

30 December 2011

Division 3
Commerce, Industry and Tourism Branch
Commerce and Economic Development Bureau
23rd Floor, West Wing
Central Government Offices
2 Tim Mei Avenue, Tamar
Hong Kong

Dear Sir,

Expression of views on Patent System

I refer to the consultation paper on the Review of the Patent System in Hong Kong. I am pleased to express our views and offer some suggestions to make the patent system more conducive to innovation and facilitate Hong Kong to become an IP trading centre.

The detailed are in the attached document for your reference.

Thank you for your kind attention.

Yours sincerely,



Mrs Agnes Mak, MH, JP
Executive Director

HKPC's Responses to the Consultation Paper on Review of the Patent System in Hong Kong

This submission by the Hong Kong Productivity Council (HKPC) is made in response to the Consultation Paper on "Review of the Patent System in Hong Kong" published by the Commerce and Economic Development Bureau in October 2011.

While the current patent system has been generally accepted as user-friendly and cost-effective, diverging views have emerged on the following key issues:

- (1) whether an "Original Grant" patent (OGP) system should be introduced for the Hong Kong standard patents;
- (2) whether the short-term patent system should be retained as a supplement to the Hong Kong standard patent or, if it is to be retained, what refinement should be introduced to enhance the efficacy of the system; and
- (3) whether the provision of patent agency services in Hong Kong should be regulated.

The followings are HKPC's responses to specific questions raised in the consultation paper:

1. Standard Patent System

(a) What benefits will an OGP system bring to Hong Kong? Will an OGP system promote local innovation and enhance patent quality?

An OGP system will bring the following benefits to Hong Kong:

1. An OGP system will allow the public to directly file a patent application in Hong Kong, instead of via overseas patent offices. It is anticipated that the application process would take a shorter time.
2. With an OGP system, the public will have a better understanding of the application procedures and requirements and better access to the whole process. Hence, the procedures can be better controlled in time and quality.
3. The development of an OGP system will increase the local demand for professional services related to patent applications and examinations. It will promote the growth of patent agency services in Hong Kong and facilitates patent professionals to enhance their technical skills.
4. The new activities of the OGP system will help create employment opportunities and inspire training institutions to design new courses to

train patent professionals.

5. With an OGP in place, the registration agency would provide direct advisory service to less experienced inventors on patent application, assessment criteria, inventive steps and industrial applications. This would help promote innovation and IP protection.
6. The establishment of an OGP system will provide an improved legal framework that supports the local industry in transforming to innovation and IP trading.

**(b) Will there be sufficient demand to support an OGP system in Hong Kong?
Will it be a cost-effective system?**

Most patent applicants focus on major markets and may not opt to file a patent application in a small economy like Hong Kong. However, an OGP system in Hong Kong will drive up the demand for patent applications. This is the direction that Hong Kong could further develop and strengthen.

1. An OGP system stands ready to obtain local customer support as it can directly undertake patent searches and examine patent applications without the use of overseas patent offices.
2. Hong Kong is an attractive jurisdiction for overseas applicants to file patent applications. Hong Kong has maintained its status as the world's freest economy to establish and run a business, and, as a stepping stone to the huge technological market in the mainland China, it is a good place for showcasing innovative products in exhibitions and promoting business matching activities. Hong Kong, being Asia's IP business hub, has an efficient marketing infrastructure to offer IP trading through a network of experienced agents with international exposure.
3. A bilingual OGP system could attract patent applications from overseas. After filing an application in Hong Kong with the patent specification written in English, an applicant can make another submission in Mainland China simply by translating the patent specification into Chinese. This will be convenient and efficient for overseas applicants who wish to make an entry into the China market if the examination procedure can be relaxed for PRC patent applications. Thus, a bilingual OGP system can create more demand not just for filing patent applications in Hong Kong, but also for translation of patent

specifications for filing in Mainland China.

4. The demand for an OGP system would increase if the Hong Kong Patents Registry and State Intellectual Property Office (SIPO) of Mainland China would leverage on CEPA to set up a patent prosecution highway so that once an applicant receives a granted patent from either SIPO or the Hong Kong Patents Registry, he/she may request the examiners of the other patent authority to reuse the search and examination results to accelerate the patent prosecution process. This will remove the need for a double examination, thereby reducing the time, effort and cost of patent applicants.

Given that the number of patent applications has continued to grow, an OGP system, once established, will gain economies of scale which will increase the cost-effectiveness of its operation.

(c) Should we introduce an OGP system in Hong Kong with substantive examination outsourced to other patent office(s), and, if so, which office(s) and why?

We agree that it is the best option to outsource the substantive examination to other patent offices if Hong Kong has its own OGP.

Substantive examinations can be outsourced to those patent offices that have experience in the service and use Chinese or English as the official languages. For example, the State Intellectual Property Office (SIPO) of PRC is a reputable organization which has been serving as the International Searching Authority for handling applications under the Patent Cooperation Treaty (PCT). The SIPO uses both Chinese and English languages in patent examinations.

(d) Irrespective of the answers to (c) above, should the current 're-registration system be maintained, and, if so, should the system be modified as appropriate, including expansion to recognize the patents granted by other jurisdiction(s), and, if so, which jurisdiction(s)?

The current "re-registration" system is convenient and inexpensive. It should be retained and operated in parallel with the OGP system.

Since the Hong Kong patent application system is bilingual in English and

Chinese, it is recommended that patents granted by the other jurisdictions that undertake substantive examination using either English or Chinese should be recognized. These jurisdictions include the national patent offices in China, United States, United Kingdom, Canada and Australia as well as the European Patent Office's designated contracting states that use English as the official language.

2. Short-Term Patent System

(a) What benefits does the short-term patent system bring to Hong Kong? Does it promote local innovations?

The short-term patent system brings the following benefits to Hong Kong:

1. It provides a fast and relatively inexpensive way of registering a patent.
2. It is beneficial to protecting inventions with a short life cycle in the market.
3. Hong Kong short-term patents provide the privilege of priority claiming under the Paris Convention. For applicants looking for protection in the global market, they can first file a Hong Kong short-term patent to serve as the basis for priority claiming, and then file the corresponding applications in other countries which are members of the Paris Convention within one year by claiming the benefits of convention priority.

The short-term patent system fits particularly well to the fast business environment of Hong Kong where patent protection is important for short product life cycle. A fast-track patent protection system is particularly helpful to support local companies to better exploit their R&D efforts in new products. The short-term patent system plays an important role in creation, commercialization and enforcement of patent rights.

(b) Should we retain the current short-term patent system in its existing form, or should we introduce changes to the system? If the latter, what sort of changes should be introduced?

Hong Kong should retain the current short-term patent system in its existing form. Recommendations of change are given in response to the following questions.

- (i) Should we introduce substantive examination? If so, when should it be carried out? Should it be a mandatory requirement or optional? Should it be a condition for commencement of infringement proceedings? Should the question of whether a substantive examination be carried out be left to the choice of patent owner or a third party, and who should bear the costs?

Under the current system, a Hong Kong short-term patent does not require substantive examination. We think that this practice should continue. The rationale behind regulatory requirements for a Hong Kong short-term patent is to complete a formality check. Thus the Hong Kong short-term patent system is faster and less costly than other patent systems that require substantive examinations.

Regarding the concern about possible abuses after a short-term patent is granted, we are of the view substantive examination should only be carried out if it is requested by the patent owner or a third party directly affected by abuses. In such cases, the examination should be executed and completed in accordance with the regulation of the Patents Registry, and should strictly follow the “user pays” or “beneficiary pays” principle.

We also think that it is appropriate to make it a condition that the patent owner should conduct substantive examination at commencement of infringement proceedings in order to assess whether the invention has achieved the required degree of inventiveness.

- (ii) Should we extend the current term of protection? If so, how long should the term of protection be?**

We support extending the term of short-term patents from 8 years to 10 years so that they would be in line with the utility model patents granted by China, Japan, Republic of Korea and other jurisdictions.

- (iii) Should we relax the present restriction on the number of claims that may be included in each patent application? If so, how many claims should be allowed in each patent application or should there be no restriction at all?**

We support relaxing the restriction on the number of claims so that applicants can include as many claims as they see fit in a single patent application. We suggest that applicants should be charged an additional fee proportional to the number of additional claims in each patent application to ensure that the claims are really necessary and serve a useful purpose. This measure would help lower the cost of short-term patent registrations and encourage SMEs to protect their intellectual properties.

(iv) Should we lower the threshold for patentability for short-term patents? If so, what alternative threshold should be applied?

It is not recommended to lower the threshold of patentability for a short-term patent. A low-level invention does not make a significant technical contribution to the state of the art and shall defeat the purpose of protecting a true invention. It would also be confusing if there are two standards of judgment on inventiveness for patent applications in Hong Kong.

(v) What other changes are required?

Nil

(c) Should we discontinue the short-term patent system altogether?

Only a small percentage of short-term patents granted in Hong Kong suffer from abuses. In fact, the short-term patent system has met its original objective which is to provide fast and relatively inexpensive protection for inventions. Thus the system should be continued.

3. Regulation of patent Agency Services in Hong Kong

(a) Should Hong Kong have a regulatory regime for professionals providing patent agency services? Should the promulgation of a regulatory regime or otherwise be made dependent on whether an OGP system is to be implemented in Hong Kong?

We support setting up a regulatory regime for professionals providing

services in patent applications or related proceedings. This will ensure that patent applicants will obtain professional service from qualified professionals who could offer advice in the IP as well as the business context of a patent. The establishment of such regime would help users identify qualified patent professionals. We also note that the merits of a regulatory regime do not hinge on whether there is an OGP system in Hong Kong. As such, the establishment of a regulatory regime and an OGP system should be considered separately.

(b) If a regulatory regime is to be introduced for providers of patent agency services,

(1) Should we restrict the provision of such services to persons meeting certain qualifications or requirements only? Or should we limit the use of particular titles only but allow the provision of such services by any person?

To ensure quality of service, we reckon the system should restrict the provision of services to persons meeting specified professional qualifications and requirements. Titles such as “patent agent” or “patent attorney” should be regulated either by the profession or a government qualification authority.

(2) Should the regulation apply to all types of patent agency services or only to certain services e.g. the drafting and amendment of patent specifications under an OGP system?

We think that control is required on essential patent agency services such as services of drafting and amendment of patent specifications under an OGP system. The government has the responsibility to ensure that the market structure is working in the best interests of consumers by achieving an appropriate balance between price, quality and availability.

4. Other Suggestions

(c) How else should we position our system for the purposes of encouraging local innovation and attracting investors to use Hong Kong as a launching pad for their research and development operations?

The Hong Kong patent system should be positioned to provide a cost-effective, high quality and user friendly service to inventors and investors. This could be achieved by:

1. retaining the Hong Kong short-term patent system with the objective to provide fast and inexpensive services to inventors;
2. retaining the existing “re-registration” approach while expanding the regime to recognize patents granted by other patent offices that undertake high quality substantive examinations; and
3. providing users with flexible options, including the short-term patent approach, the existing “re-registration” approach and the proposed “search and examination” approach under a local system so that the proposed patent system has the benefits of the best from different approaches.

Below are some thoughts of attracting investors to use Hong Kong as a launching pad for their research and development operations:

1. The Hong Kong government’s policies on innovation should be oriented towards supporting the Hong Kong industry to promote the utilization of inventions generated by government supported projects. The Patent Application Grant (PAG) should be relaxed to accept applicants other than first time comers, which will benefit both SMEs and investors. As a reference, the Mainland government is very proactive in encouraging patent applications. Different incentive schemes are available to draw applicants.
2. A more attractive tax regime should be set up to support companies in licensing, purchasing and transferring IPs. Tax incentives could cover expenditures on external technology acquisition by R&D cooperation; and machinery and equipment acquisition that embodies new technologies. A tax friendly environment is an important factor to attract the Hong Kong industry to start R&D activities and gain innovation output.

Other suggestions to promote HK as an IP trading hub of the region:

1. When the regulatory regime for IP professionals is in place, Hong Kong should have an IP Court to handle litigations arising from IP trading

disputes and IP enforcement. The operation of such a court could make reference to those in Mainland China and circuit courts in the USA.

2. In the spirit of CEPA, it would be of strategic significance if the Hong Kong SAR Government could work on a reciprocating recognition system of patents registered with the SIPO and in Hong Kong.

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