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Panel on Commerce and Industry

Meeting on 15 November 2016

Background brief on progress of implementation of the patents reform

Purpose

This paper provides background information on the progress of implementation of the patents reform, as well as a summary of the views and concerns expressed by members of the Bills Committee on Patents (Amendment) Bill 2015 and the Panel on Commerce and Industry ("the Panel") in the Fifth Legislative Council ("LegCo") during previous discussions on related subjects.

Background

The current patent system in Hong Kong

2. A patent system encourages new technological innovations by granting patent owners the exclusive right to prevent others from exploiting their patented inventions such as by means of manufacturing, using, selling or importing them. Inventions which are novel, involve an inventive step and are susceptible of industrial application can be patented in Hong Kong provided that they do not belong to the excluded classes¹.

¹ Section 93 of the Patent Ordinance (Cap. 514) 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 would be contrary to public order ("ordre public") or morality.

3. Under the Patents Ordinance (Cap 514) ("the Ordinance") enacted in June 1997, two types of patents, namely standard patents and short-term patents ("STPs"), may be granted in Hong Kong. Currently, there is generally no regulation of local patent practitioners.

4. In general, standard patents are valid for a maximum term of 20 years and are granted based on a "re-registration" system, under which a standard patent will be granted, subject to procedural compliance, if a prior grant for the same invention 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 (in respect of patents granted under the European Patent Convention designating the UK).

5. STPs have a maximum term of eight years and are granted by the Hong Kong Patents Registry upon formality examination of the documents in support of the application.

6. To ensure that Hong Kong's patent system would continue 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 Government commenced a review of the local patent system in October 2011. The Advisory Committee on Review of the Patent System in Hong Kong ("Advisory Committee") was also set up for the purpose.

7. Having regard to the recommendations of the Advisory Committee, the Administration announced in February 2013 the way forward for the development of the patent system, including introducing an Original Grant Patent ("OGP") system, refining the STP system and regulating the patent practitioners.

Staffing and legislative proposals for the development of the patent system

8. To cope with the substantial increase in workload on the implementation of the OGP system, a supernumerary post of Assistant Director of Intellectual Property in the Intellectual Property Department ("IPD") was created for a period of three years with effect from 1 April 2014 with the approval of the Finance Committee.

9. With the Panel's support for the legislative proposals, the Administration introduced the Patents (Amendment) Bill 2015 ("the Bill") into LegCo on 11 November 2015 to amend the Ordinance to:

- (a) provide for an OGP system for grant of standard patents;
- (b) refine the current STP system by providing for post-grant

substantive examination of STPs and making other technical amendments;

- (c) prohibit the use of certain titles and descriptions in providing patent agency services as an interim regulatory measure; and
- (d) introduce amendments to make the policy intent clear that inventions relating to second or further medical uses could be regarded as new and thus patentable, and also to address other technical, transitional and miscellaneous matters.

10. A Bills Committee was formed to study the Bill. The Bill was passed on 2 June 2016 and will come into operation on a day to be appointed by the Secretary for Commerce and Economic Development by notice published in the Gazette.

Previous discussions by the Panel and the Bills Committee

11. The major views and concerns expressed by members of the Panel and the Bills Committee are summarized in the ensuing paragraphs.

Introducing the new original grant patent system

12. Noting that the new OGP system would only be implemented in Hong Kong, some members of the Bills Committee considered it necessary for the patents granted under the new OGP system to be recognized by the three designated patent offices of the re-registration system for standard patents, i.e. SIPO, the UK Patent Office and European Patent Office as a reciprocal arrangement. The Administration advised that given that patent protection is territorial in nature, there was no international arrangement for mutual recognition of patents granted by a national or regional patent office. However, upon the establishment of the new OGP system, Hong Kong would be in a better position to negotiate bilateral arrangements with other patent offices to expedite the examination process, which would facilitate OGP applicants to seek patent protection in other jurisdictions with reduced time and cost.

13. Some Panel members and members of the Bills Committee also queried about whether there would be sufficient demand to sustain a cost-effective OGP system in Hong Kong, given the small market and the lack of manufacturing base in Hong Kong. The Administration advised that at present, several advanced economies with population size and/or Gross Domestic Product similar or comparable to that of Hong Kong had already established their own OGP systems. Upon the establishment of the new OGP system, further external cooperation opportunities in facilitating local patent applicants to obtain patent protection in other jurisdictions would be explored to enhance the attractiveness of the new OGP system.

14. Both Panel members and members of the Bills Committee were concerned that the higher operating cost of the new OGP system 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.

Refining short-term patent system

15. As substantive examination was not required in the current short-term patent system, some Panel members noted with concern that STP would be obtained for inventions which did not actually meet the patentability requirements. In addition, a number of deputations at the Bills Committee were worried that the proposed introduction of substantive examination of STP might reduce the benefit of the STP system and deter the use of the system. The Administration advised that under the refined STP system, substantive examination of an STP 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 STP 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

16. While acknowledging the need to outsource the substantive examination capability in the short to medium term upon the implementation of the new patent system, some Panel members urged the Administration to progressively develop IPD's own substantive examination capability in the long run. The Administration advised that IPD planned to develop in incremental stages its in-house capacity in conducting indigenous substantive examination in the medium to long-term. Moreover, IPD had entered into a cooperation arrangement with the SIPO and would also maintain on-going cooperation and exchanges with intellectual property authorities of some overseas jurisdictions in relation to manpower training and experience sharing.

Threat of infringement proceedings

17. Some members of the Bills Committee shared the concern of deputations that under the Bill, an unexamined short-term patentee would be required to provide documents relating to the patent on request when making a threat of infringement proceedings. These members considered the requirement unduly harsh to the patentees and went beyond the rationale of deterring threats of infringement proceedings based on a weak patent.

18. The Administration advised that the proposal sought to facilitate the aggrieved party to make an informed decision on whether and how to respond to the threats. Taking into account the comments from deputations and the Bills Committee, the Administration moved Committee stage amendments to the Bill in relation to the patent information to be provided to the aggrieved party, alerting the patentee of the relevant statutory requirements for defending a claim on groundless threats and extending the period for provision of patent information. The amendments were passed.

Development of human capital of the patent industry

19. Both the Panel and the Bills Committee urged the Administration 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. 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.

Regulation of patent practitioners

20. While affirming the need for the regulation of patent practitioners, some Panel members expressed concern about the transition of existing patent practitioners to the new regulatory regime and urged the Administration 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.

21. Some members of the Bills Committee noted the deputations' views and were concerned about the introduction of an interim regulatory measure to make it an offence to use the titles, as well as a title or description that would be likely to give the impression that the person holds a qualification, recognized by law or endorsed by the Government, for providing patent agency services in Hong Kong. These members were of the view that the related provisions in the Bill might not be clear enough.

22. The Administration clarified that the proposed interim measures would only regulate the use of certain titles in connection with the provision of patent agency services, but not regulate or restrict the provision of patent agency services as such. Many existing providers of patent agency services were qualified legal practitioners, and the Bill sought to make clear that qualified legal practitioners in Hong Kong may lawfully use their legitimate titles such as "solicitor", "barrister", "foreign lawyer" in providing patent agency services in Hong Kong.

23. Some members of the Bills Committee considered the proposed criminal sanction of a fine of \$500,000 against a person who is convicted of an offence by using the prohibited titles or descriptions might be too harsh for patent practitioners. The Administration confirmed that it had considered the penalties of similar offences for reference.

Latest position

24. The Administration will brief the Panel on 15 November 2016 on the progress of implementation of the patents reform, key tasks that need to be accomplished in the long run, and the manpower support.

Relevant papers

25. A list of relevant papers is shown in the **Appendix**.

Council Business Division 1
Legislative Council Secretariat
11 November 2016

List of relevant papers

Date of meeting	Meeting	Paper
21/4/2015	Panel on Commerce and Industry	<p>Administration's paper on "Proposed legislative amendments to the Patents Ordinance" (LC Paper No. CB(1)743/14-15(03))</p> <p>Updated background brief on review of the patents system in Hong Kong prepared by the Legislative Council Secretariat (LC Paper No. CB(1)743/14-15(04))</p> <p>Minutes of meeting (LC Paper No. CB(1)969/14-15)</p>
20/5/2016	House Committee	<p>Report of the Bills Committee on Patents (Amendment) Bill 2015 (LC Paper No. CB(1)932/15-16)</p> <p>Minutes of meeting (LC Paper No. CB(2)1517/15-16)</p>
1/6/2016	Council	<p>Report of the Bills Committee on Patents (Amendment) Bill 2015 (LC Paper No. CB(1)972/15-16)</p>