the enterprise, recording the knowledge as much as possible and making it sharable within the enterprise. Such knowledge is the “intellectual capital” of the enterprise;
- ii. Identifying possible profits that could be generated from the enterprise’s intellectual capital and developing the relevant marketing plans;
- iii. Assessing the risks involved in protecting the enterprise’s intellectual capital and minimizing the risks with strategies, and
- iv. Creating an Intellectual Property Report.

Director of the Intellectual Property Department said that they aimed to approach 30,000 organizations to raise their awareness of Intellectual Capital Management. The first phase of the Programme was open for application from 5 March 2009 to 30 September 2009. Participating enterprises will receive a free set of Intellectual Capital Management training materials and a certificate as recognition of their participation.

### **2. Hong Kong and Guangdong agreed to step up co-operation to raise intellectual property awareness of the public and enterprises in both places**

The Guangdong/Hong Kong Expert Group (“the Group”) on the Protection of Intellectual Property Rights held their eighth meeting in Guangzhou on 16 July 2009. At

the meeting, the two sides reviewed the latest intellectual property developments and concluded that many intellectual property co-operation items had been successfully completed in the past year including:-

- i. China's Intellectual Property Strategy Forum;
- ii. Exchange programmes for intellectual property practitioners and enterprises in creative industries;
- iii. Guangdong/ Hong Kong Seminar on Intellectual Property and Development on Small and Medium Enterprises; and
- iv. Participation in exhibitions to strengthen the knowledge of intellectual property systems among enterprises in both places.

Projects for the Group in 2009-2010 include:-

- i. Promoting preparatory courses for National Qualification Examination for Patent Agents in Guangzhou and Shenzhen;
- ii. Organizing a seminar on "China Patent Law Amendment and Implementation" in Hong Kong;
- iii. Facilitating exchanges on IP exploitation and management by enterprises in creative industries and strengthening business exchanges for IP professionals in both places;
- iv. Further extending the "No Fakes Pledge" Scheme (as reported in last year's report) to the third batch of pilot cities in Guangdong namely Foshan, Zhongshan and Zhaoqing;
- v. Organizing the Guangdong/Hong Kong Seminar on Intellectual Property and Development of Small and Medium Enterprises in Guangdong;
- vi. Promote intellectual property awareness among mainland and Hong Kong enterprises in Guangdong, and
- vii. Organizing training courses in Guangdong on use of patent information by Hong Kong enterprises in Guangdong to accelerate restructuring and upgrading.

#### **D. REGISTRATION ACTIVITIES**

During the period from 1 September 2008 to 31 August 2009 (both days inclusive), there were the following applications received and registrations granted by the Hong Kong Intellectual Property Department:

	Applications received	Registrations granted
Trademarks:	22,492	21,697
Patents:		
Standard patents	11,931	4,536
Short-term patents	530	419
Designs:	4,165	3,935