

## **Arbitration (Amendment) Ordinance 2017 ("Amendment Ordinance")**

The *Arbitration (Amendment) Bill 2016* was passed on 14 June 2017 and the Amendment Ordinance was published in the Gazette on 23 June 2017. A soft copy of the Amendment Ordinance is available at <http://www.gld.gov.hk/egazette/pdf/20172125/es1201721255.pdf> (English)/  
<http://www.gld.gov.hk/egazette/pdf/20172125/cs1201721255.pdf> (Chinese).

### **The Amendment Ordinance**

2. The objectives of the Amendment Ordinance are to:
  - (a) amend the Arbitration Ordinance (Cap. 609) ("Ordinance") 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; and
  - (b) update the list of contracting parties to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards done at New York on 10 June 1958 ("New York Convention") in the Schedule to the Arbitration (Parties to New York Convention) Order (Cap. 609 sub. Leg. A).
  
3. We believe the amendments relating to intellectual property ("IP") arbitration will help clarify the legal position under Hong Kong law, thereby attracting parties (including international parties) to resolve their IPR disputes by arbitration in Hong Kong and also facilitate the enforcement of related arbitral awards in Hong Kong. This will further consolidate Hong Kong's competitiveness as a leading international arbitration centre and reinforce Hong Kong's edge over other jurisdictions in the region in resolving IPR disputes.

## **The Underlying Policy Objective to Clarify Arbitrability of Disputes over IPRs**

4. It has been the steadfast policy of the HKSAR Government to enhance Hong Kong's status as a leading centre for international legal and dispute resolution services and a premier IP trading hub 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.<sup>1</sup>

5. The arbitrability of the subject matter of a dispute is an important issue which ought to be clear before the commencement of arbitration. In the case of IPR disputes, different approaches have been adopted by different jurisdictions as to their arbitrability, especially regarding the validity of registered IPRs such as patents, trade marks and registered designs granted by state agencies or government authorities.<sup>2</sup> As to Hong Kong, the Arbitration Ordinance did not contain express provisions on the arbitrability of IPR disputes, nor was there authoritative judgment on the same. The legal position was therefore not entirely clear.

6. Against this background, the Department of Justice established a Working Group on Arbitrability of Intellectual Property Rights<sup>3</sup> in

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<sup>1</sup> See Chapter 8 of the Report published by the Working Group on IP Trading (chaired by the Secretary for Commerce and Economic Development) in March 2015 (available at [http://www.cedb.gov.hk/citb/doc/en/Councils\\_Boards\\_Committees/Final\\_Report\\_Eng.pdf](http://www.cedb.gov.hk/citb/doc/en/Councils_Boards_Committees/Final_Report_Eng.pdf)) and see, for example, the Secretary for Justice's keynote speech at the 2nd ICC Asia Conference on International Arbitration on 29 June 2016 (available at <http://www.doj.gov.hk/eng/public/pdf/2016/sj20160629e.pdf>).

<sup>2</sup> For example, in the United States and Belgium, there are statutory provisions which expressly provide for the arbitration of disputes relating to the validity or infringement of patents. There is also case law in the United States confirming the arbitrability of disputes over copyright and trade marks. In Switzerland, pursuant to a ruling by the Swiss Federal Office of Intellectual Property in 1975, arbitral tribunals are empowered to decide all issues of IPRs, including the validity of patents, trade marks and designs. In Mainland China, the copyright law expressly provides for copyright disputes to be arbitrable. On the other hand, the validity of patents and registered trade marks constitutes an administrative matter that cannot be submitted to arbitration. In some other jurisdictions, there may be no statutory provision or court decision expressly addressing the issue, and the position may not be entirely clear.

<sup>3</sup> The Working Group comprised representatives from the Department of Justice, the Intellectual Property Department, the Hong Kong International Arbitration Centre and legal practitioners with expertise in the area.

May 2015 to study the matter. A consultation with stakeholders was conducted in December 2015 to January 2016, and the Panel on Administration of Justice and Legal Services (“AJLS”) of the Legislative Council (“LegCo”) was also consulted in January 2016. Having regard to the views of the consultees and LegCo members, the Secretary for Justice introduced the relevant amendment bill to, primarily, pursue the stated objective set out in paragraph 2(a) above.

### **Main features of the Amendment Ordinance**

7. The Amendment Ordinance introduces a new Part 11A into the Ordinance. The new sections 103A to 103C of the Ordinance provide an elaborate interpretation on the terms “IPR” and “IPR dispute”. The new section 103D(1) of the Ordinance clarifies that an IPR dispute is capable of settlement by arbitration as between the parties to the IPR dispute. The new section 103D(4) of the Ordinance further provides that an IPR dispute is not incapable of settlement by arbitration only because a law of Hong Kong or elsewhere gives jurisdiction to decide the IPR dispute to a specified entity and does not mention possible settlement of the IPR dispute by arbitration.

8. The new section 103F of the Ordinance clarifies that an arbitral award may not be set aside under section 81 of the Ordinance only because the award involves an IPR. Similarly, the new section 103G of the Ordinance clarifies that enforcement of an arbitral award may not be refused under Part 10 of the Ordinance only because the award involves an IPR.

9. The new section 103E of the Ordinance clarifies, consistent with section 73 of the Ordinance, that third party licensees (whether or not exclusive licensees) of an IPR are not *per se* regarded as persons “claiming through or under any of the parties” to arbitral proceedings concerning the IPR. Thus, they do not directly benefit from, nor are they bound by, the arbitral award, unless they are joined as parties to the arbitration. The new section 103H makes it clear that section 73(1) of the Ordinance, which confines the finality and binding effect of an arbitral award to “the parties” and “any person claiming through or under any of the parties” only, applies in relation to a judgment entered in terms

of an arbitral award (including a declaratory award) under Part 10 of the Ordinance.

10. The new sections 103I and 103J contain technical provisions concerning arbitral proceedings in relation to patents. The new section 103I makes it clear that section 101(2) of the Patents Ordinance (Cap. 514) does not prevent the validity of a patent being put in issue in an arbitration. The new section 103J makes it clear that the prerequisites for commencing court proceedings for the enforcement of short-term patents set out under section 129(1) of the Patents Ordinance (as amended by the Patents (Amendment) Ordinance 2016 (Ord. 17 of 2016)<sup>4</sup>) do not apply to arbitral proceedings unless otherwise agreed by the parties, but the proprietor of the short-term patent is still required to establish the validity of the patent in the arbitral proceedings.

11. The opportunity is also taken to have the Schedule to the Arbitration (Parties to New York Convention) Order amended to update the list of parties to the New York Convention and to conform the spelling of “Faroe Islands” with that used in other legislation.

### **Commencement**

12. In accordance with its section 1, the commencement arrangements for the provisions of the Amendment Ordinance are as follows:

- (a) the amendments relating to the Arbitration (Parties to New York Convention) Order came into operation on the day of gazettal on 23 June 2017;
- (b) Part 2 of the Amendment Ordinance relating to IP arbitration (except new section 103J) came into operation on 1 January 2018; and
- (c) the new section 103J will come into operation on 19 December 2019 when section 123 of the Patents (Amendment) Ordinance 2016 comes into operation on the same date.

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<sup>4</sup> By the Patents (Amendment) Ordinance 2016 (Commencement) Notice dated 4 October 2019, the Secretary for Commerce and Economic Development has appointed 19 December 2019 as the date on which the Patents (Amendment) Ordinance 2016 comes into operation.

**Legal Policy Division  
Department of Justice  
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