In DVC’s inaugural newsletter, we aim to provide you with insights and key takeaways on topical issues derived from the evolving landscape.

Read on as we take a look back on a year that has seen DVC’s members involved in a slew of thought leadership events showcasing developments and landmark cases in the company, dispute resolution, probate, intellectual property, public law, and competition domains. Also featured are announcements of new arrivals - as DVC welcomed a new Silk and a set of freshly minted tenants.

In our featured articles, uncover recent legislative changes and the trends shaping Hong Kong’s legal panorama as Winnie Tam SC and Benny Lo unlock the value of the recent Arbitration Amendment Bill and discuss the use of Arbitration as a means of consensual resolution for Intellectual Property conflicts. Adrian Lai examines the impact of Third Party funding in the Arbitration context and considers how disclosure might affect parties’ conduct going forward.

Embedded in the Case Reports section, you will find the practical implications of recent landmark decisions that DVC’s Members have been involved in. John Scott SC and Frances Lok clarify the test in an application for ancillary relief in aid of foreign proceedings in a widely reported case concerning creditors’ winding up petitions.

In Elite Dragon Limited v. BEL global Resources Holdings Limited, John Scott SC and Sabrina Ho consider issues relating to fraudulent duties and mis-representation. Rachel Lam and Eva Leung pull back the curtain on the first Hong Kong case concerning an employer’s entitlement to an employee’s inventions. Vincent Chiu weighs in on neglect in prosecuting appeals, Sharon Yuen delves into disclaimer clauses in the context of Chang Pui Yin & Ors v. Bank of Singapore Limited and Kerby Lau discusses the golden rule and offers some helpful tips for probate practitioners drawn from Re The Estate of Au Kong Tim.

In the Events segment, we provide a roundup of the thought leadership seminars we have included you in over the course of the year. William Wong SC and Conyers’ Jeffrey P. Elkinson examine the evolving role of the courts following a growing interest in arbitration in their presentation entitled: “Thou Shall Not Interfere.” Winnie Tam SC and a cohort of IP professionals steer you through “Crossroads in Intellectual Property Law,” and CW Ling considers the differences between reputation and goodwill against the backdrop of the Maxim’s and the Starbucks cases. Charles Sussex SC, José-Antonio Maurellet SC and Richard Zimmern share some battle-hardened insights from their seminar on Cross-border Insolvency. Patrick Fung SC, Teresa Wu and Connie Lee fill you in on “6 Things you need to know about Cross-Jurisdictional Inheritance & Administration of Estates in 60 minutes.”
Mind the Gap and read on to learn about common mis-steps in Hong Kong’s nascent Competition sphere in as DVC speakers, Catrina Lam, John Hui, Connie Lee, Kelvin Kwok, Jonathan Chan and Cherry Xu joined forces with 6 leading Silks from London’s Monckton Chambers in their recent Competition Symposium: “Mind the Gap: Valuable lessons from the EU & UK for Competition Litigation in HK going forward.”

Visiting Professors Dr. Jeremias Prassl and Dr. Sandy Steel delivered thought-provoking presentations in a joint DVC Oxford-HKU Visiting Fellowship public lecture. Dr. Prassl painted a portrait of “The Promise and Perils of Work in the Gig Economy” and Dr Steel shared views on “Justifying Damages: Corrective Justice, Civil Recourse or Something Else.” DVC’s Anson Wong SC and Richard Grams of FitzGerald Lawyers unmask a multitude of directors’ duties in Hong Kong and China in “The Director’s Cut.”

In the penultimate event of the year Chua Guan-Hock SC was joined by Kerby Lau and Justin Lam in presenting “Where There’s a Will...Fundamental Topics on Wills and Trusts” which provided the audience with an overview of recent cases in the domain, tangible takeaways on the appointment of independent administrators and the importance of Beddoe applications.

Wrapping up the events calendar, find out what you missed in DVC’s largest event of the year “Charting the New Waters of 21st Century IP Dispute Resolution” presented by DVC’s Winnie Tam SC, in collaboration with HKU and supported by the HKIAC, featuring keynote speaker The Rt. Hon. Sir Robin Jacob and a panel of leading IP experts.

We hope you enjoy this issue
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Members of Chambers

Silks

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Charles Sussex SC
Clifford Smith SC
Johnny Mok SC
Ian Pennicott SC, QC
Douglas Lam SC
Patrick Fung BBS, SC, QC, FCIArb
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Janine Cheung
Jenkin Suen
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Benny Lo
Sabrina Ho
Alexander Tang
Justin Lam
Eva Leung
Ross Li
Stephanie Wong
Lai Chun Ho

Door Tenants

John Griffiths SC, QC, CMG
Jeffrey P. Elkinson
Jonathan Shaw
Kelvin Kwok
Unlocking the Value of the Recent IP Arbitration Amendment Bill

On 14 June 2017, Hong Kong’s legislature passed two sets of ground-breaking amendments to the Arbitration Ordinance (Cap. 609), one abolishing the common law prohibition against champerty and maintenance in arbitration thus permitting third party funding (“TPF”) of arbitral proceedings, and the other clarifying that disputes over intellectual property rights (“IPR”) (including the validity of registrable rights) are arbitrable under the law and public policy of Hong Kong.

These amendments, which are expected to come into effect shortly, will have profound implications on the resolution of IPR disputes. As Hong Kong and its surrounding regions are maturing into a knowledge and innovation driven economy, the number of IP disputes, especially those involving consumer and industrial technologies, are on the rise. But fighting a full-blown intellectual property court trial is often a costly exercise, mainly due to the costs in complying with court procedures and the length of the process, and partly from the lack of a specialist intellectual property court in Hong Kong. For instance, the costs for even an interim injunction in a patent suit could easily run up to millions of dollars, not to mention complying with the steps to follow to bring the matter to a trial. The possibility of further appeals to the judgment further creates a bottomless pit as far as legal expenses are concerned.

TPF would thus make this exercise more palatable and improve access to justice for parties unable to pursue a meritorious claim or defence due to lack of funds. With the high stakes involved in technology disputes, TPF could create a more level-playing field for the parties, and give them an option to outsource some of the risk to a funder and be relieved from the burden of up-front cost.

There are also other real benefits for IPR disputes to be resolved through arbitration instead of open court litigation. Confidentiality of the arbitral process is an attractive feature for disputes touching on trade secrets and confidential information. The ability for conglomerates to resolve multi-jurisdictional IPR disputes in a single forum before the same arbitral tribunal would also enable concentration of resources and facilitate consistency of decision. The availability of experienced IP practitioners ready to serve as arbitrators is a further reason why arbitration is seen preferable to court litigation in resolving IPR disputes. In Hong Kong, the breadth of such expertise is shown by the HKIAC’s international Panel of Arbitrators for Intellectual Property Disputes.

Spurred by these latest amendments, Hong Kong is set to become a choice venue for dispute resolution of international IPR disputes, which would further enhance its role as the IP hub of Asia. These amendments also illustrate the quality of the forward-looking arbitration community and the Hong Kong Government in gearing up the city to embrace the opportunities presented by the “One Belt One Road” initiative.

Click here to view a summary of Winnie Tam SC’s IP Dispute Resolution Event “Charting the New Waters of 21st Century IP Dispute Resolution” on 22 November 2017
Third Party Funding in the Arbitration Context

The Arbitration and Mediation Legislation (Third Party Funding) (Amendment) Ordinance 2017 clarifies that third-party funded arbitrations are not caught by the common law doctrines of maintainance and champerty. The amendments are timely in the light of increasing third-party funding (“TPF”) activities in both international commercial arbitrations and investor-state arbitrations.

Under the new section 98U of the Arbitration Ordinance, the funded party is obliged to disclose (a) the existence of the TPF arrangement, and (b) the name of the third-party funder.

The issue of disclosure, which aims to address the issue of conflicts of interest, has implications on other aspects of arbitration such as confidentiality of arbitral proceedings, legal privilege attached to the TPF arrangement, security for costs and the possibility of “follow up” disclosure by the funded party etc.

It remains to be seen how the disclosure of the TPF arrangement will affect parties’ conducts in arbitrations. For instance, will the disclosed existence of the TPF arrangement assists, the respondent in its application for security for costs against the funded claimant? Cases do not speak with the same voice: the majority of the tribunal in RSM Production Corporation v. Saint Lucia, ICSID Case No. ARB/12/10, Decision on Saint Lucia’s Request for Security for Costs, 13 August 2014 considered that the existence of the TPF arrangement was a factor in favour of granting security for costs. On the other hand, the tribunal in South American Silver Ltd. v. Bolivia, PCA Case No. 2013-15, Procedural Order No.10, 11 January 2016 held that the TPF arrangement alone did not evidence the funded party’s impecuniousness and that treating the existence of the TPF arrangement as the determinative factor in favour of granting security for costs would “[increase] the risk of blocking potentially legitimate claims”. The latter’s view was shared by the Law Reform Commission.

Another aspect is that under the new section 98U the funded party is not obliged to disclose whether the TPF arrangement contains any adverse costs indemnity clause(s). It remains to be seen whether the funded party will be forced to disclose the terms of the TPF arrangement in a security for costs application. In X v. Y and Z, ICC Case, Procedural Order of 3 August 2012, the tribunal acceded to the security for costs application on grounds that the TPF arrangement concerned “rul[ing] out any payment of costs awarded to the Respondent” “created such a fundamental change in circumstances in th[e] arbitration that it justifie[d] upholding the request of the Respondents concerning security for costs.”
Ancillary relief in aid of foreign proceedings under s.21M: the CFA speaks
(Unreported, CACV 194/2016, 20 July 2017), the Court of Appeal dismissed the Bank’s appeal. In *Compania Sud Americana de Vapores S.A. v. Hin-Pro International Logistics Limited* (2016) 19 HKCFAR 586, the Court of Final Appeal unanimously overturned the Court of Appeal’s decision ([2015] 2 HKLRD 458) and clarified the correct test in an application for ancillary relief in aid of foreign proceedings under s.21M of the High Court Ordinance (Cap. 4).

The correct test is as follows:

- The starting point is to consider whether, if the proceedings that have been or are to be commenced in the foreign court result in a judgment, that judgment is one that the Hong Kong court may enforce.

- Next, the court should consider all the available material (including any findings of the foreign court) and ask itself the same question as it would if the relief were sought in support of an action proceeding in the Hong Kong court. The CFA held that the CA misinterpreted Morritt LJ’s Judgment in *Refco Inc v. Eastern Trading Co* [1999] 1 Lloyd’s Rep 159 in postulating that it was necessary to consider the strength of the substantive claim under the law of Hong Kong.

- The final question is whether the fact that the Court has no jurisdiction apart from s.21M in relation to the subject matter of the proceedings concerned makes it unjust or inconvenient to grant the relief sought. The CFA held that an anti-suit injunction in support of an exclusive jurisdiction clause and directed against the individual defendant who is disregarding his contractual obligations, while constituting an indirect interference with the process of a foreign court, does not thereby infringe judicial comity. As the Hong Kong court has only been asked to assist in enforcing an award of damages by the English court for breach of an exclusive jurisdiction clause (which involves no breach of comity in the first place), there is no bar on the ground of public policy to enforcing an award of damages made by the English court nor to the grant of a Mareva injunction in support of the judgment of the English court.

“\nWhen can the Court interfere?\n”
Fraudulent Duties and Misrepresentation: *Elite Dragon Limited v BEL Global Resources Holdings Limited* HCCL 8/2014

The Defendant in this case successfully rescinded convertible bonds it issued to the Plaintiff (the Tranche 2 Bonds) on the ground of fraudulent misrepresentation. The Defendant further successfully claimed against its directors (who owned or was associated with the owner of the Plaintiff) for breach of fiduciary duties in procuring the Defendant to issue the convertible bonds. The Defendant is a listed company in Hong Kong. The value of the Tranche 2 Bonds in circulation was worth around HK$132 million.

The Tranche 2 Bonds were issued as part of the consideration for the Defendant’s acquisition (through its subsidiary) of an exclusive supply of nickel ore from a mine in Indonesia. The Defendant agreed to issue the Tranche 2 Bonds to the Plaintiff only if the production of the nickel ore mine reached a required level in its first year of production. The Defendant eventually issued the Tranche 2 Bonds as a result of the Plaintiff’s representation that the mine’s production met the required level.

**The decision**

After hearing all the evidence, Mimmie Chan J found in favour of the Defendant. Her Ladyship found that the Plaintiff had fraudulently misrepresented the production level of the nickel ore mine. The Defendant issued the Tranche 2 Bonds as a result of the fraudulent misrepresentation. Her Ladyship further found that some of the directors knew of the misrepresentation at the material time, and hence were in breach of their fiduciary duties in procuring the issuance of the Tranche 2 Bonds.

**What this means for you**

With regard to directors’ fiduciary duties, the Court held that directors are required to act with the degree of care reasonably expected of them, considering their knowledge and experience, and they are required to act honestly at all times. Only when there are no grounds for suspicion, can a director trust someone else to perform his duties honestly.

The Court also reaffirmed that recklessly turning a blind eye or irrationality is equivalent to dishonesty. The Court stated that it was irrelevant whether or not the fraud or any of the fictitious matters could be detected by the auditors of the Defendant.

**John Scott QC, SC** and **Sabrina Ho** represented the Defendant in this case.
Acron International Technology Limited v Chan Yiu Wai and Law Sui Chun: The First Hong Kong Case on Employer’s Entitlement to Employee’s Inventions

Rachel Lam and Eva Leung were involved in the first case in Hong Kong concerning the application and effect of s.57 of the Patents Ordinance (Cap 514) (“PO”), which sets out when an employer will be entitled to lay claim to an employee’s inventions. Acting for the Plaintiff, a start-up company, they succeeded in advocating for the client to assert ownership over a patented invention made by an employee during her period of employment. Having won at trial, they also successfully resisted the subsequent appeal.

The case raised novel legal points on the construction and application of s.57 of the PO. Drawing on authorities from other jurisdictions (including England & Wales and Australia) in which analogous legislative provisions had been considered, the case clarifies the circumstances in which an employee will be considered to have made an invention “in the course of [his or her] normal duties” and such invention was “reasonably expected to result from the carrying out of [his or her] duties”. The implications are significant for both employers and employees, particularly in businesses involving innovation and technology.

As at the date of this article, the employees are seeking leave to appeal to the Court of Final Appeal. Watch this space!

Case No:

CACV 32/2016 [2017] 3 HKLRD 799
Neglect in prosecuting appeal: Procedures and Consequences

[2017] 2 HKLRD 388 (Court of Appeal) (Civil Appeal No 59 of 2015)

The Court of Appeal recently held a liquidator personally liable for costs under r.24 of the Proof of Debts Rules (Cap.6E), on the basis that the liquidator was guilty of gross negligence in neglecting to pursue the appeal.

In the court below, the applicant creditor succeeded against the liquidator in reversing his decision not to admit a proof of debt. The liquidator respondent appealed.

A Notice of Appeal was filed but the liquidator respondent took no further steps to prosecute the appeal, other than filing a Notice of Setting Down of an Appeal. On numerous occasions, the Court wrote and requested the liquidator respondent to bring the proceedings forward. However, the liquidator respondent repeatedly failed to comply with those directions. The Court of Appeal, on its own initiative, fixed a hearing for the dismissal of the appeal. The appeal was ultimately dismissed for want of prosecution.

As for costs, Rule 24 of the Proof of Debts Rules (Cap.6E) provides that “[t]he trustee shall not be personally liable for any costs in respect of the rejection by him in whole or in part of any proof unless it is proved to the satisfaction of the court that he has acted mala fide or with gross negligence”.

The Court of Appeal gave a wide interpretation of this Rule such that it covered the costs of an appeal arising from proceedings challenging a liquidator’s rejection. This is because the right of appeal is inherent to such proceedings and the rationale for protecting a liquidator from personal liabilities for costs in defending such proceedings is equally applicable to the liquidator’s reasonable exercise of such right of appeal.

The Court of Appeal held that whilst the liquidator respondent could not be said to be grossly negligent in bringing the appeal, the subsequent irresponsible conduct in neglecting to prosecute the appeal amounted to gross negligence. Hence, the liquidator was ordered to personally pay such costs attributable to his gross negligence.

Vincent Chiu appeared on behalf of the applicant.

Key Takeaways

There are three takeaways from this decision.

First, the Court of Appeal seized the opportunity to reinforce that the neglect in prosecuting an appeal could lead to the dismissal of the appeal on the Court’s own volition, and may amount to gross negligence for costs purposes under Rule 24 of the Proof of Debt Rules.

Second, the Court of Appeal gave a common sense and practical construction to Rule 24 of the Proof of Debt Rules. There is simply no reason why the costs position of a liquidator should differ upon appeal to higher courts.

The Court of Appeal held that whilst the liquidator respondent could not be said to be grossly negligent in bringing the appeal, the subsequent irresponsible conduct in neglecting to prosecute the appeal amounted to gross negligence.
Third, the Court of Appeal in obiter mentioned an “interesting” question of whether a liquidator, though held personally liable for costs, could recoup his costs out of the assets of the company. The Court of Appeal found it appropriate to leave this question for another occasion as Rule 24 applied in place of common law. Practitioners however may take note of the several English cases casting doubt on the liquidator’s right to recoup from the company’s assets.
Disclaiming one’s conscience? Think twice

In Chang Pui Yin & Ors v. Bank of Singapore Limited (Unreported, CACV 194/2016, 20 July 2017), the Court of Appeal dismissed the Bank’s appeal. The decision below is reported at [2016] 5 HKC 329.

It held that although the “disclaimer clauses” in the client agreements (“Clauses”) applied to the accounts of the Plaintiffs (an elderly couple with limited investment knowledge), the Bank could not rely on the Clauses to avoid liability to the Plaintiffs by operation of the Unconscionable Contracts Ordinance (Cap. 458) (“UCO”) and the Control of Exemption Clauses Ordinance (Cap. 71) (“CECO”).

The Clauses are unconscionable under UCO

On the applicability of UCO, the Court (disagreeing with the learned Judge below) held that section 3(1)(c) of UCO only requires the services to be ordinarily provided for private use, consumption or benefit, irrespective of whether they could be afforded by the wealthy only. As the onus was on the Bank to prove that private banking services do not satisfy section 3(1)(c) and it has not adduced evidence to this effect, UCO was applicable in this case (§§52-57).

Unconscionability is not to be determined by checking how many of the non-exhaustive factors in section 6(1) of UCO were satisfied. The Court should consider all other relevant factors and circumstances reasonably foreseeable at the time of making the contract. Deriving guidance from the Australian authorities, the Court also found the applicable industry code to be relevant (i.e. the SFC Code of Conduct), and that while conduct involving dishonesty, sharp practice or conscious wrongdoing are unconscionable, conduct falling short of these could nevertheless be regarded as unconscionable (§§59-70, 75).

The Court found these additional matters (inter alia) relevant and reasonably foreseeable when the client agreements were executed: (1) the relationship manager knowledge of the Plaintiffs’ trust in her and the modus operandi in her previous management of their accounts at her previous bank employer, which must be imputed to the Bank; and (2) soon after the accounts were opened the relationship manager without alerting the Plaintiffs, introduced high risk products into their portfolios contrary to their moderate investment objectives(§§71-78).

The Court then found the Clauses to be unconscionable.

The Clauses are unreasonable under CECO

Turning to the applicability of CECO, while the judge relied on a distinction between “basis clause” and “exclusion clause” where CECO purportedly only applied to the latter, the Court disapproved of a “superficial classification of the nature of a clause simply by reference to its drafting without reference to the context in which the term was agreed”.

To determine whether a clause falls within the ambit of CECO, one must not part company with reality and be outmanoeuvred by artful draftsmanship. To avoid emasculating the purpose of CECO, the focus should be on the substantive effect rather than the form of a clause (Raiffeisen Zentral Bank v. RBS [2011] 1 Lloyd’s Rep 123, Lee Yuk Shing v. Dianoor International Ltd [2016] 4 HKC 535, Deutsche Bank AG v. Chang Tse Wen [2013] 4 SLR 886 followed). This approach is consistent with section 5(1) of CECO, which provides that CECO also prevents the exclusion of liability by reference to terms that exclude or restrict the relevant obligation or duty (§§96, 99-109).
To determine whether a clause falls within the ambit of CECO, one must not part company with reality and be outmanoeuvred by artful draftsmanship.

What this means for you

Having considered all circumstances, CECO was applicable since the Clauses in substance exclude or restrict the relevant obligation or duty of the Bank. Given the conclusion on the unconscionability of the Clauses, the Court found that the Clauses are unreasonable under CECO (§§110-113).
Making a will: A guiding hand?
A testator in his nineties, alleged to be suffering from dementia signs a will with the guidance of his son.

How will the court determine validity?
How will the court determine the validity of a will executed by a testator in his nineties, alleged to be suffering from dementia, and who signed the will with his son holding and guiding his hand? This was the situation that the Court was faced with in the recent decision of Re The Estate of Au Kong Tim HCAP 7/2010 (4 July 2017, unreported). Chua Guan-Hock SC and Kerby Lau of DVC represented the elder son who successfully propounded the will.

Key takeaways

✗ Testamentary capacity to make a will is a practical question to be determined according to common sense judicial judgment on the basis of all the evidence.

✗ Dementia, or partial unsoundness of mind, does not necessarily negate testamentary capacity.

✗ A signature made with a guiding hand is valid if coupled with a sufficient indication by the testator of his intention to execute the will and of his assent/acquiescence to the contents thereof.

What does this decision mean for you?
This is a reminder for practitioners to exercise common sense judgment when preparing and executing a will for elderly testators. Following the “golden rule” and seeking a medical doctor’s approval are useful pointers, but not always necessary. A physically frail testator should also not be automatically “written off” in terms of will-execution capacity: a guided hand signature is as effective as his own signature if testamentary capacity is present.

“Following the golden rule and seeking a medical doctor’s approval are useful pointers, but not always necessary.”
Announcements

John Litton QC joins Des Voeux Chambers

John Litton QC joined DVC in October of this year.

John has been in practice since 1991. He was a member of the Attorney General’s ‘A’ Panel of Treasury Counsel for 7 years before taking Silk in the UK in 2010.

John practices in the United Kingdom and in Hong Kong. In Hong Kong, he handles a broad range of civil litigation matters and acts for both the Government and the private sector. In Hong Kong, he has a robust civil practice and acts for both the Government and the private sector. John additionally has an established rating & valuation practice as well as a thriving commercial litigation practice which includes shareholder and company disputes.

In the UK, he specialises in all matters relating to town and country planning, environmental law, highways, compulsory purchase & compensation, administrative law matters (including related human rights aspects).

He is ranked in Chambers & Partners UK, and the Legal 500 UK, where he is described as “fantastic on his feet, and clients are always impressed.” He is also noted for being an “an incisive and approachable QC who is on the rise” and “a brilliant inquiry advocate.”
DVC welcomes new Tenants

*Cambiers is delighted to announce that, for four consecutive years, all of our 9-month pupils have been offered tenancy. We are pleased to welcome our new tenants:*

**Douglas Lam SC** was the winner of the Barrister of the Year Award at the Asialaw Asia-Pacific Dispute Resolution Awards which was held on 28 September 2017 at the Grand Hyatt Hotel.

Tommy Cheung graduated with a top first from the University of Hong Kong. A recipient of the DVC Oxford BCL Scholarship, he undertook the BCL at the University of Oxford and obtained a distinction. Tommy is also a Bar Scholar.

Lai Chun Ho graduated with a double first in law from the University of Cambridge after obtaining his first degree in philosophy from Yale University. Chun Ho is a graduate of the BCL from the University of Oxford and is also a Bar Scholar.

Sharon Yuen graduated with first class honours from the University of Hong Kong (LLB) and obtained an LLM from Harvard University.

Kevin Lau graduated with first class honours from both the University of Hong Kong (LLB) and his LLM from the University of Cambridge. Kevin is also a Bar Scholar.

**Sharon Yuen**

**Kevin Lau**

**Lai Chun Ho**

**Tommy Cheung**

**Barrister of the Year Award**

DVC is delighted to announce that **Douglas Lam SC** was the winner of the Barrister of the Year Award at the Asialaw Asia-Pacific Dispute Resolution Awards which was held on 28 September 2017 at the Grand Hyatt Hotel.
At a lively and informative event on Friday, 7 April, DVC and Conyers Dill Pearman hosted their first joint Dispute Resolution seminar featuring presentations by Jeffrey Elkinson, Director in the Litigation & Insolvency department in the Bermuda office of Conyers and a Door Tenant from DVC, as well as William Wong SC from DVC, Chairman of the Special Committee on Arbitration of the Hong Kong Bar Association.

The event entitled “Thou Shall Not Interfere” began following brief introductory remarks by Nigel Meeson QC, Head of Asia Disputes & Restructuring Group at Conyers and Michael Lok from DVC.

The two speakers examined the evolving role of the courts in light of the growing interest in arbitration, including the ways in which the courts exercise their powers and discretion to “interfere” with the arbitral process, with reference to case law from the local courts as well as other common law jurisdictions including England and Bermuda.

The speakers also considered the relevance of the courts’ power to grant urgent relief (on an ex parte basis), as compared to provisions enabling the formation of an emergency arbitral tribunal under existing arbitration rules.

The presentation was complemented by contributions from Patrick Fung SC, Liza Jane Cruden, and Martin Kok, of DVC, who shared their anecdotal experiences in dealing with urgent injunction applications pending or during arbitral proceedings.
Crossroads in Intellectual Property Law: Arbitration, Brexit and Recent Hong Kong Cases

Winnie Tam SC of Des Voeux Chambers and Charmaine Koo of Deacons hosted their first collaborative IP seminar entitled Crossroads on Intellectual Property Law: Arbitration, Brexit & Recent Hong Kong Cases on Saturday, 8 April 2017. Featuring Simon Thorley QC as the keynote speaker, and with contributions from up-and-coming Des Voeux Chambers’ barristers, Benny Lo, Jason Yu, Tom Ng and Stephanie Wong, there was a full house at Club Lusitano.

Simon Thorley QC opened the breakfast plenary with a deliberation of how the patent and trademark landscapes are changing within the context of Brexit. He remarked that whilst there was uncertainty with trade marks as they related to European legislation, the UK will subscribe to the Unitary Patent Court Agreement and the influence of European judgments on UK IP law will subsist.

Winnie Tam SC and Charmaine Koo gave us a ‘talking heads’ style commentary on the shifting tailwinds giving rise to an uptick in arbitration in IP disputes. They exchanged views on the advantages of arbitration and its prospects of development from a Hong Kong perspective and highlighted the new provisions to be enacted in the Arbitration Ordinance confirming the arbitrability of IP rights, and a possible future regime allowing for third party funding.

Some of DVC’s junior Members shared their insights and observations on recent Hong Kong case law and this was followed by a lively and interactive Q & A session moderated by CW Ling.
Goodwill - Definition

Perhaps the best-known description of goodwill is the one given by Lord Macnaghten in *Commissioners of Inland Revenue v. Muller & Co's Margarine Ltd* [1901] AC 217:

"It is a thing very easy to describe, very difficult to define. It is the benefit and advantage of the good name, reputation, and connection of a business. It is the attractive force which brings in custom... I think that if there is one attribute common to all cases of goodwill it is the attribute of locality. For goodwill has no independent existence. It cannot subsist by itself. It must be attached to a business."

The opinion is widely accepted, or interpreted, as authority in England and Singapore regarding the territorial limits of goodwill. The theory draws a sharp line between reputation and goodwill. In other words, while reputation can and often does transcend borders, goodwill does not, unless it is accompanied by local trade or business.

Starbucks - The Facts

In Starbucks, the plaintiffs were companies within the PCCW group which operated the internet protocol television (IPTV) service under the mark NOW TV in Hong Kong. The mark NOW TV has attained something like the status of a household name in Hong Kong. But not so in the UK.

At first instance, Mr Justice Arnold found that the name NOW TV had acquired only a modest reputation confined to the Chinese-speaking community in the UK, in particular, with those who had previously lived in Hong Kong or travelled to Hong Kong. The Plaintiffs had advanced plans to introduce the service there. However, in 2012, it was not possible for a UK customer to subscribe to the service in the UK. In that year, the Defendants, who were members of the British Sky Broadcasting Group of companies, announced an intention to launch a new IPTV service under the identical name NOW TV. The Plaintiffs’ sued Sky for passing- off. They failed at all three levels of court, essentially because they failed to prove an actionable goodwill in the UK.

In his judgment Lord Neuberger held that the claimant in a passing off action must establish that it has an actual goodwill in that jurisdiction. Such goodwill involves the presence of clients or customers in the jurisdiction for the products or services in question. Where the claimant’s business is abroad, people who are in the jurisdiction, but who are not customers of the claimant in the jurisdiction, will not do, even if they are customers of the claimant when they go abroad.

On 5 June 2017, CW Ling gave a talk to the Hong Kong Institute of Trade Mark Practitioners. In the talk he explored the issue of international goodwill in the law of passing-off homing in on the recent decision of the UK Supreme Court in *Starbucks (HK) Ltd v. British Sky Broadcasting Group plc* (2015).

It is clear that the element of goodwill is the first pre-requisite in establishing a passing-off action. What is not so clear is the nature of goodwill, the differences, if any, between goodwill and reputation, the territorial reach of goodwill, and its relationship with the other elements of the tort.
Some types of services, such as those provided by restaurants and hotels, are location-specific. By nature, they must be performed on the premises of the provider, which may lie outside the jurisdiction. Thus the problem of goodwill appears in an even more acute form in relation to services rendered by foreign service providers.

**Crazy Horse & It’s Legacy**

Historically, the cornerstone in this area of the law is the decision of Pennycuick J in *Bernardin v. Pavilion Properties Ltd* [1967] RPC 581 (“Crazy Horse” case).13

The Plaintiffs operated a saloon by the name of “Crazy Horse” in Paris. For 16 years they had widely publicised their cabaret business in the UK, targeting tourist organizations and hotels in particular. The Defendant company, which had no connection whatever with the Plaintiffs, brazenly advertised the opening of a saloon in London using the same name and under the headline “Crazy Horse Saloon comes to London”.

Surprisingly, the Court dismissed the application for an interim injunction. According to the judge, a trader cannot acquire goodwill in this country without some sort of user in this country. His user may take many forms and in certain cases “very slight activities” had been held to suffice. However, reputation established by mere advertising or word of mouth of returning travellers was not enough.

The decision suffers from many problems. First, if “very slight activities” sufficed as a catalyst for generating a local goodwill, it seems to be just a token or symbolic requirement. It would have nothing to do with the quality of the so-called local user or its effect on public awareness of the mark.

In Singapore, another “hard-line” jurisdiction, the courts have taken a small but significant step towards liberating themselves from the shackles of Star. In *Staywell Hospitality Group Pty Ltd v. Starwood Hotels & Resorts Worldwide Inc* [2014] 1 SLR 911 the Court of Appeal in Singapore recognised the commercial practice of business promotores who commonly embark on massive advertising campaigns before the start of trading to familiarise the public with the service or product. The Court held that goodwill may be generated by activities preceding the actual commencement of trade if: (a) they clearly show the intention of the trader to enter into the Singapore market and (b) they are directed at the demand that would be satisfied by them. The decision places Singapore that much closer to the laws of its Asian and Australasian common law neighbours.

In Hong Kong, the courts in several interlocutory decisions and in various judicial dicta have expressly renounced the Crazy Horse approach in favour of an “international goodwill”, albeit without any in-depth analysis. I will pass over those cases.20.

**Conclusion**

Regrettably, in Starbucks, the UK Supreme Court seemingly missed a valuable opportunity to revamp and rationalise this area of the law which now appears to be lagging severely behind the demands of modern information technology and commercial reality.
In our view, the Court displayed undue deference to traditional English authority most of which predates the age of rapid mass movement of people, goods and information. It also gave too little weight to forward-thinking judicial opinion and the cogent reasoning expressed in other jurisdictions, notably, Australia, New Zealand, Singapore and Hong Kong.

All in all, thanks to the Supreme Court, the Crazy Horse is still running wild in England. Who knows how many more years we need to wait for the next case on the subject to reach the court again? One thing is for sure: Starbucks is not the last word on the subject.

**CW Ling** would like to acknowledge the valuable comments made by **Kelvin Kwok**, in “Protection of a reputable foreign trader’s legitimate interests under the law of passing-off” (2016) 132 LQR 186.
An Insolvency Roundup presented by Charles Sussex SC, José-Antonio Maurellet SC and Richard Zimmern


Charles Sussex SC provided insights on the winding up of foreign companies in Hong Kong, Richard Zimmern took us through Judicial Assistance and José-Antonio Maurellet SC examined Schemes of Arrangement.

In referencing section 327 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance Charles noted that despite the fact that it is unusual to wind up a company in a jurisdiction other than its place of incorporation, the court does have power by virtue of the Ordinance to wind up a foreign incorporated company. He went on to say that when exercising its discretion, the court would consider three core requirements, which would include:

- whether there is sufficient connection to Hong Kong;
- whether there is a reasonable possibility that the winding-up order will benefit those applying for it and
- whether the court was able to exercise jurisdiction over one or more persons in the distribution of the company’s assets.

In the context of Judicial Assistance, Richard remarked that there was no statutory source for assistance in Hong Kong and commented that this was an ‘extraordinary omission by our Administration’ before moving on to discuss the concept of ‘modified universalism’ and the limitations posed by Singularis Holdings Ltd v. PricewaterhouseCoopers (Bermuda) [2014] UKPC 36 (the Singularis case.)

José concluded with a discussion on parallel schemes of arrangement in relation to a foreign company where there was a “sufficient connection” with Hong Kong to justify the Hong Kong courts sanctioning the scheme. He noted that in the absence of a single test which could be used to establish a sufficient connection, a judgment would be made by the court depending upon the evidence presented.
6 things you need to know about Cross-Jurisdictional Inheritance & Estate Administration in 60 mins

DVC hosted a CPD accredited thought leadership event presented by Patrick Fung SC, Teresa Wu and Connie Lee entitled “6 things you need to know about Cross-jurisdictional Inheritance and Administration of Estates in 60 minutes” on 14th July. In an opening gambit which referenced the coalescence of timing with France’s Bastille Day, Patrick remarked that “he wasn’t intending to given any one any revolutionary ideas about the law on probate and administration.”

A strong showing of solicitors and in-house counsel attended the seminar for their illuminating (if not revolutionary) discussion which covered the following topics:

- Domicile of a Deceased person;
- Jurisdiction of HK Courts and the Relevance of Foreign Courts’ Decisions;
- 6 Usual Ways for a local grant to be issued;
- No bar to a Grant by the HK Court when leaving no estate;
- The Requirement of Special Circumstances for passing over a foreign executor in a local grant;
- The Choice of Law regarding Testate Succession.
Mind the Gap: Valuable Lessons from the EU and UK for Competition Litigation in Hong Kong going forward

With a turn-out of over 70 delegates that cut across the private practice and in-house domains, the Competition Symposium hosted by Des Voeux Chambers, in collaboration with Monckton Chambers on 13th September was described as “entertaining, very relevant, and filled with juicy nuggets of law and practical advice” by some of our attendees. With “engaging, informative and high calibre content” the “valuable lessons from the EU and UK [conference]” was described as a “rare treat in HK.” The all day conference held at HKUST’s outpost in Central featured speakers Catrina Lam, John Hui, Connie Lee, Kelvin Kwok, Jonathan Chan and Cherry Xu from Des Voeux Chambers and Tim Ward QC, Paul Harris QC, George Peretz QC and Philip Moser QC from Monckton Chambers. An insightful keynote speech was delivered by the Competition Commission’s Stephen Ryan and Craig Y Lee, Partner, Baker McKenzie concluded the day with upbeat closing remarks as he enlightened us with a US perspective of cartel cases.

The day began when the panel, chaired by DVC’s Catrina Lam and counterpointed by Monckton Chambers’ Competition specialists posed the question: can bid-rigging ever be lawful? After an introduction to the 4 Cardinal Sins as outlined by Catrina Lam, a topical discussion initiated by Paul Harris QC ensued about minimum advertise pricing (MAP.) This was followed by a consideration of vertical price-fixing by George Peretz QC, and Philip Moser QC chimed in and imbued the discussion with an entertaining anecdote, which centered on a gathering of directors in Austria generations ago.

When the unsuspecting heads of banks converged for dinners to discuss business and interest rates they hadn’t realized that these conversations amounted to cartel-like behaviour - until an intern blew the whistle. The lesson to be learned from this allegory was that ingrained conduct – despite the fact that it had been going on for years- could still be found to be anti-competitive.

This was followed with some examples of market sharing drawn from recent case law from Hong Kong, with a stark reminder from Tim Ward QC about serious breaches of competition law in the context of market sharing. The first panel concluded with some key takeaways for our audience in relation to Cartels, in addition to tips on how to stay on the right side of the tracks in the context of (il)legal cartels.

After a networking coffee break, the panel reconvened and Kelvin Kwok deliberated on how best to navigate landmines in the context of abuse of dominance, making reference to the landmark TVB case. Monckton’s QC’s
In a talking heads style presentation on the Constitutional and Procedural issues arising under the Competition Ordinance, John Hui levelled some fascinating questions at Monckton’s Silks, and they responded by shining a light on some of the cautionary tales they’d extracted from groundbreaking cases in the UK. DVC’s Jonathan Chan and Cherry Xu explained the position on litigating follow on damages claims in HK and our guests from London tracked developments in the UK, and advised on how best to steer clear of the same missteps in Hong Kong.

The day ended with Connie Lee enlightening the audience on the Contravention of HK Conduct Rules as a defence in civil proceedings. Monckton Chambers’ barristers concluded with a reflection upon the implications from the Patel v. Mirza [2016] UKSC 42 case, and suggested pointers from the UK experience of the competition defence for our practitioners in Hong Kong.
3rd DVC Oxford - HKU Visiting Fellowship Public Lecture

On 7th September, Des Voeux Chambers hosted, for the third year, the DVC Oxford-HKU Visiting Fellowship Public Lecture at the University of Hong Kong, featuring this year’s awardees of the DVC Oxford-HKU Visiting Fellowships, Dr. Jeremias Prassl (Associate Professor, Fellow of Magdalen College) and Dr. Sandy Steel (Associate Professor, Fellow of Wadham College).

We were also graced by the presence of The Honourable Mr. Justice Harris, who moderated the lecture, and Michael Lok from DVC made the opening remarks.

The annual Fellowship was founded by Des Voeux Chambers three years ago, it supports academic visitors from the Faculty of Law at the University of Oxford who are then able to spend around 4 weeks at the Faculty of Law at the University of Hong Kong. The Fellowship aims to foster academic and intellectual exchange between the two Faculties, as well as to encourage an enhanced understanding of the Hong Kong jurisdiction by up and coming academics trained in England & Wales. This is the first year we have had two visiting DVC Oxford-HKU Visiting Fellows concurrently. Previous recipients include Professor Stefan Enchelmaier (Lincoln College) and Dr. Imogen Goold (St Anne’s College).

Gigs, rides and tasks constitute some of the most innovative forms of employment in today’s economy. Dr Prassl presented an engaging talk entitled “Humans as a Service: The Promise and Perils of Work in the Gig Economy.” He posed questions which embraced the economic implications of employment classifications in the context of disruptors that included household names such as Uber (taxi drivers,) Task Rabbit (for domestic work) and Amazon's Mechanical Turks for digital services. In an interactive discussion which drew the audience in, Dr Prassl asked: can Uber drivers be categorised as independent contractors or employees? Are they entitled to protection? Is the current paradigm outdated and should we be looking to define a new concept of employer? Dr Prassl contemplated these issues and more and advanced answers which saw traditional models and archetypes upended.

Dr Sandy Steel is the winner of the Wedderburn Prize for his 2016 article “Justifying Exceptions to Causation in Tort Law.” He delivered a thought-provoking talk entitled “Justifying Damages: Corrective Justice, Civil Recourse or Something Else” which considered the claim that the breach of a primary contractual or tortious duty causing actionable harm does not immediately give rise to a duty to pay damages, but only a legal liability to pay damages. He offered arguments against this view and suggested that, even if it were correct, it would not undermine corrective justice theories of the law of compensatory damages: the moral duty of repair posited by such theories may still be necessary to justify the liability to compensate.
“The Director’s Cut” presented by Anson Wong SC of DVC and Richard Grams of FitzGerald Lawyers

How do Directors protect themselves and guard against punitive measures in Hong Kong and China?

This was one of the questions contemplated by DVC’s Anson Wong SC and Richard Grams of FitzGerald Lawyers when they co-presented an engaging thought leadership seminar entitled “The Director’s Cut” before a captive audience at the Bankers’ Club on 29 September.

Shining a light on the latest developments and updates in relation to Directors’ fiduciary and statutory duties, the two speakers provided helpful overviews on the differences and similarities between the regimes in Hong Kong and China. They shared insights from recent case law and underscored valuable lessons and issues relating to non-compliance.
“Where There’s a Will... Fundamental Topics on Wills & Trusts” presented by DVC’s Chua Guan-Hock SC, Kerby Lau and Justin Lam

Chua Guan-Hock SC opened with an engaging review of recent cases in Hong Kong and the UK, including a landmark 2017 case which he conducted involving a testator aged 92 with a billion dollar estate whose last will was successfully propounded. He shared insights with our audience on the Probate Court’s inquisitorial role, testamentary capacity and the golden rule concerning elderly testators.

Kerby Lau delivered an animated presentation homing in on some practical tips for our audience when considering the Appointment of Independent Administrators. He concluded with 5 actionable takeaways.

Justin Lam reflected on the Importance of Beddoe applications. He counselled that being forewarned was being forearmed in the context of trustees who actively chose to defend proceedings against the trust or trust property given that no right of indemnity could be counted on when he/she opted to defend.
“Charting the New Waters of 21st Century IP Dispute Resolution”

How do you handle highly acrimonious parties in IP arbitrations? When it comes to cross-jurisdictional Intellectual Property disputes - is arbitration preferable or are the courts? These were some of the questions posed at DVC’s standing-room only event on 22 November at the HKIAC entitled “Charting the New Waters of 21st Century IP Dispute Resolution” generously supported by the HKIAC.

Winnie Tam SC of DVC moderated an eminent panel of speakers made up of experts in the intellectual property domain including keynote speaker, The Rt Hon. Sir Robin Jacob, Former Lord Justice of Appeal, England & Wales, Governor of the Expert Witness Institute, Matthew Laight, Head of IP Group in APAC, Bird & Bird, Prof Dr Colin Ong QC, Arbitrator and QC, St. Philip’s Stone Chambers (London), Dr Haochen Sun, Associate Professor of Law, Director of Law & Technology Center, University of Hong Kong, Douglas Clark, Barrister-at- Law, Arbitrator, Charmaine Koo, Co-Head of IP, Deacons and Dr Susan Qian Xu, General Counsel BGI Economics Co Ltd.

Before an audience of almost 100 guests, (DVC’s largest event this year) The Rt Hon Sir Robin Jacob deliberated on issues that ranged from where to mediate to the problems associated with the US System in a keynote speech he delivered to a packed audience.

Douglas Clark and Dr Haochen Sun discussed the importance of having a robust IP system, and examined the findings of a Survey they conducted on IP Dispute Resolution. Suggestions on how to revamp the IP courts followed from the thought-provoking discussion moderated by Matthew Laight. In the second session Charmaine Koo shared actionable tips on how to draft IP Arbitration clauses and Prof Dr Colin Ong QC noted that the new amendments to the IP Arbitration Bill (clarifying that disputes over IP rights are arbitrable and allowing third party funding) were game changers for Hong Kong. Dr Susan Qian Xu wrapped up the day’s session by looking at the varying motives behind IP litigation from the client’s point of view.

The final Panel Discussion and Q&A session was moderated by Winnie Tam SC, with The Rt Hon Sir Robin Jacob contributing as a commentator. Likening telex messages to modern day tweets, and reminiscing about the halcyon Lego Days, Sir Robin deftly engaged the audience, with one of our guests remarking upon “how enjoyable the camaraderie was between the panellists,” and how “informative and practical” the day’s presentation was.
GET IN TOUCH

If there are any topics you would like to see covered in upcoming editions of DVC’s newsletter, please contact Editor Tom Ng (tomng@dvc.hk) or Practice Development Director, Aparna Bundro (aparnabundro@dvc.hk)