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Panel on Commerce and Industry

Meeting on 19 June 2018

**Updated background brief on progress of
implementation of the patents reform**

Purpose

This paper provides updated background information on the captioned subject, and summarizes the major views and concerns expressed by members of the Panel on Commerce and Industry ("the Panel") during previous discussions on the subject.

Background

Establishing a new patent system in Hong Kong

2. 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.

3. Having regard to the recommendations of the Advisory Committee, the Administration announced in February 2013 its policy decision to, among other things, establish an Original Grant Patent ("OGP") system in Hong Kong¹ and

¹ The Patents Registry will initially enlist the technical assistance of the State Intellectual Property Office in the conduct of substantive examination. It will also establish indigenous substantive examination capacity in the medium and long run for enhancing the user-friendliness as well as the overall strength and quality of the new patent system.

refine the existing short-term patent² ("STP") system and develop a full-fledged regulatory regime on patent agency services in the long run, which has to be achieved in stages, with interim measures (collectively "the new patent system").

Staffing and legislative proposals for the development of the new patent system

4. The Patents (Amendment) Bill 2015 was introduced into the Legislative Council in November 2015, and was passed into law in June 2016 as the Patents (Amendment) Ordinance 2016. The new law will come into operation on a day to be appointed by the Secretary for Commerce and Economic Development by notice published in the Gazette. The main provisions of the Patents (Amendment) Ordinance 2016 include –

- (a) introduction of an OGP route for granting standard patents;³
- (b) refining the STP system by providing for post-grant substantive examination of STPs and making other technical amendments;
- (c) prohibition of the use of certain titles and descriptions in providing patent agency services as an interim regulatory measure; and
- (d) 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.

5. To cope with the substantial increase in workload on the implementation of the new patent system, a supernumerary post of Assistant Director of Intellectual Property ("ADIP") in the Intellectual Property Department ("IPD") was created for a period of three years with effect from 1 April 2014. Following the endorsement by the Establishment Subcommittee in April 2017, the Finance Committee approved in June 2017 the proposal to convert a supernumerary ADIP post to a permanent post.

Further tasks to follow through before rolling out the new patent system

6. The enactment of the Patents (Amendment) Ordinance 2016 represents the completion of a critical, first step in revamping the local patent system. According to the Administration, in order to roll out the new patent system which is targeted for 2019, the major tasks ahead include the amendment of the Patents (General) Rules (Cap. 514C) to provide for the detailed procedural framework concerning applications for grant of patents under the new patent system and also post-grant substantive examination of STPs; the drawing up of examination guidelines and workflows to be adopted by the Patents Registry in

² Short-term patents have a maximum term of eight years.

³ Standard patents have a maximum term of 20 years.

processing patent cases under the new patent system; the expansion of the Patents Registry by recruiting additional patent examiners⁴ with appropriate training for the new recruits; the setting up of a new electronic processing system; and the publicity.

Previous discussions by the Panel on Commerce and Industry

7. The Administration briefed the Panel on the latest implementation progress of the new patent system on 15 November 2016, and sought the Panel's support for its establishment proposal on 20 December 2016. The major views and concerns expressed by members of the Panel are summarized below.

Implementation of the new patent system

8. At the meeting on 20 December 2016, some members urged the Administration to enhance public awareness on intellectual property ("IP") protection, and enquired about the publicity and education plan for the new patent system. The Administration advised that publicity and education were part and parcel of the on-going work of IPD. Besides launching a number of publicity and education programmes to promote the new patent system to chambers of commerce, relevant stakeholders and professional bodies, IPD had also sponsored training courses and workshops on patent drafting, search and professional practice.

Development of human capital of the patent industry

9. At both meetings, some members enquired about the Administration's plan for the grooming of requisite talents in the legal, science and engineering disciplines to support the operation of the new patent system. These members suggested that the Administration should step up efforts in promoting science, technology, engineering and mathematics education to nurture more talents for the patent industry.

10. The Administration advised that it had entered into a cooperative agreement with the State Intellectual Property Office of the Mainland ("SIPO") in December 2013 under which SIPO agreed to provide technical assistance and support in conducting substantive examination of patent applications and manpower training under the new patent system. The Administration planned to develop in incremental stages its in-house capacity in conducting indigenous substantive examination in the medium to long term following the establishment

⁴ Having regard to the International Patent Classification and the advice of other patent authorities, the Administration has grouped the technical areas involved in patent applications under the Original Grant Patent system into three main streams, namely chemistry, electricity and mechanical engineering.

of the new patent system.

11. The Administration further advised that in addition to the on-going training programmes organized by IPD on IP management and commercialization for enterprises to build up their relevant manpower capacity, City University of Hong Kong and The University of Hong Kong also offered patent-related courses. The Administration planned to commission a dedicated IP manpower survey in early 2017 with a view to identifying the manpower capacity and training needs of the local IP industry, including the patent industry. The findings of the survey, which were projected to be available in end 2017 or early 2018, could help identify the required manpower for the patent industry and facilitate the drawing up of relevant manpower development plans.

Competitiveness of the new patent system

12. As patent protection was territorial in nature, some members queried at the meeting on 15 November 2016 whether there would be sufficient demand to sustain a cost-effective new patent system in Hong Kong given the small market in Hong Kong. The Administration advised that the establishment of the new patent system was a strategic move to promote research and development as well as IP trading activities in Hong Kong. Accepting Chinese as one of the official languages for patent applications and allowing local companies to apply for standard patent protection directly in Hong Kong, the new patent system would provide an efficient and user-friendly filing route for local applicants. Upon establishment of the new patent system, Hong Kong would be in a better position to negotiate for setting up Patent Prosecution Highway ("PPH")⁵ with other patent offices to expedite the examination process, which would facilitate OGP applicants to seek patent protection in other jurisdictions, thereby enhancing the attractiveness of the new patent system.

13. Taking note of the Administration's advice, some members further asked the preconditions for Hong Kong to set up PPH and they were concerned whether the quality of patents granted under the new patent system would be up to international standard. They also opined that Hong Kong should set up PPH with other patent offices as early as possible.

14. The Administration responded that it was essential for a patent authority to build up its international credibility in patent examination so that it could be in a better position to negotiate with other patent authorities for PPH. Given that SIPO had entered into PPH with at least 20 patent offices and that SIPO would provide technical assistance in conducting substantive examination of patent applications filed under the OGP route in Hong Kong, the Administration

⁵ Under a Patent Prosecution Highway agreement, a patent applicant can request an accelerated processing of patent application at the patent office of second filing, when the patent office of the first filing has already found corresponding patent claims allowable.

would consider initiating discussions with other patent authorities for establishing bilateral and plurilateral PPHs in due course after rolling out the new patent system.

Bolar exemption

15. At the meeting on 20 December 2016, some members pointed out that the poor were usually deprived of receiving treatments by patented drugs and medical devices of high costs. Concerning that the patent law might contradict with the Government's policy direction on caring for the disadvantaged, these members enquired whether the Administration would negotiate with pharmaceutical companies with patent protection of their drugs in Hong Kong to enable the use of the relevant drugs in the public hospitals at a lower price, thereby reducing the Government's financial burden in respect of public medical expenses.

16. The Administration advised that some countries had specifically provided for Bolar exemption in their patent laws which allowed manufacturers of generic drugs to conduct studies, tests or trials of a patented pharmaceutical invention to obtain marketing approval without the patent owner's permission and before the patent protection expired. The Bolar exemption facilitated the generic drug producers to obtain approval for marketing their generic drugs which helped lowering the cost of drugs dedicated for treatment of specific diseases. The Administration would review the patent law from time to time. One of the possible topics under such review might cover whether the Bolar exemption should be introduced.

Latest position

17. The Administration will brief the Panel on 19 June 2018 on its proposed legislative amendments to Cap. 514C.

Relevant papers

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

Appendix

List of relevant papers

Date of meeting	Meeting	Paper
15/11/2016	Panel on Commerce and Industry	<p>Administration's paper on "Progress of implementation of the patents reform and review of the manpower support for the implementation" (LC Paper No. CB(1)90/16-17(05))</p> <p>Background brief on progress of implementation of the patents reform prepared by the Legislative Council Secretariat (LC Paper No. CB(1)90/16-17(06))</p> <p>Minutes of meeting (LC Paper No. CB(1)309/16-17)</p>
20/12/2016	Panel on Commerce and Industry	<p>Administration's paper on "Proposed creation of one permanent directorate post of Assistant Director of Intellectual Property in the Intellectual Property Department" (LC Paper No. CB(1)311/16-17(03))</p> <p>Administration's follow-up paper on "Implementation of the new patent system" (LC Paper No. CB(1)406/16-17(01))</p> <p>Minutes of meeting (LC Paper No. CB(1)462/16-17)</p>

Date of meeting	Meeting	Paper
10/4/2017	Establishment Subcommittee	<p>Administration's paper on "Proposed making permanent of one supernumerary post of Assistant Director of Intellectual Property (DL2) in the Intellectual Property Department with effect from 1 April 2017, or upon approval of the Finance Committee, whichever is later to provide dedicated staffing support at the directorate level to continue with the duties and responsibilities pertinent to the patent portfolio on a permanent basis" (EC(2016-17)24)</p> <p>Administration's supplemental information paper (LC Paper No. ESC84/16-17(02))</p> <p>Administration's follow-up paper (LC Paper No. ESC89/16-17(01))</p> <p>Minutes of meeting (LC Paper No. ESC127/16-17)</p>
2/6/2017	Finance Committee	<p>Recommendation of the Establishment Subcommittee (FCR(2017-18)12)</p> <p>Administration's follow-up paper (LC Paper No. FC250/16-17(01))</p> <p>Minutes of meeting (LC Paper No. FC186/17-18)</p>