



# Newsletter

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## Patent attorneys – Self-regulation – Liability

In Hong Kong, there are two types of patent registration: short-term patent (maximum term of eight years) and standard patent (maximum term of 20 years). Once the patent is registered, it would be protected by the Patents Ordinance (Cap 514).

During the period from 2005 – 2009, there were 524.2 and 12967.6 registrations on average of short-term patent and standard patent respectively. Only 10% of the owners of those registrations were Hong Kong companies or individuals. In other words, 90% of them were from overseas. For overseas applicants to apply registration of patent in Hong Kong, they must apply through a patent attorney in Hong Kong.

A patent attorney must have sufficient knowledge about patent law of Hong Kong and other jurisdictions and experience of patent application so as to protect the rights of the patent applicants and owners. A patent attorney should:-

1. Provide profession advice to the patent applicants and owners; and
2. Provide related services to the patent applicants and owners in the application for patent registration.

An outstanding patent attorney should also pursue further study on patent law.

We have come across some absolutely unprofessional patent applications. We would not comment on those applications here, but we recommend that overseas patent applicants and owners (or their overseas patent attorneys or lawyers) should take care in choosing patent attorneys in Hong Kong.

Unfortunately, there are no qualification requirements in Hong Kong for the educational background and experience of the patent attorneys. Furthermore, patent attorneys in Hong Kong are not subject to any institutional oversight. As a result, any individual or company can claim to be a patent attorney even if they do not have any knowledge or experience on patent law.

Consider an example that the patent attorney fails to inform the Patent Registry of its change of address of business, the registrations which were completed by that patent attorney may be revoked because of the change of the address. The revocation may occur without the knowledge of the patent owners. In this situation, the patent attorney apparently is accountable, but the ultimate victim would be the patent owners! Moreover, the overseas patent attorney or lawyer of the patent owners who have chosen that local patent attorney is also responsible.

Where there are conflicts between the interests of the local patent attorneys and that of the patent owners, the rights of the owners would be prejudiced. Hence it is insufficient to rely on the self-regulation of the patent attorneys.

For the purposes of the protection of patent owners and their overseas patent attorneys or lawyers, we recommend that there must be a licensing system for patent attorneys in Hong Kong (“Recommendation 1”) and that there must be an institution overseeing patent attorneys (“Recommendation 2”).

If you have any comments on the above 2 recommendations, please contact our Mr. Benny Kong (Email: [bennykong@bk.com.hk](mailto:bennykong@bk.com.hk)). 

## PRC Patent Law – Remunerate Inventors Reasonably

On 27th December 2008, the National People's Congress Standing Committee has adopted the amendment to the PRC Patent Law and has decided that the amendment would commence on 1st October 2010. Hence, the PRC Patent Law has changed to a great extent since 1st October 2010.

The amendment includes the following:-

1. Confidential censorship of patent application (Section 12);
2. Multiple design application (Section 31);
3. Increase in restrictions on patent rights (Section 69);
4. Aggravate the punishment on contravention of patent law (Section 63 and 65); and
5. Offer the inventors or designers with reward and remuneration (Section 16).

Hong Kong companies should pay attention to Section 16 mentioned above, which stipulates that:-

“Patent holder shall reward the person who invented or designed the subject of the patent; and remunerate that person reasonably after the patent has been applied and generates economic benefits.”

Section 17 of the PRC Patent Law also stipulates

that:-

“The inventor or designer is entitled to name himself/herself as the inventor or designer, as the case may be, in the patent file.”

Hong Kong companies have to ensure that the reward and remuneration of the inventors and designers are included in the calculation of the production cost. Otherwise, the companies may find itself in ‘troubles’, for example failing to balance the budget or be sued.

In order to avoid such troubles, apart from including the reward and remuneration in the calculation of the production cost, companies can consider the following methods:-

1. Define in the employment contract with the inventors and designers that part of their salary include the reward/remuneration required under Section 16.
2. Establish a new company to rehire the inventors and designers; then the new company could authorize the old company for a reasonable price.

Apparently, companies have to obtain advice from their PRC lawyers before the implementation of the above methods. 

### 2010 APAA IN KOREA

Our senior partner Mr Benny Kong again attended the conference of Asian Patent Attorneys Association ("APAA"). Mr Benny Kong has always been a keen supporter to APAA. Attending international conferences keeps us close to our overseas associates and updated on international IP news. Some of the participants who chose the excursion Olle in Jeju, Korea were physically exhausted by the 3- hour long hiking up and down the mountains and jumping over the slippery rocks.



# Illegitimate Occupation of Trademarks – Exhibitions – Revocation of Registered Trademarks

The trademark you are using may be registered by somebody else before you register it. This is very common in Hong Kong and in other parts of the world. Companies can apply to revoke the registered trademark under Trade Marks Ordinance (Cap 559). Usually, companies can state the following to undo the illegal occupation of the trademark:-

1. That the registered trademark owner was not the real owner to the trademark;
2. That the registered trademark owner deceived the Trademark Registry in registering the trademark; and
3. That the registered trademark would confuse the consumers.

If a trademark, which should not have been registered under the law, is approved by the Trademark Registry and is registered, this registered trademark can be revoked by an application to the court by any affected persons.

If a trademark which belongs to a company and it is registered by somebody else (e.g. the Company's former agent), the Company

must not 'watch with folded arms'. Watching with folded arms would lead to expected and unexpected losses.

Allowing the illegitimate occupation of the trademark would lead to confusion and loss of confidence of the consumers in the market. Note that the trademark owner on the record is not the trademark owner but somebody else. Technically and practically, there would be 2 consequences that are detrimental to the business of the Company:-

1. The registered trademark owner can report to the Hong Kong Customs and Excise Department that the Company or its agents use that trademark; and
2. The registered trademark owner can apply to the court for injunction to prevent the Company or its agents use that trademark.

In practice, the above consequences are not common. It is more common that the registered trademark owner would send letters to the Company's customers or agents proclaiming that it and not the Company is the true owner of



the trademark. Since the interests involved are insignificant, many customers or agents of the Company would consider to stop buying or selling the Company's products so as to avoid the trouble.

If the Company or its agents do not impede the above act of the registered trademark owner immediately, the Company's business would deteriorate. Ignoring the problem would encourage further acts from the registered owner to takeover the Company's share of the market.

Tolerating the illegitimate occupation of trademark would cause embarrassment and impairment to the reputation of the Company's and its agents. For the reason that the Company and the registered trademark owner operate in the same industry, they would probably participate in the same exhibition marketing their products and services. Some malicious registered trademark owners would report to the Customs and Excise Department before the exhibition and request the Department to arrest the Company or its agents.

To solve the above problems, the Company and its agents should issue letters to the registered trademark owner immediately after the illegitimate occupation of trademark is discovered; and apply to the High Court for the revocation of that trademark if necessary.

If the Company or its agents worry that the Customs and Excise Department would take search action or execute arrest in exhibitions and in offices, the Company or its agents should apply to the High Court for the revocation of that trademark, issue letters to the Customs and Excise Department informing the Department that the Company and the agents has already initiated the process of revocation of the registered trademark. Even though the Department does not have the duty to terminate the investigation of the complaint, but the Department has sufficient experience and capability to tell right from wrong, and it would take reasonable measures in avoidance of wasting the public fund. 

## PRESS CONFERENCE FOR HONG KONG FAR INFRARED RAYS ASSOCIATION

On 13<sup>th</sup> October 2010, the Inauguration ceremony of the Hong Kong Far Infrared Rays Association was held at the Hong Kong Exhibition and Convention Centre. Mr. Benny Kong is the Legal Adviser and committee member of Hong Kong Far Infrared Rays Association ([www.hkfira.org](http://www.hkfira.org)).



# Receive Cease and Desist Letters – Beat Off Issuers – Prevent Goods Return

As a responsible supplier, a company should take reasonable care of their customers' interests in reselling its products. If during the course of reselling the company's products, the customer receives cease and desist letter and complain about this to the company, what should the company do about:-

1. The cease and desist letter; and
2. The complaint from the customer.

Many companies would know that some issuers of cease and desist letters do not have the legal grounds as stated in the letters ("vague letters"). Companies and their customers should deal with the requests in those vague letters rationally and beat them off. However, not every customer is as determined as the company.

After receiving cease and desist letters, some customers would remove the products from selling immediately. They may claim the expenses of removing the products and associated losses against the supplier company.

The company should inform the issuer of the vague letters in writing the following:-

1. That the claims in the letters are groundless and unreasonable;
2. That the issuer must stop issuing letters to the customer;
3. That the issuer must not issue similar letters to the company's other customers.

More importantly, the company should also write to their customers that they can continue selling the products as the claims in the cease and desist letters are groundless.

If the customer decides to remove the products

from selling and to compensate the issuer just to stay out of trouble, the company cannot control such commercial decision. However, the company should not be held responsible for its customer's commercial decision and compensate for the losses of its customers. In other words, the customer still needs to pay for the product price if it has not been paid.

Before the claims in the vague letters determined, the company should make this clear to its customers:-

"Before the issuer can present evidence to prove its claims, the customer shall not remove the products from selling and should not expect that the company would compensate the customer if it has done so."

Where the company takes the initiative to write to the issuer challenging its claims and requesting evidence proof, the company should send a copy to its customers. When the customers receive the copy, they would know that:-

1. The company is confident in its products;
2. If they decide to remove the products from selling, that is their own commercial decisions and have to bear the costs themselves.

From the above analysis, the company can at appropriate times write to the issuers of vague cease and desist letters to beat them off. By doing so, the company has protected its commercial image and the company does not have to compensate its customers.

There is an exception – when the customer or the issuer is a major overseas chain store. 

# Internet Service Providers and the Infringement of Intellectual Property Rights

In the era of Information, more and more citizens and companies use the services provided by Internet Service Providers (“ISP”) to store and obtain information. If works are copied/possessed by infringers without the knowledge of the ISP, would the ISP be civilly or criminally liable?

## Registered Trademark

ISP is responsible for promoting and selling in the course of business, or assisting its customers in promoting and selling, products which use a registered trademark without the permission of the trademark owner under Trade Marks Ordinance (Cap 559) (civil liability) and Trade Descriptions Ordinance (Cap 362) (criminal liability).

## Registered Designs

The ISP would breach the Registered Designs Ordinance (Cap 522) if it promotes and sells, or assist customers in promoting and selling, products which infringe registered designs. In order to claim losses against the ISP, the registered design owner has to prove that the ISP continued to sell or assist in selling after it has knowledge of the registered design. In practice, unless the registered design owner has issued cease and desist letters to the ISP before suing against it, usually the ISP does not have to be responsible for the registered design owner’s losses.

## Copyright

Copyright owner has to prove (1) that it has copyright (2) that the ISP had participated in offering for sale or selling, or assisted its customers in offering for sale or selling, products which infringe copyright. Also, the copyright owner has to prove that the ISP knew or should have known about the infringing activity. Usually, the ISP can defend by saying that it has no knowledge. However, if the ISP has failed to reply

with reasonable answer (including stop selling infringing products) after it receives the cease and desist letter, the ISP would lose its defence.

## Patent

Similarly, as long as the patent owner can provide a valid registration certificate and prove that the ISP has participated in infringing activities, including selling or allowing customers to sell infringing products, the ISP has infringed the patent.

## Passing Off

As long as the complainant can prove that the infringing product confuses the public leading consumers to believe that the infringing product is the product of the complainant, it is then highly likely that the ISP is in breach of passing off under the common law. In practice, the ISP would defend that the customers who purchased the infringing products were not misled.

In fact, very few intellectual property right owners would litigate against ISPs immediately after infringing activities are found. Usually they would first issue cease and desist letters. If the ISP continues to display and sell infringing products, the owner will then issue legal proceedings against the ISP for infringement of intellectual property rights.

ISPs provide a convenient and inexpensive communication forum for individuals and companies. Dealing with thousands and thousands of customers, it is unlikely that the ISPs can determine which customer is infringing intellectual property rights. Hence, more protection for the ISP under the intellectual property law is required to strike a better balance between public interest and legal responsibility. 



**Benny Kong & Yeung is a firm of solicitors established in 1996 and practices in Intellectual Property. Since 1996, we have handled more than 460 High Court cases. In the past 5 years, we have constantly been one of the top 3 law firms in Hong Kong in terms of number of institution of IP legal actions.**

#### **BENNY KONG & YEUNG'S RANKING IN REGISTRATION**

**Our firm also ranks amongst the top 15th firms in Hong Kong in terms of volume of e-filing with the Intellectual Property Department, Hong Kong.**

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