

Council Meeting in Jeju, Korea, October 2010

Report of
THE HONG KONG GROUP OF APAA

by Tim Hancock

A. CHANGES AND DEVELOPMENT IN LEGISLATION

1. Civil Justice Reform

The Civil Justice Reform (“CJR”) amendments referred to in Anne Choi’s report of last year continue to have a significant effect on litigation and dispute resolution in Hong Kong. Where litigation has been instituted, the courts at all levels have been keen to exercise the increased case management powers granted to them by the new CJR procedures. The timetable between the issue of proceedings and the eventual hearing of a case are increasingly dictated and driven by the courts rather than the previous system where the parties had more influence on how legal proceedings would progress, and at what speed. The court is having less sympathy with parties failing to meet deadlines. Procedures have been streamlined and are less flexible. The court is more willing to assess costs payable immediately and on a summary basis.

I do not believe that official figures are yet available for empirically assessing the impact of the CJR, but it is apparent to all who have a litigation practice that the affect has been significant. The cases that are being brought are being dealt with more efficiently. There is more pressure on parties to consider alternatives to litigation before proceedings are actually instituted. Even after proceedings have commenced, there is pressure on parties to seek alternative means of resolving their dispute. Parties to litigation may be punished in relation to costs if they unreasonably refuse to consider alternative means of resolving their dispute. This has resulted in an increased demand for Mediators and Arbitrators, as well as practitioners having to acquire new skills so that they are able to properly deal with alternative methods of dispute resolution such as Mediations and Arbitrations.

None of the CJR amendments are directly aimed at any particular form of intellectual property litigation or dispute, but they will undoubtedly have an increasingly significant impact on all types of intellectual property dispute resolution, particularly where litigation is being contemplated.

2. Copyright (Amendment) Ordinance 2009

The provisions of this new Ordinance amended the criminal offences provided by the underlying Copyright Ordinance enacted in 1997, particularly to combat business end-user copying. These changes can be summarized as follows :-

It is a criminal offence punishable by a maximum fine of HK\$50,000 for each infringing copy and imprisonment for a maximum of 4 years :-

- (a) To possess infringing copies of computer programmes and certain audio video products for use in a business. Previously, criminal law provisions required such items to be sold or offered to the public before an offence was committed. Now, mere possession “for the purpose of or in the

course of any trade or business” can amount to an offence if that possession is with knowledge or a reasonable belief of the infringing nature of the item possessed.

- (b) To make infringing copies of certain printed works for distribution. To amount to a criminal offence, these copies need to be made on a regular or frequent basis resulting in a financial loss to the owner of relevant copyright. This offence principally applies for books or magazines, periodicals and newspapers. “Distribution” for the purpose of this offence can include “in-house” activities such as distribution of copies through an Intranet system.

Organizations which commit the above offences may be criminally liable. Directors and partners in a body corporate or partnership (including law firms) may be found personally liable for these new offences unless there is evidence to show that they did not authorize the act to be done. When establishing whether a director or partner has done enough to escape liability, the court will look at what has actually been done to try and ensure relevant copyright works are secure, to acquire appropriate licenses or to introduce company policies or practices which seek to prevent the making of distribution of unauthorized copies of copyright works.

Even employees may be criminally liable unless they can show that they acted in the course their employment and were provided with the infringing copy by or on behalf of their employer or acted in accordance with instructions given to them by that employer.

There are some “safe harbour” numerical limits which allow copying and distribution to a limited extent under the terms of the offence referred to at (a) above. There are also exemptions which apply to specific education establishments, libraries and museums. These exemptions are complex and are all in addition to and not in substitution for the general exemptions which already apply to copyright infringement as set out in the underlying Copyright Ordinance of 1997.

Incorporated and unincorporated businesses (including law firms) need to consider these changes and establish clear office copyright policies with the above new offences and exemptions in mind.

3. Competition Law

Anne Choi mentioned this in her report last year. Since then, following formal public consultations since 2006, the Bill was “gazetted” on 2 July 2010 although it is not yet known when it is likely that the law will be introduced or come into effect. However, when the Bill eventually becomes law, it will aim to :-

- (a) Prohibit conduct which prevents, restricts or distorts competition and,
- (b) Prohibit mergers that substantially lessen competition.

The legislation will establish a Competition Commission whose role will be to investigate suspected breaches of the law. The Commission may commence investigations on their own initiative, following receipt of a complaint or following referral of a complaint from the Hong Kong Government or a court. Members of

the commission will come from various backgrounds in industry / commerce / law.

The law will also establish a Competition Tribunal whose role will be to enforce the law by adjudicating on whether breaches of the law have occurred. It is proposed that all judges of the Court of First Instance in Hong Kong will be Tribunal Members and the Tribunal will officially be a division of the High Court. The Chief Executive of Hong Kong will appoint a President of the Tribunal and each case will be led by a separate Presiding Tribunal Member who will sit with other judges and sometimes with lay-assessors who may be appointed from time to time because of their expertise in any particularly relevant industry or profession.

The legislation has previously been subject to delays and it remains unclear exactly when the law is likely to be passed and, even when passed, when it is likely to come into effect.

4. Shadow Companies

The Government has recently gazetted the Companies (Amendment) Bill to introduce legislation giving the Companies Registry additional powers to deal with the problems posed by "Shadow Companies". The companies are registered using and/or incorporating well known trade marks. Many then purport to grant licenses in relation to those trade marks, thereby giving the impression of a valid licensor / licensee arrangement, when in fact no such arrangement exists. Under the proposed amendment, the Companies Registry will have the power to direct the change of a company name in appropriate circumstances. If the company fails to comply with such an Order, the Registrar of Companies may substitute the company name simply with its registration number.

It is hoped that the new legislation will come into force this year. It will be an improvement on the previous system which was very cumbersome and open to abuse. However, dialogue is still continuing with the Companies Registry. Consideration is being given to possibly adopting some additional protection -- some form of publication of proposed new company names, a formal "opposition" procedure or other methods which will further enhance the protection available to trade mark owners when their trade marks are misused in this way.

B. NOTABLE CASES

Creative Resources LLC – Court of Appeal Judgment CACV 15/2009. 18th November 2009. This Court of Appeal case related to an appeal from a Court of First Instance decision given on 9 January 2009 (as mentioned in Anne Choi's report last year). The Applicant had applied to register the word "NAKED" as a trade mark for condoms. The Trade Mark Registrar had refused the application on the ground that the word designated a characteristic of condoms and was therefore not distinctive and not capable of functioning as a trade mark. The Applicant appealed against the Registrar's decision. The Court of First Instance allowed the appeal, as reported last year. They considered that the word "NAKED" was more suggestive than descriptive when used in relation to condoms.

The Registry appeal to the Court of Appeal was successful. The court found that the judge at First Instance had failed to properly interpret the relevance of the “Wrigley Case” HOIM v W M Wrigley J R Company ([2004] RPC18) and failed to give sufficient weight to the POSTKANTOOR case. The Appeal Court upheld the Registrar’s findings that the NAKED trade mark could not function as a trade mark in guaranteeing the identity of the origin of the goods. The Appeal Court also relied on the fact that the Registrar has extensive experience in reviewing trade marks. The Registrar’s opinion should therefore not have been overruled simply because the judge had reached a different conclusion. The Court of Appeal found that the judge had been wrong in concluding that the mark was suggestive rather than descriptive, reinstated the Registrar’s original decision and disallowed the application.

C. MATTERS OF INTEREST

I. Intellectual Capital Management Consultancy Programme

This is a joint initiative launched by the Intellectual Property Department of Hong Kong, the Innovation and Technology Commission and the Trade and Industry Department. It is a free consultancy service which aims to help enterprises gain an understanding of the value of intellectual property (especially small and medium size enterprises – SME’s.). It helps advise how to maximize the business potential of these resources and compete more effectively in the market. A free session of up to 3 hours is offered at which a consultant will help participants become aware of their intellectual assets, help them identify and mitigate risks in relation to those assets, help them make plans to exploit those assets and assist in the creation of an “intellectual capital report” for that organization. Applicants wishing to take advantage of this scheme have until 31 December 2010 to apply. I expect to report next year on how extensively that service has been used and the number of enterprises who have taken advantage of the services available.

II. Patents

A written question was recently submitted by a Legislative Councillor to the Government pointing out that, whilst short-term patents are granted locally, standard patents in Hong Kong are based on patents granted elsewhere (UK / Europe / China). Neighbouring jurisdictions such as Singapore and Macau have independent registration systems for standard patents. Was the Government considering establishing a similar system in Hong Kong? Essentially, the Government’s response was “No”. They felt the establishment of a Patent Office of “original grant” would involve a comprehensive technical information databank and a sizable pool of suitably qualified technical personnel. The relatively low volume of patent applications originating from Hong Kong (approximately 1% of all applications received in Hong Kong) tended to indicate there was little local demand for a system of original grant. The Government’s response corresponds with my own feeling for the world market view of Hong Kong in relation to patents, but I would welcome views and comments from APAA colleagues – particularly those who might consider the Government’s position to be incorrect in any way and who feel that Hong Kong might benefit from a system of original grant.

D. REGISTRATION ACTIVITIES

During the calendar year 2009, the following number of applications were received and registrations granted by the Hong Kong Intellectual Property Department :-

	<u>2009</u>	
	<u>Applications</u>	<u>Registrations</u>
Trade Marks	24,754	22,500
Standard Patents	11,857	5,625
Short Term Patents	551	474
Registered Designs	2,234	3,850

	<u>2010 (Up to 31/08/2010)</u>	
	<u>Applications</u>	<u>Registrations</u>
Trade Marks	18,918	15,278
Standard Patents	7,888	3,123
Short Term Patents	378	322
Registered Designs	1,574	2,487

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