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Panel on Commerce and Industry

Meeting on 21 April 2015

Updated background brief on review of the patent system in Hong Kong

Purpose

This paper provides background information on review of the patent system in Hong Kong and a summary of the views and concerns expressed by Members during previous discussions on the subject.

Background

The current patent registration system in Hong Kong

2. Patents protect inventions by giving the patent owner a legal right to prevent others from manufacturing, using, selling or importing the patented invention. The Patents Ordinance (Cap. 514) provides for the relevant requirements for patent registration in Hong Kong. Under the current "re-registration system" in Hong Kong, the Hong Kong Patents Registry, for the purpose of granting a patent, will verify the documents and information submitted to ensure that the registration requirements are met. It does not conduct substantive examination, i.e. it does not assess whether the invention is novel, involves an inventive step and is susceptible to industrial applications. There are two types of patents in Hong Kong, namely, standard patent and short-term patent.

(a) Standard patent

3. Standard patents obtained in Hong Kong are based on a patent granted by one of three "designated patent offices" which adopts the "original grant" patent

("OGP") system¹. These "designated patent offices", are the State Intellectual Property Office ("SIPO"), the United Kingdom Patent Office and the European Patent Office. The application process involves two stages. At stage one, the applicant has to file a "request to record" in Hong Kong within six months after the date of publication of the corresponding application in a "designated patent office". At stage two, the applicant has to file a "request for registration and grant" in Hong Kong within six months after the date of grant of the designated patent by the "designated patent office" or publication of the "request to record" in Hong Kong, whichever is later. The Hong Kong Patents Registry will normally grant the patent within a few months after receiving the relevant certifying document from the "designated patent office". A standard patent may remain in force for a maximum term of 20 years.

(b) *Short-term patent*

4. The applicant files the application direct with the Hong Kong Patents Registry without having to go through a "designated patent office". The applicant will need to submit a search report prepared either by one of the "designated patent offices" or by any International Searching Authority appointed pursuant to Article 16 of the Patent Co-operation Treaty. The Hong Kong Patents Registry will grant the short-term patent after satisfying itself that the information required is fully furnished. Such a process normally takes a few months. A short-term patent may remain in force for a maximum term of eight years.

Review of the patent system in Hong Kong

5. To ensure that Hong Kong's patent system continues to meet present-day circumstances and that its further evolution would facilitate the development of Hong Kong into a regional innovation and technology hub, the Administration commenced a comprehensive review of the patent system in October 2011. Having regard to the recommendations of the Advisory Committee on Review of the Patent System in Hong Kong² ("the Advisory Committee") on the positioning of the patent system, the Administration announced in February 2013 the way forward for the development of the patent system with the following key proposals:

¹ An OGP system allows application for patent protection to be filed direct with the patent office at home without first applying for a patent in another patent office. Whether substantive examination is to be conducted locally or elsewhere before a patent is granted would be a matter of choice for the approving authority.

² The Secretary for Commerce and Economic Development appointed an Advisory Committee on Review of the Patent System in Hong Kong in October 2011 to advise on –

- (a) how the Administration should position the patent system, having regard to the issues outlined in the public consultation paper of October 2011 and the responses received; and
- (b) how best to implement changes to the patent system, in the light of decisions made by the Administration on the way forward.

- (a) introducing an OGP system with substantive examination outsourced to other patent office(s) whilst retaining the current re-registration system;
- (b) retaining the short-term patent system with suitable refinements; and
- (c) developing a full-fledged regulatory regime on patent agency/services in the long run by phases with possible transitional measures.

6. Details of the key recommendations of the Advisory Committee extracted from its Report³ to the Government in December 2012 are at **Appendix I**.

Previous discussions

7. The Panel on Commerce and Industry ("the Panel") was briefed on the key recommendations of the Advisory Committee and the way forward for the development of Hong Kong's patent system at its meeting on 19 February 2013. At the Panel meeting on 17 December 2013, members supported the Administration's proposal for the creation of a supernumerary post of Assistant Director of Intellectual Property (DL2) in the Intellectual Property Department ("IPD") for a period of three years with effect from 1 April 2014 to carry out the work relating to the implementation of OGP system and strengthening the promotion of Hong Kong as an intellectual property ("IP") trading hub. The relevant staff establishment proposal was supported by the Establishment Subcommittee ("ESC") at its meeting on 15 January 2014 and approved by the Finance Committee ("FC") at its meeting on 21 February 2014. Questions relating to the implementation of the OGP system were also raised and discussed during the examination of the Estimates of Expenditure 2015-2016. The major views and concerns expressed by Members at the relevant meetings are summarized in ensuing paragraphs.

Introduction of OGP System

8. Members supported generally the introduction of an OGP System while retaining the current re-registration system to offer users a choice depending on the market and operational needs. Considering that a robust patent system tailor-designed to meet local needs and in line with international standard would facilitate the development of Hong Kong into a regional innovation and technology hub, Members urged the Administration to take forward the implementation of the OGP system as soon as possible, and to conduct public

³ The report of the Advisory Committee was issued to members of the Panel on Commerce and Industry on 7 February 2013 vide [LC Paper No. CB\(1\)534/12-13\(05\)](#)

education to promote OGP awareness. The Administration advised that subject to the progress of preparation and future legislative work, the Government tentatively aimed at launching both the OGP system and the refined short-term patent system in 2016-2017 at the earliest.

9. Some Members were concerned whether the introduction of an OGP system would lead to higher patent application fees and enquired about the estimated registration fees for an OGP application. According to the Administration, it would be difficult to estimate the level of fees for an OGP application at the present stage as the amount of fees charged would depend on the patent-related services required. The Innovation and Technology Commission ("ITC") had been administering a Patent Application Grant which provided a maximum of 90% sponsorship for the application cost, subject to a cap of \$150,000 per application, to locally incorporated companies and individual applicants for first-time patent application in Hong Kong or overseas.

10. During the examination of the Estimates of Expenditure 2015-2016, Members raised questions about the implementation arrangements for the OGP system. The Administration advised that the IPD had started the preparatory work for implementing the OGP system. Major tasks to be undertaken included finalizing the detailed arrangement of substantive examination for the OGP system; planning and building the electronic system in support of the new patent regime; drafting examination manuals and designing workflows for examination of patent applications under the new patent system; and formulating appropriate legislative amendments. Subject to the progress of implementation and legislative work, the Administration expected that an amendment bill would be introduced into the Legislative Council in the second quarter of 2015. On manpower training, apart from the agreement with SIPO, IPD had signed memoranda of understanding with the IP authorities of Korea and Mexico respectively in 2015 to cooperate on manpower training and experience sharing. IPD would continue to arrange for its staff to attend patent-related seminars and training programmes to continuously enhance their professional expertise and experience.

Refining short-term patent system

11. As substantive examination was not required in the current short-term patent system, some Members were concerned how the short-term patent system would be refined to prevent abuse cases of non-patentable inventions being registered and the making of groundless threats of infringement proceedings particularly in relation to patents which had not been examined. The Administration advised that as recommended by the Advisory Committee, the current short-term patent system would be enhanced by making substantive examination a pre-requisite to the commencement of infringement proceedings. A short-term patentee, when making a threat of infringement proceedings, would be required to furnish the person to whom the threat was made with the full particulars about the short-term patent in question, including all relevant

supporting documentation, in particular the search report(s) and any amendment to the patent. Failure to comply with the above requirement would render the threat legally groundless, thus enabling the party aggrieved by the threat to seek a legal remedy.

Substantive examination of patent applications

12. While acknowledging that there was a need to outsource the substantive examination capability in the short to medium term upon the implementation of the OGP system and the refined short-term patent system due to the lack of the relevant professional expertise in Hong Kong for the time being, Members urged the Administration to progressively develop Hong Kong's own substantive examination capability in the long run and build up local expertise in drafting and processing patent applications. Some Members were of the view that the Administration should consider seeking technical assistance from SIPO to develop in-house substantive examination capability in the long run. The Administration advised that in-house substantive examination capability as a long-term goal would be developed in stages, focusing on specific technological areas in which Hong Kong had acquired considerable expertise. In this connection, IPD had concluded a Cooperation Arrangement in the Area of Patent with SIPO to secure its support in providing technical assistance and support in substantive examination for Hong Kong's OGP system and refined short-term patent system, and to assist Hong Kong in manpower training and development to build up its capability for conducting substantive examination.

Development of human capital

13. Expressing concern about the lack of professional expertise on patents and the small IP market in Hong Kong, some Members urged the Administration to formulate concrete plan for human capital development to build up local expertise. They called on the Administration to step up efforts to nurture and attract talents and to broaden the career paths for local graduates with science, engineering and other technical background. According to the Administration, the introduction of an OGP system would stimulate the growth of patent agency business in Hong Kong and attract more professionals to join the IP industry, thus providing a demand-driven incentive for more education institutions in Hong Kong to provide courses in this area to nurture the requisite human capital. The Administration would explore issues on patent-related training and development with the education sector and the patent industry.

Regulation of patent agency services

14. Some Members called for an early regulation of patent agency services to better protect patent owners and enhance the credibility of the patent agency profession, which in turn would strengthen Hong Kong's position in negotiating mutual recognition of patents with the Mainland and other jurisdictions. The Administration advised that a full-fledged regulatory regime would be

developed in stages with suitable transitional arrangements in place upon the commencement of OGP system.

Facilitation of patent applications and mutual recognition

15. Some Members urged the Administration to forge closer cooperation with relevant Mainland authorities to work for mutual recognition of patents and to negotiate facilitation of patent applications with the Mainland and other jurisdictions. The Administration advised that it would further explore international cooperation opportunities in facilitating local patentees to obtain patent protection in other jurisdictions. With the establishment of an OGP system in Hong Kong and enhanced credibility of the patent agency profession, Hong Kong would be in a better position to negotiate mutual facilitation of patent applications with the Mainland and other jurisdictions.

Collaboration with the innovation and technology sector

16. Some Members were of the view that the development of a sound IP regime and promotion of IP trading could encourage innovation and creativity, complement the development of innovation and technology ("I&T") in Hong Kong, facilitate technology transfer and promote commercialization of research and development results and branding development. They called on the IPD to enhance communication with the I&T sector, as well as the ITC which was responsible for promoting I&T, in matters relating to the implementation of the OGP system in Hong Kong and the promotion of IP trading.

Latest position

17. The Administration will brief the Panel on 21 April 2015 on the proposed legislative changes to the Patents Ordinance and the progress of implementing the OGP system and the refined short-term patent system.

Relevant papers

18. A list of relevant papers is set out in **Appendix II**.

**Key Recommendations of the Advisory Committee
on Review of the Patent System in Hong Kong**

The key recommendations made by the Advisory Committee on Review of the Patent System in Hong Kong are summarized as follows –

(A) Standard Patents

- (a) An "original grant" patent system should be established in Hong Kong with substantive examination outsourced to other patent offices.
- (b) The current re-registration system should be retained

(B) Short-term Patents

- (a) The short-term patent system should be retained.
- (b) The following refinements to the short-term system should be made –
 - (a) Substantive examination should be made a pre-requisite to commencement of infringement proceedings.
 - (ii) A short-term patentee, when making a threat of infringement proceedings, should furnish the person to whom the threat was made full particulars about the short-term patent in question in support of the threat.
 - (iii) A failure to comply with the requirement in (ii) above should have the legal effect of rendering the threat groundless which enables the party aggrieved by the threat to seek a legal remedy.
 - (iv) Appropriate legislative amendments should be considered to give effect to the above and to address the perceived inconsistency in the burden of proof of patent validity as contained in the existing section 89(2) of the Patents Ordinance (Cap. 514) in relation to short-term patents.
 - (v) Both the patentees and third parties having a legitimate concern or doubt about the validity of a short-term patent should have the right to apply to the Hong Kong Patents Registry for substantive examination of a short-term patent.

- (vi) The official fees for substantive examination of a short-term patent should be payable by the person making the request for such examination.
- (vii) The Hong Kong Patents Registry may take advantage of the above new enforcement requirements of short-term patents to explore a more involved role in working with the outsourced examination authority(ies) to meet the possible demands.
- (c) The possibility of allowing one short-term patent application to have no more than one independent claim for a product and one independent claim for a process, provided that they relate to one single invention, should be further explored.
- (d) The current maximum term of protection (i.e. eight years) should be maintained.
- (e) The current patentability criteria for short-term patents should be maintained.

(C) Regulation of Patent Agency Services

- (a) A full-fledged regulatory regime on patent agency services (which involves regulating both the provision of services and the use of professional titles) should be set as the ultimate goal in the long run, which has to be achieved in stages, with possible interim measures.
- (b) Interim measures to be developed should have regard to the existing patent agency services being provided on the one hand (e.g. through appropriate grandfathering provisions) and the early building and recognition of a regulated patent agency profession on the other (e.g. through regulating use of particular professional titles such as "patent agent" and "patent attorney", or a list or register of patent agents with their qualifications).

Source: Paragraph 4 of the Executive Summary of the Report of the Advisory Committee on Review of the Patent System in Hong Kong ([LC Paper No. CB\(1\)534/12-13\(05\) – Annex A](#))

Review of patent system in Hong Kong

List of relevant papers

Date of meeting	Committee	Minutes/Paper
19/2/2013	Panel on Commerce and Industry	<p>Administration's paper on review of the patent system in Hong Kong LC Paper No. CB(1)534/12-13(05)</p> <p>Updated background brief on the patent registration system in Hong Kong prepared by the Legislative Council Secretariat LC Paper No. CB(1)534/12-13(06)</p> <p>Minutes of meeting LC Paper No. CB(1)830/12-13</p>
17/12/2013	Panel on Commerce and Industry	<p>Administration's paper on proposed creation of one supernumerary post of Assistant Director of Intellectual Property in the Intellectual Property Department LC Paper No. CB(1)516/13-14(05)</p> <p>Updated background brief on review of the patent system and development of intellectual property trading in Hong Kong prepared by the Legislative Council Secretariat LC Paper No. CB(1)516/13-14(06)</p> <p>Minutes of meeting LC Paper No. 883/13-14</p>

Date of meeting	Committee	Minutes/Paper
15/1/2014	Establishment Subcommittee	<p>Administration's paper on the proposed creation of one supernumerary post of Assistant Director of Intellectual Property (DL2) in the Intellectual Property Department for three years with effect from 1 April 2014 to carry out the work relating to the implementation of the "original grant" patent system and the strengthening of the promotion of Hong Kong as an intellectual property trading hub EC(2013-14)19</p> <p>Minutes of meeting ESC36/13-14</p>
30/3/2015	Finance Committee to examine the Estimates of Expenditure 2015-2016	<p>Administration's replies to Members' initial written questions raised by Hon Andrew LEUNG Kwan-yuen Reply Serial No. CEDB(CIT)105</p> <p>Administration's replies to Members' initial written questions raised by Hon Martin LIAO Cheung-kong Reply Serial No. CEDB(CIT)251</p> <p>Administration's replies to Members' initial written questions raised by Hon Elizabeth QUAT Reply Serial No. CEDB(CIT)253</p> <p>Administration's replies to Members' initial written questions raised by Hon WONG Kwok-hing Reply Serial No. CEDB(CIT)255</p>