



Deacons IP Bulletin

legal update



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Deacons awarded "Hong Kong IP Law Firm of the Year" by *Managing IP*



Deacons' IP Department has again been recognized as the "Hong Kong IP Firm of the Year" by the international publication *Managing IP* for the fifth consecutive year. The top firm in each jurisdiction for this global award is chosen based on extensive international annual surveys of IPR owners and IP law practitioners. As in previous years, the awards are presented to the firms behind the most innovative and challenging IP work of the past year.

Deacons has also been recognized in the *Managing IP* global surveys as a Tier 1 firm for trade marks prosecution, trade marks contentious, patents prosecution, patents contentious and copyright. Deacons is the only Hong Kong firm which has ever been listed as a Tier 1 firm in all 5 categories.

The award was accepted by Christopher Britton, the Head of Intellectual Property Department, who attended the awards ceremony at The Dorchester Hotel on 6 April 2011.

Legislative Proposals to Strengthen Personal Data Privacy Published

The Personal Data Privacy Ordinance (PDPO) has not been amended since its enactment in 1995. Revelations that a number of high profile companies and six major banks in Hong Kong had been involved in the unauthorised sale of personal data records caused a public furore and has led the Government to conduct a thorough review of the law on personal data privacy.

On 18 April 2011, the Government published its “Report on Further Public Discussions on Review of the Personal Data (Privacy) Ordinance” and set out legislative proposals to strengthen personal data privacy protection.

Key Proposals

Direct marketing

Specific requirements will be introduced requiring the data user to inform the data subject of

- the classes of goods, facilities or services to be offered or advertised and/or the purposes (e.g. charitable, cultural or recreational) for which donations or contributions may be solicited;
- the classes of persons to whom the data may be transferred; and
- the kinds of personal data to be transferred.

The layout and presentation of such information, if in written form, should be easily readable to individuals with normal eyesight and the language easily understandable.

The data user should also provide an option for the data subject to choose not to agree (i.e. an opt-out mechanism) to the use of his personal data for direct marketing. If a data subject does not respond to the data user’s notification of the use or transfer of the data within 30 days, the data user may deem that the data subject has not opted out of the marketing activities.

The Privacy Commissioner may issue an Enforcement Notice in respect of such requirements. A data user who uses personal data for direct marketing purposes without complying with the requirements, or against the wish of the data subject, will be liable to a fine of \$500,000 and imprisonment for three years. It is unclear from the summary of the proposals whether an offence will be committed immediately or only after breach of an Enforcement Notice from the Commissioner (as is currently the case). We believe that it will be the latter.



Opt-out mechanism

The Government has stated that the adoption of the opt-out mechanism seeks to strike a balance between the protection of personal data privacy and allowing room for businesses to operate, while also providing data subjects with an informed choice.

Currently, under the PDPO, a data subject may opt out at any time and, if he so requests, the data user must cease to use his personal data for direct marketing. The Government proposes an additional requirement that, if a data subject does not opt out originally, but subsequently exercises the opt-out option, he may request the data user to notify the classes of persons to whom his personal data have been transferred for direct marketing, to cease to use the data. Upon receipt of the notification, the transferees have to cease to use the data and failure to do so will be an offence.

There will be transitional provisions to address pre-existing data collected before the entry into force of the new requirements.

Sale of personal data

Further requirements will be introduced so that, before the sale of personal data by a data user, the data user should inform the data subject in writing of the kinds of personal data to be sold and to which classes of persons the personal data may be sold.

The layout and presentation of such information should be easily readable to individuals with normal eyesight and the language easily understandable.

A data user who sells personal data without complying with the requirements, or against the wish of the data subject, will be liable to a fine of \$1,000,000 and imprisonment for five years (which is a higher penalty than under the current law).

An opt-out mechanism will again be provided. As with the use of personal data for direct marketing, where no opt-out request is received within 30 days, the data user may deem that the data subject has not opted out of the sale activities. A data subject may opt out any time and, if he opts out, the data user has to cease to sell his personal data, and may have to notify the classes of persons to whom his personal data have been sold, to cease using the data.

Disclosure of personal data

It will be a criminal offence to disclose personal data which a person obtained from a data user without the latter's consent with a view to gain money or other property, or to cause loss of money or other property or psychological harm to the data subject. The penalty will be a fine of \$1,000,000 and imprisonment for five years.

Regulation of data processors and sub-contracting activities

Data users will be required to use contractual or other means to ensure that their data processor and subcontractors, whether within Hong Kong or offshore, will comply with the requirements of the PDPO.

The Privacy Commissioner will be requested to prepare new guidelines or a code of practice to provide practical guidance on compliance with the new requirements.

Response of the Privacy Commissioner

Interestingly, although the Government is pursuing the majority of the proposals put forward by the Office of the Privacy Commissioner ("PCPD"), the Commissioner has expressed disappointment that the Administration is taking a different approach in respect of some proposals which he feels will have significant impact on personal data privacy. In particular:

■ Unauthorized sale of personal data by data user

The Commissioner feels that deeming provisions would in effect legalize the sale of personal data by data users which would not otherwise be permitted under the current PDPO. He is concerned that an "opt-out" approach is out of keeping with the strong public distaste expressed after the high profile incidents against the sale of personal data without the data subjects' consent.

■ Do-Not-Call Register

The Administration does not propose to set up a "Do-Not-Call" register on person-to-person telemarketing calls under the PDPO. The Commissioner acknowledges that regulating person-to-person telemarketing calls through the "Do-Not-Call" register may be more satisfactorily implemented under the Unsolicited Electronic Messages Ordinance ("UEMO"), which falls under the purview of the Commerce and Economic Development Bureau. However, as there was significant public support for this proposal in the two public surveys conducted by the PCPD in December 2010, the Commissioner has expressed the hope that the Administration will promptly and seriously consider implementing the proposal under the UEMO.

■ Strengthening the enforcement powers of the PCPD

The Administration has decided not to confer the following powers on the PCPD:

- conduct criminal investigation and prosecution;
- award compensation to aggrieved data subjects; and
- impose monetary penalties for serious contraventions of Data Protection Principles

The Commissioner was disappointed to note the Administration's decision, which he felt does not appear to be in accord with rising public expectation to strengthen the sanctioning powers of the PCPD and to deter privacy contraventions more vigorously.

The way forward

The aim is to introduce an amendment bill into the Legislative Council in **July 2011**. The Commissioner has said that he will study the Report in detail and will submit his views to the Administration and the Legislative Council for further consideration. It remains to be seen whether the proposals will be revised before the bill is introduced. From our experience in dealing with the Commissioner's office, given the strict stance normally taken by the Commissioner, it is likely that he will interpret the scope of any resulting legislation broadly so as to extend the scope of protection to the public. It is also likely that the Commissioner will continue to be vigilant in monitoring collection and use of personal data by companies and will instigate compliance checks even in the absence of complaints.

Bearing this in mind, businesses are advised to review their personal data policies and practice with a view to bringing them in line with the proposed new law. The following guidelines may provide a practical starting point, irrespective of what happens with the law:

- Does your business have a comprehensive privacy policy that sets out clearly the intended purposes for which the data will be used and to whom you may transfer the data?
- Is the policy in language that is easy to understand?
- Has your privacy policy been brought to the clear attention of your customers?
- Are you using the data for purposes directly related to your business and, if not, have you obtained the specific consent of your customers?
- Does your policy provide your customers with all the information required under the PDPO?
- Have you conducted an audit of your company's procedure in collecting, using, storing, deleting and transferring personal data to ensure that it is in compliance with the PDPO?

We have extensive experience in assisting our clients with conducting privacy audits, preparing privacy policies and dealing with complaints and investigations by the Privacy Commissioner. If you need our assistance or have any questions regarding the PDPO, please feel free to contact our partner Charmaine Koo at charmaine.koo@deacons.com.hk.

Forum on the Future Development of the Patent System - Hong Kong considers Original Patent Grant

A “Forum on the Future Development of the Patent System in Hong Kong” took place on 28 February at the Hong Kong Science and Technology Park. The forum was organised by the Hong Kong Intellectual Property Department together with the Commerce, Economic and Development Bureau. The forum provided an opportunity for stakeholders to discuss the operation of the present patent law system of Hong Kong. There was a lively discussion on many topics including whether the system did enough to foster local innovation and development by Hong Kong companies and individuals.

Hong Kong's Patent System

Although Hong Kong's patent law is largely based upon the 1977 UK Patents Act, after the return of sovereignty to China in 1997, Hong Kong has operated a re-registration patent system. Standard patents in Hong Kong are obtained by re-registration of the publication and subsequent progression to grant of European (designating UK), UK or Chinese patents in Hong Kong. Effectively, a standard patent is granted for a term of 20 years based upon the grant of a patent in another country, with only examination as to formalities being conducted here.

A short term patent (8 years) may also be pursued in Hong Kong. These are also examined only for compliance with certain formalities. Importantly, patents granted in Mainland China which have not been *re-registered* in Hong Kong, have no legal effect in Hong Kong under the ‘one country, two systems’ framework.

Need for Reform?

At the forum, some speakers argued that the present system of standard/short term patents was inadequate in facilitating local Hong Kong innovation and knowledge development. Proponents of this view emphasised that fewer than 1% of granted standard Hong Kong patents were made to Hong Kong companies or individuals. This is due to alleged deficiencies of the present patent system, exacerbated by economic and resourcing constraints. However, some felt that the current system has the advantage that it is simple, efficient, and relatively low cost and provides certainty for both local and foreign applicants.

Speakers from the panels and members of the audience at the forum put forward various alternative models, including the introduction of local examination of patent applications,

outsourced to the Chinese Patent Office similar to an option utilised by applicants in Singapore.

Another option is modified examination, whereby the results of examination by other patent offices for either, or both, short term and standard patent applications, could be used by applicants to pursue patent protection in Hong Kong.

Prelude to Consultation

Stephen Selby, director of the Hong Kong Intellectual Property Department at the time, emphasised that the forum is a prelude to consultation by the Government before any reforms are undertaken. As regional economies transition from manufacturing to knowledge-based economies, capturing and harnessing local innovation through a robust Hong Kong patent system, is increasingly important. On the international stage, trends such as the Patent Prosecution Highway and the cross-accreditation of work performed by other Patent Offices, may be factors to be taken into consideration by the Hong Kong government if reforms are to be introduced.

Hong Kong Courts Consider ISP liability in Defamation Case

The rapid development in digital technology continues to increase the tension between copyright owners, users and Internet Service Providers (ISPs). With Hong Kong still in the process of amending its law to address the issue of the protection of copyright in the digital environment, a ground-breaking recent decision (*Oriental Press Group Limited v. Fevavorks Solutions Limited*) required the Hong Kong Courts to consider the liability of an ISP for defamatory statements posted on an Internet discussion forum.

The defendants were the operators of a website which, among other things, hosts an Internet discussion forum. Certain forum members, using fictitious names, posted messages about a local newspaper group (the Oriental Daily News group) and its founder alleging involvement in crimes and triad activities. The Oriental Daily News sued the forum operators for publishing the libel.

The Court concluded without too much trouble that the statements posted were defamatory. The more interesting issues were whether the ISPs were “primary publishers” (who are subject to strict liability for libel even without knowledge) or “subordinate distributors” who may claim a defence of “innocent dissemination”.

There was undisputed evidence that the defendants had exercised minimal editorial control over the web discussion forums. The

responsibility for monitoring the discussion forum fell on two employed staff whose main duties were not discussion forum moderators and they only acted on receipt of complaints. There was also no dispute the defendants were unaware of the posting of the defamatory statements until they were brought to the defendants' attention by the plaintiffs. In view of this, the Court found that the defendants were only subordinate distributors of the defamatory statements.

The Court found the defendants liable on one occasion when they took over eight months to remove the messages following a complaint and ordered them to pay damages of HK\$100,000. The defendants were found not liable for two other occasions where the messages were deleted within one day of the complaint.

Although, the dispute concerned the liability of the host of an Internet discussion forum in the context of defamation proceedings, the comments of the Court in relation to the criticisms of the defendants' operations are instructive. The plaintiffs argued that:

- although there is a need for registration, this had not been strictly enforced. As a result, the discussion forum subscribers retained a high degree of anonymity;
- although the discussion forum rules prohibit (among other things) defamatory messages to be posted, there had been minimal and passive monitoring of those messages;
- the defendants' discussion forums were of a character likely to contain libel.

The Court commented that:

"If the law were to impose a duty on the part of an Internet discussion forum host to require the disclosure of the personal particulars of its subscribers, in effect, this will mean the host is also fixed with a duty to verify those particulars...To impose a duty of verification will be too onerous from a practical point of view..."

The Court noted that a duty to monitor forum messages would entail a need for extensive resources on the part of the hosts. Further, because such a duty is editorial in nature, it would involve potentially difficult value judgements which would be difficult even for people with legal training.

The Court also felt that there was insufficient evidence to say the forum was of a character likely to contain a libel given that the defamatory statements complained of constituted only a small proportion of all the forum messages.



This judicial sentiment will be familiar from decisions such as *L'Oreal v eBay* case where eBay was held not liable as joint tortfeasor for the sale of infringing goods on its website. Although, in the opinion of the judge in the UK decision, eBay could clearly have done more to stop infringing activity on its site, this was not the same as being under a legal duty to prevent infringement of third party rights. The Advocate General of the ECJ followed the UK approach in agreeing that there should be no initial liability for the trade mark

infringements of its customers but warned that eBay could become liable if it failed to take action once notified. He thought that injunctions would be available against eBay in relation to repeated or continued infringements featuring the same user and same trade mark. (The ECJ decision has not yet been handed down at the time of writing.)

The *Oriental Press* decision echoes this reasoning and is an indication to ISPs of the approach that may be taken by Hong Kong Courts. As previously reported, the Hong Kong Government intends to introduce a statutory regime which will limit the liability of ISPs/OSPs, provided that they comply with certain prescribed conditions. This will be underpinned by a voluntary code of practice. No draft of code of practice has yet been published but it is believed that a "Notice and Notice" procedure will be adopted.

Although there is still no universally accepted test for secondary liability of ISPs, there is increased pressure on ISPs and OSPs to play a more proactive role in preventing infringement on the Internet. The US Senate is currently conducting hearings in Washington with a view to introducing legislation targeting those who facilitate online IP infringement. Many argue that it would be impractical to require ISPs to be judge, jury and executioner on the Internet. However, the delay in agreeing a code of practice in Hong Kong is an indication of how difficult it is to apportion responsibility for policing the Internet.

Chinese Language Domain Names



ICANN's approval last year of a set of Chinese language internationalised domain names has been a significant change for Chinese language users worldwide. At the time, Ron Beckstrom, President and Chief Executive Officer of ICANN noted that "one fifth of the world speaks Chinese and that means we just increased the potential online accessibility for roughly a billion people."

In order to secure proper protection in the Hong Kong Internet domain, trade mark owners need to take swift action to register their house marks, trade marks and Chinese character marks as domain names in Hong Kong. The increasing economic importance of the Chinese market means that companies should review their domain name protection strategies to take account of Chinese language domain names.

Chinese Character Domain Names

Chinese character domain names (which contain at least one or more Chinese characters) have been available in Hong Kong since 8 March 2007. However, before February 2011, Chinese character domain names could only be registered under the ".hk" country-code. This has now been replaced by the internationalized country-code ". 香港" (meaning "Hong Kong"). Every owner of a Chinese character domain name ending with ".hk", and which was registered before the launch of the internationalized country-code ". 香港", has been automatically allocated the same Chinese character domain name ending with ". 香港". The existing ".hk" and its corresponding ". 香港" Chinese character domain names are now "bundled together". This means that the two domain names must be renewed, maintained and transferred together in future.

Also, a Chinese character domain name and a non-Chinese character domain name in the name of the same owner can be bundled together to form a pair (subject to the approval of HKIRC - the domain name registration authority). The bundled domain

names will have the same expiry date and they will have to be renewed, maintained and transferred by the same Registrar in future.

The official launch date for the new Chinese characters internationalized domain name is provisionally set **31 May 2011**. A formal announcement of the exact date will be issued in due course.

Categories of Domain Names

The following various categories of domain names can be registered in Hong Kong:-

Category	Sector
.hk / . 香港	Any local or overseas company, organization or person aged 11 or above
.com.hk / . 公司 . 香港	Commercial entities registered in Hong Kong
.org.hk / . 組織 . 香港	Non-profit-making organizations registered and approved in Hong Kong
.edu.hk / . 教育 . 香港	Educational organizations approved in Hong Kong
.net.hk / . 網絡 . 香港	Entities managing network, infrastructure and services with a licence from the Office of Telecommunications Authority in Hong Kong
.gov.hk / . 政府 . 香港	Hong Kong Government Departments
.idv.hk / . 個人 . 香港	Hong Kong identity cardholders aged 11 or above

The use of a . 香港 domain name can help raise brand and product awareness for businesses and allow potential customers who can read and write only Chinese in the Greater China region to easily access these websites. The HKIRC has received a positive response during the soft launch period, with about 20,000 . 香港 domain names activated.

Trade Mark Use in the Online Environment

Some say that the Internet has become the “digital nervous system” of the new economy. With the rapid growth of Internet infrastructure worldwide, business is increasingly conducted by electronic methods. Commercial websites are used, not only to publicise a company and its products, but to conduct transactions. Trade mark laws are territorial but the Internet is an international medium. The online environment complicates the requirement to establish use and goodwill in a trade mark which are crucial to trade mark prosecution and litigation. In this article we look at some of the frequently asked questions relating to online use of trade marks.

Does use of a trade mark on a website constitute “genuine use” for the purpose of protecting a registration from revocation for non-use?

When considering the meaning of genuine use in the context of an action for revocation, the Hong Kong Registrar of Trade Marks has applied the UK judgments of *Ansul BV v Ajax Brandeveiliging BV* [2003] RPC 40 and *La Mer Technology Inc v Laboratoires Goemar* [2004] FSR 38, which hold that:

- Genuine use of a mark must entail use of the mark on the market for the goods or service protected by that mark and not just token or internal use by the undertaking;
- Use of the mark must relate to goods or services already marketed, or about to be marketed, and for which preparations have been made by the undertaking to secure customers;
- Use of the mark must relate to the commercial exploitation of the mark and its use is to maintain or create a share in the market for the goods or services protected by the mark;
- Use of the mark by a single client who imports the product for which the mark is registered can be sufficient to demonstrate that such use is genuine.

The mere use of a trade mark on websites which are accessible by the public in Hong Kong will not, in itself, be sufficient to constitute genuine use of the mark in Hong Kong. The goods or services must have been exposed in a market in Hong Kong in which third parties would or might rely on the mark as a badge of origin in respect of the goods or services.

According to the UK cases such as *800 Flowers Trade Mark* [2000] FSR 697 and *Euromarket Designs Inc v Peters* [2000] FSR 20, use of a trade mark on a website which can be accessed anywhere in the world does not mean that the mark has been used everywhere in the world. The fact that goods bearing a trade mark are available on the Internet will not be regarded as use of the mark in Hong Kong if the website does not target Hong Kong.



Relevant factors will include whether:

- the site contains any information in the local language or any local points of contact;
- the users in Hong Kong can make inquiries about a product or order the product online;
- the products are denominated in the local currency;
- the payment methods allow for products ordered online to be paid for from Hong Kong;
- shipping to a Hong Kong address is accepted;
- there is a local domain name/website.

Related issues such as whether online advertising, without the presence of goods or services in Hong Kong, constitute use of trade mark, or whether the goods available online must actually be purchased in Hong Kong, must be considered in light of all the circumstances. In particular, the intention of the website owner and what the reader will understand when he accesses the site, will be relevant. In some cases, the trade mark owner may have to show that he has taken some additional steps to target Hong Kong customers.

How much use is “genuine use”?

This will be assessed on a case-by-case basis. “Genuine use” must involve what a trader or consumer would regard as a real or genuine trade in Hong Kong. Substantial use is not required but the use cannot be merely token. Therefore, very minimal use, use that is “internal” to the trade mark proprietor (e.g., between the trade mark proprietor and its manufacturer), or use engineered merely for the purpose of preserving the validity of the trade mark, will not be sufficient. Consideration must also be

given to the nature of the goods or services, the characteristics of the market and the scale and frequency of use of the mark. The use should be commensurate with the type of goods and services involved, e.g., the numbers for sweets or cigarettes would be very different from those for a motor car or mining equipment.

Would online advertisements for services provided by businesses based overseas be considered use in commerce in Hong Kong?

The Trade Mark Ordinance does not require that the registered goods or services must be provided in Hong Kong, per se. The key thing is to target consumers in Hong Kong in order to create a market here. As discussed above, all factors and circumstances, including the nature of the business, are relevant to determining "genuine use." In some business sectors, it is not uncommon for Hong Kong consumers to use services which are provided outside of Hong Kong.

A changing landscape...

In recognition of how much the online landscape has changed over the last decade, WIPO's Trade Marks Committee has just revised the provisions of its 2001 Joint Recommendation Concerning the Use of Trade Marks on the Internet. The Recommendation is intended to assist in the application of territorial laws to determine whether use of a sign on the Internet has contributed to the acquisition, maintenance or infringement of a trade mark. It is clear that technological advances will continue to provide new ways for businesses to use and refer to trade marks which challenge the traditional application of trade mark law.

Deacons Client Seminar Programme

The Intellectual Property Department hosted a half-day seminar on Friday, 1 April, which was attended by more than 50 key clients.

Following Christopher Britton's welcome speech, Charmaine Koo, Elsie Chan, Catherine Zheng, Timothy Letters and Patsy Lau presented on a range of topics including Privacy Law in Hong

Kong, China Intellectual Property Litigation, Patent Risk Management, Trade Mark Portfolio Management and Pitfalls in Licensing. Chris acted as mediator throughout the program.

The seminar was well-received and generated a lot of questions and discussion. The seminar was followed by cocktails.

Please let us know if you have any comments on our seminar programme or if there are any specific topics that you would like to be included in future seminars.

Hong Kong appoints a new Director of Intellectual Property

Mr Peter Cheung has assumed the post of Director of Intellectual Property for Hong Kong. He succeeds Mr Stephen Selby who retired after nearly 20 years in the post. Mr Cheung has been Senior Crown Counsel since December 1988 and Deputy Director of Intellectual Property since August 1998.

The Director of Intellectual Property is responsible for advising on the copyright protection regime as well as running registration services for trade marks, patents and registered designs.

On 26 April 2011, many members of Deacons IP Department attended a reception organised by

the Hong Kong Intellectual Property Department to celebrate World Intellectual Property Day with the theme "Designing the Future". The guest of honour was Mr Andrew Wong, Permanent Secretary for Commerce and Economic Development. Many major stakeholders in the IP industry, including those from the legal community, academics and representatives from the public sector and business organisation, attended the celebration.



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Whilst every effort has been made to ensure the accuracy of this publication, it is for general guidance only and should not be treated as a substitute for specific advice. If you would like advice on any of the issues raised, please speak to any of the contacts listed.

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