



**Proposed Application of the Protocol Relating to
the Madrid Agreement Concerning the International
Registration of Marks to the Hong Kong Special Administrative Region**

The Law Society's Submissions

The Law Society provides the following responses to a Consultation Paper entitled "Proposed Application of the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks to the Hong Kong Special Administrative Region" released by Commerce and Economic Development Bureau and Intellectual Property Department ("**the Consultation Paper**") in November 2014:

The Consultation Paper calls for views on the following:

- A. A proposed application of the Madrid Protocol to Hong Kong, in particular:
 - (a) the benefits and the applications;
 - (b) practical arrangements;
 - (c) steps for implementation;
 - (d) tentative timing.
- B. The need for and the desirable features of a possible special arrangement between Hong Kong and mainland China to facilitate the reciprocal filing of trade mark applications.

Introduction

1. The Law Society welcomes the opportunity to provide comments on the Consultation Paper: *Proposed Application of the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks to the Hong Kong Special Administrative Region* issued in November 2014.

2. The Law Society Intellectual Property Committee (“**IP Committee**”) has reviewed the Consultation Paper. The IP Committee consists of individuals who have all practised in Hong Kong for over 20 years.

Initial Comments

3. It is noted that all of the member countries to the Madrid Protocol are either sovereign states or are dependents of such sovereign states. Ignoring the usual legislative procedures that would be necessary at a national level to make laws to provide for the receipt and processing of Madrid Protocol applications into the national system and onto the national trade marks register, and which legislative steps will presumably have been needed in all jurisdictions as they will in Hong Kong, the accession of such sovereign states and their dependences will also have been a relatively straight forward matter of Governmental agreement to accede to the Madrid Protocol.
4. However, this is not the case for Hong Kong. As is apparent in Annex 5 of the Consultation Paper, China became a party to the Madrid Protocol on 1 December 1995; which, incidentally, is also the same day on which the United Kingdom, of which Hong Kong was then a colony, also became a member. However, whilst Hong Kong was a colony of the United Kingdom, its trade marks system was not also acceded to the Madrid Protocol. Likewise, and as identified in the Consultation Paper paragraph 2.13, when Hong Kong was handed over to China on 1 July 1997, Hong Kong’s trade marks system was not then acceded to the Madrid Protocol either.
5. It is apparent that as Hong Kong is now a Special Administrative Region of China, China being its sovereign, the accession of Hong Kong to the Madrid Protocol is not a straight forward matter of a Government agreement and legislative implementation. It is understood that the mechanics of Hong Kong acceding to the Madrid Protocol involves a more complicated inter governmental agreement as between Hong Kong and China, as well as some form of special amendment or resolution of the World Intellectual Property Organisation (“**WIPO**”), and possibly of the Madrid Protocol agreement itself.
6. Indeed, in paragraph 4.4 it is recognised that implementation details would need to be worked out with the Central People’s Government and the International Bureau, for example, regarding the fees level and language requirements of incoming and outgoing international applications, and the procedures before receiving and processing such applications. However, it does not mention the issues relating to the fact that Hong Kong is neither a sovereign state nor an inter-governmental organisation.

7. Accessing Hong Kong to the Madrid Protocol therefore involves significant time, effort and financial resources, not just locally but internationally also, to an extent that has perhaps not been seen previously.
8. Having regard to the above “special” circumstances that exist for the purpose of Hong Kong’s accession to the Madrid Protocol, many of the comments made in this paper are intended to encourage those with decision making power to consider the extent to which the benefits to Hong Kong are sufficient, given the time, effort and financial resources that are required on an international basis to make it happen.
9. The Law Society’s view is that it is by no means clear that the time, effort and financial resources are of sufficient benefit to Hong Kong or Hong Kong businesses, in the absence of clear evidence that there is a growing demand and need locally or internationally, for Hong Kong to be a member of the Madrid Protocol.

Observations

10. The Consultation Paper frequently talks of the cost savings of the Madrid Protocol that can potentially benefit SMEs in Hong Kong. However, the Consultation Paper should not draw SMEs into a false sense of security in proceeding with Madrid Protocol filings. The cost saving is on the initial filing only, and is only applicable where filings are made for at least a certain number of jurisdictions. Further, the cost expenditure will significantly increase in cases of:
 - (a) central attack (i.e. the basic mark fails in the initial 5 years) and the applicant is forced to convert an international registration (IR) to separate national trade mark applications/registrations at significant costs (which will then be greater than the costs of simply proceeding with national filings in the first place); and
 - (b) objections/oppositions at a national level – if an SME believes there are cost savings with the Madrid Protocol filings and designation of national countries, they may be encouraged to designate far more countries than they may initially have intended, but faced with objections and oppositions are suddenly inundated with greater problems and consequential legal bills.
11. Central attack – The significance of central attack should not be underestimated. Central attack can happen at any time within 5 years of the basic mark being registered, and if that happens, the entire IR in all designated contracting parties must also be cancelled (Consultation Paper paragraph 2.7). Within a 5 year period, a trade mark owner can have incurred very

substantial expenses in developing such overseas markets and setting up operations. If a central attack occurs, the potential consequences could have a severe financial impact upon a Hong Kong business, particularly an SME that is heavily invested.

12. Whilst a central attack can lead to the trade mark owner converting the IR to national applications, if the circumstances of the central attack extend also to such other designated countries, the trade mark owner's investments could be lost and intervening third party rights prevail.
13. Footnote 14 on page 8 of the Consultation Paper, states that
"There are circumstances under which an applicant may prefer to file separate national applications directly with overseas Trademark Offices instead of filing an international application under the Madrid system. For example, the basic trade mark may have been filed in English only but the applicant seeks to protect its Chinese, Korean or French equivalent in overseas market, or the applicant seeks to protect the same basic mark but in respect of different scope of goods and services."
14. This note admits but has not been highlighted in the Consultation Paper that the Madrid Protocol may not work in some cases and Hong Kong SMEs should consider on a case-by-case basis whether it is at all worthwhile filing an application through the Madrid Protocol or they should be filing separate national applications instead.
15. Paragraph 2.2 of the Consultation Paper also raises an issue that affects Hong Kong businesses, including SMEs, more than other territories. The applicant of an IR must have a basic trade mark in an office of origin, and which must be a country which is party to the Madrid Protocol. It is extremely common for Hong Kong businesses to use and operate with BVI companies, or to at least hold their intellectual property rights through BVI companies. To engage in the Madrid Protocol, many Hong Kong companies would need to change this approach and possibly need to restructure their intellectual property holdings.

Credibility of Hong Kong and Promoting Hong Kong as a trading hub

16. In paragraph 3.4 of the Consultation Paper the point is made that *"some business associations have expressed their views that the deferral of the application of the Madrid Protocol to Hong Kong would affect the local protection of trade marks and undermine the credibility of Hong Kong as an international business hub."* In our opinion this is not true because:

- (a) Hong Kong already has an effective and cost efficient trade marks system (one of the cheapest in the world).
 - (b) the existing trade marks system operates efficiently and to an international standard, and is internationally reputable;
 - (c) there is no shortcoming in the “local protection of trade marks”;
 - (d) Hong Kong is, de facto, an international business hub which does not need the Madrid system to achieve such status;
 - (e) the existing trade marks system and its relative ease of access (this is not a statement that the registration of trade marks is easy, as they must undergo proper examination) has already enhanced Hong Kong as an international hub;
 - (f) there is no evidence that the absence of the Madrid Protocol in Hong Kong has had an impact upon any local protection of trade marks; and
 - (g) there have been no calls for the Madrid Protocol to be introduced to Hong Kong by the local profession, and neither has there by the equivalent profession in overseas jurisdictions.
17. Paragraph 3.7 of the Consultation Paper promotes the Madrid Protocol system as a means of reaping the benefits of “the growing licensing business of Hong Kong”. In relying upon figures in the footnote 33 of a growing licensing business in Hong Kong, the statistics provided have merely referred to a growth in trade marks and franchise licensing fees and charges for the use of IP rights. However, the figures are of turnover only, and do not give statistics relating to:
- (a) any growth (or not) of the number of licenses involved;
 - (b) any growth (or not) in the number of trade marks that are the subject of such licensing business;
 - (c) whether ownership of those licensed marks are Hong Kong owners or overseas owners;
 - (d) whether any growth is reflected in overseas trade mark owners.
18. In the absence of the basis of the “growth” being relied upon, such potential benefits should not be endowed or given weight.

Madrid in Practice

19. It appears that national trade mark (TM) applications still far exceed the “Madrid Protocol (MP) designated” filings for the countries from Annex 6 of the Consultation Paper; see extracted data comparison set out below.

	Yr joining MP	National TM filings 2013	MP designated filings 2013	MP filings 2013
China	1995	1,733,361	20,275	2,544
Japan	2000	104,495	13,179	1,917
Korea	2003	147,667	10,967	437
Singapore	2000	21,245	8,582	202
USA	2003	320,058	17,322	5,856

20. The statistics seems to show trade mark owners still prefer national (or domestic) TM applications over MP designated applications for certain countries like the PRC, Japan, Korea, and the USA. Question – are trade mark owners really finding it advantageous to enter certain countries like PRC, Japan, Korea and the USA via the MP route? If not, will the MP route really help Hong Kong SMEs to extend TMs to these countries?
21. Statistics from smaller country like Singapore show that between 2010 and 2013, some 37% to 40% of trade marks seeking registration in Singapore did go via the MP route, but the percentage of national filings remained more or less the same. By analogy, a substantial percentage of the domestic TM filings in Hong Kong will be gone or at least any potential growth in domestic TM filings will be hampered as and when we have MP designation to Hong Kong.
22. If Hong Kong is to join MP, certain practical issues like the following will arise: -
- (a) Whether and what proof of “real and effective industrial or commercial establishment, domicile or nationality” we may/ should need for an applicant of a HKTM application so that it qualifies as the basic mark?
 - (b) Will a Chinese language filed HKTM application be acceptable as the basic mark?

- (c) Will specification amendment of a HKTM application (which serves as the basic mark) be allowed before designating Japan, USA, or other jurisdictions which have special requirements for description of goods and services so as to help avoid national objections and save costs?
 - (d) Will IR applications designating Hong Kong be raised as citations against national marks which have been examined and cleared (or citations are cleared already), where the IR mark would have been cited had it been notified to the HK Registry earlier?
23. Whilst the Consultation Paper focuses upon a belief that accession to the Madrid Protocol will enhance the competitiveness of Hong Kong as an international business and IP trading hub, the other aspect to be considered is the prospect of locally filed applications reducing dramatically, there being resulting loss of jobs within the IP sector. The IP profession will become a “diminishing” profession; reducing the level of employment in the IP field and creating a “diminishing” profession is not conducive to the development of an IP trading hub nor enhancing competitiveness.
24. The Consultation Paper does say [Consultation Paper paragraph 3.12] that practitioners will potentially find more work eventually in handling objections to IR applications that have been filed. However, the Consultation Paper neither:
- (a) discloses the percentage of Hong Kong applications that are generally rejected due to either formalities or on examination (for which the average over the past 10 years in Hong Kong would be a good guide); nor
 - (b) shows any comparison figure to Singapore (the city most close to Hong Kong for comparison purposes) on their experience in such matters.

Possible arrangement between mainland China and Hong Kong

25. The Consultation Paper raises the possibility of a special arrangement to facilitate trade mark applications by Hong Kong applicants for registration in mainland China and vice versa. The Government has not put forward any clear proposal, and in the absence of such our comments are limited. However, this is not as simple as it may appear and we can foresee a number of difficult issues which have to be resolved in light of the significant differences between the trade mark laws and practice in mainland China and Hong Kong. Below are our preliminary comments for consideration.

26. To have a simple “tick box” for a trade mark application being filed in mainland China, for Hong Kong to be automatically covered if the mark is clear in the PRC, has to overcome various issues:
- (a) the mark may or may not have already been registered in Hong Kong, or vice versa (and the existence of 2 identical or confusingly similar registered rights should not be permitted save as permitted under Hong Kong law which only permits identical marks where consent is provided or through evidence of long term use and peaceful co-existence)
 - (b) the PRC examination and registration system is very different to that in Hong Kong, and it would be unfair on other applicants and owners of prior registered marks in Hong Kong for an application filed in the PRC to be automatically deemed covered in Hong Kong (or vice-versa);
 - (c) there should not be a parallel/duplicate registration system that potentially secures the registration in Hong Kong far more easily than on direct filing in Hong Kong;
 - (d) tick box approach will place an unreasonable burden on the local Hong Kong Registry if it is expected to examine tick box applications (if local examination is contemplated), unless a fee of the Hong Kong equivalent official fee is also paid;
 - (e) there should not be a “tick box” approach to the Madrid Protocol by filing in mainland China, for it to cover Hong Kong by tick box, as this would also involve huge resources on Hong Kong (noting that China designations in 2013 were 31,000, the same as the Hong Kong national level of direct filings) and would likely double the workload;
 - (f) given the differences between the trade mark registration system in China and in Hong Kong, if we are to have reciprocal filing of HK domestic TM applications and PRC domestic TM applications, we need to align the formality requirements; hence,
 - i. Mark – whether series mark allowed?
 - ii. Applicant – proof of ID required in the PRC, so should it also be required in HK?
 - iii. Priority document – filing required in the PRC, but not required in HK;

- iv. Specification of goods/ services – despite following the Nice classification, PRC requires detailed description and following of the standardized terms for the specification of goods and services and sub-group classification, which are not required at all in HK.
27. In addition, with the “tick box” arrangement, pirates in the PRC may also easily extend their pirated trade mark applications to Hong Kong, thereby causing even more damage to the rightful holder of the relevant trade marks. The Consultation Paper has not addressed such potential risk nor offered any appropriate preventive measures in this respect.
28. We trust the above comments are of assistance and we welcome the opportunity to participate in further discussion.

The Law Society of Hong Kong
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