

CHAPTER 2

PASSING OFF

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1. INTRODUCTION

Passing off is a versatile area of intellectual property law which has seen interesting developments since the end of the 19th century and continues to develop. In the United Kingdom, following judgments which concerned an interpretation of the Trade Marks Directive and the Misleading and Comparative Advertising Directive of the European Union (EU) (which some consider to be a radical change to UK law¹), some wonder if there is now a law of unfair competition in the UK. Yet, in *L'Oreal SA v Bellure NV*,² the Court of Appeal said:

2.001

The basic economic rule is that competition is not only lawful but a mainspring of the economy. The legislators have recognised that there should be exceptions and have laid down the rules for these: the laws of patents, trade marks, copyrights, and designs have all been fashioned for the purpose. Each of them have rules for their existence and (save for trade marks) set time periods for existence. Each has its own justification. It is not for the judges to step in and legislate into existence new categories of intellectual property rights. The invitation to invent a tort of unfair competition, even if it were open to the Court to do so, would be rejected.

This chapter uses a case study to tie together the academic and practical aspects of this area of law. The case will strike a chord with Hong Kong readers and readers must note that the facts of the case have been modified for the purpose of illustration. After providing readers with an understanding of the basic concepts of passing off, the chapter moves on to the commercial realm of character merchandising and examines some of the more complicated issues of passing off while revisiting its basic features. The final section is about company names, which remains a problem despite improvements in the law to tackle the so-called shadow companies.

2.002

2. PASSING OFF

The proprietors of Ah Yee Leng Tong (阿二靚湯) come to you expressing concern about the operation of a competitor, Ah Dai Leng Tong (阿大靚湯).³ Ah Yee Leng Tong is a very successful chain of soup restaurants. Not only has the name attracted a lot of curiosity and interest, the restaurant has also brought a new approach to serving traditional Chinese soups. Ah Dai Leng Tong offers virtually identical products and services.

¹ See *L'Oreal SA v Bellure NV* and *Lindt & Sprungli v Franz Hauswirth* and *L'Oreal* ruling is good news for famous brands in July/August 2009 *Managing Intellectual Property*.

² [2008] RPC 9 (CA).

³ There was litigation between Ah Yee Leng Tong and Ah Dai Leng Tong in the early 1990s, which was settled. This case study is built partly on those claims for illustration purposes only and does not reflect all the facts of the case. Modifications have also been made to facilitate discussion of some of the legal issues.

The Chinese characters for Ah Yee Leng Tong literally mean “number two good soup”. Those not familiar with the Cantonese dialect may wonder why anyone would call themselves number two. Interestingly, Chinese men share a myth that a mistress makes better (charm) soup, and number two is a pseudonym for a mistress. With this spicy connotation, within a short span of time, the name and restaurant Ah Yee Leng Tong became the talk of the town. As a trade mark, Ah Yee Leng Tong is catchy, witty, easy to remember and, above all, conveys the exact idea of what products (soups) and services (catering) are offered.

Ah Dai Leng Tong means “number one good soup”. Not only is it number one, implying the best, but Ah Dai has the connotation of taitai, the wife. It therefore clearly plays on the idea and interest generated by Ah Yee. Although Ah Dai Leng Tong came to the market after Ah Yee Leng Tong was established, at the time of the complaint Ah Yee Leng Tong does not yet have any trade or service mark registrations.

(a) What is passing off?

(i) *The Advocaat case*

2.003 The five characteristics essential to create a valid cause of action for passing off, which Lord Diplock identified in the landmark case of *Erven Warnink BV v J Townend & Sons (Hull) Ltd*⁴ (the *Advocaat* case) are:

- (1) a misrepresentation;
- (2) made by a trader in the course of his or her trade;
- (3) to the trader's prospective customers or the ultimate consumers of goods or services supplied by the trader;
- (4) that is calculated to injure the business or goodwill of another trader (in the sense that it is a reasonably foreseeable consequence); and
- (5) which causes actual damage to a business or goodwill of the trader by whom the action is brought or (in a *quia timet* action) will probably do so.

2.004 With reference to the five characteristics, Lord Diplock cautioned:

In seeking to formulate general propositions of English law, however, one must be particularly careful to beware of the logical fallacy of the undistributed middle. It does not follow that because all passing off actions can be shown to present these characteristics, all factual situations which present these characteristics give rise to a cause of action for passing off.⁵

⁴ [1979] AC 731.

⁵ *Ibid.*, 742.

His Lordship later went on to clarify:

The presence of those characteristics is enough unless there is also present in the case some exceptional feature which justifies, on grounds of public policy, with-holding from a person who suffered injury in consequence of the deception practised on prospective customers or consumers of his product a remedy in law against the deceiver.⁶

In the *Advocaat* case, the House of Lords found it proven that an alcoholic beverage, *Advocaat* (the principal ingredients of which are eggs and spirits without any admixture of wine), manufactured by the first plaintiff in Holland had a reputation with the English drinking public, who associated it with Holland. Their Lordships held that the English defendants had committed passing off by putting on the market a drink called Keeling's Old English *Advocaat*, even though the ingredients differed somewhat from the plaintiffs' original Dutch recipe. 2.006

In order to understand the case, it is important to note that the following findings of fact made by the trial judge were accepted by the CA and were not challenged in the House of Lords: 2.007

- (1) The name *Advocaat* was understood by the public in England to denote a distinct and recognisable type of beverage.
- (2) The plaintiffs' product was genuinely indicated by that name and had gained reputation and goodwill under it.
- (3) The defendants' product had no natural association with the word “*Advocaat*”; rather it was an egg and wine drink properly described as an “*Egg Flip*”, whereas *Advocaat* was an egg and spirit drink. They were different beverages known by the public to be different.
- (4) Members of the public believed and had been deliberately induced by the defendants to believe that in buying Old English *Advocaat* they were in fact buying *Advocaat*.
- (5) The defendants' deception of the public had caused and, unless prevented, would continue to cause damage to the plaintiffs in the trade and the goodwill of their business. The damage was both direct, in the loss of sales, and indirect, in the debasement of the reputation attaching to the name *Advocaat* if it were permitted to be used for alcoholic egg drinks generally and not confined to those that were spirit-based.

Lord Diplock described those findings to disclose a case of “unfair, not to say dishonest” trading of a kind for which a rational system of law ought to provide a remedy for other traders whose business or goodwill was injured by it.⁷ 2.008

⁶ *Ibid.*, 748.

⁷ *Ibid.*, 740.

(ii) *Before Advocaat*

2.009 The action for passing off arose in the 19th century out of the use by one trader, in connection with its own goods, of the trade name or trade mark of a rival trader so as to induce in potential purchasers the belief that its goods were those of the rival trader. The principle of passing off being "a man is not to sell his own goods under the pretence that they are the goods of another man". Before *Reddaway v Banham*,⁸ cases had been confined to the deceptive use of trade names, marks, letters or other indicia.

2.010 *Reddaway v Banham* was a landmark case in deciding that the use by a trader of a term which accurately (not deceptively) described the composition of its own goods might nevertheless amount to the tort of passing off if that term was understood in the market in which the goods were sold to denote the goods of a rival trader. In that case, the court recognised that it was possible to pass off goods under the descriptive name "Camel Hair Belting", even though the name formed part of the ordinary stock of language.⁹ That opened the door to passing off actions in which the misrepresentation took a form other than the deceptive use of trade names, marks, letters or other indicia.

2.011 The principle in *Reddaway v Banham* was extended by Lord Parker in *AG Spalding & Bros v AW Gamage Ltd*¹⁰ who identified the right, the invasion of which was the subject of passing off actions, as being the "property in the business or goodwill likely to be injured by the misrepresentation".

2.012 Lord Macnaghten provided a well-known description of goodwill in *Commissioners of Inland Revenue v Muller & Co's Margarine Ltd*:

It is a thing very easy to describe, very difficult to define. It is the benefit and advantage of the good name, reputation and connection of a business. It is the attractive force which brings in custom. It is the one thing which distinguishes an old-established business from a new business at its first start. The goodwill of a business must emanate from a particular centre or source. However widely extended or diffused its influence may be, goodwill is worth nothing unless it has power of attraction sufficient to bring customers home to the source from which it emanates.¹¹

2.013 In *AG Spalding & Bros v AW Gamage Ltd*, it was recognised that the goodwill of a manufacturer's business may be injured by a rival manufacturer who sells goods that are correctly described as being made by that rival manufacturer, but are of an inferior class or quality.

⁸ [1896] AC 199.

⁹ It should be noted that in *Reddaway v Banham*, the plaintiffs did not obtain a monopoly in the words "Camel Hair Belting"; the defendants were only enjoined from using those words without the addition of other words to distinguish the defendants' use from the plaintiffs'. Further, the courts were influenced by the defendants' admission that by using the words "Camel Hair Belting" *simpliciter*, they expected to be able to pass off their goods as the plaintiffs'.

¹⁰ (1915) 32 RPC 273.

¹¹ [1901] AC 217, 223, 224.

The five characteristics of passing off can be conveniently divided into three essential components:

- (1) the goodwill of the plaintiff;
- (2) misrepresentation by the defendant; and
- (3) the likelihood of damages.

These three components are often interdependent. Every case of passing off depends on its own facts. It is usually advantageous in an analysis of particular facts to take the three components one by one. Especially in an interlocutory injunction, a plaintiff has to establish that there is a serious question to be tried as to each of the three components.

(b) *Goodwill*

A plaintiff has to prove the existence of a business in which there is goodwill or reputation and that such goodwill or reputation resides in the exclusive association of the distinctive name, mark or other indicia relied on by that business.

The terms "goodwill" and "reputation" have often been used interchangeably, giving rise to some confusion. There is however a legal distinction. Goodwill does not exist on its own, but attaches to a business. On the other hand, reputation may, and often does, exist without any supporting business.¹² In a well-known passage in *Star Industrial v Yap Kwee Kor*,¹³ Lord Diplock said:

A passing-off action is a remedy for the invasion of a right of property not in the mark, name or get-up improperly used, but in the business or goodwill likely to be injured by the misrepresentation made by passing-off one person's goods as the goods of another. Goodwill, as the subject of proprietary rights, is incapable of subsisting by itself. It has no independent existence apart from the business to which it is attached. It is local in character and divisible; if the business is carried on in several countries a separate goodwill attaches to it in each.¹⁴

¹² For a distinction between goodwill and reputation, see *Anheuser-Busch Inc v Budejovicky Budvar NP* [1984] FSR 413. Oliver LJ said:

The plaintiffs can thus legitimately claim that before the defendants' entry into the market here, they had a reputation as the brewers of a beer, Budweiser, with a substantial section of the public. The question is whether this reputation associated with a beer which, for practical purposes, nobody could buy here, constituted a goodwill in any relevant sense. (at 464)

[The plaintiff's counsel] argues that once a goodwill exists it is for the owner of the goodwill to choose when and how he will go into the market with his product. But this, with respect, begs the question, because it assumes the existence of the goodwill apart from the market, and that, as it seems to me, is to confuse goodwill, which cannot exist in a vacuum, with mere reputation which may, no doubt, and frequently does, exist without any supporting local business, but which does not by itself constitute a property which the law protects. (at 470)

¹³ [1976] FSR 256.

¹⁴ *Ibid.*, 269.

2.018 This is enforced in *Melly's Trade Mark Application*.¹⁵ There the court referred to a few cases on the issue including *Star Industrial v Yap Kwee Kor*¹⁶ and held that a foreign entity with a trading reputation unalloyed to a goodwill generated by business activities which extended to the UK was not entitled to maintain an action for passing off. It was the ownership of the goodwill of the business entitled to protection in the UK which gave the owner the right, enforceable by means of an action for passing off, to prevent others from using trade marks or trade names identical or similar to his own in the UK. Hence, mere awareness of the trade marks or trade names will not be sufficient. In *Jian Tools for Sales Inc v Roderick Manhattan Group Ltd*,¹⁷ the court held that a foreign claimant had an arguable case for claiming that it had a protectable goodwill in the UK acquired through overspill advertising that could well have resulted in purchase of its products by customers based in the UK, taken together with the proven supply of approximately 127 units of product to persons based in the UK who could properly be regarded as direct customers of the claimant.

2.019 This was examined again in *Starbucks (HK) Ltd v British Sky Broadcasting Group Plc (No 2)*.¹⁸ There, the claimants who were based in Hong Kong and ran NOW TV, tried to stop the defendant from using the name NOW TV in the UK arguing that they had a reputation in the UK and proposed to launch in the UK. All the courts from the High Court to the CA to the Supreme Court dismissed the claim. Neither mere reputation nor preparatory activities in that case were held sufficient to establish goodwill which required customers within the UK as opposed to people in the UK who happened to be customers elsewhere. The requisite goodwill must involve the presence of clients or customers in the UK for the products or services in question.

2.020 Goodwill includes every positive advantage acquired or arising out of the business, whether connected with the premises where the business is carried on, with the name under which it is carried on or with any other matter carrying with it the benefit of the business.¹⁹ It follows from this proposition that goodwill is a right of property associated with the business to which it is attached. The property vests with the goodwill attached to a name not in the name.²⁰ That goodwill, being personal property, is assignable and may be bought and sold in connection with the business to which it is attached. Fundamental to the law's recognition that goodwill is transferable in connection with the continuing business to which it is attached is the notion that goodwill attaches to the business itself, not to its proprietor or to the person who happens to carry it on.²¹

¹⁵ [2008] RPC 20.

¹⁶ Affirmed by the CA in *Anheuser-Busch Inc v Budejovicky Budvar NP* [1984] FSR 413, 464, 465 (Oliver LJ), 471 (O'Connor LJ), 476 (Dillon LJ) and reaffirmed by the CA in *Colgate-Palmolive Ltd v Markwell Finance Ltd* [1989] RPC 497, 508 (Slade LJ), 531 (Lloyd LJ).

¹⁷ [1995] FSR 924.

¹⁸ [2015] 1 WLR 2628.

¹⁹ See para.2.012.

²⁰ See *IN Newman Ltd v Richard T Adlem* [2006] FSR 16.

²¹ See *Tin Tin Yat Pao (International) Ltd v Tin Tin Publication Development Ltd* (2000) 3 HKCFAR 251. Mason NPJ ([21] and [22]):

21. In the case of a newspaper business, the goodwill will embrace many positive advantages, not least being the name or title and the reputation which it possesses. It will include also the wide range of matters which attracts the readership, including style, format, design and political stance (a matter over which the Licence Agreements conceded freedom of action to the licensee). 22. It follows from the proposition that goodwill

What sort of goodwill would be relevant to Ah Yee Leng Tong?

How extensive is one required to prove its goodwill?

In the case of Ah Yee Leng Tong, was the fact that it was a unique coined mark and had become the "talk of the town" sufficient?

If not, what proof is required?

First of all, it is not necessary for the claimant (in this case the proprietors of Ah Yee Leng Tong) to establish that its identity is known to its customers. In *Birmingham Vinegar Brewery Co v Powell*,²² Lord Herschell said:

2.021

I think that the fallacy of the [defendants]' argument rests on this: that it is assumed that one trader cannot be passing off his goods as the manufacture of another unless it be shown that the persons purchasing the goods know of the manufacturer by name, and have in their mind when they purchase the goods that they are made by a particular individual. It seems to me that one man may quite well pass off his goods as the goods of another if he passes them off to people who will accept them as the manufacture of another, though they do not know that other by name at all.²³

Robert Walker J echoed this concept in *United Biscuits (UK) Ltd v Asda Stores Ltd*:

2.022

To establish passing off it was unnecessary to prove that the customer knew or cared about the name of the manufacturer who owned the goodwill, provided that the customer knew that there was such a person and cared that the goods which he bought were made by that person.²⁴

In Ah Yee Leng Tong, the goodwill is the indication of origin, class and nature of goods and services, and assurances of quality and satisfaction conveyed by the name and the mark.

(i) Extent of use

In *Stannard v Reay*,²⁵ the plaintiffs commenced business in October 1966 with a mobile fish and chip van under the trade name "Mr Chippy". The defendants embarked on a similar kind of business in November 1966 with a van also bearing the name "Mr Chippy". Even though the plaintiffs had been trading only for about three

2.023

is a right of property associated with the business to which it is attached. That goodwill, being personal property, is assignable and may be bought and sold in connection with the business to which it is attached. Indeed, a transaction which is intended to assign a business as a whole necessarily passes the goodwill to the assignee because the goodwill is attached to the business (see *Wood v Hall* (1915) 33 RPC 16).

²² [1897] AC 710, 715.

²³ *Ibid.*

²⁴ [1997] RPC 513, 533.

²⁵ [1967] RPC 589.

weeks, the court, upon the plaintiffs' application for interlocutory relief, found that the plaintiffs' business was one which met with prompt and fairly substantial success. The court also found that evidence indicated *prima facie* that the plaintiffs rapidly built a connection with the public. As there was also evidence that the plaintiffs' takings fell considerably in the latter part of November and December 1966, the court inferred that this was because of the competition provided by the defendants, and an interlocutory injunction was granted. The learned Buckley J said:

although a period of three, four or five weeks may be a short time in which to build up a goodwill associated with a particular trade name, it does not seem to me to be by any means impossible ...²⁶

2.024 Hence, in *Stacey v 2020 Communications Plc*,²⁷ an individual working from home with a small business does not prevent it having a goodwill to protect; one does not have to be a large player to be protected under passing off. That said, any goodwill must be of more than a trivial nature.²⁸

2.025 Although goodwill is normally generated from trading, in the Singaporean case *Pontiac Marina Pvt Ltd v CDL Hotels International Ltd*,²⁹ after reviewing the then recent English, Australian and Canadian authorities, the CA of Singapore held that pre-business activities can generate goodwill:

This is a commonsense approach and is in line with commercial reality where promoters of businesses usually embark on massive advertising campaigns before the commencement of trading to familiarise the public with the service or product. In every case, whether the pre-trading activity suffices in generating goodwill is a question of fact and depends on the nature and intensity of the activity in question. Heavy advertising, as in *Allen v Brown Watson Ltd* [1962] RPC 191, will be adequate. On the other hand, mere preparations for trading will not, as in *Amway Corp v Eurway International Ltd* [1974] RPC 82, where the foreign plaintiffs, apart from "minor trading activities", had merely begun organising promotion of their business by seeking premises and interviewing prospective employees in England.³⁰

2.026 In practice, a plaintiff will adduce its sales and advertising figures, and sometimes survey results, to prove the extent of its goodwill. The relevant time to assess reputation and goodwill is the time when the alleged passing off activities started.³¹

²⁶ *Ibid.*, 592.

²⁷ [1991] FSR 49.

²⁸ See *Hart v Relentless Records Ltd* [2003] FSR 36 where although the claimant had operated for three years, and only four promotional tracks were issued to DJs and there were only a few mentions in specialist magazines and perhaps on radio. It was held that there was no goodwill. Also in *Lumos Skincare Ltd v Sweet Squared Ltd* [2012] EWPCC 22, the claimant's client base was very small considering the vast market and there was no confusion considering the clear division between the claimant's skincare and defendant's nail care markets.

²⁹ [1998] FSR 839.

³⁰ *Ibid.*, 861.

³¹ For a case which demonstrates the level of goodwill required and the relevant time to attract protection of passing off, see *Knight v Beyond Properties Pty Ltd* [2007] FSR 34. See also *Inter Lotto (UK) Ltd v Camelot Group Plc* [2004] RPC 8.

(ii) Badge of recognition

In addition to the trade name and mark, other indicia can form part of the distinctive elements in connection with the business through use. In *Cadbury-Schweppes Pty Ltd v Pub Squash Co Ltd*, Lord Scarman of the Privy Council defined the law of passing off as:

Wide enough to encompass other descriptive material, such as slogans or visual images, which radio, television or newspaper advertising campaigns can lead the market to associate with a plaintiff's product, provided always that such descriptive material has become part of the goodwill of the product. And the test is whether the product has derived from the advertising a distinctive character which the market recognises.³²

The test is whether the name or badge has become, among those commonly concerned with goods or businesses of the type in question, distinctive of the plaintiff's goods or business.³³ The precise extent of use required depends on the particular mark, name or indicia and the goods or services concerned. It was obvious that the trade name and mark was the most distinctive element of the Ah Yee Leng Tong business.

2.029 It transpired that the Ah Yee Leng Tong restaurants were all decorated, furnished and operated following certain standards and guidelines, and there was evidence to suggest that these had been imitated by Ah Dai Leng Tong. If the decorations and operating features were distinctive, they could also be relied upon to establish a passing off action.

In *Lau Wing Mou v Lo Kong*,³⁴ Deputy Judge Jones said:

The basis of the passing-off action is the substantial similarity in the design and decoration of the two shops, coupled with the similarity of the goods sold and the wrappings used for customers. The reputation of the plaintiff's business is also relied on and it is not disputed that the [plaintiff's] Hung Hom shop has attracted a considerable clientele, nor is it disputed that the goods traded in the two shops are substantially similar. The likelihood of confusion in the minds of members of the public between the two businesses is the wrong for which the plaintiff seeks redress. In proving its case, the plaintiff does not have to show that the defendants' business is thought by the public to be the plaintiff's. It is sufficient if the plaintiff can show an overall impression that the defendants' business is related to the plaintiff's business, and thereby a likely poaching of goodwill by the defendants.

2.031 In *Shaw Bros (Hong Kong) Ltd (No 2) v Golden Harvest (HK) Ltd*,³⁵ the coincidence of various elements, although not distinctive by themselves, became distinguishable. The CA quoted a paragraph of the trial judge Huggins J:

What is alleged to be distinctive about the plaintiff's films and about their character can be listed quite briefly: first, the title—*Duk Bay Doe* (meaning

³² [1981] RPC 429, 490.

³³ *Ibid.*, 457 (Powell J).

³⁴ [1992] 1 HKLR 60, 67.

³⁵ [1972] HKLR 147.

one-armed swordsman); second the name of the character—Fang Kang; third, the fact that Fang Kang was a Chinese swordsman; fourth, that he lost his right arm and fought with his left arm, his dress, his hairstyle, his beard, his sword and sheath, the stance that he took up before and after fighting and—the one item which cannot perhaps be directed straight towards the character itself—the music. Now, it is important that not one of these, except possibly the sword, is by itself of very great significance, but it is the coincidence of all these marks ... of the plaintiffs' character which is said to make the character distinct which makes it distinguishable, set apart from any film character which was then known.³⁶

2.032 Unusual and fancifully shaped bottles,³⁷ the unusual shape and form of cigars³⁸ and green and black coloured capsules³⁹ have all been held to be distinctive in passing off actions. However, it is recognised that it is more difficult to acquire a sufficient goodwill in the shape or get-up of a product as they are not normally chosen to denote origin.⁴⁰

2.033 In *Reckitt & Colman Products Ltd v Borden Inc*,⁴¹ the House of Lords ruled that a lemon-shaped plastic lemon juice container could serve as a badge of recognition and was distinctive. The plaintiffs squeeze pack consisted of a plastic container shaped and coloured like a lemon, comparable in size with a small natural lemon and having a removable yellow cap at one end covering a nozzle, through which the contents were propelled by squeezing. The defendants produced three different versions of their plastic lemon containers which, although varying slightly in size and details, were considered similar to the plaintiffs'. The argument focused upon whether passing off should have been extended to protect the plastic lemon container as an object in itself and whether, by finding for the plaintiffs, this meant granting a monopoly in the sale of lemon juice in natural-size lemon-shaped containers.

2.034 The court rejected the suggestion that the plastic lemon juice container was an object in itself rather than part of the get-up under which the plaintiffs' product was sold. In the words of Lord Oliver of Aylmerton:

It is no doubt, true that the plastic lemon-shaped container serves, as indeed does a bottle of any design, a functional purpose in the sale of the lemon juice. Apart from being a container simpliciter, it is a convenient size, it is capable of convenient use by squeezing, and it is so designed as conveniently to suggest the nature of its contents without the necessity for further labelling or other identification. But those purposes are capable of being and indeed are served by

³⁶ *Ibid.*, 205.

³⁷ See *Coca Cola Co v Barr* [1961] RPC 387 and *John Haig & Co v Forth Blending Co* (1952) 69 RPC 323.

³⁸ See *Elliott & Co Ltd v Hodgson* (1902) 19 RPC 518.

³⁹ See *Hoffman La Roche v DDSA* [1969] FSR 410.

⁴⁰ See *Numatic International Ltd v Qualtex Ltd* [2010] RPC 25 and *Hodgkinson Corby Ltd v Wards Mobility Services Ltd* [1995] FSR 169.

⁴¹ [1990] 1 All ER 873.

a variety of distinctive containers of configurations other than those of a lemon-sized lemon.⁴²

On the monopoly argument, Lord Oliver said:

In the end, the question comes down not to whether the [plaintiffs] are entitled to a monopoly in the sale of lemon juice in natural-size lemon-shaped containers but whether the [defendants], in deliberately adopting, out of all the many possible shapes of container, a container having the most immediately striking feature of the [plaintiffs'] get-up, have taken sufficient steps to distinguish their product from that of the [plaintiffs].⁴³

It should be noted that Lord Bridge of Harwich found himself strait-jacketed by the trial judge's finding of fact⁴⁴ and expressed "undisguised reluctance" to agree with his brethren's decision. Lord Bridge opined that:

A trader selling lemon juice would never be permitted to register a lemon as his trade mark, but the [plaintiffs] have achieved the result indirectly that a container designed to look like a real lemon is to be treated, *per se*, as distinctive of their goods.

If I could find a way of avoiding this result, I would. But the difficulty is that the trial judge's findings of fact, however surprising they may seem, are not open to challenge. Given those findings, I am constrained by the reasoning in the speeches of my noble and learned friends Lord Oliver and Lord Jauncey to accept that the judge's conclusion cannot be faulted in law.⁴⁵

In relation to badges of recognition, the term "get-up" is often used. Get-up has been defined as "a capricious addition to the article itself, the colour, or shape, it may be, of the wrapper, or anything of that kind".⁴⁶ Whether one can prove distinctiveness in relation to the shape, colour and other distinguishing features of the get-up and hence establish exclusive reference to one's goods and prove reputation is a question of evidence.

In *Wilson Development Co v Pro Taifong Co Ltd*,⁴⁷ the plaintiffs claimed that the triangular shape of pens, and coloured straight lines at the base of the pens' end-caps,

⁴² *Ibid.*, 884. Lord Jauncey of Tullichettle in the same judgment said:

I agree with Slade LJ [of the Court of Appeal] that the proper way to regard a plastic lemon is as a fanciful and attractive variant of the get-up of the ordinary plastic squeeze bottle lemon container and I can see no reason why the fact that this get-up is allusive of its contents should deprive it of protection to which it would otherwise be entitled. (at 896)

⁴³ *Ibid.*, 887.

⁴⁴ The trial judge found that in the UK, the lemon-size squeeze pack was in general use and it had become so associated with the plaintiffs' juice that the introduction of the defendants' juice in any of the three versions of similar lemon-shaped containers would be bound to result in many shoppers purchasing that juice in the belief that they were obtaining the plaintiffs' juice.

[1990] 1 All ER 873, 877.

⁴⁶ *JB Williams & Co v Bronnley* (1909) 26 RPC 765, 773 (Fletcher Moulton LJ).

⁴⁷ [1991] 1 HKLR 670.

corresponding to the colour of the marker ink, were distinctive to them. Given that there was evidence of similar triangular-shaped markers on the market, the court ruled that there was no restriction on copying such a triangular-shaped marker *simpliciter*.

- 2.039 The defendants' counsel relied on the following passage in the *Law of Passing Off* by Christopher Wadlow as setting out the law correctly:

Although passing-off uses the single term "get-up" for the two cases, there is a fundamental difference between the get-up of packaging and get-up which involves the appearance of the goods themselves. It is not passing off to copy, even precisely, the construction or appearance of goods if what is copied is valued by the customer for practical, functional or aesthetic reasons rather than as an indication of origin. This is sometimes expressed by saying that such aspects do not form part of the get-up at all. Even if the appearance of the goods is completely arbitrary in some respects, it is still particularly difficult for the plaintiff to establish that a feature inherent in the goods themselves has trade mark significance.⁴⁸

- 2.040 The court held that:

Quite clearly, those lines in themselves cannot, by any stretch of the imagination, serve as an indication of origin of the object, keeping in mind that similar products had been in the market ... We are of the opinion that the matters relied upon by the [plaintiffs] are not, in the light of the totality of evidence, sufficient to justify a considered conclusion that those lines constituted a capricious feature solely associated with the [plaintiffs]' product. We are satisfied that the [plaintiffs] here are unable to adduce any evidence upon which a court could find that the necessary reputation had been acquired.

- 2.041 *Moroccanoil Israel Ltd v Aldi Stores Ltd*⁴⁹ reminds the few successful passing off cases based solely on get-up because goods are usually referred to by their trade names. There, the claimant has sold its Moroccanoil hair oil in the UK since 2009 and the defendant a supermarket chain began to sell its Miracle Oil hair oil product in 2012. Both products were sold in turquoise packaging with vertical orange writing and in brown bottles of similar shape and size. Whilst the defendant had intentionally used a get-up which brought the claimant's get-up to mind hence chose to "live dangerously", that did not amount to misrepresentation. The court considered that misrepresentation was unlikely because (a) the claimant product was supplied almost exclusively through salons whereas the defendant's product was sold in its own supermarket chain stores; (b) the claimant's product was sold at around GBP 30, the defendant's was around GBP 4; (c) although there were clear similarities between the respective get-up of the two products, there were also notable differences, including a striking "M" logo on the claimant's box and the presence of the defendant's house brand CARINO on the

⁴⁸ (1990) p.352.

⁴⁹ [2015] FSR 4.

defendant's box; and (d) the colour of the bottles and caps were commonplace. While the court accepted that the claimant enjoyed goodwill in its Moroccanoil business, such goodwill was attached primarily to the name Moroccanoil rather than the get-up. Also, in this case, there was no direct evidence of any misrepresentation or that any identified individuals had assumed any trade connection or common manufacturer between the two products as a result of Miracle Oil's name and get-up.⁵⁰ There was also no evidence of either party receiving any complaints in relation to price and quality of the products.

2.042 Following the same vein, in *George East Housewares Ltd v Fackelmann GmbH & Co KG*,⁵¹ the court did not find goodwill in the retro-style conical kitchen measuring cups since the evidence did not suggest that consumers knew that measuring cups of that shape had only ever been sold under the plaintiff's brand and still less that they associated the shape with a single source. Although the defendants had blatantly copied the interior of the cups, that did not help the plaintiff as there was nothing to suggest that consumers relied on the interior to indicate trade origin. The deputy judge considered that it was unlikely that a trader or consumer would assume a trade link between the plaintiff's and defendant's products as the similarities of the shape and interior were counter-balanced by the differences in exterior design which gave a very different impression to the products as a whole.

2.043 As far as colour is concerned, it has been suggested that the court would not accept distinctiveness of colour alone and that colour has no inherent capacity to distinguish. Yet the CA in *Sodastream Ltd v Thorn Cascade Co Ltd*⁵² clarified that, though the colour involved may not itself be a distinctive one, it may still be distinctive to the plaintiff. In *Rizla Ltd v Bryant & May Ltd*,⁵³ the court showed a general reluctance to confer protection on the use of colours. The plaintiffs' application for interlocutory relief to restrain the defendants from launching their similar products under similar colours in packaging was refused. The court commented that, *inter alia*, if the plaintiffs were successful, that would in effect concede a monopoly to the plaintiffs in the use of three ordinary English words and three ordinary English colours, namely red, blue and green. That, according to the learned judge, was to ask very nearly the impossible. In *Rizla Ltd v Bryant & May Ltd*, however, it appears that the learned judge based his decision on the finding that there was no possibility of any confusion between the plaintiffs' and defendants' products, as they were sufficiently distinguishable, and hence there was no conceivable ground upon which any customer of the plaintiffs could be deceived. Even though colour should be capable of being distinctive, it is conceivable that the court would require very strong evidence before it would accept that a colour has become associated in the minds of the purchasing public (the relevant market) with the plaintiff's goods and no one else's.

⁵⁰ This was different from the *United Biscuits (UK) Ltd v Asda Stores Ltd* [1997] RPC 513 (Penguin/Puffin biscuit) where the evidence showed that certain members of the public had assumed that the two biscuits were manufactured by the same entity.

⁵¹ [2017] ETMR 4.

⁵² [1982] RPC 459, 470.

⁵³ [1986] RPC 389.

2.044 In *Gama Healthcare Ltd v PAL International Ltd*,⁵⁴ the court held that there was insufficient evidence that the claimant had goodwill in the get-up of clinical wet wipes which consisted of different colours on the packaging of different types of wipes in a particular colour scheme.

2.045 It is the plaintiff's reputation as a source of goods or services that is in issue. It is not enough simply to say that the manner in which the defendant's goods or services are presented to the relevant consumers are very like the plaintiff's.⁵⁵ It must be established that consumers have, by reason of the appearance of the defendant's goods or presentation of the defendant's services, come to regard them as having the same trade source or provenance, whether manufacturing or marketing. It is not, however, necessary for the plaintiff to establish that its exact identity is known to its customers.

(iii) *Own name*

What if a person named Ah Dai or Ah Yee came to set up another Ah Dai or Ah Yee Leng Tong? Doesn't a person have the right to trade under his or her own name?

2.046 According to *Kerly's Law of Trade Marks and Trade Names*,⁵⁶ the precise nature and extent of the "own name" defence is "none too clear, the rather numerous authorities on the point being difficult to reconcile". The own-name defence at common law was considered in *Asprey & Garrard Ltd v WRA (Guns) Ltd*.⁵⁷ The judge called the own-name defence "a tricky area of passing off law". He referred to *Joseph Rodgers & Sons Ltd v WN Rodgers & Co*, where Romer J said:

A man, in my opinion, is entitled to carry on his business in his own name so long as he does not do anything more than that to cause confusion with the business of another, and so long as he does it honestly. It is an exception to the rule which has of necessity been established.⁵⁸

2.047 The plaintiff and its predecessors had been using the name "Asprey" for more than 200 years in selling luxury goods. At the time of the litigation, one person named Asprey was still employed by the plaintiff. The second defendant was a descendant of the original Asprey family, which founded the Asprey operation. After serving a few years with the plaintiff, he decided to start a new company and declared his intention to compete with the plaintiff. The question was whether he could use "Asprey" as part of his trade name and trade mark.

2.048 The judge noted that there had been instances of confusion, and accepted the plaintiff's submission that once the defendant was shown to be causing deception, the balance between the right to use one's name and the right of the public and of the owner of goodwill to stop the use of the name tipped in favour of the latter. He also considered

⁵⁴ [2016] EWHC 75 (IPEC).

⁵⁵ As illustrated in *Roche Products Ltd v Berk Pharmaceuticals Ltd* [1973] RPC 473.

⁵⁶ (13th ed., 2001) p.525, para.14-280.

⁵⁷ [2002] FSR 30 (Ch), [2002] FSR 31 (CA).

⁵⁸ [1924] RPC 277, 291.

that the basis of Romer J's exception was necessity, and that this was not satisfied in the case.

On appeal, the CA considered that, given the *prima facie* entitlement of the second defendant to carry on business in his own name, it was important the court should know precisely how the second defendant would trade in his own name. The court should look very carefully at what the second defendant was actually doing (or actually threatening to do) in his trading. It should satisfy itself that the second defendant's agreed entitlement to carry on business in his own name was to be limited in some defined way or denied him altogether. The CA did not find that the judge had the factual material to form a judgment on that point and decided to limit the injunction against the second defendant only to the extent of him acting as a joint tortfeasor to the first defendant (the company he set up).

The CA confirmed in clear terms that the own-name defence does not apply to names of new companies, because otherwise a route to piracy would be obvious. Neither would it apply to a trade name, other than its own name, newly adopted by a company. In *NAD Electronics Inc v NAD Computer Systems Ltd*,⁵⁹ Ferris J expressed doubt on a company's ability to rely on an "own-name" defence. He said that:

It seems to me to be far from clear that the defence applies to the use of the corporate name of an artificial person such as a company which, generally speaking, is given whatever name its promoters choose, unless there is objection from the Registrar of Companies.⁶⁰

In *Euromarket Designs Inc v Peters and Crate & Barrel Ltd*,⁶¹ Jacob J opined that Ferris J's doubts had never surfaced before. He continued to say that:

[i]n case after case, [the section in the Trade Mark Act on] *bona fide* use by a person of his own name was assumed to apply to companies. This is true of fully argued cases in the Court of Appeal and the House of Lords. It does not seem that Ferris J's attention was drawn to these cases.

That said, even Jacob J in the *Euromarket Designs Inc v Peters and Crate & Barrel Ltd* said he would well understand Ferris J's doubt in the case of a newly formed company. Hence the CA's confirmation in *Asprey & Garrard Ltd v WRA (Guns) Ltd* is useful.

In *Hotel Cipriani Srl v Cipriani (Grosvenor Street) Ltd*,⁶² the High Court ruled that the "own-name" defence to trademark infringement should be narrowly interpreted and does not apply to the trading name of a company where that name differs from the registered name. In that case, the defendant also attacked the plaintiff's trade mark registration on the ground that it was made in bad faith as the plaintiff knew that he shared the mark with others (hence not belonging to it exclusively). The court did not accept this contention. It held that a person is presumed to have acted in good faith unless the contrary is proved.

⁵⁹ [1997] FSR 380, 398.

⁶⁰ *Ibid.*

⁶¹ [2001] FSR 20.

⁶² [2009] RPC 9 (Ch).

Bad faith⁶³ generally implies or involves, but is not limited to actual or constructive fraud; a design to mislead or deceive; or any other sinister motive or dishonest intention. In this case, the fact that the plaintiff may believe it has a superior right or is otherwise entitled to registration despite the fact that a third party is using the same mark in relation to identical goods or services does not constitute bad faith.

2.054 *Reed Executive Plc v Reed Business Information Ltd*⁶⁴ suggests that the own-name defence may be even narrower than thought and there is a distinction between the own-name defence in a registered trade mark case and passing off. For registered marks, the own-name defence is wider because it can be relied upon provided the use is “honest”. A person could use its own name even if there was some actual confusion with a registered trade mark. The amount of confusion that could be tolerated is a question of degree and only if objectively what he did amounted to unfair competition would there be infringement and there would have been significant actual deception. For passing off, if there is significant deception, the fact that a defendant is using its own name would have afforded no defence. It is only where significant deception is not shown that one could rely on the own-name defence in passing off.

2.055 In *Maierv ASOS Plc*,⁶⁵ although the CA held that online fashion retailer Asos’ use of the mark ASOS infringed the ASSOS trade mark of specialist cycling clothing manufacturer Asos, by a majority of 2:1, it was decided that Asos could rely on its own name defence. The dissenting judge considered that greater weight should be placed on the interests of the trade mark proprietor and of the relevant public in the application of “honest practices” standard. The majority decision is said to have come as a surprise to many especially in view of the European Commission’s proposed reforms to EU trade mark law which will allow own-name defence for personal names and addresses and not to corporate ones. Assos’ appeal to the Supreme Court and request to refer questions to the Court of Justice of the EU were both denied.

(iv) *Descriptive trade mark/trade name—secondary meaning*

Leng Tong (meaning good soup) is descriptive of its products. A descriptive name does not indicate the source of the goods, but rather the nature of the goods. It may be argued that Ah Yee Leng Tong as a trade mark is laudatory (although the name claims to be second best) and descriptive and hence lacks distinctiveness.

⁶³ See *NOCN v Open College Network Credit4Learning* [2015] EWHC 2667 (IPEC), [64] on bad faith; In *Hearst Holdings Inc v AVELA Inc* [2015] FSR 2, Birss J considered *Red Bull GmbH v Sun Mark Ltd* [2013] ETMR 53, *Williams and Williams v Canaries Seaschool SLU* [2010] RPC 32 and *Campbell v Hughes* [2011] RPC 21 and said this:

[58] A number of particular points are worth highlighting. First, bad faith is a serious allegation which must be distinctly proved. Secondly, it includes not only dishonesty but also some dealings which fall short of the standards of acceptable commercial behaviour observed by reasonable experienced men in the particular area being examined. Thirdly, it is intended to prevent abuse of the trade mark system; for example where the applicant knowingly supplies untrue or misleading information in support of his application or abuse vis-à-vis third parties. Fourthly, the invalidity of the application is not conditional on the trade mark itself being either registrable or unregistrable in relation to any goods or services of the kind specified. The objection is absolute in the sense that it is intended to prevent abuse of the system for requiring title to a trade mark by registration. Finally, in order to determine whether an applicant is in bad faith the court will make an overall assessment.

⁶⁴ [2003] RPC 12 (Ch), [2004] RPC 40 (CA).

⁶⁵ [2015] FSR 20.

A trade mark which, when first adopted, is descriptive of the nature or place of origin of a trader’s goods or services may become distinctive by acquiring a secondary meaning through extensive use of the mark. The descriptive nature of a name is of relevance, a point made by Parker J in *Burberrys v JC Cording & Co Ltd*:

It is important for this purpose to consider whether the word or name is *prima facie* in the nature of a fancy word or name, or whether it is *prima facie* descriptive of the article in respect of which it is used. It is also important for the same purpose to consider its history, the nature of its use by the person who seeks the injunction, and the extent to which it is or has been used by others. If the word or name is *prima facie* descriptive or be in general use, the difficulty of establishing the probability of deception is greatly increased.⁶⁶

2.057 Unless the facts support a secondary meaning, a name which is purely descriptive of goods or services, being no more distinctive of those of a trader than those of any other, would not usually have the attributes of goodwill. The court’s approach was illustrated in the leading judgment of Lord Simonds in *Office Cleaning Services Ltd v Westminster Window & General Cleaners Ltd*, where he said:

So long as descriptive words are used by two traders as part of their respective trade names, it is possible that some members of the public will be confused whatever the differentiating words may be ... It comes in the end, I think, to no more than this, that where a trader adopts words in common use for his trade name, some risk of confusion is inevitable. But that risk must be run unless the first user is allowed unfairly to monopolise the words. The Court will accept comparatively small differences as sufficient to avert confusion. A greater degree of discrimination may fairly be expected from the public where a trade name consists wholly or in part of words descriptive of the articles to be sold or the services to be rendered.⁶⁷

He also said:

2.058 Just as in the case of a trade mark the use of descriptive words is jealously safeguarded, so in the case of trade names the Courts will not readily assume that the use by a trader as part of his trade name of descriptive words already used by another trader as part of his trade name is likely to cause confusion and will easily accept small differences as adequate to avoid it. It is otherwise where a fancy word has been chosen as part of the name.⁶⁸

2.059 In the case, the House of Lords found that even on proof of 12 years of use of the name “Office Cleaning”, the name had not overcome its descriptive connotations and acquired a secondary meaning.

⁶⁶ (1909) 26 RPC 693, 701.

⁶⁷ (1946) 63 RPC 39, 43.

⁶⁸ *Ibid.*, 42.

2.060 In *Legal & General Assurance Society Ltd v Daniel*,⁶⁹ although “Legal & General” are descriptive words, the CA found the name to be distinctive of the plaintiff. Lord Denning in his judgment said:

Although these words “Legal & General” are descriptive words, nevertheless they have acquired such a connotation,⁷⁰ such a significance in business and elsewhere, that they have become especially associated with the plaintiff company ... “Legal & General” are less common, less descriptive, more specialised, and rarely used in combination except by the plaintiffs.⁷¹

2.061 In *Newsweek Inc v British Broadcasting Corp.*,⁷² the plaintiffs, publishers of the weekly news magazine *Newsweek*, failed in their appeal against the court’s dismissal of its motion for interlocutory relief against the defendants, who intended to transmit four times a week a news programme entitled *Newsweek*. Although the court accepted that the plaintiffs had a very good reputation for investigative journalism and found that the parties engaged in a common field of activity, being news provision services, Walton J dismissed the interlocutory application and ruled that:

Newsweek after all is only two very ordinary common English words run together and, in my judgment, the words are much more at the descriptive end of the scale, as exemplified by the House of Lords’ judgment in *Office Cleaning Services Ltd v Westminster Window & General Cleaners Ltd* than they are at the special meaning end of the cases, exemplified in the well known *Legal & General Assurance Society Ltd v Daniel* case.⁷³

2.062 At the CA, Lord Denning also agreed that *Newsweek* was very largely a descriptive word and he would not wish to give one publication virtually a monopoly in that largely descriptive word, when such a monopoly would stretch across all English-speaking countries. The courts also concluded that any likelihood of confusion was very low.

2.063 In a recent case, *NOCN v Open College Network Credit4Learning*,⁷⁴ the court found “open college network” and its “inevitable abbreviation”—“OCN” to be and remain entirely descriptive of a type of educational body in the UK. Each individual open college network owns goodwill in its business as each is responsible for the character and quality of its services and such goodwill will always have been associated with a regional name such as “Buckinghamshire Open College Network” or with some other name or logo specific to the open college network in question, but not with “OCN” alone. To the court, “OCN” is not a term which has ever identified a sufficiently defined class of organisations to have given rise to goodwill associated with that term.

⁶⁹ [1968] RPC 253.

⁷⁰ The plaintiff and its predecessors had been carrying on business under the name “Legal & General” for over 130 years at the time of the judgment.

⁷¹ [1968] RPC 253, 258.

⁷² [1979] RPC 441.

⁷³ *Ibid.*, 444, 445.

⁷⁴ [2015] EWHC 2667 (IPEC).

2.064 In *Commercial Trademark Services SA v Liscaroll Co Ltd*,⁷⁵ the plaintiffs offered investigation services in Hong Kong under the name “Commercial Trademark Services (HK) Ltd” between 1972 and 1980. The defendants entered the market with a view to operating an agency under the name “Commercial Investigation Services”. The plaintiffs successfully obtained an interlocutory injunction relying upon the evidence of three solicitors and a trading company director who claimed that they initially thought the defendants’ agency was somehow connected or associated with the plaintiffs. The court held that there was sufficient *prima facie* evidence to show that the plaintiffs had established a reputation in the use of its name, “Commercial Trademark Services”, and had acquired a secondary meaning associated solely with the plaintiffs. It was likely that the use by a rival firm of the combination “Commercial Trademark”, “Trademark Services” or “Commercial Services” would lead to confusion. In relation to the defendants’ “Commercial Investigation Services”, the court found that the first and last words were identical to the plaintiffs’ name, the defendants had also chosen a three-word title and both parties shared a common field of operation with slight diversification. The court concluded that the variation in the middle word of the three-word titles had not introduced much or sufficient distinctiveness.

2.065 Recently in the UK in *Comptroller-General of Patents, Designs & Trade Marks v Intellectual Property Agency Ltd*,⁷⁶ the court held that “Intellectual Property Agency Limited” was similar to “Intellectual Property Office” as government bodies were sometimes called agencies and there was a likelihood of confusion that was not offset by the fact that the word “Ltd” conveyed the idea of a company rather than a government body.

2.066 In *Land Power International Holdings Ltd v Inter-Land Properties (HK) Ltd*,⁷⁷ a name dispute between two real estate companies, the Hong Kong CA followed *Office Cleaning Services Ltd v Westminster Window & General Cleaners Ltd* and held that the Chinese characters “置業” (meaning “acquire property”) were descriptive words in common use. The court held that the difference generated by the defendant’s use of the further two characters “real property” in its name was a difference which could be readily regarded as sufficient to avoid confusion. This was especially so when the full name of the defendant was compared to the full name of the plaintiffs, as the plaintiffs gave the same prominence to the character “international” as the defendant did to the characters for “real property”. Geoffrey JA concluded by saying that:

I do accept that some members of the public may be confused into believing the defendant to be associated with the plaintiffs’ group of companies; but if this confusion is caused not by any misrepresentation on the part of the defendant but merely because each of the plaintiffs has chosen to use at the beginning of its own trade name two ordinary words in common use in the Chinese language, then the plaintiffs, having no monopoly in those words, will not be entitled to complain of it.⁷⁸

⁷⁵ [1983] 2 HKC 474.

⁷⁶ [2016] FSR 22.

⁷⁷ [1995] 2 HKC 146.

⁷⁸ *Ibid.*, 152.

CHAPTER 5

BREACH OF CONFIDENCE

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1. INTRODUCTION

All traders jealously guard their information. Although they would like to think all such information can be classified as trade secrets, not all of it can. In this chapter the authors introduce the basic ingredients one needs to have before certain information can truly be protected by a duty of confidence in the absence of contractual provisions. The authors also explain the interesting development of confidence cases into protection of privacy in the United Kingdom. The case study focuses on a dispute between an employer and its former employees who have gone off and started a new business that competes with the original business. On the practical aspects, this chapter also analyses *Anton Piller* orders, their application, execution and discharge and how documents used or disclosed for the purposes of litigation may remain confidential. 5.001

(a) Unfair advantage and conscience

Breach of confidence is one of the oldest actions known to the courts.¹ Provided the confidential information is not trivial tittle-tattle, equity ought to protect it.² Four main classes of information have traditionally been protected, or their use has been restricted by the enforcement of confidences. These include trade secrets, personal confidences, government information and artistic and literary confidences. 5.002

The court in *Fraser v Thames Television Ltd*³ endorsed the basic principles of the law of confidence as set out in *Copinger & Skone James on Copyright*: 5.003

“There is a broad and developing equitable doctrine that he who has received information in confidence shall not take unfair advantage of it or profit from the wrongful use or publication of it. He must not make any use of it to the prejudice of him who gave it, without obtaining his consent or, at any rate, without paying him for it ... If, therefore, a defendant is proved to have used confidential information, directly or indirectly obtained from a plaintiff, without his consent, express or implied, he will be guilty of an infringement of the plaintiff's rights.” It is well settled that the obligation of confidence rests not only upon the original recipient, but also on any person who received the information with knowledge acquired at the time or subsequently that it was originally given in confidence.⁴

In *Attorney-General v Observer Ltd (Spycatcher case)*, Bingham LJ said: 5.004

Like most heads of exclusive equitable jurisdiction, its rational basis does not lie in proprietary right. It lies in the notice of an obligation of conscience arising from the circumstances in or through which the information was communicated or obtained.⁵

¹ *Li Yau Wai, Eric v Genesis Films Ltd* [1987] HKLR 711, 718, where Rhind J said, “In the words of a 16th century rhyme: ‘These three give place in court of conscience: fraud, accident and breach of confidence.’”

² *Coco v AN Clark (Engineers) Ltd* [1969] RPC 41, 48 (Megarry J).

³ [1984] QB 44, 48.

⁴ (12th ed., 1980) para.711.

⁵ [1990] 1 AC 109, 216.

- 5.005 In the Court of Appeal case of *R v Department of Health, ex p Source Informatics Ltd*, after examining all the authorities referred to them, Simon Brown LJ emphasised the test of conscience:

To my mind the one clear and consistent theme emerging from all these authorities is this: the confidant is placed under a duty of good faith to the confider and the touchstone by which to judge the scope of his duty and whether or not it has been fulfilled or breached is his own conscience, no more and no less.⁶

(b) Is confidential information property?

- 5.006 Although the English courts have recognised that trade secrets are protected as a species of property,⁷ they have been reluctant to recognise trade secrets as property. While acknowledging that Lord Goff of Chieveley deliberately avoided deciding whether confidential information may be regarded as property in *Spycatcher* case, Bokhary J boldly ruled in the Hong Kong High Court case of *Dr Koo Chih Ling Linda v Dr Lam Tai Hing*⁸ that a man's confidential information is his property. That was echoed in *Electro Cad Australia Pty Ltd v Mejati Rcs Sdn Bhd*,⁹ where the High Court of Malaysia recognised that, historically, the courts had been reluctant to consider information as property in a strict sense, but:

due to the rapid and highly volatile revolution in technology and with the concept and subsequent incept of the Multi Media Super Corridor that [Malaysia] has embarked upon to launch a clear vision 2020, the courts must take a broader view of the meaning of property and include information as such.¹⁰

(c) Elements for breach of confidence

- 5.007 The duty of confidence can be imposed and regulated by way of contract. Besides contract, Megarry J laid down in *Coco v AN Clark (Engineers) Ltd*¹¹ the following three elements which are normally required if a case of breach of confidence in tort is to succeed:

- (1) the information itself must have the necessary quality of confidence about it;
- (2) that information must have been imparted in circumstances importing an obligation of confidence; and
- (3) there must be an unauthorised use of that information to the detriment of the party communicating it.

⁶ [2000] 2 WLR 940, 952.

⁷ See *Scott v Scott* [1913] AC 417, 443 (HL).

⁸ [1992] 2 HKLR 314, 325.

⁹ [1999] FSR 291.

¹⁰ Note, however, that in the Canadian case *Cadbury Schweppes Inc v FBI Foods Ltd* [2000] FSR 491, the Supreme Court still considered the characterisation of confidential information as property to be controversial.

¹¹ [1969] RPC 41, 47.

(d) What is confidential information?

- Ten years later, in *Thomas Marshall (Exports) Ltd v Guinle*,¹² Megarry V-C developed his proposition to define confidential information: 5.008

First, I think that the information must be information the release of which the owner believes would be injurious to him or of advantage to his rivals or others. Second, I think the owner must believe that the information is confidential or secret, i.e. that it is not already in the public domain. It may be that some or all of his rivals already have the information: but as long as the owner believes it to be confidential I think he is entitled to try and protect it. Third, I think that the owner's belief under the two previous heads must be reasonable. Fourth, I think that the information must be judged in the light of the usage and practices of the particular industry or trade concerned.

Hence, the mere fact that information is marked confidential can only be suggestive and not definitive that such information is expected to be treated in confidence. Along this vein, it was held in *Mars UK Ltd v Teknowledge Ltd*,¹³ the mere fact of encryption did not make that which was encrypted confidential or anyone who de-encrypted something which was in code necessarily be taken to be receiving information in confidence. There was nothing surreptitious in taking a thing apart to find out how it was made. 5.009

The three elements for breach of confidence are analysed in this chapter. 5.010

2. NECESSARY QUALITY OF CONFIDENCE

(a) Not public knowledge

- Lord Greene in *Saltman Engineering Co Ltd v Campbell Engineering Co Ltd* said: 5.011

The information, to be confidential, must, I apprehend, apart from contract, have the necessary quality of confidence about it, namely, it must not be something which is public property and public knowledge. On the other hand, it is perfectly possible to have a confidential document, be it a formula, a plan, a sketch, or something of that kind, which is the result of work done by the maker upon materials which may be available for the use of anybody; but what makes it confidential is the fact that the maker of the document has used his brain and thus produced a result which can only be produced by somebody who goes through the same process.¹⁴

- Megarry J dealt with the same concept in *Coco v AN Clark (Engineers) Ltd*: 5.012

However confidential the circumstances of communication, there can be no breach of confidence in revealing to others something which is already common

¹² [1979] Ch 227, 248.

¹³ [2000] ECDR 99.

¹⁴ (1948) 65 RPC 203, 215.

knowledge. But this must not be taken too far. Something that has been constructed solely from materials in the public domain may possess the necessary quality of confidentiality: for something new and confidential may have been brought into being by the application of the skill and ingenuity of the human brain. Novelty depends on the thing itself, and not upon the quality of its constituent parts. Indeed, often the more striking the novelty, the more commonplace its components.¹⁵

- 5.013** There must be an element that distinguishes the confidential information or material from that readily accessible to the public. In *Li Yau Wai Eric v Genesis Films Ltd*,¹⁶ the plaintiff, a full-time life insurance salesman, allowed himself to be photographed to help him be cast in a future film. Without his knowledge, his photograph was used as a prop in a film in a manner which he considered defamatory. Rhind J held that whilst no one could prevent himself from being photographed as he strolled by in the street, allowing oneself to be photographed as the plaintiff did had the necessary quality of confidence about it.
- 5.014** In *Cray Valley Ltd v Deltech Europe Ltd*,¹⁷ the claimant bought a resin business and engaged the factory of the former business owners to continue to produce the resins for a short transitional period, after which the factory employees were to be made redundant. The claimant removed copies of all manufacturing formulations and ingredients, business documentation and unused raw materials, but samples of various products were left on the factory site. Also left at the site, in obvious places, were copies of batch records of past manufacture and copies of manufacturing instructions. The defendant subsequently acquired the factory and engaged many of the former factory employees. These employees were not subject to restrictive covenants nor express confidentiality clauses which were not present in their employment contracts with the previous owners. Also, no employees had been told that the recipes they used were trade secrets or confidential and no attempt was made to restrict access to them. The claimant argued that the manufacturing process was confidential information which they had paid for when the business was acquired. The court held that the information did not have the necessary quality of confidence and had not been imparted in circumstances giving rise to an obligation of confidence. The employees were never told that the recipes were trade secrets or confidential. So much of the information had already been published and was second nature to the employees and so much of the recipes had been non-critical to the manufacturing process and so easy to reverse engineer that a reasonable person of conscience would not see the information as a trade secret that was not to be used.
- 5.015** In *BBC v HarperCollins Publishers Ltd*,¹⁸ the defendant intended to publish the autobiography of the driver who performed the role of The Stig in the plaintiff's Top Gear television programme. It had been an important characteristic that the person playing The Stig was not known to the public. The plaintiff sought an interim injunction to prevent publication of the book on the basis that the driver owed it the duty not to

¹⁵ [1969] RPC 41, 47.

¹⁶ [1987] HKLR 711.

¹⁷ [2003] EWHC 728 (Ch).

¹⁸ [2011] EMLR 6.

disclose confidential information, including his real-life identity. It joined the driver, his service company and the publisher to the proceedings. The court held that although the driver owed a duty of confidentiality, as the information about his real-life identity and playing The Stig was in the public domain through extensive newspaper coverage already, that lost its confidential character.

In *University of Hong Kong v Hong Kong Commercial Broadcasting Co Ltd*,¹⁹ the defendant's counsel contended the lack of the necessary quality of confidence in the information disclosed at and relating to the Council meetings of the university given the principles of "openness and accountability". The court disagreed. Given that the conduct of the meetings of the Council is an internal matter for the Council itself, the Council regulates its own procedure, and the Guide and Code of Practice for Members of the Council. Evidence showed that the Council meetings have been conducted on the basis of confidentiality and collective responsibility. The learned judge had no issue that the relevant information has the requisite quality of confidence about it. **5.016**

*PCCW-HKT Telephone Ltd v Aitken*²⁰ is an interesting case concerning legal professional privilege. There, the CA, by a majority, held that it was not seriously arguable that a person was always liable to be enjoined from disclosure of confidential information which may also be characterised as information subject to legal professional privilege. The majority judges interpreted *Prince Jefri Bolkiah v KPMG*²¹ to set the principle of upholding client confidential and privileged information to solicitor-client relationship and entities such as KPMG in an analogous relationship. Le Pichon JA, the dissenting judge considered that there was a serious triable issue as to whether, when information to which legal professional privilege attached was imparted to a person (such as a former employee of the client) who was not in a solicitor-client or analogous relationship with the client was nonetheless protectable by that privilege. She further considered there was also a serious triable issue on whether the remedy in *Prince Jefri Bolkiah v KPMG* closing off all avenues of risk of disclosure, should be available in relation to privileged information. **5.017**

In the Court of Final Appeal,²² Ribeiro PJ pointed out the policies of protecting an employee's freedom to deploy his personal skill and knowledge for his own benefit and of securing the free availability of employees in the labour market do not extend to a solicitor who wishes to accept instructions from a new client whose interests are adverse to those of the former client, on a matter to which his former client's confidences are relevant. His Lordship distinguished that the protection of confidentiality in a solicitor-client relationship is founded in the context of fiduciary duty which differs significantly from an employer-employee relationship. The CFA unanimously dismissed the appeal and agreed with the majority in the CA. The court pointed out that in a solicitor-client relationship, only the client, and not the solicitor, can waive confidentiality (and where the communications are privileged, waive such privilege). Where the court is satisfied that the solicitor has confidential information **5.018**

¹⁹ [2016] 1 HKLRD 536.

²⁰ [2008] 5 HKLRD 673.

²¹ [1999] 2 AC 222.

²² (2009) 12 HKCFAR 114.

of his client (even if it is a former client), the duty to maintain confidentiality is unqualified. The court will readily enjoin a firm from acting for a new client with interests adverse to those of its former client unless the court is satisfied (the firm having an evidential burden in this respect) that no risk of misuse or disclosure of the former client's confidential information, whether conscious or inadvertent, attaches to the firm taking up the new client's instructions.²³

(b) Springboard

5.019 In *Coco v AN Clark (Engineers) Ltd*, the court elaborated that where confidential information was communicated in circumstances of confidence, the obligation created may endure even after all the features of the subject matter have been published or are ascertainable by the public, because the recipient must not use the information communicated as a springboard. On this, in *Seager v Copydex Ltd*,²⁴ Lord Denning quoted Roxburgh J in *Terrapin Ltd v Builders Supply Co (Hayes) Ltd* and said:

As I understand it, the essence of this branch of the law, whatever the origin of it may be, is that a person who has obtained information in confidence is not allowed to use it as a springboard for activities detrimental to the person who made the confidential communication, and springboard it remains even when all the features have been published or can be ascertained by actual inspection by any member of the public.²⁵

5.020 Hence, the springboard rationale is to provide a remedy against an unwarranted head start. The essential question is: how long in the circumstances of any particular case would it take an uninformed competitor to analyse and to take advantage of the information now in the public domain, but earlier disclosed to a defendant who was seeking to make commercial hay with his head start. It is insufficient simply to establish removal of confidential information and misuse must be shown. In *ICAP (Hong Kong) Ltd v BGC Securities (Hong Kong) LLC*,²⁶ after analysing the authorities, the court concluded that a "springboard" injunction was limited to counteracting the misuse of confidential information giving rise to an unfair advantage and was not applicable generally to neutralising an unfair advantage gained by a prior breach of duty by a person. The court had no interest in attempting to regulate the positioning of a company within the market. There, it was also held that there was nothing wrong in a group of employees deciding in concert to depart their existing employer for pastures new. Even if their departure was induced, this did not necessarily lead to the invocation of the "springboard" principle which had developed within an entirely different context, namely, misuse of confidential information over and above the normal intellectual stock-in-trade that employees were able to take unencumbered whenever they changed employment.

²³ *Ibid.*, [28]–[31].

²⁴ [1967] 1 WLR 923, 931.

²⁵ [1967] RPC 375, 391.

²⁶ [2005] 2 HKLRD 349.

5.021 In *Pacific Concepts (HK) Ltd v Michel Brennon*,²⁷ the court held that a former employee is "not entitled to 'instant freedom' to use for himself such [customer] relationship if he has already misused it before his departure". The purpose of the injunction was to "make up for the period of time lost to the plaintiff during which the defendants had secretly made use of the relationships with the customers for their own benefit". In *Stack Electronics Asia Ltd v Lu Da Lin*,²⁸ the court likewise granted an injunction against an employee who had used his employer's "business time" to build up a base from which to compete later against the employer.

5.022 In *Terrapin Ltd v Builders' Supply Co (Hayes) Ltd*,²⁹ the defendants were sued for using confidential information supplied by the plaintiffs in respect of the production of prefabricated portable buildings. The defendants' counsel argued that the publication of all the general features of the buildings in the plaintiffs' brochures, and that a dismantlement of the plaintiffs' building unit would have revealed the necessary information, meant that the confidentiality had been discharged. The court rejected the argument and held that the brochures were not equivalent to the publication of the plans, specifications, other technical information and know-how of the plaintiffs, which had been communicated to the defendants in confidence.

5.023 Although the court accepted that the dismantling of a unit might enable a person to proceed without plans, specifications or other technical information, the court considered that without some of the plaintiffs' know-how, and without taking the trouble to dismantle the unit, that person could not succeed. Given that the possessor of the confidential information still enjoys a head start over any member of the public, Roxburgh J ruled that the defendants, being in possession of the information, must be placed "under a special disability" in the field of competition in order to ensure that they did not get an unfair start.

5.024 A springboard effect may not last forever. The remedy granted by the court should be to take away the unfair advantage of the defendant's unfair head start and no more. There is no standard order since the order should be tailored to the individual facts of the case. In the classic employment context case *Roger Bullivant Ltd v Ellis*,³⁰ the defendants, who copied their ex-employer's card index list of customers, were restrained from using such information until the judgment or a further order. On appeal, the injunction was discharged on the ground that, if the defendants had acted lawfully and gained their customers either by approaching those whom they knew without using the plaintiff's card index or as a result of general circulars and advertisements in the trade press, it would not have taken a very long time before it would have been well-known in the trade that they were in business on their own account. The period of a "no competition" clause in the first defendant's contract of employment with the plaintiff was one year, and that period had expired by the time the appeal was heard. The court therefore found it difficult to see how the plaintiff could reasonably expect, or how the law could reasonably allow, a longer period

²⁷ (HCA 2672/2008, [2009] HKEC 444).

²⁸ (HCA 1850/2007, [2007] HKEC 2079).

²⁹ [1967] RPC 375.

³⁰ [1987] FSR 172.

in regard to the injunction whose effect would be very much the same. Nourse LJ observed:

The purpose of the [first instance judge] in granting the injunction was to prevent the defendants from taking unfair advantage of the springboard which he considered they must have built up by their misuse of the information in the card index. Granted, first, that such an advantage cannot last forever, secondly, that the law does not restrain lawful competition and, thirdly, that in restraining unlawful competition it seeks to protect the injured and not to punish the guilty, I cannot see that it is right for the term of the injunction to extend beyond the period for which the advantage may reasonably be expected to continue.³¹

5.025 In *UBS Wealth Management (UK) Ltd v Vestra Wealth LLP*,³² the court concluded that springboard relief is not confined to cases involving the abuse of confidential information but can operate to prevent “any future or further serious economic loss to a previous employer caused by former staff members taking an unfair advantage of any serious breaches of their contract of employment”. In this case, an injunction until trial was granted to prevent the defendants from soliciting or dealing with any UBS client (save for those who had already agreed to transfer their business) and from soliciting any UBS employee who had not yet resigned.

5.026 In *SG & R Valuation Service Co LLC v Boudrais*,³³ where there was misuse of confidential information, the period of relief was such time “until the information is public, the confidence is lost or for as long as it can be estimated that the information can be lawfully assembled”. Similarly, in *Vestergaard Frandsen A/S v Bestnet Europe Ltd*,³⁴ the court calculated the duration of a final injunction pragmatically by estimating how much of a head start the defendant had obtained through its use of the claimant’s confidential information. That meant that the duration of the injunctive relief should be calculated by reference to “the time it would take someone starting from public domain sources to reverse engineer or compile the information”.

(c) Copyright and confidential information

5.027 Although sometimes there can be overlap between claims of copyright and confidential information in an action, they are essentially different rights. Protection of confidence depends on the force of the owner’s interest in maintaining secrecy whereas copyright is an exclusive right which allows others to do certain acts only with the owner’s consent. Copyright protects the expression, not ideas, whereas confidential information can be extended to protect the underlying idea provided that it is sufficiently defined. Copyright is good against everyone who is not authorised by the copyright owner, whereas confidence only protects against those who receive information or ideas in confidence. Copyright enjoys a fixed statutory period of protection, but confidence can in theory last forever or until the information becomes public knowledge.

³¹ *Ibid.*, 183.

³² [2008] IRLR 965.

³³ [2008] IRLR 770.

³⁴ [2010] FSR 2, followed in *Kerry Ingredients (UK) Ltd v Bakkavor Group Ltd* [2016] EWHC 2448 (Ch).

Furthermore, although copyright also protects unpublished works, it is not part of copyright’s purpose to protect confidentiality.

Use which falls short of copyright infringement can be misuse in the context of a confidential information claim. In *Dr Koo Chih Ling Linda v Dr Lam Tai Hing*, Bokhary J said: **5.028**

In general, unless the use is so trifling that the maxim *de minimis non curat lex*—the law does not concern itself with trifles—comes into play, any self-use of other people’s confidential information obtained through wrongdoing is, practically by definition, misuse. In cases in which a claim in copyright infringement and one in misuse of confidential information are brought on the same facts, the latter may succeed even where the former fails for want of sufficient objective similarity.³⁵

Unlike copyright, *Fraser v Thames Television Ltd*³⁶ demonstrates that it is not essential for confidential information to be in writing or other permanent form. The confidential information relied upon may be either written or oral. It is essential, however, for the material (in *Fraser v Thames Television Ltd*, literary and dramatic material about the idea of a television programme) to have at least some attractiveness to an end user and be capable of being realised as “an actuality”. In *De Maudsley v Palumbo*,³⁷ a case also about ideas for an entertainment feature (there, a night club), Knox J held that before the status of confidential information can be achieved by a concept or an idea it is necessary to have gone far beyond identifying a desirable goal. A considerable degree of particularity in a definite product needs to be shown to be the result of the mental process in question. That does not exclude simplicity as opposed to vagueness. **5.029**

In *Wade v British Sky Broadcasting Ltd*,³⁸ Briggs LJ explained that the law as to the burden of proof in a claim for misuse of confidential information derived from the law relating to breach of copyright. Although the legal burden rested on the claimant throughout, the evidential burden might shift to the defendant where the claimant demonstrated sufficient similarities between its work and the defendant’s, coupled with a sufficient opportunity for the defendant to copy its work, to raise an inference that copyright actually took place. The defendant might then seek to rebut that inference by evidence which proved independent derivation. **5.030**

Yet, as in copyright, a duty of confidence will not be imposed upon matters which have a grossly immoral tendency. In *Stephens v Avery*, a lesbian relationship and sexual conduct between two adults was not considered grossly immoral.³⁹ The court rejected the defendant’s argument that any sexual conduct lacked the quality of confidentiality because by taking part in the sexual activity itself both sexual partners knew what had happened and accordingly neither could claim that the information was confidential to either of them. The court held that the mere fact that two people know a secret does not **5.031**

³⁵ [1992] 2 HKLR 314, 345.

³⁶ [1984] QB 44.

³⁷ [1996] FSR 447.

³⁸ [2016] EWCA Civ 1214.

³⁹ [1988] Ch 449, 453: The judge remarked: “But at the present day the difficulty is to identify what sexual conduct is to be treated as grossly immoral.”

mean it is not confidential, and that information only ceases to be capable of protection as confidential when it is in fact known to a substantial number of people; it is all a question of degree.

- 5.032 The defence of public interest in a breach of confidence action cannot be the same as in a copyright infringement case. In an action for breach of confidence, the foundation of the action can fall away if that is required in the public interest, but that can never happen in a copyright action. The jurisdiction to refuse to enforce copyright comes from the court's inherent jurisdiction and is limited to cases where enforcement of the copyright would offend against the policy of the law.⁴⁰

3. OBLIGATION OF CONFIDENCE

- 5.033 We now turn to the second element mentioned by Megarry J in *Coco v AN Clark (Engineers) Ltd*: obligation of confidence.

(a) Contractual and common law obligations

- 5.034 If two parties make a contract under which one of them obtains for the purpose of the contract or in connection with it some confidential matter, even when the contract is silent on confidentiality, the law will imply an obligation to treat that matter in a confidential manner, as one of the implied terms of the contract. Yet, even with a confidentiality agreement, there will be no breach of confidence if the relevant information is not confidential. This is demonstrated in *EPI Environmental Technologies Inc v Symphony Plastic Technologies Plc*.⁴¹ There, the parties had a series of contractual arrangements whereby the plaintiff supplied the defendants with additives which were used in the manufacturing of thin film plastic products. The plaintiffs asserted that as the additives were successful, their formulation and process of manufacture, were confidential information and that the defendants' additives were substantial copies of the plaintiffs'. The defendants contended that the information was all in the public domain as information was disclosed by the plaintiffs in their patent applications, stated on their website and was generally known. The plaintiffs further argued that the additives were supplied in confidence. The judge held that a thing did not become confidential merely because it was supplied confidentially. What the plaintiffs claimed to protect was in essence an attempt to transform public domain material by virtue of the confidential relationship between themselves and the defendants. The plaintiffs' claim was dismissed because if founded, it would lead to the bizarre result that by signing a confidentiality agreement, the defendant would be the only organisation in the world that could not use the information in the public domain.

- 5.035 The obligation to respect confidence is, however, clearly not limited to cases where the parties are in a contractual relationship. In *Stephens v Avery*, Sir Nicolas Browne-Wilkinson V-C pointed out that:

⁴⁰ See Aldous LJ in *Hyde Park Residence Ltd v Yelland* [2001] Ch 143, [64].
⁴¹ [2005] FSR 22.

Although the relationship between the parties is often important in cases where it is said there is an implied as opposed to express obligation of confidence, the relationship between the parties is not the determining factor. It is the acceptance of the information on the basis that it will be kept secret that affects the conscience of the recipient of the information.⁴²

Megarry J explained in *Coco v AN Clark (Engineers) Ltd*:

5.036

It seems to me that if the circumstances are such that any reasonable man standing in the shoes of the recipient of the information would have realised that upon reasonable grounds the information was being given to him in confidence, then this should suffice to impose upon him the equitable obligation of confidence. In particular, where information of commercial or industrial value is given on a business-like basis and with some avowed common object in mind, such as a joint venture or the manufacture of articles by one party for the other, I would regard the recipient as carrying a heavy burden if he seeks to repel a contention that he was bound by an obligation of confidence ...⁴³

(b) Fiduciary relationship

In a fiduciary relationship a duty of confidence will be more readily presumed. But the mere fact that the confidant may have received confidential information from the confider does not create a fiduciary relationship. In *Lac Minerals Ltd v International Corona Resources Ltd* (a decision of the Supreme Court of Canada), Sopinka J said:

5.037

The fact that confidential information is obtained and misused cannot itself create a fiduciary obligation. No doubt one of the possible incidents of a fiduciary relationship is the exchange of confidential information and restrictions on its use. Where, however, the essence of the complaint is misuse of confidential information, the appropriate cause of action in favour of the party aggrieved is breach of confidence and not breach of fiduciary duty.⁴⁴

The UK Law Commission defined a fiduciary as:

5.038

Broadly speaking, a fiduciary relationship is one in which a person undertakes to act on behalf of or for the benefit of another often as an intermediary with a discretion or power which affects the interests of the other who depends on a fiduciary for information and advice.⁴⁵

In *Lac Minerals Ltd v International Corona Resources Ltd*, Sopinka J said:

5.039

There are some relationships which are generally recognised to give rise to fiduciary obligations: director-corporation, trustee-beneficiary, solicitor-client,

⁴² [1988] Ch 449, 456.

⁴³ [1969] RPC 41, 48.

⁴⁴ [1990] FSR 441, 486.

⁴⁵ Law Commission of England and Wales, *Fiduciary Duties and Regulatory Rules* (Report No 236) (December 1995) para.1.3.

partners, principal-agent, and the like. The categories of relationships giving rise to fiduciary duties are not closed nor do the traditional relationships invariably give rise to fiduciary obligation.⁴⁶

- 5.040 Clearly, equity has refused to put limits on the relationships to which the presumption can apply. There has to exist a degree of trust and confidence such that:

The party in whom it is reposed, either because he is or has become an adviser of the other or because he has been entrusted with the management of his affairs or everyday needs or for some other reason, is in a position to influence him into effecting the transaction of which complaint is later made.⁴⁷

- 5.041 In many commercial relationships, such as between a banker and a customer, a landlord and a tenant, an employer and an employee, a fiduciary duty does not arise. In a Canadian case, *Cadbury Schweppes Inc v FBI Foods Ltd*,⁴⁸ it was confirmed that fiduciary obligations are seldom present in the dealings of experienced business people of similar bargaining strength acting at arm's length.

- 5.042 The core duties of a fiduciary are loyalty and fidelity. *Halsbury's Laws of England* states:

Conflict of duty and interest—A court of equity imposes special liabilities and duties upon persons who stand in a fiduciary relationship to others; and it is a principle of equity that no person having duties of a fiduciary nature to discharge should be allowed to place himself in a situation where he has, or can have, a personal interest conflicting, or which may possibly conflict, with the interest of those whom he is bound to protect. The principle extends not only to the relationship between trustee and beneficiary, but to all kinds of fiduciary relationships where a real conflict of duty and interest occurs; it is not dependent on fraud or absence of good faith.⁴⁹

- 5.043 In *Kao Lee & Yip v Koo Hoi Yan*,⁵⁰ the Court of First Instance further explained that the core obligations of fiduciary duties include: (a) the duty not to place himself in a position where his or anyone else's interests would or may conflict with duties owed to the fiduciary (the non-conflict duty) and (b) the duty not to make a profit from his position (the not to profit duty). These two duties often overlap and breach of one may well also constitute breach of other duties. But they are not always conterminous and each has distinct features. A fiduciary who had taken advantage of an opportunity made available to him in the course of a fiduciary relationship to secure for himself a business opportunity, would in general be in breach of fiduciary duty, for which he would be liable to account for any profits he had made, even if

⁴⁶ [1990] FSR 441, 483.

⁴⁷ See *Goldsworthy v Brickell* [1987] Ch 378, 401 (Nourse LJ).

⁴⁸ [2000] FSR 491.

⁴⁹ (4th ed., Reissue, Vol.16) para.907.

⁵⁰ [2003] 3 HKLRD 296.

this business was one which would not have been available to the beneficiary. He might still be liable if he made use of the business opportunity after the fiduciary relationship ended, but his liability must be tested against the principle that upon the termination of the relationship, he was fully entitled to make use of such skills, general knowledge, know-how, experience and client contacts as he had acquired. In this connection, the court had developed the test of "maturing business opportunity" in determining whether the business allegedly diverted by the fiduciary was one that was actively pursued by the beneficiary in the first place and the stage that the business opportunity had reached. The business opportunity must be tangible (or mature) at the time the fiduciary was in the position of trust and confidence. If there is a causal link between the business opportunity and the profits made, he would be liable to account.

(c) Third-party recipient

Where a third party receives information knowing that the information has been disclosed by its informant in breach of confidence, it will itself owe a duty of confidence to the confider. This principle is derived from the doctrine that it is equitable fraud if a third party knowingly assists in a breach of trust, confidence or contract by another. In *Case v Thomas v Elizabeth Pearce*,⁵¹ the second defendant received from the first a list of names of 150 clients when the first defendant joined her business, not knowing that the list was obtained in breach of confidence. The CA endorsed the test adopted by the judge to ask whether the second defendant had acted honestly. To be held liable for a breach of confidence, more was required than mere careless, naive or stupid behaviour. There had to be an awareness that the information was confidential or a willingness to turn a blind eye; the second defendant was found not liable.

(d) Justified disclosure

The defence of public interest is well established in actions for breach of confidence and is not limited to cases where there has been wrongdoing on the part of the plaintiffs. Iniquity is merely an instance of just cause or excuse for breaking confidence.⁵² In *Lion Laboratories v Evans*,⁵³ Stephenson LJ provided a hypothetical example based on the facts of the case which concerned that plaintiff's intoximeter equipment used by the police for breath-testing:

Suppose the plaintiffs had informed the police that their Intoximeter was not working accurately nor safe to use, and the police had replied that they were nevertheless going to continue using it as breath-test evidence. Could there then be no defence of public interest if the defendants sought to publish that confidential information, simply because the plaintiffs themselves had done nothing wrong but the police had? There would be the same public interest in publication, whichever was guilty of misconduct; and I cannot think the right

⁵¹ [2000] FSR 718.

⁵² Lord Denning MR in *Fraser v Evans* [1969] 1 QB 349, 362.

⁵³ [1985] QB 526.

5.044

5.045

to break confidence would be lost, though the public interest would remain the same. Bearing this last consideration in mind, in my opinion we cannot say that the defendants must be restrained because what they want to publish does not show misconduct by the plaintiffs.

5.046 What is the test for public interest then? In *McKennitt v Ash*,⁵⁴ Eady J held:

I am prepared to acknowledge that a court nowadays might not apply quite so strict a test to that laid down by Ungeod Thomas J in *Nora Beloff v Pressdram Ltd* [1973] 1 All ER 241 at 260: "... the disclosure justified in the public interest, of matters carried out or contemplated, in breach of the country's security, or in breach of law, including statutory duty, fraud or otherwise destructive of the country or its people, including matters medically dangerous to the public"; and doubtless other misdeeds of similar gravity.

5.047 In *Abbey v Gilligan*,⁵⁵ exposing the financial position of a company of the chairman of the London Organising Committee of the Olympics Games and his dealing with a business consultant was considered in the public interest in a dispute of misuse of private information. The public had an interest in knowing to whom the chairman had entrusted matters relating to his private business interests which called into question his private and professional judgment as he had assumed a role of national interest which required a clear separation from his private business interests.

5.048 The court quoted the following passage with approval:

the true principle is not (as dicta in some cases suggest) that the court will permit a breach of confidence whenever it considers that disclosure would serve the public interest more than non-disclosure, but rather that no obligation of confidence exists in contract or in equity, in so far as the subject matter concerns a serious risk of public harm (including but not limited to cases of "iniquity") and the alleged obligation would prevent disclosure appropriate to prevent such harm.

5.049 The court continued to say that besides preventing harm, this applies equally to any other form of public interest that qualifies as a limiting principle to confidentiality or misuse of private information.

5.050 In the UK Press Complaints Commission (PCC) Code of Practice, public interest includes (a) detecting or exposing crime or a serious misdemeanour; (b) protecting public health and safety and (c) preventing the public from being misled by some statement or action of an individual or organisation. Case law also shows that the courts have considered public interest naturally in the prevention of miscarriage of justice.

5.051 Besides justified disclosure when there is overriding public interest, for example, in exposing wrongdoing, a person may lawfully disclose a confidence to the extent that

⁵⁴ [2006] EMLR 10, [97].

⁵⁵ [2013] EMLR 12.

it is necessary or fairly required for the protection of his legitimate interests. In *Nam Tai Electronics Inc v PricewaterhouseCoopers*,⁵⁶ Nam Tai entered into an acquisition agreement with a company, to which PwC conducted a due diligence and concluded that the company was "technically insolvent" with "significant losses and liquidity problems" and "the integrity of the directors was in doubt". Nam Tai did not accept the recommendation and completed the acquisition. The company acquired was later placed in voluntary liquidation and the major creditor of the company put forward PwC as a candidate for liquidator. Nam Tai strongly objected to the appointment, indicating that PwC was in conflict of interest because of previous dealings. As part of the restructuring proposal for the company in liquidation, PwC wrote about its recommendation to Nam Tai and Nam Tai's response. Amongst other things, Nam Tai claimed breach of confidence. The first instance judge dismissed all claims and the CA unanimously dismissed the appeal. It was held that PwC's disclosure that it had advised negatively was "fairly required" or "necessary" to meet Nam Tai's unparticularised allegations of conflict made against it. PwC's statement of Nam Tai not accepting the negative recommendation but going ahead with the acquisition made it clear that there could be no possible conflict arising out of the due diligence work undertaken by PwC.

The PwC case may not be easy to reconcile with *Cembrit Blunn Ltd v Apex Roofing Services*.⁵⁷ There, one of the defendants obtained an internal letter between the plaintiff companies regarding the possible settlement of a claim by the defendant for defective goods and used it to show that the plaintiffs had not honestly believed that their goods were not defective. The plaintiffs argued that the defendant's dealing with the letter amounted to copyright infringement and breach of confidence. The defendant argued that the disclosure was justified to correct apparently false information disseminated by the plaintiffs and to avoid unnecessary and unjustified litigation. The court held that there was copyright infringement and that the letter had been a private internal communication not intended for publication outside the plaintiffs' group of companies. It was held that the defendant's disclosure of the letter had not been justified either in the public interest or with a view to avoiding unnecessary and unjustified litigation, and had in fact been used as a tactic to force the plaintiffs to capitulate their demands.

There can be competing public interest and a number of UK cases involved discussions of the public interest in resisting or revealing journalistic sources. In *Ashworth Hospital Authority v MGN Ltd*,⁵⁸ the House of Lords recognised that there were public interests in non-disclosure of medical records and in maintaining the confidentiality of journalistic sources but upheld an order for disclosure of the name of the intermediary who supplied confidential clinical notes of a patient of the plaintiff hospital.

It was stated in the European Court of Human Rights in *Goodwin v UK*⁵⁹ that the protection of journalistic sources is one of the basic conditions for press freedom. There, it was ruled by a vote of eleven to seven that an attempt to force a journalist to reveal his source for a news story violated art.10 of the European Convention on

⁵⁶ [2006] 4 HKLRD 121 (CA).

⁵⁷ [2007] EWHC 111 (Ch).

⁵⁸ [2002] 1 WLR 2033.

⁵⁹ (1996) 22 EHRR 123.

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Human Rights.⁶⁰ In the UK Government's view, the information at issue did not possess a public interest content which justified interference and also argued that a journalist's privilege does not extend to the protection of a source that has conducted itself in bad faith, or at least irresponsibly, in order to allow him to pass on such information with impunity. In finding for the journalist, the European Court emphasised the importance of affording safeguards to the press generally and to the journalists' sources in particular. Yet, the UK courts continue to take the view that the general public interest takes precedence over the protection of the journalists and their sources and apply a test of proportionality. In *Interbrew v Financial Times*,⁶¹ Lord Justice Sedley stated:

Disclosure must meet a pressing social need; must be the only way of doing so, must be accompanied by safeguards against abuse and must not be such as to destroy the essence of the primary right.

5.055 In March 2002, the CA concluded that the public interest in protecting the source of a leak was not sufficient to withstand the prevailing public interest in allowing the plaintiff to seek justice against the source particular when the aim of the source was to do harm. Later, in the same year, the House of Lords dismissed a petition for leave to appeal. The applicants referred the case to the European Court of Human Rights which held in December 2009 unanimously that art.10 of the European Convention on Human Rights guarantees the freedom of expression and the disclosure order constituted an interference with that freedom.

5.056 As Hong Kong is not bound by the European Convention on Human Rights, and although the Basic Law also guarantees the freedom of speech, of the press and of publication,⁶² the authors believe that the Hong Kong courts will follow the UK's approach to weigh all the factors and competing public interest and decide based on a sense of proportionality and necessity.

4. DETRIMENT

(a) What constitutes sufficient detriment?

5.057 In *Dr Koo Chih Ling Linda v Dr Lam Tai Hing*,⁶³ Bokhary J faced the situation where counsel for the contentious parties made respective submissions disputing whether detriment is an essential ingredient of a misuse of a confidential information claim. His Lordship acknowledged that Lord Goff of Chieveley chose to leave the question open in *Spycatcher* case. After analysing what Lord Keith of Kinkel said on the point in *Spycatcher* case, Bokhary J said:

If someone wishes to keep his confidential information confidential, then it is, in general, sufficient detriment to him for the purpose of completing his cause of

⁶⁰ See paras.5.033–5.056.

⁶¹ [2002] EMCR 446.

⁶² Article 27.

⁶³ [1992] 2 HKLR 314.

action in misuse of confidential information that, through the misuse by someone else of such information, he is denied his wish in the matter.⁶⁴

(b) Heads of damages

The discussion above shows that a confider will at least be entitled to nominal damages. A plaintiff will elect either an account of profits or damages against a confidant for breach of his or her duty of confidence. Damages will be calculated on a tortious basis, ie, such sum as would have put the plaintiff into the position he or she would have been in had it not been for the breach of confidence. Normally, a successful plaintiff will be permitted to make an informed decision on election within a reasonable time after judgment. 5.058

In *China Light & Power Co Ltd v Ford*,⁶⁵ Liu JA described the known remedies in an action founded on breach of confidence as: an account of profits; a *quantum meruit* in the sense of a sum which represents the reasonable value of the information; damages for loss; a lien; a declaration of the confidant as the constructive trustee of identifiable assets and exemplary damages. 5.059

At common law, exemplary damages would only be appropriate in two categories of case. The first, recognised by Lord Devlin in *Rookes v Barnard*,⁶⁶ is with examples of arbitrary or unconstitutional conduct by public officials. The second category, which has traditionally been defined by reference to the law of tort, applies in the relatively rare circumstances in which there has been a deliberate and knowing commission of a tort and a calculation on the part of some identifiable individual or individuals to the effect that more is to be gained by the wrongful act than is likely to be suffered by paying compensatory damages. It is accepted that recklessness (as opposed to mere carelessness or negligence) is to be equated with deliberate conduct in this context. 5.060

In *China Light & Power Co Ltd v Ford*, a barrister whose instructions were withdrawn, commenced action against the client's parent company in the USA for "absurdly large damages" using client documents provided in confidence during the course of his instructions. Despite an injunction to prevent him from making use of such documents, he tried to justify his conduct on the ground that the client had sought to destroy him professionally. The trial judge held his conduct to have been "disgraceful". Although the plaintiffs argued that the defendant's conduct had been calculated by him to make a profit for himself which might well exceed the compensation payable to the plaintiffs, the trial judge refused to award exemplary damages. The case went to the CA. Two of the appellant judges agreed that exemplary damages were not recoverable under the circumstances. While the third judge disagreed and would have granted exemplary damages, he took the view that there was no sufficient justification to reject the judge's conclusion and in any event, there was no exemplary damages until such time the defendant was awarded damages from his US proceedings by reason of use of the confidential information. 5.061

⁶⁴ *Ibid.*, 343.

⁶⁵ [1996] 1 HKLR 57.

⁶⁶ [1964] AC 1129, 1226: It is to be noted that Lord Devlin was not in favour of extending this category to comparable conduct on the part of private individuals or corporations.

CHAPTER 7

INTERNET IP

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1. INTRODUCTION

Intellectual property (IP) lawyers and judges have strived to apply conventional IP laws and principles to new issues which crop up in the digital era, particularly those pertaining to the Internet. Their commendable efforts have seen respectable successes. 7.001

It would not be possible to cover all Internet-related IP issues in this chapter as the extensive text and complications warrant a separate book. The authors merely wish to highlight some of the more interesting issues which readers would come across more frequently and which show the continuing development of IP laws. The authors would leave it to readers to decide if the efforts in developing IP laws organically are too passive and lag behind the advent of technology or if IP laws are not only solid in concepts and principles and yet flexible enough to adapt to the demands of the brave new world. 7.002

The case study below involves IP issues over the Internet. The authors hope that after reading this chapter the readers would be able to form a fairly good opinion of what causes of actions there are and what steps may be taken. 7.003

Manuel is a very successful yet controversial author and scriptwriter. People just love or hate his books. Those who love it say it's gripping, funny and imaginative. Those who hate it say he is shallow, cliché and does not have a literary style. Anyway, the more the disagreements, the higher his popularity and notoriety increases, resulting in more books being sold.

Every time, after completing a book, he would publish two or three chapters on his official website to tease his readers. His website is very simple with a members' section and a public section, and shares some photographs he took. His avid readers, who have registered as members of his website, would be given free access to these chapters and a forum to post their comments. Based on these feedbacks, he may gauge the popularity of the book, modify the story and finalise a deal with his publisher. After publishing the teaser chapters on the members' section of his website, he would publish the first chapter in the public section of his website for anyone to read (but not comment) to arouse the interest of the public in his book. All three of his books had been adapted for movie production and often Manuel made twists here and there so that the story in the book and the movie (and particularly their endings) were not the same. These movies, though not huge box office hits, have made enough profits to attract investors to be interested in his next books.

Some who seem to really dislike his work have built a website—*manuelshameonyou.com* which runs a forum for anyone to comment or criticise his work. As the name of the site suggests, it contains heavy criticisms of his works. Manuel did not care much even though sometimes chunks of his books were reproduced and people ridiculed his literary style line by line. Although the site also made an unauthorised link to the public section of his website to allow the users to see for themselves if the criticisms hold true, he was not bothered. Although he sometimes feels that the criticisms are too harsh and unfair, there is nothing to suggest that the sale of his books is adversely affected at all. In fact, he considers that to be free advertising and sometimes he can find some constructive ideas for his work from the criticisms.

He just finished a new book "Victoria's China Blue" which was about a time-travel experience of a young gangster who spoke broken English and found himself serving as Queen Victoria's most trusted royal guard. The story was wild, absurd but funny. Over a cup of coffee at Mamabugs, he showed the synopsis and the first two chapters on his netbook to his publisher and film producer. Both of them thought highly of the plot and thought this would probably be his most successful story so far. Manuel was happy that both shared his confidence in his new work and decided to post the first two chapters on his website the following week.

After the meeting, Manuel returned home in high spirit but discovered to his horror that the USB flash drive which contained his new book was missing. He was not sure where he lost it after Mamabugs. Although he had a back-up copy in his personal computer, he was worried if someone might have picked it up, and misused it.

Three days later, when Manuel became less worried about the loss of the USB and was about to publish the first two chapters on his members' section, he was chilled to the bones to find a message posted on *manuelshameonyou.com* by someone using the pseudo "Killer" with the caption "Latest Crap—Manuel's Victorian China Blue—Please watch out for the review on this latest piece of xxxx". The first two passages of his new book were quoted verbatim. Manuel knew for sure that the person who posted the message must have picked up his USB. So far, his publisher and film producer were the only two persons to have read parts of his new book and the synopsis and it would not be possible for them to read the opening paragraphs. While he was pondering what he should do, another message was posted by Killer—"Read this—True Manure or Manure"—with a few more paragraphs of his first chapter. Manuel was convinced that Killer had his USB. Following a whois search, Manuel called the administrative contact of *manuelshameonyou.com* to ask them to take down the messages and to disclose the identity of Killer. On hearing that he was Manuel, the person laughed and hung up. That evening, a third message was posted "You can't believe how this crap can become popular stuff. Two days from now, I will post and review a chapter every three days. Maybe this China blue is worth a laugh". The first five pages of his first chapter were posted in PDF form with markings, arrows and comments to ridicule his work.

The next morning, Manuel went to Customs to complain about copyright infringement and ask them to shut down *manuelshameonyou.com* and sue the website operator and Killer. Customs told him that they would consider but most likely they needed to seek advice from the Department of Justice and this could take some time. Manuel does not want to wait, particularly since Customs could not assure him if actions will be taken. He wants immediate action and comes to you for advice on whether and how to take down *manuelshameonyou.com*, to press for revelation of the identity of Killer and to take action against Killer to cease unauthorised publication of his new book and to return his USB and all copies which Killer has made of his new book.

2. COPYRIGHT

(a) Introduction to Internet copyright issues

Copyright law has been evolving all over the world. When it first emerged, copyright law was primarily concerned with the protection of the commercial interest of publishers as it was costly to print, bind and distribute books. Now, with present technology, it costs virtually nothing to copy and share a piece of work, be it a literary, artistic or musical work. Ironically, it is the ease with which copyright works can now be shared that poses a threat to copyright. While books in printed form may be physically lent to (or shared with) others without infringing copyright because no copying is involved, works in electronic form are "copied" and "distributed" (both being infringing acts if done without authorisation) when shared on the Internet.

To reduce the time and costs for locating information online, general purpose and specialised indexing engines have come to life. General purpose search engines are known to most Internet users—Google, Yahoo!, Bing, Baidu, Naver, Daum, etc. These are merely general purpose search and indexing engines. More specialised engines may be embedded within a website, eg, Amazon, eBay, for more effective navigation. From a copyright owner's perspective, these indexing websites are both a blessing and a curse. On the one hand, copyright owners rely on the Internet to market their work and obtain revenue from readership and/or advertising. On the other hand, indexing websites make it a lot easier for average Internet user to locate infringing materials and further use or disseminate them at the expense of copyright owners.

It is perhaps uncontroversial that unauthorised sharing of others' creations by electronic means should be restrained if it is done commercially or to such an extent as to prejudice the copyright owners' interest. However, the simple everyday act of sharing with friends or relatives the lyrics of a song or a funny photograph by "copy-and-paste" also amounts to copyright infringement. Unlike the broad United States concept of "fair use", the "fair dealing" exception as defined in the Copyright Ordinance (Cap.528) is available in only limited circumstances: research and private study (s.38), criticism, review and news reporting (s.39) and giving or receiving instruction in a specified course of study provided by an educational establishment (s.41A).¹ Apart from expanding "fair dealing" or introducing new exceptions, the ostensibly unhealthy phenomenon of "everyday copyright infringement" might be avoided if the authorisation or licence of the authors concerned could be easily sought and obtained. The truth is: anyone can be an author now, and there are authors who do not object to, or even welcome, sharing of their works. To copy or not to copy. This section examines the various copyright issues in the Internet context.

(i) Web materials

Original website materials are often copyright materials. Texts are literary works, photographs and graphics artistic works, and there are also sound recordings, animation and films. Under s.23(2) of the Copyright Ordinance, copying of a work

¹ The exceptions are discussed in paras.3.247–3.295.

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means reproducing the work in any material form, and includes storing the work in any medium by electronic means. Section 23(6) goes further to say that copying includes the making of copies which are transient or are incidental to some other use of the work. During the process of downloading, a transient copy will be made by the server (and also the cache of a computer) before the copy is shown on screen or printed—hence it involves a reproduction (copying) process. Therefore, to use someone else's web materials requires either an assignment of the copyright or a licence to use.

(ii) *Implied licence*

7.008 Although the underlying objective of the cyberspace is the sharing and access of information, this does not mean a waiver of all rights. Yet it must be the case that anyone who puts information onto the Internet impliedly consents to that information being accessed. The question is—How far does that implied licence go? If articles and pictures can be read from the screen, the implied licence is likely confined to allowing access (downloading onto one's computer to enable reading on the screen) and should not go further to allow the articles and pictures to be printed out in hard copy. On the other hand, as software cannot be read from the screen, there must be an implied licence to download and use it. To define the scope of use, copyright owners should ideally stipulate in a copyright notice what exactly can or cannot be done by users.

7.009 To some extent, the issue is taken care of by s.65 of the Copyright Ordinance, which provides that copyright in a work is not infringed by the making of a transient and incidental copy which is technically required for the viewing or listening of the work by a member of the public to whom a copy of the work is made available. Accordingly, downloading by a viewer is impliedly consented to by the website owner, at least for the purpose of viewing and listening to the work on the Internet. However, a further process of downloading or copying, for example, to enable the work to be printed, is likely to be subject to s.23 of the Copyright Ordinance—reproduction in “any material form”.

7.010 In the case of a work purchased in electronic form, the purchaser is allowed to copy, adapt or make copies for his own use under s.64 of the Ordinance. Section 61 also provides that a lawful user of a computer program may copy or adapt the program without infringement if such copying or adapting is necessary for his lawful use or for the purpose of correcting errors in it.

(b) *Copyright on the Internet*

(i) *Hypertext linking*

7.011 Another problem that popular site owners may face is unauthorised linking. Hypertext links allow users to move from one site to another by clicking on highlighted text in the original site. Essentially, they instruct the user's browser to stop viewing the material currently transmitted from a website and to have it view the contents of another website instead. Linking has benefits, such as increasing the number of potential visitors of a site, but can also bring undesired results. There are two types of hypertext links:

- (1) Surface links that take the user to the home page of another website.
- (2) Deep links which take the user to a page deep inside another website, skipping the home page of the other website.

The home page usually contains the website's terms and conditions, privacy policy, advertisements, sponsored messages, etc. The link may be to a specific item on the other site and may cause browsers to bypass information or advertising that the site owner would have wished all visitors to the site to see. This could potentially diminish the ability of the site to convey the desired message. It could also affect the potential advertising revenue from the site if it carries third-party advertising or if sponsorship arrangements are affected. 7.012

With respect to the act of making the link, the person creating the link (copying the URL) does not copy or reproduce the work, but may arguably be said to have authorised its users to make a copy of the work by viewing the other website. The viewing of that other website constitutes two acts, namely a transmission of the contents to that user's computer and the transient storage of the contents in the user's computer memory. Cases in the US and United Kingdom courts have tested the ability of site operators to object to unauthorised links on the basis that hyperlinks on the web may infringe copyright, trade mark or related business reputation rights. 7.013

In an interim decision of the UK court, *Shetland Times Ltd v Wills*,² linking was found to be an infringement of copyright, although on a straightforward analysis linking does not actually involve copying. Here, there was “deeplinking” to internal or embedded pages of the plaintiff's website by the defendant through use of the plaintiff's website's news headlines. By doing this, readers bypassed the need to visit the plaintiff's home page and did not see the advertisements placed there. The plaintiff claimed copyright infringement as the defendant reproduced the headlines from the plaintiff's website when providing the links and the text of the articles when they were displayed on the user's screen. The court found that linking was a breach of copyright in a cable programme as defined in the Copyright, Designs and Patents Act 1988. Readers should note that the definition of “cable programme” in the 1988 Act is not shared by our Copyright Ordinance. The case was settled before the Court of Appeal. The terms of settlement were recorded as follows: 7.014

- (1) The defendants shall be entitled to link to stories on the plaintiff's website by means of headlines provided that they will not include in a service operated by them on the Internet any hyperlink linking to the plaintiff's website other than as follows:
 - (a) Each link to any individual story shall be acknowledged by the legend “A Shetland Times Story” appearing underneath each headline and of the same or similar size as the headline.
 - (b) Adjacent to any such headline or headlines there shall appear a button showing legibly the Shetland Times masthead logo.
 - (c) The legend and the button shall each be hypertext links to the Shetland Times online headline page.
- (2) The action will be dismissed with no order as to costs.

² [1997] FSR 604.

7.015 In the US, claims made against unauthorised linking were based on misrepresentation of a business connection between the parties, trade mark dilution and unfair competition. In *Ticketmaster v Microsoft*,³ Microsoft created an unauthorised link to Ticketmaster's website after failing to obtain formal authorisation through negotiations. Ticketmaster claimed that the unauthorised link affected the value of its own sponsorship by companies such as MasterCard and diverted browsers from its pages containing advertising. It also claimed that Microsoft was able to attract advertising to their site because of the link to the Ticketmaster content.⁴ The case was settled on confidential terms; but the deep links were removed. In another Ticketmaster case, *Ticketmaster Corp v Tickets.com Inc*⁵ in year 2000, Ticketmaster again failed to obtain an injunction. There, both parties sold tickets for events to customers over the Internet. The defendant also listed information about tickets available from other sources and even explained on its website: "These tickets are sold by another ticketing company. Although we can't sell them to you, the link above will take you directly to the other company's website where you can purchase them." Ticketmaster complained that when the defendant transferred a customer to a webpage deep within their site, it caused the customer to bypass the Ticketmaster home page and the advertisements paid for by advertisers. The court disagreed with Ticketmaster on several claims and ruled in favour of the defendant on a number of counts involving deep linking. Federal Judge Harry L Hupp stated that:

... hyperlinking does not itself involve a violation of the Copyright Act since copying is involved. The customer is automatically transferred to the particular, genuine Web page of the original author. There is no deception in what is happening. This is analogous to using a library's card index to get reference to particular items, albeit faster and more efficiently.

7.016 A number of Danish court judgments suggest that deep linking is legal. In *Home v Ofir*, the court said:

[i]t must be considered that search services generally make available deep links whereby the user can efficiently directly arrive at the desired information which, as the Internet is established and functions, generally must be seen to comply with the interests followed by those who choose to use the Internet for the provision of information to the public.⁶

7.017 In the German case *Holtzbrinck v Paperboy*,⁷ the Federal Supreme Court stated that "a sensible use of the immense wealth of information offered by the World Wide Web

³ No 97-3055 DDP (CD Cal 29 April 1997).

⁴ Ticketmaster claimed:

Microsoft's actions diluted their trade marks; created a false, deceptive and misleading representation that there was a formal relationship between the two of them; constituted unfair competition and business practices; and constituted a commercial misuse of their trade marks.

⁵ No 99-7654 (CD Cal 27 March 2000).

⁶ Danish Maritime and Commercial Court, 24 February 2006.

⁷ German Federal Court of Justice, 18 July 2003.

is practically impossible without drawing on the search engines and their hyperlink services (especially deep links)". However, in cases where the defendants compete with the plaintiffs and the linking may impair the advertising value of the plaintiffs' website, the court may find infringement.⁸

Back to the US, in *Live Nation Motor Sports Inc v Davis*,⁹ the District Court of Texas found that the plaintiff had shown a substantial likelihood of succeeding on the merits of its copyright claim and granted an injunction to prohibit the defendant from providing a link to the plaintiff's live broadcasts of racing events.

In Hong Kong, the first deep-linking case was commenced in May 2000 between *HK Finance.com Ltd v Prosticks.com Ltd* but there was no news about any development. In Singapore, *Pacific Internet Ltd v Catcha.com Pte Ltd* was settled out of court in 2001.

Since any unauthorised reproduction of a copyright work constitutes an infringement in the absence of any statutory exception, in Hong Kong, if the hypertext link copies a logo, graphic, text or feature in which copyright subsists (in the form of artistic or literary work), it may attract an infringement claim. Consideration may also have to be given to the terms and conditions of the website when an unauthorised link was

It does not appear that the unauthorised linking between *manuelshameonyou.com* and the open text of Manuel's official website is actionable. There is nothing to suggest that the shameonyou site is either competitive with Manuel's website or that the linking diverts readers away from any advertising or commercial messages. It is also difficult to argue that the link misrepresents a business relationship. On the other hand, recent developments suggest that Manuel may have a copyright action for "making available" his work without authorisation.

(ii) Framing

In addition to linking, another practice called "framing" operates so that the title of the page and other windows (often containing advertising) remain static while the user browses linked sites through frames. Alternatively, a type of "cut and paste" operation is used whereby selected contents of another website appear within the frame of the page from which the linking frame was activated. It is believed that such activity constitutes copyright infringement and unfair competition. There is a risk that the act of creating the framing link amounts to authorising the user's Internet service provider (ISP) and/or the user to infringe copyright in the framed material. This would be so if the acts of transmission and/or transient storage in the computer memory are considered to be an infringement on the premise that viewing a website out of its original context negates implied consent. The incorporation of framed material might also amount to false attribution of authorship. In addition, it might be a breach of the moral right to prevent derogatory treatment of the work.

⁸ See *Danske Dagblades Forening v Newsbooster* [2003] ECDR 5, where the Copenhagen City Court found for the Danish Newspaper Publishers' Association.

⁹ No 3:06-CV-276-L (ND Tex 12 December 2006).

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(iii) Peer-to-peer sharing

7.023 Recording companies have complained that they have lost billions of dollars in revenue as a result of illicit copying and distribution of their copyright works over the Internet under the pretext of sharing temporary files (of music) for personal use. Broadly speaking, there are two types of peer-to-peer (P2P) sharing networks which are distinguished based on whether the network relies on a coordinating server to connect its end-users.

Napster

7.024 In December 1999, the Recording Industry Association of America and several record companies filed a suit for copyright infringement in the US California District Court against Napster—*A&M Records Inc v Napster Inc*.¹⁰ The recording industry did not sue Napster for direct copyright infringement, but for contributory and vicarious infringements.

7.025 Napster Inc was a US corporation operating a file-swapping system called Napster, through which users could exchange music (MP3) files between each other free of charge. It was founded in 1999 and by December 2000, it already had 20 million users. When users logged on to the Napster system, their computers automatically sent to the Napster server a list of music files they had in their computers. In response to a search request by its user, Napster would search its server and return a list of users who had the songs in their computers. After a user had chosen the user from whom he wanted to download the song, Napster would connect the two users and enable direct transfer of the song between them.

7.026 According to US copyright law, a plaintiff has to show the following three elements in order to establish a claim for contributory infringement:

- (1) There is a direct infringement.
- (2) The defendant must have known or reasonably should have known of the infringing activity.
- (3) The defendant must have materially contributed to the underlying direct infringement.

7.027 To establish vicarious infringement, the plaintiff has to show:

- (1) there is a direct infringement;
- (2) the defendant must have the right and ability to supervise the infringing activity; and
- (3) the defendant must have a financial interest in the activity.

¹⁰ 114 F Supp 2d 896; affirmed in 239 F 3d 1004.

Before the *Napster* case, a number of US and UK judgments showed that the manufacture of machines that are capable of reproducing copyright works may not amount to copyright or authorisation of infringement. Examples include:

- (1) *Sony Corp of America v Universal City Studios Inc*¹¹—there the manufacturer of video tape recorders was not liable for copyright infringement as the recorders were capable of substantial non-infringing uses (to copy a work in order to watch it at a more convenient time).
- (2) *CBS Songs Ltd v Amstrad Consumer Electronics Plc*¹²—the manufacturer of high-speed twin-tape recorders was not liable for copyright infringement as it had no control over the use of the models once they were sold.
- (3) *Recording Industry Association of America v Diamond Multimedia Systems Inc*¹³—an injunction was not granted to enjoin the manufacture and distribution of portable MP3 playing devices as the device was not a digital audio recording device subject to the restrictions of the Audio Home Recording Act of 1992 (as the device could not make copies from transmission via the Internet). Moreover, the copying of music files from one's hard drive to a portable device is a non-commercial personal use.

However, in the *Napster* case, the court held at the interlocutory stage that Napster was *prima facie* liable for both contributory and vicarious infringements and granted an injunction against Napster. The court found that:

- (1) there were direct infringements by Napster users—a majority of Napster users had infringed the record companies' exclusive rights of reproduction (by downloading files) and distribution (by uploading files);
- (2) Napster had knowledge of the infringing activities (by means of its centralised server);
- (3) Napster materially contributed to the infringing activities (by providing the site and facilities);
- (4) Napster had deliberately failed to police the conduct of its users; and
- (5) Napster had gained a financial benefit from the infringing activities by enhancing the attractiveness of Napster.

Napster tried to rely on the fair use defence (ie, no direct infringement by its users) and argued that:

- (1) its users were merely making temporary copies of a work before making a purchase decision (sampling);

¹¹ 464 US 417 (1984).

¹² [1988] RPC 567.

¹³ 180 F 3d 1072.

- (2) its users accessed a sound recording through Napster which they already owned in audio CD format (space-shifting); and
- (3) there might be instances of permissive distribution of recordings by both new and established artists.

7.031 In determining the fair use defence, the court analysed the following four factors:

- (1) The purpose and character of use.
- (2) The nature of the copyright work.
- (3) The amount and substantiality of the portion used in relation to the work as a whole.
- (4) The effect of the use upon the potential market for the work.

7.032 The court found that use by Napster users could not be fair use as the users downloaded the entire song for permanent enjoyment and distributed songs to the public. The court also found that Napster users harmed the music industry in at least two ways: by reducing audio CD sales and by raising barriers for record companies to enter the digital music market.¹⁴

7.033 As a result, the court issued an interlocutory injunction against Napster in March 2001.¹⁵ Under the injunction, Napster was required to disable any uploading, downloading and transmission of the files that were identified by the record companies as infringing files. In July 2001, while still trying to negotiate with the record companies for a pay-based membership service, Napster officially shut down the service and in 2002, it declared itself bankrupt and subsequently sold all of its assets.

Gnutella

7.034 The Gnutella system consists of search and linking software stored in the hard drives of different users' personal computers, and does not rely on a centralised server to co-ordinate file transfers between users. Hence, it can be said to be a true P2P file-swapping system.

7.035 Each computer on the network acts as a peer (both as a client and a server) and they can establish direct connections with each other. When a Gnutella user searches for a file, it will contact each peer it knows on the Gnutella network. Files are transferred directly from one computer to another. As there is no server supervising the transfer of files, there is no central record of the names of the files transferred.

7.036 The Napster decision highlights the lacuna in the US copyright law that would allow true P2P file-swapping systems such as Gnutella which do not rely on centralised servers. Right holders would have difficulties in taking action against operators of the

¹⁴ Napster tried statutory defences under the US Audio Home Recording Act and the Digital Millennium Copyright Act, but those arguments were not accepted by the court.

¹⁵ *A&M Records Inc v Napster Inc* No C 99-05183 MHP, C 00-1369 MHP (ND Cal 5 March 2001); affirmed in 284 F 3d 1091.

Gnutella system because the operators can argue that they have no knowledge of, and do not have the right and ability to supervise, the infringing activities. Further, even if the right holders wish to take legal action against individual infringers, they would face great difficulties in identifying them.

Yet, because the Gnutella system does not have a central database connecting all the computers in the network, it does its search through networking with other computers directly connected to it and passes down the query to other computers connected in series with the first. This type of connection used to be quite slow and it would take a lot of time for the file sharing system to cover all the computers in the network. Its poor scalability has hindered its popularity. Nonetheless with the emergence of indexing websites that rely on crawling bots to acquire a link to the relevant end-user, such networks have regained prominence.

P2P sharing in Hong Kong

Would the position be the same if Napster was tried in Hong Kong? The Copyright Ordinance does not include the concept of contributory infringement. As for vicarious infringement, the test is different from the US and a relationship analogous to principal/agent has to be established. It is not easy to demonstrate such a relationship between Napster and its users.

It is also unlikely that copyright owners would base their claims on secondary infringement under ss.30-34 of the Copyright Ordinance, as music files were transferred between the users directly and Napster was not "distributing", "transmitting" or "supplying" the music files. If an action was commenced in Hong Kong, copyright owners would probably sue Napster for primary copyright infringement under s.16(2) for authorising copyright infringement by its users.

Section 22(2) of the Ordinance provides that: "Copyright in a work is infringed by a person who without the licence of the copyright owner does, or *authorises another to do*, any of the acts restricted by the copyright." (Emphasis added.)

In relation to an equivalent provision in the UK Copyright Act, the House of Lords in *CBS Songs Ltd v Amstrad Consumer Electronics Plc*¹⁶ discussed what constituted an authorisation. The defendants in *CBS Songs Ltd v Amstrad Consumer Electronics Plc* manufactured, advertised, and sold hi-fi systems which allowed end-users to copy sound recordings from one cassette to another. Holding that the defendants are not liable for infringement by authorisation, Lord Templeman agreed with what Atkin LJ said in *Falcon v Famous Players Film Co*,¹⁷ that:

To authorise means to grant or purport to grant to a third person the right to do the act complained of, whether the intention is that the grantee shall do the act on his own account, or only on account of the grantor.

¹⁶ [1988] RPC 567, 1054.

¹⁷ [1926] 2 KB 474, 499.

7.037

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What amounts to authorisation

7.042 His Lordship further agreed with Whitford J in *CBS Inc v Ames Records & Tapes Ltd* that:¹⁸

Any ordinary person would, I think, assume that an authorisation can only come from somebody having or purporting to have authority and that an act is not authorised by somebody who merely enables or possibly assists or even encourages another to do that act, but does not purport to have any authority which he can grant to justify the doing of the act.

7.043 A material factor which made the defendant in *CBS Songs Ltd v Amstrad Consumer Electronics Plc* not liable for authorising copyright infringement was that it had no control over what the purchasers did with the high-speed twin-tape recorders once the recorders were sold. The court found that the defendant might have facilitated the breach, but did not authorise it. On the other hand, Napster may be distinguished from *CBS Songs Ltd v Amstrad Consumer Electronics Plc* as Napster had the right and ability to police and control the conduct of its users via its central server and could not deny knowledge of the infringing activities. It is arguable that Napster did not merely enable, assist or encourage the breach, but in fact authorised the infringing activities.

7.044 In the Australian High Court case *Moorhouse and Angus & Robertson (Publishers) Pty v University of New South Wales*,¹⁹ the defendant university library has a book of short stories which was held on open shelves. There was also a coin-operated photocopier in the library. The copyright owner of the short stories book sued the university library for infringement by authorisation. Jacobs J interpreted the word "authorise" and said:

[The word "authorise"] has a wide meaning which, in cases of permission or invitation, is apt to apply both where an express permission or invitation is extended to do the act comprised in the copyright and where such a permission or invitation may be implied. Where a general permission or invitation may be implied, it is unnecessary that the authorising party has knowledge that a particular act comprised in the copyright will be done. The acts and omissions of the alleged authorising party must be looked at in the circumstances in which the act comprised in the copyright is done. The circumstances will include the likelihood that such an act will be done. "... The Court may infer an authorisation or permission from acts which fall short of being direct and positive; ... indifference, exhibited by acts of commission or omission, may reach a degree from which authorisation or permission may be inferred. It is a question of fact in each case what is the true inference to be drawn from the conduct of the person who is said to have authorised ..."

7.045 There, Gibbs J also said:

A person who has under his control the means by which an infringement of copyright may be committed—such as a photocopying machine—and who

makes it available to other persons, knowing, or having reason to suspect, that it is likely to be used for the purpose of committing an infringement, and omitting to take reasonable steps to limit its use to legitimate purposes, would authorise any infringement that resulted from its use.²⁰

As Branson J remarked in *Cooper v Universal Music Australia Pty Ltd* (the facts of which will be discussed below in 7.099), the focus is placed on the circumstance of the defendant making available a machine that may be used for an infringing purpose (eg, photocopying machine), as opposed to whether the defendant can control the end-user when the machine is finally used.²¹ 7.046

In reading the Australian authorities, it should be noted that in 2000, the Australian legislature introduced s.101(1A) into its Copyright Act, which included three mandatory factors for considering authorisation: (a) the extent (if any) of the person's power to prevent the doing of the act concerned; (b) the nature of any relationship existing between the person and the person who did the act concerned; and (c) whether the person took any other reasonable steps to prevent or avoid the doing of the act, including whether the person complied with any relevant industry codes of practices. 7.047

As Napster had the requisite knowledge and failed to take reasonable steps to limit its use to legitimate purposes, the Hong Kong courts would likely hold that Napster had authorised the infringement, applying the interpretation of "authorisation" of the Australian courts. Clearly, Napster would not be able to rely on any fair dealing defence, which is a much narrower concept than the US fair use. 7.048

For Gnutella, as the system operators can argue that they have no knowledge of nor the right and ability to police or stop the infringing activities (as there is no central server), it would be difficult for the copyright owners to satisfy the Hong Kong courts that the operators have authorised the infringing activities. 7.049

The very first BitTorrent (BT) case *HKSAR v Chan Nai Ming* which has already been discussed in Chapter 6 shows that the Hong Kong courts are not impressed with the use of P2P technology which enhances infringement. In the BT network, files are shared between a large number of users (or peers) who each host copies of files on their computers. The BT website boasts that "the more popular a large video, audio or software file, the faster and cheaper it can be transferred with BT. The result is a better digital entertainment experience for everyone". A torrent is a small information file containing details of the real file it references. Users can upload torrents they have stored on their computers. To download a file, users search the BT website to find the "torrent" for the file they require. The tracker then tells the BT program which other computers are storing the torrents and the BT program will start to download the necessary parts of the file from all the various available sources. Like other P2P technology, unless they can be said to "authorise" an infringement, the BT system is not unlawful *per se* but using such system to share files without the copyright owner's consent will infringe copyright. Chan was sentenced to three months' imprisonment on each charge of infringement using the BT technology, all sentences to run concurrently. 7.050

¹⁸ [1982] Ch 91, 106.

¹⁹ [1976] RPC 151, 165.

²⁰ *Ibid.*, 159.

²¹ *Cooper v Universal Music Australia Pty Ltd* (2006) 156 FCR 380, [36]-[37].

- 7.051** In *Sky King Machinery Engineering Ltd v Chun Wo Construction & Engineering Co Ltd*,²² the plaintiff applied for summary judgment to be entered in respect of the defendants' infringement of the copyright in the construction plans which detailed the layout, setup and structural specifications of certain public fill sorting facilities. The defendants case was that the plaintiff's plans had not been copied by them but by their subcontractors whom they had not authorised to copy the plaintiff's plans. As the subcontractors were independent contractors, the defendants argued that they were not liable for the torts of their subcontractors even if their plans were infringement of the plaintiff's copyright.
- 7.052** The plaintiff relied on *Standen Engineering Ltd v A Spalding & Sons Ltd*,²³ where the court found that the defendant had authorised copyright infringement by approving and sanctioning the making of infringing articles by outside manufacturers. The defendants argued that *Standen Engineering Ltd v A Spalding & Sons Ltd* was no longer good law and relied on *CBS Songs Ltd v Amstrad Consumers Electronics Plc*,²⁴ that the person purporting to authorise must purport to have authority to grant the right, or the licence to do the act complained of. The plaintiff also placed heavy reliance on *Pensher Security Door Co Ltd v Sunderland City Council*²⁵ where the English CA held that a person who commissioned another to produce an article to a particular design sanctioned and impliedly purported to grant him the right to make it to that design and thus to authorise its production.
- 7.053** After reviewing counsel's submissions and the authorities, the Court of First Instance held that the mere right vested in the defendants to approve the drawings submitted and the design made by the subcontractors, without more, did not constitute authorisation of the act of copying complained of by the plaintiff. Based on the evidence, the court found that the specifications provided by the defendants did not dictate the design or layout of the facilities but only their capabilities and location. Hence there were triable issues and an arguable defence to dismiss the application for summary judgment. Chan J in chambers explained:

I agree that the authorities highlight the importance, and need, of examining all the relevant circumstances and evidence in the case to ascertain whether, on the facts, it can be said that the person claimed to be the authoriser had expressly or implicitly granted, or purported to grant, the right and consent to do the act complained of, be it the act of copying, or production of the infringing item. Even in Falconer J's judgment in *Standen*, the learned Judge pointed out that each case must be considered on its own facts. In the *Moorhouse* case, Jacob J also emphasized that the acts and omissions of the authorising party must be looked at in the circumstances in which the act is done, and that the rationale is on the basis of expressed, or implied, permission. On the facts and evidence, there was such authorisation and consent in *Pensher Doors*, but no such authorisation in *Amstrad v BPI*.

²² (HCA 1918/2013, [2015] HKEC 400).

²³ [1984] FSR 554.

²⁴ [1988] 1 AC 1013.

²⁵ [2000] RPC 249.

On the facts and available evidence at this stage of the present proceedings, I do not consider that there is sufficient material for the court to determine whether or not the defendants had authorised the production of the infringing plans and the copying of the plaintiff's plans merely by entering into the subcontract with [the subcontractor], and the approval and adoption and use of the infringing plans produced and submitted to the defendants by [the subcontractor].

In *Twentieth Century Fox Film Corp v Newzbin Ltd*,²⁶ proceedings were brought against the operation of Newzbin, a website which provided a platform for facilitating the search, sharing and downloading of copies of movies which were subject to copyright protection. The court held that "authorise" meant the grant or purported grant of the right to do the act complained of and it did not extend to mere enablement, assistance or even encouragement. The grant or purported grant to do the relevant act might be express or implied from all the circumstances. Kitchin J explained:

In a case which involves an allegation of authorisation by supply, these circumstances may include the nature of the relationship between the alleged authoriser and the primary infringer, whether the equipment or other material supplied constitutes the means used to infringe, whether it is inevitable it will be used to infringe, the degree of control which the supplier retains and whether he has taken any steps to prevent infringement. These are matters to be taken into account and may or may not be determinative depending upon all the other circumstances.

Kitchin J found that the Newzbin website was designed and intended to make infringing content available to its premium members. Further, Newzbin had induced its editors to create reports of films protected by copyright, assisted its premium members to engage in infringing acts and had profited from the infringement. Also, by not installing any kind of filtering system, Newzbin was found to have actively encouraged members to make reports on films and engage in illegal downloading. Hence, on the evidence, Newzbin had procured, encouraged and entered into a common design with its premium members to infringe.

Twentieth Century Fox Film Corp v Newzbin Ltd was applied in *Dramatico Entertainment Ltd v British Sky Broadcasting Ltd*,²⁷ where the UK Court was asked to determine whether the operators of a P2P file-sharing website which allowed illegal downloading of music infringed. Again, the court held that the defendant, being the website operators, did authorise their users' infringing acts of copying beyond merely enabling or assisting. The court considered that "on any view", the operators sanctioned, approved and countenanced the copyright infringement committed by their users and purported to grant such users the right to do the acts complained of. The operators had induced, incited or persuaded their users to commit copyright infringements, had acted with their users pursuant to a common design to infringe and

²⁶ [2010] FSR 21. See similar case *Twentieth Century Fox Film Corp v British Telecommunications Plc* [2011] RPC 28.

²⁷ [2012] RPC 27. See similar case *EMI Records Ltd v British Sky Broadcasting Ltd* [2013] FSR 31.

had profited from their activities. Hence the operators were held jointly liable for the infringements committed by their users.

(iv) *Making available of copies of a work to the public*

Overview of the restricted act and issues

7.057 Under ss.22(1)(d) and 26 of the Copyright Ordinance, the copyright owner has the exclusive right to make available copies of the work to the public. These sections embody the wording of art.8 of the World Intellectual Property Organization Copyright Treaty 1996 (WIPO Copyright Treaty).²⁸ Section 26(2) of the Copyright Ordinance reads:

References in this Part to the making available of copies of a work to the public are to the making available of copies of the work, by wire or wireless means, in such a way that members of the public in Hong Kong or elsewhere may access the work from a place and at a time individually chosen by them (such as the making available of copies of works through the service commonly known as the INTERNET).

7.058 There are two main issues involved:

- (1) What does "making available of copies" mean in the Internet context?
- (2) What degree of sharing amounts to making available to "the public"?

"Making available of copies" in the Internet context

7.059 Three acts will be canvassed in this section: (a) hyperlinking, (b) streaming, and (c) P2P sharing.

Hyperlinking

7.060 Hyperlinking has been discussed in the context of copying in 7.011 above. When an Internet user clicks on a hyperlink, his computer sends a request to the website which sends data relating to the website (usually encoded in HTML) to the user. The issue arises when the hyperlink leads to works protected by copyright, eg, a news article, a YouTube video. Does the provider of the hyperlink (assuming such link was not authorised) infringe the owner's copyright by "making available" copies of the work to an Internet user?

7.061 In light of the decision of the European Court of Justice in *Svensson v Retriever Sverige AB*, it appears likely that Hong Kong courts will find unauthorised hypertext linking

²⁸ The WIPO Copyright Treaty was an international response to the emergence of copyright on the digital and Internet platform. Article 8 reads:

Without prejudice to the provisions of Articles 11(1)(ii), 11bis(1)(i) and (ii), 11ter(1)(ii), 14(1)(ii) and 14bis(1) of the Berne Convention, authors of literary and artistic works shall enjoy the exclusive right of authorizing any communication to the public of their works, by wire or wireless means, including the making available to the public of their works in such a way that members of the public may access these works from a place and at a time individually chosen by them.

to infringe s.22(1)(d) of the Copyright Ordinance. The wording of s.22(1)(d) (which is elaborated in s.26) of the Copyright Ordinance is largely similar to the wording of art.3(1) of the Directive 2001/29.²⁹ Before *Svensson v Retriever Sverige AB*, this issue was quite unsettled in Europe with conflicting judgments.³⁰

In *Svensson v Retriever Sverige AB*,³¹ the Court of Justice of the European Union (CJEU) resolved the issue of unauthorised hypertext linking and framing in the context of art.3(1) of the Directive 2001/29/EC of the European Parliament and of Council of 22 May 2001. Article 3(1), like s.26(2), is based partly on the requirements of the WIPO Copyright Treaty and accordingly sheds light on the way in which s.26(2) should be interpreted. There, the plaintiffs' articles were published in a newspaper website and could be freely accessed by the public. The defendant's website allowed subscribers to access articles published on other websites, including the said newspaper website by means of clickable hyperlinks. The plaintiffs brought an action against the defendant on the ground that the defendant's hypertext links made available the copyrighted articles to the public, and accordingly constituted a breach of art.3(1) of the Directive 2001/29. 7.062

Four questions were referred to the CJEU, two of which were relevant for present purposes: 7.063

- (1) If anyone other than the holder of copyright in a certain work supplies a clickable link to the work on his website, does that constitute a communication to the public within the meaning of art.3(1) of Directive 2001/29?
- (2) When making the assessment under question 1, should any distinction be drawn between a case where the work, after the user has clicked on the link, is shown on another website and one where the work, after the user has clicked on the link, is shown in such a way as to give the impression that it is appearing on the same website?

The CJEU ruled that hyperlinking does constitute the "making available" of a work: 7.064

In the circumstances of this case, it must be observed that the provision, on a website, of clickable links to protected works published without any access restrictions on another site, affords users of the first site direct access to these works. As is apparent from Art. 3(1) of Directive 2001/29, for there to be an "act of communication", it is sufficient, in particular, that a work is made available to a public in such a way that the persons forming that public may access it,

²⁹ Article 3(1) reads:

Member States shall provide authors with the exclusive right to authorize or prohibit any communication to the public of their works, by wire or wireless means, including the making available to the public of their works in such a way that members of the public may access them from a place and at a time individually chosen by them.

³⁰ See *Home v Ofir* (Danish Maritime and Commercial Court, 24 February 2006), *Holtzbrinck v Paperboy* (German Federal Court of Justice, 18 July 2003) and *Danske Dagblades Forening v Newsbooster* [2003] ECDR 5.

³¹ [2015] EMLR 5.