

# HONG KONG COURTS' JURISDICTION TO ENFORCE INTELLECTUAL PROPERTY RIGHTS INFRINGED BY INTERNET CONTENTS

■  
Ng Hon Wah\*

*This article considers jurisdictional issues arising when a local resident's intellectual property rights are infringed by Internet contents uploaded overseas. It considers the implications of the double actionability rule in such cases, and questions the view that local courts do not have jurisdiction to enforce foreign intellectual property rights. The article outlines the jurisdictional rules relating to Order 11 of the Rules of the High Court, discusses the application of the rules to cases involving IP rights and explores how the borderless nature of the Internet impacts on the application.*

## Introduction

Private international law addresses three questions: Which state's courts have jurisdiction? Which state's law applies? How to enforce the courts' judgments? This paper discusses whether Hong Kong courts have jurisdiction over infringement of intellectual property rights in cases where the defendant is domiciled or ordinarily resident outside Hong Kong, the right in question is created overseas or the infringing act takes place overseas. Particular attention will be paid to jurisdictional issues arising from the borderless nature of the Internet.

## Hong Kong Jurisdictional Rules

### *The Courts' Jurisdiction*

Under the common law, an action *in personam*<sup>1</sup> lies against a person only if

\* SJD (Doctor of Legal Science) student, University of Hong Kong. The author wishes to record his gratitude to his teachers Ms Alana Maurushat and Dr Kevin Pun, who imparted to him most of the knowledge required for the writing of this paper. Dr Pun also pointed out the gaps in the first draft. Thanks are due to the anonymous reviewer, whose comments have led to revisions in several areas. For any deficiency which still remains, the responsibility lies with the author alone.

<sup>1</sup> "An action *in personum* is designed to settle the rights of the parties as between themselves, eg an action for damages for breach of contract, an action for an injunction in a tort case, or an action for possession of tangible property." – PM North and JJ Fawcett, *Cheshire and North's Private International Law* (London, Edinburgh, Dublin: Butterworths, 1999), 13th ed., p 285. It is to be distinguished from action *in rem*, which is brought to vindicate a right available against all persons – see *ibid.*, p 325.

he has been served a claim from within the jurisdiction.<sup>2</sup> A person who is otherwise not subject to jurisdiction (eg not domiciled or present in Hong Kong) will be regarded to have submitted to jurisdiction if he has been served a writ (eg received by his solicitor) and does not challenge it.<sup>3</sup> Alternatively, he may dispute jurisdiction and apply to the court, under Order 12 rule 8 of the Rules of the High Court, to set aside the writ or stay the proceedings.

The court's jurisdiction is extended by Order 11 of the Rules of the High Court, which is modelled on Order 11 of the Rules of the Supreme Court in England. Rule 1 of Order 11 provides that "service of a writ out of the jurisdiction is permissible with the leave of the Court" if the action begun by writ falls within the circumstances specified in paragraphs (a) to (p) of sub-rule (1). Under rule 4(2), "[n]o such leave shall be granted unless it shall be made sufficiently to appear to the Court that the case is a proper one for service out of jurisdiction under this Order".

#### *Stages in Considering an Order 11 Application*

The Hong Kong authority for service out of the jurisdiction is *Wo Fung Paper Making Factory Ltd v Sappi Kraft (Pty) Ltd*,<sup>4</sup> which sets out the different stages in considering an application under Order 11. A more recent English authority is *Seaconsar Far East Ltd v Bank Markazi Jomhouri Islami Iran*,<sup>5</sup> where the House of Lords laid down a two-stage test for considering applications under rules 1 and 4. The court has to decide, first, whether the facts of the case are such that it has jurisdiction under one of the heads in rule 1. If so, the second stage is for it to use its discretionary power to decide whether to exercise jurisdiction.<sup>6</sup> In Hong Kong, the *Seaconsar* test was applied in, for example, *Inchcape J.D.H. Ltd v Baltrans Exhibition & Removal Ltd and Air China Corporation*.<sup>7</sup>

#### *Double Actionability Rule*

Where an application under rule 1 for service out of the jurisdiction relates to tort, the appropriate head is sub-paragraph (f): "the claim is founded on a tort and the damage was sustained, or resulted from an act committed, within the jurisdiction". If the act in question is committed outside Hong Kong, whether the court has jurisdiction may depend on the applicability or otherwise of the double actionability rule, which was first set out in *Phillips v Eyre*.<sup>8</sup> The case

<sup>2</sup> *Ibid.*, p 296.

<sup>3</sup> *Ibid.*

<sup>4</sup> [1988] 2 HKLR 346.

<sup>5</sup> [1994] 1 AC 438.

<sup>6</sup> *Ibid.*, speech by Lord Goff at 456H–457A.

<sup>7</sup> Case No. HCCL000257/1996 (Court of First Instance, 27 Oct 1997). Available on Judiciary's website <http://legalref.judiciary.gov.hk>, last visited on 30 Nov 2004.

<sup>8</sup> (1870–71) LR 6 QB 1.

related to an action for assault and false imprisonment committed in Jamaica. A point for decision was whether the plaintiff, who was precluded from action in Jamaica by the legislation there, had a right to action in England. Wiles J, delivering the judgment of the Exchequer Chamber, stated the following often quoted rule:

“As a general rule, in order to found a suit in England for a wrong alleged to have been committed abroad, two conditions must be fulfilled. First, the wrong must be of such a character that it would have been actionable if committed in England; ... Secondly, the act must not have been justified by the law of the place where it was done.”<sup>9</sup>

These days, the rule is often attributed to *Boys v Chaplin*.<sup>10</sup> In *Boys*, the plaintiff and defendant were both members of the British Armed Forces stationed in Malta at the time when they were involved in a car accident. The question for consideration was whether damages for personal injuries should be assessed according to the law of Malta, or that of England. The House of Lords adopted the rule in *Phillips* and held that the plaintiff was entitled to the higher damages available under the English law. Since then, there have been discussions on what clarification, if any, *Boys* made to the rule in *Phillips*. In *Red Sea Insurance Co. Ltd. v Bouygues S.A. and Others*, Lord Slynn said in an unanimous judgment that in *Boys* their Lordships' reasons “varied to such an extent that both academic writers and judges in other cases have expressed doubt as to whether there can be extracted from the speeches one binding ratio decidendi.”<sup>11</sup> Furthermore, being a “general rule”, it admits exceptions and “the books ... indicate that many questions may need to be resolved in regard to the application of the exception ...”.<sup>12</sup> *Boys* did clarify the second part of the *Phillips* rule to the effect that for the foreign act to be justiciable in England, it must be “actionable in civil proceedings even if it was not necessary for the act to be characterised as a ‘tort’ under the foreign law”.<sup>13</sup> Therefore, criminal liability would not suffice.

It is not clear whether the double actionability rule is one of jurisdiction, choice of law or both. The question in *Phillips* was whether Jamaica legislation “could ... have the extra-territorial effect of taking away the right of action in an English court”<sup>14</sup> (which involved the questions whether foreign

<sup>9</sup> *Ibid.*, at 28–29.

<sup>10</sup> [1971] AC 356.

<sup>11</sup> [1995] 1 AC 190, at 198F.

<sup>12</sup> *Ibid.*, at 206D.

<sup>13</sup> *Ibid.*, at 199E.

<sup>14</sup> See n 9 above.

law applied and whether English court had jurisdiction) while the contention in *Boys* was whether English law should apply instead of foreign law. One of the judges in *Boys*, Lord Wilberforce, considered the first condition in the rule (ie actionable if committed in England) to relate to choice of law but not jurisdiction.<sup>15</sup> Another judge, Lord Donovan, apparently intended the rule to apply to jurisdiction, which in turn determined the choice of law, when he said: "I would dismiss the present appeal on the ground that an English court was competent to entertain the action under the rule in *Phillips v Eyre* and that once it had done so it was right that it should award its own remedies."<sup>16</sup> According to Sender, in practice, "Commonwealth countries have traditionally refused to take jurisdiction over actions for infringement of foreign patents (and other intellectual property rights) as a consequence of the double actionability rule".<sup>17</sup>

In the United Kingdom, double actionability as a choice of law rule was abolished, with effect from 1 May 1996, by the Private International Law (Miscellaneous Provisions) Act 1995 except in relation to defamation claims.<sup>18</sup> As the Act has no effect in Hong Kong, the rule continues to apply here. For example, in *United Phosphorus Ltd v China Merchants Shipping & Enterprises Co. Ltd*, which dealt with tortious acts taking place outside Hong Kong, the Court of Appeal took the rule as a factor in deciding that Hong Kong was an appropriate forum.<sup>19</sup> However, in a more recent case *Guangzhou Green-Enhance Bio-Engineering Co. Ltd and Another v Gree Power Health Products International Co. Ltd and Others*, the Court of First Instance referred to the rule as a cause of action (and not as a rule on choice of jurisdiction or choice of law), which is difficult to understand.<sup>20</sup>

It is beyond the scope of this paper to discuss the numerous cases applying, clarifying and elaborating the rule and its exceptions.<sup>21</sup> Those of particular relevance to enforcement of intellectual property rights will be discussed in the appropriate places below. In view of Lord Donovan's

<sup>15</sup> See n 10 above, 385C–387A.

<sup>16</sup> *Ibid.*, at 383G–383H.

<sup>17</sup> Marta Pertegas Sender, *Cross-border Enforcement of Patent Rights* (New York: Oxford University Press, 2002) para 2.55.

<sup>18</sup> See *Gareth Pearce v Ove Arup Partnership Ltd* FSR [1999] 525, at 560. By virtue of section 13, the Act does not affect defamation claims.

<sup>19</sup> Civil Appeal No. 244 of 1998 (Court of Appeal, 11 Feb 2000), at para 16(ii). Available on Judiciary's website [www.judiciary.gov.hk](http://www.judiciary.gov.hk), last visited on 22 Apr 2005.

<sup>20</sup> Action No 4651 of 2002, 2802 of 2003 and Miscellaneous Proceedings No 74 of 2004 (Court of First Instance, 8 Apr 2005), at paras 307 and 308. Available on Judiciary's website [www.judiciary.gov.hk](http://www.judiciary.gov.hk), last visited on 23 Apr 2005.

<sup>21</sup> For a discussion of the rules arising from *Phillips v Eyre* and *Boys v Chaplin*, please see Lawrence Collins (ed), *Dicey and Morris on The Conflict of Laws* (London: Sweet & Maxwell, 1993) 12th ed, pp 1487–1549.

words,<sup>22</sup> Sender's finding<sup>23</sup> and the Hong Kong Court of Appeal's decision in *United Phosphorous*,<sup>24</sup> the rule is regarded to be one of jurisdiction as well as choice of law in this paper.

### *Forum Conveniens*

When a case has passed the first stage of the *Seaconsar* test (ie jurisdiction has been sufficiently established under rule 1(1) and there is a serious issue to be tried), the court will decide, based on the doctrine of *forum conveniens*, whether to exercise jurisdiction. The doctrine was clarified by the House of Lords in *Spiliada Maritime Corporation v Cansulex Ltd.*<sup>25</sup> Adopting Lord Goff's speech in *Spiliada* on the principles and the steps to be adopted, the HKSAR Court of Appeal has set out a three-stage test in Hunter JA's oft-quoted speech in *Adhiguna Meranti*, as follows:

"The court now has to answer a single question namely: 'Is there some other available forum, having competent jurisdiction, which is the appropriate forum for the trial of the action, ie in which the case may be tried more suitably for the interests of the parties and the ends of justice' ... (W)e still think it convenient for the purposes of analysis to view the problem in three separate stages namely:

- (I) Is it shown that Hong Kong is not only not the natural or appropriate forum for the trial, but that there is another available forum which is clearly or distinctly more appropriate than Hong Kong ... The evidential burden is here upon the applicant ...
- (II) If the answer to (I) is yes, will a trial at this other forum deprive the plaintiff of any 'legitimate personal or juridical advantages'? ... The evidential burden here lies upon the plaintiff ...
- (III) If the answer to (II) is yes, a court has to balance the advantages of (I) against the disadvantages of (II) ..."<sup>26</sup>

<sup>22</sup> See n 16 above.

<sup>23</sup> See n 17 above.

<sup>24</sup> See n 19 above.

<sup>25</sup> [1987] 1 AC 460.

<sup>26</sup> *The Owners of Cargo lately laden on board the Ship or Vessel "Adhiguna Meranti" v The Owners of the Ships or Vessels "Adhiguna Harapan" and Others*, [1987] HKLR 904, at 907, per Hunter JA. The principles were followed in subsequent Court of Appeal cases, eg *Ho Siu Pui and Others v Yue Sheng Finance Ltd and Another*, Civil Appeal No. 361 of 2002 (Court of Appeal, 30 Jan 2003). Available on Judiciary website [www.judiciary.gov.hk](http://www.judiciary.gov.hk) last visited on 25 Apr 2005.

## Application of Jurisdictional Rules to Intellectual Property Rights

### *Do Hong Kong Courts Have Jurisdiction Over Foreign Intellectual Property Rights?*

The jurisdictional rules apply to cases with a foreign element. Where the proceedings are to enforce intellectual property rights, the foreign element may be: the right in question is created outside the jurisdiction, the alleged infringing act takes place outside the jurisdiction or one of the parties is not domiciled or habitually resident within the jurisdiction. “Until very recently, it was clear and not controversial that an English court had no jurisdiction to adjudicate foreign intellectual property”.<sup>27</sup> The “clear and not controversial” view, which was cast into doubt by the UK Court of Appeal’s decision in *Pearce v. Ove Arup Partnership Ltd*,<sup>28</sup> had its origin in the House of Lords’ ruling in *British South Africa Co v Companhia de Mocambique and others*<sup>29</sup> on the distinction between transitory and local actions. Local actions are those which relate to immovable property.<sup>30</sup> They should be tried by the local courts. Therefore, as the action in that case was based on trespass of land in a foreign jurisdiction, English courts did not have jurisdiction. Intellectual property is regarded as immovable property. *Mocambique* has been referred to in some cases as the authority for the view that infringement of intellectual property which takes place in a foreign country is outside the jurisdiction of English courts.<sup>31</sup>

The hitherto “clear and not controversial” view relates, in fact, to copyright, trademarks and patents only. Even before *Pearce*, there were precedents of English courts enforcing goodwill and reputation which subsisted in foreign countries.<sup>32</sup> Analyses – to be conducted in the later parts of this paper – of the cases in which the courts refused to enforce foreign copyright, trademarks or patents suggest that the decisions can be explained by either the territorial limitation of these rights or the double actionability rule.

In assessing whether a case passes the first stage of the *Seaconsar* test, the deciding factors, as far as the enforcement of intellectual property rights is

<sup>27</sup> Adrian Briggs, *Civil Jurisdiction and Judgments* (London and Hong Kong: LLP, 2002) 3rd ed, para 4.07. See also James J. Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (Oxford: Clarendon Press, 1998) at pp 280–306.

<sup>28</sup> [2000] Ch 403; [1999] FSR 525.

<sup>29</sup> [1893] AC 602.

<sup>30</sup> *Ibid.*, at 622.

<sup>31</sup> For a discussion of the *Mocambique* rule in relation to intellectual property, see Christopher Wadlow, *Enforcement of Intellectual Property in European and International Law* (London: Sweet & Maxwell, 1998), paras 6–48 to 6–159.

<sup>32</sup> *John Walker v Ost* [1970] RPC 489 and *Alfred Dunhill v Sunoptic* [1979] FSR 337 CA.

concerned, are the place where the right is created and the place where the alleged infringing act occurs. The places of domicile of the parties are irrelevant, except that where the defendant is domiciled or ordinarily resident in Hong Kong, the court has jurisdiction as of right and the plaintiff does not have to invoke the courts' extended jurisdiction under Order 11. When the court is satisfied that it does have jurisdiction, it will proceed to exercise its discretionary power. At that stage, the places of domiciles are but one of the factors to be taken into account in determining whether Hong Kong is the *forum conveniens*.

As will be discussed below, the place where a right subsists may be – but is not necessarily – confined to the place where it is created. The jurisdictional issues arising from the extra-territorial enforcement of intellectual property rights will be discussed in relation to the following scenarios:

- Scenario A: A Hong Kong citizen's right created *in Hong Kong* is allegedly infringed through an act committed by a foreigner *outside Hong Kong*.
- Scenario B: A Hong Kong citizen's right created *outside Hong Kong* is allegedly infringed through an act committed by a foreigner *in Hong Kong*.
- Scenario C: A Hong Kong citizen's right created *outside Hong Kong* is allegedly infringed through an act committed by a foreigner in the place *where the right subsists*.
- Scenario D: A Hong Kong citizen's right created *in Hong Kong* is allegedly infringed through an act committed by a foreigner *in Hong Kong*.

The above scenarios are not exhaustive. They are sufficient to illustrate the significance of the place of the right and place of the infringing act, thus paving the way for a subsequent discussion on the jurisdictional issues arising from the borderless nature of the Internet.

#### Scenario A – Right created in Hong Kong allegedly breached by act outside Hong Kong

Intellectual property rights can be divided into two categories: those created by statutes and those by common law. The former includes copyright, trademarks and patents. Goodwill and trade secrets belong to the latter.

Where a local *copyright* is alleged to have been infringed by a restricted act committed overseas, there is not a serious issue to be tried. This is because under sections 3 and 22(1) of the Copyright Ordinance (Cap. 528), copyright is the exclusive right to do specified acts “in Hong Kong”. It is strictly territorially based and simply cannot be infringed by an act performed outside

the jurisdiction.<sup>33</sup> *Def Lepp Music and others v Stuart-Brown and others*,<sup>34</sup> which is sometimes referred to in discussions on whether English courts can enforce foreign IP rights, is a case where a writ served outside the jurisdiction, for an alleged infringement of English copyright in Luxembourg and Holland, was set aside on the ground that “copyright under the English act is strictly defined in terms of territory”.<sup>35</sup>

The Copyright Ordinance has been described as “revolutionary”<sup>36</sup> by Pendleton in that under sections 177 and 178,<sup>37</sup> a work of the nature specified in section 2 (ie original literary works, etc) qualifies for copyright protection regardless of the status of the author or the place of publication. Other jurisdictions in the world require a connecting factor: *either* the author is a national, citizen or resident of the member states of a relevant international convention *or* the work is first published in such a member state. At present, virtually all jurisdictions in the world, including Hong Kong, come under the umbrella of the Berne Convention.<sup>38</sup> Therefore, in Scenario A, except in the unlikely event of the foreign jurisdiction being not a member state of the Convention, the Hong Kong plaintiff’s work enjoys copyright created (and subsisting) not only in Hong Kong, but also in the foreign country concerned by virtue of the law there. If so, the case will come under Scenario C.

The right to *registered trademarks* is created under the Trademarks Ordinance (Cap 559), which does not contain any express territorial limitation similar to sections 3 and 22(1) of Cap 528. In particular, section 18 of Cap 559 which provides for infringement does not expressly confine the infringing acts to those committed in Hong Kong. Nor, on the other hand, is there anything in Cap 559 to suggest that the rights conferred by the ordinance have extra-territorial application. It is an established statutory interpretation rule that unless a contrary intention appears, an enactment is taken not to apply to acts taking place outside the jurisdiction.<sup>39</sup> No such contrary intention appears in respect of

<sup>33</sup> There are, however, at least two exceptions to the territorial limitation of the Copyright Ordinance. First, s 22(2), ie to authorise, without the copyright owner’s licence, another to do a restricted act. The corresponding provision in the UK legislation was held to have extra-territorial application – *ABKCO Music & Records Inc. v Music Collection International Ltd. & Another*, [1995] RPC 657. Second, s 120 contains an express provision making it an offence to make infringing copies outside Hong Kong for export to Hong Kong otherwise than for private or domestic use.

<sup>34</sup> [1986] RPC 273.

<sup>35</sup> *Ibid.*, at 275 (line 45).

<sup>36</sup> Michael D. Pendleton, “The Danger of Protecting Too Much: A Comparative Analysis of Aspects of Intellectual Property in Hong Kong, Britain and the United States” [2000] EIPR 69, at 71.

<sup>37</sup> Under sections 177 and 178, copyright subsists in a work if *either* the author is an individual domiciled “in Hong Kong or elsewhere” or “a body incorporated under the law of any country” *or* the work “is published in Hong Kong or elsewhere”

<sup>38</sup> Pendleton, (n 36 above) at 71.

<sup>39</sup> F.A.R. Bennion, *Statutory Interpretation: A Code* (London; Dublin and Edinburgh: Butterworths, 1997) 3rd ed, p 283.



section 18. Therefore, no infringement can be committed outside Hong Kong and there is not a serious issue to be tried under Scenario A.

The same conclusion applies in respect of a Hong Kong *patent* allegedly being infringed outside the jurisdiction. The territorial limitation of the Patents Ordinance (Cap 514) is clear from sections 73 and 74, which confer on a patent holder “the right to prevent all third parties not having his consent from doing in Hong Kong” specified acts. Indeed, the territorial nature of patents is well established internationally.<sup>40</sup> A case to confirm the territorial limitation of the ordinance is *Shanghai Reeferco Container Co. Ltd v Waggonbau Elze GmbH & Co. Besitz Kg*.<sup>41</sup> Based on the premise that the Patents Ordinance has no extra-territorial application, the court held that section 89 does not apply to threats of infringement proceedings made outside Hong Kong.<sup>42</sup>

*Goodwill* is protected by the common law on *passing off*, which consists of three elements: the plaintiff's *goodwill or reputation* being *damaged or likely to be damaged* by the defendant's *misrepresentation*, which leads or is likely to lead the public into believing that his goods and services are the plaintiff's.<sup>43</sup> The only sub-paragraph in Order 11 rule (1) which applies to a passing off action is: “(f) the claim is founded on a tort and the damage was sustained, or resulted from an act committed, within the jurisdiction”. Passing off is a tort. That the alleged infringing act, ie the misrepresentation, takes place outside Hong Kong raises the question whether the double actionability rule applies and Hong Kong courts may exercise jurisdiction only if the act amounts to a civil wrong in the place where it is committed.

In *Intercontex and Another v Schmidt and Another*,<sup>44</sup> the Chancery Division applied the double actionability rule and held that “the essence of passing off is misrepresentation” and misrepresentations made in Germany were not justiciable in the United Kingdom in the absence of any evidence that they were actionable in Germany. Based on the case, *Cheshire and North* remarks that for jurisdictional purposes, passing off “is seemingly committed in the country in which the misrepresentation takes place”.<sup>45</sup> The point is debatable. In *Intercontex*, no mention was made throughout the judgment as to whether the plaintiffs had any goodwill and if so, where and what detriment was suffered. Passing off would not have been established even if the misrepresentation had been made in the United Kingdom. The case, therefore, cannot be relied upon as an authority for the view that a misrepresentation taking place

<sup>40</sup> Sender (n 17 above), at paras 2.15 – 2.28.

<sup>41</sup> Action No 3341 of 2003 (Court of First Instance, 20 Feb 2004). Available on Judiciary's website <http://legalref.judiciary.gov.hk>, last visited on 7 Dec 2004.

<sup>42</sup> *Ibid.*, para 33.

<sup>43</sup> *Reckitt & Colman Products Ltd v Borden Inc. and others*, [1990] RPC 341 (HL) at 406.

<sup>44</sup> [1988] FSR 575.

<sup>45</sup> *Cheshire and North* (n 1 above), p 636.

outside the jurisdiction is not justiciable locally. A better view, it is suggested, is this. The wrong of passing off lies in the detriment or likelihood of detriment to the goodwill or reputation. In terms of time, this is the last of the three ingredients. The wrong is completed, and hence the tort committed, at the place where the detriment is sustained.

In interpreting the UK equivalent of rule 1(1)(f), the UK Court of Appeal held, in *Metall & Rohstoff A.G. v Donaldson Lufkin & Jenrette Inc. and Another*, that where a tort was committed within the jurisdiction, the courts could disregard the rule in *Boys*.<sup>46</sup> It follows that in a case of passing off under Scenario A, Hong Kong courts have jurisdiction under rule 1(1)(f) regardless of whether the misrepresentation is civilly actionable in the place where it occurs.

As regards *trade secrets or confidential information*, it is submitted that from the policy point of view and in the absence of authority to the contrary, the right – and hence, the obligation – to maintain confidentiality should transcend national boundaries. In Hong Kong, the obligation not to use or disclose confidential information without the owner's consent falls under the common law on breach of confidence.<sup>47</sup> Is breach of confidence a tort for jurisdictional purposes? The UK Court of Appeal held that it was breach of an equitable obligation and not a tort.<sup>48</sup> Hence, the breach in Scenario A does not fall under rule 1(1)(f); nor is any other head applicable. The wrong being not justiciable in Hong Kong means that the plaintiff probably cannot obtain a remedy elsewhere if the infringing act occurs in a place where it is not civilly actionable. This is unfair, especially in cases where the wrongdoer is quite clear about his obligation but breaches it for his personal gain. The classification of an act under tort or equity is merely a matter of legal history. There appears to be no justification in principle or policy for allowing the technical distinction to determine whether a wrongdoer may be brought to justice. Short of amending rule 1(1), perhaps other ways can be found to overcome the technical hurdle.

In Hong Kong, in *Linda, Chik-ling Koo and Another v Lam Tai Hing*,<sup>49</sup> Bokhary J, as he then was, made the “revolutionary pronouncement”<sup>50</sup> that “[a] man's confidential information is his property”.<sup>51</sup> He held:

<sup>46</sup> [1990] 1 QB 391, at 446D and 447D.

<sup>47</sup> The leading case on breach of confidence is *Coco v Clark* [1969] RPC 41.

<sup>48</sup> *Kitechnology B.V. and Others v Unicorn GmbH Plasmachines and Others*, [1995] FSR 765, at 778. See also *ISC Technologies Ltd. and Another v James Howard Guerin and Others*, [1992] 2 Lloyd's Rep. 430, at 432.

<sup>49</sup> [1992] 2 HKLR 314.

<sup>50</sup> The description is that of Michael Derek Pendleton and Alice Lee, *Intellectual Property: A Guide to the Law in Hong Kong: With Reference to the Developments in China* (Hong Kong: Butterworths Asia, 2001), p 188, footnote 108. The dominant view of English judges is to deny confidential information as property in the normal sense – see William Cornish and David Llewelyn, *Intellectual Property: Patents, Copyright, Trademarks and Allied Rights* (London: Sweet & Maxwell, 2003), 5th ed., paras 8–50 to 8–54.

<sup>51</sup> See n 49 above, at 341 (line 38).

“A man’s confidential information is his property. The courts have jurisdiction to protect such property from misuse. Such jurisdiction is not confined to cases in which such information has been imparted in confidence or to cases in which an obligation to keep the same confidential arises under contract. Any use, including self-use by the wrongdoer, following any misappropriation – whether by force, menaces, trickery or stealth – is, in general, misuse which is liable to be restrained or made the subject of an order for damages or an account.”<sup>52</sup>

What Bokhary J apparently had in mind was the tort of conversion of property or a new, similar cause of action.<sup>53</sup> With *Koo v Lam* as the authority, a plaintiff in Scenario A can found a case on the tort of misuse of confidential information, which would fall under rule 1(1)(f). Where is the tort committed: at the place of misuse or at the place where damage is sustained? For conversion of property, the gist of the action lies in dealing with property in a manner inconsistent with the owner’s right.<sup>54</sup> Therefore, when the property in question is information, the wrong is completed, and the tort committed, at the place of the misuse. Under the double actionability rule, Hong Kong courts have jurisdiction only if the misuse is civilly actionable in that place. Another way to look at the question is this. In *Metall*, the court, in analysing where the tort of inducing or procuring breach of contract was committed, concluded that it was in substance committed where damage was sustained.<sup>55</sup> That conclusion is, of course, based on the facts in that particular case. It does provide support, however, for the argument that in Scenario A, the tort of misuse of confidential information is committed in Hong Kong. If so, following *Metall*,<sup>56</sup> the double actionability rule should be disregarded and Hong Kong courts will have jurisdiction regardless of whether the misuse is civilly actionable in the place where it occurs.

The duty of confidence may arise in an express or implied term in a contract.<sup>57</sup> Putting aside Bokhary J’s “revolutionary pronouncement”, the possible injustice from classifying such duty as an equitable obligation may, in some cases, be addressed by reframing a breach of confidence or of fiduciary duty as a breach of contract. Such cases will fall to be considered under rule 1(1)(d). If the contract is made in Hong Kong (rule 1(1)(d)(i) and (ii)), is governed by Hong Kong law (rule 1(1)(d)(iii)) or provides for the

<sup>52</sup> *Ibid.* (lines 38–44).

<sup>53</sup> See *Halsbury’s Laws of Hong Kong* (London and Hong Kong: Butterworths, 2000), s 380.404 for what constitutes conversion.

<sup>54</sup> *Ibid.*

<sup>55</sup> See n 46 above, at 447H–449E.

<sup>56</sup> See n 46 above.

<sup>57</sup> Mark Berthold and Raymond Wacks, *Hong Kong Data Privacy Law: Territorial Regulation in a Borderless World* (Hong Kong: Sweet & Maxwell, 2003) 2nd ed, p 152.

Court of First Instance to exercise jurisdiction (rule 1(1)(d)(iv)), Hong Kong courts have jurisdiction regardless of where the infringing act takes place.

#### Scenario B – Right created outside Hong Kong allegedly breached by act in Hong Kong

Copyright, trademarks and patents created and subsisting in other jurisdictions in the world are, like those of Hong Kong, territorially limited.<sup>58</sup> The same reasoning as discussed in Scenario A above applies here: a *foreign copyright, trademark or patent* simply cannot be infringed by acts committed outside that foreign country. However, as stated in Scenario A, Hong Kong operates an open qualification system under which any published or unpublished work by any author in the world qualifies for copyright protection here.<sup>59</sup> Therefore, in Scenario B, the alleged infringing act, though not breaching any foreign copyright, will be actionable for breaching the Hong Kong copyright – Scenario D.

For *passing off*, Hong Kong courts have jurisdiction under rule 1(1)(f) because “the claim is founded on a tort and the damage ... resulted from act committed, within the jurisdiction” and under rule 1(1)(b), ie “an injunction is sought ordering the defendant to do or refrain from doing anything within the jurisdiction”.<sup>60</sup> This is predicated on the premise that the act constitutes a civil wrong in the foreign place where the goodwill or reputation subsists. If it is not an actionable wrong under the relevant foreign law, there is not any serious issue to be tried. However, in case the plaintiff’s business is one of international reputation, it stands a good chance of being regarded to have goodwill subsisting in Hong Kong. The local courts are lenient in inferring that a reputable business overseas has goodwill in Hong Kong and that the goodwill is likely to be damaged, even though it has not been conducting trading activities here.<sup>61</sup> Such cases come under Scenario D.

The reference in the four scenarios to an IP right subsisting in a jurisdiction implies that the right is protected by only the law of the jurisdiction where it is created. That reflects the actual situation in the case of copyright, trademarks, patents and to a lesser extent, goodwill. When it comes to *trade secrets*, it may be argued that the obligation to keep confidence has no

<sup>58</sup> See Christopher Wadlow, *Enforcement of Intellectual Property in European and International Law* (London: Sweet & Maxwell, 1998), para 1–26.

<sup>59</sup> See n 37 above.

<sup>60</sup> According to *Cheshire and North* (n 1 above) p 299, “[t]his head is wide enough to cover a permanent injunction restraining the threatened breaches of contract and torts within the jurisdiction” Apparently, there is no authority on whether or not the head may apply to breach of confidence or breach of fiduciary duty.

<sup>61</sup> See *JC Penney Co. Inc. and Another v Penneys Ltd and Another* [1979] FSR 29 and *Ten-ichi Co. Ltd. v Jancar Ltd & Others* [1989] 2 HKC 330.

territorial limitation and that, therefore, an unauthorised use or disclosure in Hong Kong of confidential information acquired by the defendant elsewhere is a breach under local law and hence justiciable here. The “Spycatcher” case may be prayed in support of this view. In *Her Majesty's Attorney General v South China Morning Post Ltd and others*,<sup>62</sup> the Hong Kong Court of Appeal restored the injunction restraining the defendants from publishing further excerpts of a book written by a senior British intelligence officer in breach of the UK Official Secrets Act. The decision was made on the ground of breach of confidence. The court was apparently applying Hong Kong law<sup>63</sup> though this point is not clear since in this particular case, the law and national interest of Hong Kong happened to be the same as those of the “foreign” jurisdiction.<sup>64</sup> The case is consistent with the view that Hong Kong courts have jurisdiction over a case founded on breach of confidence or breach of fiduciary duty in Scenario B. Given that the defendant is domiciled outside the jurisdiction, the plaintiff may apply for leave under rule 1(1)(b): “an injunction is sought ordering the defendant to do or refrain from doing anything within the jurisdiction (whether or not damages are also claimed in respect of a failure to do or the doing of that thing)”.<sup>65</sup>

The revolutionary pronouncement in *Koo v Lam* that information amounts to property and its unauthorised use constitutes a tort may not be shared by the laws of other jurisdictions. However, if it is accepted that trade secrets and confidential information are not territorial in character, it is arguable that in Scenario B, the tort is committed in Hong Kong regardless of whether (and if so, where) any detriment is caused to the owner of the information.<sup>66</sup> The courts, then, would have jurisdiction under rule 1(1)(b) and (f).

If an action against unauthorised use or disclosure of confidential information is founded on a breach of contract, the case in Scenario B is justiciable in Hong Kong under rule 1(1)(b), (d) and (e) if the contract is made within the jurisdiction, is governed by Hong Kong law or contains a term to the effect that the Court of First Instance has jurisdiction. If the contract does

<sup>62</sup> Civil Appeal 114 of 1987 (Court of Appeal, 18 Sep 1987).

<sup>63</sup> The Court of Appeal made no reference to any private international law issue. On the other hand, it referred to the Sino-British Joint Declaration on the future of Hong Kong and took into account the legitimate interests in Hong Kong – see *Ibid.*, pp 7, 8, 11, 16, 21, 28 and 29.

<sup>64</sup> When the UK Government sought similar injunction in Australia, the application was denied on the ground that it would be invidious for the courts to pass judgment on the claim made by a foreign Government in a matter of public law. The plaintiff's argument that the case was one of private law was not accepted by the court. See *Attorney-General (UK) v Heinemann Publishers Australia Pty Ltd and Another*, 78 ALR 499 High Court of Australia.

<sup>65</sup> See n 60 above.

<sup>66</sup> In *Attorney General v Guardian Newspapers (No. 2)* [1990] 1 AC 111, at 281G–H, Lord Goff deliberately avoided the question whether confidential information might be regarded as property. He also left open the question whether detriment to the plaintiff was an essential ingredient of an action for breach of confidence.

not meet any of these conditions, the case is justiciable under rule 1(1)(b) and (e).

**Scenario C – Right created outside Hong Kong allegedly breached by act outside Hong Kong**

Scenario C is similar to the facts in *Tyburn Productions Ltd. v Doyle*<sup>67</sup> and *Gareth Pearce v Ove Arup Partnership Ltd.*<sup>68</sup> The former is sometimes regarded as an authority for the view that English courts do not have jurisdiction to enforce foreign intellectual property rights while the latter casts doubt, if not changes, that view.<sup>69</sup> In *Tyburn*, the plaintiff, a UK company, sought a declaration that its film to be televised in the US would not infringe the respondent's copyright in the US. Vinelott J refused the application on two grounds. First, "the question of the validity, title to and of infringement of a trademark fall exclusively within the jurisdiction of the courts of the country by the laws of which the trademarks was created. Again there can be no distinction for this purpose between copyright, patent rights and trademarks".<sup>70</sup> Secondly, any decision by the English courts would be an exercise of futility because their decision would not be binding on the US courts.<sup>71</sup> In *Pearce*, the plaintiff was an English architect who instituted actions against defendants, some domiciled in the UK and others in Holland, for infringing his Dutch copyright through an act committed in Holland. The Court of Appeal was "satisfied that the *Mocambique* rule does not require the English court to refuse to entertain a claim in respect of the alleged infringement of Dutch copyright".<sup>72</sup> The court distinguished *Tyburn* on the ground that there, the court "was invited to investigate the existence and validity of the rights claimed; not to decide whether there had been an infringement of rights the existence and validity of which were not in issue".<sup>73</sup> The *Tyburn* decision, the Court held, was correct because of the second reason therein, ie any decision would be an exercise of futility.<sup>74</sup>

*Pearce* is a case under the Civil Jurisdiction and Judgment Act 1982, which does not apply to Hong Kong. It cannot be taken as a direct authority to establish that Hong Kong courts do have jurisdiction over the enforcement of foreign copyright – and for that matter, trademarks and patents – in Scenario C. However, at the very least, it has cleared the hurdle posed by

<sup>67</sup> [1990] RPC 185.

<sup>68</sup> [1999] FSR 525.

<sup>69</sup> See Briggs (n 27 above).

<sup>70</sup> See n 67 above, at 195.

<sup>71</sup> *Ibid.*, at 196.

<sup>72</sup> See n 68 above, at 562. For *Mocambique*, see n 31 above.

<sup>73</sup> *Ibid.*, at 557.

<sup>74</sup> *Ibid.*

*Mocambique* and *Tyburn* to the Hong Kong courts' exercise of jurisdiction over such cases.

The next question is which sub-paragraph in rule 1(1) applies to such cases. The only candidate is sub-paragraph (f): "the claim is founded on a tort and the damage was sustained, or resulted from an act committed, within the jurisdiction". In Scenario C, since the infringing act is committed overseas, the damage must be sustained in Hong Kong for the cases to fall under this subhead. It being given in the scenario that the plaintiff is domiciled in Hong Kong, such damage is assumed in the following discussion.<sup>75</sup>

There are two further questions on the applicability of rule 1(1)(f). First, copyright, trademarks and patents being created by statutes, can the breach of such rights be appropriately classified as a tort? Second, is the double actionability rule met in Scenario C?

In *Salmond and Heuston on the Law of Torts*, "tort" is defined as "a civil wrong for which the remedy is a *common law action* for unliquidated damages, and which is not exclusively the breach of a contract or the breach of a trust or other merely equitable obligation" (emphasis added).<sup>76</sup> In Hong Kong, an action against breach of copyright, trademarks or patents is based not on the common law but on the statutes creating the rights. It may be argued that such a breach does not amount to a tort. In Europe, for the purpose of article 5(3) of the Brussels Convention, the expression "tort, delict or quasi-delict" was held by the European Court to refer to liability other than that under "contract" and hence, patent infringement was held by the UK Court of Appeal to come within article 5(3).<sup>77</sup> The definition of tort was examined in the Australian case *Commonwealth Bank of Australia v White*.<sup>78</sup> Byrne J of the Supreme Court of Victoria opined that "the word takes on a different meaning depending upon its context".<sup>79</sup> After an extensive examination of scholarly works, judicial rulings and history of the English jurisdictional rule, he held that for the purpose of service out of the jurisdiction, torts included liabilities arising from the breach of statutory duties.<sup>80</sup> His reason was similar to that of the European Court, ie the term "tort" was used in the jurisdictional rules to distinguish it from "contract".<sup>81</sup> In the Hong Kong case *Shanghai*

<sup>75</sup> For a discussion of the problems over deciding whether damage is sustained within the jurisdiction, see *Cheshire and North* (n 1 above) pp 306–308.

<sup>76</sup> RFV Heuston and RA Buckley, *Salmond and Heuston on the Law of Torts* (London: Sweet & Maxwell, 1996), 21st ed, p 13. The book is an authoritative scholarly work. Its view that breach of confidence does not amount to a tort was adopted by the UK Court of Appeal in *Kitechnology* (n 48 above) at 778 and *Metall* (n 46 above) at 474 D.

<sup>77</sup> *Molnlycke AB and another v Procter & Gamble Ltd and others* [1992] 4 All ER 47 at 52 a–g.

<sup>78</sup> [1999] VR 681.

<sup>79</sup> *Ibid.*, at 697.

<sup>80</sup> *Ibid.*, at 697–700.

<sup>81</sup> *Ibid.*, at 698.

*Reeferco*, the Court of First Instance apparently took it for granted that breach of section 89 of the Patents Ordinance is a tort for the purpose of Order 11, rule 1(1)(f).<sup>82</sup> In the circumstances, there appears to be strong support for the view that breach of copyright, trademarks and patents is a tort for the purpose of the jurisdictional rule. The possibility that it may be classified differently in the jurisdiction where it occurs is immaterial because “in practice, classification of the cause of action is effected on the basis of the law of the forum”.<sup>83</sup>

On the question whether a tort under Scenario C would satisfy the double actionability rule, the elusiveness of the rule has been touched upon in the earlier part of this paper. In the context of intellectual property, Wadlow considers that the first limb of the rule as formulated in *Phillips*, ie “the wrong must be of such a character that it would have been actionable if committed in England”, is open to four alternative interpretations, which vary in the degree of difficulties posed to the plaintiff.<sup>84</sup> One interpretation is to require that the infringing act, if taking place within the jurisdiction, must be actionable here on ground of contravention of the relevant foreign legislation. If the interpretation were adopted, the rule could never be satisfied because, as discussed above, the relevant legislation does not have extra-territorial effect. Wadlow favours the approach which is the least severe to the plaintiff: “All the court should do is notionally transport the facts of the case to England with their surrounding circumstances and ask whether they would have been actionable here”.<sup>85</sup> In other words, if an act taking place in a foreign country is alleged to have breached a right subsisting there, the question to ask should be: Assuming the act to take place in England *and* the relevant legislation to be that of England, would it be an actionable wrong known to the English law? If the answer is in the affirmative, the first limb of the *Phillips* rule is satisfied. Wadlow’s approach, if adopted, would remove the obstacle which may be posed by the double actionability rule to the courts’ exercising jurisdiction over breaches of intellectual property rights committed in the foreign countries where the rights subsist. In the absence of any authority to support or negate the approach, one may seek help from policy consideration as to whether the courts should intervene.

In *Plastus Kreativ AB v Minnesota Mining and Manufacturing Co. and another*,<sup>86</sup> the UK Patents Court struck out those parts of a claim which

<sup>82</sup> See n 41 above. In paras 27 to 28, the judge discussed the application of the double actionability rule, which implies he regarded the alleged contravention to be a tort.

<sup>83</sup> *Cheshire and North* (n 1 above), p 38.

<sup>84</sup> Christopher Wadlow, *Enforcement of Intellectual Property in Europe and International Law* (London: Sweet & Maxwell, 1988), para 6–108.

<sup>85</sup> *Ibid.*, para 6–113.

<sup>86</sup> [1995] RPC 438.



sought a declaration that there was no breach in Germany and France of a patent registered in the two countries. One of the court's reasons was that the declaration, if granted, would result in the public in those countries paying higher prices as a result of the monopoly created by the patent. The decision should therefore be left to the courts of those countries.<sup>87</sup> Sender advances two objections against such policy consideration. First, intellectual property rights should not be distinguished from other rights on which the courts assumed jurisdiction in private international law. Secondly, the interests of the litigating parties could be better served if the disputes about a patent registered in more than one country were to be adjudicated in one single forum.<sup>88</sup> Sender's first objection echoes the view by Austin. To counter the argument that a foreign copyright is the exercise of sovereignty by the foreign country concerned, Austin points out that "the jurisdictional prohibition may be antithetical to respect for property rights created by a foreign sovereign" because the prohibition has the effect of shielding the infringers.<sup>89</sup> The sovereignty argument, if accepted, would lead to the conclusion that all foreign rights should be non-justiciable, which is against modern private international law.<sup>90</sup>

The policy considerations point to the widening, rather than restricting, of the courts' jurisdiction. After all, that does not mean that the courts will necessarily assume jurisdiction in a particular case. It means, merely, that the courts may proceed to assess whether Hong Kong is the forum where "the case may be tried more suitably for the interests of all the parties and the ends of justice".<sup>91</sup> It is submitted that the double actionability rule should be interpreted along the most lenient approach suggested by Wadlow so that a breach of copyright, trademark or patent in Scenario C will be justiciable under rule 1(1)(f).

For *passing off*, there are two precedents to support justiciability in the circumstances of Scenario C. In *John Walker v Ost*, England was held to be the proper forum for passing off committed in Ecuador of goodwill subsisting in Ecuador, where the act was civilly actionable.<sup>92</sup> In *Alfred Dunhill v Sunoptic*, the plaintiff applied for injunction to cover England and other places where his goodwill was likely to be damaged. The court ordered an injunction to cover, in addition to England, only Switzerland because there was no evidence of the misrepresentation being actionable in the other places.<sup>93</sup>

<sup>87</sup> *Ibid.*, at 447.

<sup>88</sup> Sender (n 17 above) paras 2.27 and 2.28.

<sup>89</sup> GW Austin, "The Infringement of Foreign Intellectual Property Rights", (1997) 113 LQR 321, at 330.

<sup>90</sup> *Ibid.*

<sup>91</sup> See n 25 above, at 476C–D.

<sup>92</sup> [1970] RPC 489.

<sup>93</sup> [1979] FSR 337 CA.

In regard to *trade secrets*, the considerations are similar to those in Scenario B above. The courts have no jurisdiction in a case founded on breach of confidence. If it can be framed as a tort in conversion of property, rule 1(1)(f) will apply and the case justiciable in Hong Kong provided it is justifiable in the place where the unauthorised use or disclosure is committed. Or, if the unauthorised use or disclosure amounts to breach of an implied or express term of a contract, Hong Kong courts may exercise jurisdiction under rule 1(1)(d) if the contract is made in Hong Kong, is governed by Hong Kong law or contains a term to the effect that the Court of First Instance in Hong Kong has jurisdiction.

**Scenario D – Right created in Hong Kong allegedly breached in Hong Kong by a foreign defendant**

The only foreign element here is that the defendant is domiciled in a foreign country, thus requiring leave for a writ to be served out of the jurisdiction. Assuming the courts accept that the breach of the statutory rights of copyright, trademarks and patents to be a tort, it is justiciable under rule 1(1)(f), as is an action for passing off. For reasons discussed in Scenario B, an action for unauthorised use or disclosure of trade secrets, if founded on breach of confidence, will come under rule 1(1)(b). If it is founded on the conversion of property, the courts have jurisdiction under rule 1(1)(b) and (f). Or, in cases where the unauthorised use or disclosure amounts to a breach of contract, the courts have jurisdiction under rule 1(1)(b) and (e) – and also, (d) if the contract satisfies one of the four conditions in that sub-paragraph.

## **Jurisdictional Issues Created by the Internet**

### *New Dimensions*

The Internet has added at least two dimensions to the jurisdictional issues over the enforcement of IP rights. First, the borderless nature of the Internet means that even in a simple case of unauthorised copying, there may be issues about where the right subsists, where the infringing act is committed and whether any damage is sustained in Hong Kong. Secondly, the Internet has given rise to new forms of infringing acts – hypertext links, framing, domain names etc. The laws on such acts are far from settled. The same act may be actionable if committed in one jurisdiction but not in another. As a result, the double actionability rule may prevent the Hong Kong courts from having jurisdiction over infringing acts taking place outside Hong Kong.

### Copyright

The impact of the Internet on the jurisdictional rules is most felt in the area of copyright. Let us start by a simple scenario:

Miss Chan, a permanent resident of Hong Kong, kept a paper diary in Hong Kong and uploaded some entries onto [www.opendiary.com](http://www.opendiary.com).

Mr Lee, domiciled in a foreign country XY, downloaded some entries by using a computer in XY and used them to form part of a story, which he uploaded onto his own website [www.lee.com.xy](http://www.lee.com.xy).

Miss Chan's friend in XY printed the story on Mr Lee's website and sent it to her. Using that, her paper diary and a printed copy of her open diary as the evidence, she applied under Order 11 rule 1 to serve a writ on Mr Lee out of the jurisdiction for infringement of her copyright. Will she succeed?

The evidence she presented shows that she is the author, and hence copyright owner, of her open diary, under the Copyright Ordinance. The Ordinance, however, has effect in Hong Kong only. Mr Lee's act of unauthorised copying committed in XY is therefore not actionable under the Ordinance. However, *if*, as is likely, XY, like Hong Kong, is a contracting party of the Paris Act 1971 of the Berne Convention and hence its copyright law protects "Hong Kong works",<sup>94</sup> Mr Lee would have infringed Miss Chan's copyright subsisting in XY when he copied a substantial part of her open diary in his computer, even temporarily. The legal situation is like *Pearce*.<sup>95</sup> Miss Chan can obtain leave under rule 1(1)(f), for the infringement of her copyright in XY, if she can present a good arguable case that:

- (a) the copying and publication by Mr Lee amount to restricted acts in XY and do not fall within any permitted use (corresponding to the fair dealing in Hong Kong) under the relevant XY law;
- (b) the infringement of copyright can be classified as a tort;
- (c) the tort has resulted in damage sustained in Hong Kong (on the ground that the copyright holder is domiciled in Hong Kong); and
- (d) Hong Kong is the more appropriate forum than XY.

<sup>94</sup> The Paris Act applies to Hong Kong as a Special Administrative Region of China – see World Intellectual Property Organisation website [http://www.wipo.int/treaties/en/Remarks.jsp?cnty\\_id=931C](http://www.wipo.int/treaties/en/Remarks.jsp?cnty_id=931C), last visited on 12 May 2005. The Berne Convention has undergone several revisions – see Kevin Garnett, Jonathan Rayner James and Gillian Davis, *Copinger and Skone James on Copyright* (London: Sweet & Maxwell, 1999), 14th ed, Chapter 24. Each revision is a separate treaty – see The Law Reform Commission of Hong Kong, *Report on Reform of the Law Relating to Copyright (Topic 22)*, Nov 1993, para 1.5. For meaning of "Hong Kong works", see n 37 above.

<sup>95</sup> See n 68 above.

The prospect of her obtaining leave is not good. In regard to condition (c) above, there is a shortage of authority on what damage has to be sustained in Hong Kong in order to invoke rule 1(1)(f).<sup>96</sup> In the hypothetical example, she might have difficulty in substantiating the damage she has suffered. In any case, for a case alleging the contravention of XY law by an XY resident with the only connection with Hong Kong being the plaintiff's domicile, the court is likely to decline jurisdiction.<sup>97</sup>

However, in case the server holding Mr Lee's infringing story is located in Hong Kong, Miss Chan may argue that the infringing act was committed in Hong Kong. The copy held in the Hong Kong server constitutes copying (in contravention of sections 22(1)(a) and 23(2) and (6) of the Copyright Ordinance)<sup>98</sup> and making available copies to the public (in contravention of sections 22(1)(d) and 26). As it is a case of the plaintiff's Hong Kong right being infringed in Hong Kong by a foreign defendant, the court is more likely to exercise jurisdiction under rule 1(1)(f). Or, in case the server is located in another jurisdiction AB which is also a contracting party to the Paris Act and assuming AB law contains similar provisions as sections 22, 23 and 26, the court will have jurisdiction over Mr Lee's infringement in AB of Miss Chan's AB copyright. The defendant, being domiciled in XY, will have less incentive to argue that Hong Kong is not the appropriate forum. If he does argue, his chance of success is less than if the server is located in XY.

It appears, then, that whether the court will exercise discretion in favour of Miss Chan's application depends on a fortuitous factor, ie the location of the server holding Mr Lee's infringing copy. If the story ends there, the law is unsatisfactory. Let us now go back to the scenario of Miss Chan's server being located in Hong Kong and Mr Lee's in XY to see whether anything can be done. In *Society of Composers, Authors and Music Publishers of Canada v Canadian Association of Internet Providers*,<sup>99</sup> one of the questions dealt with by the Supreme Court of Canada was whether an Internet "communication" could infringe Canadian copyright only if the host server was located in Canada. The court held that:

"A telecommunication occurs when music is transmitted from the host server to the end user. An Internet communication that crosses one or more national boundaries 'occurs' in more than one country, at a minimum,

<sup>96</sup> See Fawcett and Torremans (n 27 above), p 249.

<sup>97</sup> *Ibid.*, pp 42-43.

<sup>98</sup> See *Sony Computer Entertainment Inc. and another v Lik Sang International Ltd and others*, Court of First Instance, Action No. 3583 of 2002, 11 Apr 2003, at para 48. Available on Judiciary's website [www.judiciary.gov.hk](http://www.judiciary.gov.hk), last visited on 12 May 2002.

<sup>99</sup> [2004] 2 SCR 427.

the country of transmission and the country of reception. To occur in Canada, a communication need not originate from a server located in Canada.”<sup>100</sup>

After referring to the copyright laws in US, Australia and France, the court stated that:

“Accordingly, the conclusion that Canada *could* exercise copyright jurisdiction in respect both of transmissions originating here and transmissions originating abroad but received here is not only consistent with our general law ... but with both national and international copyright practice.”<sup>101</sup>

That is a highly persuasive conclusion to support Miss Chan's contention that her copyright subsisting in Hong Kong and in other jurisdictions (which are contracting parties to the Paris Act 1971 and where Mr Lee's website can be accessed) has been breached and rule 1(1)(f) applies. She appears to stand a good chance of persuading the court that in order to avoid a multiplicity of proceedings, Hong Kong is the *forum conveniens*.

Now, to add a little complexity to the scenario. The story which Mr Lee uploaded onto his website included extracts from not just Miss Chan's open diary, but also from other diarists' uploaded in different parts of the world. Many had instituted actions against him for infringement of copyright, infringement of moral right or defamation in various jurisdictions. In Hong Kong, after Miss Chan had obtained leave under rule 1(1)(f), Mr Lee applied under rules 4(2) and 12 to set aside the leave. His ground was that to avoid the multiplicity of proceedings in respect of the same story, all those actions should be tried in the one jurisdiction with the largest number of plaintiffs. That is not Hong Kong. Whether the court will be persuaded by Mr Lee depends on the facts of the case. In the interests of Miss Chan and also some other plaintiffs, it is hoped that the actions against Mr Lee can be regarded as separate ones as they concern the rights of different individuals who were not connected to each other except for their rights having been infringed by Mr Lee. Otherwise, Miss Chan, even if her copyright is infringed in Hong Kong, may have to try her case in a distant jurisdiction.

The ruling in *Society of Composers etc*, if adopted in Hong Kong, would be a great help to Miss Chan's application for a writ under rule 1(1)(f). Our hypothetical example involves the straight-forward infringements of copying

<sup>100</sup> *Ibid.*, at 451.

<sup>101</sup> *Ibid.*, at 462.

and making available copies to the public. There are more sophisticated copyright infringements arising from the Internet. Since *Shetland Times Ltd v Dr. Jonathan Wills and another*,<sup>102</sup> there have been cases, mainly in the US, relating to hyperlink, a very convenient Internet facility for surfers. The common belief that “deep linking” represents copyright infringement does not have legal support.<sup>103</sup> If ever “deep linking” were ruled to be infringement, could any action be taken against those linking websites which operate abroad (ie relative to the websites, the copyright of which has been infringed)? For framing, another form of alleged copyright infringement, the dispute of the US case *Washington Post v Total News Inc.* was settled out of court.<sup>104</sup> Again, even if framing amounts to an infringement, can any action be taken against any “infringing” acts committed outside the jurisdiction where the copyright subsists? Similar observations are applicable to other potential disputes about Internet copyright.

In the event of any such a dispute arising between a Hong Kong plaintiff and a US defendant, the latter may argue that other factors being equal, the US is the *forum conveniens* because the courts and counsel there have more experience over Internet disputes than those in Hong Kong. If the argument is accepted and subject to the choice of law rules in private international law, the US may extend its dominance to the regulation of the Internet.

#### *Patents*

As far as patents are concerned, the Internet does not appear to have created any particular jurisdictional issues.

#### *Trademarks*

Registered trademarks, like copyright, are territorially based. Disputes crossing jurisdictional boundaries involve mainly the use of domain names which may mislead surfers and consumers into thinking that the websites in question belong to enterprises with established reputation. Many such cases are resolved through the ICANN dispute resolution mechanism without recourse to legal proceedings.<sup>105</sup> A question arising from the Internet is whether the

<sup>102</sup> [1997] FSR 604.

<sup>103</sup> Mark Sableman, “Link Law Revisited: Internet Linking Law at Five Years”, (2001) 16 *Berkeley Technology Law Journal*, 1273, at 1291–1297.

<sup>104</sup> “Framing ... involves combinations of materials from different sources. In a typical use, two or more webpages, all created by the same web publisher, are displayed together in separate, independently scrollable frames.” *Ibid.*, at 1298

<sup>105</sup> ICANN stands for Internet Corporation for Assigned Names and Numbers. Information on the body and its dispute resolution mechanism can be found in <http://www.icann.org/>. See also David Kitchin et al (Eds), *Kerly's Law of Trademarks and Trade Names* (London: Sweet & Maxwell, 2001), 13th ed, paras 21–01 to 21–50 for a brief account of domain name disputes and ICANN.

website displaying a trademark registered in country A, if the trademark happens to be identical or similar to another one registered in country B, can be regarded to be an infringement of the trademark in country B. The general view appears to be that for the purpose of trademark qualification or infringement, the mere fact that a website may be accessed in a country does not amount to the trademark displayed therein being used in the country.<sup>106</sup> If an applicant is to claim that his trade name appearing on his website has acquired distinctiveness through use in the United Kingdom (and hence is eligible for registration there), he has to establish that he has performed business activities there by evidence “for instance in the form of the number and nature of hits on the applicant’s web-site, to support the picture of a pattern of trade customers in the United Kingdom”.<sup>107</sup> On the other hand, a defendant’s website does not infringe the registered trademark in the United Kingdom if it is clear from the content that it advertises a shop which serves customers in Ireland.<sup>108</sup> In Hong Kong, the question arose in *Kabushiki Kaisha Yakult Honsha & Others v Yakudo Group Holdings Ltd. & Another* as to whether a defendant’s maintenance of a website by a server in Taiwan infringed the plaintiff’s registered trademark in Hong Kong. Lam J preferred not to answer the question but instead, granted injunctive relief “by regarding the website and the email address as instruments of fraud in the passing off sense”.<sup>109</sup>

### *Passing Off*

As e-commerce becomes more popular, an increase in trademark disputes involving the Internet can be expected. In Hong Kong, the year 2004 saw several cases of websites registered overseas passing off as those of local reputable banks. If they are cases of genuine business and not fraud, the banks concerned will have to rely on private international law to seek remedies. If the defendant’s website resembles the plaintiff’s in appearance, it is possible that in addition to passing off, there is a cause of action for infringement of copyright.

In passing off, the plaintiff has to prove three elements: goodwill, misrepresentation and damage.<sup>110</sup> Goodwill is limited by national boundaries and where a company has goodwill in more than one jurisdiction, passing off

<sup>106</sup> See *Kerly’s* (n 105 above), paras 21–51 to 21–58.

<sup>107</sup> *800 Flowers, Trademark Application, 1–800 Flowers Incorporated v Phonenames Ltd*, Court of Appeal, [2001] EWCA Civ 721, para 131, per Buxton L.J.

<sup>108</sup> *Euromarket Designs Incorporated v Peters and another*, Chancery Division (Transcript), 25 July 2000, paras 21–25. See also the Scottish case *Bonnier Media Ltd v Smith*, Outer House, 2003 SC 36, para 19.

<sup>109</sup> [2004] 2 HKLRD 587, at para 101 (CFI).

<sup>110</sup> See *Reckitt* (n 43 above).

is subject to a separate action in each jurisdiction.<sup>111</sup> For an e-bank or e-commerce firm which conducts all its business on the Internet and has established goodwill among Internet users, where is the boundary of its goodwill? It would seem to be unduly generous to regard it to have goodwill in all parts of the world with access to the Internet, including countries where its name is, in practice, unknown to even persons in the same line of business. On the other hand, if its goodwill is regarded to be limited to those countries where it has acquired reputation (with or without any actual business being conducted with the residents there), it can do nothing to protect its hard earned reputation in one or two countries from being exploited by somebody else in other countries, thus pre-empting its extension of business into those countries. If the place where the misrepresentation takes place or targets is Hong Kong, goodwill may be inferred on the authority of *Ten-Ichi*.<sup>112</sup> As pointed out by Wadlow, *Ten-Ichi* “probably does not represent settled law even in Hong Kong”.<sup>113</sup> For the other common law jurisdictions, even Australia, said to be going the farthest to repudiate the need for a foreign claimant to have goodwill in the jurisdiction, a “reputation ... of a sufficient degree” is required.<sup>114</sup> In the Hong Kong case *Pfizer Inc. v Ultrasound Holdings Ltd.*, Suffiad J opined that “Today the better view seems to be that advertising directed at a specific market in actual preparation for trading does generate sufficient goodwill to support an action for passing off”.<sup>115</sup> That appears to form an equitable basis for determining, in the case of a worldwide e-commerce enterprise, whether it does have goodwill in a particular jurisdiction.

If goodwill or sufficient reputation is established in a jurisdiction and damaged (or likely to be damaged) by a misrepresentational website, where does the misrepresentation take place: at the place where the website is uploaded or wherever it is accessed by a potential customer? The Canadian ruling in *Society of Composers etc* (on copyright) would have it to be the latter. On the other hand, if comparison is drawn with the English trademark case *Euromarket Designs*<sup>116</sup> and Scottish trademark case *Bonnier Media*,<sup>117</sup> the misrepresentation might be taken to have been committed in those places targeted by the defendant’s website. As pointed out by Buxton LJ in *800 Flowers*, “(i)t is ... unlikely, and it is nowhere suggested, that there will be one uniform rule,

<sup>111</sup> Christopher Wadlow, *The Law of Passing Off*, (London: Sweet & Maxwell, 2004), pp 154–155.

<sup>112</sup> See n 61 above.

<sup>113</sup> Wadlow (n 111 above) p 173.

<sup>114</sup> *Ibid.*, p 168, citing the words of Lockhart J in *Conagra v McCain Foods*, (1992) 23 IPR. 193 (Federal Court of Australia).

<sup>115</sup> Court of First Instance, Action No. 2712 of 1999, 31 Mar 1999, at para 17. Available on Judiciary’s website [www.judiciary.gov.hk](http://www.judiciary.gov.hk), last visited on 15 May 2005.

<sup>116</sup> See n 108 above, paras 21–25.

<sup>117</sup> See n 108 above, paras 19 and 20.



specific to the Internet, that can be applied in all cases of Internet use".<sup>118</sup> As far as the law of passing off in Hong Kong and England (and probably that in the common law jurisdictions) is concerned, since passing off is committed where damage or likelihood of damage is sustained, the precise place where misrepresentation takes place is immaterial. In practice, though, the area targeted by the defendant is likely to overlap with that in which damage or likelihood of damage to goodwill is sustained.

### *Trade Secrets*

In the discussions under Scenarios A to D above, it is suggested that the unauthorised use or disclosure of confidential information, as breach of an equitable obligation, does not fall within Order 11 unless the infringing act takes place in Hong Kong. On the other hand, if action is framed as the tort of conversion of property, the double actionability rule applies and the courts have jurisdiction only if the act is civilly actionable in the place where it is committed. Hence, if any Internet content amounts to such unauthorised use or disclosure, whether the case is justiciable in Hong Kong depends on where the act is regarded to have been committed. There appears to be no judicial ruling on the question yet. As a defendant should be aware of his obligation and its breach would potentially cause serious damage to the plaintiff – bearing in mind that for some enterprises, notably in the innovative industries, trade secrets may constitute their main or even only assets – the policy consideration would point to a rule conferring the widest jurisdiction on the court. This suggests that if the infringing material is contained in an e-mail, the infringing act should be regarded to have been committed at any of the following places: where the defendant is physically located when he causes the message to be sent, where he intends the message to be received and where the message is actually read by the intended recipient. In case the infringing materials are uploaded onto a website, it appears to be fair to regard the infringing act to take place at the place of uploading as well as the place where any downloading has occurred.

Where an action against unauthorised use or disclosure of confidential information is founded on breach of contract, the significance of the place of the breach is that if the breach is committed in Hong Kong, the courts will have jurisdiction under rule 1(1)(b) and (e) even though the contract is not made in Hong Kong nor contains any term to confer jurisdiction on the Hong Kong courts. The same policy considerations and suggestions as in the preceding paragraph are applicable here in determining where the breach is committed.

<sup>118</sup> See n 107 above, para 136.

*Internet Service Providers' Liability*

In the above discussions, the defendant is confined to the content provider, ie the person who uploads infringing materials onto the Internet. The content provider, especially if domiciled overseas, may be difficult to track down. A plaintiff may find it expedient to act against the Internet service provider in whose server the infringing materials are stored. If the ISP is domiciled in Hong Kong and served a writ, the plaintiff may be able to act against the content provider, in a case otherwise outside the scope of rule 1(1), under head (c), ie "the claim is brought against a person duly served within or out of the jurisdiction and a person out of the jurisdiction is a necessary or proper party thereto". A pre-requisite to invoking this head is to show a case against the ISP.

As far as copyright is concerned, ISPs are protected by section 26 of the Copyright Ordinance, which provides that "(t)he mere provision of physical facilities for enabling the making available of copies of works to the public does not of itself constitute an act of making available of copies of works to the public". Under section 2.4 of the Canadian Copyright Act, an ISP who does no more than "providing the means of telecommunication necessary for another person to so communicate" is not regarded to be communicating infringing materials.<sup>119</sup> In the United States, the Digital Millennium Copyright Act of 1998, which adds a new section 512 to the Copyright Act, exempts an ISP from liability to copyright infringement if he implements a policy of terminating the accounts of repeat infringers.<sup>120</sup> Section 12 of the European Electronic Commerce Directive provides that ISPs who are mere conduits are not liable for information transmitted "provided that the information is not stored for any period longer than is reasonably necessary for the transmission".<sup>121</sup> As it is impracticable for ISPs to monitor the materials transmitted over their networks, one may take it that they are exempted, around the world, from liability to copyright infringement except that in some jurisdictions, the exemption does not apply if they refuse to remove infringing materials after receiving notification of infringement.

For actions founded on trademark infringement, passing off and misuse of confidential information, the ISP's liability is much less uncertain. We can only take as reference the decision in defamation cases. In the US, ISPs enjoy immunity "to any cause of action that would make service providers liable for

<sup>119</sup> See *Society of Composers etc.* (n 99 above), para 101.

<sup>120</sup> "The Digital Millennium Copyright Act of 1998: US Copyright Office Summary", pp 8–11. Available on [www.loc.gov/copyright/legislation/dmca.pdf](http://www.loc.gov/copyright/legislation/dmca.pdf), last visited on 17 May 2005.

<sup>121</sup> "Directive of the European Parliament and of the Council 2000/31/EC", art. 12(2). Reproduced in Jeremy Phillips (ed), *Butterworths E-commerce and IT Law Handbook* (London, Edinburgh, Dublin: Butterworths, 2000).

information originating with third-party user of the service".<sup>122</sup> However, in the United Kingdom, it was held in *Godfrey v Demon Internet Ltd* that an ISP was a publisher and as such, was liable to defamation when it failed to remove defamatory materials from its website despite notice from the plaintiff.<sup>123</sup> The case reflected the English rule that, if defamatory material is passed by A to B who in turn transmits it to someone other than the plaintiff victim, B is guilty of "publishing" libel unless he can prove that he is ignorant of the contents of the material. If the material is IP infringing instead of defamatory, it is doubtful that B can be regarded to have infringed a trademark, made misrepresentation or used or disclosed confidential information without its owner's consent. Even assuming that a plaintiff of trademark infringement etc. can persuade the court that there is a serious issue in respect of the ISP, the ISP is playing merely a passive role and the principal defendant should, arguably, be the person who posts the infringing materials. If so and the claim should have been principally brought against that person, the requirement of rule 1(1)(c) is not met.<sup>124</sup>

## Conclusion

The lack of clear authorities on the enforcement of foreign intellectual property rights, the different possible interpretations of the double actionability rule and the question whether a proprietary right subsists in confidential information have contributed to the uncertainties in the courts' jurisdiction in some of the scenarios discussed above. The uncertainties multiply when the territorially-based jurisdictional rules are applied to the borderless nature of the Internet. Indeed, even if such uncertainties could be clarified through local legislation, it might not provide much help to a plaintiff since the local courts' jurisdiction will not necessarily be recognised by – and hence, their judgment enforceable in – foreign countries.

International co-operation is necessary. Efforts among European countries have resulted in the 1968 Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters (the Brussels Convention) and the 1988 Lugano Convention.<sup>125</sup> They do not adequately address the special problems relating to intellectual property cases, not to mention those

<sup>122</sup> *Zeran v American Online*, 958 F Supp 1124 (ED va. 1997), affirmed 129 F 3rd 327 (4th Cir 1997), at p 330, quoted in United Kingdom Law Commission, *Defamation and the Internet: A Preliminary Investigation*, Scoping Study No 2, Dec 2002, para 2.53.

<sup>123</sup> [2001] QB 201.

<sup>124</sup> *Cheshire and North*, (n 1 above), pp 300–302.

<sup>125</sup> See *Cheshire & North*, *ibid.*, Chapter 11.

involving the Internet.<sup>126</sup> Worldwide, the Hague Conference on Private International Law attempted, for a decade without success, to draw up the Hague Convention on Jurisdiction and Enforcement of Judgments in Civil and Commercial Cases.<sup>127</sup> Intellectual property was a controversial issue when the draft was discussed.<sup>128</sup> A much scaled down version – the Hague Convention on Exclusive Choice of Courts Agreement – has been drafted instead to deal with cases in which commercial parties have chosen a court in their business-to-business contracts.<sup>129</sup> A diplomatic conference was scheduled to be held in June 2005 to conclude the negotiation of the revised draft in June 2005.<sup>130</sup> Cases where the validity of a registered intellectual property right is the principal issue is excluded from the scope of the draft Convention.<sup>131</sup>

The borderless nature of the Internet has prompted cyberlibertarians to advocate that national governments should leave the cyber community to be regulated by itself.<sup>132</sup> There are also suggestions for a set of international law for the cyberspace and even the establishment of a special tribunal to deal with Internet law disputes.<sup>133</sup> Such proposals are unrealistic. There is little hope of national governments giving up their sovereignty on a media which impacts on everyday life. Nor is there any prospect, in the foreseeable future, of key international players putting their heads together to address the jurisdictional issues relating to the enforcement of intellectual property rights over the Internet.

<sup>126</sup> See James Fawcett, "Special Rules of Private International Law for Special Cases: What Should We Do about Intellectual Property?" in James Fawcett (ed.), *Reform and Development of Private International Law* (Oxford: Oxford University Press, 2002), Chapter 6, pp 137–166.

<sup>127</sup> See John J. Barcelo III and Kevin M. Clermont (Eds), *A Global Law of Jurisdiction and Judgments: Lessons from The Hague* (The Hague, London, New York: Kluwer Law International, 2002).

<sup>128</sup> See Hague Conference of Private Information Law, "Summary of the Outcome of the Discussion in Commission II of the First Part of the Diplomatic Conference 6–20 June 2001", footnotes 80 to 88 and the related draft provisions. Available at [http://www.hcch.net/upload/wop/jdgm2001draft\\_e.pdf](http://www.hcch.net/upload/wop/jdgm2001draft_e.pdf), last visited on 24 June 2005.

<sup>129</sup> See American Library Association website at <http://www.ala.org/ala/washoff/WOissues/copyright/intlcopyright/haugeconvention.htm#back>. Last visited on 4 June 2005.

<sup>130</sup> Department of Justice, "An Update on the Draft Hague Convention on Exclusive Choice of Court Agreements", Mar 2005. Available on [www.doj.gov.hk/eng/public/pdf/draft\\_hague\\_convention.pdf](http://www.doj.gov.hk/eng/public/pdf/draft_hague_convention.pdf), last visited on 4 June 2005.

<sup>131</sup> Department of Justice, "Concise Summary of Significant Changes made to the Draft Text of the Hague Convention on Exclusive Choice of Courts Agreement", Mar 2005, para 2. Available on [www.doj.gov.hk/eng/public/pdf/concise\\_summary.pdf](http://www.doj.gov.hk/eng/public/pdf/concise_summary.pdf), Last visited on 4 June 2005.

<sup>132</sup> For example, John Perry Barlow, "A Declaration of the Independence of Cyberspace", 8 Feb 1996. Available at <http://homes.eff.org/~barlow/Declaration-Final.html>, last visited on 5 June 2005.

<sup>133</sup> Darrel C Menthe, "Jurisdiction in Cyberspace: A Theory of International Spaces", (1998) 4 *Mich. Telecomm. Tech L Rev* 69. Also, Matthew Burnstein, "A Global Network in a Compartmentalised Legal Environment" in Katharina Boele-Woelki and Catherine Kessedjian, *Internet: Which Court Decides? Which Law Applies?* (The Hague, London, Boston: Kluwer Law International, 1998), pp 23–34.