



23 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 Sirs,

Re: Views of GS1 Hong Kong on Short-Term Patents

In view of growing concern about the abuse of Short-Term Patent against third-party use, especially considering new technologies application like RFID, GS1 Hong Kong has taken initiatives since 2008 to gather views amongst industry leaders on it. Most participating parties have shared the same observation and/or faced with the same dilemma in their commercial encounter that this will undoubtedly cause many defendants to settle on adverse terms rather than risk the costs and hazards of litigation.

On 12 June 2008, Hon. Sin Chung Kai helped to set up a meeting for industry leaders to share views with Commerce & Economic Development (CEDB) and Intellectual Property Department (IPD). Subsequently, the pro bono solicitor, Mr Charles Man of Joseph S.C. Chan & Co, sent a response on behalf of the industry participants to IPD on 19 July 08 expressing our views and recommending necessary amendment to the HK Short-Term Patent System. Legislators Samson Tam and Margaret Ng have also been consulted on this subject since 2009.

Taking this opportunity of government consultation, GS1 Hong Kong would like to submit the enclosed Response to the Patent System Consultation Paper which is supported by :

GS1 Hong Kong 香港貨品編碼協會

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1. Legislative Councillor (IT), Hon. Samson Tam
2. Former Legislative Councillor(IT), Hon. Sin Chung Kai
3. Mr Charles Mok, Founding Chair, Internet Society Hong Kong
4. Retail Technology Industry Association (RTIA)
5. Hong Kong Wireless Technology Industry Association (WTIA)
6. Communications Association of Hong Kong (CAHK)
7. Million Tech Development Ltd
8. Data-Pro Technology Ltd
9. Megasoft Ltd
10. Ecode Systems Ltd
11. ID-Tech (Hong Kong) Ltd
12. Hong Kong Communications Co Ltd

We hope that the Government can duly consider our views and proposed changes to the current Short-Term Patent System.

Should you require further information, please do not hesitate to contact me on
Thank you for your kind attention.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Anna Lin', written over a light blue horizontal line.

Anna Lin
Chief Executive

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Consultation on Review of the Patent System in Hong Kong

Views of GSI Hong Kong on Short-Term Patents

Background

1. The Commerce and Economic Development Bureau published a Review of the Patent System in Hong Kong ("Review") in October 2011.
2. GSI Hong Kong, as a not-for-profit industry-led organization responsible for global supply chain standards, best practices and enabling technologies to facilitate efficiency, innovation and collaboration, welcomes the Review and submits our views on the short-term patents system.

Our Views



3. There are two types of patent in Hong Kong: (a) standard patents; and (b) short-term patents.
4. Whereas examination as to novelty or inventive step under the Patents Ordinance is a prerequisite for grant of standard patents, no examination of any kind is required for grant of short-term patents.
5. For a short-term patent application, only a search report in relation to the invention is required. But the examination of the search report is only as to formality as opposed to novelty and inventive step.
6. The Intellectual Property Department ("IPD") has indeed no power to disallow any short-term patent application even the patent under consideration is shown to be invalid by the search report tendered by an applicant for such short-term patent.
7. As a matter of history, even during the Bills Committee stage where the present system of model of short-term patents was introduced to Hong Kong for the first time, the Bar Association already raised the concern that:

"without procedural safeguards, the proposed short-term patent system, basically a non-examination system, would be open to abuse against third-party use. Small businesses would be the main victims since they could not afford to defend against allegation of infringement in court."

8. It turns out that not only small businesses are the victims, large businesses also fall victims to such unwarranted claim as they cannot afford losing prospective customers during the course of fighting a legal battle with no certainty in sight in the eyes of the customers.

9. Mr. Charles Booth in his book [Hong Kong Commercial Law: Current Issues and Developments] has made similar comment: "*This will undoubtedly cause many defendants to settle on adverse terms rather than risk the costs and hazards of litigation.*" The industry participants indicated to us that they faced the same dilemma in their commercial encounter.
10. To improve the current system of non-examination, our views and proposed changes to the current short-term patent system (in response to the issues set out on page 24 of the Review) are set out in "**Annexure 1**".
11. Our additional views, which also supplement those set out in **Annexure 1**, are out in "**Annexure 2**".

Signed by:

Chief Executive
GS1 Hong Kong

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Solicitors
for and on behalf of
GS1 Hong Kong

23 December 2011

Annexure 1

Response to Views Sought on Possible Changes to the Short-term Patent System

Issues	Our views
(a) What benefits does the short-term patent system bring to Hong Kong? Does it promote local innovations?	In principle, short-term patent can promote local innovation but at the same time, the system must provide tougher safeguards to prevent abuse.
(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?	Changes should be introduced to the current short-term patent system to prevent abuse. The proposed changes are set out below.
(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 the patent owner or a third party, and who should bear the costs?	<ol style="list-style-type: none"> 1. Substantive examination should be introduced where a short-term patent was granted on the strength of an <u>unclean</u> search report. 2. The time for a substantive examination: <ol style="list-style-type: none"> (a) If a short-term patent was only granted on the strength of an <u>unclean</u> search report, substantive examination must be carried out before the patentee is being permitted to commence any infringement legal proceedings; (b) If a short-term patent was granted on the strength of a <u>clean</u> search report, there will be no condition imposed on the patentee to carry out the substantive examination before the commencement of any infringement legal proceedings. 3. It is optional whether the patent owner wants to carry out substantive examination. The choice is on the patent owner if there is a need to enforce the patent which was only granted on the strength of an <u>unclean</u> search report. 4. The costs of substantive examination should be borne by the patent owner.

(ii) Should we extend the current term of protection? If so, how long should the term of protection be?	The current maximum term of 8 years is considered optimal.
(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?	The current system of limiting the number of claims based on the reasonableness test is considered optimal.
(iv) Should we lower the threshold for patentability for short-term patents? If so, what alternative threshold should be applied?	No.
(v) What other changes are required?	Please refer to <u>Annexure 2</u> .
(c) Should we discontinue the short-term patent system altogether?	No.

Annexure 2

Proposal for Change to the HK Short-Term Patents System

1. At present, IPD has no power to disallow any short-term patent application even the patent under consideration is shown to be invalid by the search report tendered by an applicant for such short-term patent. This should not be allowed to continue unabated.
2. Whatever action taken should take into consideration the resources available to IPD. At present, IPD may not have enough examiners to screen the applications and they cannot be experts in all sorts of patentable inventions. Taking this into account, substantive examination is only required if the short-term patent was granted on the strength of an unclean search report in the first place and if the patentee still wants to enforce the "questionable" patent.

"Unclean" Search Report

3. Without draining the limited resource of IPD, it is proposed that the laws should be changed in the following directions:
 - (a) The current practice of approving any application for short-term patent which tenders a search report containing categories "X" or "Y" documents found to be relevant by the examiner producing the search report is to continue.
 - (b) On the other hand, the patentee should not be permitted to enforce the patent by any legal action unless and until the patentee is able to amend the patent with the support of a clean search report, or the patentee initiates the substantive examination and satisfy the examiner.
 - (c) In addition, if such a patentee threatens someone on the strength of the patent but before the tender of a clean search report and amend the patent accordingly, it is considered to be an unjustified threat which entitles the aggrieved party to seek damages against the patentee.
 - (d) When applying for short-term patent, the supporting search report must be compiled within one year before or after the application is submitted. At present, the applicant is permitted to produce a ten year old search report or even a more out-dated one.
5. The proposed new model is built on a self-honoured system. Every patentee should be responsible for his/her own act in registering the invention in a professional and, more importantly, honest and honourable manner.
6. By granting the short-term patent in the first place, the patentee can still enjoy some sort of priority if the patentee is able to improve the subject invention to meet the clean search report requirement, or faces substantive examination.