Arbitration of Intellectual Property Rights Disputes in Hong Kong

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As part of Hong Kong’s efforts to cement its status as a leading centre for international dispute resolution in the Asia-Pacific region, the Hong Kong Government has recently passed legislative amendments to the Arbitration Ordinance (Cap. 609) (Arbitration Ordinance) to encourage the arbitration of disputes concerning intellectual property rights (IPRs) in Hong Kong. These amendments are set out in the Arbitration (Amendment) Ordinance 2017 (Amendment Ordinance), which is due to come into force in January 2018. They make clear that IPR disputes can be resolved by arbitration and that it would not be contrary to Hong Kong’s public policy to enforce an arbitral award solely because the award is in respect of a dispute or matter that concerns IPRs.

Complementing the legislative amendments is the recent initiative by the Hong Kong International Arbitration Centre (HKIAC) in creating a panel of arbitrators for IPR disputes. While there is already substantial expertise in Hong Kong’s legal profession in relation to IPR disputes, this panel should assist parties to access specialist arbitrators with world-class experience in handling IPR disputes.

Arbitrability of IPR Disputes

Traditionally, holders of IPRs have been reluctant to arbitrate disputes regarding such rights because of uncertainties as to the arbitrability of disputes or the enforcement of arbitral awards concerning IPRs in key jurisdictions. In order to address this issue, some countries, such as the United States, Switzerland, and Belgium, have adopted similar legislative provisions to those in the Amendment Ordinance. In other countries, such
As Mainland China, the issue of patent validity remains an administrative matter that cannot be submitted to arbitration.

With the passing of the Amendment Ordinance, Hong Kong has joined the list of jurisdictions where parties can confidently commence arbitrations to resolve IPR disputes or seek to enforce arbitral awards regarding IPRs. In this way, the Amendment Ordinance should reinforce Hong Kong’s reputation as a preferred venue for international arbitration.

**Highlights of the Arbitration (Amendment) Ordinance 2017**

The key legislative amendments in the Amendment Ordinance are as follows:

- Sections 103A, 103B, and 103C of the Amendment Ordinance deal with the interpretation of terms and expressions referred to in Part 11A of the Arbitration Ordinance. The important term “dispute” has now been expanded to include a dispute over: (i) the enforceability, infringement, subsistence, validity, ownership, scope, or duration of an IPR; (ii) a transaction in respect of an IPR; and (iii) any compensation payable for an IPR (Section 103C).

- Section 103D confirms that IPR disputes may be arbitrated.

- Section 103E clarifies the status of licensees who are not party to the arbitration. The fact that an entity is a licensee does not make it a person “claiming through or under a party to the arbitral proceedings,” for the purposes of section 73(1)(b) of the Arbitration Ordinance. This does not affect any existing rights or liabilities of the licensee that arise under contract, or by operation of law.

- Section 103F clarifies that an arbitral award may not be set aside only because the award involves an IPR.

- Section 103G confirms that enforcement of an arbitral award may not be refused only because the award involves an IPR.

- Section 103I empowers parties to put the validity of a patent at issue in arbitral proceedings.

**Advantages of Arbitration for IPR Disputes**

Some of the key advantages of using arbitration to resolve disputes concerning IPRs are as follows:

- **Confidentiality** – Parties to IPR disputes who want to preserve the confidentiality of information exchanged during the arbitral proceedings will find the use of arbitration attractive, particularly where the dispute involves the breach of confidentiality provisions or the misuse of trade secrets.

- **Specialist Arbitrator** – As IPR law tends to be a technical and specialised
area, it is important that IPR disputes are decided by arbitrators who have the relevant expertise. Arbitration gives parties the freedom to choose their arbitrator or to agree on the qualifications that the arbitrator must have in order to be appointed. The HKIAC’s new panel of specialist IPR arbitrators should help parties in this regard.

- Enforcement – As a result of the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (to which Hong Kong is a signatory), it is possible to enforce foreign arbitral awards in more than 155 jurisdictions. While awards rendered in IPR arbitrations may not be enforceable in all of those jurisdictions, it remains far easier to enforce a foreign arbitral award concerning IPRs than a judgment of a foreign national court.

Conclusion

In conclusion, the Amendment Ordinance and the HKIAC’s panel of IPR arbitrators are welcome developments. They offer important reassurance that IPR disputes can be resolved by arbitration in Hong Kong just like any other commercial dispute. This will support the continued growth of both domestic and international IPR arbitration in the jurisdiction.

This memorandum is a summary for general information and discussion only and may be considered an advertisement for certain purposes. It is not a full analysis of the matters presented, may not be relied upon as legal advice, and does not purport to represent the views of our clients or the Firm. Denis Brock, an O’Melveny partner admitted to practice law in Hong Kong (Solicitor-Advocate), England & Wales (Solicitor-Advocate), Ireland, Australia, New Zealand and New York, Kieran Humphrey, an O’Melveny Counsel admitted to practice law in Hong Kong, England & Wales, and Australia, and Aditya Kurian, an O’Melveny associate admitted to practice law in India, contributed to the content of this newsletter. The views expressed in this newsletter are the views of the authors except as otherwise noted.