



Is patent reform in Hong Kong on the horizon?

Mayer Brown JSM's **Kenny Wong** questions if Hong Kong should have its own original grant patent system

Prior to the reversion of sovereignty to China in July 1997, one could only obtain an invention patent registration in Hong Kong based on a granted UK patent. Or a European patent designating the UK as though the patent had been granted in the UK with an extension to Hong Kong. After the handover, Hong Kong has two types of invention patents – standard and short-term patents.

Standard patent

A standard patent can be based on a patent granted by one of three designated patent offices, namely the State Intellectual Property Office of the People's Republic of China, the UK Intellectual Property Office and the European Patent Office for patents designating the UK. The period of protection for a standard patent, subject to renewal, may last for a maximum of 20 years. In the past five years, the average number of standard patents filed per year in Hong Kong was about 13,000. Between 2006 and 2010, the largest country filers for standard patents in Hong Kong in descending order were the US, Japan, Germany, Switzerland and China. Their filing for standard patents in Hong Kong occupies an average of over 70% of the total number of standard patent applications. The number of patent applications filed by inventors resident in Hong Kong remains low. In the five years between 2006 and 2010, the average percentage was about 1.2%¹.

Short-term patent

For a short-term patent, for which the term of protection is eight years, an application is made by filing a request for grant in Hong Kong direct, without having to go through a designated

patent office first. There is no substantive examination prior to grant, although the applicant is required to file a search report from an international searching authority or one of the three designated patent offices, about the existence or otherwise of prior art in relation to the invention. In the past five years, there was an average of about 555 short-term patent

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applications each year. About 60% are from the top three filers – Hong Kong, followed by China and Taiwan².

Calls for a patent reform

Although it seems that Hong Kong's patent system has been working fine, there have been calls for bringing in an original grant patent ("OGP") system. Those in favour claim that this can boost Hong Kong's creativity and creative industries and can help enhance Hong Kong as an IP hub. An OGP system allows standard patent applications to be filed directly with the Hong Kong Patents Registry before the application has been filed in another patent office. In response to such calls, the Hong

Kong Special Administrative Region (HKSAR) hosted a public forum in February 2011, to invite ideas and comments on whether there is need for a reform of the Hong Kong patent system to, *inter alia*, bring in original patent grants. This was followed by a consultation paper on Review of the Patent System in Hong Kong³, which invited submissions by the end of December 2011.

Those who lobby for a reform claim four major criticisms of Hong Kong's current patent system. First, they complain that the short-term patents lack effect in litigation since it appears more difficult for such owners to obtain interlocutory injunctions⁴ against infringing activities unless the defendant gives in. Secondly, it is difficult for standard patents owners to enforce their rights because typically, a defendant would apply for invalidation of the patent in the country of origin, apply for a stay of the Hong Kong proceedings and continue to sell its infringing products until judgment. Thirdly, since Hong

Kong is a re-registration system, 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. Fourthly, enterprises in Hong Kong need to incur higher costs in protecting their patents than in other jurisdictions and this reduces their inclination to develop and protect technological inventions.

Are the criticisms justified?

Short-term patents are ineffective

While some of the criticisms do point out areas where the patent law in Hong Kong can be improved, it appears that most are misconceived. First, it is not true that short-

term patents are ineffective. While 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 for both short-term and standard patents are 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 more difficult for short-term patent owners to obtain interlocutory injunctions against infringing activities. Moreover, 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.

Strategic stay of Hong Kong patent infringement proceedings

Even if Hong Kong were to grant its own OGP, in a 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 complained about 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.

Volume of filing

Hong Kong is a relatively small market. Countries which are more important are the places of manufacture and ultimate markets. Among the world economies, China is important as the major place of manufacture, and countries such as US, Japan, Germany, the UK and Europe generally, are considered as key markets. Those same Hong Kong companies engaging in R&D, are highly likely engaging 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.

Hence, it is unlikely that a company would wish to apply for a Hong Kong OGP alone. As any major patentable invention would have been patented in one or more of the world's major offices, both local and foreign businesses are likely to find the current re-registration system which is cheap, simple and quick, to be more attractive than an expensive OGP system for Hong Kong

In the past five years, Hong Kong received an average of 13,000 standard patent applications per year, compared to the US'

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average of 456,000 and China's average of 290,000. An OGP system is bound to increase the cost substantially, so it is possible that the number of patent filings in Hong Kong would reduce. At present, Hong Kong is a cost effective addition to a regional/global portfolio, but OGP would render it an expensive and unnecessary luxury.

Law Society's view

The Law Society of Hong Kong takes the view that the current patent system 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. 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 Law Society takes the view that the government should review its support, subsidy and grant procedure to local enterprises to register patents in Hong Kong and overseas.

There are, however, areas the current system can be improved. For example, the Law Society proposes the following improvements:

- Allowing extensions of time for applications, simplifying the procedure for amending

patents and updating substantive law for example, with regard to second medical use and Swiss claims.

- Expanding the number of countries whose examined patents can be “designated patents” for the purpose of filing standard patents (for example, Australia and the US).
- Requiring pre-litigation disclosure and/or validity determination of short-term patent search reports prior to commencement of legal proceedings.
- Considering the extension of short term patents to 10 years.

Development

It appears that the views expressed during the consultation are extensive and varied.

The government will analyse and publicise a summary of the views and will submit its observations and preliminary recommendations to the Legislative Council around the end of June for directions.

Footnotes

1. Statistics of Standard Patent Applications Filed (From 2007 - 2011). http://www.ipd.gov.hk/eng/intellectual_property/ip_statistics/2012/ip_statistics_std_patent_app_e.pdf.
2. Statistics of Short-Term Patent Applications Filed (From 2007 - 2011). http://www.ipd.gov.hk/eng/intellectual_property/ip_statistics/2012/ip_statistics_short_patent_app_e.pdf.
3. http://www.ipd.gov.hk/eng/intellectual_property/patents/consultation2011.htm.
4. An interlocutory injunction is a court order to compel or prevent a party from doing certain acts. It is an order made at an interim stage during the trial, and is usually issued to maintain the status quo until judgment can be made.

Author

Kenny Wong has received over 70 recognitions as one of Hong Kong's leading IP practitioners since 1997 and has served for many years on the IP Committee of the Law Society of Hong Kong. Besides his private practice, he lectures and writes extensively on IP and IT subjects. Last year, he published the second edition of his book *Intellectual Property Law & Practice in Hong Kong*.