



JONES DAY  
**COMMENTARY**

## THE WAY FORWARD: REFORM TO HONG KONG'S PATENT SYSTEM

With a goal to transform Hong Kong into an innovation and technology hub, the Hong Kong Administration commenced a comprehensive review of the patent system in 2011 and issued a consultation paper to invite comments from the public. An Advisory Committee on Review of the Patent System was later appointed by the Secretary for Commerce and Economic Development to review the issues outlined in the consultation paper and to consider how the proposed changes would be best implemented.

On February 7, 2013, the Advisory Committee published their Report, which set out the following key recommendations:

- An Original Grant Patent (“OGP”) system is to be introduced, with substantive examination outsourced to other patent offices in the initial stage and gradually building up an indigenous substantive patent examination capacity.
- The present standard patent re-registration system is to be retained, but there will not be any expansion of the designated patent offices.

While users have the choice between the two, they would be encouraged to take advantage of the OGP route.

- The short-term patent system is to be retained but refined, with recommendations to make substantive examination of a patent a prerequisite before commencing infringement proceedings, for example.
- A full-fledged regulatory regime on patent agency services will be developed in stages, with possible transitional measures to be implemented in the interim.

Recognizing that intellectual property is one of the policy instruments governments may employ to promote innovation and technology, the Administration on the same day announced that the proposals of the Advisory Committee would be adopted as the way forward for the development of the patent system in Hong Kong in order to meet the long-term economic development needs of Hong Kong.

## **STANDARD PATENTS AND THE OGP SYSTEM**

There are two types of patents that are currently granted in Hong Kong, namely the standard patent and short-term patent.

Currently, a standard patent is granted for 20 years under a re-registration system based on one of the three designated patent offices—the State Intellectual Property Office of the People’s Republic of China, the United Kingdom Patent Office, and the European Patent Office (for European patents designating the UK). As it is a re-registration system, no substantive examination is conducted.

The views on whether Hong Kong should have an OGP system have been very diverse. Those who supported an OGP system believed that such a system would, among other things, allow applicants to obtain patent protection in Hong Kong at a lower cost and encourage innovation and attract enterprises to set up their research and development operations in Hong Kong, thereby promoting Hong Kong as a regional innovation and technology hub.

Such a belief has been questioned by many who doubted the actual demand for an OGP system in Hong Kong and found the existing re-registration system a cost-effective and efficient way to offer patent protection to those who need it, especially given the size of the market in Hong Kong. In addition, the Administration had indicated that the OGP system would be a “user pay” system, and hence it is questionable whether it could indeed be offered to applicants at a “lower cost.”

It was further discovered during the consultation exercise that a majority of respondents favored the retention of the re-registration system irrespective of whether an OGP system would be implemented. Balancing the interests of various stakeholders, the Advisory Committee recommended that the current re-registration system should remain—with no expansion of the possible designated patent offices—while an OGP system is to be introduced.

Since the Hong Kong Administration lacks the necessary expertise to run an OGP system, the examination process will be outsourced to other patent offices initially, with an aim to develop its own patent examination capacity in the future. While users will have a choice of both the re-registration and OGP systems, they would be encouraged to utilize the local OGP route.

## **SHORT-TERM PATENTS TO BE RETAINED**

The short-term patent system was first introduced in Hong Kong in 1997 when the patent system was localized after the return of sovereignty to China. A short-term patent is valid only for eight years after all the formalities have been fulfilled, and there is no substantive validity check before registration.

To strike a balance between the legitimate interest of a patentee and that of a recipient of a threat letter, and to address some of the abuses encountered so far, the Advisory Committee recommended that the current short-term patent system be retained, but with suitable refinements.

As a prerequisite to the commencement of infringement proceedings, it was therefore proposed that a substantive examination or validation of the short-term patent should be required. When a threat of infringement action is to be made, the patentee is required to furnish full particulars of the patent in question, including the search report(s) and any other relevant documentation in support of the threat. Any failure to do so would be a groundless threat enabling the aggrieved party to seek legal remedy.

## **REGULATION OF PATENT AGENCY SERVICES**

Under the current legislation and related rules, the Registrar of Patents may refuse to recognize as an agent a person who neither resides nor has a place of business in Hong Kong or, for example, is convicted of a criminal offense. However, there is no general regulation of the patent agency services in Hong Kong.

Many respondents to the consultation paper supported some kind of regulation on the patent agency services, but views were divided as to whether all or only some of the patent-related services should be restricted to persons meeting certain qualifications or requirements or whether restrictions should be imposed only on the use of particular titles.

It was finally recommended that a full-fledged regulatory regime on patent agency services should be developed in the long term but be introduced in stages. The Advisory Committee suggested that interim measures should be put in place with regard to existing patent agency services already being provided and the building up of a local patent agency profession through possible statutory controls over professional titles such as “patent agent” and “patent attorney.”

## CONCLUSION

The Administration will continue its consultation with the Advisory Committee and other stakeholders on the implementation of the proposals and detailed plan during the second and third quarters of this year. Simultaneously, it will also be discussing the detailed outsourcing arrangements with the preferred outside patent office(s), one of which is likely to be the State Intellectual Property Office of the People's Republic of China.

Once this is done, the Administration will start to develop in-house capability to implement the OGP system, including recruitment and training of staff and putting in place standards, procedures, databases, and manuals with necessary input from outside experts or consultants.

A draft Bill to amend the Patents Ordinance is tentatively planned to be introduced in 2014–2015, with an aim to commence the OGP system in 2016–2017.

The goal is obviously ambitious, and the way forward is not without challenges. Given the increasingly intense competition brought about by globalization and its neighboring countries, Hong Kong has a long way to go before it can turn itself into an innovation and technology hub. The patent reform may be seen by many to be a solution to these challenges, but it is yet to be seen how these goals are to be achieved. The devil is always in the details.

## LAWYER CONTACT

For further information, please contact your principal Firm representative or the lawyer listed below. General email messages may be sent using our “Contact Us” form, which can be found at [www.jonesday.com](http://www.jonesday.com).

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