Introduction
With an increasing number of intellectual property transactions taking place around the world, there is a growing demand for the use of efficient dispute resolution procedures. With a view to promoting Hong Kong as an intellectual property trading hub and an international intellectual property arbitration and mediation centre, the Department of Justice published a consultation paper on Arbitration (Amendment) Bill 2016 in December 2015 for the purpose of studying the need for legislative amendments to clarify the arbitrability of intellectual property disputes.

Current Legal Position
The current legal position in Hong Kong in respect of the arbitrability of intellectual property rights is unclear, as there is neither a specific legislative provision nor an authoritative judgment addressing the issue. The Arbitration Ordinance (Cap 609) (the “Ordinance”) is also silent on the types of subject matter which are capable of resolution by arbitration.

Furthermore, under section 86(2) of the Ordinance, enforcement of an award may be refused if (i) the award is in respect of a matter which is not capable of settlement by arbitration under the laws of Hong Kong; or (ii) it would be contrary to public policy to enforce the award. Accordingly, there has been concern as to whether enforcement of an award involving intellectual property rights (particularly on issues of validity) would be refused in Hong Kong by virtue of section 86(2) of the Ordinance.

Justifications of the Proposed Amendments
In view of the ambiguity in this area of law, it is proposed that the Ordinance should be amended so as to clarify that disputes over intellectual property rights are capable of resolution by arbitration and that it would not be contrary to public policy to enforce an award solely because the award is in respect of a dispute which relates to intellectual property rights. Such amendments serve to clarify the uncertainties and attract more parties from other jurisdictions to come to Hong Kong to resolve their intellectual property disputes by arbitration.

In relation to the enforcement of an arbitral award, to put the matter beyond doubt, it is proposed to clearly provide that disputes involving intellectual property rights, whether they arise as the main issue or an incidental issue, are capable of resolution by arbitration and it
would not be contrary to public policy to enforce the ensuing award. As regards the reasons for setting aside an arbitral award, similar positions are suggested to be adopted.

**Proposed Amendments**

The proposed amendments to the Ordinance are as follows:

**Definition of “intellectual property rights”**

It is proposed that “intellectual property rights” will be referred to such right (i) whether or not the right is protectable by registration; and (ii) whether or not the right is registered, or subsists, in Hong Kong. It also includes an application for the registration of the right if the right is protectable by registration. In addition, it is suggested to refer “a dispute over an intellectual property right” as a dispute over the subsistence, scope, validity, ownership, infringement or any other aspect of an intellectual property right.

**Awards not binding on licensees of intellectual property rights**

Under section 73(1) of the Ordinance, an award made by an arbitral tribunal pursuant to an arbitration agreement is final and binding both on the parties and any person claiming through or under any of the parties. Nevertheless, the application of section 73(1) to cases concerning intellectual property rights may create uncertainty to licensees. Licensing arrangements are common and exclusive licensees (who are given rights which are concurrent with those of the owners of the intellectual property rights by virtue of the relevant legislation) enjoy the same rights as the owners of the intellectual property rights to bring proceedings in respect of any infringement of the intellectual property rights. Therefore, it is recommended that licensees of an intellectual property right should not be entitled to the benefits, or subject to the liabilities, of an arbitral award obtained by the owner of the intellectual property right unless they are joined as parties to the arbitration. In other words, the arbitral award will only bind the actual parties to the arbitration and not beyond.

Under the current proposal, if a dispute concerning infringement and validity of a registered trade mark is to be resolved by arbitration, and the arbitrator decides that the trade mark is invalid and the infringement claim fails, the effect of the arbitral award under the proposed Arbitration (Amendment) Bill 2016 is that the trade mark would only be considered invalid as between the parties to the arbitration only; nevertheless, it remains validly registered as against any third party. The winning party can frame the relief such that the arbitral tribunal can make an order against the losing party to surrender the trade mark or to assign it to the winning party. If the losing party in the arbitration files a notice to the Registrar of Trade Marks to surrender or assign the trade mark pursuant to the award, the Registrar of Trade Marks will make the appropriate entry in the register. Even if the losing party refuses or fails to file a notice of surrender or assignment, the winning party may apply to the court for leave to enforce the arbitral award under Part 10 of the Ordinance, and upon leave being granted,
the Registrar of Trade Marks will alter the register or enter the particulars of the court order as a registrable transaction accordingly.

Concluding Remarks

Although the consultation period has elapsed, there is no timetable for the enactment of the proposed amendments. It is noteworthy that the proposed amendments will not apply to arbitration which has commenced prior to the commencement of the amended Arbitration Ordinance. Even after its commencement, it should be reminded that the amended Arbitration Ordinance only applies to arbitration under an arbitration agreement (i.e. an agreement by the parties to submit to arbitration all or certain disputes which have arisen or which may arise between them in respect of a defined legal relationship) with Hong Kong as the place of arbitration.

While the proposed amendments are yet to be enacted, there remains uncertainty as to the arbitrability of disputes involving intellectual property rights in Hong Kong. In negotiating the dispute resolution clause in an agreement involving intellectual property right transaction(s), parties to the agreement should be minded to such uncertainty. Parties should seek competent legal advice to minimise the risks of potential issues as to the mode of dispute resolution and associated costs, should disputes arise out of such agreement in the future.

For enquiries, please contact our Intellectual Property & Technology Department:

E: ip@onc.hk T: (852) 2810 1212
W: www.onc.hk F: (852) 2804 6311
19th Floor, Three Exchange Square, 8 Connaught Place, Central, Hong Kong

Important: The law and procedure on this subject are very specialised and complicated. This article is just a very general outline for reference and cannot be relied upon as legal advice in any individual case. If any advice or assistance is needed, please contact our solicitors.

Published by ONC Lawyers © 2016