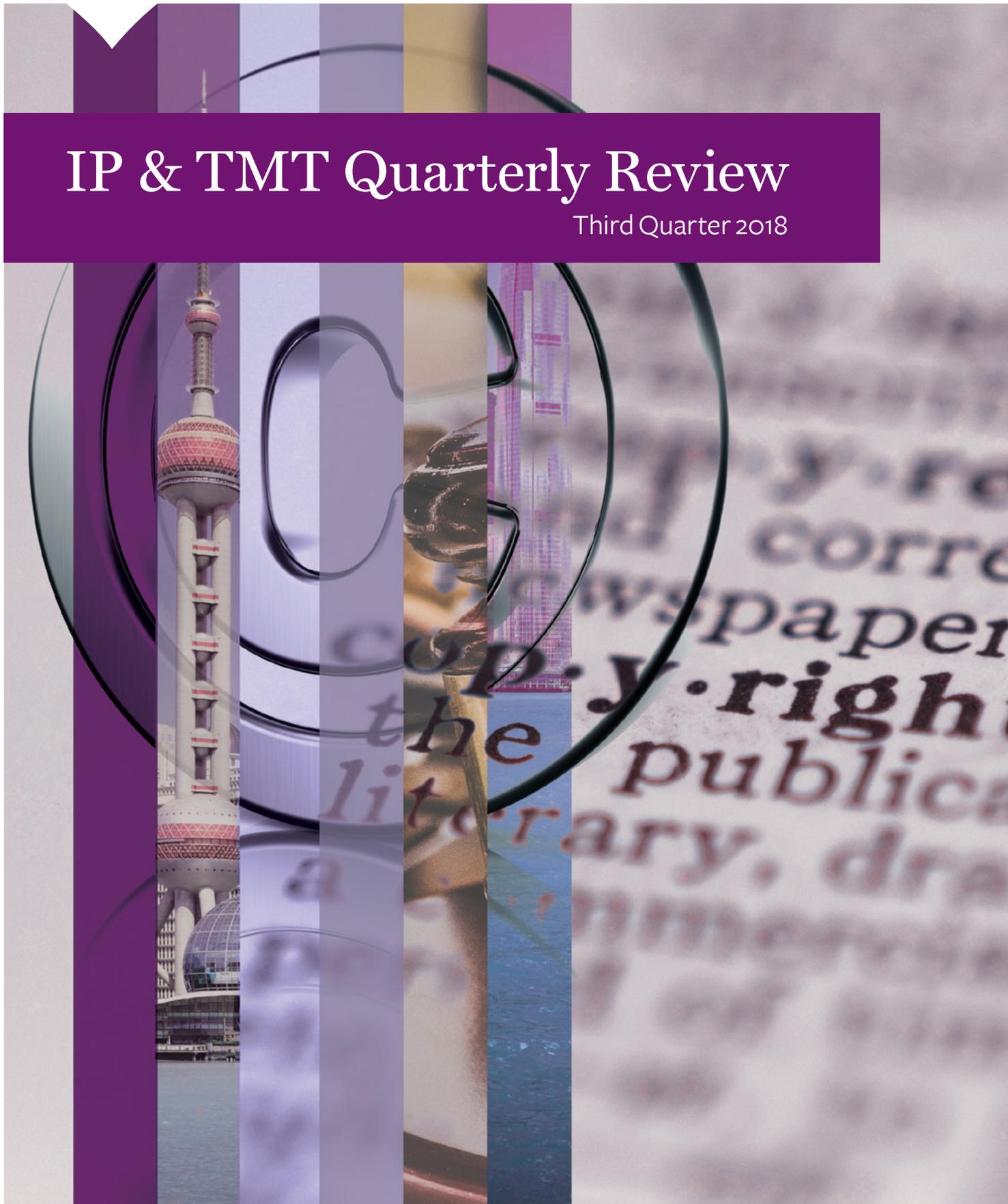


IP & TMT Quarterly Review

Third Quarter 2018





Contents

◆ INTELLECTUAL PROPERTY – CHINA

- 4 Getting *The Voice of China* Back

◆ INTELLECTUAL PROPERTY – HONG KONG

- 6 Who is the Boss now?
- 9 Trade Marks (Amendment) Bill 2018 – An Update

◆ E-COMMERCE LAW – CHINA

- 12 China Updates its E-Commerce Law

◆ TECHNOLOGY – HONG KONG

- 15 Computer Says No – Prosecuting Smartphone Offences

◆ TELECOMS – HONG KONG

- 18 5G to Arrive in Hong Kong

◆ CONTACT US

Intellectual Property

By Rosita Li, Partner, Mayer Brown, Hong Kong



Getting *The Voice of China* Back

We reported in our Q3 2017 issue of our IP & TMT Quarterly Review that in the dispute between Zhejiang Tangde Film & Television Co., Ltd (“**Tangde**”) and Shanghai Canxing Culture & Broadcast Co., Ltd (“**Canxing**”), the Beijing Intellectual Property (“**IP**”) Court granted an interim injunction against Canxing ordering Canxing to cease its use of “The Voice of China” and its Chinese title “中国好声音 (*Zhong Guo Hao Sheng Yin*)”¹. This was the first interim injunction granted by a Chinese IP court, since its establishment at the end of 2014.

By way of background, the Dutch company, Talpa Media, owns the IP rights in “The Voice”, an internationally famous singing competition. In July 2012, Talpa granted a licence to Canxing authorizing it to produce several seasons of the program in China. Canxing produced seasons 1 to 4 of the program under the names “The Voice of China” and “中国好声音” (*Zhong Guo Hao Sheng Yin*), which turned out to be a big hit in China. However, in January 2016, Talpa terminated the licence to Canxing over a dispute over royalties and then granted an exclusive licence to Tangde. Notwithstanding the termination of the licence, Canxing continued to produce and advertise a new season of the singing competition calling it “The Voice of China Season 5”, later on changing it to “2016 The Voice of China” (“2016中国好声音” (*Zhong Guo Xin Ge Sheng*)), which was scheduled to be broadcast via Zhejiang Satellite TV Station in July 2016. Tangde applied to court for an injunction and the Beijing IP Court granted an interim injunction against Canxing ordering Canxing to cease all use of The Voice of China and “中国好声音” (*Zhong Guo Hao Sheng Yin*). Because of the injunction, although Canxing continued to produce a new season of the program in the format of a singing competition, it changed the name to Sing! China 中国新歌声 (*Zhong Guo Xin Ge Sheng*).

We have been waiting eagerly for the final outcome of this litigation. After two years, the dispute has finally

¹ [Asia IP & TMT Quarterly Review 2017 Q3](#) is accessible here.

come to an end. On 25 June 2018, Canxing announced on its official Weibo account that Tangde and Canxing had reached a settlement and the parties agreed to drop all lawsuits. This was followed by Tangde applying to the Beijing IP Court to lift the injunction against Canxing. Canxing has since resumed the use of “中国好声音” (*Zhong Guo Hao Sheng Yin*) for its program, on air from 13 July 2018. Canxing however continues to use the English name “*Sing! China*”.

The likely reason why Tangde was prepared to settle the dispute is because the licence between Talpa and Tangde had already been terminated. On 13 November 2017, Tangde posted a notice on its Weibo account stating that Talpa had unilaterally terminated the licence agreement. There were apparently disputes

between Talpa and Tangde over the agreement. Since the licence agreement with Talpa had been terminated, there was no incentive for Tangde to continue the court action against Canxing.

We have seen many trade mark owners engaged in long legal battles over trade mark disputes, and in some cases the owners were not able to obtain ownership of their marks. It is important for all overseas trade mark owners to adopt and register a Chinese name/mark before entering into any deals concerning the Chinese market. Trade mark owners should also specify clearly in the licence agreement the mark in the local language and impose a restriction on the licensees from using or registering any other marks in the local language in relation to the licensed subject matter. ◆

Intellectual Property

By Rosita Li, Partner, Mayer Brown, Hong Kong

Who is the Boss now?

On 6 July 2018, the Court of Appeal in Hong Kong handed down a judgment setting aside the default judgment entered against the Defendants in the High Court action between Hugo Boss Trade Mark Management & Others and The Britain Boss International Company Limited and Sun Xiaowen.

In this High Court action, the Plaintiffs are companies in the Hugo Boss group of companies which designs, manufactures and sells luxury clothing, footwear and accessories under the internationally well-known Hugo Boss brand. The 1st Defendant, Britain Boss International Company Limited, was a Hong Kong company controlled by the 2nd Defendant and the 2nd Defendant was the sole shareholder and director of the 1st Defendant. The Plaintiffs brought this action against the Defendants for trademark infringement and passing off. It was alleged by the Plaintiffs that the Defendants infringed the Plaintiffs' trademarks, namely "BOSS", "BOSS" with "Hugo Boss" appearing in smaller fonts beneath it, "雨果布斯" and "布斯". In their submissions, the Plaintiffs further claimed that the Defendants used marks identical to "BOSS" and "布斯" on their clothing and apparel products, as well as in advertising and packaging, and on websites targeted at consumers in Hong Kong. The Defendants are the owners of the "BOSSUNWEN", "BOSSCO", and "布斯绅威" trade marks in mainland China.

Proceedings were commenced by the Plaintiffs by their writ issued on 18 November 2013. The writ was served on the 1st Defendant by leaving it at, and posting it by registered post to, the 1st Defendant's registered address in Hong Kong. It was served on the 2nd Defendant in the same way, at the same address, on the basis that it was the 2nd Defendant's usual or last known address in Hong Kong (which the 2nd Defendant had listed as her residential address in the annual returns of the 1st Defendant, although she ordinarily resided in mainland China).

Neither of the Defendants filed an acknowledgment of service, or a defence, in respect of the claims. As a



result, the Plaintiffs applied for and obtained default judgment against the Defendants. When the Defendants eventually realised that this had happened, they applied to set aside the default judgments against them.

By his judgment of 22 April 2015, Zervos J dismissed the 1st Defendant's application to set aside the default judgment as he held that the 1st Defendant failed to demonstrate any successful defence. In respect of the application of the 2nd Defendant, it was held that the service of the writ on her had been irregular, as she was not actually in Hong Kong when service on her was effected (or deemed to have been effected). Nevertheless, Zervos J did not set aside the default judgment against the 2nd Defendant, and instead invited submissions from the Plaintiffs as to whether any conditions, and if so what conditions, should be imposed on the setting aside of the judgment against her.

The Defendants appealed to the Court of Appeal.

The Plaintiffs' Claims

The Plaintiffs have four main allegations against the Defendants, namely that:

1. the products manufactured by or under the authority of the Defendants were purchased online and delivered to the Plaintiffs' solicitors in Hong Kong, which bore the allegedly infringing marks;
2. the <bosssunwen.com> website contains the allegedly infringing marks;
3. invitations to potential franchisees to apply to open retail stores for the sale of Bosssunwen products were posted on the <bosssunwen.cn> website; and
4. the English and Chinese names of the 1st Defendant were chosen with the intention to deceive consumers and create a false association with the Plaintiffs.

Grounds of Appeal

The Defendants' main grounds of appeal are as follows:

1. the Judge went beyond the boundaries of the Plaintiffs' pleaded case and failed to consider the merits of the Defendants' defences in the context of the Plaintiffs' pleaded case;
2. there was no sufficient evidential basis to find that the Defendants were responsible for the sale of the allegedly infringing products delivered to the Plaintiffs' solicitors in HK;
3. that the Chinese marks “雨果博斯” and “博斯” are not sufficiently well-known so as to support a claim for passing off;
4. the Judge erred in concluding the Defendants' websites, which allegedly infringed the Plaintiff's trademarks, were targeted at the Hong Kong public (as opposed to those in mainland China);
5. the 1st Defendant ought to be able to rely on section 19(4) of the Trade Marks Ordinance (Cap. 559); and
6. that the Plaintiffs should not be allowed to impose conditions for the default judgment against the 2nd Defendant to be set aside, which the Judge had found to be irregular.

The Judgment

Although the Court of Appeal did not agree with the Defendants on some of their grounds of appeal, the Court of Appeal set aside the default judgment with costs against the Plaintiffs for the following reasons:

1. the Judge at first instance should not have taken into account matters not pleaded by the Plaintiffs;
2. the Defendants have an arguable case in claiming that they are not responsible for the products purchased online because:
 - a. the products were purchased from Tmall and Taobao, popular online shopping platforms with which the Defendants have no affiliation;
 - b. the <bosssunwen-shop.com> website, which contains a link to Tmall where Bosssunwen products can be bought, is not owned or operated by the Defendants, but by a third party of whom they are not aware; and
 - c. that the Defendants are legitimate owners of

Intellectual Property Cont'd

their trademarks in mainland China, thus it must be established that they authorised the sale in Hong Kong (which the evidence does not suggest), not merely that the products originated from them;

3. the Defendants have an arguable case in claiming that their websites are targeted at mainland China consumers, but not Hong Kong consumers, because:
 - a. the only website with a link to an online shopping platform, <bosssunwen-shop.com>, cannot be shown to be related to the Defendants, based on the evidence;
 - b. the prices on that website are marked in RMB, not Hong Kong dollars;
 - c. with reference to all three websites, two of which the Defendants are responsible for, simplified Chinese characters are adopted; and
 - d. for the two websites with no option for online purchase, though they are accessible by persons in Hong Kong, there is no evidence suggesting that the Defendants' products are

being sold in Hong Kong, thus they cannot be said to target Hong Kong consumers; and

4. regardless of whether the default judgment against the 2nd Defendant was regular or irregular, it would have to be set aside for the reasons above, and the Plaintiffs should not be allowed to impose conditions for the judgment to be set aside.

Conclusion

Although the Court of Appeal decided to set aside the default judgments against the Defendants in this case, the Defendants have spent substantial time and costs in the application and the appeal. It is therefore important for a defendant not to ignore any court documents served on them and take appropriate action within the stipulated time.

Further, the Defendants have successfully shown that they have real prospects of defending all the claims made by the Plaintiffs. It will be interesting to see what the trial judge will decide if the matter does go all the way to trial. ◆

Intellectual Property

By Benjamin Choi, Partner, Mayer Brown, Hong Kong
Vivian Or, Senior Associate, Mayer Brown, Hong Kong

Trade Marks (Amendment) Bill 2018 – An Update

In our Q4 2017 issue of our IP & TMT Quarterly Review², we shared an overview on the initiative and progress of Hong Kong acceding to the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks (“**Madrid Protocol**”).

Before the implementation of the new international registration (“**IR**”) system that will operate in parallel with the traditional “national” system, one major task ahead for the Intellectual Property Department (“**IPD**”) is to substantially revamp all relevant provisions in the Trade Marks Ordinance (Cap.559) (“**TMO**”) to cater for the new features and process involved in the application and registration of trade marks originating or extending from an IR. According to the IPD, the Trade Marks (Amendment) Bill 2018 (“**TM Bill 2018**”) will be presented to the Legislative Council (“**LegCo**”) by year end. The IPD is also taking this opportunity to amend some existing provisions applicable to all types of trade marks.

The Madrid Protocol

The Madrid Protocol aims to facilitate the application and registration of trade marks in multiple jurisdictions through one application to the trade mark office in one of the contracting parties (states) to the Madrid Protocol (“**Designated Office**”). An international application (“**IA**”) or IR of a mark under the Madrid Protocol is administrated by the International Bureau (“**IB**”) of the World Intellectual Property Organisation (“**WIPO**”). An applicant can designate one or more contracting parties of the Madrid Protocol and each IR must be based on a basic registration of the mark in a Designated Office. The validity of the IR in each of the designated countries or regions is subject to examination and acceptance which are assessed or determined by the relevant trade mark office in

² [Asia IP & TMT Quarterly Review 2017 Q4](#) is accessible here.

Intellectual Property Cont'd

accordance with local trade mark laws and provisions.

TM Bill 2018

Apart from provisions relating to the introduction and operation of the IR system, changes to existing provisions are necessary as most basic and operational provisions will have to be extended to trade marks applied for, examined and registered under the IR stream.

The IPD has over the years worked closely with intellectual property practitioners to review and identify issues under the trade mark system. The TM Bill 2018 serves to improve existing provisions on general trade mark examination and post registration matters as well. Some of these proposed changes have been discussed with practitioners at meetings with the IPD. For example:

1. protection of well-known trade marks extended to all goods and services (the current provisions are not too clear);
2. a corporate applicant needs to state country/region of incorporation in the application form;
3. full payment of filing fee to secure a filing date; and
4. a new channel for interested parties to notify the Trade Marks Registry (“**Registry**”) of an error on the Register.

Citation of Similar Marks under Application

Under the current regulations, a first observation letter (“**First Observation Letter**”) is issued by the Registry when a prior similar mark (which is pending) is identified as a potentially conflicting mark. The applicant may then exercise the option of whether to respond to the IPD in an attempt to resolve a pending or “potential” citation.

When such prior similar mark is registered, a formal opinion (“**First Opinion**”) will then be issued and the first six months prescribed period shall start to run

(“**Prescribed Period**”) for the applicant to respond to the First Opinion. The Registry will issue a further opinion if the objection is maintained post submission by an applicant.

The Madrid Protocol requires all grounds of objection to an IA to be raised by the Registry in a Notification of ex officio Provisional Refusal (“**Notification of Provisional Refusal**”), which is similar in nature to a First Opinion. Instead of a First Observation Letter notifying potential citation of a similar mark with an earlier priority date, the Registry will issue a First Opinion directly. To ensure coherency between domestic and international applications, the TM Bill 2018 proposes to automatically extend the Prescribed Period so that it will not start to run until the cited mark is registered.

Amendments to an application

The amendment to an application (“**Application**”) involving the addition of a representation of a prior registered mark of the Applicant is quite a unique provision in Hong Kong. It is anticipated that a trade mark filed under an IA can make use of such provision.

Under the current TMO, an amendment under section 46 is allowed if (i) the trade mark is registered earlier than the filing date of the Application, (ii) the trade mark is registered by the same applicant, and (iii) the goods and services applied for under the Application are *identical or similar* to those covered by the registered trade mark³.

The TM Bill 2018 proposes to modify the wording of section 46 TMO, such that the goods and services in the Application shall be *identical to or narrower* than those in the registered trade mark.

Section 46 simply provides that the applicant can amend the Application by adding the representation of a registered mark, nothing more and nothing less. The applicant can, in certain circumstances, be granted a broader or better right, as far as the portion of the registered mark is concerned, under the registration of

3 Section 46(2) of the TMO.

the combined mark without the same condition.

Conditions attached to a registered mark may include (i) colour claim, (ii) 3D shape mark claim, (iii) consent, and (iv) acquired distinctiveness. The Registry's position is and remains that upon amendment of the application involving addition of the representation of a registered mark, the amendment itself and the amended mark would be examined by the Registry to determine if the effect of the amendment satisfies the condition of registration. If the amended mark cannot satisfy the requirements for any reason, the applicant would still need to resolve the objection like it did before by, for example, obtaining consent for the combined mark or proving evidence of use. It is believed a colour claim and 3D shape claim condition in the registered mark can be carried over to the amended mark.

Other New Proposals and Updates

Also included in the TM Bill 2018 is a proposal to grant certain general powers to the Hong Kong Customs and Excise Department ("**C&ED**"). These include the

power to enter and search premises based on a warrant issued by a Magistrate, seize goods and inspect documents, arrest and search a person who is suspected of committing an offence under the TMO, and forfeit and dispose of articles based on a court order. Currently, the Hong Kong Police is the agency in charge of enforcing the TMO, whereas the other intellectual property offences under the Copyright Ordinance, Prevention of Copyright Piracy Ordinance and Trade Descriptions Ordinance are enforced by the C&ED. The proposed provisions would align the enforcement responsibility in all intellectual property offences under the C&ED.

The IPD's and the Registry's IT systems would be upgraded to facilitate integration with amendments of WIPO's Madrid system. The IPD is also developing a new Business-to-Business e-filing service to enable bulk filing of trade mark applications and renewals of registrations. These improvements would no doubt be well received, as they will improve the efficiency of trade mark prosecutions. ◆

E-Commerce Law

By Gabriela Kennedy, Partner, Mayer Brown, Hong Kong
 Amita Haylock, Counsel, Mayer Brown, Hong Kong
 Maggie Lee, Associate, Mayer Brown, Hong Kong



China Updates its E-Commerce Law

China has over 802 million Internet users⁴ and its e-commerce market is one of the fastest growing in the world. Against this backdrop, and after considering four versions of the draft e-commerce legislation, the Standing Committee of the National People's Congress of the People's Republic of China (“**PRC**”) promulgated the E-Commerce Law of the PRC (“**E-Commerce Law**”) on 31 August 2018. The new E-Commerce Law will come into force on 1 January 2019.

The new E-Commerce Law regulates interactive business activities conducted over the Internet⁵. Notably, it does not apply to the provisions of financial products or services, or media services (such as the provision of news content audio or video programmes, publications and the broadcasting of cultural programmes)⁶.

The impetus of the legislation is to encourage the development of e-commerce, stimulate innovation in this space, the advancement of new business ideas, and research on new technologies⁷. The E-Commerce Law touches on a range of areas, such as intellectual property (“**IP**”) protection, personal data protection, advertising, competition and consumer rights⁸. In this article we look in more detail at the IP provisions in the new E-Commerce Law.

Who needs to comply with the E-Commerce Law?

The E-Commerce Law applies to the following types of e-commerce operators (collectively known as “**E-Commerce Operators**”)⁹ that operate within mainland China:

1. “**Platform Operators**”, which operate online business platforms or provide transaction

⁴ [The China Internet Network Information Center, The 42nd Statistical Report on Internet Development in China \(July 2018\)](#).

⁵ Article 2, E-Commerce Law.

⁶ Article 2, E-Commerce Law.

⁷ Article 3, E-Commerce Law.

⁸ Article 5, E-Commerce Law.

⁹ Article 9, E-Commerce Law.

matching and other services for two or more parties to an e-commerce transaction, so that the parties can conduct trading activities independently. Examples would include Taobao and JD.com;

2. “**In Platform Operators**”, which sell goods or offer services on the Platform Operators. An example would be an online vendor on Taobao or on Tmall; and
3. Other e-commerce operators which sell their own goods or offer their own services on websites that they have developed themselves or other network services (“**Self-Operators**”).

E-Commerce Operators and IP Protection

The E-Commerce Law emphasises IP protection by clarifying the many obligations and liabilities of Platform Operators and In Platform Operators. There are no specific IP provisions regulating Self-Operators.

Firstly, Platform Operators are required to establish rules to protect IP rights on their platforms as well as to strengthen cooperation with IP rights owners¹⁰.

The E-Commerce Law now provides a notice and take-down/blocking mechanism in relation to IP infringing content hosted by Platform Operators as follows:

1. Where an IP rights owner (“**Rights Owner**”) believes that its IP right has been infringed, it may send a notice (“**Notice**”) to the Platform Operator concerned. The Notice should specify the preliminary evidence of alleged IP infringement¹¹.
2. Upon receipt of the Notice, the Platform Operator must take necessary measures as soon as

practicable (e.g. by blocking access to the infringing content)¹² and forward the Notice to the relevant In Platform Operator¹³.

3. Upon receipt of the Notice, the In Platform Operator can make a statement to the Platform Operator denying any infringement (“**Statement**”), together with preliminary evidence to refute the existence of the infringement¹⁴.
4. The Platform Operator must inform the Rights Owner of any Statement, with a reminder that the Rights Owner may lodge a complaint with the administrative authorities or file a lawsuit¹⁵.
5. If the Platform Operator does not receive a notice of administrative complaint or lawsuit filed by the Rights Owner within 15 days of delivering the Statement, it should terminate all measures taken¹⁶.

Platform Operators have an obligation to make public the take down requests received and respond to them as soon as it is practicable¹⁷. If a Platform Operator receives a Notice but fails to take the necessary measures to remove or block access to alleged infringing contents, or fails to forward the Notice to the In Platform Operator in due time, it will be held jointly liable with the concerned In Platform Operator for any further loss suffered by the Rights Owner¹⁸.

In addition to the mechanism set out above, Article 45 of the E-Commerce Law provides that a Platform Operator will be jointly liable with an In Platform Operator if: (i) it knows or should have known that an In Platform Operator has infringed any IP right on its Platform; and (ii) the Platform Operator fails to take all necessary measures to cease infringement. This obligation is very broad as Platform Operators do not have to be actually aware of the infringement in order

¹⁰ Article 41, E-Commerce Law.

¹¹ Article 42, paragraph 1, E-Commerce Law.

¹² Article 42, paragraph 1, E-Commerce Law.

¹³ Article 42, paragraph 2, E-Commerce Law.

¹⁴ Article 43, paragraph 1, E-Commerce Law.

¹⁵ Article 43, paragraph 2, E-Commerce Law.

¹⁶ Article 43, paragraph 2, E-Commerce Law.

¹⁷ Article 44, E-Commerce Law.

¹⁸ Article 42, paragraph 2, E-Commerce Law.

E-Commerce Law Cont'd

to be held liable, and can be held liable if they “should have known” of it. However, the Law has not specified what constitutes a situation where a Platform Operator “should have known” of an infringement.

Potential Fines

Penalties for Platform Operators who fail to take necessary measures against In Platform Operators who have infringed the IP rights of the Rights Owners contrary to the new provisions in the E-Commerce Law include an order for the Platform Operators to make the necessary corrections.

If a Platform Operator fails to make corrections in accordance with directions issued by administrative authorities, it may be fined anything between RMB 50,000 and RMB 500,000. Egregious cases of

infringement can lead to fines of over RMB 500,000, up to a maximum of RMB 2 million¹⁹. The E-Commerce Law however does not set out what amounts to a “serious case of infringement”.

Conclusion

The new E-Commerce Law shows China’s commitment to the protection of IP rights in the e-commerce market. Platform Operators will have to pay extra attention to strengthen their IP protection policies and mechanisms to prevent infringements from occurring on their platforms.

It is also worth noting that the E-Commerce Law does not include provisions of the protection of audio-video content. ◆

19 Article 84, E-Commerce Law.

Computer Says No – Prosecuting Smartphone Offences

In the recent Hong Kong case of *Secretary for Justice v. Cheng Ka-Yee and Ors*²⁰ (“**Case**”), the Court of First Instance (“**CFI**”) dismissed an appeal concerning the offence of obtaining access to a computer for dishonest gain under Section 161(1) of the Crimes Ordinance (Cap.200) (“**CO**”). The impact of the decision goes well beyond the circumstances of the Case, and may even act as a barrier to prosecuting individuals who take upskirt photos or engage in other questionable activities using their smartphones.

Background

The four defendants were all primary school teachers. In preparation for student admission interviews to be held at the school where three of the defendants worked, a teachers’ briefing session was organised for the day before. During the briefing session, two of the defendants took photographs of the interview questions using their smartphones, and sent them to a friend as well as to the third defendant, who was late for the briefing. The third defendant later copy typed the interview questions into a Word file on the school’s desktop computer before emailing the file to the second defendant and a third party. The Word file was then forwarded by the second defendant to the fourth defendant via email, who took photographs of the Word file and sent them to her friends using her smartphone.

The defendants were charged under Section 161(1)(c) of the Crimes Ordinance (Cap.200) (“**CO**”) with the offence of obtaining access to a computer with a view to dishonest gain for another. The prosecution argued that the “dishonest gain” was the opportunity for parents to prepare their children for the school interviews in order to improve their chances of gaining admission to the school.

²⁰ [2018] HKCFI 1809.



Technology

At trial, there was no dispute that the smartphones used by the defendants were, in effect, computers; in *Secretary for Justice v. Wong Ka Yip Ken*²¹, it was held that smartphones fell within the definition of a computer for the purposes of Section 161(1) of the CO²². The main focus of the Magistrate was whether or not the element of dishonesty was established.

The Magistrate held that there was reasonable doubt as to whether the teacher in charge of the admission process had made it clear to the defendants the confidential nature of the briefing. Further, the Magistrate noted that the photographs taken by the first and second defendants were done in the presence of other people at the briefing (including the teacher in charge of admissions). In light of the foregoing and other findings, the Magistrate held that the prosecution failed to prove the element of dishonesty for the purposes of establishing an offence under Section 161(1)(c) of the CO. As a result, the defendants were acquitted.

Appeal

On appeal, however, a new question was put to the prosecution by the CFI – whether the *actus reus* for the offence (i.e. obtaining access to a computer) could even be proved. The CFI raised the concern that a number of cases have been brought before the court for a wide range of wrongful acts under Section 161(1)(c) of the CO, simply on the basis that a smartphone has been used in the commission of the act, which (if not for the use of the smartphone) would not have been criminal. For example, the taking of upskirt photos or sending confidential information to third parties.

The CFI gave the example of two individuals meeting face-to-face to discuss a plan to commit a crime, but they later decide to abandon the idea. Such a meeting is unlikely to amount to an offence. However, if they discussed the matter through the use of a smartphone, then according to the prosecution’s interpretation of

Section 161(1)(c) of the CO, such an act would amount to an offence. As stated by the CFI, “if that is the legal position, then whether or not they should be punished under criminal law would depend on the devices they used to communicate... I fail to see the logic and legal basis in converting improper acts which are not otherwise offences under established legal principles into an offence under Section 161 simply because a computer was involved in the commission of such misconducts.”²³

The CFI held that the ambit of the *actus reus* for the offence (i.e. obtaining access to a computer) under Section 161(1)(c) of the CO should be limited to the unauthorised extraction and use of information from a computer. Therefore, in this Case, since three of the defendants had used their own smartphones to take the photographs and to send or receive them, and another defendant’s use of the school’s computer to create the Word file was not unauthorised, their actions did not amount to an unauthorised extraction and use of information from a computer.

The appeal was dismissed.

What is the impact of the Case?

The outcome of this Case may have seemed innocuous, but has in fact dealt a blow to the ability to prosecute many smartphone-related crimes, in particular the taking of upskirt photos. The judgment has resulted in several pending smartphone-related cases being adjourned or dropped.

Section 161 was originally drafted to prevent computer crimes such as hacking, but has been expanded to criminalise other conduct that, whilst reprehensible, may not clearly fall under other criminal offences or may be more difficult to prosecute under other legislation. For example, the taking of upskirt photos or the leaking of exam questions. Such broad application of the offence has been condemned by some as going too far and acting as a “catch-all-offence”, whilst

²¹ HCMA 77/2013.

²² See our previous article “[How Smart is a Smartphone and How About its User?](#)”

²³ *Secretary for Justice v. Cheng Ka-Yee and Ors* [2018] HKCFI 1809.

others have praised it as providing a solution to criminalise reprehensible conduct.

On 6 September 2018, the Department of Justice's application for a further appeal to be heard before the Court of Final Appeal was granted. The Department of Justice argued that the CFI's judgment was too narrow, and was not in accordance with the intention of the legislation. The CFI's interpretation could even have the potential effect of de-criminalising certain cyber attacks, e.g. the sending of an email through the sender's own computer to transmit a virus to cause disruption to the recipient's IT systems.

TAKEAWAY POINTS

The Case demonstrates how current legislation may be inadequate to deal with the digital age. Many actions are widely seen as criminal because they involve the use

of smartphones or computers, when in fact they do not squarely fall under an existing offence. Department of Justice and the courts have had the burden of trying to give new meaning and interpretation to old laws in order to deal with the ever changing nature of crimes enabled by technology.

However, it may be time for a revamp of the legislation to directly address these issues. As a step towards this, on 16 May 2018, the Law Reform Commission's Review of Sexual Offences Sub-committee published a consultation paper making preliminary proposals for the reform of law concerning miscellaneous sexual offences. This is the government's chance to introduce the taking of upskirt photos as an offence, something which was recommended by the Hong Kong Bar Association in its comments on the consultation paper issued on 16 August 2018. ◆

5G to Arrive in Hong Kong

5G, the fifth and latest generation of mobile Internet connectivity, is to be introduced in Hong Kong by 2020. In what is considered to be a formality, the International Telecommunication Union (“**ITU**”) will convene a Radiocommunication Conference in 2019 to establish a global allocation of 5G spectrum, following which commercial 5G services will be rolled out around the world. In order to pave the way for 5G, Hong Kong’s Communication Authority (“**CA**”) is clearing suitable frequency bands to provide additional spectrum for mobile services. Furthermore, Hong Kong Telco (“**HKT**”), the Global Mobile Suppliers Association, and Huawei have jointly published a white paper detailing the required upgrades to existing indoor network infrastructure to meet the demands of the 5G era, such as increasing the number of small cells²⁴ located indoors.

The Technology

5G will run at 20 times the speed of current 4G Internet with a peak download speed of 20Gb/s compared to 4G’s 1Gb/s. The introduction of 5G will help the city cope with the increasing demands on its Internet services, caused by an ever-increasing number of inter-connected devices in the expanding world of Internet of Things (“**IoT**”). The introduction of this technology, with its huge capacity for data, promises to create a smarter and better-connected world.

Like its predecessors, 5G will use radio frequencies to transmit data. However, where previous technologies have used lower bands, 5G will use high frequencies in what is an innovation for Internet technology. The advantage of these bands, in the 24.25 to 86GHz range, is that they are less cluttered with existing cellular data and consequently have the ability to ensure the fast transmission of data.

In addition, 5G will use shorter wavelengths than 4G, enabling the use of smaller and more precise antennae

²⁴ A term used for all low-powered mobile base stations controlled by operators.

than at present. The reduced size of antennae will free up space at telecom base stations for additional antennae, increasing the coverage and accuracy of transmission. Through the combination of high frequencies and smaller antennae, 5G will provide ultra-fast Internet to a much larger network of devices, while minimising network congestion. Such technology will be crucial in supporting development and innovation in Hong Kong.

The Costs

In July this year, the CA pledged not to charge telecommunications companies for the use of spectrum (radio frequencies) required for 5G, subject to demand being below 75% of supply. This is in contrast to the situation elsewhere, notably the US, UK, and Spain. Perhaps this promise was too good to be true, as its effect would have been the removal of financial and administrative barriers for mobile network providers, expediting the introduction of the service and greatly reducing the cost to consumers.

As the saying goes, if something seems too good to be true, *then it probably is too good to be true!* A public consultation jointly issued by the CA and the Secretary for Commerce and Economic Development was announced on 28 August 2018. The document revealed plans to auction off spectrum for both territory-wide and indoor use.

Interested parties or members of the industry were invited to express their views and comments before 26 September 2018 on the spectrum allocation and assignment arrangements. The proposed arrangement is to hold separate auctions around mid-2019 for each band of spectrum to determine to whom the spectrum should be assigned. Bidders will have to meet qualification requirements such as a specified deposit (which will be forfeited in cases of rule violation or defaulting after winning the auction) and proof that the bidder has the requisite capabilities to fulfil its licensing obligations. Utilisation fees will then be set based on full market value.

The race for 5G

While Hong Kong is on-track for the introduction of 5G in 2020 along with Singapore and Australia, the city looks certain to fall behind other traditional rivals in the technology sphere. In March 2019, South Korea is set to become the first country to introduce 5G commercially, following close collaboration between its IT ministry and three local telecommunications companies. Mainland China is expected to follow suit in the second quarter of 2019.

Comments to the CA's consultation paper have not yet been made public, but these plans are unlikely to be well received. Just a few months ago in June, HKT released a strongly worded paper²⁵ criticising the CA and by extension the Hong Kong government in relation to its practices and policies in the telecommunication space, including its delay in coming up with a plan for the release of 5G. HKT is critical of the fact that the CA is stuck using "*20th century policy prescriptions that were developed for a voice-centric mobile world when the future is all about 21st century massive-data and video applications*". According to the paper, the CA carrying on its practice of issuing consultation papers or holding auctions is simply not the solution. There needs to be a radical overhaul of the policy and regulatory framework in Hong Kong.

The paper further criticised the CA for their outdated and unsustainable plans, which they believe are only short-term solutions that do nothing to achieve Hong Kong's vision to become a "Smart City".

Conclusion

In 2010, Hong Kong was among the world's earliest adopters of 4G, putting the city at the forefront of mobile network technology. However, progress appears to have slowed, and despite the CA's steps to introduce 5G in 2020, it appears their methods of doing so may be inefficient and inadequate. The results of the consultation paper have yet to be published as the time of publishing this article, but there may be other

25 Please see: <https://www.hkctl.com/r/cms/pccw/2018/201806040/20180611e-Telecom-Policy-Paper-en.pdf>

HONG KONG

Telecoms

operators who are similarly dissatisfied with the current approach. If Hong Kong is to catch up with global leaders including mainland China, then perhaps a review of telecommunications policy is necessary for the formulation and implementation of a more modern system. ◆

Contact Us

GABRIELA KENNEDY

Partner

+852 2843 2380

gabriela.kennedy@mayerbrown.com

ROSITA LI

Partner

+852 2843 4287

rosita.li@mayerbrown.com

BENJAMIN CHOI

Partner

+852 2843 2555

benjamin.choi@mayerbrown.com

AMITA HAYLOCK

Counsel

+852 2843 2579

amita.haylock@mayerbrown.com

KAREN H. F. LEE

Senior Associate

+852 2843 4452

karen.hf.lee@mayerbrown.com

VIVIAN OR

Senior Associate

+852 2843 2510

vivian.or@mayerbrown.com

MAGGIE LEE

Associate

+852 2843 4336

maggie.lee@mayerbrown.com

About Mayer Brown

Mayer Brown is a distinctively global law firm, uniquely positioned to advise the world's leading companies and financial institutions on their most complex deals and disputes. With extensive reach across four continents, we are the only integrated law firm in the world with approximately 200 lawyers in each of the world's three largest financial centers—New York, London and Hong Kong—the backbone of the global economy. We have deep experience in high-stakes litigation and complex transactions across industry sectors, including our signature strength, the global financial services industry. Our diverse teams of lawyers are recognized by our clients as strategic partners with deep commercial instincts and a commitment to creatively anticipating their needs and delivering excellence in everything we do. Our “one-firm” culture—seamless and integrated across all practices and regions—ensures that our clients receive the best of our knowledge and experience.

Please visit www.mayerbrown.com for comprehensive contact information for all Mayer Brown offices.

This publication provides information and comments on legal issues and developments of interest to our clients and friends. The foregoing is intended to provide a general guide to the subject matter and is not intended to provide legal advice or be a substitute for specific advice concerning individual situations. Readers should seek legal advice before taking any action with respect to the matters discussed herein.

Mayer Brown is a global services provider comprising associated legal practices that are separate entities, including Mayer Brown LLP (Illinois, USA), Mayer Brown International LLP (England), Mayer Brown (a Hong Kong partnership) and Tauil & Chequer Advogados (a Brazilian law partnership) (collectively the “Mayer Brown Practices”) and non-legal service providers, which provide consultancy services (the “Mayer Brown Consultancies”). The Mayer Brown Practices and Mayer Brown Consultancies are established in various jurisdictions and may be a legal person or a partnership. Details of the individual Mayer Brown Practices and Mayer Brown Consultancies can be found in the Legal Notices section of our website.

“Mayer Brown” and the Mayer Brown logo are the trademarks of Mayer Brown.

© 2018 Mayer Brown. All rights reserved.

Attorney Advertising. Prior results do not guarantee a similar outcome.