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Bills Committee on Patents (Amendment) Bill 2015

Background brief

Purpose

This paper provides background information on the Patents (Amendment) Bill 2015 ("the Bill") which seeks to amend the Patents Ordinance (Cap. 514) ("the Ordinance") to establish an "original grant" patent¹ ("OGP") system, refine the existing short-term patent system and introduce an interim measure for regulating local patent practitioners. This paper also summarizes the views and concerns expressed by members of the Panel on Commerce and Industry ("the Panel") on the subject.

Background

The current patent system in Hong Kong

2. An invention which is new, involves an inventive step and is susceptible of industrial application can be patented in Hong Kong provided that it does not belong to the excluded classes². A patent system encourages new technological innovations by granting patent

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 Section 93 of the Ordinance sets out the patentability requirements of an invention and the excluded classes. Examples of non-patentable subject matters include discoveries, scientific theories or mathematical methods; aesthetic creations; surgical or therapeutic methods for treatment of the human or animal body; and inventions the publication or working of which is contrary to public order or morality.

owners the exclusive right to prevent others from manufacturing, using, selling or importing their patented inventions. Currently, two types of patents may be granted in Hong Kong under the Ordinance, namely standard patents and short-term patents.

Standard patents

3. Standard patents have a maximum term of 20 years. Under the patent regimes of many advanced overseas economies, standard patents are granted by their individual patent offices after "substantive examination" of the applications to ensure that the inventions meet the patentability requirements under their respective local laws.

4. In Hong Kong, standard patents are currently granted based on a "re-registration" system, under which a patent will be granted if prior grant has been obtained in one of three "designated patent offices", namely the State Intellectual Property Office in Mainland China ("SIPO"), the United Kingdom ("UK") Patent Office and the European Patent Office for patents designating the UK. The Hong Kong Patents Registry of the Intellectual Property Department ("IPD") only conducts "formality examination" by verifying the information and documents filed in support of the applications.³ It will not conduct substantive examination as to whether the invention underlying a standard patent application fulfils the patentability requirements under the law.

Short-term patents

5. Short-term patents have a maximum term of eight years. They offer a quicker and cheaper way to protect inventions with a shorter commercial life cycle. Currently, short-term patents are granted by the Hong Kong Patents Registry upon formality examination of the applications. An applicant needs to file, amongst others, a search report⁴ in support of the application. No substantive examination is conducted in respect of the underlying invention.

³ An application for a standard patent in Hong Kong is made in two stages: a request to record (filed within 6 months after the date of the publication of the corresponding patent application in a designated patent office); and subsequently a request for registration and grant (filed within 6 months after the date of grant of the patent by the designated patent office or publication of the request to record in Hong Kong, whichever is later).

⁴ A search report has to be issued by an international search authority (such as the patent offices of Australia, Canada, Korea, Japan and the US) or one of the three designated patent offices.

Regulation of patent practitioners

6. Currently, subject to limited regulations imposed by the Ordinance and its subsidiary legislation concerning agents for acts done in connection with a patent or patent application under the Ordinance⁵, there is generally no regulation of local patent practitioners. In this connection, a person is generally free to provide any patent agency service in Hong Kong, and use the title of "patent agent", "patent attorney" or the like.

Review of the patent system in Hong Kong

7. 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 intellectual property ("IP") trading and innovation and technology ("I&T") 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 Kong⁶ ("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:

- (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

⁵ For example –

- (a) the Registrar of Patents shall refuse to recognize as an agent a person who neither resides nor has a place of business in Hong Kong (section 140(4) of the Ordinance);
- (b) the Registrar may refuse to recognize a person as an agent in respect of any business under the Ordinance or the Rules in certain circumstances, such as where the person has been convicted of a criminal offence, or where the person has been struck off the roll of barristers or solicitors (section 85(7) of the Patents (General) Rules).

⁶ 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.

- (c) developing a full-fledged regulatory regime on patent agency services in the long run, which has to be achieved in stages, with possible interim measures.

The Patents (Amendment) Bill 2015

8. The Bill was published in the Gazette on 30 October 2015 and introduced into the Legislative Council on 11 November 2015. The Bill amends the Ordinance to:

- (a) provide for a new system for original grant of standard patents;
- (b) refine the current short-term patent system by providing for substantive examination of short-term patents and making other technical amendments;
- (c) prohibit the use of certain titles and descriptions in providing patent agency services; and
- (d) provide for related and transitional matters.

The key legislative proposals of the Bill are set out below:

Introducing an OGP route for granting standard patents

9. The Bill introduces new provisions to allow an applicant to apply for a standard patent under a new OGP route along some prescribed procedures. The main difference between the new OGP system and the existing "re-registration" system for standard patents is that the OGP system would enable applicants to file patent applications directly in Hong Kong without first obtaining a patent from a designated patent office outside Hong Kong. The existing re-registration system will be retained upon the implementation of OGP system.

Refining the short-term patent system

10. The Bill introduces new provisions to lay down the procedural framework for substantive examination of short-term patents, set out the prerequisites to the commencement of enforcement proceedings for

short-term patents, refine the existing provisions on groundless threats of infringement proceedings, and increase the maximum number of independent claims a short-term patent application may contain.

Implementing an interim measure for regulating local patent practitioners pending establishment of a full-fledged regulatory regime

11. The Bill adds a new section to the Ordinance to prohibit any person from using or from permitting the use of certain titles and descriptions (like "certified patent attorney") in the course of or in connection with the person's business, trade or profession, with certain exemptions provided.

12. The main provisions of the Bill are set out in **Appendix I**.

Previous discussions

13. 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. The Panel was consulted on the related legislative proposals on 21 April 2015. The major views and concerns expressed by members at the relevant meetings are summarized in ensuing paragraphs.

Establishing an OGP system

14. Members generally supported 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. Given the small market in Hong Kong, some members were concerned whether there would be sufficient demand for sustaining a cost-effective OGP system. To enhance the attractiveness of the new OGP system, some members urged the Administration to explore the possibilities of fostering mutual recognition of patents with the Mainland and other jurisdictions. The Administration advised that upon the establishment of the OGP system, Hong Kong would be in a better position to negotiate mutual streamlining of patent application process with the Mainland and other jurisdictions.

15. Members had enquired about the level of application fees under the new patent system. They were concerned that the higher operating cost of the new OGP system, which involved substantive examination, might translate into higher fees for users, thereby discouraging

applications. According to the Administration, the fee for an OGP application would in principle be charged at a cost-recovery level in accordance with the "user pays" principle. The Administration would take into account members' concern when determining the fee schedule.

Refining short-term patent system

16. As substantive examination was not required in the current short-term patent system, some members were concerned that short-term patent would be obtained for inventions which did not actually meet the patentability requirements. There was a suggestion that other than court proceedings, mechanisms to revoke or invalidate patents should be available to deter abuse.

17. The Administration advised that under the refined short-term patent system, substantive examination of a short-term patent would be made a pre-requisite to the commencement of enforcement proceedings in relation to the patent. The Administration considered that the relevant refinements to the short-term patent system would help strike a reasonable balance between the legitimate interest of a patentee and that of a recipient of a threat of infringement actions.

Substantive examination of patent applications

18. While acknowledging that there was a need to outsource the substantive examination capability in the short to medium term upon the implementation of the new patent system, members urged the Administration to progressively develop IPD's own substantive examination capability in the long run. Some members were of the view that given the wide range of technical fields associated with patent applications, IPD should, in addition to seeking technical assistance from SIPO, enhance its international networks for overseas professional technical support.

19. The Administration advised that depending on the users' acceptance of the new patent system and their filing demand, IPD planned to develop in incremental stages its in-house capacity in conducting indigenous substantive examination in the medium to long-term, starting with the niche areas where Hong Kong had acquired considerable expertise or where Hong Kong was well placed to enhance its research and development capabilities. IPD had entered into a cooperation arrangement with SIPO and would also maintain on-going cooperation and exchanges with IP authorities of some overseas

jurisdictions in relation to manpower training and experience sharing.

20. Some members were of the view that the Administration should not be too ambitious at the initial stage of developing the OGP system and that the resources input of IPD in the OGP system should be commensurate with the scale of the Hong Kong market. The Administration advised that a supernumerary Assistant Director post had been created in IPD with effect from 1 April 2014 for a period of three years to head a dedicated team to implement the new patent system, operate the new Patents Registry, and deal with issues relating to the establishment of a full-fledged regulatory regime for local patent practitioners. The Administration would review the manpower of IPD in due course as appropriate.

Development of human capital of the patent industry

21. The Administration was urged to formulate a long-term human capital development plan to nurture the required local talents in the patent industry, and to build up an accreditation system to ensure the professionalism of patent practitioners. Members also called on the Administration to step up efforts to nurture and attract talents and to broaden the career paths for local graduates from the science, engineering and other technical fields.

22. The Administration advised that a full-fledged regulatory regime of patent practitioners would be developed in the long run to help nurture a strong patent profession to complement the implementation of the OGP system. The Administration would also explore issues on patent-related training and development with the education sector and the patent industry.

Regulation of patent practitioners

23. While affirming the need for the regulation of patent practitioners, some members had expressed concern about the transition of existing patent practitioners to the new regulatory regime if the qualifying requirements under the new regime were too stringent. The Administration was urged to consult the major professional bodies in the patent industry when drawing up details of the regulatory regime, in particular the transitional arrangements for existing patent practitioners to practise under the new regime.

Collaboration with the innovation and technology sector

24. Some members called on the IPD to enhance communication with the I&T sector, as well as the Innovation and Technology Commission in matters relating to the promotion of IP trading and the implementation of the OGP system in Hong Kong.

Latest development

25. At the House Committee on 13 November 2015, Members agreed to form a Bills Committee to study the Bill.

Relevant papers

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

Council Business Division 1
Legislative Council Secretariat
30 November 2015

Main provisions of the Patents (Amendment) Bill 2015

- (a) *Clause 11* – to add a new Part 1A on patentability, right to patent and mention of inventor. The new Part is based on existing sections 45, 93, 94, 96, 97 and 100, which will be repealed (by Clauses 52 and 83). The new Part adds, amongst others, a new section 9B to address novelty of inventions, including those relating to second or further medical uses;
- (b) *Clause 45* – to add a new Part 3 (new sections 37A to 37ZD) to provide for the legal and procedural framework for the application, examination and grant of OGP;
- (c) *Clause 78* – to add a new section 89A to provide, among other things, the matters that a defendant is required to prove in relief proceedings brought by a person in respect of a threat of infringement proceedings made by the defendant. If the defendant fails to do so, the person would be entitled to the relief claimed;
- (d) *Clauses 120* – to add new sections 127A to 127G to provide for the legal and procedural framework for substantive examination of short-term patents;
- (e) *Clause 123* – to amend section 129 to provide that in certain cases, a request for substantive examination of a short-term patent is a prerequisite for commencing enforcement proceedings in relation to the patent; and
- (f) *Clause 129* – to add a new section 144A to prohibit the use of certain titles and descriptions as the interim regulatory measures for local patent practitioners.

Source: Legislative Council Brief (File Ref: CITB06/18/23) issued by the Commerce and Economic Development Bureau on 28 October 2015

Appendix II

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"</p> <p>(EC(2013-14)19)</p> <p>Minutes of meeting (ESC36/13-14)</p>
21/4/2015	Panel on Commerce and Industry	<p>Administration's paper on "Proposed legislative amendments to the Patents Ordinance"</p> <p>(LC Paper No. CB(1)743/14-15(03))</p> <p>Paper on review of the patent system in Hong Kong prepared by the Legislative Council Secretariat (updated background brief)</p> <p>(LC Paper No. CB(1)743/14-15(04))</p> <p>Minutes of meeting (LC Paper No. CB(1)969/14-15)</p>
11/11/2015	Legislative Council	<p>Legislative Council Brief on the Patents (Amendment) Bill 2015</p> <p>(File Ref.:CITB 06/18/23)</p>
13/11/2015	House Committee	<p>Legal Service Division report on the Patents (Amendment) Bill 2015</p> <p>(LC Paper No. LS9/15-16)</p>