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21 December 2015

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Ms. May Leung,
Clerk to Bills Committee on
Patents (Amendment) Bill 2015,
Legislative Council Secretariat,
Legislative Council Complex,
1 Legislative Council Road,
Central, Hong Kong.

Dear Ms. Leung,

Bills Committee on Patents (Amendment) Bill 2015
Meeting on 22 December 2015

Thank you for your letter and invitation of 4 December 2015.

Our Intellectual Property Committee has been working with the Intellectual Property Department in reviewing the various aspects of the proposed amendments. The Bill has incorporated most of our comments and suggestions and we are generally satisfied with it. That said, we would invite the Bills Committee to further consider our comments on groundless threats of infringement proceedings which we had sent to the Intellectual Property Department in April 2015 and which we repeat in essence as follows:

- The proposed introduction of examined short term patents ("STPs") prior to enforcement and additional burdens with respect to documents that must be provided prior to any allegation of infringement (which will in any event be publicly available) reduces the benefits of the system. In particular, this imposes a strict liability on patent holders and their advisors, many of whom may easily be unaware of the requirements and innocently fall foul of the provisions with no possibility of cure. While this is probably suggested to deal with some of the complaints about abuse of the STP system, this seems a

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very blunt instrument. We are concerned that this could well deter use of the system altogether, bearing in mind that even an unexamined application for a Standard Patent would not carry such burdens while an examined STP would. Whilst the "Remedy for groundless threats of infringement proceedings" (emphasis added) has been part of our law for some time, it has always been possible to justify any threat on the basis that the patent is in fact valid and infringed. In other words that the threat was not in fact groundless. Such justification would no longer be possible under the proposed amendment, which thus goes beyond the scope of what is normally regarded as the rationale for the provision, namely to deter threats based on a weak patent, not simply inadvertent omission to provide publicly available documents.

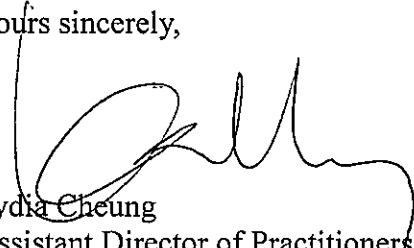
- We are aware of no other jurisdiction with such provisions and it seems that only one respondent (GS1, a global supply chain standards organisation) advocated it. We strongly urge reconsideration of this provision by the Advisory Committee and legislators.
- We would add that the groundless threats provisions are little understood by lay persons and case law has determined that it is relatively easy to establish that a threat has been made, even orally, even without any reference to legal proceedings, for example in asking someone to take a licence. Someone without specialised legal training may easily fall foul of the provisions. In the UK, steps have been taken to amend and harmonise the provisions as between different IP rights, which has not yet happened in Hong Kong. In these circumstances, we submit that such provisions should be looked at afresh before adopting the same without amendment under the new patent law regime.
- It should further be appreciated that the requirement to provide the certificate of grant of the STP, the search report, the specification of the patent as filed and as amended, together with any proposed amendment to the specification that has been filed and, if issued, the certificate of substantive examination of the patent will not necessarily prevent abuse and more particularly will not make a threat any less of a threat. It, will however place an incurable burden on people (in particular SMEs) who are unaware that they have made a threat, or were unaware of the requirement to provide copies of the documents in question (or a channel to obtain such documents at no cost) at the time the

threat was made (an impossibility in the case of an oral threat), or accidentally failed to provide all the correct documents. This legalistic requirement is unduly harsh and unreasonable to owners of STPs, bearing in mind that it does not apply to potentially more valuable, but unexamined, applications for standard patents.

- Apart from lay people, we are also very concerned that both professional and non-professional advisors will be unduly affected by the provision, as it creates a strict liability which could leave them open to negligence claims, either as a result of not complying with or failing to advise their client to comply with the requirement to provide documents in the context of the very wide ambit of a potential threats claim. Even where it is later established (at some cost) that the patent was valid and infringed, the patent owner will still be liable and suffer financially in terms of damages and costs. We consider this effect to be possibly unintended and certainly disproportionate.
- The position on groundless threats in Hong Kong is much stricter than in the UK and, as indicated, the provisions need to be looked at afresh, along the lines of the amendments proposed following the report of the UK Law Commission. We strongly urge the adoption of similar amendments in Hong Kong to bring our law in line.

Hence, we maintain that the proposed groundless threat provision in respect of STPs irrespective of whether the STP is proven valid and there was indeed infringement can produce unfair results. Except for repeating our above suggestion to review the groundless threat provisions in respect of STPs so that they are less harsh, we do not intend to put in any further submission or make any oral presentation to the Bills Committee at this stage.

Yours sincerely,


Lydia Cheung
Assistant Director of Practitioners Affairs

c.c. Mr. Kenny Wong, Chairman of the Intellectual Property Committee