

Newsletter

JAN 22

高露雲律師行

WG  
&

Wilkinson & Grist  
Solicitors & Notaries



*2022 Year of the Tiger*

# CONTENTS

<b>New Honours</b> .....	2
<b>Congratulations</b> .....	3-4
<b>Appointments</b> .....	4-5
<b>Talks and Seminars</b> .....	5-6
<b>Hong Kong SAR</b> .....	6-10
- Stamp duty on voluntary distribution of properties under estates .....	6-8
- Proposed new payment arrangements change law firms' role in property transactions ...	8
- Public consultation on updating Hong Kong's copyright regime "re-launched" .....	9-10
<b>Hong Kong SAR Alert</b> .....	10-11
- Pilot scheme for deferral of formality examination of original grant patent ("OGP") applications .....	10-11
<b>China</b> .....	11-12
- Major proposed amendments to the Company Law of the PRC .....	11-12
<b>China Alerts</b> .....	12-13
- CNIPA no longer issues paper trademark registration certificates .....	12
- CNIPA published the consolidated "Guide on Trademark Examination and Determination" .....	13
- New set of Measures of Assessing Network Security announced .....	13

## NEW HONOURS DOYLES

We are pleased to be ranked as **First Tier Estates, Probate & Succession Litigation Law Firm** in Hong Kong in the Doyle's Guide 2021 which details firms practising in contested estates, probate and succession law matters in the Hong Kong legal market identified by their fellow Hong Kong-based lawyers and barristers specializing in these areas for their expertise and abilities in the area. We are pleased to be also ranked as **Top Tier Intellectual Property Law Firm** in Hong Kong which details firms practising within the areas of Intellectual Property, Patent, Trademark & Copyright Law matters (contentious and/or non-contentious) in the Hong Kong legal market identified by their clients and peers for their expertise and abilities in these areas.



### Top 10 Hong Kong Firms (Domestic) 2021

We are honoured to be ranked as **Top 10 Hong Kong Firms (Domestic)** for **Intellectual Property** and **Real Estate** in Hong Kong by Asian Legal Business (ALB) in its latest issue of Asia's Top 50 Largest Law Firms 2021, an annual list of the largest law firms in Asia highlighting the biggest in each jurisdiction as well as those with the most lawyers across the region.



### Asia IP 2021 Patent Survey Asia IP 2021 Copyright Survey

We are ranked once again as **Top Tier Firm** for Hong Kong in **Patent Contentious**, **Patent Prosecution** and **Copyright** work in this 2021 Patent and Copyright Survey – an in-focus guide from Asia IP published by Apex Asia that contains comprehensive rankings of the best IP firms and editorial depth coverage of key trademark developments across Asia.

## Congratulations

*We are proud of the recognition given to our lawyers and congratulate them on their achievements.*

### DOYLES



Andrea Fong



Mena Lo



Florence Chan



Keith Ho

**Florence Chan**, Partner, and **Keith Ho**, Consultant, both of our Dispute Resolution Practice Group, have been respectively named as **Recommended Lawyer** and **First Tier Lawyer** in **Estates, Probate & Succession Litigation** in the Doyle's Guide 2021. **Andrea Fong**, Head and Senior Partner, and **Mena Lo**, Partner, both of our Intellectual Property Practice Group, have been named as **Recommended Lawyer** in **Intellectual Property** in the same Guide.

### WWL

#### *Who's Who Legal: Mainland China and Hong Kong 2021*



Andrea Fong



Mena Lo

**Andrea Fong** and **Mena Lo**, respectively Head and Partner of our Intellectual Property Practice Group, have been recognized as the world's leading lawyers in **Trademarks** in *Who's Who Legal: Mainland China and Hong Kong 2021*, a comprehensive guide to the leading practitioners in the field comprising over 1,000 lawyers across over 80 jurisdictions.



WWL  
THOUGHT LEADERS



Andrea Fong

**Andrea Fong**, Head and Senior Partner of our Intellectual Property Practice Group, has been named in Who's Who Legal: Thought Leaders – Mainland China & Hong Kong 2021 for **Trademarks**, a guide which brings together the region's foremost practitioners across all of the practice areas, giving readers access to their insight, expertise and wisdom.

## Appointments

*Through strong participation in major national and international bodies, our lawyers contribute to the community.*

**Ivan Chu**, Partner, Dispute Resolution Practice Group, has been appointed by the Chief Executive of the Hong Kong SAR Government as a member of the Licensing Appeals Board under Section 125A(2) of the Public Health and Municipal Services Ordinance (Cap 132) for a term of two years from 1 January 2022 to 31 December 2023. The function of the Board is to hear and determine any appeal which lies to the Board under Section 125 of the said Ordinance.

Licensing Appeals  
Board

**Lily Cheung**, Partner, Intellectual Property Practice Group, has been newly appointed to serve on the Non-Traditional Marks Committee of the International Trademark Association (INTA) for the term 2022-2023 starting 1 January 2022. The Committee develops and advocates the Association's policy regarding the balanced protection of non-traditional trademarks such as sound, colour, and trade dress.

INTA Non-  
Traditional Marks  
Committee

### INTA Commercialization of Brands Committee

**Esther Ho**, Partner, Intellectual Property Practice Group, has been newly appointed to the INTA Commercialization of Brands Committee for the term 2022-2023. This Committee develops resources relating to the in-market commercialization of brand offerings. It considers marketing and advertising regulations; licensing, distribution, supply, and agency agreements; tax issues; brand valuation and brand evaluation; and related issues to support the commercial success of products and services.

### INTA Enforcement Committee

**Florence Lam**, Partner, Intellectual Property Practice Group, has been newly appointed to the INTA Enforcement Committee for the term 2022-2023. This Committee develops and advocates INTA's policy regarding enforcement of trademarks.

### INTA Building Bridges Committee

**Venus Lee**, Partner, Intellectual Property Practice Group, has been newly appointed to the INTA Building Bridges Committee for the term 2022-2023. This Committee aims to build bridges with non-IP and non-legal associations; helps create sustainable and positive relationships; promotes the value of trademarks and brands; and facilitates the advancement of INTA's Strategic Plan.

### INTA Parallel Imports Committee

**Shireen So**, Partner, Intellectual Property Practice Group, has been newly appointed to the INTA Parallel Imports Committee for the term 2022-2023. This Committee develops and advocates INTA's policy regarding the balanced protection against parallel imports.

### The Law Society of Hong Kong

**Annie Tsoi**, Partner, Intellectual Property Practice Group, has been re-appointed as a member of the Intellectual Property Committee of the Law Society of Hong Kong for a 2-year term commencing from 31 October 2021.

## Talks & Seminars

*We are pleased to be involved in, and contribute to, legal education in Hong Kong SAR, China and other regions.*

### Hong Kong Intellectual Property Department (IPD)

**Jessica Leung** and **K Y So**, Partners of our Intellectual Property Practice Group, conducted the online workshop "Practical Workshop for IP Managers" organized by the IPD on 19 January 2022. This is the fourth re-run of a series of workshops to take place in 2020-2022 under the IPD's IP Manager Scheme. The workshops aim at equipping IP managers of SMEs with practical knowledge of managing IP assets effectively and integrating IP assets into their overall business strategy.

**Florence Lam**, Partner, Intellectual Property Practice Group, upon invitation by the Vocation Training Council gave an online talk on “How Patent Protects Your Invention” on 1 December 2021, being part of the IP Training Program organized by the Hong Kong Intellectual Property Department. The talk was attended by over 100 local entrepreneurs, owners and managers of SMEs.

Vocation  
Training  
Council/IPD

## Hong Kong SAR

### Stamp duty on voluntary distribution of properties under estates

When a deceased died intestate and domiciled in Hong Kong, his/her estate will be distributed in accordance with the Intestates’ Estates Ordinance (Cap 73 of the Laws of Hong Kong) (“**IEO**”).

Before the Court of Appeal judgment in *Wong Suet Foon Shirley v Collector of Stamp Revenue [2021] HKCA 1090* handed down on 29 July 2021, it was the practice of the Inland Revenue Department (“**IRD**”) that a transfer of an immovable property in excess of the beneficiaries’ entitlement in the estate of a deceased in accordance with the IEO would be regarded as a voluntary disposition *inter vivos* and was chargeable with stamp duty as conveyance on sale by virtue of the Stamp Duty Ordinance (Cap 117 of the Laws of Hong Kong) (“**SDO**”). Moreover, if the immovable property which is a residential property was directly assigned by the administrator of the estate of the deceased as the transferor to the beneficiaries as the transferee, IRD would not consider the transferor and the transferee to be “closely related” under the SDO and hence, a higher rate of stamp duty at Scale 1 of Head 1(1) in the First Schedule to SDO would be assessed.

#### Background

In the said *Wong Suet Foon Shirley* case, Madam Ming (the “**Deceased**”) died intestate and letters of administration in respect of the Deceased’s estate (the “**Estate**”) was granted to the Appellant. According to the IEO, the only persons entitled to the Estate are her five surviving children (the “**Beneficiaries**”), including the Appellant, with each being entitled to 20% of the Estate.

The Beneficiaries entered into a Deed of Family Arrangement (the “**Deed**”) under which it was agreed that three of them would abandon, disclaim or renounce their respective rights and interests in a residential property owned by the Deceased (the “**Property**”), leaving the same to the Appellant



David Choi



Leo Leung

and her another sibling as joint tenants of the Property (the “**Assignees**”). The Appellant, in the capacity as the administratrix of the Estate, then executed a Deed of Assent (the “**Assent**”) to vest and assign the Property to the Assignees.

The Court of Appeal gave judgment in favour of the Appellant (overturning the IRD’s assessment) and held, *inter alia*, that:

1. Upon the death of the Deceased, the Beneficiaries only became the expectant beneficiaries of the Estate, and none of them could assert any legal or equitable interest in the Estate. The Deed only operates as a disclaimer by the other three Beneficiaries of their expectant interest in the Property, and no beneficial interests in the Property passed under it. Therefore, it is not a conveyance of transfer of an immovable property and is not chargeable with *ad valorem* stamp duty.
2. If an expectant beneficiary disclaims his interest, the administrator should simply leave him out of the consideration in the administration of the estate as if that person was non-existent or had never been named as a beneficiary. On these principles, the Assent operates as a transfer of the Property from the Appellant, in her capacity as administratrix of the Estate, to the Assignees as the only expectant beneficiaries who did not disclaim their interests in the Property. There was no conveyance or transfer of interest of the Property to the other three Beneficiaries who had disclaimed their interests in the Property under the Deed. Therefore, the Assent does not amount to a conveyance of immovable property operating as a voluntary disposition *inter vivos*, and is not chargeable with *ad valorem* stamp duty.
3. When a personal representative made a conveyance or transfer, it was the deceased, whom the personal representative represented, that should be regarded as the transferor. Therefore, as the Assignees are both daughters of the Deceased (being the transferor), the Assent was between closely related persons within the meaning of section 29AL of the SDO. It follows that ***even if*** the Assent is chargeable with *ad valorem* stamp duty, it should only be charged under lower rates at Scale 2 (“**Scale 2**”) of Head 1(1) in the First Schedule to the SDO.

### Implications

The judgment has significant implications on stamp duty arrangement in voluntary distribution of properties under estates in Hong Kong. After the judgment, IRD also confirmed that *ad valorem* stamp duty at lower rates

(ie Scale 2) applies and/or Buyer's Stamp Duty is exempted for instruments or sale involving conveyance of residential properties under estates if the deceased and the transferee(s) as well as the transferees among themselves are closely related persons. Although the judgment relates only to the case where the deceased died intestate in Hong Kong, it is expected that the same principles will also apply to the situation where a deceased died having made and executed a will and there involves a transfer of an immovable property in excess of the beneficiaries' entitlement in the estate of the deceased under the will of the deceased. Updates on the prevailing departmental practice from the IRD would be most welcomed.

## Proposed new payment arrangements change law firms' role in property transactions

It is the usual conveyancing practice in Hong Kong that purchase money from the property buyers is to be deposited into the client account of law firms as intermediaries before it will be passed to the sellers.



David Choi

Unfortunately, over the years, various law firms got in trouble and had been intervened by the Law Society of Hong Kong. As a result, savings from the property buyers and/or mortgage loans advanced by the banks that comprised the purchase money and deposited with the law firms for completing property transactions were frozen, thereby putting the transactions in jeopardy.

To minimize the impact on property buyers and banks due to operational suspension of law firms, the Hong Kong Monetary Authority, in collaboration with the banking industry, has formulated a proposal for new payment arrangements for property transactions (the **"PAPT Proposal"**).

In gist, the PAPT Proposal suggests that mortgage loan advanced to a property buyer by the buyer's mortgage institution in a residential property transaction can be directly disbursed and deposited into the bank account(s) designated by the seller's mortgage institution and/or the seller through an electronic platform, namely Clearing House Automated Transfer System (CHATS) for the purposes of settling the seller's outstanding mortgage loan and/or paying the surplus proceeds (if any). If there is no mortgage loan advanced to the property buyer, purchase money will be paid to the seller's mortgage institution and/or the seller by cashier's order. The PAPT Proposal is expected to be tested for residential property transactions with licensed banks in the secondary market and mortgage refinancing for a period of 3 to 6 months before it will be extended to first-hand market.

The PAPT Proposal is an important step to ensure the smooth running of property transactions. After all, buying a property in Hong Kong is a once-in-a-lifetime experience for many property buyers.





Florence Lam

## Public consultation on updating Hong Kong's copyright regime “relaunched”

The HKSAR Government launched on 24 November 2021 a three-month public consultation on updating Hong Kong's copyright legislation (consultation document available at [https://www.ipd.gov.hk/eng/intellectual\\_property/copyright/Consultation\\_Paper\\_on\\_Copyright\\_Eng.pdf](https://www.ipd.gov.hk/eng/intellectual_property/copyright/Consultation_Paper_on_Copyright_Eng.pdf)) with a view to strengthening copyright protection in the digital environment.

The Government proposes to use the Copyright (Amendment) Bill 2014 (the “**2014 Bill**”) which was met with filibustering and resulted in failure of passing of the Bill in 2016, as the basis for updating Hong Kong's copyright regime. The key legislative proposals cover the following five areas:

1. To introduce a technology-neutral exclusive communication right to copyright owner to cover works communicated to the public through any mode of electronic transmission.
2. To introduce criminal sanctions against infringement relating to the introduction of the exclusive communication right.
3. To introduce “safe harbour” provisions to limit online service providers' (the “**OSPs**”) liability for copyright infringement acts by subscribers on their service platforms, provided that the OSPs meet certain prescribed conditions, including taking reasonable steps to limit or stop a copyright infringement when being notified.
4. To provide new copyright exceptions for the use of copyright works for three categories of purposes, namely parody, satire, caricature and pastiche; commenting on current events; and quotation of copyright works; and to revise and expand exceptions on various modes of using copyright works to facilitate online learning; the operation of libraries, archives and museums; and media shifting of sound recordings.
5. To introduce two additional statutory factors for the court to consider whether to award additional damages to copyright owners in civil cases involving infringement:
  - (i) the unreasonable conduct of an infringer after having been informed of the infringement; and
  - (ii) the likelihood of widespread circulation of infringing copies as a result of the infringement.



The Government also invites the public to comment on the following issues:

1. Exhaustive vs non-exhaustive approach to copyright exceptions;
2. Introduce statutory restrictions on contracts override;
3. Whether specific provisions to deal with illicit streaming devices should be introduced; and
4. Judicial site blocking – whether or not to introduce copyright-specific statutory provisions for site blocking injunction.

In addition, the consultation document sets out some possible issues arising from technological development for further studies in the future, which include:

1. Extension of copyright term of protection, in light of the extended protection terms in certain jurisdictions;
2. Introduction of specific copyright exceptions for text and data mining; and
3. AI and copyright.

Members of the public have until 23 February 2022 to offer their views on the issues set out in the consultation document. While the proposed amendments may still fall behind the international copyright law developments, the present exercise lays a solid foundation for advancement of other emerging issues in the future.

## Hong Kong SAR Alert

### Pilot scheme for deferral of formality examination of original grant patent (“OGP”) applications

The Hong Kong Intellectual Property Department (“**IPD**”) has implemented a pilot scheme for OGP applicants to defer formality examination for their applications so that they can establish an earlier filing date while still having more time to formulate and draft the claims, which is a formal requirement for OGP applications.

An applicant may submit a request for deferral of formal examination for up to 12 months from the filing or priority date if the following conditions are met:

1. The OGP application has obtained a filing date;
2. The applicant has not made any early publication request;
3. The end date of the deferred period requested does not exceed beyond 12 months from the filing or priority date; and
4. The Registrar has not issued any deficiency notice.

The request shall be submitted at the time of or within 1 month of filing of the OGP application and no official fee is required. Deferral is granted at the sole discretion of the Registrar, and once granted the processing of the OGP application will be suspended until the end of the deferred period.

On a side note, the IPD has made various amendments to the Patents Examination Guidelines taking effect from 26 November 2021, including sections concerning Patent Applications (Section 13), Formality Examination (Section 14) and Substantive Examination of Standard Patent (O) Applications and Short-Term Patents (Section 15).

## China



Raymond Chan

### Major proposed amendments to the Company Law of the PRC

Adopted in 1993, the Company Law of the PRC has undergone several rounds of amendments. The current version was enacted in 2018 (the “**Existing Law**”). In December 2021, the Standing Committee of the National People's Congress deliberated the Company Law (Draft Revision) (the “**New Draft**”).

The New Draft, consisting of 260 articles in 15 chapters, adds or revises around 70 articles of the Existing Law. Two new chapters on company registration (第二章 公司登記) and special provisions for state-funded companies (第六章 國家出資公司的特別規定) respectively have been added.

The chapter on company registration specifies the items and procedures for the establishment and deregistration of companies. It requires company registration authorities to optimize the registration process, and make the registration more efficient and convenient.

The chapter on special provisions for state-funded companies is added in order to deepen the reforms of state-owned enterprises and improve the modern corporate system with Chinese characteristics. Under the New Draft, state-funded companies would include not only wholly state-owned companies (國有獨資公司) (which are covered by the Existing Law), but also companies controlled by state-owned capital (國有資本控股公司). For the first time, the leadership of the Communist Party of China over the state-funded companies is written in the Company Law.

One major amendment to the Existing Law in the New Draft is that it strengthens the responsibility system of shareholders and management personnel. For example, articles 190 and 191 have been added in the New Draft which strengthen the responsibilities of directors and shareholders respectively:

- Article 190 stipulates that directors and senior officers should take joint and several responsibilities with the company if they cause damages to others arising out of their willful default or gross negligence in the performance of their duties.
- Article 191 stipulates that the controlling shareholders and actual controllers of a company should also take joint and several responsibilities with directors and senior officers if they use their influence over the company and instruct directors and senior officers to perform activities which damage the interests of the company or shareholders causing losses to the company or shareholders.

The New Draft has been issued for public comments so further amendments may be expected. Once it is officially promulgated, it will have major impact on the establishment and operation of companies in China.

## China Alerts

### CNIPA no longer issues paper trademark registration certificates

With a view to optimizing business environment, starting from 1 January 2022, the CNIPA no longer issues paper trademark registration certificates.

Applicants can obtain an electronic trademark registration certificate (“**E-certificate**”) depending on how the application is filed:

- On paper: Applicants will receive a “Notice for Obtaining Trademark Registration Certificate” (“領取商標註冊證通知書”) which includes an extraction code for obtaining the E-certificate on CNIPA Trademark Office’s official website.
- Electronically: E-certificates can be obtained directly by logging onto CNIPA Trademark Office’s online service system.

## CNIPA published the consolidated “Guide on Trademark Examination and Determination”

In early December 2021, the CNIPA published the “Guide on Trademark Examination and Determination 《商標審查審理指南》” (the “**Guide**”), providing detailed guidance on the procedures and considerations in examining trademark applications and determining trademark-related cases with a view to ensuring consistency in applying relevant legal principles in such cases.

The Guide is divided into two main sections that relate to the (i) formality and (ii) substantive issues involved in trademark applications and disputes, to include:

- procedure and required documentation for trademark applications;
- grounds, procedures, and principles on examining evidence in relation to trademark oppositions;
- underlying principles and procedure relating to non-use cancellation of trademarks;
- requirements regarding trademark assignments and licenses.

The Guide took effect on 1 January 2022 and superseded the previous “Standards on Trademark Examination and Determination”.

## New set of Measures of Assessing Network Security announced

In November 2021, the Cyberspace Administration of China approved and announced a new set of Measures of Assessing Network Security 《網絡安全審查辦法》, replacing the existing Measures introduced in April 2020.

In line with the Network Security Law and latest Data Security Law, the new Measures re-iterate the requirement of network security assessment of any network operator which plans to be listed overseas while possessing personal data of one million users, to clear any national security concern. The new Measures also set out an updated list of factors when assessing national security risks.

The new Measures will be effective on 15 February 2022.

Notice: This newsletter is intended for general information only and should not be taken as legal advice of Wilkinson & Grist. For any enquiries, please contact Ms Anita Kwan at [anitakwan@wilgrist.com](mailto:anitakwan@wilgrist.com).

© WILKINSON & GRIST 2022