

Arbitration (Amendment) Bill 2016

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Amendments to Arbitration (Parties to New York Convention) Order

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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.
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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”.
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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.