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ORIGINALITY OF COPYRIGHT

Kenworth Truck W900



P's toy truck



D's toy truck

ISSUE: D challenges the originality of P's copyright in P's toy truck. Will D succeed?

BACKGROUND: P made the design of P's toy truck with reference to Kenworth Truck W900 (a real truck on road). When P sued D for infringement of copyright, D defended by challenging the originality of P's toy Truck.

YOUR OPINION PLEASE SEND TO: bennykong@bk.com.hk

- Benny Kong & Yeung is a firm of solicitors established in 1996 and practices in Intellectual Property laws.
- Mr. Benny Kong, is the vice chairman of the Hong Kong Institute of Patent Attorneys Association (www.hkipa.org.hk).
- Since 1996, Benny Kong & Yeung has handled more than 500 IP litigation cases in Hong Kong.
- Benny Kong & Yeung also ranks amongst the top 14th firms in Hong Kong in term of volume of e-filing with the Intellectual Property Department of Hong Kong in 2011 (www.ipd.gov.hk).



Fast Action Scheme — Drawings, Criminal Prosecution

Fast Action Scheme (FAS) is a scheme set up by the Hong Kong Customs & Excise Department in 2006. Through FAS, copyright owners can take immediate actions on spot in the exhibition against actions infringing copyright and/or registered trademarks. In the past 5 years (since the Electronic Fair held in October 2006), the FAS has been successfully established. These are all resulted from a remarkable joint effort by the Hong Kong Customs & Excise Department, various business associations, enterprises and Mr. Benny Kong (Our senior partner).

The Hong Kong Customs & Excise Department has a high efficacy of work and action so as to prosecute as many infringers as possible. In the past few years, This firm has actively got itself involved in the FAS. Through this article, we wish to convey to readers and/or copyright owners the necessary issues so they can be more co-operative with the Hong Kong Customs & Excise Department for a more effective enforcement in the future.

1. Never communicate with Infringers after making complaints

The first point which has to be noted by all copyright owners is that after making their complaints to the Hong Kong Customs & Excise Department, they should not communicate further with the infringers, with regardless to whether it is a direct contact in person or an indirect means of communication through lawyers. Unless there are any technical reasons, the Hong Kong Customs and Excise Department will not execute any complaints, and copyright owners should not remind any infringers in the course of the Customs' investigation. Nevertheless, the Hong Kong Customs & Excise Department and the copyright owners will suffer loss—and as a result, all the efforts of the Customs will be screwed up and the copyright owners will at the same time lose their opportunity to prosecute the infringers.

2. Never Obstruct the Course of Justice

The 2nd issue herein is to avoid being involved to perverting the course of justice. While the infringer being arrested by the Customs and Excise Department and is granted with bail, the copyright owner cannot contact the arrested person. Or else, the copyright owner will be at the risk of being charged with perverting the course of justice. Even though such contact is litigation related, he/she should have such contact deferred.



With regard to the 2nd issue, the copyright owner may somehow want to immediately file a civil claim against the infringer for whatever damages they have suffered. However, in the course of communicating to the infringer, the infringer will more or less wish to show to the copyright owners his genuine remorse and beg for a release from being charged. Owing to this, copyright owners absolutely cannot accept any civil compensation in return for offsetting the charges against infringers or not to provide further assistance to the Hong Kong Customs and Excise Department to carry out their responsibilities. Nonetheless, the Police will counter-prosecute the copyright owners for obstructing the course of justice.

Therefore, in order to avoid the Hong Kong Customs and Excise Department from executing and avoid from being charged with obstructing the course of justice, we suggest that copyright owners should defer the civil claim until the criminal execution is completed.

3. Appropriate Copyright Drawings

Apparently, some of the infringers have already had a well acquaintance as to defending against any criminal prosecution. Owing to this, there is an essential need for the Hong Kong Customs & Excise Department to protect interest of ours in time.

In order to have a smooth prosecuting process, the Hong Kong Customs and Excise Department does have a standard required on the copyright drawings which are to be confiscated from the suspected infringers. There are the following 2 elements/characteristics for the copyright drawings laid down by the Hong Kong Customs and Excise Department:-

- The Drawings must be original; and
- The design on that Drawings must be literally identical or substantially similar to the infringing product.

Generally speaking, copyright drawings are usually along the line of the following 3 types:-

1. Sketch drawings; and
2. Design drawings; and
3. Production drawings.



As long as the design on the copyright drawings is identical or 90% (an approximate figure) similar to the literal design in the drawings, that will do just fine. After all, the copyright owners can just rely on and pick any of those sketch drawings and design drawings for applying to the FAS.

The most crucial document to be filed for the FAS is the design drawings. This is mainly because the product design must be identical or substantially identical. Conversely speaking, if the design on the copyright drawings is just 60-70% similar, then these drawings may not be entitled for a protection from the FAS.

Designated and convincing evidences must have to be adduced in order to lay down criminal charges against the infringers. Henceforth, the Hong Kong Customs & Excise Department does set out their specific requirements which are to be followed by the copyright owners, who also need to understand and be co-operative with the Hong Kong Customs & Excise Department, so as to give the best effect to the FAS.

Fear of Litigation — Litigation is a Part of Business

For the following companies/corporations, Court litigation may be a confusing, lack of resources control and fearful game:-

- Corporations which has never sued any infringers;
- Corporations which has once started a drastically long litigation to sue a infringer; and
- Corporations which has once been sued and was forced to answer to the litigation.

If further persuaded by friends, these corporations will put litigation—one of the methods for solving infringement problems—out of their choices without a deep thought. This may constraint the corporations' room for development.

Through this article, the writer would like to explore the feasibility of litigation from another angle:-

1. First, businessmen should set out “short-term purposes” for the litigation.
2. In general, the purposes of litigation are:-



- a) Litigation is to comfort the corporations' customers ("Purpose 1"). In order to strengthen customer relationship and/or to avoid price oppression, intention of starting litigation serves a certain degree of effect.
 - b) For most infringers, receiving a court-sealed writ of summons is different from receiving a warning letter. Even for those most arrogant infringers, after receiving a writ of summons, most of them would agree to terminate all infringement ("Purpose 2"). According to experience, after serving the writ of summons, most defendants would tend to settle with the corporations within a short period of time. If the purpose for starting a proceeding is Purpose 2, the purpose is then achieved.
 - c) Sometimes issuing a writ of summons can serve a "deterrent" effect ("Purpose 3"). For Hong Kong as a small community, whenever corporations go beyond the usual style of sending a warning letter to the infringer, and to start a litigation against a certain infringer, other infringers would better behave themselves in order to avoid being another defendant. In reality, if corporations include in their warning letter that they have started proceedings against another certain infringer, this would induce the recipient infringers to stop their infringement.
3. If the purposes for corporations to start litigation are only Purpose 1, Purpose 2 and/or Purpose 3, the corporations' concerns would greatly be reduced. The remaining concern may just be the costs. This only requires the corporations to understand and to agree with the certain litigation. Even if the defendants refuse to remedy but agree to terminate the infringement, Purpose 1, 2 and/or 3 would still be achieved.
 4. For about one to two months after the start of the litigation, the infringement situation may have stopped already. When these terminate, corporations can utilize "Judgment" to promote its vision of anti-counterfeit.
 5. From issuing a writ of summons to settling, usually the legal fee payable to lawyers would not be expensive. According to experience, the fee would be about HK\$20,000 to HK\$40,000. Sometimes, the defendants might offer to pay the legal costs for the corporations so as to avoid the painful and expensive litigation process. In real life, more than half defendants would make this compensation.

From the above, readers can see that corporations should not consider the suitability of litigation against infringers just from its two-year-long process.

Obviously, corporations must make sure that they have sufficient evidence for litigation before starting any litigation with "purposes".



Website Design — Infringing Images — Getty Images — Liable Person

Website construction is inevitable nowadays for product and service promotion. Most corporations contract out their website designs unless the corporation itself is a website design company. Contractors often insert images into the website designs to make the websites look more attractive. However, if the images inserted are not permitted by their copyright holders, has the corporation infringed copyrights?

Getty Images

In Hong Kong, many corporations encountered the above problem. Copyright holders (or their agents) will send out warning letters to corporations upon discovering the infringing images in the corporations' websites. Getty Images is one of those copyright agents which actively protect images' copyright.

What should corporation do when they receive a warning letter? In the followings the writer suggests some reasonable ways for corporations to deal with this.

Delete the Infringing Images Immediately

In their warning letters, copyright holders rely on the Copyrights Ordinance' Cap.528 to claim copyright fees from infringing corporations. Depending on the purpose and the used amount, the claim of fees ranges from HK\$7,500 to HK\$30,000. Unless the corporations insist to use the concerned image, they should immediately delete the images upon receiving the warning letter. Nonetheless, deleting the image does not put an end to the copyright holders' claim.

Corporations should handle the warning with the following steps:-

Claim against the Website Design Company

1. Corporation should immediately inform the website design company and hand over the warning letter to them ("Action 1").
2. After Action 1, normally the website design company will take either of the following actions. First, if the website design company has obtained permission or paid for the copyright, corporation should request the website design company to, directly or through the corporation, send the relevant documents to the copyright holders. Sometimes, in order to maintain goodwill and avoid being sued, the website design company will directly apply to the copyright holders for usage right or to pay the copyright fees.



3. Second, if the website design company did not, by using the image, infringe copyright, the company might ignore the warning letter. In such situation, the corporation should not ignore the letter. Under the Copyright Ordinance' Cap.528, infringing copyright induces criminal as well as civil liabilities. To avoid civil claims or criminal charges, the corporations and the directors should take the below actions.

Trace the Copyright

4. If a corporation discovers that the website design company used the infringing image without permission, the corporation should take appropriate actions to deal with the warning letter. The easiest method is to pay copyright fees to the copyright holder or its agent.

Agree to Stop the Use

5. Most corporations would not make the payment due to balance of cost and persistence. In such circumstances, the corporation should make promise to the copyright holder to avoid hostility: the corporation should promise not to use the infringing image again ("Action 2"). Nevertheless, Action 2 does not mean the copyright holder will give up the claim against the corporation's previous unintentional infringement.
6. Corporation should ask the copyright holder for the information of the infringing image ("Action 3"). According to experience, it is complicated to prove copyright and to provide relevant documents, this is sometimes impossible (due to technical problem). Before proving copyright's existence or there is a lack of copyright information, corporation has the right to refuse the payment of copyright fees. If the letter was sent by the copyright holder's agent but not the holder itself, corporation's questions will put the agent into a hard time. Although the corporation does not wish to challenge the copyright allegedly hold, the above questions will distract the warning letter sender from being too aggressive.

Corporation having no knowledge

7. Corporation can rely on "having no knowledge" as a defence for civil and criminal liabilities regarding copyright infringement. According to the Copyright Ordinance' Cap.528 Section 30 to 34 and Section 118(4), corporation can rely on "having no knowledge" as defence to insist that the corporation did not infringe copyright. Corporation should explain to copyright holder the objective evidence of the no knowledge defence ("Action 4"). The evidence to be relied on include the decision made by the website design company, the infringing image is only one of the large amount of images in the website, etc.



8. It is very difficult for the copyright holders to claim legally or factually for the copyright infringement. If corporations take Actions 2, 3 and 4, most copyright holders will consider to “let go” of the claim in the warning letter.

If the website design company has obtained permission from the copyright holder or paid for the use, corporation can continue to use the image. However, if the copyright holder’s request of copyright fees appears like duress, corporations should consider the above actions to get rid of such unreasonable request.

ODM Company Designs — Manufacturers Manufacture — Copyright Disputes and Manufacturer’s Agreement

ODM design companies often contract out some or all parts of product manufacturing process to manufacturers. Before manufacturing the products, ODM companies will pass the product concept and/or designs to the manufacturers to make copyright work (e.g. engineering drawings and molds). To avoid copyright disputes, ODM companies should request the manufacturers to sign an agreement (i.e. Manufacturer’s Agreement) to confirm that the ODM company is the sole copyright owner of the product. In reality, there are some ODM companies which do not sign such agreement before engaging into the cooperation with the manufacturers.

Termination of Cooperation

When problem arises (e.g. adjustment of price, product quality deterioration), the relationship between the ODM company and the manufacturer will be worsened and may even put an end to their cooperation. For the ODM company, the next step after terminating the cooperation would be to find another manufacturer to continue with the work. However, after the cooperation has ended, would the original manufacturer stop to manufacture and sell the product?

From the writer’s experience, nine out of the ten ODM companies which did not enter into manufacturer’s agreement will find that their previous manufacturers continue to produce and sell the product, since the manufacturers have the equipment to manufacture the product, and the only thing they need to do is to promote the product in the market (e.g. by displaying the product on the internet or sending a sample to trading companies), then they can carry on to manufacture and sell the product (“The Problem”).

Focusing on The Problem, ODM companies may consider the following three actions to reduce the chance for the manufacturers to continue manufacturing or selling the products:-



Letters upon Termination of Cooperation

1. After termination of contract, ODM companies should send a letter to the manufacturer notifying them that the ODM company is the sole copyright owner of the relevant product, and to remind/warn them (depends on relationship) to stop manufacturing or selling the product. For manufacturers which are honest, such reminder/warning is effective. However, for manufacturers who lack intellectual property knowledge, they may believe that they themselves would be the copyright owner instead of the ODM company as the company did not pay for the production of the "mold". If the manufacturer ignores the warning and continues with the manufacturing and sale, the ODM company should send a copy of the reminder/warning to every buyer of the infringing product from the manufacturer.

Commission

2. When the manufacturer neglects the warning from the ODM company and continues to manufacture the infringing product, the ODM company should gather all the copyright works (e.g. earliest designs and drawings given to the manufacturer or communication with the manufacturer and drawings for approval) and any email communications with the manufacturer. These are to prove that the ODM company has entrusted (i.e. commissioned) the manufacturer to complete the product design and to manufacture the product. Under the Copyright Ordinance' Cap.528 Section 15, if the ODM company can prove that it has commissioned the manufacturer to design and manufacture the product, the ODM company is the copyright owner, and the manufacturer is just a party commissioned (i.e. commissioned party). Under commission situation, regardless of whether the manufacturer has paid for the mold, the ODM company is still the only copyright owner of the mold. When the ODM company has gathered all the copyright drawings and the relevant emails, the ODM company can take the following third action at appropriate time.

Proceedings

3. If the manufacturer participates in exhibitions in Hong Kong through trading company, the ODM company should send a serious warning letter to the participating company. In the letter, the ODM company should state that the copyright of the product is owned by the ODM company, and to support the claim with evidence. Generally, without substantial profits to be gained, the trading company would stop selling the product. Nevertheless, if the manufacturer participates in the exhibitions through its Hong Kong branch, the ODM company should grasp the opportunity and start a proceeding against the manufacturer and/or its Hong Kong subsidiary. After starting the proceeding, the ODM company can consider notifying its own client and the clients of the manufacturer of such proceeding. From experience, once the ODM company states that it has started the proceedings against the manufacturer, often the manufacturer's clients would usually immediately stop purchasing the product from the manufacturer.



The writer encounters such situation for at least three to four times a year. ODM companies can consider the above actions if they do not have a manufacturer's agreement, but these actions consume a large amount of time, effort and money from the owners of the ODM companies. Therefore the writer advises ODM companies to get to the point, and to request the signing of a manufacturer's agreement before (or soon after) commissioning the manufacturer.

Regular Check on Trademark Application — Suitable Opposition During Gazetteing

There are the following 2 usual stages for registration of a trademark:-

1. Filling in and submitting to the IPO the trademark registration; and
2. Publication and issue of a Trademark Certificate.

The time estimated for Stage 1 varies depending on different countries. In Hong Kong, it can be as short as around 3 to 4 months. In China, it can be as long as around 2 years. After the Stage 1 is approved, the whole process of registering trademark will go straight to Stage 2. In the course of Stage 2, the Registry will open for public opposition to the subject trademark application. If no opposition is filed within the 3 months of publication, then the Registry will issue the Trademark Certificate.

Unable/Unnecessary To Apply For Every Class

There are about 45 classes of trade mark registration in Hong Kong . With regardless to whatever sizes of the enterprises, they would not and are not even necessary to make an application for every single class of trademark. In normal practice, they make the application to an appropriate categories, depending on the services of the enterprise itself and the nature of the products.

Say for example one enterprise trading as a fashion mercantile will consider making a trademark application for class 25. Because of the necessity and the availability of resources, that fashion enterprise will not normally extend its trademark application to the other classes/categories, for instance class 10 (electrical appliances) and class 11 (electrical apparatus).

Unless it is a well-established business group, it is rare that an enterprise will apply for all classes of goods.



Difficulties of the Enterprises

Henceforth, the following practical problems/conditions (adverse possession of registered trademark) arise on the enterprises:-

1. A person/company which makes an application for a similar trademark for its own sake or company itself ("Situation 1");
2. A person/company which makes an application for an identical trademark for their own sake/company itself ("Situation 2");
3. The same Condition 1 and the respective person and/or company makes its application to countries or cities outside Hong Kong ("Situation 3"); and
4. The same Condition 2 and the respective person and/or company makes its application to countries or cities outside Hong Kong ("Situation 4").

For those enterprises who have their trademark being registered, it is most likely or occasionally they will bump into the above Situation 1, 2, 3 and 4. Especially during the recent rapid economic development in China, Conditions 3 and 4 will, as a result, impose serious impact to the enterprises.

Out of Control by the Enterprises

Assuming that if in the absence of knowledge by the enterprises, it happens to have all the above Conditions 1 to 4 and at the same time an relevant application was approved and granted by the Registry, then the prima facie rights of ownership to that trademark will become confusing. To a minor effect, adversely possessing the registered trademark will restrict the areas/scoops to which the enterprises can expand their new products to. Seriously, it will even affect the image and the reputation of that registered trademark. What enterprises have to do is to take the right action as soon as they can.

Actions taken by the Enterprises

Basically, the 2 appropriate actions which the enterprises can take are described below:

- Only taking action after that person or company successfully makes an adverse application for registering the trademark ("Action 1"); and
- Take action right after the person or company applied for an adverse application of registered trademark, and well before the Registry issues the Certificate ("Action 2").



Expensive Value imposed by Taking Actions

In fact, adverse application of registering trademark is not a right action. Every country and/or city has its own laws and rules to deter any adverse registration. Nevertheless, the enterprise itself will have its own effective legal foundation to stop all actions of adverse registration, however, to a large extent, all sort of these actions will be time consuming and will as well impose unnecessary financial loss on enterprises. In these long winding processes of prohibition, the trademarks of the enterprises will or may be seriously contaminated.

Making Use of the Gazette

Unfortunately, in this world, there isn't any or much convincingly valid method to stop those adverse registrations of trademark as yet. Just owing to this reason, it is always necessary for the Trade Marks Registry to publish the trademarks which have been considered as a valid registration. This is always the only and best chance to be taken off by the enterprises to deter adverse trademark registration. In order to have a good grasp of the chance, the enterprises have to, from time to time, check and update the Gazette for any registered trademark.

According to the above opinion, the enterprises may be response by saying that with limited background knowledge/ acquaintances of theirs to Intellectual Property Law which may somehow hinder a long-term checking on the Gazette. And there are more than hundreds of Registries in different countries and cities, it is absolutely impossible for them to check the Gazette of every single country all the time and conduct respective investigation on each of them. To resolve the above 2 problems, we have the following suggestion:-

"Instruct a Lawyer to do the regular check and investigate on your behalf"

In view of the serious knock on effect imposed by the adverse registration of trademark, enterprises can consider to instruct a lawyer to look after the Gazette.

The annual fee of checking and investigating the Gazettes in Hong Kong and various countries/cities is comparatively small. As long as the enterprises have already registered their trademark, they should consider instructing lawyer to take care of their most remarkable trademark so as to avoid any adverse possession of which in the future.