



SUBMISSIONS

Consultation Paper on Review of the Patent System in Hong Kong Commerce and Economic Development Bureau and Intellectual Property Department

Executive Summary

- 1) The Law Society's Intellectual Property Committee (IP Committee) has reviewed the Consultation Paper and is of the view the current patent system with both standard and short-term patents provides a reliable, well-structured and cost effective system to the advantage of Hong Kong, its investors and entrepreneurs. The system works well (although it can be improved) and there is no need to fundamentally change it.
- 2) Without any statistics or objective data in support, the Law Society is not convinced that a patent reform to introduce an original grant patent (OGP) system is necessary for Hong Kong. The Law Society considers the present standard patent system which simply tracks UK, European and Chinese examined patents, to be simple and inexpensive, and recommends continuing the current standard patent system based on registration of patents granted in the PRC, UK and EP (UK) (although consideration may also be given to non-UK designated patents), with the possibility of adding registrations granted by other respected patent offices.
- 3) The present short-term patent system offers applicants a quick and cost effective route to obtain patent protection in Hong Kong. The Law Society is not aware of any substantial abuse of such system but takes the view that the system can be improved to address the concerns raised.
- 4) The Law Society is aware of and is concerned with the potential confusion over the use of the titles "patent agents" and "patent attorneys" to the public in Hong Kong and overseas and so we support the idea of having an accrediting body to formally recognise the qualifications for patent practitioners. The Law Society proposes that the Intellectual Property Department of the HKSAR Government (IPD) is best placed to be the regulatory body with oversight of accreditation standards and where necessary, taking disciplinary action.

- 5) The Law Society proposes the following improvements to the present patent system:-
- (a) allowing extensions of time for applications, simplifying the procedure for amending patents, updating substantive law for example with regard to second medical use and Swiss claims;
 - (b) expanding the number of countries whose examined patents can be “designated patents” for the purpose of filing standard patents (for example, Australia and USA);
 - (c) requiring pre-litigation disclosure and/or validity determination of short-term patent search reports prior to commencement of legal proceedings;
 - (d) consideration be given to extending short term patents to 10 years.

I. Standard Patents

A. Current System

- 1) The current system basically followed the recommendations made by the Patents Steering Committee ("PSC") which produced a 226-page report in January 1993 entitled *Report on Reform of the Hong Kong Patent System* after meeting, investigating and discussing extensively the related issues.
- 2) Many of the observations and comments of the PSC then are still applicable to Hong Kong today. In particular:-
 - a) In the past 5 years, the average number of standard patents filed per year in Hong Kong is about 13,000. The number of patent applications filed by Hong Kong resident inventors remains low. In 1989, the percentage of patents filed by Hong Kong residents was about 1.6% of the total number of patents filed. In the five years between 2006 and 2010, the average percentage was about 1.2%.
 - b) As the population, and therefore the number of likely inventors, is small, manufacturing and R&D have moved to the Mainland and the typical product does not require the protection in Hong Kong given by a patent, there is insufficient demand for patent protection to support a system that relies on examination and original grant being done in Hong Kong.

In comparison the R&D Expenditure as a ratio to GDP of Hong Kong against various neighbouring countries and China and the US, Hong Kong is the lowest.

	Hong Kong	Taiwan	Korea	Japan	Singapore	China	US
2004	0.74	2.32	2.68	3.17	2.19	1.23	2.54
2005	0.79	2.39	2.79	3.32	2.27	1.34	2.57
2006	0.81	2.51	3.01	3.41	2.24	1.42	2.61
2007	0.77	2.57	3.21	3.44	2.45	1.44	2.66
2008	0.73	2.78	3.37	3.42	2.68	1.54	2.77
2009	0.79	2.94	-	-	-	-	-

Similar statistics are shown in the number of R&D Personnel

Hong Kong	Headcount	Total Labour Force	% of R&D personnel
2008	13,295	3,648,900	0.36
2009	18,328	3,676,600	0.50

2008	Hong Kong	Taiwan	Korea	Japan	Singapore
R&D Personnel per 1,000 employment	3.6	10.6	10.0	10.6	9.7

- c) As Hong Kong is a very small part of the global market, it is unlikely to attract many businessmen who wish to apply for an original Hong Kong patent alone. Because any major patentable invention would have been patented in one or more of the world's major patent offices, both local and overseas businesses are likely to find a re-registration system which is cheap, simple and quick to be more attractive than an expensive original patent system for Hong Kong.

Between 2006 and 2010, the largest country filers for standard patents in Hong Kong in descending order are: US, Japan, Germany, Switzerland and China. Their filing for standard patents in Hong Kong occupies an average of over 70% of our total number of standard patent applications.

- d) It will take many years before a Hong Kong patent registry of original patent, which conducts pre-grant search and examination, could develop the necessary expertise and experience to command the respect of the international community.
- 3) After a full investigation, PSC decided that the small number of patent applications and the high cost of establishing a technical information centre and of staffing the patent office to conduct search and examination, made the option of establishing an OGP system untenable. Hence, PSC did not recommend a system of OGP with full search and examination for Hong Kong.

- 4) The advantages and disadvantages of a contracting out examination system were also examined by PSC. PSC considered that contracting out the work of search and examination of patent applications to a suitable examining authority was unlikely to prove satisfactory as a permanent arrangement. Although the work of examination would be contracted out, skilled examiners would still be needed in Hong Kong to evaluate the results of the examination and to decide whether the patent should be granted with or without amendment. Similarly, there would be a need for skilled examiners in Hong Kong if a patent application under the Patent Co-operation Treaty were used to obtain an international search and preliminary examination as the basis on which a patent could be granted in Hong Kong. Hence, PSC concluded that although a contracting out examination was superficially attractive, such system would still require the employment of a substantial number of staff including skilled examiners. Additionally, PSC was concerned that Hong Kong would not have sufficient control over the quality of the patents, the costs involved and the time taken for the patent to be granted. For those reasons, PSC did not recommend a system of OGP with search and examination contracted out.
- 5) The Law Society agrees with PSC's findings and thus the advantages of the current registration system:-
- a) as the designated patent is granted after search and examination, the Hong Kong registered patent is an examined patent;
 - b) if the system from which the patents are registered has a strong search and examination system, the patents granted by registration are also strong;
 - c) it is not necessary to fund and develop the expertise and facilities which are necessary to perform search and examination in Hong Kong, as a result the current system is inexpensive to operate, and uses less manpower;
 - d) it is acceptable to users; and
 - e) it is a system which is familiar to Hong Kong inventors and practitioners.

B. Views Sought

(a) *What benefits will an OGP system bring to Hong Kong? Will an OGP system promote local innovation and enhance patent quality?*

- (i) Theoretically, an OGP system should help to develop and train local patent professionals. However, the Law Society has serious reservations of the extent such benefit could be realised if Hong Kong is to adopt a contracting out examination system. In particular, if the contracting out is to the PRC State Intellectual Property Office (SIPO), this naturally gives PRC patent

practitioners an enhanced competitive advantage over patent practitioners not qualified under the PRC system.

It should be noted that to protect the development of local patent professionals from competition from overseas patent experts, the PRC government allows only PRC qualified patent agents to handle patent work and the qualifying examination is only open to PRC Chinese nationals (and in recent years to Hong Kong and Macanese citizens of Chinese ethnical origin). If the goal is to develop local Hong Kong expertise, it is important to introduce a system to ensure that the local profession may indeed be encouraged to learn, strive and grow.

- (ii) It is doubtful how an OGP system may promote local innovation. The current short-term patent is an OGP system with its search "contracted out" to recognised patent offices (to be obtained by the applicant). In the past five years from 2006 - 2010, the number of short-term patent applications was an average of 555 per year. During such period, Hong Kong remains the top user of the short-term patent system and the percentage of filings from Hong Kong ranges from 61 - 65%. In terms of figures, the number of Hong Kong filings remains low from 297 (in 2008) to 390 (in 2007). The number in 2010 was 385.
- (iii) So far as quality is concerned, the IP Committee believes that the quality of the current Hong Kong standard patents is high as the patents have been substantively examined by the patent offices of the UK, European Patent Office or SIPO. The IP Committee therefore does not see how an OGP system in Hong Kong may enhance patent quality. On the other hand, depending how the OGP patent system operates, the patent quality may deteriorate. For example, even though Singapore has a system of contracting out the examination of patents, there is no obligation on applicants to amend its applications in response to examination results. In practice, Singaporean patents are published and granted whatever the result of examination. In that sense the system is inferior to the current system of Hong Kong which guarantees properly examined, amended (if required) and granted patent applications.

(b) *Will there be sufficient demand to support an OGP system in Hong Kong? Will it be a cost-effective system?*

- (i) As stated above, since Hong Kong is a small market and is not a manufacturing or R&D base, it is unlikely that the major users of the Hong Kong patent system (overseas businessmen) would wish to apply for an original Hong Kong patent alone.
- (ii) The cost of an OGP system will definitely be much higher than under the current re-registration system. The current scale costs of registering a standard patent in Hong Kong, based upon the Law Society recommended scale (revised

in July 2011), and the Government official fees, is around US\$1,200 for registration of standard patents. In comparison, the costs in Singapore and the US are around US\$4,000 - 5,000 not including the costs of drafting the original specification and claims (typically from USD 3,000 - 5,000 and upwards) nor the (often very) substantial legal costs associated with responding to examination reports issued by the patent offices, once the examination stage has been pursued. These costs can run into thousands of dollars (in USD terms) for each round of arguments filed with the patent offices.

- (iii) Currently, Hong Kong receives an average of 13,000 standard patent applications per year in the past 5 years, compared to the United States average of 456,000 and China's average of 290,000. With the system as cheap as it is, the number of Hong Kong patents is small. If OGP was introduced in lieu of the current re-registration system, with the inevitable massively increased costs, the Law Society fears the number of patent filings in Hong Kong would be substantially reduced. At present, Hong Kong is a cost effective addition to a regional/global portfolio, but OGP would render it an expensive and unnecessary luxury.

(c) ***Should we introduce an OGP system in Hong Kong with substantive examination outsourced to other patent office(s), and, if so, which office(s) and why?***

- (i) If an OGP patent was introduced in Hong Kong, in view of the substantial resources to be invested and the time required to build up local expertise, it would be sensible to outsource to other patent offices despite the reservations on outsourcing as expressed by the PSC (as stated above). However, if it is considered important to develop a local patent profession in Hong Kong, care should be taken to consider whether a contracting out examination system to SIPO may give PRC patent practitioners added competitive advantage hence counter-productive to the objective of nurturing local talents.
- (ii) Taking into account language consideration (English and Chinese), in addition to the designated offices under the current system - SIPO, UK Patent Office and European Patent Office, the United States Patent & Trademark Office and the Australian Patent Office may also be considered. Whilst having more recognised patent offices may minimise the cost of duplication if the applicant can choose an examination office where he has already filed an earlier application, the increased list of examination offices may bring in elements of foreign law which is not consistent or compatible with the Hong Kong patent law. Although to some extent, this has been the case with the current re-registration system relying on grants from the 3 overseas designated patent offices, the expectation for consistency of grant will be much greater with an original grant from Hong Kong despite the fact the examination is outsourced.

- (d) *Irrespective of the answers to (c) above, should the current “re-registration” system be maintained, and, if so, should the system be modified as appropriate, including expansion to recognize the patents granted by other jurisdiction(s), and, if so, which jurisdiction(s)?*
- (i) The Law Society considers the current re-registration system has been serving Hong Kong very well and even if an OGP system was to be introduced, the current re-registration system should remain to allow applicants an inexpensive option.
 - (ii) Some patent offices, such as the European Patent Office, the Japanese Patent Office and the US Patent Office, have entered into a Patent Prosecution Highway ("PPH") programme whereby information may be shared so that a participating patent office may gain benefit from work previously done by another participating patent office with a view to reducing examination workload, improving patent quality and accelerating patent processing. As of December 2011, 24 patent offices around the world have participated in this programme and 59 bilateral programmes exist. Japan Patent Office proposes to develop, in cooperation with major patent offices around the world and World Intellectual Property Organisation, a Plurilateral PPH initiative which enables an applicant to file PPH requests at member offices under standardised requirements. Hong Kong should keep an eye on the development of this initiative to expand recognition to PPH member countries which have PPH bilateral or plurilateral programmes with the current 3 designated offices, namely European Patent Office, UK Patent Office and SIPO. One expansion could be to allow re-registration of European Patents not designating the UK.
 - (iii) Further, the Law Society considers that extensions of time for applications should be introduced and the procedure for amending patents simplified.

II. Short-Term Patents

A Current System

1. PSC observed that Hong Kong was not a major centre for original research and development. Most applied research then involved in-house development of light consumer goods and items for fast changing markets. Still, many of the short-term products made in Hong Kong are of significant economic value such as watches, toys, cameras and accessories, and consumer electronic products. Yet, few of these items had a market life of more than a few years. Hence, PSC was of the view that local businesses were likely to seek protection that could be obtained as quickly and as cheaply as possible and considered that a petty patent system in Hong Kong would assist the protection of short-term products.

2. A minority view of PSC disagreed with the introduction of an unexamined petty patent on the ground that a petty patent was an inferior type of patent protection which would lead to uncertainty, give considerable scope for abuse and result in considerable demand on judicial time in a field in which judges were and are likely to remain unfamiliar.
3. The majority of PSC considered that with appropriate safeguards the advantages of providing protection in this way for short-term patents clearly outweighed the disadvantages. PSC therefore recommended a non-examination system which provides for the filing of a search report before grant and incorporates other safeguards. The term of protection recommended then was 6 years which has become 8 years since the implementation of the system.
4. In the past five years, there is an average of about 555 short term patent applications each year. About 60% are from the top 3 filers - Hong Kong, followed by China and Taiwan.
5. According to the Consultation Paper, some have suggested that the short-term patent system should be abolished as it has been abused by the registrations of questionable inventions which may not stand any challenge at trial. As there is no substantive examination of a short-term patent application, the law requires the proprietor of the short-term patent to establish the validity of the patent before a court for the enforcement of the patent rights.
6. It has also been claimed that short-term patent owners complain that the rights conferred by short-term patents are uncertain as the applications have not been examined on merits and that short-term patent owners find it surprising that their rights may be challenged at trial (although a standard patent can also be challenged) and cumbersome to have to prove the validity of their patents.
7. While it is possible that a short-term patent registration is granted to something which does not qualify for registration, it appears that the extent of abuse may be exaggerated. It is also a question of whether the applicant and eventual owner is properly advised and understands what to expect from a short-term patent registration and therefore the requirement to prove validity when it is relied upon at trial to secure a finding of infringement.
8. According to government information, the number of applications for revocation of patents under s. 44 (revocation of standard patent following opposition or revocation proceedings in the designated patent office) and s. 91(a) (revocation that the invention is not a patentable invention) of the Patents Ordinance is very small (1 or 2 a year and mostly because the corresponding designated patent was revoked).

Year	No. of applications for revocation received for which the revocation has been recorded in the Register of Patents	Reasons for revocation
2005	2 applications for revocation of standard patents (both under ground (a))	(a) the corresponding designated patent has been revoked following prescribed opposition or revocation proceedings in the designated patent office (s. 44 of the Patents Ordinance) (b) the invention is not a patentable invention (s. 91(a) of the Patents Ordinance)
2006	0	
2007	2 applications for revocation of standard patents (both under ground (a))	
	2 applications for revocation of short-term patents (both under ground (b))	
2008	2 applications for revocation of standard patents (both under ground (a))	
	1 application for revocation of short-term patent under ground (b)	
2009	1 application for revocation of short-term patent under ground (b)	
2010 (as at 31 Oct)	1 application for revocation of standard patent under ground (a))	

9. Besides the need to prove the validity of a short-term patent at trial, the present law has provisions against groundless threats of infringement proceedings. If there are still serious and real concerns about preventing abuses, this can be improved by various methods which may include pre-litigation disclosure and/or validity determination of the short-term patent search report.

(a) ***What benefits does the short-term patent system bring to Hong Kong? Does it promote local innovations?***

The short-term patent system offers a quick registration procedure for those (usually simpler) inventions with no restriction on the subject matter (provided it is patentable) and the commercial life of which may not justify the time and cost to apply for a standard patent protection for 20 years. Although the number of applications seems to have remained rather static, its relative popularity amongst Hong Kong businessmen (as compared to standard patents) suggests some incentive for local innovations.

- (b) ***Should we retain the current short-term patent system in its existing form, or should we introduce changes to the system? If the latter, what sort of changes should be introduced?***

Yes, the current short-term patent system should be retained with improvements. Improvements include (i) introducing further measures to prevent abuses; (ii) extending the period of validity; and (iii) possibly expanding the number of independent claims allowed.

- (i) ***Should we introduce substantive examination? If so, when should it be carried out? Should it be a mandatory requirement or optional? Should it be a condition for commencement of infringement proceedings? Should the question of whether a substantive examination be carried out be left to the choice of the patent owner or a third party, and who should bear the costs?***

The present procedure for grant to require a search report should be maintained and no substantive examination should be made before grant.

The disclosure of the short-term patent search report can be made compulsory and be served upon the defendant at the time of commencement of infringement proceedings. A defendant may request for substantive examination of a short-term patent or the patent owner may on his own volition elect to do so if the validity of the short-term patent is in issue. The defendant shall bear the costs of the examination if the short-term patent is found to be valid despite whether the defendant is found to have infringed the short-term patent as alleged, so that a defendant will not challenge validity and require substantive examination as a matter of course.

- (ii) ***Should we extend the current term of protection? If so, how long should the term of protection be?***

The trend for petty or “lesser” patents appears to be for 10 years (e.g. utility model in Mainland China is valid for 10 years). The term of protection for short-term patent in Hong Kong may be extended from 8 to 10 years.

- (iii) ***Should we relax the present restriction on the number of claims that may be included in each patent application? If so, how many claims should be allowed in each patent application or should there be no restriction at all?***

Currently there is no restriction on the type of short-term patent provided it is a patentable invention, but there cannot be more than one independent claim. To enhance use of the short-term patent system, the number of independent claims may be increased up to a certain number. It would be interesting to conduct a survey to ascertain the average number of independent claims in a standard patent in Hong Kong and consider the feasibility of using the average number or a lesser number as the limit for a short-term patent.

(iv) Should we lower the threshold for patentability for short-term patents? If so, what alternative threshold should be applied?

At present, the threshold for patentability for short-term patents is the same for standard patents. This ensures consistency of approach and avoids the complication of adopting a different, logically a lower, standard

(v) What other changes are required?

No further comments.

(c) Should we discontinue the short-term patent system altogether?

No. Its higher use by local enterprises as compared to standard patent (there being around 150 standard patent applications versus around 380 short-term patent applications per year by Hong Kong applicants) shows that local enterprises appreciate that the short-term patent system offers a quick and cheaper registration procedure for simpler inventions.

III. Regulation of Patent Agency Services in Hong Kong

A. Current Position

- 1) Currently, patent practice in Hong Kong is conducted by lawyers (mostly solicitors) in both prosecution and enforcement work, and by patent agents/attorneys (all overseas qualified) and their staff who handle a large portion of the patent prosecution practice. As Hong Kong is a small market, the size of patent agencies in Hong Kong is relatively small and most of these agencies are branch operations from the UK or China.
- 2) Solicitors in Hong Kong handling any legal work, including patent work, are regulated by the Legal Practitioners Ordinance (Cap. 159), Law Society rules and the *Hong Kong Solicitors' Guide to Professional Conduct*. Patent attorneys and patent agents employed by law firms are likewise regulated by virtue of the fact that they are employees of the firm. Clients engaging them will have the protection of professional indemnity insurance taken out by the law firms. On the other hand, there is indeed a significant group of patent practices which are set up or operated by non-lawyers which are unregulated and which do not take out any professional insurance.
- 3) As members of a regulated profession, the IP Committee observes that solicitors have been very restrained and careful with use of the title "patent agent" and "patent attorney" (which are protected titles in many jurisdictions including UK, Europe and USA) and was not aware of any abuse of these terms until recently. In 2010, the IP Committee became aware the title "patent attorney" was being used as part of the name and trade mark application by the *Hong Kong Institute of Patent Attorneys* ("HKIPA"). Slightly before that, an identical name was proposed to be used by another institute which subsequently chose to avoid the term "patent attorney" as implying a legal qualification. Although that other institute was incorporated under the name of

Hong Kong Institute of Patent Agents, it changed its name to *Hong Kong Institute of Patent Practitioners* (HKIPP). The use of these titles and their implications in Hong Kong and the apparent misconception of the Hong Kong public with regard to these titles, have given rise to concern by veteran and respected patent practitioners in Hong Kong and overseas.

- 4) As the study attached to the Consultation Paper shows, most countries use the terms “patent agent” and/or “patent attorney” cautiously to describe their patent practitioners, only after such persons have received training, supervision and passed qualifying examinations. Most of the western countries require apprenticeship ranging from one to three years to become a patent agent or a patent attorney. China requires at least two years of working experience in the scientific and technological field or the legal field and one year of internship with a patent agency. Singapore also requires one year of internship under the supervision of a registered patent agent. According to the information gathered, Japan requires at least 3 years of apprenticeship to qualify as a patent attorney. The titles “patent agent” or “patent attorney” typically carry some expectation of certain technical science knowledge, objective professional qualification, training, experience and expertise, and should not be used lightly and indiscriminately.
- 5) A trade mark application by HKIPA which includes its name is now under opposition for reason that the mark includes use of the title “patent attorneys”.
- 6) The APAA is a non-governmental organisation to promote and enhance intellectual property protection in the Asian region (including Australia and New Zealand). It now has about 2,315 members from 17 Recognised Groups in Australia, Bangladesh, Hong Kong, India, Indonesia, Japan, Korea, Macau, Malaysia, New Zealand, Pakistan, Philippines, Singapore, Sri Lanka, Taiwan, Thailand and Vietnam as well as from Bhutan, Brunei, Cambodia, Laos, Mongolia, Myanmar and Nepal. In Hong Kong, it currently has some 25 firm and 114 individual members, most of whom are Law Society members active in intellectual property practice (including all IP Committee members). The Law Society is aware that a special committee called the *Patent Review Committee* has been set up by the *Asia Patent Attorney Association*, Hong Kong (“APAA”) to give recommendations, inter alia, as to the definitions of and qualifications for patent attorneys and patent agents and will reserve comments on the definitions and qualifications for patent attorneys and patent agents after consideration of APAA's recommendations.
- 7) The Law Society is supportive of the idea to have an accrediting body to formally recognise the qualifications for patent practitioners. Our preliminary view being the IPD is best placed to be, or at least to be responsible for supervising, the accrediting body. The Law Society is aware that the United States Patent and Trademark Office is the governing body of all US patent attorneys. With the recent emergence of unregulated organisations such as HKIPA and HKIPP aspiring to confer registered patent attorney or registered patent agent titles for their members and to regulate their activities, members of the public could well be confused into believing that such organisations and members were indeed officially recognised and regulated.

B. Views Sought

- (a) *Should Hong Kong have a regulatory regime for professionals providing patent agency services? Should the promulgation of a regulatory regime or otherwise be made dependent on whether an OGP system is to be implemented in Hong Kong?*

As “patent attorneys” and “patent agents” are largely understood by the international community as protected titles with special meaning, the Law Society supports a regulatory regime and the corresponding recognition of protected titles, whether or not an OGP system is to be implemented in Hong Kong.

- (b)(1) *If a regulatory regime is to be introduced for provider of patent agency services, should we restrict the provision of such services to persons meeting certain qualifications for requirements only? Or should we limit the use of particular titles only but allow the provisions of such services by any person?*

As patents are technical matters, to improve (or maintain) patent quality and to protect public interest (from both the patent owner's and public's perspective) by having properly defined patents, it is advisable that professional patent services should be restricted only to those persons meeting the prescribed qualifications.

- (b)(2) *If a regulatory regime is to be introduced for provider of patent agency services, should the regulation apply to all types of patent agency services or only to certain services e.g. the drafting and amendment of patent specifications under an OGP system.*

For the same reasons in (b)(1) above, the regulation should apply to all types of patent agency services.

IV. The Law Society's Observations to Calls for Changes

The Law Society noted that at various places in the Consultation Paper, the government says it has received demands or calls for changes. In this respect, the IP Committee has studied a paper entitled “*A Proposal for the Gradual Development of Original Patent Grant in Hong Kong*” (“Proposal”) prepared by The Democratic Alliance for Betterment and Progress of Hong Kong (“DAB”) and HKIPA and a letter from Legislative Councillor Ms Regina Ip to Mr Wong Ting-kwong, Chairman of the Panel on Commerce and Industry expressing her views about the patent system (“Letter”). We consider it important to deal with some of the issues the Proposal and the Letter addressed.

A. Proposal

- 1) DAB and HKIPA doubt if the rationale of the PSC still applies given that (i) Hong Kong's patent registration has increased from about 1,000 patents then to over 5,000 (para 7.10, Proposal) and (ii) innovative technology and cultural and creative industries are now amongst the 6 industries which are identified by the Chief Executive to enjoy a competitive edge (para 7.8, Proposal).
- 2) According to the Proposal:-
 - a) due to the absence of original patent grant, patent owners often face great difficulty when they want to enforce their patents in Hong Kong. This is because a defendant can apply for invalidation of the patent in the country of origin and apply to stay the Hong Kong proceedings; in which case, the Hong Kong patent infringement case will be stayed until the outcome of the foreign litigation and during that time, the defendant can continue to sell its infringing products (para 1.11, Proposal);
 - b) based on a survey commissioned by HKIPA covering 13 representative Hong Kong organisations (representing about 6500 enterprises) ("Survey"), 93% of the respondents consider that a complete patent registration system (including original patent grant for standard patents) will be beneficial to Hong Kong's economy and 90% of them indicate that a complete registration system will encourage them to file patents (para 1.12, Proposal);
 - c) an original patent grant system in Hong Kong will allow Hong Kong to (i) exercise full control over patent standards to meet practical requirements for technology invention and innovation; (ii) develop a sizeable patent profession; (iii) offer a career option to local polytechnic graduates; and (iv) groom local patent practitioners to facilitate services to local patent applicants and encourage patent applications (para 1.15, Proposal);
 - d) Hong Kong can begin with a contracting out registration system and at the same time develop local capabilities for an original patent grant system (paras 1.16 - 1.17, Proposal). Further, after Hong Kong has entered a contracting out agreement with the State Intellectual Property Office of China ("SIPO"), Hong Kong may seek reciprocal recognition for patent registrations in Hong Kong and China (para 1.24, Proposal).
- 3) The Law Society has serious reservations about the observations in the Proposal:-
 - a) if a defendant challenges the validity of a patent, whether registered under the current system or under an original patent grant system in Hong Kong, the court may stay the infringement litigation pending the determination of the invalidation proceedings, though a stay is not automatic in any event.

b) the premise and results of the Survey do not appear convincing:-

i) the claim to represent about 6500 enterprises is based on an assumption that:-

“Although the survey was carried out on the respective executive Committee members of the business associations only, their views can be regarded as representing the views of their members. Assuming there are 500 members in each of these business associations, the data collected can be interpreted as representing 6,500 enterprises in Hong Kong.” (second last paragraph of Section 1.1 of the Data Analysis and Findings of the Survey)

ii) the Survey appears to be cursory and it is doubtful whether the respondents understood the implications to their answers. In particular, it is noted that the core questions said to support an original patent grant are:-

Q5. Do you consider a complete patent registration system (including short term patents and standard patents) would be beneficial to the Hong Kong economy?

Q6. If Hong Kong had a complete patent registration system, will this encourage you to apply for patents?

A “complete patent registration system” is neither explained nor defined in the questionnaire. Did the respondents understand what a complete patent registration system means when according to the survey, 74.6% of them did not even know the difference between a short-term and a standard patent (Table 5.2.3 of the Data Analysis in the Proposal)?

Given this lack of understanding, the following conclusion seems presumptuous:-

“it would be logical to deduce that the relatively low volume of application of patents in Hong Kong is not due to the fact that companies do not want to apply for patents, but because of the incomplete system in Hong Kong that discourages companies to apply for patents” (Section 1.3 Findings)

c) It is unclear what the Proposal means by saying that “an original patent grant system in Hong Kong will allow Hong Kong to exercise full control over patent standards to meet practical requirements for technology invention and innovation”. There is nothing to suggest that the prevailing international patent standards under the current system are not suitable for Hong Kong.

- d) The Proposal recommends a gradual development of an original patent grant system first by contracting out with a view to eventually agreeing with the Chinese government to accept mutual recognition of patents granted in Hong Kong and the PRC after patent examination is contracted out to the PRC State Intellectual Property Office ("SIPO") (paras 1.16 - 1.18, 1.21 and 1.24, Proposal). The conclusion that this would benefit a local profession is fallacious. PRC qualified patent practitioners would have a competitive advantage over local practitioners by reason of their familiarity, experience and expertise with the SIPO practice, in which case, it will not help train, groom and grow a local patent profession for Hong Kong patent practitioners. The Proposal also claims that an original patent grant system could offer a career option to local polytechnic graduates. Putting aside whether such a system would benefit Hong Kong or PRC patent practitioners more, the Law Society queries whether the number of jobs created for polytechnic graduates would justify the substantial resources and investments in implementing an OGP system which will cost more for local and overseas businessmen to register a standard patent than under the current re-registration system unless the applicant aims to file only in Hong Kong.
- 4) The Law Society also notes that the Proposal makes references to the Singapore patent system saying that if Singapore can support an original patent grant system through contracting out when it has fewer applications than Hong Kong, it should not be difficult for Hong Kong to develop a similar system (para 8.21, Proposal).
- 5) The Proposal did not mention that even though Singapore has a system of contracting out the examination of patents, there is no obligation on applicants to amend its applications in response to examination results. In practice, Singaporean patents are published and granted whatever the result of examination. In that sense the system is inferior to that of Hong Kong which guarantees properly examined and granted patent applications. Further, the IP Committee is aware that despite the fact that it has fewer patent applications than Hong Kong, Singapore has more local R&D activities and indigenous patent filing than Hong Kong:-
- a) The average percentage of patent filings by local enterprises in Singapore in the past 5 years is 8% as compared to 1% in Hong Kong.

Year	No. of Applications by Local-Based Entities	No. of Applications by Foreign-Based Entities	Total
2010	892 (9%)	8,881 (91%)	9,773
2009	827 (9%)	7,909 (91%)	8,736
2008	808 (8%)	8,884 (92%)	9,692
2007	729 (7%)	9,226 (93%)	9,955
2006	626 (7%)	8,538 (93%)	9,164

b) As stated in IA(2)(b) above, as compared to Taiwan, Korea, Japan, Singapore, China and the US, the R&D expenditure to GDP ratio in Hong Kong is lowest.

- 6) The Proposal also fails to address the cost of securing patent protection under the current system, compared to the likely costs associated with OGP. As acknowledged in the Consultation Paper, for a market similar to the size of Hong Kong, an OGP system with full fledged in-house examination capacity is likely to result in very high registration fees and on the other hand, the time and costs for getting a re-registration under the present system are fairly insignificant. Notably, the Proposal fails to ask the question *"would you wish to have an OGP system in Hong Kong, instead of the current standard and short-term patent system, if the cost of securing patent protection would be increased substantially?"*

B. Letter

1) In her Letter, Ms Regina Ip considers the following to be the four shortfalls of Hong Kong's current patent system:

- a. Short-term patents lack effect in litigation. It is extremely difficult for such owners to obtain interlocutory injunctions against infringing activities unless the defendant gives in.
- b. It is difficult for owners of standard patents to enforce their rights because a typical defendant would apply for invalidation of the patent in the country of origin then apply for a stay of the Hong Kong proceedings. During that time, the defendant can continue to sell its infringing products.
- c. There is a lack of local patent experts capable of drafting patent specifications for enterprises in Hong Kong for use and protection in Hong Kong. In the past three years, more than 99% of the patent specifications for short term and standard patent applications were drafted by non-local patent attorneys.
- d. Enterprises in Hong Kong therefore need to incur higher costs in protecting their patents than in other jurisdictions. This will reduce their inclination to develop and protect technological inventions.

2) To rectify the above shortfalls, Ms Ip proposes the government should take urgent action to:

- a) Set up a direct patent application approval system similar to the systems in Singapore and Macau with examination procedures which ensure that registered patents in Hong Kong are of a certain standard.
- b) Train and produce local patent experts. In view of the fact that there is currently no standard qualification / accreditation system for patent attorneys, she suggests that the government should legislate on the regulation of patent attorneys and agents in Hong Kong as soon as possible.

- c) Provide support to enterprises which use patents to protect technological inventions. More resources should also be put into the training and development of local patent attorneys.
- 3) In response to Ms Ip's alleged shortfalls and suggestions, the Law Society would like to point out that:-

- a) Whilst indeed it is an additional requirement that before any court enforcement action, a short-term patent owner must first establish the validity of his patent, the law and practice governing the grant of interlocutory injunction is the same. Further, the law provides that evidence by the owner which is sufficient to establish prima facie the validity of the short-term patent shall in the absence of evidence to the contrary be sufficient proof of such validity. There is therefore no basis to say that it is extremely difficult for short-term patent owners to obtain interlocutory injunctions against infringing activities.

Further, it should be noted that the law provides that if an interlocutory injunction in relation to a short-term patent is granted or not granted, any party to the litigation may apply for an early trial and the court shall so order unless it considers that the interests of justice would not be served by making such an order. It is therefore not true that short-term patents lack effect in litigation.

- b) Even if Hong Kong were to grant its own OGP, during litigation, a defendant can still challenge the validity of the standard patent by applying for revocation and apply for a stay of proceedings until the revocation proceedings is completed. In all intellectual property litigation, a defendant can continue the acts it is complained of unless there is an interlocutory injunction. If such acts are ultimately found by the court to be infringing acts, the defendant will be liable to the plaintiff for damages arising out of all such acts. Hence, whether Hong Kong offers OGP or not has nothing to do with whether there may be revocation proceedings and application for stay of the patent litigation pending the outcome of the revocation proceedings.
- c) Many of the patent applications made in Hong Kong are done through law firms or patent agencies based in Hong Kong. It is however true that many law firms and patent agencies employ patent professionals who have attained their recognised titles and qualifications overseas. As Hong Kong is a re-registration system for standard patents, it is not surprising that most of the patent specifications are drafted by non-local patent professionals. We do not have statistics if the majority of short-term patents are drafted by non-local patent professionals but many of our committee members' firms helped their clients in the drafting of short-term patent specifications.
- d) As explained in Section I-B(b) above, unless the local enterprise wishes only to file and register its standard patent in Hong Kong alone, our current re-registration system for a standard patent in fact offers a simple and inexpensive

route to obtain patent protection in Hong Kong.

- e) As stated in Section III-B(a) above, we support the introduction of a regulatory regime. However, we do not agree with Ms Ip to assume HKIPA as a suitable institution to provide training and accreditation.

C. Further Observations

- 1) Strategically, Hong Kong does not rank very high amongst countries where patent registration is important. Countries of most importance are, arguably, the place of manufacture and ultimate place of sale. Amongst the world economies, China is important as the major place of manufacture, and countries such as United States, Japan, Germany, the UK and Europe generally, are considered as key markets. Those same Hong Kong companies engaged in R&D, are highly likely engaged in manufacture in China, and their ultimate customers where their inventions are practised are in one or more of the developed countries just mentioned. Further, the PRC patent law now requires that inventions from R&D conducted in China must first be filed within China before filing overseas. This means Hong Kong companies whose R&D operations are in China will have to file anyway in China first and an OGP in Hong Kong for them is an unnecessary repetition of time and costs.
- 2) Members of the IP Committee attended the open forum on the “*Future Development of Patent System in Hong Kong*” organised by the government on 28 February 2011. Whilst a number of the attendees were very vocal for an original patent grant, there was also strong support for maintaining the current simple and low-cost registration system. The Consultation Paper also acknowledges that many practitioners in the patent field consider the current standard patent system user-friendly and cost-effective.
- 3) At the Forum breakout session for lawyers and patent practitioners which a member of the IP Committee facilitated, around 100 lawyers and patent practitioners attended and overwhelming concern was expressed on the suggestion for Hong Kong to implement an OGP system. The IP Committee also noted that cost was a major issue discussed at the breakout session for patent owners, users and other stakeholders at the Forum. There, one participant cautioned against spending public money to build a ‘luxury house’ from which general patent system users in Hong Kong will not benefit, and recommended use of such money to directly promote, nurture and support R&D in Hong Kong instead.
- 4) If the priority and objective is to boost patent applications from local Hong Kong entities, it is doubtful if an OGP system can be more user-friendly and cost-effective than the current system. Instead of making expensive fundamental changes to the system, the government should perhaps review its support, subsidy and grant procedure to local enterprises to register patents in Hong Kong and overseas.

- 5) The Law Society of course wishes to see continual development and improvement in the Hong Kong's patent system and pledges its support to assist the government in deciding on an approach which is the most cost effective for and beneficial to Hong Kong.

The Law Society of Hong Kong
The Intellectual Property Committee
17 January 2012
698326