

LC: Speech by Secretary for Justice in moving second reading of Arbitration (Amendment) Bill 2016

Following is the translation of the speech made by the Secretary for Justice, Mr Rimsky Yuen, SC, in moving the second reading of the Arbitration (Amendment) Bill 2016 at the Legislative Council meeting today (December 14):

Mr President,

I move that the Arbitration (Amendment) Bill 2016 (the Bill) be read the second time. The main objective of the Bill is to amend the Arbitration Ordinance (Cap 609) so as to clarify that disputes over intellectual property rights (IPRs) may be resolved by arbitration and that it is not contrary to the public policy of Hong Kong to enforce arbitral awards involving IPRs.

Arbitrability of IPR disputes

It has been the consistent policy of the Government to enhance Hong Kong's status as a leading centre for international legal and dispute resolution services and a premier hub for intellectual property (IP) trading in the Asia Pacific region. Both the Department of Justice and the Working Group on IP Trading have identified IP arbitration

as one of the areas in which Hong Kong should develop and promote.

Arbitrability of the subject matter of a dispute is an important issue which ought to be clear before the commencement of arbitration. However, the Arbitration Ordinance presently does not have any specific provision dealing with the question of arbitrability of disputes over IPRs (IPR disputes). There is no authoritative judgment in Hong Kong concerning the arbitrability of IPR disputes either. Hence, the law as it now stands is not entirely clear in this respect. In fact, different jurisdictions have adopted different approaches on this issue.

In view of this, the Department of Justice set up a Working Group on Arbitrability of IPRs last year to, among others, consider and advise the Government on whether there is any need to introduce legislative amendments to address the issue of arbitrability of IPR disputes and, if so, the extent to which it is necessary to do so. The Working Group comprised representatives from the Department of Justice, Intellectual Property Department, Hong Kong International Arbitration Centre and legal practitioners with expertise in the area. Following the work of the Working Group and consultation with relevant stakeholders, the Government believes that specific statutory provisions on

the issue of arbitrability of IPR disputes would serve to clarify the legal position and would facilitate more parties to resolve their IPR disputes through arbitration in Hong Kong. This would help promote Hong Kong as a leading international arbitration centre and give Hong Kong an edge over other jurisdictions in the Asia Pacific region as a venue for resolving IPR disputes.

Main Amendments under the Bill

Currently, Part 10 of the Arbitration Ordinance provides, among other things, that enforcement of an arbitral award may be refused if (i) the award is in respect of a matter which is not capable of resolution by arbitration under the law of Hong Kong (arbitrability ground), or (ii) it would be contrary to public policy to enforce the award (public policy ground). Similarly, the courts may set aside an arbitral award under Part 9 of the Ordinance on either of these two grounds. There is some concern as to whether an arbitral award involving IPRs (particularly arbitral awards concerning the validity of registered IPRs) would be set aside or its enforcement refused in Hong Kong on either the arbitrability ground or the public policy ground.

To put the matter beyond doubt, the Bill proposes to clarify that IPR disputes, whether they arise as the main

issue or an incidental issue, are capable of resolution by arbitration. The Bill also proposes to clarify that an arbitral award relating to an IPR dispute, and the enforcement of such an award, is not contrary to the public policy of Hong Kong. The effect is that the courts will not set aside an arbitral award or refuse to enforce it under Part 9 or 10 of the Arbitration Ordinance on ground of arbitrability or public policy solely because the award involves IPRs.

To facilitate the arbitration of international IPR disputes in Hong Kong, "IPRs" and "IPR disputes" under the Bill have a broad coverage and include an IPR whether or not it is protectible by registration and whether or not it is registered, or subsists, in Hong Kong.

The Bill also introduces other related technical amendments.

The Government believes that the proposed amendments to the Arbitration Ordinance would help (i) clarify any ambiguity in relation to the "arbitrability of IPR disputes"; (ii) make Hong Kong more appealing than other jurisdictions for conducting arbitration involving IPR disputes; and (iii) demonstrate to the international community that Hong Kong is committed to developing itself as an international centre for dispute resolution

involving IPR matters as well as an IP trading hub in the region.

Amendments to the Arbitration (Parties to New York Convention) Order

In addition, we take this opportunity to amend the Schedule to the Arbitration (Parties to New York Convention) Order (Cap 609A) by adding Andorra and Comoros, two new parties to the New York Convention (Note). We also propose to amend the spelling of "Faeroe Islands" in the Schedule to "Faroe Islands" so as to tally with the spelling used in other statutory provisions.

Consultation

The Working Group on Arbitrability of IPRs supports the proposal to amend the Arbitration Ordinance so as to clarify that IPR disputes are capable of resolution by arbitration. The Government has also consulted stakeholders within the legal, arbitration and IP fields on the Bill. The consultees did not raise in-principle objection to the introduction of the Bill. Some comments on the Bill raised by the consultees have been carefully considered by the Government and taken on board where appropriate. In addition, the Panel on Administration of Justice and Legal

Services was consulted early this year, and indicated support for the introduction of amendments to clarify the position.

Conclusion

Mr President, in order to further enhance Hong Kong's position as a centre for international legal and dispute resolution services in the Asia Pacific region, the Department of Justice has been reviewing the arbitration regime of Hong Kong from time to time and will also consider improvement to the Arbitration Ordinance as and when appropriate. We believe that the Bill, when enacted, will make Hong Kong one of the first movers to clarify the arbitrability of IPR disputes by legislation, thereby enhancing Hong Kong's position as a leading international arbitration centre and an IP trading hub in the Asia Pacific region.

With these remarks, I urge Members to support the Bill.

Thank you, President.

Note: Convention on the Recognition and Enforcement of Foreign Arbitral Awards done at New York on June 10, 1958

Ends/Wednesday, December 14, 2016