

## **SUBMISSION ON THE PROPOSED ARBITRATION (AMENDMENT) BILL 2016**

1. We refer to the Consultation Paper on Arbitration (Amendment) Bill 2016 and to the candid exchanges during the two useful meetings held jointly with representatives of our Arbitration Committee and Intellectual Property Committee and the Asian Patent Attorneys Association, and the representatives of the Department of Justice and the Intellectual Property Department in late January and early March this year.
2. Whilst we support the initiative to offer and boost Hong Kong's arbitration services over intellectual property disputes to assist in the promotion of Hong Kong as an intellectual property trading hub, we have expressed our concerns over certain aspects of arbitrability of IP disputes, especially validity and infringement, which are not universally recognized.
3. In this relation, we note that the legislative intent is to clarify and not to change the law that disputes over IP rights are arbitrable whether as a main or incidental issue and that it is not contrary to public policy to do so.
4. We consider that clarification from a policy perspective and pragmatic amendments of the relevant legislations to be sufficient to encourage and facilitate the arbitration of IP disputes in Hong Kong.
5. We also note that the attempted definition in the draft is already very long and does not include utility models, petty patents, unregistered design rights and database rights which are recognized IP rights overseas. Arguably, publicity rights should be included. We take the view that what are IP rights are easily identified and understood by the parties to the arbitration, their advisors and the arbitrators and there is no need for a definition as such. We suggest a useful clarification that intellectual property rights "whether registered or unregistered" is sufficient.
6. As for the scope of arbitrable IP rights, again, instead of an extensive list which includes relatively controversial areas such as validity, scope, enforceability and infringement, we prefer a simple reference to all intellectual property

disputes without the need to spell out the types of disputes. In this connection, it is important that there shall be sufficient lead time for legal practitioners, arbitrators and lay clients to familiarize themselves with the implications of IP arbitration noting again that while there is a trend towards a greater liberalization on arbitration of IP disputes, there are still significant differences between different legal systems concerning in particular the submission of validity issues to arbitration. Besides understanding that an arbitral award is final and binding on the parties to the arbitration, stakeholders need to understand that where overseas IP rights are in issue, an arbitral award obtained in Hong Kong may not be enforceable overseas. We hence support that there shall be at least half a year to allow promotion and education on arbitration of IP disputes after the passing of the amendment and note the proposal that the amendment should not come into force until 1 January 2017.

7. During our meetings, we also agreed and we confirm here that there is no need to stipulate that the amendment shall have retrospective effect considering that the amendment is meant to clarify and not change the law.
8. We understand the importance of the privity and confidentiality of arbitration and the intended purpose of proposed section 103C to clarify the non-binding effect of an arbitral award on a licensee who is not a party to the arbitral proceedings. Yet, as evident at the two meetings, we find the section confusing. We query whether a licensee who is not a party to the arbitral proceedings shall be deemed not a person claiming through or under a party to the arbitral proceedings except when he may be entitled to the benefit of the award by operation of law (in respect of ownership interest). Whilst we note that case law so far does not seem to recognize a special right for an IP licensee who is not a party to the arbitration, we are mindful that there are probably not that many relevant cases since arbitration on IP cases are yet to be more fully developed. Further, we take the view that often the validity, enforceability or scope of IP rights has knock on effects upon licensees and entities deriving rights through them. Moreover, our IP legislations specifically recognize certain rights and remedies of an exclusive licensee. For example, under the Copyright Ordinance and the Trade Marks Ordinance, an exclusive licensee has, except against the copyright/trade mark owner, the same rights and remedies in respect of matters occurring after the grant of the licence as if the licence had been an assignment and his rights and remedies are concurrent with those of the copyright/trade mark owner.
9. Since the proposed section 103C is meant to be "for the avoidance of doubt", it is not essential for its inclusion in the amendment. Further and more importantly, we consider that the development in this particular aspect of the binding effects of an arbitral award should be left to the development of the law hence the operation of law provision in sub-section (3) of the section. We

therefore suggest the deletion of proposed section 103C altogether.

10. Lastly, we at the meeting in March raised the query as to whether a set of arbitration proceedings running in parallel with another set of proceedings before the Registrar could be stayed. Section 20 of the Arbitration Ordinance provides that if the court refers the parties in an action to arbitration, it must make an order staying the legal proceedings in that action. Would a similar provision in the amendment bill be helpful? A short clarification is required.
11. To sum up, we take the view that a simpler amendment bill with the above clarification will help to facilitate and encourage the development of arbitration of IP disputes in Hong Kong and to allow Hong Kong to learn and benefit from the development of IP arbitration cases outside Hong Kong.

**The Law Society of Hong Kong**  
**24 May 2016**

