

### Welcome Message

In this issue, we look at exciting advancement in different areas of the law and practice in Hong Kong and China. New requirements and improvements have been introduced with a view to perfecting the commercial and intellectual property arenas in Hong Kong. In China, we welcome the establishment of the re-organized State Intellectual Property Office and the new personal information standards, which show China's determined and continuous efforts in improving intellectual property protection in the country. We are committed to serving our clients in the changing legal practice and business environment.

# Newsletter MAY 18

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### **NEW HONOURS**



#### **The World's Leading Trademark Professionals 2018**

For consecutive years, we have received the highest ranking for **Trademark** enforcement and litigation, prosecution and strategy for Hong Kong in the WTR 1000 publication which identifies the trademark industry's leading lights in 72 jurisdictions around the world.

"Quality comes first at Wilkinson & Grist, a commercial law leader with a 'prominent, solid trademark filing and enforcement practice with a wide range of clients and referral relationships'."



#### TRADE MARK SURVEY 2018 PATENT SURVEY 2018 COPYRIGHT SURVEY 2018

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 covers the top-rated firms for trade mark, patent and copyright works in some 80 jurisdictions. We are also recognized as a **Top Tier Law Firm** for **Trademark Contentious**, **Patent Contentious and Prosecution** and **Copyright** work in Hong Kong.



#### The 2018 Asia IP Copyright Survey

We are ranked, once again, as a **Top Tier Law Firm** in Hong Kong in this **Copyright Survey** on the best firms for copyright related advice in the region. This survey as published by Apex Asia in its Asia IP February 2018 issue is based on extensive research and identifies the very best advisors in Asia.





#### **IP RANKINGS 2018** ASIA'S BEST LAW FIRMS FOR INTELLECTUAL PROPERTY

We are pleased to be identified as Tier 1 Law Firm for Copyright/Trademarks and Top Tier Law Firm for Patents in both the jurisdictions of China (International) and Hong Kong by Asian Legal Business (ALB) in its latest issue of 2018 IP Rankings. ALB drew information from firm submissions, interviews, editorial resources and market suggestions to identify and rank the top firms for intellectual property in Asia.



We are honoured to be recognized as one of the leading International Firms for Intellectual Property (Trademark and Copyright) and Real Estate & REIT (Real Estate Investment Trust) in the 2017-18 China Business Law Awards which are based on nominations and comments received mostly from China-focused corporate counsel, senior managers and legal professionals around the world.



Hong Kong





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



#### The World's Leading Trademark Professionals 2018



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.





**Yvonne Chua**, Consultant, Intellectual Property Practice Group, has been recognized for consecutive years as a **Leader** in the WIPR Leaders 2018, a one-stop guide to the leading IP practitioners in the world.



# Ecitywealth



John Budge

**John Budge**, Consultant, Dispute Resolution Practice Group, is named as a leading professional in contentious trusts – international in the Citywealth Leaders List 2018.

# Appointments

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

Hospital Authority Board of Hong Kong

Hong Kong Housing Authority **Yvonne Chua**, Consultant, Intellectual Property Practice Group, has been reappointed by the Hospital Authority Board of Hong Kong as Member of the Hospital Governing Committee of Queen Elizabeth Hospital from 1 April 2018 to 31 March 2020. Yvonne will also continue her service as member of the Hospital's Quality and Safety Subcommittee.

**Cleresa Wong**, Consultant, Real Estate Practice Group, has been appointed by the Chief Executive as a member of the Hong Kong Housing Authority. At the same time, she is also appointed as a member of the Subsidised Housing Committee of the Hong Kong Housing Authority. Her appointments are for two years from 1 April 2018.

# Announcing New Partner



Jessica Leung

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We are delighted to announce the admission of **Jessica Leung** as our new Partner with effect from 1 April 2018. Since joining us in 2014, Jessica has been specializing on intellectual property law with special focus on trade mark protection and management of regional trade mark portfolios. She represents multinational and domestic clients in different areas of trade, including apparels, electronics, pharmaceuticals, automobiles and entertainment.

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Our firm's annual dinner took place on 23 March 2018 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.

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Wilkinson & Grist 2018 Annual Dinner

> Hang Seng Bank

We are pleased to be visited by representatives from Customer Value Management Business Banking of the Hang Seng Bank on 15 March 2018.

(From left to right) Our Partner Raymond Chan, Consultant Cleresa Wong and Senior Partner Keith Ho; Mr Ho Pun Kei, Executive Vice President & District Head; Mr Patrick Fung, Senior Vice President & Team Head; and Ms Josephine Kong, Senior Vice President of Hang Seng Bank







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 2018 organized by The Community Chest of Hong Kong. At the Prize Presentation Ceremony on 22 March 2018, our Senior Partner, Keith Ho, was presented with a certificate in acknowledgement of our generous support towards the event.



(From left to right) Mr T C Chan, Organizing Committee Member of the Community Chest BEA Charity Golf Day, and our Keith Ho

# alks & Seminars

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

Hong Kong Intellectual Property Department

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Shireen So, Partner of our Intellectual Property Practice Group, conducted the "Practical Workshop for IP Managers" held by the Intellectual Property Department (IPD) on 1 February 2018. This was the fourth re-run of four workshops in 2017-2018 at the request of the IPD under the IPD's IP Managers Scheme. The workshops aim at equipping IP managers of SMEs with practical knowledge of managing the IP assets effectively and integrating IP assets into their overall business strategy.

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# Conferences

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

FICPI World Congress ECTA Annual Conference MARQUES Annual Conference PTMG Autumn Conference INTA Leadership Meeting LES AP Regional Conference APAA Council Meeting Toronto, Canada, 6 – 10 June 2018 Athens, Greece, 13 – 16 June 2018 Paris, France, 18 – 21 September 2018 Dubrovnik, Croatia, 3 – 5 October 2018 New Orleans, USA, 6 – 9 November 2018 New Delhi, India, 11 – 14 November 2018 New Delhi, India, 17 – 21 November 2018

### Hong Kong Updates on Property Management Services Ordinance

The Property Management Services Ordinance (Cap 626) (the "**Ordinance**") was enacted in 2016 to regulate the property management services sector through licensing. Part of the Ordinance has been in operation, mandating, amongst others, the establishment of the Property Management Services Authority (the "**Authority**") as the regulatory and licensing body.

#### Licensing regime

The provisions of the Ordinance for the licensing regime are not yet in operation. The Authority is drawing up documents on regulatory, disciplinary and licensing matters in preparation for the full operation of the Ordinance.

Unless excepted under section 7 of the Ordinance, an entity carrying on the business of providing "*property management services*" defined in Schedule 1 to the Ordinance and the relevant regulations which may be made thereunder (a "**property management company**") is required to obtain a PMC licence, while an individual assuming "*a managerial or supervisory role*" in providing property management services in a property management company (a "**property management practitioner**") is required to obtain a PMP (Tier 1) licence or a PMP (Tier 2) licence.



Cleresa Wong



Notably, section 7(2) of the Ordinance exempts property management companies providing a *single* category or type of property management services and property management practitioners of such entities from the licensing requirements. The Administration anticipates that the exemption applies to law firms providing only legal services relating to the management of properties and their managing or supervising solicitors.

Levy on conveyance on sale of immovable property

#### Levy

Part 8 of the Ordinance imposing levy payable to the Authority and the Property Management Services (Levy) Regulation (the "Regulation") will both come into operation on 1 July 2018.

Section 53(1) of the Ordinance provides that a levy is payable for an instrument (a "leviable instrument") that is a conveyance on sale and chargeable with stamp duty under head 1(1) in the First Schedule to the Stamp Duty Ordinance (Cap 117). The transferee to a leviable instrument is (or if the transferees are more than one person, they are jointly and severally) liable under section 54 of the Ordinance to pay the levy within 30 days after execution of the instrument.

The Regulation prescribes the amount of the levy at HK\$350. Only persons not liable to pay stamp duty, ie the Government, public officers and consulates, are exempted.

Sections 55 and 56 of the Ordinance state that the Authority or the Collector of Stamp Revenue (the "Collector") may collect the levy. The Administration envisages that the Collector collects the levy when a leviable instrument is submitted for stamping and transmits the levy to the Authority.

#### Penalty

If the levy is not duly paid, the Authority may, pursuant to section 57(1) of the Ordinance, impose a penalty and issue a certificate (the "Certificate") certifying that the person(s) named on the Certificate is/are liable to pay the specified amount of levy and penalty to the Authority.

Section 58(1)(b) of the Ordinance prescribes the level of penalty which the transferee(s) is/are liable. Any levy or penalty payable under the Ordinance is a civil debt due to the Authority.

#### Enforcement by the Certificate

The Certificate must be issued and served in accordance with sections 57(2) to (5) of the Ordinance.

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Before the levy and the penalty are fully recovered, the Authority may, under section 59(3) of the Ordinance and the Land Registration Ordinance (Cap 128), register the Certificate in the Land Registry against the relevant property. Per section 59(5) of the Ordinance, upon registration, the levy and the penalty constitute a legal charge on the property and are also recoverable from a person who appears to be the owner of the property on the Land Registry register.

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Notwithstanding the foregoing, the person(s) named on the Certificate remain(s) liable for the levy and the penalty.

#### Implications

With effect from 1 July 2018, a transferee under a leviable instrument is required to pay the levy. Intending purchasers should check whether the property they wish to make an offer is encumbered by any Certificates and ensure there is no outstanding levy and/or penalty in relation to the property.

Property management companies and practitioners should keep abreast of developments relating to the Ordinance and prepare themselves for the licensing requirements.

#### Higher AVD rate on an instrument for acquiring more than one residential property

Since 5 November 2016, the ad valorem stamp duty ("'AVD") rate for residential property has been raised to a flat rate of 15% under Part 1 of Scale 1 ("Part 1 of Scale 1") of Head 1(1) or Head 1(1A) in the First Schedule to Stamp Duty Ordinance (Cap 117) ("SDO"). The measure was aimed at curbing property speculation and taming the soaring prices of residential properties in Hong Kong.

There are exemptions under the SDO. They include the acquisition of a residential property by a Hong Kong permanent resident ("HKPR") who is not a beneficial owner of any other residential property in Hong Kong (the "exemption arrangement") where AVD at lower rate under Scale 2 ("Scale 2") of Head 1(1) or Head 1(1A) in the First Schedule to SDO still applies.

The Hong Kong Government has all along adopted the instrument-based stamp duty regime. In other words, stamp duty was charged based on the total consideration as stated in an instrument irrespective of the number of residential properties to be acquired under the instrument. However, there was public concern over the exploitation of the exemption arrangement by acquiring multiple residential properties under an instrument.



David Choi



On 11 April 2017, the Government announced a new measure to tighten up the exemption arrangement so that all chargeable instruments executed on or after 12 April 2017 for acquisition of more than one residential property under one single instrument should be subject to a flat rate of 15% under Part 1 of Scale 1 even though the purchaser or transferee is a HKPR who does not own any residential property in Hong Kong.

Under the Stamp Duty (Amendment) (No 2) Ordinance 2018 which was gazetted on 20 April 2018 and has the retrospective effect from 12 April 2017, the relevant provisions of the SDO have been amended to the effect that the AVD in respect of a chargeable instrument for sale of residential property (together with car parking space or otherwise) is chargeable on Scale 2 only if, subject to the existing exemption arrangement, such property is a "single residential property".

The term "single residential property" is not exhaustively defined but it includes:

- (a) a unit and a roof situated in the same building;
- (b) a unit and an adjacent flat roof situated in the same building;
- (c) a unit and an adjacent garden; and
- (d) a unit that became a single unit following the demolition of the walls or the floor, or any part of the walls or the floor, separating two units as shown by-
  - (i) a building plan and a letter issued by the Building Authority acknowledging receipt of a certificate of completion of the building works relating to the demolition as required under the Building (Administration) Regulations (Cap 123 sub leg A); or
  - (ii) a plan signed by an authorized person after the completion of the building works relating to the demolition.

The Collector of Stamp Revenue, when deciding whether or not a residential property is a single residential property, may have regard to the building plans, the deed of mutual covenant, the occupation permit and any other documents as considered relevant.



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Implementation of new requirements on maintaining the significant controllers register

With effect from 1 March 2018 (the "Effective Date"), non-listed companies incorporated in Hong Kong have an obligation to keep a significant controllers register (the "SCR") in English or Chinese in Hong Kong pursuant to the Companies Ordinance (Cap 622) (the "Ordinance"), following the passage of the Companies (Amendment) Bill 2017.



The Companies Registry has issued a guideline stating following notable issues:-

#### (I) <u>Defining beneficial ownership</u>

A person is registrable in the SCR if he directly or indirectly holds more than 25% of interest in a company or could exercise significant influence or control over the company.

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#### *(i) <u>Various ownership arrangements</u>*

If two or more persons jointly hold more than 25% of interest in a company, each of them is a registrable person. On the other hand, any share held by a nominee shall be regarded as being held by the nominor for the purposes of registration in the SCR. As for shares subject to security, such shares would be regarded as being held by the person providing them as security if, except where a right attached to those shares is exercised to preserve the value of the security or to realise the security, the right is exercisable only (i) in accordance with the instructions of that person or (ii) given that the shares are held in connection with granting of loans as part of normal business activities, in his interests.

#### (ii) <u>Significant influence or control</u>

It is indication of "significant influence" if a company generally adopts the activities which a person desires, whereas being able to direct the activities of the company may constitute "control". Absolute decision rights or veto rights over the decisions in the operation of the company's business are examples of significant influence or control. Further, all relationships which the person has with the company or its management have to be taken into account to ascertain whether the cumulative effect of those relationships would enable him to exercise significant influence or control. Such a broad condition would encapsulate a shadow director as defined in section 2 of the Ordinance being a person in accordance with whose directions a majority of the directors are accustomed to act.

#### (II) <u>A company's duties in relation to its SCR</u>

A company has a duty to take reasonable steps to ascertain any registrable persons and record the information about them, including giving notice to certain persons for disclosure of information about a registrable person (the "**Notice**") in response to which the addressee is obliged to supply the required information, and keep such records up-to-date. Companies are encouraged to record such steps taken. Even if there are no registrable persons, such a fact must be stated in the SCR which must not be left empty. Further, a company must designate at least one person as its representative to liaise with competent authorities in relation to its SCR.



A company must notify the Registrar of the place where the SCR is kept within 15 days, unless the SCR has been kept at all times at (i) its registered address or (ii) the same place where the register of members has been kept immediately before the Effective Date and which has been notified to the Registrar.

#### (III)Inspection of the SCR

A law enforcement officer and a person who is registered in the SCR are entitled to inspect and make copies of the SCR. A law enforcement officer includes an officer from the Companies Registry, Customs and Excise Department, Monetary Authority, Hong Kong Police Force, Immigration Department, Inland Revenue Department, Insurance Authority, Independent Commissions Against Corruption and Securities and Futures Commission.

#### (IV)Sanctions for non-compliance and false statement

(i) The company, (ii) the addressee of a Notice and (iii) the responsible person thereof must comply with their obligations under the Ordinance, otherwise they may be criminally liable to a fine at level 4 (ie HK\$25,000) and a daily fine of HK\$700.

Any person who knowingly or recklessly provides false, misleading or deceptive information in a material particular of the SCR could be liable to a maximum sentence of 2 years and a fine of HK\$300,000.

The SCR regime was launched to align the practices against money laundering and terrorist financing in Hong Kong with the Financial Action Task Force standard. Nonetheless, it would inevitably increase the compliance burden of Hong Kong companies. It remains to be seen whether the regime would prove to be an effective system for enhancing financial regulation in this regard.

## Hong Kong Alerts

#### Expansion of scope of IP rights eligible for tax deduction proposed

Under Hong Kong's tax regime, a capital expenditure is generally not deductible when computing profits tax, with certain exceptions under the Inland Revenue Ordinance (Cap 112). There are currently five types of intellectual property (IP) rights which are eligible for profits tax deductions for capital expenditure incurred for the purchase of IP rights, namely, patents, know-how, copyright, registered designs and registered trademarks.

Hong Kong

The Inland Revenue (Amendment) (No 2) Bill 2018 was introduced in March 2018 with a proposal to expand the scope of tax deductions from the existing five types to eight, with the additional rights in layout design (topography) of integrated circuits, plant varieties and performances. A first reading of the Bill took place on 11 April 2018, after which a committee was formed to discuss and study the Bill in detail.

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This legislative proposal is in line with the Government's goals to promote IP trading in Hong Kong and to strengthen Hong Kong's position as an IP trading hub in the Asia-Pacific region.

## The Securities and Futures Commission proposes amendments on takeovers codes

The Securities and Futures Commission (the "SFC") published a consultation paper in January 2018 to put forward proposed amendments to the Codes on Takeovers and Mergers and Share Buy-backs (the "Codes"). The proposed amendments aim at strengthening the protection for minority shareholders and bringing Hong Kong in line with financial hubs such as Singapore and London which already have the relevant regulations in place.

Certain major proposed changes are summarized as below:-

- (i) codifying the existing practice of the Takeovers Executive to issue pre-emptive rulings as measures to prevent breaches of the Codes;
- (ii) empowering the Takeovers and Mergers Panel to require a person who is found to be in breach of certain provisions of the Codes to pay compensation to shareholders who have suffered as a result of the breach;
- (iii) amending and narrowing the definition of "associates" by reference to the definition of "acting in concert", so as to eliminate the overlap and potential inconsistencies between the two definitions;
- (iv) raising the voting approval threshold for whitewash waivers from a simple majority to 75% of the independent shareholders;
- (v) requiring an offeror who wishes to delist in Hong Kong a company incorporated in jurisdiction which has no compulsory acquisition right (such as the mainland China) to put in place a mechanism to ensure that disinterested shareholders are afforded the greatest opportunity to exit; and
- (vi) requiring an offeror to announce the details of all classes and numbers of the relevant securities of the company where the securities of such company are to be offered as consideration for the offer.

The consultation period ended in mid-April. The SFC is reviewing the views collected and will issue a summary on the comments received and provide its responses.

# Newsletter MAY 18



Raymond Chan

## China

## National standard on personal information security specification issued

The Cyber Security Law of the People's Republic of China (中華人民共和國網絡 安全法) (the "Law") came into effect on 1 June 2017. As an ancillary document to the Law, Information Security Technology – Personal Information Security Specification (GB/T 35273-2017) (信息安全技術個人信息安全規範) (the "Standard") has been approved by the Standardization Administration of the People's Republic of China which came into effect on 1 May 2018.

The Standard specifies the principles and security requirements relating to the collection, retention, sharing, transfer and disclosure of personal information.

The Standard mainly covers the following:

#### Defined terms

Several key terms including personal information (個人信息), personal sensitive information (個人敏感信息), explicit consent (明示同意), user profiling (用戶畫像) and anonymization (匿名化) have been defined. Personal information includes biometrics and virtual identities etc, and personal sensitive information includes geo-location information and telephone records.

Examples of what constitute personal information and personal sensitive information are listed in Appendices A and B of the Standard.

#### Basic principles

Seven basic principles with regard to the handling personal information have been stipulated, namely:

- consistency in rights and obligations (權責一致原則)
- clear purpose of collection (目的明確原則)
- consent and choice (選擇同意原則)
- no excessive collection (最少夠用原則)
- transparency (公開透明原則)
- security guarantee (確保安全原則)
- data subject participation (主體參與原則)

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#### Explicit consent required for collection of personal sensitive information

Personal data controllers are required to obtain the explicit consent of the personal data subjects when collecting personal sensitive information. Details of how this should be implemented are set out in Appendix C of the Standard.

#### Template of privacy policy

Appendix D of the Standard sets out a template of privacy policy for reference.

#### Management requirement

Personal data controllers are required to designate a data protection officer and establish a personal information protection division.

#### **Conclusion**

The Standard serves to give guidance to entities other than network operators as to what are considered best practices in protecting personal information. The implementation of the Law and the Standard will offer more effective and comprehensive protection over personal information.

# China IP reform – consolidated administration of trademark, patent and geographical indication

As approved by the National People's Congress during the first session, China announced the re-organization of the State Intellectual Property Office ("**new SIPO**") on 26 March 2018, which will take over the responsibility of the patent administration from the previous SIPO, the trademark administration from the State Administration for Industry and Commerce ("**SAIC**"), and the geographical indication administration from the General Administration of Quality Supervision, Inspection and Quarantine ("**GQSB**"). The new SIPO will be supervised by the newly established State Administration for Market Regulation ("**SAMR**").

Functions of the SAIC, the GQSB, the China Food and Drug Administration, as well as the anti-monopoly regulatory functions of SAIC, the Ministry of Commerce and the National Development and Reform Commission, are incorporated into the newly established SAMR, which takes comprehensive responsibilities for market entity registration, market supervision and management, and market order maintenance.



Annie Tsoi



Templar Fang



The new SIPO is responsible directly for the prosecution of trademark, patent, and geographical indication matters, whilst the enforcement teams of the local Administration for Market Regulation are responsible for relevant enforcement matters.

The fact that the new SIPO is no longer under direct supervision by the State Council but by the newly established SAMR indicates that China is determined to enhance IP enforcement for better protection of IP rights. The consolidation of trademark, patent, and geographical indication administration is considered a big step for China in making IP protection more efficient.

Copyright administration remains with the Copyright Bureau. The official website of the previous SIPO (http://www.sipo.gov.cn/) has been updated to include trademark and geographical indication matters, although they are for now still directed to the existing online trademark and geographical indication databases.

### China Alert China to cancel and adjust patent-related fees as of 1 August 2018

The Ministry of Finance and the National Development and Reform Commission jointly issued a Notification recently to cancel and adjust some administrative fees as of 1 August 2018, with the aim to lower the burden on enterprises and boost development of the economy.

The following patent-related official fees will be cancelled: (i) patent registration fee; (ii) printing fee for publication; (iii) fee for change of patent agency/agent; (iv) transmittal fee during PCT international phase.

This Notification also provides the following fee adjustments which are applicable to eligible applicant/application and subject to SIPO's explanation: (i) the period of paying reduced annuity shall be extended up to 10 years from the year in which the patent is granted; (ii) where the applicant withdraws the application for invention on its/his own initiative prior to expiration of the prescribed time limit for responding to the first office action (except for the circumstance where the applicant has submitted the response), the applicant is entitled to request for refund of 50% of the substantive examination fee.

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 <u>anitakwan@wilgrist.com</u>. © WILKINSON & GRIST 2018

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