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Agents for Patents, Trade Marks and Designs

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Patent Infringement or not?

Plaintiff's Product

Defendant's Product

Between 2007 and 2010, Silverlit (the Plaintiff) filed more than 50 lawsuits in different countries of the world claiming against defendant manufacturers, traders and retailers for patent infringement. The only difference between Silverlit's toy helicopter and the Defendants' toy helicopter is the form of stabliser: Silverlit uses 'blade' while Defendents use 'rod'. All the Defendants lost.
Your views are welcome – bennykong@bk.com.hk

- 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 13th frms in Hong Kong in term of volume of e-filling with the Intellectual Property Department of Hong Kong.

OEM products – Copyright ownership

Many Hong Kong trading companies establish factories in the Mainland China. These companies have rich experience in running a factory and human resources to develop new products. For this reason, foreign companies like to cooperate with these companies.

When cooperating with the Hong Kong company, usually the foreign company would supply raw materials to the Hong Kong company, inform it about the appearance and qualities of the product. The Hong Kong company would then order the China factory to manufacture the new product accordingly.

After many discussions between the Hong Kong company and the foreign company and modifications to the product, the product is presented to the general public when Hong Kong company and the foreign company are satisfied with it. Both the Hong Kong company and the foreign company long for the profits being brought by the popularity of the product. It is not difficult that this goal be achieved. However, how long can the relationship between the Hong Kong company and the foreign company last? It is likely that such relationship would alter due to change in circumstances.

Change in circumstances

Usually the foreign company would request the Hong Kong company to lower the price of the product. The Hong Kong company would refuse to agree to such request. Even if the Hong Kong company compromises, this would not end the conflict between the Hong Kong company and the foreign company. On the contrary, this would worsen the relationship between them. Ultimately, the foreign company may replace the old Hong Kong company by gradually placing manufacture orders with another Hong Kong company.

The Hong Kong company has invested many resources in the product. If the foreign company replaces it, the resources so invested may be wasted. Can the foreign company entrust another Hong Kong company to manufacture the product? Can the Hong Kong company resist such arrangement or manufacture the product on its own? The answers to the above questions depend on the ownership of intellectual property in the product, especially copyright.

Usually at the initial phase of the cooperation of the Hong Kong company and the foreign company, there is no written contract that documents the relationship and duties of both parties. Commonly, the Hong Kong company would not ask for fees for the development of the product, and the expenses of the development are paid by the Hong Kong company. In other words, the foreign company only provides information about the appearance and qualities of the product.

Copyright in the product will be owned in one of the following ways:-

1. solely owned by the foreign company
2. solely owned by the Hong Kong company
3. co-owned by the Hong Kong company and the foreign company.

Commission

To claim that it solely owns the copyright in the product, the foreign company will claim that it commissioned the Hong Kong company to produce the product. Although Hong Kong does not have a legal definition of the word "commission", the writer believes that consideration is needed for commission. For example, the foreign company provided capital for the Hong Kong company to develop the product. Without consideration, it is difficult for the foreign company to solely own copyright.

Sole ownership by Hong Kong company

An author of copyright work is the person who creates the work with judgment, effort and techniques. According to section 14 of Copyright Ordinance (Cap 528), where a copyright work is made by an employee in the course of his employment, his employer is the first owner of any copyright in the work.

When a product is developed, employee(s) of the China factory may be the author of the product. Therefore, the China factory is the first copyright owner. Since the Hong Kong company and the China factory are jointly owned, the China factory can easily assign the copyright to the Hong Kong company.

Co-ownership

If the foreign company has provided opinions and intervened in the development of the product, then the foreign company can prove that it is one of the owners of copyright in the product.

Co-owning copyright in a product means that the foreign company and the Hong Kong company cannot manufacture the product without the authorization of the other party. The Hong Kong company can prevent the foreign company from selling products that are not manufactured by it, and it cannot produce products without authorization of the foreign company.

In deciding who owns the copyright, the Hong Kong company should first examine the correspondence between the foreign company and it. Even the companies did not expressly stipulate about the ownership of the copyright, the correspondence may reveal that the copyright is co-owned.

Hence, the ownership of copyright depends on the documentary correspondence between the companies.

Prior Art – Plaintiff's Product – Defendant's Product

Recently, in defending copyright litigation, many defendants would claim that the Plaintiff's product amounts to prior art. This defence is to challenge that the Plaintiff does not have copyright and that the proceedings should be discontinued.

Prior art

Prior art is information that has been made available to the public before the product is designed and that has been referred by the product designer. Such information may include magazines, photographs, samples etc.

Two decades ago, copyright litigation usually involved 100% duplication. Recently, copyright litigation commonly raise the question of prior art. The writer would explain the relationship between prior art and infringement of copyright.

Designer

A product designer may do some market research before drawing a drafting of the design of the product. From the research the designer can create a new product using his independent skill, labour and judgment. The research is the prior art of the product.

If the designer simply copied parts of the research and recombine the parts into a new product, the product lacks originality and thereby copyright. Even if the designer adds a few lines or makes some changes, the product still lacks originality, and may not be protected by copyright law.

Rights of the defendant

Under the above circumstances, the defendant can apply request the plaintiff to supply information that the plaintiff has referred to in designing the product. If evidence shows that the plaintiff's product is a prior art, the defendant can win the litigation.

Special industries

The defence of prior art is more common when the product in question is eyeglasses, watches or furniture. This may be due to the attributes of those products. For example, eyeglasses would in any event have lens and the frame; furniture would have the back, armrests and seat. However, if the designer has put in independent skill, labour and judgment to create a product, the product will be protected by copyright law.

Infringement of copyright

In deciding whether the plaintiff's product is prior art and therefore does not have copyright, the prior art, the plaintiff's product and the defendant's product have to be compared to find:-

1. the differences between the prior art and the plaintiff's product ("Difference 1");
2. the differences between the plaintiff's

product and the defendant's product ("Difference 2").

If Difference 1 is much less than Difference 2, it is likely that the plaintiff's product is not protected y copyright law.

Hence, both the defendant and the plaintiff should do the above comparison in face of copyright litigation.

Online Shopping – Infringement – Hong Kong Customs and Excise Department

More and more companies sell their products online. Through online shopping, customers can learn about information about the product (e.g. the price) from the retail website. If the customer decides to purchase the product, he can pay through Paypal, and the retail website would deliver the product to the customer by courier.

Online shopping is simple and convenient. Although there is a risk of receiving a wrong product, online shopping is popular. Similarly, it is difficult to investigate infringement if the product is bought online.

Traditional anti-counterfeit action

When the intellectual property owner discovers infringement in online shopping,, he should take anti-counterfeit action immediately.

Taking traditional anti-counterfeit action requires the engagement of private inquiry agents. However, inquiry agents can at best obtain infringing products by purchasing online. They cannot go to the office of the retail website or question the persons in charge of the retail website.

New anti-counterfeit action

Nowadays, intellectual property owners should take new anti-counterfeit action. The writer would advise to reduce or stop online infringement:-

Companies can consider issuing cease and desist letters to the following institutions:-

a. the retail website;
b. the internet service provider which hosts the retail website; and
c. Paypal.

Through http://www.whois.net, companies can easily find out who is the registrar of a retail website. After the identity and address of the registrar of the retail website are confirmed, companies should issue cease and desist letters to the registrar and the internet service provider.

Without Paypal, customers and the retail website may not have a medium to exchange products and purchase prices. Hence, when companies are certain about infringement, cease and desist letters should also be sent to Paypal to remind it not to assist or abet infringement by the retail website or its registrar.

Hong Kong Customs and Excise Department

If the infringement involves infringement of registered trademark or copyright in Hong Kong, companies can file a complaint with the Hong Kong Customs and Excise Department. The Department may then investigation or criminally prosecute against infringers.

If companies can provide information required by the Department, such as registration certificate, copyright works and evidence of infringement, the Department would take anti-counterfeit action against infringement committed through online shopping. From the perspective of companies, anti-counterfeit action taken by the Department is free and is more prohibitive than civil litigation.

Copyright – Cao Zhi – Color

The general public is familiar with copyright. As long as the author has put in independent effort, judgment and skills in the production of a copyright work, the author or his employer has the right to prevent infringing activities, which includes copying and selling infringing products.

Infringement of Copyright

To prove infringement of copyright, copyright owner must prove the following:-

1. He is the copyright owner;
2. The infringer has committed infringing activities; and
3. The infringer knew or should have known that there is copyright when committing infringing activities (except under special circumstances e.g. where the infringing activities is producing infringing products).

Copyright work

Copyright does not require registration. Copyright work means a work of any of the following descriptions in which copyright subsists:-

(a) original literary, dramatic, musical or artistic works;
(b) sound recordings, films, broadcasts or cable programmes; and
(c) the typographical arrangement of published editions.

The following example can be used to explain the meaning of "original".

Cao Zhi

The famous Chinese ancient poet Cao Zhi composed a poem: "Cooking beans on a fire kindled with bean stalks, the beans weep in the pot. Originally born from the selfsame roots, why so eager to torture each other!" This poem is made up of eight Chinese characters. These eight characters were not invented by Cao Zhi. However, he composed this poem with his independent effort, judgment and skills, and became the author of it. This poem is an original copyright work if it is composed in

nowadays.

Therefore, if the author creates a work without copying, using his own knowledge, the work is protected by copyright law even the author is inspired by other works.

Colour

One should note that copyright does not protect colour. No matter how colourful a picture is, copyright will only protect its pattern.

Scope of copyright protection - iPad – Galaxy Tab and Tablet

The iPad has in early 2010 stimulated a great mass fervor of tablet computers. It was reported that over 7,000,000 iPads were sold globally in the first six months popular that it attracts fierce competition.

In late 2010, Samsung's Galaxy Tab and Archos' Tablet were published and compete with Apple's iPad. The writer has tried the Galaxy Tab and the Tablet and found that there are no major differences from the iPad in terms of appearance and function. The question is: does selling Galaxy Tab and Tablet involve issues of intellectual property infringement?

Copyright

It is unlikely that selling Galaxy Tab and/or Tablet would infringe copyright in iPad. The appearances of iPad, Galaxy Tab and Tablet are similar. However, before iPad was published, many fluorescent screens are rectangular-shaped. Hence Apple cannot claim that the rectangular shape of iPad is novel and has copyright.

iPad, Galaxy Tab and Tablet have the function of short-cut icons. Through those short-cut icons, users can have access to information or websites directly. This function has been applied for almost 20 years. Even though the inventor or owner can prove that this function is a unique concept, its copyright does not belong to Apple.

The writer believes that the popularity of iPad is because of the convenience it brings to its users, not because of its novel design and concepts.

Limited protection of copyright

Copyright protection has a limited scope. The more limited the scope is, the easier a competitor can publish a product which is similar to the copyright owner's product, without infringing its copyright.

In other words, copyright provides designers with a reasonable scope of protection. Outside that scope, copyright law will not offer unnecessary protection to designers. For this reason, Copyright Ordinance (Cap 528) conditionally affords competitors space to design products which may be similar.