File Ref.: L/M (5) To LP 19/00/9C

LEGISLATIVE COUNCIL BRIEF

Arbitration (Amendment) Bill 2016

INTRODUCTION

At the meeting of the Executive Council on 22 November 2016, the Council ADVISED and the Acting Chief Executive ORDERED that the Arbitration (Amendment) Bill 2016 ("Bill"), at Annex A, should be introduced into the Legislative Council. The Bill seeks to –

(a) clarify that disputes over intellectual property rights ("IPRs") may be resolved by arbitration and that it is not contrary to the public policy of Hong Kong to enforce arbitral awards involving IPRs; and

(b) update the list of contracting parties to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards done at New York on 10 June 1958 ("New York Convention") in the Schedule to the Arbitration (Parties to New York Convention) Order (Cap. 609 sub. Leg. A).

JUSTIFICATIONS

2. It has been the steadfast policy of the Government to enhance Hong Kong's status as a leading centre for international legal and dispute resolution services and a premier hub for intellectual property ("IP") trading in the Asia-Pacific region. Both the Department of Justice and the Working Group on IP Trading have identified IP arbitration as one of the areas in which Hong Kong should develop and promote.[1]

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[1] See Chapter 8 of the Report published by the Working Group on IP Trading (chaired by the Secretary for Commerce and Economic Development) in March 2015 *(available at http://www.cedb.gov.hk/citb/doc/en/Councils_Boards_Committees/Final_Report_Eng.pdf) and* see the Secretary for Justice's keynote speech at the 2nd ICC Asia Conference on International Arbitration on 29 June 2016 (available at

3. Arbitrability of the subject matter of a dispute is an important issue which ought to be clear before the commencement of arbitration. However, the Arbitration Ordinance (Cap. 609) ("Ordinance") does not have any specific provision dealing with the question of arbitrability of disputes over IPRs ("IPR disputes"). Besides, there is no authoritative judgment in Hong Kong concerning the arbitrability of IPR disputes either. Hence, the law as it now stands is not entirely clear in this respect. As part of the efforts to promote Hong Kong as a leading international arbitration centre in the Asia-Pacific region and to enable Hong Kong to have an edge over other jurisdictions in the Asia-Pacific region as a venue for settling IPR disputes,[2] the Government believes that specific statutory provisions on the issue of arbitrability of IPR disputes would serve to clarify the legal position and would attract and facilitate more parties (including parties from other jurisdictions) to settle their IPR disputes by arbitration in Hong Kong.

4. Currently, section 86(2) (in Division 1, Part 10) of the Ordinance provides, among other things, that enforcement of an arbitral award may be refused if (a) the award is in respect of a matter which is not capable of settlement by arbitration under the law of Hong Kong ("arbitrability ground"), or (b) it would be contrary to public policy to enforce the award ("public policy ground"). Both grounds are also found in Divisions 2 - 4 of Part 10 concerning the enforcement of awards made outside Hong Kong.[3] There is concern as to whether enforcement of an arbitral award involving IPRs (particularly on issues of validity of IPR) would be refused in Hong Kong under either or both of the above two grounds in section 86(2) of the Ordinance. To put the matter beyond doubt, it is proposed to make it clear that IPR disputes, whether they arise as the main issue or an incidental issue, are capable of settlement by arbitration, and that it is not contrary to the

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http://www.doj.gov.hk/eng/public/pdf/2016/sj20160629e.pdf)

[2] Different approaches have been adopted by different jurisdictions as to the arbitrability of IPR disputes, especially on issues relating to the validity of registered IPRs (such as patents, trade marks and registered designs) granted by state agencies or government authorities. In the United States and Belgium, there are statutory provisions which expressly allow the arbitration of disputes relating to the validity or infringement of patents. In Switzerland, pursuant to a ruling by the Swiss Federal Office of Intellectual Property in 1975, arbitral tribunals are empowered to decide all issues of IPRs, including the validity of patents, trade marks and designs. By contrast, the law in some jurisdictions appears to prohibit arbitration of the validity of IPRs. For example, under the patent law in Mainland China, the issue of patent validity constitutes an administrative matter that cannot be submitted to arbitration. In many jurisdictions, the legal position is unclear as there is no legislative provision or court decision addressing this issue.

[3] See sections 89(3) (for enforcement of Convention awards as defined by the Ordinance), 95(3) (for enforcement of Mainland awards as defined by the Ordinance) and 98D(3) (for enforcement of Macao awards as defined by the Ordinance) of the Ordinance.

public policy of Hong Kong to enforce the ensuing award. The effect is that enforcement of an arbitral award under Part 10 of the Ordinance would not be refused in Hong Kong under either the arbitrability ground or the public policy ground merely because the award involves IPRs.

5. Article 34 of the UNCITRAL Model Law, given effect by section 81(1) of the Ordinance, states, among other things, that an arbitral award may be set aside if the court finds that the subject matter of a dispute is not capable of settlement by arbitration under the law of Hong Kong or the award is in conflict with the public policy of Hong Kong. Also with a view to putting the matter beyond doubt in relation to IPRs, it is proposed to similarly clarify the legal position in relation to an application for setting aside an arbitral award.

6. The proposed amendments to the Ordinance would help (i) clarify any ambiguity (whether perceived or otherwise) in relation to the "arbitrability of IPR disputes" in a case where Hong Kong has been chosen as the place of arbitration, or Hong Kong law has been chosen as the governing law of the arbitration; (ii) make Hong Kong more appealing than other jurisdictions for conducting arbitration involving IPR disputes; and (iii) demonstrate to the international community that Hong Kong is committed to developing itself as an international centre for dispute resolution involving IPR matters as well as an IP trading hub in the region.

THE BILL

7. The main provisions of the Bill are summarised below.

8. Clause 5 adds a new Part 11A to the Ordinance. The new Part 11A contains the new sections 103A, 103B, 103C, 103D, 103E, 103F, 103G, 103H, 103I and 103J of the Ordinance.

9. The new sections 103A, 103B and 103C of the Ordinance deal with the interpretation of terms and expressions referred to in the new Part 11A. Section 103B(1) sets out, in substance, an non-exhaustive list of examples of IPRs so as to provide some guidance to users of IP arbitration. Other existing IPRs that are not expressly mentioned in section 103B(1)(a) to (j), such as utility model, database right and supplementary protection certificate, and new IPRs are also intended to be covered in section 103B(1). Section 103B(2) further provides that a reference to an IPR is a reference to such an IPR whether or not the IPR is protectible by registration and whether or not

the IPR is registered, or subsists, in Hong Kong. An IPR dispute includes a dispute over the enforceability, infringement, subsistence, validity, ownership, scope, duration or any other aspect of an IPR.

10. The new section 103D(1) of the Ordinance clarifies that an IPR dispute is capable of settlement by arbitration as between the parties to the IPR dispute. The new section 103D(4) of the Ordinance further provides that an IPR dispute is not incapable of settlement by arbitration only because a law of Hong Kong or elsewhere gives jurisdiction to decide the IPR dispute to a specified entity and does not mention possible settlement of the IPR dispute by arbitration.

11. The new section 103E of the Ordinance sets out, for the sake of clarity and certainty, the effect of an arbitral award involving an IPR on an entity that is not a party to the arbitral proceedings but is a licensee (whether or not an exclusive licensee) of the IPR under a licence granted by a party to the arbitral proceedings ("third party licensee"). Currently, section 73(1) of the Ordinance provides that unless otherwise agreed by the parties, an award made by an arbitral tribunal pursuant to an arbitration agreement is final and binding both on (a) the parties; and (b) any person claiming through or under any of the parties. English case law indicates that the phrase "any person claiming through or under any of the parties" only covers limited types of claimants, such as assignees and trustees in bankruptcy.[4] In line with such case authorities, the new section 103E(2) provides that the fact that an entity is a third party licensee in respect of an IPR does not of itself make the entity a person claiming through or under a party to the arbitral proceedings for the purposes of section 73(1)(b) of the Ordinance. This means that third party licensees do not directly benefit from, nor are they directly subject to the liabilities of, an arbitral award involving an IPR unless they are joined as parties to the arbitration. Sub-licensees of these third party licensees will be in a similar position since they derived their rights from the third party licensees. Meanwhile, section 103E(2) does not affect any right or liability between a third party licensee and a party to the arbitral proceedings arising in contract or by operation of law (section 103E(3)).

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[4] English case law indicates that the following claimants fall within the phrase "any person claiming through or under any of the parties":

(a) a claimant who is the assignee of the benefit of the contract;

(b) a claimant who has succeeded by operation of law to the rights of the named party (such as a personal representative, trustee in bankruptcy, administrator or liquidator);

(c) a claimant who has replaced the person originally named as a party by novation.

See Robert Merkin, *Arbitration Law* (2014, Informa Law), at 1.42; and Mustill and Boyd, *The Law and Practice of Commercial Arbitration in England* (1989, Butterworths), at 137.

12. The new section 103F of the Ordinance clarifies that an arbitral award may not be set aside under section 81 of the Ordinance only because the award involves an IPR. Similarly, the new section 103G of the Ordinance clarifies that enforcement of an arbitral award may not be refused under Part 10 of the Ordinance only because the award involves an IPR.

13. An arbitral award is enforceable under sections 84, 87, 92 or 98A under Part 10 of the Ordinance in the same manner as a judgment of the Court of First Instance that has the same effect. If leave is granted, the Court may enter judgment in terms of the award. In this regard, there may be a question as to whether a declaratory award involving an IPR might have *erga omnes* effect (i.e. rights and obligations owed towards all) if a judgment in terms of the award is entered under Part 10 of the Ordinance (e.g. a declaration made by an arbitral tribunal that a registered trade mark is invalid, if enforced under Part 10 of the Ordinance, might cause the mark to be removed from the register).[5] To put matters beyond doubt, section 103H is added to clarify that section 73(1) of the Ordinance, which confines the finality and binding effect of an arbitral award to "the parties" and "any person claiming through or under any of the parties" only, applies in relation to a judgment entered in terms of an arbitral award (including a declaratory award) under Part 10 of the Ordinance.

14. The new section 103J of the Ordinance concerns arbitral proceedings for the enforcement of rights given under the Patents Ordinance (Cap. 514) ("PO") in relation to short-term patents. Since arbitration is a consensual process, the Government considers that parties should be given more flexibility to settle their disputes concerning short-term patents by arbitration and should not be bound by the prerequisites for enforcement actions set out in paragraphs (a), (b) and (c) of section 129(1) of the PO,[6] unless otherwise agreed by the parties. This is reflected in the proposed section 103J(1) and (2).

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[5] The English Court of Appeal in *West Tankers Inc v Allianz SPA and another* [2012] EWCA Civ 27 has considered whether the court had power under section 66 of the Arbitration Act 1996 (similar to section 84 of the Ordinance) to enter judgment in terms of a declaratory arbitral award. The Court held that a declaratory award might be enforced under section 66 of the Arbitration Act 1996 if to do so would allow the winning party to obtain the material benefits of the award.

[6] The Patents (Amendment) Ordinance 2016 (17 of 2016) (which has not yet come into operation), introduced new provisions requiring the proprietor of a short-term patent to have obtained a certificate of substantive examination issued by the Registrar of Patents ("Registrar"), or made a request for such examination, or obtained a certificate of validity issued by the Court, before proceedings may be commenced in Court for the enforcement of rights in relation to the patent (paragraphs (a), (b) and (c) of section 129(1) of PO). The rationale is that short-term patents are granted by the Registrar without substantive examination and the requirements in the revised section 129(1) could serve as a safeguard against potential abuse of enforcement of unexamined short-term patents and strike a reasonable balance between the legitimate interest of the patentee of an unexamined patent and that of third parties.

15. That said, the proprietor is still required to establish the validity of the short-term patent in the arbitral proceedings and the proprietor could do so by adducing other evidence such as expert reports to establish *prima facie* the validity of the patent. This is reflected in the proposed section 103J(3) which provides that section 129(2) and (3) of the PO applies to arbitral proceedings.

16. Clauses 8 and 9 contain amendments to the Schedule to the Arbitration (Parties to New York Convention) Order (Cap. 609 sub. Leg. A) to update the list of contracting parties to the New York Convention. There are some new state parties to the New York Convention, including Andorra and Comoros, since the enactment of the Arbitration (Amendment) Ordinance 2015. In addition, "Faeroe Islands" currently described in the Schedule to the Arbitration (Parties to New York Convention) Order is amended to "Faroe Islands" so as to tally with the spelling used in other statutory provisions.

LEGISLATIVE TIMETABLE

17. The legislative timetable will be as follows–

Publication in the Gazette	2 December 2016
First Reading and commencement of Second Reading debate	14 December 2016
Resumption of Second Reading debate, committee stage and Third Reading	To be notified

IMPLICATIONS OF THE PROPOSAL

18. The proposal is in conformity with the Basic Law, including the provisions concerning human rights. It has no economic, productivity, environmental, sustainability, civil service, family and gender implications.

19. The proposal might have financial implications. The proposal aims to clarify the legal position as to the arbitrability of IPR disputes and

thereby attract and facilitate more parties (including parties from other jurisdictions) to settle their IPR disputes by arbitration in Hong Kong. In the long run, this might reduce the Judiciary's workload and expenses as more IPR disputes will be resolved by arbitration to be conducted by private arbitrators. We consider that it is not possible to quantify with certainty the extent of impact, if any, on reduction of the litigation costs and Government's expenditure.

20. The Bill will not affect the current binding effect of the Ordinance.

CONSULTATION

21. A Working Group on Arbitrability of Intellectual Property Rights ("the Arbitrability Working Group") was set up by the Department of Justice in around May 2015 to, among others, consider and advise the Government on the need (if any) and extent of legislative amendments that are necessary to address the issue of arbitrability of IPRs.[7] The Arbitrability Working Group generally supports the proposal to amend the Ordinance to clarify that IPR disputes are capable of settlement by arbitration.

22. In December 2015, the Government conducted consultation with legal professional bodies, business associations, transactional lawyers, trade mark practitioners, patent agents, chambers of commerce and other interested parties on the proposed amendments. At the end of the consultation, responses from 17 consultees were received. None of the consultees raised in-principle objection to the introduction of legislative amendments to clarify that IPR disputes are capable of settlement by arbitration and that it is not contrary to the public policy of Hong Kong to enforce the ensuing award. Some fine comments on the Bill were raised and they have been carefully considered by the Government and taken on board where appropriate.

23. On 25 January 2016, the Government informed the Panel on Administration of Justice and Legal Services of the Legislative Council ("LegCo") that the relevant legislative amendments would be introduced. Members of the Panel indicated support to the introduction of the Bill into the LegCo. On 22 August 2016, the Government consulted the Law Society of Hong Kong, the Hong Kong Bar Association, the Hong Kong Institute of Trade Mark Practitioners and a consultee from the IP sector on the proposed

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[7] The Arbitrability Working Group comprised representatives from the Department of Justice, Intellectual Property Department, Hong Kong International Arbitration Centre and legal practitioners with expertise in the area.

sections 103H, 103I and 103J, which were added subsequent to our consultation conducted in December 2015. None of the above consultees raised in-principle objection to these new provisions.

PUBLICITY

24. A press release is to be issued on 30 November 2016. A spokesperson will be available for media enquiries.

ENQUIRY

25. Any enquiry on this brief can be addressed to Miss SK Lee, Senior Assistant Solicitor General (Special Duties), Legal Policy Division, Department of Justice at telephone number 3918 4023.

Department of Justice
30 November 2016

Arbitration (Amendment) Bill 2016

Contents

A BILL

To

Amend the Arbitration Ordinance to clarify that disputes over intellectual property rights may be arbitrated and that it is not contrary to the public policy of Hong Kong to enforce arbitral awards involving intellectual property rights; to update the Arbitration (Parties to New York Convention) Order; and to provide for incidental and related matters.

Enacted by the Legislative Council.

Part 1

Preliminary

1. Short title and commencement

(1) This Ordinance may be cited as the Arbitration (Amendment) Ordinance 2016.

(2) Subject to subsections (3) and (4), this Ordinance comes into operation on the day on which it is published in the Gazette.

(3) Part 2 (except section 5 in so far as it relates to the new section 103J) comes into operation on 1 October 2017.

(4) Section 5 (in so far as it relates to the new section 103J) comes into operation on the day on which section 123 of the Patents (Amendment) Ordinance 2016 (17 of 2016) comes into operation.

Part 2

Amendments to Arbitration Ordinance

2. Arbitration Ordinance amended

The Arbitration Ordinance (Cap. 609) is amended as set out in sections 3 to 7.

3. Section 5 amended (arbitrations to which this Ordinance applies)

Section 5(2)—

Repeal

"and Part 10"

Substitute

", Part 10 and sections 103A, 103B, 103C, 103D, 103G and 103H".

4. Section 70 amended (award of remedy or relief)

Section 70(1), after "subsection (2)"—

Add

"and section 103D(6)".

5. Part 11A added

After Part 11—

Add

"Part 11A

Arbitrations Relating to Intellectual Property Rights

103A. Interpretation

In this Part—

IPR (知識產權)—see section 103B;

IPR dispute (知識產權爭議)—see section 103C.

103B. Interpretation: IPR

(1) In this Part, an intellectual property right (***IPR***) means—

(a) a patent;

(b) a trade mark;

(c) a geographical indication;

(d) a design;

(e) a copyright or related right;

(f) a domain name;

(g) a layout-design (topography) of integrated circuit;

(h) a plant variety right;

(i) a right in confidential information, trade secret or know-how;

(j) a right to protect goodwill by way of passing off or similar action against unfair competition; or

(k) any other IPR of whatever nature.

(2) In this Part, a reference to an IPR is a reference to such an IPR—

(a) whether or not the IPR is protectible by registration; and

(b) whether or not the IPR is registered, or subsists, in Hong Kong.

(3) In this Part, a reference to an IPR includes an application for the registration of an IPR if the IPR is protectible by registration.

(4) In this section—

registration (註冊), in relation to an IPR, includes the grant of the IPR.

103C. Interpretation: IPR dispute

In this Part, a dispute over an IPR (***IPR dispute***) includes—

(a) a dispute over the enforceability, infringement, subsistence, validity, ownership, scope, duration or any other aspect of an IPR;

(b) a dispute over a transaction in respect of an IPR; and

(c) a dispute over any compensation payable for an IPR.

103D. IPR disputes may be arbitrated

(1) An IPR dispute is capable of settlement by arbitration as between the parties to the IPR dispute.

(2) In ascertaining whether there is an arbitration agreement between the parties within the meaning of section 19(1) (as it gives effect to Option I of Article 7(1) of the UNCITRAL Model Law), an agreement by the parties to submit to arbitration an IPR dispute is taken to be an agreement by the parties to submit to arbitration a

dispute which has arisen or which may arise between them in respect of a defined legal relationship.

(3) Subsection (1) applies whether the IPR dispute is the main issue or an incidental issue in the arbitration.

(4) For the purposes of subsection (1), an IPR dispute is not incapable of settlement by arbitration only because a law of Hong Kong or elsewhere—

(a) gives jurisdiction to decide the IPR dispute to a specified entity; and

(b) does not mention possible settlement of the IPR dispute by arbitration.

(5) In subsection (4)(a)—

specified entity (指明實體) means any of the following entities under the law of Hong Kong or elsewhere—

(a) a court;

(b) a tribunal;

(c) a person holding an administrative or executive office;

(d) any other entity.

(6) The power given to an arbitral tribunal under section 70 to award any remedy or relief in deciding an IPR dispute is subject to any agreement between the parties to the IPR dispute.

103E. Effect of award involving IPR

(1) This section applies if an award deciding an IPR dispute is made in arbitral proceedings.

(2) The fact that an entity is a third party licensee in respect of the IPR does not of itself make the entity a person

claiming through or under a party to the arbitral proceedings for the purposes of section 73(1)(b).

(3) However, subsection (2) does not affect any right or liability between a third party licensee and a party to the arbitral proceedings whether—

(a) arising in contract; or

(b) arising by operation of law.

(4) In this section—

third party licensee (第三方特許持有人), in relation to an IPR in dispute in arbitral proceedings, means an entity that is—

(a) a licensee (whether or not an exclusive licensee) of the IPR under a licence granted by a party to the arbitral proceedings; but

(b) not a party to the arbitral proceedings.

103F. Recourse against award involving IPR

(1) For the purposes of section 81 (as it gives effect to Article 34(2)(b)(i) of the UNCITRAL Model Law), the subject-matter of a dispute is not incapable of settlement by arbitration under the law of Hong Kong only because the subject-matter relates to an IPR dispute.

(2) For the purposes of section 81 (as it gives effect to Article 34(2)(b)(ii) of the UNCITRAL Model Law), an award is not in conflict with the public policy of Hong Kong only because the subject-matter in respect of which the award is made relates to an IPR dispute.

103G. Recognition and enforcement of award involving IPR

(1) For the purposes of sections 86(2)(a), 89(3)(a), 95(3)(a) and 98D(3)(a), a matter is not incapable of settlement by

arbitration under the law of Hong Kong only because the matter relates to an IPR dispute.

(2) For the purposes of sections 86(2)(b), 89(3)(b), 95(3)(b) and 98D(3)(b), it is not contrary to public policy of Hong Kong to enforce an award only because the award is in respect of a matter that relates to an IPR dispute.

103H. Judgments entered in terms of award involving IPR

(1) This section applies if—

(a) an award (whether made in or outside Hong Kong) deciding an IPR dispute is made in arbitral proceedings; and

(b) a judgment in terms of the award is entered under section 84, 87, 92 or 98A.

(2) Section 73(1) applies in relation to the judgment as if a reference in that section to an award made by an arbitral tribunal pursuant to an arbitration agreement were a reference to the judgment.

(3) In this section—

award (裁決) includes a declaratory award.

103I. Validity of patent may be put in issue in arbitral proceedings

Section 101(2) of the Patents Ordinance (Cap. 514) does not prevent a party from putting the validity of a patent in issue in arbitral proceedings.

103J. Arbitral proceedings in relation to short-term patents

(1) A party to an arbitration agreement who is the proprietor of a short-term patent may commence arbitral proceedings to enforce any right conferred under the PO

in relation to the patent, whether or not paragraph (a), (b) or (c) of section 129(1) of the PO has been satisfied.

(2) However, subsection (1) does not apply if the parties to the arbitration agreement agree otherwise.

(3) If arbitral proceedings are commenced to enforce any right conferred under the PO in relation to a short-term patent, section 129(2) and (3) of the PO applies to the arbitral proceedings as if the proceedings were enforcement proceedings commenced under section 129(1) of the PO.

(4) However, if, before the commencement date of this section, an arbitration has commenced to enforce any right conferred under the PO in relation to a short-term patent, section 129 of the PO, as in force immediately before that commencement date, continues to apply to the arbitration and all of its related proceedings.

(5) In this section—

PO (《專利條例》) means the Patents Ordinance (Cap. 514);

related proceedings (相關程序), in relation to an arbitration, includes arbitral proceedings resumed after the setting aside of the award in the arbitration;

short-term patent (短期專利) has the meaning given by section 2(1) of the PO.".

6. Section 111 amended (savings and transitional provisions)

After section 111(2)—

Add

"(3) Part 3 of Schedule 3 provides for the savings and transitional arrangements that relate to the Arbitration (Amendment) Ordinance 2016 (of 2016).".

7. Schedule 3 amended (savings and transitional provisions)

Schedule 3, after Part 2—

Add

"Part 3

Savings and Transitional Provisions Relating to Arbitration (Amendment) Ordinance 2016

1. Conduct of arbitral and related proceedings

(1) This section applies to an arbitration commenced before 1 October 2017, whether or not the place of the arbitration is in Hong Kong.

(2) The pre-amended Ordinance continues to apply to the arbitration and all of its related proceedings.

(3) However, Part 11A is to apply to the arbitration or any of its related proceedings if the parties to the arbitration or those related proceedings (as appropriate) agree.

(4) In this section—

pre-amended Ordinance (《原有條例》) means this Ordinance as in force immediately before 1 October 2017;

related proceedings (相關程序), in relation to an arbitration, includes arbitral proceedings resumed after the setting aside of the award in the arbitration.".

Part 3

Amendments to Arbitration (Parties to New York Convention) Order

8. Arbitration (Parties to New York Convention) Order amended

The Arbitration (Parties to New York Convention) Order (Cap. 609 sub. leg. A) is amended as set out in section 9.

9. Schedule amended

(1) The Schedule, English text, entry relating to Denmark—

Repeal

"Faeroe"

Substitute

"Faroe".

(2) The Schedule—

Add in alphabetical order

"Andorra

Comoros".

Explanatory Memorandum

This Bill seeks to amend the Arbitration Ordinance (Cap. 609) (***Ordinance***) and the Arbitration (Parties to New York Convention) Order (Cap. 609 sub. leg. A) (***Order***).

2. Clause 1 sets out the short title and provides for commencement.

Amendments to Ordinance

3. Clause 3 amends section 5 of the Ordinance to provide that the new sections 103A, 103B, 103C, 103D, 103G and 103H of the Ordinance (added by clause 5) also apply to an arbitration which takes place outside Hong Kong.

4. The new section 103D(6) of the Ordinance allows the parties to a dispute over an intellectual property right (***IPR dispute***) to limit an arbitral tribunal's power as regards remedies or reliefs. Clause 4 contains a consequential amendment to section 70 of the Ordinance given the effect of the new section 103D(6).

5. Clause 5 adds a new Part 11A to the Ordinance which provides for an arbitration relating to an intellectual property right (***IPR***). The new Part 11A contains the new sections 103A, 103B, 103C, 103D, 103E, 103F, 103G, 103H, 103I and 103J of the Ordinance.

6. The new sections 103A, 103B and 103C of the Ordinance deal with the interpretation of terms and expressions referred to in the new Part 11A of the Ordinance. In particular, a reference to an IPR is a reference to such an IPR whether or not the IPR is protectible by registration and whether or not the IPR is registered, or subsists, in Hong Kong. An IPR dispute includes a dispute over the enforceability, infringement, subsistence, validity, ownership, scope or duration of an IPR.

7. The new section 103D of the Ordinance clarifies that IPR disputes may be arbitrated.

8. The new section 103E of the Ordinance sets out, for the sake of clarity and certainty, the effect of an arbitral award involving an IPR on an entity that is—

(a) a licensee (whether or not an exclusive licensee) of the IPR under a licence granted by a party to the arbitral proceedings; but

(b) not a party to the arbitral proceedings.

9. The new section 103F of the Ordinance clarifies that an arbitral award may not be set aside only because the award involves an IPR.

10. The new section 103G of the Ordinance clarifies that enforcement of an arbitral award may not be refused only because the award involves an IPR.

11. The new section 103H of the Ordinance specifies, for the sake of clarity and certainty, that section 73(1) of the Ordinance applies in relation to a judgment entered in terms of an arbitral award involving an IPR under Part 10 of the Ordinance.

12. The new section 103I of the Ordinance clarifies that a party may put the validity of a patent in issue in arbitral proceedings.

13. The new section 103J of the Ordinance provides for arbitral proceedings for the enforcement of rights conferred under the Patents Ordinance (Cap. 514) in relation to short-term patents.

14. Clause 6 adds a new subsection (3) to section 111 of the Ordinance. The new subsection and the new Part 3 of Schedule 3 to the Ordinance (added by clause 7) provide for the necessary savings and transitional arrangements.

Amendments to Order

15. The Schedule to the Order specifies the places declared to be parties to the Convention on the Recognition and Enforcement of

Foreign Arbitral Awards done at New York on 10 June 1958. Clause 9 amends that Schedule to update the list of parties to the Convention.