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To: Transport Industry Operators

Export goods with forged trade mark

In its Judgment of 29/11/2005, the Hong Kong District Court held a shipper liable to indemnify a forwarder for HK\$98,591.50 being the legal costs and fine resulting from the shipper's attempt to export nine cartons of timepieces bearing forged trade mark "CITIZEN".

The shipper had been the forwarder's customer since about the year 2000 for consignment of cargo by air. On or about 4/2/2003, the forwarder and the shipper entered into a contract contained and/or evidenced by a cargo booking and collection form and a shippers' letter of instructions (hereinafter called the "Instructions") completed and signed by the shipper whereby the forwarder agreed to handle on the shipper's behalf the air shipment of nine cartons of goods declared by the shipper to be timepieces (hereinafter called the "Goods") to a consignee in Morocco.

The relevant provisions of the Instructions were as follows:

- (a) "The undersigned (i.e. the shipper) expressly declares that all descriptions, values and other particulars furnished herein are accurate and complete. The undersigned (i.e. the shipper) undertakes to indemnify the Agent/Carrier (i.e. the forwarder) against all losses, damages, fines, expenses and other liabilities whatsoever arising from any inaccuracy or omission."
- (b) "The undersigned (i.e. the shipper) declares that he/she has read the Trading Terms and Conditions printed overleaf as well as the Conditions of Contract appear on this page (the front page) and agrees on his/her Company's/own's behalf."

The Trading Terms and Conditions referred to above provided, inter alia, as follows:

- (a) Under the heading of "Customer's Further Warranties," it reads that:
"The Customer (i.e. the shipper) further warrants and acknowledges that.....
(c) Description of Goods. All descriptions, values and other particulars of the goods furnished to the Company (i.e. the forwarder) for customs, consular and other purposes are true, complete and accurate, it being the duty of the Customer (i.e. the Shipper) to provide such information to the Company (i.e. the forwarder) and to ensure that such information is true, complete and accurate."
- (b) Under the heading of "Indemnities," it reads that:
"The Customer (i.e. the shipper) shall save harmless and indemnify and keep indemnified the Company (i.e. the forwarder) from and against all claims, liabilities, losses, damages, costs and expenses (including without limitation all duties, taxes, imposts, levies, deposits, fines and outlays of whatsoever nature levied by any authority) arising out of the Company (i.e. the forwarder) acting in accordance with the Customer's (i.e. the shipper's) instructions, or arising from a breach of warranty or obligation by the Customer (i.e. the shipper), or arising from the Customer's (i.e. the shipper's) inaccurate or incomplete or

ambiguous information or instructions, or arising from the negligence of the Customer (i.e. the shipper) or the Owner."

The forwarder further claimed that in order to induce the forwarder to act in accordance with the shipper's instructions to handle the air shipment of the Goods, the shipper represented to the forwarder that the Goods were timepieces that were readily exportable overseas in compliance with all legal requirements.

The forwarder duly handled the air shipment of the Goods in accordance with the shipper's instructions and delivered the Goods to Super Terminal One, Hong Kong International Airport for loading onto a Gulf Air flight GF-151 for departure on 6/2/2003.

But the Goods were in fact not readily exportable in compliance with all legal requirements and were seized by the Customs and Excise Department (hereinafter called the "Department") prior to departure for containing the forged trade mark "CITIZEN". At about 11 am on 6/2/2003, the officers of the Department examined the Goods and found them to consist of nine cartons of timepieces bearing suspected forged trade mark "CITIZEN". After investigation, the Goods were confirmed to be counterfeits bearing forged trade mark "CITIZEN".

On 18/7/ 2003, the shipper was charged with the offence of attempting to export goods to which a forged trade mark was applied under the Trade Descriptions Ordinance, Cap. 362 (hereinafter called the "Offence"). The shipper admitted under caution that no attempt was made to inspect the nine cartons of Goods when they were in the shipper's custody and possession. On 10/9/2003, the shipper was convicted of the Offence under its own plea.

On 28/7/2003, a summons was laid by the Department against the forwarder at the Tsuen Wan Magistracy under sections 12(1) and (2) as read with section 18(1) of the Trade Descriptions Ordinance, Cap. 362 and section 159G of the Crimes Ordinance, Cap. 200 for attempting to export the Goods to which a forged trade mark, namely, "CITIZEN" was applied (hereinafter called the "Summons"). The forwarder pleaded not guilty and retained its solicitors and counsel to appear on its behalf at the trial on 4/12/2003. The forwarder incurred HK\$90,591.50 for its own legal costs (including counsel's fees) in defending the Summons. The forwarder had paid HK\$90,591.50 (hereinafter called the "Legal Cost") to its solicitors. The forwarder was convicted after trial and was fined HK\$8,000 (hereinafter called the "Fine") which was paid by the forwarder on or before 18/12/2003.

In the circumstances, the forwarder claimed that the shipper was in breach of contract in failing to disclose fully, completely and accurately all description and particulars of the Goods and/or the shipper fraudulently or recklessly misrepresented that the Goods (which were in the shipper's actual custody and control prior to delivery to the forwarder for export) were readily exportable in compliance with all legal requirements. Further or alternatively, the forwarder claimed that the shipper made the misrepresentation negligently in that the shipper failed to:

- (a) inspect the Goods;
- (b) disclose that the trade mark "CITIZEN" was applied to the Goods;
- (c) ensure that the trade mark "CITIZEN" was genuine;
- (d) ensure that the Goods complied with all legal requirements; and
- (e) ensure that the Goods were exportable.

By a letter dated 8/9/2003 from the forwarder's solicitors, the shipper was put on notice of the forwarder's intention to seek indemnity against all costs and damages arising from or in connection with the shipper's act, omission, negligence or default pursuant to the Instructions. By a further letter dated 27/2/2004, the forwarder's solicitors demanded the shipper to

indemnify the forwarder for the Legal Cost and Fine, but the shipper failed to so indemnify the forwarder. The forwarder therefore sued the shipper for the Legal Cost and Fine and for damages to be assessed. Since the shipper failed to file any notice of intention to defend, the forwarder entered interlocutory judgment against the shipper for damages to be assessed on 2/2/2005.

The Judge accepted that the shipper was plainly liable to indemnify the forwarder for the Fine, which the forwarder would not have incurred had the Goods given by the shipper to the forwarder for air shipment not contained the forged trade mark. In respect of the Legal Cost, the Summons arose from the Goods which contained the forged trade mark and which the shipper handed to the forwarder to arrange for air shipment. The Judge accepted on balance that it was reasonable for the forwarder to defend the Summons in light of the Department's case against the forwarder noted in the Amended Statement of Facts provided by the Department. The fact that its defence was unsuccessful does not make the attempt less reasonable.

The Judge had also considered the descriptions of work done and disbursements incurred and the amounts of the Legal Cost. The Judge accepted that the involvement of counsel at the trial as well as counsel's brief fee were reasonable. The work done by the forwarder's solicitors spanned over a substantial period, namely, from dealing with the events shortly following the search of the Goods by the Department to advising and attending the interview by the Department of the forwarder's staff, to preparing for trial of the Summons as well as issuing various solicitors' correspondence, carrying out legal research and giving legal advice.

The Judge was satisfied that the forwarder was entitled to the amounts claimed. In the circumstances, the Judge granted judgment in favour of the forwarder against the shipper in the sum of HK\$98,591.50, being the Legal Cost and Fine, and interest thereon at the rate of 9.234 per cent per annum from the date of the writ of summons to the date of the Judgment, and thereafter at judgment rate until payment. There was no reason why costs should not follow the event. The Judge therefore ordered that costs of the assessment of damages (and all costs reserved, if any) be paid by the shipper to the forwarder, to be taxed if not agreed.

Please feel free to contact us if you have any questions or you would like to have a copy of the Judgment.

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