

Review of the Patent System in Hong Kong

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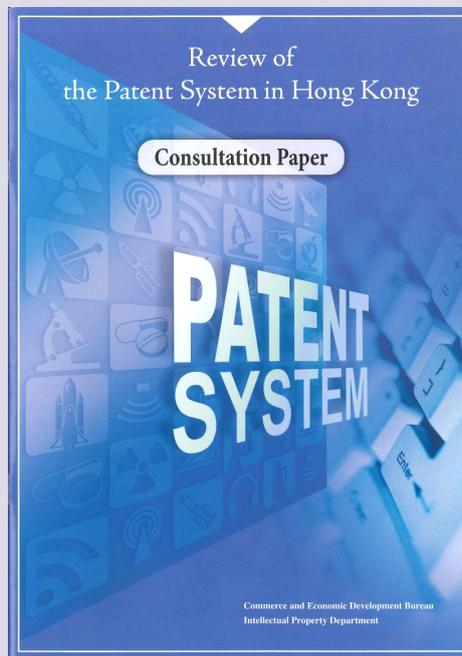
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WANTED: Your Opinion



ISSUE: Whether the provision of patent agency services in Hong Kong should be regulated, and if so, what form the regulatory system should take?

BACKGROUND: On 4th October 2011, the Hong Kong SAR Government issued a consultation paper seeking from the public and stakeholders on a review of the patent system in Hong Kong (www.cedb.gov.hk/citb or www.ipd.gov.hk). One of the three matters under consultation is the above issue.

YOUR OPINION PLEASE SEND TO: patent_review@citb.gov.hk

- Benny Kong & Yeung is a firm of solicitors established in 1996 and practices in Intellectual Property laws.
- Mr. Benny Kong, is the vice chairman of the Hong Kong Institute of Patent Attorneys Association (www.hkipa.org.hk).
- Since 1996, Benny Kong & Yeung has handled more than 500 IP litigation cases in Hong Kong.
- Benny Kong & Yeung also ranks amongst the top 14th firms in Hong Kong in term of volume of e-filing with the Intellectual Property Department of Hong Kong in 2011 (www.ipd.gov.hk).



Review of the Patent System in Hong Kong

Regarding the above Review published by the Commence and Economic Development Bureau on 4th October 2011, we have the following comments:

Standard Patent System (Chapter 1)

1. The “Original Grant Patent System” is an important element for promoting Hong Kong as Asia’s hub of innovation and technology. We support the establishment and running of the “Original Grant Patent System” in Hong Kong.
2. The “Re-Registration System” which Hong Kong uses is out-of-date and Hong Kong lags far behind other major countries in Asia, including Korea, Taiwan, Indonesia, Malaysia and Singapore.
3. The major countries in Asia, and even cities, have established and been actively promoting the “Original Grant Patent System”. For instance, Malaysia, Singapore and Macau have established the “Original Grant Patent System” in the early 1980s, 1995 and 2000 respectively. We believe that the “Original Grant Patent System” can bring along innovative technology and financing advantages for countries and/or cities. More importantly, this helps to retain professionals in the technology and finance fields.
4. We suggest that the current “Re-Registration System” can continue to be used, and can act as another protection for the inventors apart from the “Original Grant Patent System”.

Short-Term Patent System (Chapter 2)

5. “Short-Term Patent System” provides inventors and corporations with an economical and efficient method to protect patent rights. No matter when or whether the “Original Grant Patent System” would be implemented or not, the “Short-Term Patent System” can also be retained.

Regulation of Patent Agency Services in Hong Kong (Chapter 3)

6. Regulating patent agencies in Hong Kong provides patent right holders and corporations a better protection which they deserve and is necessary. Regulation can enhance the quality of the professional patent service. Therefore, we support that Hong Kong should establish rules to regulate the patent agency system.
7. With regards to regulation of patent service, Hong Kong lags far behind most Asian countries and cities.



8. At present any person, group, organization or corporations, with or without any knowledge of patent, can call themselves patent agents, as well as to represent and/or provide service to inventors and corporations. In the absence of regulation, the interests of inventors and corporations cannot be reasonably reflected, or may even be abused. In particular under the following conditions:-
- the patent agents have “conflict of interests”,
 - the patent agents intentionally or unintentionally disclose “confidential information” of the inventors or the corporations,
 - the patent agents lack the essential knowledge of “Patent Priority”, “Patent law”, “drafting of patent specifications”, etc., and
 - the patent agents have misconducts.
9. Under the present lack of regulation, it is very often for Hong Kong’s patent agency services to be irregular or unethical.
10. Without regulation, foreign patent right holders and foreign patent agents and/ or attorneys cannot completely receive the expected protection.

In conclusion, we support the establishment of the “Original Grant Patent System” in Hong Kong, as well as to promptly form regulations against Hong Kong’s patent agency service on top of the “Short-Term Patent System”.

Trade Descriptions Ordinance Cap. 362 — Section 26 (4) — Statutory Defence

Possession of products with forged trademark during the course of business is subject to criminal liability. Upon conviction, the maximum penalty is five years imprisonment and a fine of HK\$500,000 (calculated per infringing product).

Charges

The above legislation can be found in the "Trade Descriptions Ordinance" Chapter 362 ("Ordinance") Section 9 (2) and 18 (1). Under normal circumstances, the defendant will challenge any expert evidence or rely on statutory defence in order to be acquitted.

Two Types of Statutory Defence

There are two types of statutory defence. Under section 26 (1) of the Ordinance, it shall be a defence for the person charged to prove:-

(The defendant's) commission of the offence was due to a mistake or to reliance on information supplied to him or to the act or default of another person, an accident or some other cause beyond his control; and that he took all reasonable precautions and exercised all due diligence to avoid the commission of such an offence by himself or any person under his control. ("Subsection 1 Defence")

According to our experience, except in special circumstances, it is difficult for the defendant to rely on Subsection 1 defence to get acquitted. Therefore, upon considering the use of Subsection 1 Defence, the defendant should also consider section 26 (4) of the Ordinance:-

In any proceedings for an offence under section 9(2) it shall be a defence for the person charged to prove that he did not know, had no reason to suspect and could not with reasonable diligence have ascertained, that a forged trade mark had been applied to the goods or that a trade mark or mark so nearly resembling a trade mark as to be calculated to deceive had falsely been applied to the goods.("Subsection 4 Defence")

In specified circumstances - that is, where the Prosecution relies on section 9(2) of the Ordinance to charge the defendant and the defendant did not know the product possessed contains a forged trademark ("Infringing product"), the defendant may rely on Subsection 2 Defence. To our experience, Subsection 2 has a lighter burden of proof than subsection 4. Consider the following example.

Employee as the Defendant

The Defendant, A, is an employee of a company, receiving HK\$7,000 to HK\$8,000 each month. In this case, Subsection 2 Defence is a better one than Subsection 1 Defence. When considering whether the Defendant A, the Judge will consider at least the following factors:-

1. The Defendant A is the owner of the company or an employee;
2. The amount of wage of the Defendant A;
3. The degree of education and background of the Defendant A;
4. The number of employees of the level of the Defendant A;



5. Whether the Prosecutor has also charged the other employees of the same position as the Defendant A;
6. Whether the Prosecution has also charged the owner of the company and the company itself;
7. The Defendant A has provided with the Court of evidence that he has no knowledge of the forged trademark of the infringing product(s). For example, the Court will consider
8. evidence that the company has for a period of time advertised and promoted the products in certain publications, the infringing product has been available for purchase for a period of time, whether the infringing product has been registered, whether the company has put on signs of no counterfeit on its windows, the size of the company; and
9. Other relevant information.

It is more difficult to successfully convict the Defendant A than the owner of the company. Regarding the proof of case, the Prosecutor not only needs to prove the Defendant A possesses the infringing product but also needs to prove the Defendant A has knowledge of the possession to a certain degree. Otherwise, except as a "bargaining purpose", the Prosecution may have to bear the costs for the proceedings upon conviction of the Defendant A.

To come up to international standard, the penalty upon conviction of the above offence has been increasingly heavy in the past two decades. Nevertheless, the above defence serves as a protection for the employees by giving them more reasonable defence and rights.

Infringement of Registered Trademark, Criminal Conviction and Appeal Procedure

By virtue of the Trade Descriptions ordinance, Cap 362, any person who supplies or offers to supply and/or in the course of trade or business, deals in or with the products with registered trademark without consent of the owner of the registered trademark, commits a criminal offence. Upon conviction, the Defendant may be imposed with criminal records and fines, and may possibly be imprisoned.

Unless the volumes of infringing products involved in the case is huge, most general offences will be tried at the Magistrates' Courts. There is an enormous increase in the conviction and imprisonment rates in the Magistrates' Courts in the last few years, and this is getting worse time after time.

Judgment

On the day of judgment (normally at the last day of the trial), once the Defendant is convicted by the Judge, he/she will be remanded to custody for 14 days until the preparation of his/her background report is completed and he/she will be brought up to the Magistrates' Courts again thereafter, with regardless to any requests made by the Defendants' legal representative.

Once the Defendant is being remanded, the Defendant's legal representative will then apply to the Magistrates' Courts for bail until the return day (usually 14 days after the day of judgment). After being granted with bail on conditions, the Defendant will tend to agree that his/her travel documents will be confiscated by the Magistrates' Court, he/she has a duty to report to the police station periodically and to submit the bail money as a recognizance.

Sentencing Day

No matter the Defendant can be granted for bail or not, he has to back the Magistrates' Court on time for the adjourned hearing, waiting for the Magistrate's verdict. On the adjourned day, the Magistrate will read into details of the background report and the mitigation submission made by the Defendant's legal representative. Thereafter, the Magistrate will hand down the sentence. The sentencing will usually include the following 2 ways:-

1. Fines; and
2. Immediate custodial sentence/suspended sentence.

Appeal

If the Defendant does not satisfy with the conviction and/or the sentencing imposed, he can appeal within 14 days after the sentencing. In order to apply for an appeal, the Defendant has to fill up the following 2 forms:-

1. Form 101 (for an appeal against conviction); and
2. Form 102 (for an appeal against sentence).

If the intended appellant(s) include one individual and one incorporated company, each of them has to fill up both Form 101 and Form 102 respectively. The said forms have to be filed with the Magistrates' Court within 14 days after the sentencing.

The Appeal Documents

Filling both Forms 101 and 102 and have them filed them with Court is only the initial stage in the Appeal procedure. When the Magistrates' Court received a completed set of Forms 101 and 102, the Magistrates' Court will start preparing a document named "Statement of Fact and Summary of Appeal" ("Appeal Document A"). The High Court Registry will be notified with the intended appeal and will prepare another set of documents named as "Basic Appeal Bundle" ("Appeal Document B"). If the case



is not too complicated, it will take around 1 month odd for them to prepare both Appeal Documents A and B and hand them to the Defendant's legal representative.

The Appeal Document A consists of the Statement of Findings and Reason for Sentence. The Appeal Document B consists of Form 1, Form 2, Charge Sheet, Brief Facts of Case, Admitted Facts, Forms 22 and 22 (i.e. Certificate of Conviction), Appeal Document A, background report, a List of Exhibit and Documentary Exhibit and Transcripts of some of proceedings (limited to the transcripts for mention, closing submission, mitigation and sentencing).

Upon reliance on the Appeal Document A and Appeal Document B, Counsel instructed by the Defendant's legal representative (in practice, the Counsel may not be the Counsel for the defendant at trial) will still be able to be acknowledged with the crucial facts and the reasons for sentence by the Magistrates' Courts.

Grounds of Appeal

The Defendant has to discuss with Counsel and file with Court his grounds of appeal within 14 days after receiving the Appeal Document A. In our usual practice, the Defendant and his solicitor and the Counsel will complete and file with Court "Grounds of Appeal" promptly by the deadline set out by the Court.

In hope to appeal against conviction and sentence, most Defendants do not mind spending extra money for the full set of transcripts for the whole trial. If it is a trial of a day or two, the estimated costs of the full transcripts will be around HK\$4,000 to HK\$5,000 in approximate, which is charged on word-by-word basis.

Patent Right--Competition Bill--Conflict

Having registered the Patent will permit the patentee to have an exclusive right to that particular patent. If anyone starts selling or offering to sale for any products which already have the patent registered constitutes infringing acts, the patentees can rely on the registered patent to stop the infringing acts.

The above patent right must be statutory recognized by that country or city in accordance with their respective jurisdictions. Patent right can say to be one of the monopolized rights.

Competition Bill

Recently, one of the hot topics in Hong Kong must be the Competition Bill (www.legco.gov.hk/yr09-10/english/bills/b201007022.pdf). Apart from the minorities of individuals, for instance the Consumers Council, nearly all of the enterprises and the business associations strongly

request the Government to withdraw from the passing of the Competition Bill. Let us sum up the main grounds for opposition as follows:

1. The legislation drafted in the Bill is way too ambiguous, especially the First Conduct Rules;
2. There will be a lack of enforceable guidelines for citizens, enterprises and business associations;
3. Excessive penalty; and
4. Proposal to set up the Competition Committee after enacting the Bill will somehow impose too much right to a group of unknown people. Having to pass the Bill will also transmit the legal responsibilities of legco members to the others;

The Bill mainly focuses on the following 2 actions:-

1. The First Conduct Rules—prohibition of agreements, decisions and concerted practices that prevent, restrict or distort competition in Hong Kong.
2. The Second Conduct Rules—prohibition of the abuse of a substantial degree of market power in a market.

Among the above two Conduct Rules, only the Second Conduct Rules attract less opposition, owing to the mere fact that the term “anti-monopoly” is easier to be accepted by the society. From this point of view, it seems that it is more likely the “Anti-Trust Laws” will be enacted and passed sooner or later.

“Anti-Trust Laws” mainly focus on attacking the monopoly actions. By the time we have to understand how will the Anti-Trust Laws be able to attack on monopoly, at the same time, how will society allows the patent owners having exclusive right? With regard to this, we have the following opinion:-

Same Aims at the Best Interest of the Citizens

The laws of patent aim at protecting the best interest of the citizens. In order to archive such aim, the laws of patent must encourage and provide with the investors (i.e. patentees) some reasonable remuneration which includes that within a specific time, the patentees can have certain exclusive rights to gain benefit from. Henceforth, the monopoly rights under the laws of patent is only restricted to the privilege from the commercial benefits.

Anti-Trust Laws is mainly targeting on those who will take the expenses of the citizen’s benefit, having enforced the laws, the interest of the citizens will then be protected to various extent.

After all, both Anti-trust laws and the laws of patent are pointing towards the same aim to protect the best interest of the citizen. The only difference during the course of implementation is that the 2 legislations have their own and different statutory interpretation.

Unjustifiable Opposition of the Application for Licence



Let us give an example: Company A is a registered patentee. His respective registered patent has been successfully established in the market with more than 90% of the quotas. While in the same market, Company B will be quite desperate to be granted with a licence by the Company A so as to invent more innovative products. And that is why it is an essence for Company B to apply for a licence from Company A. If it is foreseeable by the Company A that the Company B has a very competitive position in the market and has its own marketability, no matter how tempting will the conditions provided by Company B be i.e. the amount of the licence fees, Company B's licence application will be rejected. And only at this stage will be the best appropriate time for the Ant-Trusts Law to step in so as to protect Company B from the patent being monopolized by Company A.

From the above example, it should be obvious for the readers to reckon that both aims of the Laws of Patent and the Anti-Trust Laws are identical. To be frank, if these 2 legislations can work in parallel along each other, this will be of great help to the economy for a healthy development in the future, and also giving much spaces or platform for a friendly commercial competition in the market.