

REPORT ON RECENT DEVELOPMENT AND DECISION ON DESIGN PROTECTION IN HONG KONG

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There has been no change during the preceding year to the Registered Designs Ordinance except for an amendment to the Schedule for claiming priority for registered design applications under the Registered Designs Ordinance (Amendment of Schedule) Regulation 2005. In January 2006, the interactive electronic services of the Intellectual Property Department have been extended to change of name, address, agent's address and address for service for registered designs, further enhancing the efficiency of design application procedures through electronic means. Two recent notable decisions on design protection are *Hikomori International Ltd v Gold Ocean Enterprises Ltd (HCA 1015/2004)* and *Bank & Olufsen A/S v. To Hok Chung (HCA 2596/2005)*. In *Hikomori International Ltd v Gold Ocean Enterprises Ltd*, the court ruled that infringement of registered design constituted an encumbrance to the purchaser's title entitling the purchaser to summary judgment and indemnity. In *Bank & Olufsen A/S v. To Hok Chung*, the court dismissed the Plaintiff's application for summary judgment against the Defendant as there were a number of issues regarding the alleged infringement of registered design and copyright which had to be determined at trial.

AMENDMENT TO REGISTERED DESIGNS ORDINANCE (CAP. 522)

The Schedule of the Registered Designs Ordinance was amended by the Registered Designs Ordinance (Amendment of Schedule) Regulation 2005. The Regulation updates the lists of countries which have acceded to the Paris Convention and countries, territories and areas which have acceded to the World Trade Organization Agreement.

The Regulation came into operation on 17 February 2006.

DESIGNS REGISTRY

In addition to electronic filing and online search, the Hong Kong Intellectual Property Department ("IPD") has launched interactive electronic services for registered designs in January 2006 for change of name, address, agent's address and address for service. The new service enables users to complete transactions in real time and it is available 24 hours a day, seven days a week. It also reduces the chances of errors caused by double-handling of data.

STATISTICS AND PERFORMANCE

The following are the statistics and performance level for registered designs from 1st October 2005 to 31st August 2006:-

| | Applications | Registrations | Performance Target |
|--|--------------|---------------|---|
| Filed under the Registered Designs Ordinance | 5,157 | 4,753 | Time taken to process 99% of design applications: 10 days |

As reported in the last committee report, there were 5,573 design applications received and 5,498 registrations granted during the period from 1st September 2004 to 30th September 2005, and the time taken to process 70% of design applications was 0.3 month (~10 days). One likely reason for the improvement in the performance level from 70% to 99% was the launching of the interactive electronic services to design applications in January 2006 enabling real-time processing by the users.

RECENT NOTABLE DECISIONS

Hiomori International Ltd v Gold Ocean Enterprises Ltd (HCA 1015/2004, Court of First Instance, 22 December 2005)

Facts

The Plaintiff entered into a contract with the Defendant for the purchase of watches with “walkie talkie function”. The Defendant was the agent of the third party who supplied the Defendant with the watches in question. There was a specific term in the contract that the Defendant guaranteed that the sale and use of the products would not infringe any Hong Kong or foreign patent, and that in the event of any such infringement the Plaintiff would be indemnified. The Plaintiff resold the watches to AIG who was then faced with a claim from USE for infringement of registered design.

There was no specific reference in the purchase orders to infringement of registered designs, but the Plaintiff relied upon an implied term under section 14(1) of the Sale of Goods Ordinance, that is, there is an implied warranty in every contract of sale that the goods sold are free from any undisclosed encumbrance, and the buyer will enjoy quiet possession of the goods. The watches could not be sold free from encumbrance if they infringed USE’s registered design and the buyer could not enjoy quiet possession of the goods.

The Plaintiff sought summary judgment against the Defendant and the Defendant in turn sought judgment against the third party supplier. Master de Souza entered judgment against the Defendant but refused to enter judgment against the third party. The Defendant appealed against both decisions.

Judgment

Deputy Judge Mayo dismissed both appeals of the Defendant based on the following grounds:-

The Defendant argued that the alleged infringing watch did not infringe USE’s registered design. The court considered infringement upon the basis of a side by side comparison and found that the only discernable difference between the alleged infringing watch and the specifications of the Registered Design was that the watch depicted in the specifications had a retractable antenna whereas the alleged infringing watch did not. As the alleged infringing watch was not substantially different from the registered design, infringement was clearly established.

The Defendant also argued that the undertakings implied under section 14 of the Sale of Goods Ordinance only amounted to a warranty and a breach of such would only entitle the Plaintiff to a claim for damages and not for the relief which would be available if a breach of condition was established. The court held that the Plaintiff's quiet enjoyment of the goods was impaired by the infringement of intellectual property rights and this went to the root of the contract between the parties thus entitling the Plaintiff to indemnity of its loss.

The court decided that the Defendant did not have an arguable defence to the Plaintiff's claim and judgment was entered against the Defendant.

The court also granted leave to the third party to defend the proceedings as the Defendant was fully aware of the likelihood that the goods were infringing articles when it entered into the contract with the third party, and section 14(2) of the Sales of Goods Ordinance would apply to their contractual relationship, namely that it was the intention of the parties that the Defendant would transfer only such title as the third party might have to the Plaintiff.

Bank & Olufsen A/S v. To Hok Chung
(HCA 2596/2005, Court of First Instance, 8 May 2006)

Facts

The Plaintiff is a well known designer and producer of audio and video equipment and the proprietor of a registered design and copyright for an audio visual machine called the BEO Center 2. The Plaintiff alleged infringement of the registered design and copyright by the Defendant by importing into Hong Kong, offering for sale and selling products incorporating designs which are not substantially different to the registered design.

The Plaintiff applied for summary judgment against the Defendant.

Judgment

Deputy Judge Muttrice dismissed the Plaintiff's application based on the following grounds:-

Infringement of Registered Design

The first issue before the court was whether the registered design relied upon was validly registered. The Defendant argued that the design was not validly registered because the oval command unit of the BEO Center 2 was not an article of manufacture, nor was it made or sold separately. The court held that it was highly arguable whether the BEO Center 2 was an article under Section 2 of the Registered Design Ordinance because it was not intended to be made and sold separately.

Another issue was whether the Defendant had the necessary knowledge that the design was registered at the relevant time. The Defendant suggested that it simply did not know about the Plaintiff's registered design. The Plaintiff argued that it was incredible given the Defendant's status in the industry and the fact that the Plaintiff's

design had been registered for some time. The court was of the view that the Defendant's argument could not be said to be unbelievable for the purpose of summary judgment even though it may be incredible.

The third issue was whether there was any infringement of the registered design by importing the alleged infringing goods into Hong Kong. The goods were consigned from Shenzhen to Hong Kong which were then loaded onto an aircraft and shipped to some other parts of the world, but the goods did not clear Customs in Hong Kong. The court held that the question of whether there was an import of the goods into Hong Kong was a matter which had to be determined at trial.

As there were a number of triable issues, it was not appropriate to order summary judgment in this case, and it was not necessary for the court to consider whether the design of the Defendant's products was substantially different from that of the BEO Center 2.

Infringement of Copyright

The Plaintiff alleged secondary infringement under Section 31 of the Copyright Ordinance. The issues before the court were whether the Defendant had committed any infringing act, and whether the Defendant had the necessary knowledge at the relevant time. The Defendant argued that they neither sold nor exported the goods, and they had no knowledge that the goods were infringing products. The court held that it was a triable issue as to the state of the Defendant's knowledge insofar as that relates to section 31 of the Copyright Ordinance.