

CHAPTER 4

ADVERTISING LAW AND THE INTERNET — AN OVERVIEW

1. ISSUES RELATING TO THE INTERNET

[4-1] There are a number of Internet specific problems which arise from the fact that advertising is accessible worldwide and there is no effective way of targeting a specific audience. What is acceptable advertising in Hong Kong might not be acceptable in other countries and offers to supply products worldwide may fall foul of certain national prohibitions. The worldwide offer to supply alcohol is an obvious example, since such advertising is doubtless illegal under the laws of many Arab states. Most countries also have laws relating to the advertisement of pharmaceutical and poisonous products, chemicals, firearms and financial services. The bane of the internet viz ‘spam’ emails are probably best dealt with through technological means and better filtering systems rather than by legal sanction because it is recognised that over 90% of unwanted e-mails originate abroad and beyond the arm of Hong Kong law. The Unsolicited Electronic Messages Ordinance¹ (Cap 593) and the Unsolicited Electronic Messages Regulation (Cap 593A) attempt to control the use of the internet for electronic messaging purposes, but the law applies only against messages with a ‘Hong Kong link’ so that a non-Hong Kong resident or company that transmits a message to Hong Kong from abroad will not fall foul of the provisions in the Ordinance. It is a pity that the laws of major jurisdictions cannot be ‘approximated’ (to use European Union law terminology) with reciprocal enforcement of court orders although even such a step may simply drive the more determined spammers into the jurisdictions of countries where the law is weak. Moreover, ‘approximated’² legislation is never likely to be adopted in the United States with the permissive approach to free speech contained in the First Amendment to the Constitution. That is not to say the United States has been ambivalent to spam but has sought to deal with the issue in other ways.

[4-2] In the United States, the laws of trespass, the Computer Fraud and Abuse Act, the Lanham Act (trade marks) and the Computer Crimes Act have all been used to combat spamming. It is difficult to envisage the Hong Kong courts accepting any similar methodology to deal with the problem here. Apart from

1 See further ch 23.

2 As distinct from ‘harmonised’ legislation where the law of each member state of the European Union should be the same as the law of any other member state.

the Unsolicited Electronic Messages Ordinance and Regulation, Hong Kong traders need to pay particular attention to the Personal Data (Privacy) Ordinance (Cap 486). The criminal provisions of that Ordinance have been enhanced considerably to include lengthy terms of imprisonment being made available to the courts for (commercial) data privacy offences.³ At this stage it is worth mentioning that if information is addressed to a named individual, it must contain a statement that if the recipient objects to further approaches being made using that particular medium, the advertiser will desist from sending such further materials. An individual's e-mail address is a piece of private information and to send an e-mail to the named individual gives rise to what may conveniently be called a 'first time requirement', that is, to inform the receiver that no further e-mails will be sent to him or her if they object to receiving such communications. The second time an e-mail is sent to that person by the same sender does not require a restatement of the obligation to desist from sending further e-mails, although the recipient can demand that no further use be made of such private information *viz.* the e-mail address. The Personal Data (Privacy) Ordinance is not a panacea against spamming because it applies only to communications to named individuals rather than mass communications where the recipient is not named.

[4-3] Many areas of commercial activity have their own industry specific rules, regulations and codes of practice. This text is not about advertising law *per se*. It is essential for any trader or advertising agency that is involved in advertising in any way to research and obtain copies of all relevant legal materials. Considerable assistance can be gleaned from contacting trade associations, the Consumer Council or taking specific legal advice if necessary. Particular consideration must be given as to whether it is sensible to advertise on the worldwide web products which cannot lawfully be sold to, for example, people under 18 years. Some countries may specifically prohibit the advertising of certain goods or services on the Internet. It would therefore be advisable to include a term and condition that the company (web advertiser/supplier) may refuse to accept any order on the ground that to fulfil the order would be a breach of the customer's local law. Further, the terms and conditions should state that the supply dates may have to be delayed pending a check being made on local law relating to the sale of a product in a particular country. Where it is known that a particular country prohibits the sale or advertising for the sale of certain products, it may be as well to state in the website that the prohibited goods are not for sale in the country concerned and that no orders will be accepted from, and no deliveries will be made to, that country. It may be prudent to remember that there are no genuine profits to be made without some expense and the cost of obtaining local advice is a necessary corollary to worldwide profit being gained via Internet trading.

2. TRADE DESCRIPTIONS ORDINANCE (CAP 362)

[4-4] The leading piece of consumer protection legislation is the Trade Descriptions Ordinance (Cap 362), which in its current form dates from

3 See further ch 19.

19 July 2013. The Ordinance does not contain any internet specific rules⁴ but advertising on the internet requires compliance even if the intended consumers are outside Hong Kong.⁵ In Hong Kong, office accommodation addresses are used frequently and many people operate businesses in Hong Kong although they are resident abroad. Section 21A governs such businesses because the trader's⁶ usual place of business is in Hong Kong. In any event, a person outside Hong Kong who 'procures, counsels, aids, abets or is an accessory ...' to an act which, if committed in Hong Kong, would be guilty of an offence in Hong Kong as an accessory under section 22. The Ordinance was previously criminal in nature and did not *per se* give rise to civil liability. This position has altered since 19 July 2013 so that under section 18A the court may order the payment of compensation to any person who has suffered loss resulting from an offence and that loss is enforceable as a civil debt⁷. Further, section 36 now provides for a civil action by 'the claimant'⁸ where the conduct complained of would constitute an offence without requiring conviction for the offence as a pre-requisite. There is a six-year time limit for action⁹ and a contractual term that purports to limit or restrict the right of a claimant to bring an action 'is of no effect'.¹⁰

[4-5] The criminal offences which are likely to be relevant to internet trading fall into two broad categories, namely, under section 7, applying a false trade description to any goods and under section 7A, applying a false trade description of services. A 'false trade description' is one which is false to a material degree or a description which, though not false, is misleading, that is to say, likely to be taken for a trade description of a kind that would be false to a material degree.¹¹ This second limb is most likely to arise in connection with a misleading omission

4 Since the Trade Descriptions Ordinance (Cap 362) is not 'internet specific' this review of the Ordinance is not exhaustive but is confined to the main points that would seem relevant to internet commerce.

5 Ibid s 21A; and see s 12 (but note that by s 12(3), the Trade Descriptions Ordinance does not apply to goods in transit: 'in transit' means that the goods 'remain at all times while they are in Hong Kong on the vessel or aircraft' per s 2 definition of 'goods in transit'. When the road bridge is built to Macau and Zuhai, one wonders whether the definition will need expanding to cover road vehicles — a container removed from a ship docking in Hong Kong and then transported to Chek Lap Kok for air transport does not fall within the definition of 'in transit' and in consequence the Trade Descriptions Ordinance will apply).

6 A 'trader' is defined in *ibid* s 2 as '... any person [other than a person exempted by Schedule 3 which lists certain professional activities] who, in relation to a commercial practice, is acting or purporting to act, for the purposes relating to the person's trade or business'.

7 Ibid s 18A(2).

8 It is interesting to note the use of this terminology rather than the traditional word 'plaintiff'. The word 'claimant' is now used in court proceedings in the United Kingdom instead of 'plaintiff'.

9 Trade Descriptions Ordinance s 36(2).

10 Ibid s 36(3).

11 See *ibid* s 2. It is noteworthy that an oral description can amount to a trade description: see ss 6(2) and 6A(2).

of ‘material information’¹² as set out in section 13E. There is a defence of ‘professional diligence’ contained in section 13E where a trader will not be liable if he exercises the standard of care and skill that would be reasonably expected of the trader by reference to either (1) honest market practice in the trader’s field of activity; or (2) the general principle of good faith in that field. In relation to all criminal proceedings under the Trade Descriptions Ordinance, section 26 contains a general defence of mistake and accident where the offence was caused by reliance on information supplied by others or the breach was caused by something beyond the control of the defendant;¹³ or the defendant took all reasonable precautions and exercised all due diligence.¹⁴ Where the defendant blames another for causing the offence, the prosecution must be informed in advance of the defence and provide information as to the identity of the person blamed at least seven clear days before the hearing¹⁵. The offences of possession of, or exposing, goods for sale bearing a false trade description or supplying or offering to supply a consumer service to which a false trade description is applied¹⁶ have a defence under section 26(3) for the defendant to prove that ‘... he did not know, had no reason to suspect and could not with reasonable diligence have ascertained, that the goods or service did not conform to the description ...’.

[4-6] The selling of goods¹⁷ under a ‘forged trade mark’ is one offence which is common in Hong Kong and section 9 of the Trade Descriptions Ordinance is, in effect, the criminal arm of the Trade Marks Ordinance (Cap 559). It is not possible to ‘forge’ (in a Trade Descriptions Ordinance manner) an unregistered trade mark. The offence covers the selling, exposing for sale or having in possession for sale or for the purpose of trade or manufacture ‘...any goods to which any forged trade mark or mark so nearly resembling a trade mark as to be calculated to deceive ...’.¹⁸ Section 9(3A) provides four defences with the burden of proof being on the defendant:

- (1) The trade mark does not infringe the right of the owner. Following the decision in *L’Oreal S.A. and others v eBay International AG and others*,¹⁹ a trading platform such as eBay could not be liable under the Trade Descriptions Ordinance because, being in ignorance of the use

12 Which itself is defined in *ibid* s 13E(5)(b)(i) as the information the average consumer needs, according to the context, to make an informed transactional decision; or (ii) any other information in relation to a commercial communication under any other enactment.

13 *Ibid* s 26(1)(a).

14 *Ibid* s 26(1)(b).

15 *Ibid* s 26(2). This provision is, essentially, a Trade Descriptions Ordinance version of the ‘alibi’ defence.

16 See *ibid* ss 9(1)(b) and (2) and 7A(1)(b).

17 The use of a forged trade mark in relation to services remains outside the scope of the Trade Descriptions Ordinance.

18 *Ibid* s 9(2).

19 Case C-324/08 (CJEU). See further paras [16-87]–[16-90]. The trading platform — assuming it does not monitor the advertisements or play a part in the devising of the advertisement — may also avail of the ‘Innocent publication of advertisements’ defence contained in the Trade Descriptions Ordinance s 27.

made of the platform by the actual traders, there is no infringement by eBay who, as a matter of logic, should not then be caught by the ‘accessory’ provisions of section 22. The ‘no-infringement’ defence would cover a claim by the defendant that the goods upon which he is using the trade mark are outside the scope of protection conferred by the Trade Marks Ordinance (Cap 559) or that the trade marks are in fact sufficiently dissimilar as not to be calculated to deceive;

- (2) That the trade mark was not used by him in the course of any trade or business as a trade mark in relation to goods; or
- (3) The use made by him of the trade mark or mark is not a use for which the trade mark is registered and is not a use in relation to goods similar to those for which it is registered. (It is difficult to see how this adds anything to (1) above); or
- (4) That the use made by him of the trade mark or mark is a use to which the rights of the owner of the trade mark do not extend by reason of a disclaimer, limitation or condition to which the trade mark is subject. (Again, this seems to be a specie of (1) above).

[4-7] Section 9(4) provides an additional defence of the owner of the trade mark having given consent. Although not stated, presumably this would cover the consent of the registered licensee acting as agent for the owner or, in the alternative, would act to negate *mens rea*²⁰ unless the wrongdoer had actual knowledge of the limitations of the power vested in the registered licensee to grant consent.²¹

[4-8] In contrast to civil liability arising under the provisions of the Trade Marks Ordinance (Cap 559), criminal proceedings do not put a burden on the trader to conduct a trade mark search in respect of each and every trade-marked item he is selling. Section 26(4) provides a defence to criminal liability where the person charged can prove that he did not know, had no reason to suspect and could not with reasonable diligence have ascertained, that a forged [or similar] trade mark had been applied to the goods ...’. It is submitted that unless the trader is ‘on notice’ or turning a blind eye to the obvious such as through the unexpectedly cheap or unusual sources of supply of the goods, the section 26(4) defence does not impose a burden of examining the register of trade marks bearing in mind that many traders will deal in hundreds or more product lines.

[4-9] From 19 July 2013, new consumer protection provisions were added to the Trade Descriptions Ordinance in sections 13F to I dealing with ‘aggressive commercial practices’,²² ‘bait advertising’,²³ ‘bait and switch’²⁴ and ‘wrongly

20 Even though the offence (and indeed infringement under Cap 559) is strict liability, one would suspect that a court would not enter a criminal conviction when faced with the consent of a registered licensee.

21 Trade Descriptions Ordinance ss 9(3A)(b)–(d) and 9(4) are really a specie of s 9(3A)(a) in that they do not add to that sub-section.

22 Ibid s 13F.

23 Ibid s 13G.

24 Ibid s 13H.