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To: Transport Industry Operators

Inspecting for forged trademark cargoes

A forwarding agent was convicted by a magistrate after trial of two summonses of 'attempting to export goods to which a forged trademark was applied', contrary to section 12(1) and (2) as read with section 18(1) of the Trade Description Ordinance (Cap.362) and section 159G of the Crimes Ordinance (Cap.200). The forwarding agent was sentenced to the fines of HK\$8,400 and HK\$8,200 respectively. The forwarding agent appealed against the convictions to the Hong Kong High Court.

The forwarding agent had been in business for over 20 years in Hong Kong. Some of the Customers brought goods to the forwarding agent for shipment abroad.

Sunny was a man with whom the forwarding agent had dealt with 1-2 times previously and the forwarding agent had experienced no problems with Sunny's earlier shipments. He was Indian, and was not a Hong Kong resident. The forwarding agent said it was normal not to include more details of the shipping customer (like Sunny) in the documents other than his guesthouse address in Hong Kong. In relation to the shipment to Kenya, 4 packages containing 8 cartons were brought to its office by Sunny, and the forwarding agent had been told by Sunny these were shipments of mobile (phone) accessories. The forwarding agent had opened two cartons in each of the two packages and had taken out random items to check if they were mobile accessories and not dangerous goods. The forwarding agent did not see anything during the inspection that caused the forwarding agent to believe the goods were other than genuine, and the forwarding agent believed the goods were genuine. Details were then taken from Sunny for the shipment abroad and the necessary shipping documents were then completed. The agent then shipped the goods. In relation to the 41 cartons for shipment to Bulgaria, Sunny had told the forwarding agent, when delivering the cartons on 26th November 2004, that they were a consignment of mobile (phone) accessories. Therefore the forwarding agent randomly checked inside 5-6 of the cartons and took items out to see if the contents were as Sunny had described them and to make sure they were not dangerous goods. The forwarding agent did not notice anything that caused it to have any concern about the shipment and it did not see anything that caused it to believe the goods were other than genuine, and the forwarding agent believed the goods were genuine. The forwarding agent then took details for the shipment and then prepared the shipping documents. The agent then shipped the goods.

From a random inspection by Customs & Excise officers of eight cartons of declared "mobile accessories" (destination Kenya) in which two were found to contain the infringing items which a forged trade mark namely, (1) to (3) 'Samsung', (4) 'Siemens', (5) 'Motorola', (6) to (7) 'Samsung', (8) 'Siemens', (9) to (10) 'Motorola' and (11) 'Nokia', was applied and 41 cartons of declared "mobile accessories" (destination Bulgaria) in which one was found to contain the infringing items which a forged trade mark, namely, 'Siemens', was applied. The estimated value of the former was HK\$20,200 and the latter, HK\$6,400.

The forwarding agent had thoroughly gone through the contents of each of the cartons that it had randomly selected to open. These cartons constituted 14% (6 out of 41) and 50% (4 out of 8) respectively of the total number of cartons under the Bulgarian and Kenyan consignments. It was contended that whatever else the forwarding agent might have done about ascertaining the identity of "Sunny" and the source of the mobile and mobile accessories, it would not have established that the goods concerned were counterfeit. *R. v. Chan Kim-fai* CACC982/1993 was relied on where it was

said that, "If ... the taking of all reasonable steps would nevertheless have rendered the inquirer none the wiser, the defence [*one similar to section 12(2), Cap.362*] is made out."

It did strike the High Court Deputy Judge D Pang that when compared to many defendants in like cases, the forwarding agent's checking of the consignments was, at least in terms of the number of cartons opened, extensive. The Judge found it unthinkable that to stay on the right side of the law, the forwarding agent should have ready samples of all popular brand-name commercial items like phones, watches and clothing — for that was the only way how anyone could detect a counterfeit, by comparison, assuming that no expertise is required in the process.

However, the Judge had more difficulty with the forwarding agent's casualness with "Sunny" and the "basic documentation". The Judge would expect someone in the forwarding agent's line of business to have been more prudent.

Anyway, the question was: what if the forwarding agent had asked for more proof? And the Judge was not even suggesting that the forwarding agent would be given any false documents, though bogus invoices were easily available. They just had to be written out. But taking the Bulgarian consignment as an example, where only one out of 41 cartons was found to contain infringing items, one wondered whether the data shown in any "basic documentation" would be so revealing that the forwarding agent would immediately be alerted.

To gainsay this, the prosecution had argued that one would not know unless one found out. But this could not be the correct approach. The case of *Chan Kim-fai (ibid)* has made it clear that notwithstanding a defendant's failure to do everything reasonable in the circumstances, the court will nevertheless have to consider, for his benefit, the outcome that would have been had he taken those steps.

It seemed clear to the Judge that in saying that it was irrelevant that reasonable diligence would have made no difference, the magistrate had misstated the law, for if in the circumstances of a particular case the taking of all reasonable steps would nevertheless have rendered the inquirer none the wiser, the defence is made out."

Admittedly, the *Chan* case arose from a different ordinance, but the rendering of the defence that Stock J referred to is almost exactly the same as that under section 12(2) of the Trade Description Ordinance which makes it a defence if the defendant :

"... did not know, had no reason to suspect and could not with reasonable diligence have found out that the goods are goods to which a false trade description or forged trade mark is applied."

In the Hong Kong High Court's Judgment of 20/6/2006, the appeal was allowed. The convictions were quashed and the sentences set aside.

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

Simon Chan
Director
E-mail: simonchan@sun-mobility.com

Richard Chan
Director
E-mail: richardchan@sun-mobility.com

10/F., United Centre, Admiralty, Hong Kong. Tel: 2299 5566 Fax: 2866 7096
E-mail: gm@sun-mobility.com Website: www.sun-mobility.com
CIB A MEMBER OF THE HONG KONG CONFEDERATION OF INSURANCE BROKERS

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