

LEGAL NOTES

Law Suits Against Chinese Government Agencies

Law Offices of Arnberger, Kim, Buxbaum & Choy

Pursuant to the Administrative Law promulgated in China, one can bring suit against Chinese government agencies where they take action in violation of administrative regulations.

Recently our firm was entrusted by Daewoo. to undertake action in a city in Guangdong, against the Administration for Industry and Commerce (hereinafter "AIC") which had confiscated certain equipment, shipped from overseas to purchasers in China, who failed to pay the full price. The Chinese organization used improper means to import the equipment, but pursuant to the contract with the seller, the seller had the right to reclaim the goods if payment in full was not made.

The AIC confiscated the equipment for good reason, but since the goods belonged to the seller because they did not received payment, the seller would have lost the goods and suffered failure to pay if the confiscation was successful. As a result of the civil proceedings brought in Intermediate Court in Guangdong, pursuant to administrative law the seller was able to reclaim the goods and make itself whole, since the court agreed, that under these circumstances, the confiscation was improper.

In another very recent case, in Shanghai our firm was asked to represent a foreign corporation which, during the importation of goods, had not strictly follows Chi-

nese Law. The goods were confiscated and a substantial fine was levied by one of the district AIC in Shanghai. The fine appeared to be excessive, and while the confiscation may have been technically correct, the manner in which it proceeded seemed improper. Through the commencement of litigation, the client was successful and received the return of the entire fine, in excess of RMB 2,400,000.00 and the matter of property confiscation is now under review by the court.

While clearly suits against administrative agencies are not to be taken lightly, it is clear that one can sue Chinese government agencies if their decisions are not based in law and be successful in court in China.

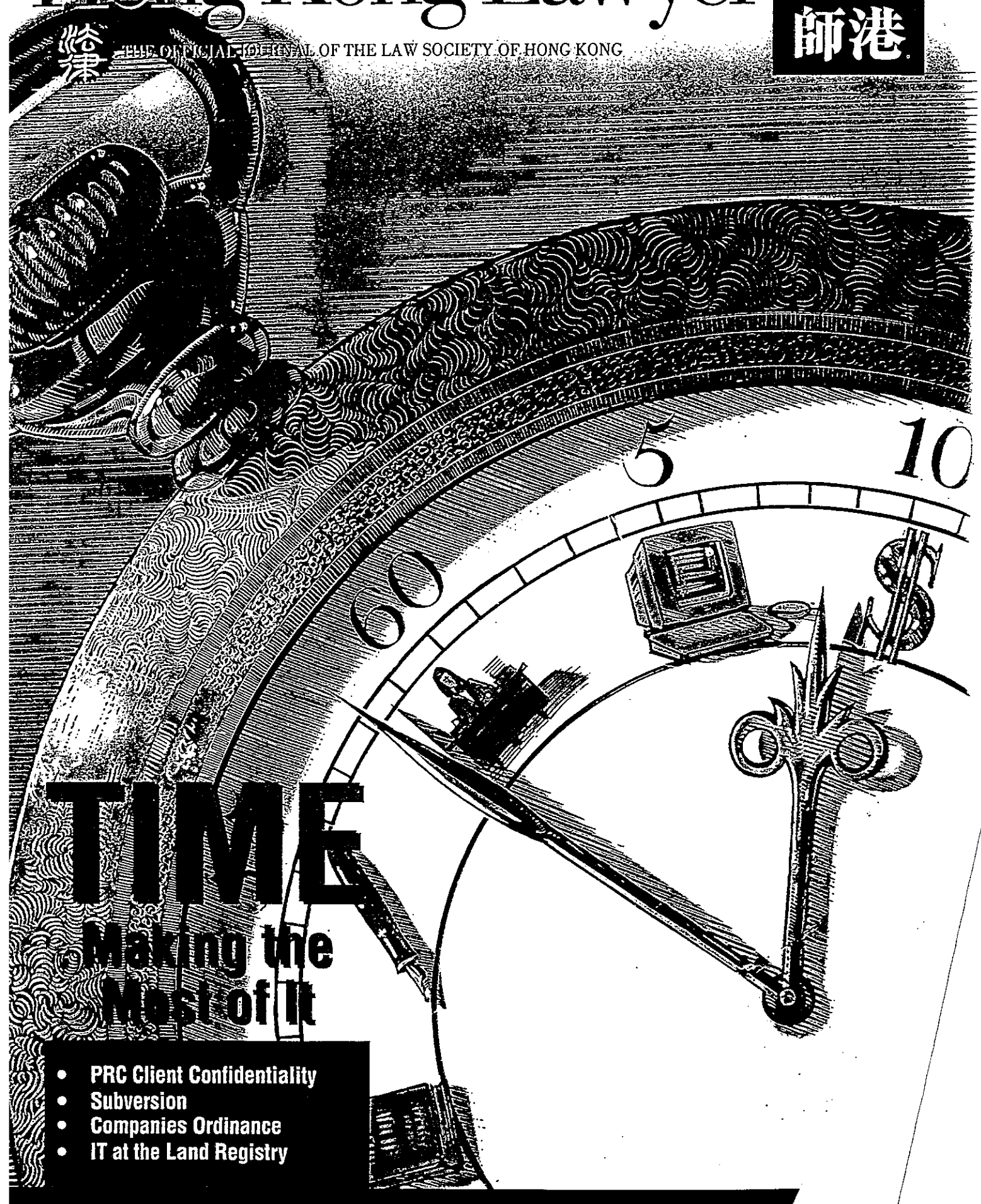
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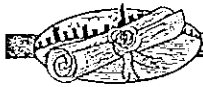
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Unfair Competition

David Buxbaum asks whether WIPO's new Model Provisions Against Unfair Competition are appropriate for Hong Kong

The International Bureau of the World Intellectual Property Organisation (WIPO) has recently prepared and circulated Model Provisions on Protection Against Unfair Competition (Model Provisions) to implement treaty obligations under art 10 of the *Paris Convention for the Protection of Industrial Property*.

The Model Provisions define acts of unfair competition, specify the principal acts against which protection is to be granted, and provide a basis for protection against such acts. The Model Provisions may have an impact on Hong Kong law.

Definitions

Article 1 of the Model Provisions broadly defines acts of unfair competition as '... any act or practice, in the course of industrial or commercial activities, that is contrary to honest practices ...'. This concept is to be interpreted by the judicial institutions of the member countries. The Notes to the Model Provisions indicate, however, that apart from provisions applying in the country where the alleged acts of unfair competition took place, '... account should also be taken of conceptions of honest practice that are established in international trade' by judicial authorities.

The Model Provisions define acts of unfair competition very broadly, thus applying the law to all 'industrial and commercial activities', including services, and not-for-profit enterprises. Protection against acts of unfair competition is a right irrespective of whether there is actual competition and there is a remedy, to be understood in the broad sense (see Notes 1.08), for damage resulting from the breach of this right.

Article 1(2) of the Model Provisions makes it clear that the availability of remedies for unfair competition is

additional to those already available to holders of patents, trademarks, industrial designs or copyrights.

Prohibited Acts

The Model Provisions protect against acts such as:

- causing confusion with respect to another party's products or services (art 2)
- damaging another's goodwill or reputation (art 3)
- misleading the public (art 4)
- discrediting another's enterprise or its activities (art 5)
- unfair competition in respect of secret information (art 6).

Thus there is broad coverage and within each category of prohibited activity, the interpretations tend to be broad.

Hong Kong Law

The law in Hong Kong, as in the UK, has tried to balance the goals of fair competition and restraint against monopoly, against that of unfair competition. To some extent, Hong Kong law sacrifices absolute fairness for the sake of freedom of competition. The Model Provisions appear to lean to the side of protection against unfair competition, and seem less protective of free competition.

The common law has different causes of action arising out of unfair competition. Passing off, for example, is based on a form of misrepresentation and can protect against trespass to goodwill or reputation associated with a tradename. Unfair competition is also covered by common law actions for actual misrepresentation, trade libel, inducing breach of contract and the like. The action for breach of confidence protects trade secrets. Hong Kong courts have held confidential information to be property (see

Chih Ling Koo v Lam Tai Hing (1991-1992) 23 IPR 607).

If we compare the act of passing off with, for example, the Model Provisions' protection against acts causing confusion with respect to another person's property, the Model Provisions appear to grant remedies even to those not involved in commercial activity. While the common law also protects charities, it generally requires that there be some relevant commercial activity (*Kean v McGivan* [1982] FSR 119). The Model Provisions appear to contemplate broader coverage than that provided by the common law.

The protection of trade secrets in art 6 of the Model Provisions is based on art 39.2 of the *Agreement on Trade-Related Aspects of Intellectual Property Rights*. The law in Hong Kong, ie the common law, sets out numerous requirements before it will grant protection of confidential information. Most of these criteria are also found in the Model Provisions. Art 6(4)(1) provides for protection of data presented to competent authorities for the purpose of obtaining approval for the marketing of pharmaceutical or agricultural chemical products. This is very broad protection, but may be comparable to the protection which arises from fiduciary responsibilities at common law.

Conclusion

The Model Provisions do an excellent job of providing a structure for the organisation of laws against unfair competition pursuant to the treaty obligations of members of the World Trade Organisation. While there are differences of theory and nuance between the Model Provisions and the common law, the Model provisions are not essentially in conflict with Hong Kong law. It will be important, however, that relevant policy considerations are considered before any attempt is made to conform Hong Kong law to the Model Provisions.

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