

Welcome Message

We see exciting developments in the legal fronts in both Hong Kong and China over the past few months.

For Hong Kong, the establishment of the Special Needs Trusts, introduction of an IP specialist list in the Court of First Instance, promulgation of the Trade Mark (Amendment) Bill and Patents (General) Amendment Rules etc serve to improve the local legal environment in different aspects.

For China, the implementation of the new foreign investment law will hopefully improve the foreign investment environment and attract more foreign investments into the PRC. Amendments to the Trade Mark Law and Anti-Unfair Competition Law will further strengthen protection for IP rights.

We look forward to assisting our clients on these new developments through our different Practice Groups.

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NEW HONOURS



The World's Leading Trademark Professionals 2019

For consecutive years, we have received the highest ranking for **Trademark** enforcement and litigation and have also been recommended for **Trademark** prosecution and strategy for Hong Kong in the WTR 1000 publication which identifies the firms and individuals that are deemed outstanding in this area of practice.

"Wilkinson & Grist has firm roots in Hong Kong and China. With an extensive network of foreign associates around the world, it is also a globally attuned outfit well-suited to managing multi-jurisdictional trademark portfolios. With a line-up of resourceful lawyers, it is a popular destination for both contentious and transactional mandates."



TRADE MARK SURVEY 2019 PATENT SURVEY 2019 COPYRIGHT SURVEY 2019

For consecutive years, we have been voted as a **Tier 1 Law Firm** for **Trademark Prosecution** work in Hong Kong in this annual world survey which provides in depth analysis and rankings of 1,900 IP firms and 5,200 practitioners globally for trade mark, patent and copyright works. We are also recognized as a **Top Tier Law Firm** for **Trademark Contentious, Patent Contentious and Prosecution and Copyright & related rights** work in Hong Kong.

CHINA BUSINESS 商
LAW JOURNAL 法

《商法》卓越律所大奖
China Business Law
Awards Winner

2019

We are honoured to be recognized as one of the leading **International Firms** for **Data Protection & Privacy, Family Wealth Management, Intellectual Property (Trademark) and Restructuring & Insolvency** in the 2019 China Business Law Awards which are based on nominations received from China-focused corporate counsel and legal professionals around the world.

CHINA BUSINESS 商
LAW JOURNAL 法

年度杰出交易 – Deals of the year

2018

Our Real Estate Practice Group is pleased to have acted as legal counsel to CK Asset Holdings in the deal of **C.H.M.T. purchases The Center in Hong Kong**, which is awarded as one of the outstanding overseas deals in 2018 by China Business Law Journal's **2018 Deals of the Year**. Located in the Central business district, The Center is Hong Kong's fifth-tallest building, previously owned by Mr Li Ka-shing and CK Asset Holdings. In May 2018, it was sold to C.H.M.T. Peaceful Development Asia Property for HK\$40.2 billion (US\$5.2 billion) being the world's most expensive real-estate transaction to date for a single building.

BUSINESS 2019
EXCELLENCE AWARDS
Corporate Insider
★ WINNER ★

Excellence in Trade Mark Law - Hong Kong

We are pleased to be the winner of **Excellence in Trade Mark Law - Hong Kong** awarded by Corporate Insider. The awards show great recognition for experts within their respective fields.

Congratulations

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



The World's Leading Trademark Professionals 2019



Andrea Fong



Yvonne Chua

Andrea Fong, Head of our Intellectual Property Practice Group, has been ranked as leading individual in **Trademark** prosecution and strategy whereas **Yvonne Chua**, Consultant, has been ranked as leading individual in **Trademark** enforcement and litigation, both in the WTR 1000 listings following an exhaustive qualification research process.



2019 Asia IP
Experts

Your Guide to Asia's Leading IP Advisers



Andrea Fong



Yvonne Chua

Andrea Fong and **Yvonne Chua**, respectively Partner and Consultant of Intellectual Property Practice Group, are both nominated and listed as amongst the very best lawyers for the **Trademarks** practice in Hong Kong in the 2019 edition of Asia IP Experts published by Apex Asia, which identifies the leading IP lawyers in Asia and the Pacific.

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WIPR
LEADERS >>>

The leading guides to
patent and trademark
practitioners worldwide



Yvonne Chua

Yvonne Chua, Consultant, Intellectual Property Practice Group, has been recognized for consecutive years as a **Leader** in the WIPR Leaders 2019, a one-stop guide to the leading IP practitioners in the world.

Announcing New Partner



K. Y. So

We are delighted to announce the admission of **K.Y. So** as our new Partner with effect from 1 April 2019. Since joining us in 2010, K.Y. has been specializing in intellectual property laws with special focus on contentious work and represents local and multi-national clients in protecting and enforcing their IP rights in Hong Kong, China and the region. He is also experienced in handling contentious and non-contentious domain name matters.

About Us

Our firm's annual dinner took place on 8 March 2019 when over 130 lawyers and staff from both our HK and Beijing Offices shared a gourmet dinner and fun-filled evening together with prize draws and games.

Wilkinson
& Grist
2019
Annual
Dinner



We are pleased to be visited by representatives from Customer Value Management Business Banking of the Hang Seng Bank on 22 February 2019.

Hang Seng
Bank



(From left to right) Ms Josephine Kong, Senior Vice President; Mr Ho Pun Kei, Executive Vice President & District Head; our Consultant Cleresa Wong; Mr Amos Chan, Head of Business Banking; our Senior Partner Keith Ho; our Partner Raymond Chan; Mr Patrick Fung, Senior Vice President & Team Head; our Partners Ivan Chu and David Choi

The Community Chest BEA Charity Golf Day

We are honoured to be one of the hole sponsors to The Community Chest BEA Charity Golf Day 2019 organized by The Community Chest of Hong Kong. At the Prize Presentation Ceremony on 2 April 2019, our Senior Partner, **Keith Ho**, was presented with a certificate in acknowledgement of our generous support towards the event.



(From left to right) Our Keith Ho and Mr Bob Chong, Vice Chairman of the Organizing Committee of the Community Chest BEA Charity Golf Day

Hong Kong Watch Trades & Industries Ltd

Our congratulations to Chairman Mr Samuel Lee and Vice-Chairman Mr Jackson Lam of the Federation of Hong Kong Watch Trades & Industries Ltd as we continue to serve as their Honorary Legal Advisor.



(From left to right) Our Consultant Yvonne Chua; our Partner Raymond Chan; Mr Samuel Lee, Chairman; our Partner Andrea Fong; and Mr Jackson Lam, Vice-Chairman

New Faces

We warmly welcome the following newcomers to our firm.

Hugo Choy joined our Dispute Resolution Practice Group as an associate in 2018 after completing his training with our firm. Hugo specializes in litigation and arbitration proceedings in relation to general commercial, company and contractual disputes.



Jack Kwan joined our firm as a trainee solicitor in 2016 and has been an associate in the Company and Commercial Practice Group since 2018. He completed his Bachelor of Business Administration (Law) degree, Bachelor of Laws degree and PCLL at The University of Hong Kong and was admitted as a solicitor in Hong Kong in November 2018. Jack works on banking, commercial and corporate and employment matters including cross-border loan transactions, commercial transactions and regulatory and compliance matters.



Stephanie Leung joined our firm as a trainee solicitor in 2016. She was admitted as a solicitor in Hong Kong in November 2018 and joined our Company and Commercial Practice Group as an associate. Her practice focuses on banking, corporate and commercial matters, including loan transactions, mergers and acquisitions and commercial contracts. She also advises clients on regulatory and compliance matters.



Venus Yim joined our Intellectual Property Practice Group in 2018 after completing her training. She obtained her LLB and PCLL from The University of Hong Kong and was admitted as a solicitor in Hong Kong in January 2019. Venus currently works on both contentious and non-contentious IP matters in Hong Kong, China and other foreign jurisdictions, including trademark clearance searches, prosecutions, oppositions, revocation and invalidation proceedings, IPR enforcement and infringement actions.



Talks & Seminars

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

International
Trademark
Association
and the China
Trademark
Association

Annie Tsoi, Partner of our Intellectual Property Practice Group, was invited to participate in a policy dialogue themed “Non-Traditional Marks: Different Approaches and Lessons Learnt in the Asia Pacific Region” co-organized by the International Trademark Association (INTA) and the China Trademark Association (CTA) on 23 April 2019 in Beijing. Annie gave a speech and shared her experience on “how has the regulatory regime helped trade mark owners protect their non-traditional marks” from the Hong Kong perspective. Other panel speakers included legal professionals from Australia and Japan, as well as representatives from the Beijing Higher People’s Court and CNIPA.



(2nd from left on front row) FAN Yali, Deputy Director, Review and Management Division, CTMO, CNIPA

(4th from left on front row) MA Fu, President of CTA

(5th from left on front row) Seth HAYS, Chief Representative of Asia-Pacific, INTA

(6th from left on front row) ZHOU Bo, Senior Judge, Beijing Higher People’s Court

(6th from left on back row) Our Partner Annie TSOI

Conferences

Our members will be attending the following conferences and will be delighted to make arrangements in advance for meeting with clients and associates.

LES IMDM / Annual Conference	Yokohama, Japan, 24 – 28 May 2019
ECTA Annual Conference	Edinburgh, UK, 26 – 29 June 2019
AIPPI World Congress	London, UK, 15 – 18 September 2019
MARQUES Annual Conference	Dublin, Ireland, 17 – 20 September 2019
FICPI Open Forum	Vienna, Austria, 9 – 12 October 2019
APAA Council Meeting	Taipei, Taiwan, 8 – 12 November 2019
INTA Leadership Meeting	Austin, Texas, USA, 19 – 22 November 2019

Hong Kong

Reciprocal recognition and enforcement of judgments between courts of Hong Kong and Mainland China

The reciprocal recognition and enforcement of judgments between courts of Hong Kong and Mainland China (“**PRC**”) are set to be more extensive following the signing of two arrangements between the Hong Kong Government (“**HKG**”) and the Supreme People’s Court of PRC (“**SPC**”) on 20 June 2017 and 18 January 2019 respectively (collectively the “**New Arrangements**”, with the former the “**Matrimonial and Family Arrangement**” and the latter the “**Civil and Commercial Arrangement**”).



Raymond Chan



Jack Kwan

The Civil and Commercial Arrangement

Once the Civil and Commercial Arrangement takes effect, it will supersede and expand the scope of the existing arrangement between HKG and SPC dated 29 February 2008 as amended over time (the “**Existing Arrangement**”), which only applies to money judgments under business-to-business agreements where the parties have agreed in writing to designate either the courts of Hong Kong or PRC as the forum having sole jurisdiction for resolving disputes. The Existing Arrangement will, however, continue to apply in cases where the parties have entered into such agreements in writing before the Civil and Commercial Arrangement takes effect.

Application

The Civil and Commercial Arrangement may be applicable to judgments (excluding, among others, anti-suit injunctions and interim relief granted by Hong Kong courts) on or after the date the Civil and Commercial Arrangement takes effect and on matters which are considered to be of a “civil and commercial” nature under both Hong Kong law and PRC law, except judicial and non-judicial proceedings in Hong Kong directly relating to the exercise of executive, administrative or regulatory power and for the time being, certain types of judgments on, among others, succession, maritime, bankruptcy and insolvency matters.

Jurisdictional basis

Under Article 11(1) of the Civil and Commercial Arrangement, the court being requested to recognise or enforce a judgment (the “**Requested Court**”) shall consider the original court making the judgment (the “**Requesting Court**”) to have jurisdiction over the relevant action (i) if the Requested Court does not have exclusive jurisdiction thereon; and (ii) any one of the conditions below applies:

- (i) at the time the Requesting Court accepted the case, the defendant’s “place of residence” (as defined in Article 6 of the Civil and Commercial Arrangement) was in the place the Requesting Court is situate (the “**Requesting Place**”);
- (ii) at the time the Requesting Court accepted the case, the defendant maintained a representative office, branch, office, place of business or other establishment without separate legal personality at the Requesting Place, and the claim on which the judgment is based arose out of the activities of such establishment;

- (iii) the proceeding was brought on a contractual dispute and the place of performance of the contract is in the Requesting Place;
- (iv) the proceeding was brought on a tortious dispute and the act of infringement was committed in the Requesting Place;
- (v) the parties to a contractual dispute or other disputes related to interests in property had expressly agreed in writing that the Requesting Court shall have jurisdiction over the relevant proceedings, and where the “place of residence” of all parties to the judgment was at the place the Requested Court is situate (the “**Requested Place**”), the Requesting Place was the place having an actual connection with the dispute, eg where the contract was performed or signed, where the subject matter was situate etc; and
- (vi) the parties did not raise any objection as to the jurisdiction of the Requesting Court and participated in the proceedings in defence or reply, and where the “place of residence” of all parties to the judgment was at the Requested Place, the Requesting Place was the place having an actual connection with the dispute, eg where the contract was performed or signed, where the subject matter was situate etc.

As to tortious claims for an infringement of an intellectual property right, Article 11(3) of the Civil and Commercial Arrangement provides that the Requesting Court shall only be considered to have jurisdiction if the act of infringement was committed in the Requesting Place and the intellectual property right concerned is subject to protection under the law of the Requesting Place.

Where the Requested Court considers that the Requesting Court had jurisdiction over the dispute according to the law of the Requested Place, the Requested Court may also determine that the Requesting Court has jurisdiction over the dispute under Article 11(4) of the Civil and Commercial Arrangement.

Grounds of refusal

The above issue of jurisdictional basis is crucial as the lack of jurisdiction of the Requesting Court is one of the mandatory grounds for the PRC courts and the Hong Kong courts to refuse recognition and enforcement of judgments of each other. Other mandatory grounds include, but are not limited to, public policy, fraud and res judicata. The PRC courts and the Hong Kong courts have discretion to refuse recognition and enforcement of judgments of each other if the proceedings at the Requesting Court were contrary to a valid arbitration agreement or a valid agreement designating a court (not being the Requesting Court) as having jurisdiction for resolving the relevant disputes.

The Matrimonial and Family Arrangement

Once the Matrimonial and Family Arrangement comes into effect, it provides for reciprocal recognition and enforcement of a broad category of PRC and Hong Kong matrimonial and family matters under Article 3 of the Matrimonial and Family Arrangement. Where the relevant judgments under application for recognition and enforcement involve minors, the relevant courts should take into account the best interests of such minors in deciding whether the application should be accepted.

The New Arrangements will take effect on a date jointly announced by HKG and SPC upon HKG and SPC implementing the measures thereunder by way of local legislation and judicial interpretation respectively. Public consultation on legislation to implement the Matrimonial and Family Arrangement in Hong Kong ended on 8 March 2019.



Keith Ho

Third party funding for arbitration in Hong Kong

Third party funding has become increasingly common in numerous jurisdictions including England and Wales, the United States and Australia. As Hong Kong is one of the major centers of international arbitration, it is likely that a party to an arbitration taking place in Hong Kong may wish to consider whether to seek for third party funding.

While third party funding for contentious proceedings is generally prohibited by the common law torts and crimes of champerty and maintenance in Hong Kong, arbitration is thought to be different as it is

conducted in private and by agreement. Nevertheless, as recognized by the Court of Final Appeal in *Unruh v Seeberger* (2007) 10 HKCFAR 31, the law concerning third party funding for arbitration was far from clear. In view of such, the Law Reform Commission released a report in October 2016 recommending that the law should be amended to expressly allow third party funding for arbitration, with appropriate safeguards in place.

Following the report made by the Law Reform Commission, the Arbitration and Mediation Legislation (Third Party Funding) (Amendment) Ordinance 2017 (the “**Amendment Ordinance**”) came into force on 23 June 2017, with certain sections to come into effect at a later date.

The Code of Practice for Third Party Funding of Arbitration was issued by the Department of Justice on 7 December 2018 providing guidance on the standards and practices which third party funders are expected to follow.

On 1 February 2019, Section 3 of the Amendment Ordinance, which contains provisions permitting the use of third party funding for arbitration, came into operation. The key provisions of the said section include:-

1. The common law offence and tort of champerty and maintenance do not apply to third party funding for arbitration. Accordingly, a third party funder may provide arbitration funding to a funded party under a funding agreement, in return for a financial benefit only if the arbitration is successful.
2. Arbitration funding can be in the form of money or any other financial assistance in relation to any costs of the arbitration.
3. For the definition of arbitration, it includes arbitration proceedings, as well as any related court proceedings, proceedings before an emergency arbitrator and mediation proceedings.
4. The Amendment Ordinance also applies to arbitrations conducted outside Hong Kong provided that the costs and expenses in relation to the arbitration are incurred in Hong Kong.
5. The funding agreement must be in writing.

6. Written notice must be given to each other party to the arbitration and the arbitration body of (i) the fact that a funding agreement has been made; (ii) the name of the third party funder; and (iii) the termination of the funding agreement.

The Amendment Ordinance has been widely welcomed by the arbitration community and commercial funders. The introduction of third party funding for arbitration will no doubt enhance Hong Kong's competitiveness as an international disputes resolution centre and it is anticipated that there will be significant activity in this space.



David Choi

Special Needs Trust

It is common occurrence that many parents having children with special needs (including those with intellectual disability) are worried about their children's future care and needs when they are no longer around to look after their children.

Under the existing legal framework, several asset management mechanisms are available for individuals with special needs. However, each of them has its own limitations. One common example is when parents try to set up private trusts for their children with special needs, they usually face the difficulties in finding trustworthy relatives or friends who are capable of managing their assets or have to pay high fees in engaging professional trustees to manage their wealth.

Followed by the announcement of the Chief Executive in the 2017 Policy Address, the Hong Kong Government established the Special Needs Trust Office in December 2018 in response to the strong demand for a Special Needs Trust ("SNT").

To set up a SNT, a parent/relative (the "**Settlor**") is required to sign a trust deed in the presence of a lawyer, appointing the Director of Social Welfare Incorporated as the trustee (the "**Trustee**") to manage his/her assets for meeting the long-term daily needs of his/her children who lack self-care capability (the "**Beneficiary**").

A unique feature under SNT is that a registered social worker will act as case manager to provide financial planning services and to ensure the Beneficiary receives proper care and support. With the help of the Trustee

and the case manager, the Settlor will devise a care plan which sets out the expenditures needed for the Beneficiary and also write a letter of intent that appoints a caregiver designated by the Settlor to succeed them and explains how the trust fund should be disbursed for the benefit of the Beneficiary. Based on the letter of intent and care plan, the Trustee will make periodic distribution to the caregiver when the Settlor passes away.

The Settlor also has to execute a will to arrange for the transfer of cash in Hong Kong dollars derived from his/her estate to the trust account on his death by the executor of the will. Moreover, when the Beneficiary passes away, the Trustee will handle the remaining funds in the trust account as indicated in the letter of intent or pursuant to the court's instructions.

In relation to the fees payable for the administration of the SNT, as the SNT only manages money but not other assets (eg shares and flats) and also pools together funds contributed by individual participating settlors for management and investment, they could be shared among individual participants and, therefore, are lower compared to those of the private trusts.

We welcome the establishment of SNT to provide reliable and affordable trust services for parents/relatives who have family members with special needs in Hong Kong.

Proposed changes to Trade Marks and Patents Laws in Hong Kong

Trade Marks (Amendment) Bill 2019

As mentioned in our newsletter of May 2017, the Hong Kong Government proposed to adopt the application of the Madrid Protocol concerning the International Registration (“**IR**”) of trade marks to Hong Kong. Upon further briefing sessions and consultation, the Trade Marks (Amendment) Bill 2019 (the “**Bill**”) was gazetted on 8 February 2019 seeking to amend the Trade Marks Ordinance (Cap 559) (“**TMO**”) to implement the IR system under the Madrid Protocol.

Traditionally, a trade mark owner needs to apply for registration of his trade mark in each jurisdiction where he wishes to obtain local protection. With the implementation of the Madrid Protocol, the process of seeking registration of a trade mark in multiple jurisdictions is greatly simplified by a one-stop application process which is illustrated below:



Annie Tsoi

- where the basic registration is held in Hong Kong (ie Office of Origin), a trade mark owner may file an application for IR of trade mark with the Hong Kong Trade Marks Registry (the “**Registry**”) and designate one or more of the contracting parties of the Madrid Protocol in which protection is sought. The Registry will then refer the application to the World Intellectual Property Organization (“**WIPO**”) for its onward transmission to the trade mark offices of the designated contracting parties; or
- where Hong Kong is designated as the jurisdiction in which IR is applied for (ie Designated Office), upon receiving the application from WIPO, the Registry will conduct substantive examination on the application according to the same criteria as domestic applications under the TMO.

Following registration, holders of IRs can manage their trade mark portfolios in different designated contracting parties through a single procedure with WIPO, for instance, recordal of change in ownership, name and address and appointment of representative, etc.

Apart from introducing amendments concerning the application of the IR system under the Madrid Protocol, the Bill also seeks to confer powers on the Customs and Excise Department to enforce the criminal provisions under the TMO and make miscellaneous technical amendments to the TMO.

Upon the first reading of the Bill, the House Committee of the Legislative Council considered it necessary to form a Bills Committee to study the Bill in detail. One of the major concerns is that the Madrid Protocol is not applicable to mutual designations between Mainland China and Hong Kong as it is an international agreement. Therefore, an international application based on a domestic application in Hong Kong cannot be relied on under the Madrid Protocol for extending territorial protection to Mainland China, and vice versa. This will undoubtedly limit the convenience afforded by the Madrid Protocol to Hong Kong or Mainland applicants. A separate administrative arrangement is called for to facilitate reciprocal filing between Hong Kong and Mainland China.

Patents (General) (Amendment) Rules 2019

Patents (General) (Amendment) Rules 2019 (the “**Rules**”) were gazetted on 15 March 2019.

The Rules specify the detailed practices and procedures required for implementing an original grant patent (“**OGP**”) system in Hong Kong pursuant to the framework set out in the Patents (Amendment) Ordinance 2016 (the “**Amendment Ordinance**”). With the introduction of the OGP system, applicants can obtain a standard patent directly in Hong Kong, without first having to apply for a patent at designated patent offices overseas.

The Rules also seek to refine the short-term patent (“**STP**”) system by, inter alia, introducing post-grant substantive examination of a STP which enables any STP proprietor or third party with a legitimate concern or doubt about the validity of a STP to request the Registrar of Patents (the “**Registrar**”) to conduct substantive examination of the patent.

Subject to negative vetting by the Legislative Council, the Rules will come into operation on a date to be appointed by the Registrar by gazette notice which will tie in with the commencement date of the Amendment Ordinance.

Possible applications of blockchain in the world of intellectual property (“IP”)

Although blockchain technology has existed for a long time, it is still unfamiliar to the legal profession in Hong Kong. To date, there has been no legislation regulating the blockchain technology in Hong Kong and the Court has not made any judgment on cases relating to blockchain technology.

Not only in the financial sector, blockchain technology is widely studied and applied across all industries. What is the role of blockchain technology in relation to IP rights?

1. Proving the ownership of IP rights: This is the first step in protecting one’s IP rights. For example, in the case of copyright, as there is no copyright registration system in Hong Kong, the plaintiff in an infringement action has to provide sufficient evidence to prove that he is the copyright owner. However, it is not easy to keep a complete record and extract the relevant records in a short period of time, and the completeness and reliability of those self-managed documents may be vulnerable to challenge. The above difficulties are expected to be solved by recording the creative process and transactions of copyright work through blockchain technology as data contained in the blockchain is not controlled by any single user and cannot be altered once verified.



Mena Lo



K. Y. So

2. Proving the date of creation and use of IP rights: IP proceedings often require the IP owner to submit evidence indicating the relevant dates or periods, such as the evidence of use over a specific period of time in defending an application for trademark revocation, proving the opponent's prior rights in trademark opposition proceedings and the lack of novelty of a registered design or patent. If every single act of creating and using IP can be recorded on a platform using blockchain, the unmodifiable time stamps of the blockchain could possibly be used as cogent evidence in IP proceedings.
3. Combating acts of infringement: At present, public and private organizations in various regions have launched IP-related platforms that apply blockchain technology to assist in the preservation of evidence, detection and tracking of IP rights infringement, etc. These platforms have played a proactive role in protecting IP rights. Take the Mainland as an example, there are China IP notarization service platform (<http://www.ipnotary.com>) and "Baidu Totem" (<http://c-chain.baidu.com/>), and overseas examples are KodakOne (<https://kodakone.com/>) and Bernstein (<https://www.bernstein.io/>). The Supreme People's Court of the People's Republic of China also announced in September 2018 that blockchain technology can legally certify evidence for use in legal disputes. However, whether the evidence applying blockchain technology will be adopted by the Hong Kong courts has yet to be examined.

In recent years the Government has been vigorously promoting the transformation of Hong Kong into a smart city and the Customs and Excise Department has also formulated a "smart customs blueprint" by utilizing innovative technology in law enforcement. It is therefore believed that the application of blockchain technology in Hong Kong will become an inevitable and important issue in the field of IP.

Hong Kong Alert

Setting up of an intellectual property specialist list in the Court of First Instance of Hong Kong with new Practice Direction issued

In late 2018, the Chief Justice decided to establish a specialist list on intellectual property cases in the Court of First Instance ("**the List**"). The List was set up on 6 May 2019 with a new case prefix "HCIP" to be assigned to intellectual property cases in the High Court.

In response to the setting up of the List, on the same day, the Judiciary put into effect a new Practice Direction (“PD”) called “Intellectual Property List” to replace the existing PD 22.1 on the Trade Marks Ordinance to provide for detailed operations of the List and made relevant changes to the existing PD 11.1 (Ex Parte, Interim and Interlocutory Applications for Relief (including Injunctive Relief)) to deal with urgent applications in the List and to PD 24.1 (Sealing of Writ of Summons, Newspaper Advertisements and Filing of Documents).

China

Foreign Investment Law promulgated by the National People’s Congress

The three pieces of PRC legislation governing foreign investment in the form of sino-foreign equity joint ventures, wholly foreign-owned enterprises and sino-foreign contractual joint ventures, implemented in 1979, 1986 and 1988 respectively (the “**Existing Laws**”), will be replaced by the Foreign Investment Law of the PRC (the “**New Law**”), promulgated by the National People’s Congress (the “**NPC**”), which will take effect on 1 January 2020.

The New Law reshapes the entire landscape of legal framework regulating foreign investments in the PRC. Some significant changes are highlighted below:

1. The present approval system on case-by-case basis for foreign investment will be abolished. Article 4 of the New Law states that unless the foreign investment is made on any matter in the Negative List (負面清單) to be published or approved for publication by the State Council, no special approval measure will apply to foreign investment and foreign investment enjoys a degree of treatment no less favourable than national investments. This is known as the Pre-approval National Treatment (准入前國民待遇). The relevant stipulations of international treaties and conventions to which the PRC is a party providing for more favourable treatment than the Pre-approval National Treatment shall apply in accordance with such treaties and conventions.



Raymond Chan



Jack Kwan

2. Article 9 of the New Law provides that the policies of the State promoting development of national enterprises shall equally apply to foreign investment enterprises (“FIEs”) in accordance with the law. Article 24 of the New Law further states that all levels of People’s Government and relevant departments shall not, without legal or administrative basis, prejudice FIEs’ legitimate interest, impose additional obligations on FIEs, impose market entry and exit conditions, or interfere FIEs’ normal business and production activities.
3. Article 15 of the New Law states that the State shall protect the rights of FIEs to participate in standard-setting exercises on equal footing with national enterprises in accordance with the law while the State-mandated standards shall equally apply to FIEs.
4. Article 20 of the New Law states that the State shall not expropriate foreign investment unless special circumstances apply, in which case statutory procedures should be followed, and fair and reasonable compensation should be paid.
5. Under Article 22 of the New Law, the State protects the intellectual property rights of foreign investors and FIEs and encourages technology cooperation on a voluntary basis and based on business principles. No administrative authorities or their personnel shall coerce the transfer of technologies by administrative means.
6. Under Article 23 of the New Law, the administrative authorities and their personnel shall keep confidential the trade secrets of foreign investors and FIEs obtained in the course of performing their duties and shall not disclose or make available the same to others illegally.

There are issues of concern on the New Law in relation to investments from Hong Kong, Macau and Taiwan. For example, under the Existing Laws, investments from Hong Kong, Macau and Taiwan are deemed to be foreign investments and these investors enjoy benefits applicable to FIEs. Although the New Law does not expressly stipulate the same, Premier Li Keqiang replied to the press during the meetings of the NPC in March 2019 that the New Law might apply to investments from Hong Kong, Macau and Taiwan. It also remains to be seen whether Article 4 of the New Law operates in favour of the Closer Economic Partnership

Arrangements entered into between the PRC and Hong Kong and between the PRC and Macau and other trade agreements and arrangements between the PRC and Taiwan. It is expected that the State Council will implement regulations on the detailed implementation of the New Law in relation to the foregoing in due course.

It is noteworthy that the New Law underwent the consultation, drafting and legislative process swiftly within three months, against the background of the ongoing Sino-US Trade War. Although the detailed implementation of the New Law remains subject to further regulations to be implemented by the State Council, the New Law seeks to remedy several issues which cause unease to actual and prospective foreign investors, especially on the protection of intellectual property rights and trade secrets and transfer of technologies. The implementation of the New Law will hopefully improve the foreign investment environment, strengthen the confidence of foreign investors and ultimately attract more foreign investments into the PRC.

Proposed Property Tax Law for nationwide imposition of property tax in the PRC

The proposed legislation of the Property Tax Law of the PRC (the “**Law**”) was mentioned on various occasions in recent meetings of the National People’s Congress (the “**NPC**”) in March 2019 and was one of the focal points in the NPC.



Raymond Chan

On 4 March 2019, the spokesman of the NPC Mr Zhang Yeshui (張業遂) stated that the preparation and drafting of the Law was being expedited. On 5 March 2019, Premier Li Keqiang (李克強), in his delivery of the annual report to the NPC, vowed to “steadily push forward property tax legislation”. On 8 March 2019, the chairman of the NPC Standing Committee Mr Li Zhanshu (栗戰書), in his report to the NPC, stated that the major legislation work including the drafting and promulgation of the Law was in progress and would be completed on schedule.



Jack Kwan

In the past, land grant fee had been a major source of income for the PRC local governments. As the land grant income shrinks, new sources of tax income are being explored. Since 2011, property tax pilot schemes against residential property have been imposed in Shanghai and Chongqing. It appears that the conditions for the imposition of the property tax nationwide are nearly ripe.

The Law is still in the early drafting stages and there is still a long way for it to be passed. It is estimated that the Law may be passed in 2023 as anticipated by Mr Li in his aforementioned report to the NPC.



Annie Tsoi

China steps up IP protection *further*

Patent Law

In January 2019, the National People's Congress ("NPC") published draft amendments to the Patent Law 《專利法修正案(草案)》. Key amendments include:-

1. *Extended protection for designs* – patent rights for designs will last 15 years from the application date (cf. 10 years).
2. *New recourse against websites* – patent holders may rely on decisions made by judicial or administrative authorities to compel Internet Service Providers to remove, block, or disable websites featuring infringing products.
3. *Higher damages* – patent infringement may attract damages ranging from RMB100,000 to RMB5 million (cf. RMB10,000 to RMB1 million); wilful acts of infringement may even attract damages amounting up to 5 times the actual loss of the patentee, the profits of the infringer, or the license fee payable for using the infringed patent.
4. *Extended limitation period* – an action in patent infringement may be brought within 3 years from the date when the infringement was discovered or should have been discovered (cf. 2 years).

These amendments to the Patent Law are expected to be passed later this year.

Trade Mark Law & Anti-Unfair Competition Law

On 23 April 2019, the NPC approved and announced amendments to the Trade Mark Law and Anti-Unfair Competition Law (among others).

Trade Mark Law

The amendments are largely aimed at tackling bad faith filings and hoarding, to include:

- applications that are filed in bad faith *without intention to use* will be refused, which can separately be a ground of opposition or invalidation raised by any concerned party;
- trademark agents who know or ought to know the applicant's bad faith and lack of intention to use the trademark applied-for should cease to act.

The amendments also seek to impose heavier punishments on malicious infringers by increasing the damages of up to 5 times the actual loss suffered by the trade mark owner or profits of the infringer. The maximum statutory compensation has also been raised from RMB3 million to RMB5 million.

These amendments to the Trade Mark Law will take effect on 1 November 2019.

Just one day after the above announcement made by the NPC, on 24 April 2019 the Beijing Higher People's Court issued a set of "Guidelines for the Trial of Trademark Right Granting and Verification Cases". Apart from codifying the directions given over the years on the Trade Mark Law, it sets out how the new amendments are to be interpreted, by for instance defining the applicable circumstances constituting "lack of intention to use".

Anti-Unfair Competition Law

The amendments to the Anti-Unfair Competition Law mainly seek to strengthen trade secret protection in China, in particular:-

- the definition of "trade secrets" has been extended to cover commercial information other than "technology and business information";
- liabilities are imposed on those who procure the trade secret infringement by teaching, inducing or assisting others in obtaining, disclosing or using trade secrets;
- the burden of proof on trade secret infringement is reduced; if the trade secret holder has *prima facie* evidence to show that their rights have been infringed upon, the suspected infringer is required to prove otherwise;
- malicious infringers of trade secret will be liable to damages of up to 5 times the actual loss suffered by the trade secret owner or profits of the infringer; the maximum statutory compensation has also been raised to RMB5 million.

These amendments to the Anti-Unfair Competition Law took effect immediately upon announcement on 23 April 2019.

The speedy approval of the amendments to these two laws demonstrates China's dedication in strengthening its protection for intellectual property rights. It is expected that further regulations or interpretations will be released to address certain ambiguous terms in the new laws.

China Alert

IP Offices and Boards restructured and consolidated into CNIPA

As from 1 April 2019, the (formerly) China Trademark Office (CTMO), Trademark Review and Adjudication Board (TRAB) and Patent Re-examination Board (PRB) ceased to exist as they were consolidated into the China National Intellectual Property Administration (CNIPA). All related works are then conducted in the name of CNIPA.

Since then, new chops have been put into use and applicants are required to use new forms, though procedures previously adopted generally remain unchanged. The new chops can be viewed at <http://www.cnipa.gov.cn/bgxz/index.htm>, while the new forms can be downloaded at <http://sbj.saic.gov.cn/sbsq/sqss/> (in Chinese only).

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