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22 December 2016

Mr Chui Ho-yin, Alvin
Assistant Legal Adviser
Legal Service Division
Legislative Council Secretariat
Legislative Council Complex
Legislative Council Road
Central, Hong Kong

By Fax (2877 5029) only

Dear Mr Chui,

Arbitration (Amendment) Bill 2016 (“Bill”)

We refer to your letter dated 12 December 2016. Our reply to the questions raised in your letter is set out below.

Clause 3 – section 5

Where the place of arbitration is outside Hong Kong, the conduct of the arbitration is usually governed by the arbitration law (*lex arbitri*) of the place of arbitration outside Hong Kong. In cases where the Hong Kong courts’ assistance needs to be invoked in relation to such arbitrations, section 5(2) of the Arbitration Ordinance (Cap. 609) applies certain provisions concerning the exercise of the court’s power (and related interpretation provisions) to such arbitrations (for example, Part 3A concerning the court’s enforcement of emergency relief granted by an emergency arbitrator; Part 10 concerning the recognition and enforcement of arbitral awards by the court, etc). In line with this approach, Clause 3 of the Bill amends section 5(2) by adding references to the new provisions which concern the exercise of powers by the Hong Kong courts, and related interpretation provisions. On the other hand, the proposed new sections 103I and 103J are not concerned with the exercise of powers by the Hong Kong

courts in relation to an arbitration, but are concerned with the interpretation of certain provisions of the Patents Ordinance (Cap. 514) as amended by the Patents (Amendment) Ordinance 2016. Moreover, the Patents Ordinance is not mentioned in section 5(2) of the Arbitration Ordinance. Following the same approach, new sections 103I and 103J are also not included in section 5(2) of the Arbitration Ordinance.

Clause 5 – section 103B

- (a) For the purpose of providing more guidance to users of IP arbitration, a non-exhaustive list of some common examples of intellectual property rights was provided under the proposed section 103B(1)). This list was added to the Bill in light of the suggestions from some stakeholders¹ in the consultation exercise conducted from December 2015 to January 2016. It has also taken into account the broad definition of “intellectual property” under the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights. (see Art 1(2))

We anticipate that the disputes that will be arbitrated in Hong Kong will cover not only IPRs that are registered or subsisting in Hong Kong but also those that are registered or subsisting in other jurisdictions. Given that IPRs in other jurisdictions may be referred to by different names or protected in a different way, and since IP is a developing area, we have defined IPRs by referring to a non-exhaustive list of examples so as to provide flexibility in the definition to accommodate new types of IPRs which may arise in future.

We note that a non-exhaustive list of examples of IPRs has also been used in section 44A(5) of the High Court Ordinance (Cap. 4).² The list of examples in the proposed section 103B(1) is more elaborate as it covers IPRs registered or subsisting in other jurisdictions, e.g. geographical indications for which Hong Kong has no *sui generis*

¹ The Hong Kong Bar Association, the Hong Kong Institute of Trade Mark Practitioners and the Construction Industry Council.

² This provision states that “*“intellectual property” (知識產權) means “any patent, trade mark, copyright, registered design, technical or commercial information or other intellectual property”*”.

system of protection. In short, the broad definition of “intellectual property rights” in the new section 103B is in line with the policy intent of facilitating the wider use of IP arbitration in Hong Kong.

- (b) & (c) As mentioned in (a) above, the Bill covers IPRs registered or subsisting in Hong Kong as well as those registered or subsisting in other jurisdictions. This is a matter of conscious policy choice as we anticipate that disputes that are arbitrated in Hong Kong may not only include Hong Kong IPRs but also non-Hong Kong IPRs. As the characteristics of the specific types of IPRs may be different in other jurisdictions, the terms set out in paragraphs (a) to (j) of the proposed section 103B(1) are used in a generic sense and their meaning is not restricted by the respective definitions contained in other Ordinances in Hong Kong.³ Such an approach would be conducive to the policy intent of facilitating wider use of IP arbitration in Hong Kong.

Clause 5 – section 103D(6)

Under section 70 of the Arbitration Ordinance, an arbitral tribunal enjoys wide powers to award any remedy or relief that could be ordered by a court in civil proceedings. In general, the arbitration parties may not agree to restrict an arbitral tribunal’s powers to award remedies or reliefs.⁴

Given that some IPRs are registrable rights, some consultees have raised the question whether the arbitral tribunal has power to order specific performance directing a party to amend the IP register, and whether this affects the general position that an arbitral award has *inter partes* effect only. Noting that in some jurisdictions e.g. the United Kingdom, the parties to arbitration are given the flexibility to limit the remedies and relief awarded by the arbitrator, we have

³ The term “confidential information” used in section 49A of the Dangerous Drugs Ordinance (Cap. 134) and section 123 of the Competition Ordinance (Cap. 619) respectively does not relate to IP. In the context of IP, it is commonly understood that “confidential information” has the meaning referred to in Article 39.2 of the Agreement on Trade-Related Aspects of Intellectual Property Rights, contained in Annex 1C to the Marrakesh Agreement Establishing the World Trade Organization.

⁴ Choong and Weeramantry, *Hong Kong Arbitration Ordinance: Commentary and Annotations* (Sweet & Maxwell (2nd edition), 2015). A different view has been advanced by Gary Born, the learned author of *International Commercial Arbitration* (Wolters Kluwer (2nd edition), 2014, at para 23.07 [A], p. 3069 who suggests that provisions which provide arbitral tribunals with the same remedial authority as local courts should be regarded as non-mandatory in principle (i.e. subject to limitations or extensions by the arbitration parties).

included proposed new section 103D(6) to confer such flexibility on the parties to IP arbitration.

Commencement

Section 123 of the Patents (Amendment) Ordinance 2016 will only come into operation upon completion of all the preparatory tasks for rolling out the new patent system. Our current target, subject to contingencies, is to roll out the new patent system in 2019.

Yours sincerely,



LEE Sau Kong (Miss)
Senior Assistant Solicitor General
(Special Duties)



中華人民共和國香港特別行政區
Hong Kong Special Administrative Region of the People's Republic of China



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12 December 2016

Miss LEE Sau Kong
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Hong Kong

Dear Miss LEE,

Arbitration (Amendment) Bill 2016

I am scrutinizing the captioned Bill with a view to advising Members on its legal and drafting aspects. I should be grateful if you would clarify the following matters.

Clause 3 – section 5

Clause 3 seeks to amend section 5(2) of the Arbitration Ordinance (Cap. 609) to provide that a new Part 11A (except the new sections 103I and 103J relating to arbitral proceedings in relation to patents) to Cap. 609 is also applicable to an arbitration which takes place outside Hong Kong. As the validity of a patent and the enforceability of a short-term patent can be dealt with by an arbitration that takes place outside Hong Kong, please clarify whether section 5(2) of Cap. 609 should further be amended so as to cover the proposed sections 103I and 103J.

Clause 5 – section 103B

The proposed section 103B defines the term "intellectual property right" ("IPR") referred to in the new Part 11A by an non-exclusive list of examples of IPRs. Some of the terms in the non-exclusive list, such as "patent"; "trade marks"; "copyright", and "known-how" etc., are specifically defined in different ordinances in Hong Kong. Moreover, the term "confidential information" carries different meanings when it is used in different contexts in different ordinances, for examples section 49A of Cap. 134 and section 123 of Cap. 619. Please clarify:

- (a) the legislative intent and the justification of adopting an non-exclusive list of examples of IPRs. Will an non-exclusive list cause more uncertainty in implementation? Has the non-exclusive list of examples been used in any other ordinance in Hong Kong for the definition of IPRs?;
- (b) for the terms with specific definitions in another ordinances, are such specific definitions applicable to the identical terms referred to in the non-exclusive list in section 103B?; and
- (c) if the answer to (b) is affirmative, whether, for the sake of clarity and certainty, it should be expressly provided so in section 103B? If the answer to (b) is negative, the legislative intent and the justification of such drafting?

Clause 5 – section 103(D)(6)

Currently, under section 70, the parties to an arbitration can only limit the arbitral tribunal's power to order specific performance of any contract. However, the proposed section 103D(6) empowers the parties to an IPR dispute to limit the arbitral tribunal's power as regards remedies or reliefs.

Please clarify the legislative intent and the justification of granting a wider power to the parties to an IPR dispute in limiting the remedies or reliefs being awarded by the arbitral tribunal.

Commencement

Clause 1 of the Bill provides that the proposed section 103J, if passed, will come into operation on the day on which section 123 of the Patents (Amendment) Ordinance 2016 (17 of 2016) comes into operation. Please clarify if there is any intended commencement date of section 123 of the Patents (Amendment) Ordinance 2016.

I look forward for receiving your reply in both languages by
15 December 2016.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Alvin Chui', with a stylized flourish at the end.

(CHUI Ho-yin, Alvin)
Assistant Legal Adviser

c.c. Department of Justice
(Attn: Miss Emma WONG, Senior Government Counsel)
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