In “Arbitration over Intellectual Property Disputes?”, we discussed the Hong Kong Government’s proposed legislative amendments to the Arbitration Ordinance (Cap. 609) (the “Ordinance”) to clarify the question of arbitrability of disputes over intellectual property rights (“IPR”), which had been silent in the laws of Hong Kong for years.

On 14 June 2017, the Arbitration (Amendment) Bill 2016 which formally recognises arbitration as a dispute resolution mechanism for issues concerning IPRs was passed. The amendments relating to IPR arbitration to be elaborated below will come into operation on 1 January 2018.

The Amendments

The major amendments to the Ordinance are as follows:

Definition of IPRs and IPR disputes

The new section 103B of the Ordinance defines the term IPR by referring to a non-exhaustive list of examples of IPRs. Some common examples of IPRs such as patents, trade marks, copyrights, domain names, know-how etc. are included in the list. A reference to IPRs under the Ordinance therefore refers to all registered and unregistered rights whether or not subsisting in Hong Kong.

The new section 103C of the Ordinance also makes it clear that an IPR dispute covers a dispute over the following matters:-

1. the enforceability, infringement, subsistence, validity, ownership, scope, duration or any other aspect of an IPR;
2. a transaction in respect of an IPR; and
3. any compensation payable for an IPR.

Arbitrability of IPR disputes

The new section 103D (1) and (3) of the Ordinance confirms that IPR disputes referred to in section 103C are capable of settlement by arbitration as between the parties to the dispute, whether as the main issue or an incidental issue in the arbitration. Furthermore, in accordance with section 103D(4) the fact that a law of Hong Kong or elsewhere gives jurisdiction to decide an IPR dispute to a specific court or tribunal and does not mention
possible settlement of the dispute by arbitration, will not affect the arbitrability of IPR disputes in Hong Kong.

**Power of an arbitral tribunal to IPR disputes**
Under the existing section 70 of the Ordinance, an arbitral tribunal has extensive powers to order any remedies and relief. The new section 103D(6) confers flexibility on the parties to IPR arbitration to limit the remedies and relief to be awarded by arbitral tribunal to those that are considered adequate or most appropriate by the parties to resolve their disputes.

**Effect of awards involving IPRs**
In general, arbitral awards only have *inter partes* effect, which means that the legal rights of third parties will not be affected. This position is clearly reflected in the new section 103E of the Ordinance which states that any existing rights or liabilities of third party licensees that arise under contract, or by operation of law, will not be altered unless they have been joined as parties to the arbitral proceedings. In other words, the arbitral award will only bind the actual parties to the arbitration and not beyond.

Confidentiality is one of the most important motivations for parties to choose arbitration and the local government recognises that keeping this salient feature in IPR arbitration will facilitate wider use of arbitration for IPR dispute resolution. As such, there is no mandatory disclosure of IPR arbitral awards or their recordal with IPR registries in Hong Kong.

It is also worth to note that the Hong Kong International Arbitration Centre has recently launched a new panel of 30 experienced arbitrators for handling IPR disputes. This initiative shows that Hong Kong is fully equipped to provide arbitration services in relation to IPR cases.

**What do the Amendments mean for parties to IP agreements?**
As shown above, the amended Ordinance clarifies the ambiguity in relation to the arbitrability of IPR disputes and makes it more appealing for parties to choose arbitration as a form of dispute resolution for IPR cases, and Hong Kong as the seat of arbitration and governing law of arbitration.

When entering into any IP agreements, for instance, assignment, technology transfer, joint research and development, licensing, distribution, franchising etc., parties may consider including an arbitration clause for dispute resolution, and choose Hong Kong as the place or arbitration and the governing law of arbitration.

A proper arbitration clause setting out the seat, governing law, number of arbitrator, subject matter for arbitration etc. should be carefully drafted in order to avoid pitfalls in the arbitration process and enforcement of the awards in future, in particular for IP agreements involving
multi jurisdictions. Parties should therefore seek legal advice as early as they are considering to incorporate an arbitration clause for a contemplating agreement relating to IPRs.

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

E: ip@onc.hk
W: www.onc.hk
T: (852) 2810 1212
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.

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