BENNY KONG & YEUNG Solicitors
Agents for Patents, Trade Marks and Designs

Newsletter
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Infringement Or Improvement?

Plaintiff's Product

Defendant's Product

- Mr. Benny Kong, senior partner of Benny Kong & Yeung is the vice chairman of the Hong Kong Intellectual Institute of Patents Attorneys Association.
- Benny Kong & Yeung is a firm of solicitors established in 1996 and practices in Intellectual Property.
- In the past 5 years, we have constantly been one of the top 3 law firms in Hong Kong in term of number of institution of IP Court actions.
- Since 1996, we have handled more than 460 High Court IP infringement cases.
- Benny Kong & Yeung also ranks amongst the top 15th firms in Hong Kong in term of volume of e-filling with the Intellectual Property Department of Hong Kong.

Bladeless fan – Patent registration – Novelty – Prior Art- Progress hindered

Last month, we handled a case in which the progress of patent application was being hindered. In that case, the applicant applies to apply to United States Patent and Trademark Office for patent registration of the invention of a bladeless fan. For the reason that this case involves the issue of novelty and the issue of hindering registration progress, we opine that the experience and the registration strategy should be shared.

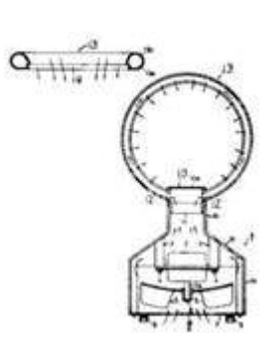
More than a year ago, an American company known as Dyson Technology Limited ("Dyson") marketed a new product called the "Air Multiplier" which is featured below:

Air is drawn in by a motor installed in pivot of the Air Multiplier. Air is accelerated from the pivot to the ring of the Air Multiplier. Inside the ring there is a hidden seam which allows air to be induced, and drawn into the airflow by the Coander Effect, so that users can enjoy wind while sitting feet away.

Dyson's Patent Application & Prior Art

The smart managers of Dyson have on 4th March 2009 applied to the United States Patent and Trademark Office for patent registration of this invention of bladeless fan. However, on the first round of evaluation, it was not accepted. The Office explained that the application was not accepted because the invention lacks of novelty, and a similar invention was registered in 1981 by a Japanese company Toshiba Co. ("Toshiba") with the registration no. 56-167897.

On 28th May 1980 Toshiba registered the invention of bladeless fan in Japan. Although Toshiba has not made use of the patent to produce a bladeless fan product, it has in fact a patent. This is one of the reasons why the United States Patent and Trademark Office not accepted Dyson's application. In Toshiba's patent registration certificate, there is the below design which bears similar appearance with the Air Multiplier:



Our further research shows that an American company known as Valco, Inc. ("Valco") has on 27th March 2006 applied to the United States Patent and Trademark Office for the patent registration of the invention of bladeless fan with the Coander Effect. Valco's patent registration was successfully registered on 20th January 2009, with the registration no. US7478993B2.

Regardless of prior art, simply Toshiba's 56-167897 patent registration and Valco's patent registration are sufficient to prevent Dyson's invention from being registered.

Dyson continues to persuade the United States Patent and Trademark Office and to amend its patent application. We will see the result.

Air Multiplier in Hong Kong

In Hong Kong, Dyson's Air Multiplier is sold through an agent. The writer has visited Lane Crawford in Pacific Place situated in Admiralty for the Air Multiplier. The Air Multiplier comes in two sizes. The price is quite expensive: HK$3,899 and HK$3,199. Accordingly to the salesman of Lane Crawford, Dyson has/will have a patent, hence the price will be higher.

Despite the issue of novelty, Dyson's patent application has promoted its Air Multiplier. Even though the application may be rejected eventually, Dyson and its agents could benefit from such promotion. Moreover, Dyson's patent application has practically prevented some small-scale fan manufacturers from using the invention of bladeless fan and the Coander effect.

Copyright Ordinance – Competition Bill – Establish Harmony

Copyright Ordinance (Cap 528) protects copyright works. Where infringement of copyright work occurs, the infringer has both civil liability (section 22 to 34 of Copyright Ordinance) and criminal liability (section 118 of Copyright Ordinance). The Copyright Ordinance is essential in that it protects and encourages creativity.

In most circumstances, the law offers the public more choices of creative products. However,

under some other circumstances, such law may be disliked by where it exploits the public! This may happen where the copyrighted products monopolizes the market.

Years ago, such disliked law was enacted in Hong Kong. In 2001 when the Intellectual Property (Miscellaneous Amendments) Ordinance 2000 came into operation, a 'panic buying' happened where companies had to purchase authentic software leading to the excessive markup of the price of the software by the sellers.

Presume that one commercial software product is popular in the market, and that if a company cannot communicate with its partners without this software, the Copyright Ordinance (Cap 528), in particular criminal liability, has become the software owner's money-making tool ("Absurd Phenomenon"). Under this absurd phenomenon, companies must purchase the product at expensive costs. As a result, the victim would be the purchaser.

The writer still recall that in the first 2 years after the Copyright Ordinance was enacted on 28th June 1997, the punishment of section 118 was normally superintendent caution or suspended sentence. 13 years later, the punishment is much more severe surprisingly. This may be due to the need of Hong Kong for a better business environment. Hence, for the past decade more and more infringers have been imprisoned.

The writer agrees that for the sake of the business reputation of Hong Kong, there is a need for aggravation of punishment. However, such aggravation further enables the copyright owner to increase the product price and to monopolize the market under the Absurd Phenomenon.

In the United Kingdom and the United States, there are anti-monopoly laws against such Absurd Phenomenon. Where a company engages in anti-completion activities by offering goods and/or services, thereby restraining or distorting the goals or effects of competition, the anti-monopoly laws would eliminate such Absurd Phenomenon. Nevertheless, Hong Kong does not have anti-monopoly laws.

Although the Commerce and Economic Development Bureau submitted the Competition Bill to the Legislative Council on 14th July 2010, the Bill does not only cover anti-monopoly laws, it also broadly restrains small and medium enterprises. Numerous SME associations opposed fiercely at the consultation meeting on 29th and 30th November 2010. It was expressed that if the Competition Bill is passed, the business environment for SMEs will be further 'strangled'. The Bill has been described as a sugar-coated pill.

If the Commerce and Economic Development Bureau intends to direct against companies which monopolizes the market, the Bill should be sector-specific and/or anti-monopoly laws.

The Law of Passing Off – Addition of Parts – Infringement

When selling a brand product, the retailer may add some parts or components to the brand product, the question is: Has the retailer infringed intellectual property rights?

In the past 10 odd years, the writer has come across 5 to 6 cases that involved the above component issue. Also, many cases which involved the above component issue were not taken to the Court. The writer would explain the legal ground in the following.

The Tort of Passing off and Infringement of Registered Trademark

There are 2 legal grounds for the above component issue. The first legal ground is passing off under the common law. If the brand has been registered as a trademark at the Hong Kong Trademark Registry, the trademark owner can also rely on infringement of registered trademark as a second legal ground to condemn the retailer. Such condemnation would normally start by issuing cease and desist letters. If the retailer continues to sell or distribute the brand product and the additional components after receiving the cease and desist letters, the trademark owner should consider suing the retailer.

Defence

To our experience, the retailer would usually protect itself with the following 2 defences:-

1. The brand product is sold with the additional components as a whole ("Defence 1"); and
2. The additional components are gifts to customers who purchase the brand product ("Defence 2").

Under the law of passing off, Defence 1 and Defence 2 can be argued as ineffective. The reason is that as long as the customers are misled into believing that the additional products are supplied by the brand owner, the tort of passing off has been committed.

Similarly, under the law of registered trademark, selling additional components could be regarded as infringement of trademark.

Some retailers have attempted to protect itself with other defences. For example: that the additional components are free; that they are samples; that the quantity of the components is insignificant. These are not acceptable defences in Hong Kong.

Exceptions

There is an exception:-

"The retailer unambiguously state that the

additional components are not supplied by the brand owner"

However, the above exception hardly happens in reality. The writer believes that the reason could possibly be that the retailer wants the customers to think that the additional components are supplied by or associated with the brand owner.

Possession of Forged Trademarks – Section 26 Defence Notice

According to section 9(1) of the Trade Descriptions Ordinance (Cap 362), anyone who:-

(a) forges any trade mark;
(b) falsely applies to any goods any trade mark or any mark so nearly resembling a trade mark as to be calculated to deceive;
(c) makes any die, block, machine or other instrument for the purpose of forging, or of being used for forging, a trade mark;
(d) disposes of or has in his possession any die, block, machine or other instrument for the purpose of forging a trade mark; or
(e) causes to be done anything referred to in paragraph (a), (b),(c) or (d),

commits an offence unless he proves that he acted without intent to defraud.

The Hong Kong Customs & Excise Department administers the above law. Investigations on arrested persons carried out by the Department mostly relate to possession. If the Department discovers that the defendant possesses infringing products and that there are other supporting evidence, the Department will prosecute the defendant under section 9(1)(d) of the Trade Descriptions Ordinance (Cap 362). In face of the above prosecution, the defendant can rely on the defence under section 26(1) of Trade Descriptions Ordinance (Cap 362). If the defence is successfully argued, the defendant will be acquitted.

Section 26(1) of the Trade Descriptions Ordinance (Cap 362) provides that:-

(1) … it shall … be a defence for the person charged to prove-
(a) that the commission of the offence was due to a mistake or to reliance on information supplied to him or to the act or default of another person, an accident or some other cause beyond his control; and
(b) that he took all reasonable precautions and

exercised all due diligence to avoid the commission of such an offence by himself or any person under his control.

From our experience, those defendants who relied on the above defence explained that e.g. they were selling parallel imports, they were deceived etc.

Usually, defendants would argue that their overseas suppliers (Mainland China in particular) are responsible for the charge. During the hearing, the defendant would provide the Court with documents e.g. registration certificates from China, authorization letters, registration investigation records, official websites etc. However, if the defendant intends to rely on those documents to defend, the defendant must inform the prosecutor in time. Otherwise, the court may refuse to admit those documents.

Section 26(2) of the Trade Descriptions Ordinance (Cap 362) provides that in order to rely on the defence the person charged shall served on the prosecutor a notice 7 days before the hearing. The fact is that many defendants failed to inform the Prosecutor of the defence in time before hearing, thereby losing the defence.

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