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HCA 927/2001

**IN THE HIGH COURT OF THE  
HONG KONG SPECIAL ADMINISTRATIVE REGION  
COURT OF FIRST INSTANCE**

**ACTION NO. 927 OF 2001**

**BETWEEN**

**GOLDEN BRIGHT MANUFACTURER LIMITED** Plaintiff

**and**

**SUNLIGHT ELECTRONIC TOYS** 1<sup>st</sup> Defendant  
**MANUFACTURING COMPANY LIMITED**

**YUNG YAM MAN** 2<sup>nd</sup> Defendant

Before: Deputy High Court Judge Gill in Court

Dates of Hearing: 15-19, 22-24, 29-31 January 2007

Date of Judgment: 15 February 2007

**J U D G M E N T**

1. This action arises out of a claim by one toymaker (Golden Bright) against another (Sunlight) for infringement of its copyright in drawings, from which were made certain parts of a pinball game, and in a handsample of the game, developed, produced and marketed by Golden Bright. Sunlight brought into existence its own version of the pinball game and did so, it is alleged, by copying Golden Bright's designs, to achieve parts that were in turn identical or virtually so.

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2. Golden Bright sues to restrain Sunlight from such infringing by injunction and consequential relief including damages; alternatively, an accounting of profits.

3. The 2<sup>nd</sup> defendant Mr Yung is joined as a director and shareholder of Sunlight, and the person in charge of Sunlight’s activities giving rise to the infringing.

4. The defence when filed was a denial of everything claimed; since then there have been certain concessions, on both sides.

5. Golden Bright originally claimed copyright in the designs of 23 parts of its game. Now it is concerned about 15 of the parts. Sunlight and Mr Yung now accept that Golden Bright has copyright in those designs; further, that Sunlight copied the designs for its own version of the game, and that it imported into Hong Kong a number of consignments of its game incorporating the copied parts. But they still dispute Golden Bright’s claim of copyright in the handsample. And they deny that Sunlight has, by its copying, infringed in any shape or form Golden Bright’s copyrights. However, if Sunlight is found to have infringed, they concede Mr Yung is also liable as a joint tortfeasor.

*Background*

6. Both protagonists have a long and successful history of making and trading in toys in Hong Kong.

7. Golden Bright’s founder Yuen Shun Yu has been in the business for some 35 years. He founded Golden Bright in 1986 and it was

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incorporated in 1991. Mr Yuen has been hands on in control throughout. The range of toys is wide. Those generally favoured have included battery and remote controlled toys such as racing cars, trains and so on, as well as games such as chess games and pinball games.

8. By and large throughout its existence Golden Bright has been responsible for its own designs and production and sales from its factory in Dongguan, to customers it then seeks out. In the trade this is known as ODM; one design manufacturing.

9. Although he has now left Golden Bright and has lost touch, the man responsible for the design of new products and the integral parts was the PRC domiciled Bao Wei Gang, employed under the title Engineer and Manager of the Engineering Department. Mr Bao was assisted by Pan Yuan Liang, a technical draftsman.

10. One of Sunlight's founders was the 2<sup>nd</sup> defendant's, Mr Yung's, father. He had been part of the management of a toymaker called Potex Manufacturers Limited since the 1970's. In 1995 there were differences and he and another Potex man called Tang Hok Sing left and set up Sunlight. Later Mr Yung junior joined and became a shareholder, one of four, and a director. He is based in Hong Kong. His duties are in sales and administration. Sunlight also operates a factory in Dongguan. Mr Tang, who is in charge of development and production, is based there.

11. Sunlight also makes a range of toys specialising in electronic games. But unlike Golden Bright it mostly develops its products from concepts or designs provided by its customers. Thus a customer will approach with drawings and specifications or a handsample of the toy the

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customer wants to market. This form of manufacturing is known as OEM, which stands for original equipment manufacturing.

12. A handsample is the generic term given for a three dimensional version of the final product. If the final product is to comprise injection moulded parts, such as the outer casing and internal parts, the handsample is likely to be a casting made from a rubber mould. This will result in a crude approximation of the end product but will give an indication of dimensions and so on. It is quite often coloured grey, either because that is the natural colour of the moulded raw material or because it has been spray painted grey. It may or may not have working parts. But it is not intended to replicate the finished product, either as to performance or durability. It is not a prototype. It is intended to give an indication as to what the toy will look like and how it might work.

13. As an OEM company Sunlight is said to include amongst its customers a number of large US based companies including Tiger, MGA, Hasbro, Disney, Matel and Trendmaster, and in Japan Tomy. Mr Yung testified that orders for new products coming from the above or their agents average about 30 a year. Some of these are for new products, others are for modification of an existing product.

14. One of these approaches came from MGA Entertainment (HK) Limited (MGA HK), on behalf of its parent in USA. This was to lead to dissent and litigation including this action, to which I shall shortly return.

15. Many of Sunlight's OEM customers are toy companies licensed to incorporate into the games made for them by Sunlight popular cartoon characters such as appear in Walt Disney productions and the like.

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An example of this are the characters collectively known as Rugrats, a licence held by MGA. Rugrats features in this case.

*Golden Bright’s Copyright Claim*

16. Pinball machines full-size have been around since the 1930’s and have been a popular means of entertainment in pubs and clubs and gaming establishments ever since. They were immortalized in the 1960’s by Pete Townshend of The Who when he wrote The Rock Opera Tommy, and within that the hit Pinball Wizard. The author (unknown to me) of the History of Pinball, wrote of the game:

“Pinball is a great game with a glorious past. As far as the future goes who knows? I can tell you this much, it won’t be long after the first colonists settle on the planet Mars that the first pinball machine will arrive to challenge, frustrate and entertain them.”

17. Diminutive replicas, small enough to carry around and play on a desk or table top, are a more recent development, emerging along with other countless numbers of games and toys with the advent of injection moulding and electronics to provide the lights and bells and buzzers, and the automatic scoring.

18. By the time relevant to this action, around March 1995, a number of these pinball games had been made and were on the market having been developed and produced by many toy manufacturers. Golden Bright does not pretend to claim copyright in its version of the game, for it could not claim originality of design, an essential ingredient for copyright to subsist in a product.

19. What happened in March 1995 was a decision by Mr Yuen for it to make a pinball game. Mr Bao and his offsider Mr Pan were given the

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job. First they made by hand a handsample, and from this emerged their designs of the component parts. These were to include those parts common to all pinball games, including the ground box, which is the outer casing, the transparent top cover which incorporates studs above the bumpers, the shooting lever and shot-out channel which together enable a player to shoot a pinball into play, the left and right flippers and their controlling arms which the player manipulates to keep the ball in play, and a steel plate being the floor over which the pinball runs whilst it is in play.

20. None of these parts were unique; indeed in a modified way they were replicas of the essential parts of both the full-sized machine and the games already out in the market place. But Golden Bright was to claim, and in this action does claim, that its handsample and the design of 15 of the parts were original and that it has copyright in the handsample and the designs.

21. I have already noted that Sunlight no longer takes issue with that as to the designs of the 15 parts.

22. I have been shown Golden Bright's version of the ground box. It is approximately rectangular, save that the sides swell out about half way down their lengths, to give a waisted look to the product.

23. The development proceeded to production. Golden Bright first promoted its pinball game in the 1996 edition of Hong Kong Toys Magazine, an annual tome of two volumes about the size of a telephone directory, which promotes products made by Hong Kong's toymakers, and subsequent issues thereafter, until 2001.

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*MGA HK Comes onto the Scene*

24. In early 1997 representatives of MGA HK sought out Mr Yuen with a view to engaging in joint production of certain toys, including Golden Bright’s version of the pinball game. There were a number of meetings and discussions. At their request, Mr Yuen gave them several of its pinball games in March 1998. But in the end nothing came of these proposals.

25. Then it was that in early 2000 Mr Yuen came to learn that MGA HK was selling and supplying a pinball game whose parts had marked similarities to those of the Golden Bright version. Inspection revealed that the MGA HK game and 15 parts were identical or a close copy of the Golden Bright versions of the game and parts. Claiming copyright therein, its solicitors wrote a letter before action to MGA HK, calling for it to cease production and deliver up all stocks, samples and moulds. This letter was dated 24 March 2000; that is a significant date in this action.

26. There was no positive response; Golden Bright filed a writ against MGA HK claiming infringement and consequential remedies. This was dated 26 May 2000; also an important date.

27. MGA HK filed a defence, but in the end submitted to an Order 14 summary judgment, argument only going to the form of order sought. That was made by the presiding judge, Deputy Judge Woolley, in Golden Bright’s favour, on 24 November 2000. That is a 3<sup>rd</sup> important date.

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*Sunlight is Implicated*

28. The order required a representative of MGA HK to disclose on affidavit details concerning the extent of manufacture and sales undertaken by MGA HK of the offending copies; this was done in two affidavits made in December 2000 and January 2001.

29. What emerged was that Sunlight had between about March 1999 and July 2000 developed and made for MGA a significant number of the pinball games found by Deputy Judge Woolley to have been in breach of Golden Bright’s copyright.

30. Thus led by MGA HK to Sunlight’s factory door, Golden Bright’s solicitors sent to them a letter before action of 6 February 2001. There being no positive response, Golden Bright filed this action in July 2001.

*Sunlight’s Role*

31. This emerged from evidence adduced by Messrs Yung and Tang, and discovery.

32. In April 1998 a representative from MGA HK invited a quotation for the manufacture of a pinball game having the characteristics of what was handed over; what both said was a mock up. It had a rectangular ground box which was spray painted grey. It had within it some pinballs and the usual plastic parts for manipulating them and a transparent cover, but no electronics, and no header board, that which stands perpendicular to the body and incorporates the scoreboard.



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33. MGA HK explained that the proposed end product would incorporate characters that MGA was licensed to use in its merchandise; in the first range those of Rugrats. These would feature in the graphics on the headboard, for which MGA HK would be responsible.

34. Mr Tang made up a quotation by reference to the mock up. That was accepted. Then the mock up was broken down so that the parts that made up the whole could be replicated; this by the tooling of the moulds needed for the injection moulding of the parts.

35. It is Golden Bright's pleaded case that the mock up was a disguised version of one of its games that it had given MGA HK when they were flirting with a joint venture operation, which in the end came to nothing.

36. The ground box had been altered by removing the waisted look; this by cutting back the sides and making it rectangular. But the internal plastic parts were made to be identical.

37. The mock up having been broken down was no longer available to exhibit in the trial. All that remained was the ground box which was produced and I have seen it. It is apparent that it was an injection moulded product with part of the sides cut off and replaced by pieces stuck on, to give it the rectangular shape described. It also had signs that it had been somewhat crudely painted grey, but this paintwork is now peeling and dusty.

38. It is Golden Bright's case that Sunlight's management and in particular Messrs Yung and Tang must, or should, have at once noticed this

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was not a typical handsample made from scratch, but was a crude attempt to hide an existing piece of merchandise that was another manufacturer’s product; that this should have alerted them to make enquiry; that they would have come to learn that Golden Bright had the copyright and they were at risk of infringing that copyright.

39. The response is that they had no reason to suspect the risk of infringing.

40. In a long history of doing business with MGA through its subsidiary MGA HK there had never been any problem about copyright infringing or any other difficulty. Furthermore, the licensor of the licence in Rugrats, called Viacom, would have exercised the usual caution of a licensor to ensure their characters would not be associated with a tainted product.

41. The mock up, whilst not a typical handsample, was not so unusual as to excite alarm. Not infrequently toy traders will modify an existing line to extend its lifespan in the market. They were entitled to assume that the mock up derived from MGA’s product rather than anybody else’s. There were no markings on the mock up to associate it with anybody else. They had not heard of Golden Bright. Golden Bright was not a competitor. They had not seen the ads in Hong Kong Toys. They did not know the parts they replicated were exact or nearly so replicas of those designed by Mr Bao.

42. And why have cause to suspect wrongdoing by a customer which had given them no grief in a long history of profitable trading?

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43. In short there was no reason to suppose that by copying the mock up they were copying a copyright work of another manufacturer, and that that manufacturer was Golden Bright.

44. I should add at this point that both Mr Yuen and an expert in toy designing whom Golden Bright called to give evidence, Professor Peter Dean, accepted that handsamples can be said to include what I have called the mock up that was presented to Sunlight from which emerged its version of the pinball game. And it is apparent from their evidence and on inspection of all that now remains of the mock up that there is no marking to connect it to Golden Bright or indeed any manufacturer.

45. Production proceeded at Sunlight's factory in Dongguan. MGA secured a number of contracts from its own customers in the USA and Australia and elsewhere. These incorporated not just the characters from Rugrats but also others licensed to other customers.

46. The market was thus exclusively outside of Hong Kong. On instruction, Sunlight dealt with the consignments contracted for either by export direct from PRC ports or by way of re-export out of Hong Kong.

47. It is important to note that none of Sunlight's products were intended for sale in Hong Kong, and there is nothing to suggest that any found their way to the market in Hong Kong.

48. From the purchase contracts that emerged in discovery it can be seen that between 27 March 1999 and 6 July 2000 at least 30 consignments of Sunlight's pinball games were purchased by MGA HK for shipping out of Hong Kong on terms that were FOB Hong Kong.

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49. It is pertinent to note that the defendants concede that this amounted to importing by Sunlight into Hong Kong of copies made from parts under copyright owned by Golden Bright.

50. Mr Yung said in evidence that production ceased as soon as Sunlight came to learn of Golden Bright’s allegations levelled at MGA of copyright infringing.

51. When this was is a moot point and important to the outcome.

52. In the pleaded defence, dated October 2001, the defendants whilst denying any subsistence of copyright and any infringing of copyright pleaded that up until alerted to a problem by MGA HK they did not know and had no reason to believe that copyright subsisted in favour of Golden Bright.

53. In answer to a request for further and better particulars as to when this was, the response in answers dated 5 November 2001, repeated on 12 November, was:

“The plaintiff’s complaint was brought to the notice of the defendants when a copy of the writ of summons in HCA 5287 was sent to the 1<sup>st</sup> defendant by MGA in May 2000.”

In the same set of answers it was stated this was the first time the defendants learnt of Golden Bright’s complaints.

54. What is pertinent about this response is that it linked the date with Sunlight’s receipt of Golden Bright’s writ against MGA HK.

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55. Then it was, but not until 15 January 2007, that is not until the first day of trial, that an amendment to the 12 November answer was filed; the plaintiff’s complaint was in fact not brought to the notice of the defendants until in or about late 2000.

56. This amendment is crucial, and given the lateness of the change, a matter to be considered with some caution, for the last disclosed contract for the purchase by MGA HK of Sunlight’s pinball game was in July 2000.

57. In evidence Mr Yung stated that he first came to know of Golden Bright’s complaint in late 2000 when a representative of MGA HK “telephoned me about the High Court action brought by Golden Bright against them”.

58. MGA HK was served with the writ in July, not late 2000. In fact by late 2000 Golden Bright had its Order 14 final judgment. Further, there had been no production since July, so no termination in late 2000.

59. A further anomaly on this topic is the emergence in discovery of a document produced by the defence; namely, a copy of the letter before action from Golden Bright’s solicitors to MGA HK dated 14 March 2000. How and when did this get into Sunlight’s possession? I shall return to deal with this.

*The Credibility of Mr Yung*

60. Before leaving matters of fact and evidence I believe it appropriate to comment on aspects of Mr Yung’s credibility.

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61. Early on in the proceedings he made an affidavit in opposition to an application by Golden Bright for discovery in which he stated under oath that there was no direct connection between Sunlight and the factory (of the same or similar name) in Dongguan; that Sunlight merely ‘sourced’ the prospective manufacturer of the pinball game, and was thus not connected with the manufacturer.

62. Golden Bright engaged a commercial investigator to give evidence that Sunlight owned the factory from which its shareholder and director Mr Tang ran Sunlight’s production side.

63. In the end her evidence was not called upon because Mr Yung conceded that. His explanation that he had “not quite understood the connection” is patently absurd, given his own seniority and position in Sunlight.

64. Nothing directly turns on this, given the concessions made by Sunlight leading up to this judgment, but it does put his evidence under a cloud, given the falsity under oath that came from him in the early days of the action. I am obliged to take this into account when I consider what else he has said that goes to findings of fact on disputed matters.

*The Issues*

65. What has emerged from this somewhat convoluted account of events must be now considered in the light of the law of copyright in Hong Kong, which is set out in the Copyright Ordinance (the CO), and authorities on interpretation of its provisions.

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66. Before coming to that I believe it appropriate to set out the issues requiring determination:

- (1) Given that the defendants now concede that Golden Bright has proved its ownership of copyright in the drawings of 15 of the parts in its pinball game, has it done likewise in respect of a handsample, made by Mr Bao in 1995?
- (2) Given that the defendants concede that parts copied from designs under copyright to Golden Bright were as part of Sunlight's game imported into Hong Kong, did that amount to primary infringement of copyright, applying the CO?
- (3) Did Sunlight have constructive knowledge of Golden Bright's copyright at the time it was engaged by MGA HK to copy the designs, and/or did it have actual knowledge of that whilst importing the game comprising the parts into Hong Kong?
- (4) If infringement of copyright is established, is it entitled to have delivered up from Sunlight's factory in Dongguan the moulds from which the copies were made?

*The Copyright Ordinance*

67. I begin by stating what is incontrovertible; that the essence of copyright protection is that it is strictly territorial, so that the rights that Golden Bright claims Sunlight has overridden must be limited to its rights in Hong Kong.

68. As was stated by the editors of *Copinger and Skone James on Copyright*, 15<sup>th</sup> Edition at para. 1-35:

**“1-35 Territorial nature of rights.** As a rule, copyright and related rights are granted with respect to a particular

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territory only and give protection to nationals of that territory alone; protection and the possibility of enforcing rights stops at the national borders except insofar as protection is extended outside the territory by bilateral or multinational treaties with other countries. The protection of works of foreign origin within the territory will also depend on such treaties.”

69. The second point is that the Hong Kong CO has been copied almost word for word from the UK equivalent, although that original has since been amended as a result of Britain’s participation in the EU. With that in mind English authorities and such texts as *Copinger* on issues such as interpretation of the UK statute are equally applicable to the Hong Kong ordinance.

*Where Copyright may Subsist*

**“2. Copyright and copyright works**

(1) Copyright is a property right which subsists in accordance with this Part in the following descriptions of work —

- (a) original ... artistic works;
- (b) ...
- (c) ...

(2) In this Part ‘copyright work’ (版權作品) means a work of any of those descriptions in which copyright subsists.

(3)...

...

**5. Artistic works**

In this Part —

‘artistic work’ (藝術品) means —

- (a) a graphic work, ..., irrespective of artistic quality;
- (b) ...
- (c) a work of artistic craftsmanship;

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‘graphic work’ (平面美術作品) includes —

- (a) any ... drawing, ...
- (b) ...”

From these sections it is apparent that copyright is a right which subsists in original artistic work. “Artistic work” means a graphic work which includes a drawing without regard to artistic quality. It can also mean a work of artistic craftsmanship, which perforce must have artistic quality. For a work to qualify under this head it must satisfy two separate requirements; namely, it must be a work of craftsmanship and it must have artistic quality. Per *Copinger* at para. 3-65:

“The starting point for considering whether a work is a work of artistic craftsmanship is that the phrase imports two separate requirements combined in the same work: artistic quality and craftsmanship. Had the intention merely been to protect works of craftsmanship, irrespective of artistic quality, the word artistic would have been omitted from the phrase. This is emphasised by the absence, in relation to this description of artistic work, of the words ‘irrespective of artistic quality’, which accompany the description of artistic works included in section 4(1)(a) of the 1988 Act. Although shades of meaning can be extracted from both the words ‘artistic’ and ‘craftsmanship’, the phrase ‘work of artistic craftsmanship’ is in the end a composite phrase that should be construed as a whole. For a work to be regarded as one of artistic craftsmanship, it should be possible to say that the creator was both a craftsman and an artist.”

A leading authority on whether or not a work satisfied this criteria is the House of Lords case *George Hensher Limited v Restawile Upholstery (Lancs) Limited* [1976] AC 64, and *Copinger* deals with this at para. 3-67. Mr Yan SC leading Mr Wong representing the defendants made a list of matters to be taken into account, with which I take no issue:

- “(a) ... A work of craftsmanship, even though it cannot be confined to handicraft, at least presupposes special training, skill and knowledge for its production.
- (b) A work will qualify as a work of artistic craftsmanship only if it has an element of real artistic, that is aesthetic, quality, whether or not it is an utilitarian article.

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(c) The level of aesthetic appeal required for a work of artistic craftsmanship is higher than mere visual appeal.

(d) In determining whether an article has sufficient aesthetic quality to be a work of artistic craftsmanship, the court is determining a question of fact based on the evidence on an objective basis. Such evidence may include the following:

(i) Evidence of the intention of the maker, in particular whether or not he had the conscious purpose of creating a work of art, is relevant and important, although not a paramount or determining consideration.

(ii) Evidence from ordinary members of the public that they do or would value the work for its appearance or get pleasure or satisfaction from it, whether on an emotional or intellectual level.

(iii) Expert evidence from those who have special capabilities or qualifications for forming an opinion, and whose evidence will command respect, in particular those who are acknowledged artist-craftsmen or who teach in the field.

(iv) Evidence as to whether the maker has other works to his name which are acknowledged to be artistic.

(e) Before a work will qualify as a work of artistic craftsmanship, it must be a manifestation of pride in sound workmanship and the result of the exercise of skill on the part of its creator in using the materials of which the article is made and the devices by which those materials are turned into the article.”

What a court may not do is to decide by virtue of its own assessment the quality of the work in determining whether it satisfies the necessary criteria. There has to be evidence about this; then it is for the court to assess that evidence and decide whether the claimant has established artistic craftsmanship.

*In Whom Copyright Subsists*

**“11. Authorship of work**

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(1) In this Part ‘author’ (作者), in relation to a work, means the person who creates it.

**13. First ownership of copyright**

The author of a work is the first owner of any copyright in it, subject to section 14, ...

**14. Employee works**

(1) Where ... artistic work, ... is made by an employee in the course of his employment, his employer is the first owner of any copyright in the work ...”

These provisions are self-explanatory and not controversial.

*Infringement — Primary and Secondary*

70. First — primary infringing:

**“The acts restricted by copyright**

**22. The acts restricted by copyright in a work**

(1) The owner of the copyright in a work has, in accordance with the following provisions of this Division, the exclusive right to do the following acts in Hong Kong —

- (a) to copy the work (see section 23);
- (b) to issue copies of the work to the public (see section 24);
- (c) ...
- (d) ...
- (e) ...
- (f) ...
- (g) ...

and those acts are referred to in this Part as the ‘acts restricted by the copyright’.

(2) Copyright in a work is infringed by a person who without the licence of the copyright owner does, or authorizes another to do, any of the acts restricted by the copyright.

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(3) References in this Part to the doing of an act restricted by the copyright in a work are to the doing of it —

(a) in relation to the work as a whole or any substantial part of it; and

(a) either directly or indirectly,

and it is immaterial whether any intervening acts themselves infringe copyright.

(4) ...

**23. Infringement of copyright by copying**

(1) The copying of the work is an act restricted by the copyright in every description of copyright work; and references in this Part to copying and copies are construed as follows.

(2) Copying of a work means reproducing the work in any material form. ...

(3) In relation to an artistic work copying includes the making of a copy in 3 dimensions of a 2-dimensional work and the making of a copy in 2 dimensions of a 3-dimensional work.

...

**24. Infringement by issue of copies to the public**

(1) The issue of copies of the work to the public is an act restricted by the copyright in every description of copyright work.

(2) References in this Part to the issue of copies of a work to the public are to the act of putting into circulation copies not previously put into circulation, in Hong Kong or elsewhere, by or with the consent of the copyright owner.

(3) References in this Part to the issue of copies of a work to the public do not include —

(a) any subsequent distribution, sale, ... of copies previously put into circulation ...; or

(b) any subsequent importation of those copies into Hong Kong.

(4) ...”

Primary infringement occurs where copies not previously put into circulation anywhere by or with the consent of the owner are issued to the

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public in Hong Kong, i.e. put into circulation in Hong Kong. Given that the CO is intended to be territorial the infringing must be in Hong Kong. Hence copying copyright work outside Hong Kong without more cannot amount to primary infringement. In the circumstances of this case the spotlight falls on the expressions “issuing copies of the work to the public” and “putting into circulation” to which I shall return, in the light of the particular facts of this case.

71. Secondly — secondary infringing:

**“30. Secondary infringement: importing or exporting infringing copy**

The copyright in a work is infringed by a person who, without the licence of the copyright owner, imports into Hong Kong or exports from Hong Kong, otherwise than for his private and domestic use, a copy of the work which is, and which he knows or has reason to believe to be, an infringing copy of the work.

**31. Secondary infringement: possessing or dealing with infringing copy**

(1) The copyright in a work is infringed by a person who, without the licence of the copyright owner —

- (a) possesses for the purpose of, in the course of, or in connection with, any trade or business;
- (b) sells or lets for hire, or offers or exposes for sale or hire;
- (c) exhibits in public or distributes for the purpose of, in the course of, or in connection with, any trade or business; or
- (d) distributes (otherwise than for the purpose of, in the course of, or in connection with, any trade or business) to such an extent as to affect prejudicially the owner of the copyright,

a copy of a work which is, and which he knows or has reason to believe to be, an infringing copy of the work.

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(2) It is immaterial for the purpose of subsection (1)(a) and (c) whether or not the trade or business consists of dealing in infringing copies of copyright works.

**32. Secondary infringement: providing means for making infringing copies**

(1) Copyright in a work is infringed by a person who, without the licence of the copyright owner —

- (a) makes;
- (b) ...
- (c) possesses for the purpose of, in the course of, or in connection with, any trade or business;
- (d) ...

an article specifically designed or adapted for making copies of that work, knowing or having reason to believe that it is to be used to make infringing copies.

(2) ...

...

**35. Meaning of ‘infringing copy’**

(1) In this part ‘infringing copy’ (侵犯版權複製品); in relation to a copyright work, is to be construed in accordance with this section.

(2) A copy of a work is an infringing copy if its making constituted an infringement of the copyright in the work in question.

(3) ... a copy of a work other than a copy of an accessory work is also an infringing copy if —

- (a) it has been or is proposed to be imported into Hong Kong; and
- (b) its making in Hong Kong would have constituted an infringement of the copyright in the work in question, or a breach of an exclusive licence agreement relating to that work.”

As is apparent the net set to catch infringers is cast much wider than for primary offenders, and that infringing copy includes copies intended for importation into Hong Kong; thus is not limited to copies actually in Hong

Kong. However, an essential ingredient is that the offender must have actual or constructive knowledge that he has been dealing with an infringing copy of the work.

72. The provision of constructive knowledge, the “reason to believe” is a relatively recent addition to the UK statute and the CO. It is intended to ensnare the person who turns a blind eye; but not someone who has grounds to suspect but fails to appreciate the significance of the facts brought to his attention.

73. The authorities indicate the following as being a check list:

“(a) ‘Reason to believe’ involves a concept of knowledge of facts from which a reasonable man would arrive at the relevant belief.

(b) Facts from which a reasonable man might suspect the relevant conclusion are not enough.

(c) The reasonable man to be considered is a reasonable man in the position of the defendant, with his knowledge, capacity and particular circumstances.”

See *The Modern Law of Copyright and Designs*, 3<sup>rd</sup> edition, by Sir Hugh Laddie and others, paras 19.3 to 19.8.

### *Delivery Up*

#### “109. Order for delivery up

(1) Where a person —

(a) has an infringing copy of a work in his possession, custody or control for the purpose of, in the course of, or in connection with, any trade or business; or

(b) has in his possession, custody or control an article specifically designed or adapted for making copies of a particular copyright work,

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knowing or having reason to believe that it has been or is to be used to make infringing copies,

the owner of the copyright in the work may apply to the court for an order that the infringing copy or article be delivered up to him or to such other person as the court may direct.”

*Section 121 CO*

74. This section, novel as far as I know to Hong Kong, gives the claimant of copyright infringement the opportunity to give evidence of subsistence of copyright and ownership therein by way of affidavit and thus be in a position to establish those details without appearance. As long as the affidavit is made in strict compliance with the format laid down, the court is bound to presume in the absence of evidence to the contrary that what is stated therein is true.

75. It is said of this section that it was introduced into Hong Kong’s CO because of the prevalence of criminal prosecutions of street traders running mostly small time operations, who were apprehended for dealing in merchandise sold from hawkers’ trolleys carrying famous brand names which, almost inevitably given the circumstances, would have been without authority.

76. Unless the defendant admitted copyright the prosecution was forced with the choice of having to call a representative of the brand to give evidence, and this might mean bringing someone from far away, or otherwise of abandoning its case.

77. The alternative approach of flying in an affidavit rather than a witness in person has obvious advantages. As this was the approach adopted by Golden Bright in this case and subsistence of copyright in its



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handsample remains an issue, it is necessary to reproduce the pertinent parts of section 121, as follows:

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“(1) An affidavit which purports to have been made by or on behalf of the owner of a copyright work and which states:

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(a) the date and place that the work was made or first published;

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(b) the name, domicile, residence or right of abode of the author of the work;

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(c) the name of the owner of the work;

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(d) that copyright subsists in the work; and

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(e) that a copy of the work exhibited to the affidavit is a true copy of the work,

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shall, subject to the conditions contained in sub-s.(4), be admitted without further proof in any proceedings under this Ordinance.

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(3) The court before whom an affidavit which complies with the conditions in sub-s.(4) is produced under sub-s.(1) ... shall presume, in the absence of evidence to the contrary:

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(a) that the statements made in the affidavit are true; and

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(b) that it was made and authenticated in accordance with sub-s.(4).

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(4) An affidavit may be tendered in evidence under sub-s.(1) ... if:

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(a) it is made on oath:

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(b) it is authenticated, so far as relates to the making thereof, by the signature of the solicitor, commissioner or notary public before whom it is made;

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(c) it contains a declaration by the deponent to the effect that it is true to the best of his knowledge and belief; and

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(d) subject to sub-s.(6), not less than 10 days before the commencement of the hearing at which the affidavit is tendered in evidence, a copy of the affidavit is served, by or on behalf of the prosecution or plaintiff, on each of the defendants.

(5) Notwithstanding that an affidavit is admissible as evidence by virtue of this section, a defendant or his solicitor may, within 3 days from the service of the copy of the affidavit, serve a notice requiring the attendance of the deponent to the affidavit in court.

(6) The parties may agree before the hearing that the requirements of sub-s.(4)(d) may be dispensed with.

...

(8) Without prejudice to sub-s.(5):

(a) the party by whom or on whose behalf the affidavit was served may call the deponent to give evidence; and

(b) the court may of its own motion or, if the defendant who has served a notice under sub-s.(5) satisfies the court that the subsistence or ownership of the copyright is genuinely in issue, either before or during the hearing, require the deponent to attend before the court and give evidence.

(9) Without prejudice to sub-s.(8)(a), a deponent of an affidavit which is admissible under this section shall attend before the court and give evidence if, and only if, the court so requires under sub-s.(8)(b).”

78. This form of proving copyright is the subject of a criminal case which went to the Court of Final Appeal; namely, *Tse Mui Chun v HKSAR* [2004] 1 HKLRD 351. In a joint judgment written by Bhokary PJ and Lord Scott of Foscote NPJ, they said at p.362:

“20. A few preliminary comments about s.121 may be helpful:

(1) The special means of proof of copyright subsistence and ownership allowed by s.121 can be used both in civil and in criminal proceedings ...

(2) The language of sub-s.(1), specifying what the affidavit must state if it is to be admissible under the subsection,

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caters for all copyright works of all types and not simply films and sound recordings which is all that the present case is concerned with.

(3) The statements as to the identity of the copyright owner (para.(c)) and that copyright subsists (para.(d)) that are to be presumed true in the absence of evidence to the contrary (sub-s.(3)) are all that a prosecutor/plaintiff will need. But the details that paras. (a) and (b) require to be stated may assist the defendant, and also the court, in forming a view as to the weight to be attributed to the paras.(c) and (d) statements. If, for example, it appeared from the para.(a) details that the work had been made over 50 years ago, the present subsistence of copyright would, in the absence of some knowledge about the longevity of the author, be in doubt. The details in para.(b) would enable those doubts to be followed up.”

And at p.364:

“30. The scheme of s.121 is obviously predicated on the premise that in most cases copyright subsistence and ownership, even if not actually admitted, would not be genuinely in issue. Experience has shown that this premise is rooted in reality. Of course there can be cases in which copyright subsistence or ownership is genuinely in issue. Thus a court before which a s.121 affidavit or affirmation is placed may require the deponent to attend before it and give evidence. It may exercise this power either of its own motion or because the defendant satisfies it that copyright subsistence or ownership is genuinely in issue. Naturally the trial court will be vigilant to ensure that justice is not defeated, or even delayed, through spurious contentions about copyright subsistence or ownership. Such contentions should receive short shrift. But in cases, which we think are likely to be rare, where the trial court is satisfied that copyright subsistence or ownership is genuinely in issue, it will of course address that issue. And the power to require a s.121 deponent to attend and give evidence will then come importantly into play.

31. Evidence given by a s.121 deponent in the witness-box may show that there is a genuine issue as to copyright subsistence or ownership. Or it may be sufficient to resolve such an issue in favour of the party who had tendered the s.121 affidavit or affirmation. Or it may fail to do that. It may even be that once the trial court is satisfied that copyright subsistence or ownership is genuinely in issue, the party who had tendered the s.121 affidavit or affirmation will not simply rely on what the s.121 deponent can say but will lead other evidence.”

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*Golden Bright’s Case on Copyright Subsistence and Ownership*

79. In this case Golden Bright sought to establish copyright by invoking the procedure made available by section 121 of the CO. Mr Yuen made affidavits, three in all, recording those required details of copyright subsistence, authorship, ownership and first publication.

80. Sunlight took no issue with the form of the affidavits. But Mr Yan submitted that it remains incumbent upon it to prove that the handsample is a work of artistic craftsmanship. This thus becomes one of the issues, to which I now return for discussion and determination.

*The Issues Revisited*

(1) Has Golden Bright proved subsistence of copyright in its handsample?

81. Mr Yan submitted the answer is ‘No’; that the case *George Hensher Limited (supra)* is authority for the proposition that it is incumbent upon a claimant to establish by evidence that the work in question qualifies as a copyright work. In the case of a work said to be of artistic craftsmanship it cannot qualify unless it meets the tests I have set out at paragraph 69. The starting point is a copyright work, not a work; that is made plain by the opening words of section 121. In this case there is no evidence to establish that Golden Bright’s handsample satisfied the tests, thus that it is a copyright work.

82. But Mr Yuen deposed that copyright subsisted in the handsample, and there was no evidence adduced that that could not be so; there was no evidence to rebut the presumption that what he said was true; no evidence to indicate that the handsample failed to pass the test of having artistic quality.

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83. In the absence of all that I am bound to take him at his word. Further proof is not required. The wording of section 121 CO is clear enough on the point; if additional confirmation is needed it can be found in the judgment of the Court of Final Appeal in *Tse Mui Chun (supra)* at paragraph 20(3) therein.

84. Furthermore, if Mr Yan's proposition were to hold good, it would all but cancel the benefit of being able to establish subsistence and ownership of copyright works at a distance; the *raison d'être* of section 121.

85. The defence had the opportunity to challenge Mr Yuen's evidence of subsistence of copyright but chose not to; I am obliged to find against it on the point.

86. So, the answer to the question posed is 'yes'.

(2) In respect of those consignments that Sunlight shipped via Hong Kong, by doing so did it infringe Golden Bright's copyright?

87. The answer to this question depends on the proper interpretation of the expressions "the issue of copies of the work to the public" and "putting into circulation copies (in Hong Kong).

88. *Copinger*, at paragraph 7-80, suggests that this amounts to a release of a copy onto the market such that it might be passed on to other members of the public.

89. Mr Garland SC leading Mr Pao, representing Golden Bright, promoted the proposition that a copy is put into circulation within the

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B meaning of section 24 of the CO when it is parted with, in a commercial  
C sense, in Hong Kong, for the first time, to someone over whom the person  
D who parts with it has no control. So, a sale of a consignment, as was  
E undertaken many times by Sunlight to MGA HK in Hong Kong, must be  
F caught. The fact that MGA HK bought the consignments for re-export  
G from Hong Kong is neither here nor there, for Sunlight would have had no  
H control over an election by MGA HK, post-contract, to dispose of the same  
I in Hong Kong.

H 90. He found support in a CFI decision *Lee Yuen Housewares Co.*  
I *Ltd v Mok Wing Kun Stephen*, unreported HCA 1560/2005, where  
J Mr Recorder Jat SC ruled at paras 27-29 as follows:

J “27. In the instant case, there is uncontroverted evidence that:

- K (1) one Premier Merchandises Limited (‘Premier’) obtained samples of the infringing copies from the  
L defendant;
- M (2) Premier then placed orders with the defendant for the  
N infringing copies which were on-sold to Premier’s  
O customer in France;
- P (3) the defendant himself obtained the infringing copies  
Q from a Mr Chu who was based on the Mainland; and
- R (4) after proceedings had commenced, the defendant  
S through his solicitors confirmed in open  
T correspondence that he had ceased issuing to the  
U public, selling, dealing, offering or exposing for sale,  
V importing and exporting of the alleged copyrighted  
work of the plaintiff save and except retaining  
samples of the alleged infringing works for litigation  
purposes.

S 28. In the light of such evidence, it is clear that the defendant  
T put the infringing copies into circulation in Hong Kong by  
U offering to sell and in fact selling them to Premier.

T 29. I am therefore satisfied that the plaintiff has sufficiently  
U proved primary infringement by the defendant and that there is no  
V bona fide defence open to the defendant.”

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91. Mr Garland also stated he was assisted by what is **not** primary infringing as set out in section 24(3); namely, any **subsequent** distribution or sale of copies **previously** put into circulation or any **subsequent** importation of those copies into Hong Kong. Remove the words ‘subsequent’ and ‘previously’, he submitted, and you have primary infringing.

92. The problem I have with this proposition is that it requires one to make the word ‘distribution’ or ‘sale’ synonymous with the expressions “issuing copies to the public” and “putting into circulation copies”. And notwithstanding his view on section 24(3) Mr Garland conceded that ‘importation’ *per se* should not be enough.

93. In my view the expressions require more than a sale to a buyer in Hong Kong. There must be a release of copies onto the market such that they will then be passed on to members of the public. None of the many consignments that came to Hong Kong were sold for circulation in Hong Kong. It was not intended; it did not happen.

94. Using Hong Kong as a port of re-export of a consignment of goods made and sold for the purpose of distribution to a foreign market is not, as I find, to put the consignment into circulation in Hong Kong.

95. On the facts of this case, which may be distinguishable from those in *Lee Yuen Housewares Company Limited (supra)* there has not been circulation.

96. The answer to this question is ‘No’.

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(3) Did Sunlight have constructive knowledge of Golden Bright’s copyright in the parts of the mock up at or about the time of MGA HK’s request to copy the same?

97. This is very much an issue of fact.

98. I am not going to rehearse the competing evidence and arguments. But having considered them, and applying the test propounded in *Laddie* (see para. 73) I find Golden Bright has fallen short of proving that Sunlight had constructive knowledge of Golden Bright’s copyright at this time.

99. The answer to this question is ‘No’.

100. Did Sunlight have actual knowledge whilst importing the copies into Hong Kong?

101. The answer to this question requires a finding of just when it was that Sunlight’s management came to learn that the game it was making for sale to MGA HK contained copies of Golden Bright’s copyright works.

102. This information was forthcoming from MGA HK. But when was this?

103. It may have been following Golden Bright’s letter before action to MGA HK on 14 March 2000; after all a copy of this letter was part of the documents produced by Sunlight in the discovery process. It may have been following Sunlight issuing proceedings against MGA HK; the writ and statement of claim were filed and served on 26 May 2000; this



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would explain the response by the defence to the request for further and better particulars of 5 November 2001, and before it was amended, the response of 12 November 2001 — “The defendants first learnt of the plaintiff’s complaint in May 2000. The contents of such complaints were contained in the copy of the writ of summons issued under HCA 5287/2000”. Or it may have been following judgment given in favour of Golden Bright by DJ Woolley on 24 November 2000; this would explain the amendment to the answers of 12 November 2000 made as lately as 15 January 2007 to “in or about late 2000”.

104. So, which date is correct?

105. Both Messrs Yung and Tang stated in evidence it was the third date. Mr Yung said of this in his witness statement:

**“Knowledge of dispute between MGA and Golden Bright**

40. Sunlight and myself first came to know of Golden Bright’s complaint about the subject toy pinball machines in late 2000 when Mr Frankie Tsang telephoned me about the High Court Action brought by Golden Bright against them. My immediate reaction was to refuse any further order for any of the subject toy pinball machines to avoid future uncertainties. In fact, Sunlight had not received or accepted any order for production nor had it produced or supplied any of the subject toy pinball machines after having received notice of Golden Bright’s complaint.”

106. This would seem to be an odd reaction. The last order completed by Sunlight was dated 19 July 2000. If the complaint really was not known until late 2000, say November 2000, there was no need to refuse any further order; there had been none for several months.

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107. And when in cross-examination he was asked how it was that the pleaded case made reference to May 2000, he responded “at the time maybe the solicitors got the date from the letter and thought that was the date”. That letter being the letter before action, it was of course dated 14 March 2000, not May 2000, so that could not have been right.

108. Mr Tang stated on the point in his witness statement:

“34. I first became aware of the Plaintiff’s complaint about the subject toy pinball machines in late 2000, when Edmond Yung had learnt the same from Tsang of MGA. I had not heard of the Plaintiff’s name before. Thereafter, Sunlight immediately stopped dealing with those pinball games.”

Again he gives the impression production was in full flight and had to be stopped forthwith.

109. I find these explanations coupled with the late change to the pleaded case wholly unconvincing.

110. I have already commented adversely on Mr Yung’s ability to disregard his oath. Of course there was motivation to do so on this issue; any knowledge prior to July 2000 renders the defendants liable for infringement in respect of those orders completed following receipt of that knowledge.

111. It seems to me and I so find that there is no explanation as to why the answer fixing the date of knowledge to the date of receipt of a copy of Sunlight’s writ, was not, after all, correct.

112. Pleadings are not evidence. The answer forms part of the pleadings. But I find that Messrs Yung and Tang have not told the truth

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about this; that is evidence. And commonsense dictates that Sunlight’s customer would have alerted the manufacturer no later than the receipt of the writ from a competitor alleging infringement of copyright. That would have been in May 2000.

113. The answer to this question is ‘yes’.

114. It follows from this answer that in respect of those consignments of pinball games imported into Hong Kong from and after the month of May, Sunlight and thus Mr Yung were infringing Golden Bright’s copyright.

(4) Is Golden Bright entitled to have delivered up the offending moulds?

115. This is pursued by Golden Bright under section 109 of the CO. Now that knowledge has been proven thereby making the defendants liable for secondary infringement under section 32 of the CO, it would seem that Golden Bright should have what it asks for. What remains for consideration is as to whether the concept of territoriality extends to section 109; that is, whether delivery up is not possible because the moulds are not in Hong Kong but Dongguan.

116. My view is that section 109 is not so limited.

117. I have already noted that copyright rights are territorial, but the sections invoking secondary infringing cast the net much wider; I refer back to section 35.

118. Once infringement has been established then it seems to me that it is a matter of commonsense and logic that the moulds from which

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the copies were made should be delivered up, to prevent or at least make it harder for the offender to re-offend. Section 109 which deals with delivery up does not incorporate the words “in Hong Kong”.

119. This issue was argued before Deputy Judge Woolley when he dealt with Golden Bright’s application for summary judgment against MGA HK. Golden Bright sought an order in the following terms:

“The Defendant do, within seven (7) days of this Order, deliver up or at the Plaintiff’s option, destroy upon oath all goods, articles and materials (including all articles designed or adapted for the making of copies of the Plaintiff’s copyright works) in the possession, power, custody or control of the Defendant, the continued use, sale or otherwise howsoever dealing in or with which by the Defendant would offend against any of the foregoing injunctions.”

Mr Yan, then representing MGA HK, submitted that the words “in Hong Kong” should be included, in recognition of the territoriality of the CO. The judge rejected this proposition. He stated:

“The Copyright Ordinance has a provision, which I believe is peculiar to this jurisdiction, namely in the definition of ‘infringing copy’ under section 35(3) of the Ordinance, where it can also be such if:

- (a) it has been or is proposed to be imported into Hong Kong; and
- (b) its making in Hong Kong would have constituted an infringement of the copyright in the work in question, or a breach of an exclusive licence agreement relating to that work.

This is clearly an exception to the limit of territoriality under the Ordinance, and enables those who have reason to believe that copies of their works are being made outside Hong Kong and imported here, or intended to be imported here, to seek an order not limited to those goods already here, or being manufactured here. Section 109 of the Ordinance, which enables the owner of the copyright to apply for an order for delivery up, refers to an infringing copy only, which must be an infringing copy under the definition in section 35. There is no requirement to limit the application, nor for the Court not to make such an

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order. The fact that the plaintiff has failed to specifically plead that there are infringing copies outside Hong Kong does not help the defendant either. The plaintiff, having established that the defendant has been guilty of possessing, supplying and selling infringing copies is entitled to as wide an order as the Court considers necessary to prevent it being repeated.”

Deputy Judge Woolley was concerned only with infringing copies. But his finding is just as applicable to the moulds from which the infringing copies were made.

120. My answer to the question posed is ‘yes’.

*Conclusion*

121. Golden Bright is entitled to the injunction it seeks, delivery up as well, and to make its election. The parties have through their solicitors informed me that they have agreed the appropriate order for directions in the event that liability is established; I leave it to them to submit in concert the appropriate terms of the order, to include discovery from which Golden Bright can make an informed decision on which remedy to pursue, with liberty to restore if they cannot agree.

122. Costs, *nisi*, are to Golden Bright.

(D M B Gill)  
Deputy High Court Judge

Mr P Garland SC, leading Mr F Pao, instructed by Messrs Johnson Stokes & Master, for the Plaintiff

Mr J Yan SC, leading Mr P Wong, instructed by Messrs Benny Kong & Peter Tang, for the 1<sup>st</sup> and 2<sup>nd</sup> Defendants