特許庁委託事業

Hong Kong IPR ADR Manual

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Independent Administrative Institution

Japan External Trade Organisation

Hong Kong Office

(IPR Group)

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Introduction

Recently, there is a growing popularity of resolving global intellectual property contractual disputes with alternative dispute resolution (ADR) methods including international arbitration, mediation and conciliation. While litigation is time-consuming and requires complaints to be filed in every country or region involved, ADR, with its recent development in digitalisation, allows a higher degree of freedom and is expected to bring a speedy and flexible resolution.

Home to numerous first-rate international law firms and ADR institutions, alongside with a concentrated pool of multilingual legal talents, Hong Kong garners attention as a hub of global dispute resolution for IP and other commercial disputes. Take arbitration for example, according to the 2021 International Arbitration Survey (QMUL, 2021), Hong Kong is the third most preferred arbitration seat in the world. The city has also been sharpening its edge as a global IP dispute resolution hub recently through different endeavour, such as the amendment of its Arbitration Ordinance. Furthermore, utilising its unique position, Hong Kong is anticipated to shine in resolving conflicts between Chinese companies and their foreign counterparts. However, at the moment, there is inadequate information on Hong Kong's strength in IP ADR and how it is carried out.

In view of the above, this project aims to create a "Hong Kong IP ADR Manual", which contains basic information and examples of Hong Kong ADR, and introduces how Japanese companies can utilise and what they should be aware of Hong Kong ADR when facing global IP disputes and drafting dispute resolution clauses of international contracts.

Chapter 1:

Recent developments and legal systems regarding ADR in Hong Kong

Section 1: Recent development regarding ADR in Hong Kong

Introduction to the Hong Kong legal system

1. Hong Kong has a common law legal system. Between 1842 and 30 June 1997, the United Kingdom exercised sovereignty over Hong Kong and treated it as a colony. The British Common Law was introduced into Hong Kong.

2. In Hong Kong local laws are enacted by way of ordinances. Each ordinance is given a Chapter number (abbreviated as "Cap. No."). Of relevance to this report, the previous Arbitration Ordinance was Chapter 341 of the Laws of Hong Kong and the current Arbitration Ordinance is Chapter 609 of the Laws of Hong Kong.

3. In 1984, Britain and China agreed to the return of Hong Kong to the Mainland of China. Under the agreement between Britain and China, it was agreed that the legal system in Hong Kong would remain unchanged for 50 years. Mainland China enacted the Basic Law of the Hong Kong Special Administrative Region in 1989 to provide for a "mini-constitution" for Hong Kong following the handover. The Basic Law took effect from 1 July 1997.

4. Under the Basic Law the common law legal system and laws in force continues in force in Hong Kong. Because Hong Kong has a common law legal system, the courts will often look to decisions of the English courts for guidance in interpreting Hong Kong ordinances or developing the common law. The reasons for Hong Kong courts relying on English decisions in many cases were explained by the Court of Final Appeal in *A Solicitor v The Law Society of Hong Kong* (2008) 11 HKCFAR 117. Chief Justice Li said at para 17:

> Bearing in mind that historically, Hong Kong's legal system originated from the British legal system, decisions of the Privy Council and the House of Lords should of course be treated with great respect. Their persuasive effect would depend on all relevant circumstances, including in particular,

the nature of the issue and the similarity of any relevant statutory or constitutional provision.

5. It is important to bear in mind that although Hong Kong is part of the People's Republic of China it has a separate legal system and is treated as such by the courts in both Hong Kong and the Mainland of China. The laws relating to almost all forms of dispute resolution including litigation, arbitration and mediation are different between the Mainland of China and Hong Kong. The legal principles relating to the recovery of domain names are, however, similar.

Laws dealing with Alternative Dispute Resolution in Hong Kong

6. There are two principal laws governing Alternative Dispute Resolution in Hong Kong. These are the Arbitration Ordinance and the Mediation Ordinance. Hong Kong has also enacted an Apology Ordinance which is designed to facilitate the resolution of all disputes by allowing for a party to apologise without this being treated as an admission of liability. These are dealt with in order below.

7. There is no specific law dealing with domain name dispute resolution although the law of passing off can be relied upon if a matter is brought to court or a domain name issue arises in arbitration or mediation proceedings. Passing off is a common law tort that is used to prevent unfair competition in relation to the use of trade names and trade dress.

Arbitration Ordinance

8. The current Hong Kong Arbitration Ordinance (Chapter 609) was enacted in 2010 and came into effect from 1 July 2011. It adopts, for the most part, the UNCITRAL Model Law on International Commercial Arbitration (1985) ("UNICTRAL Model Law")[1]. As discussed in more detail below, where a Model Law provision is enacted, this is explicitly stated in the Arbitration Ordinance.

9. This report will focus on the current Arbitration Ordinance. However, in order to

[1] See: https://uncitral.un.org/en/texts/arbitration/modellaw/commercial_arbitration

put that in context, the previous Arbitration Ordnance (Chapter 341) will be briefly discussed as well as the reasons for the enactment of the new ordinance.

10. The previous Arbitration Ordinance (Chapter 341) was originally enacted in 1963 and was amended twice in 1982 and 1990. The previous arbitration ordinance was based on a split regime – one regime for international arbitrations (based on the UNCITRAL Model Law 1985) and a domestic regime based on the English Arbitration Act 1950.

11. When the previous Arbitration Ordinance was first enacted in 1963. Its provisions mirrored those of the English Arbitration Act 1950 (which has now been repealed). It provided for a unitary arbitration law regime applicable to both domestic and international arbitrations.

12. In the 1980s, the Hong Kong Law Reform Commission considered arbitration law in Hong Kong. In its report on the Adoption of the UNCITRAL Model Law of Arbitration issued in 1987 ("1987 Report"), the Law Reform Commission of Hong Kong recommended that the UNCITRAL Model replace existing Hong Kong laws dealing international arbitration. The report, however, recommended there be no change in the provisions governing domestic arbitration.

13. The Law Reform Commission's recommendations in the 1987 Report were implemented. Two separate regimes for the conduct of domestic and international arbitrations were created commencing from 4 April 1990.

14. In January 1992, a committee of the Hong Kong International Arbitration Centre ("HKIAC Committee") was established under the chairmanship of a High Court judge, Mr Justice Neil Kaplan, to consider whether amendments to the Arbitration Ordinance (Cap 341) were required in the light of the publication in May 1991 of a new draft Arbitration Act in the United Kingdom.

15. The HKIAC Committee on Arbitration Law issued its report in April 1996 ("1996 Report"). The HKIAC Committee considered that the UNCITRAL Model Law was suitable for application to domestic arbitrations as well as international arbitrations. The Committee recommended that the Ordinance should be completely re-written to apply the Model Law to both domestic and international

arbitrations.

16. However, as the unification of the two arbitral systems was a complex issue, the HKIAC Committee, as an interim measure, recommended that limited improvements be made to the Arbitration Ordinance (Cap 341) to minimize the differences between the two systems. The HKIAC Committee's recommendations were implemented by the enactment of the Arbitration (Amendment) Ordinance 1996.

Current Arbitration Ordinance in Hong Kong

17. The current Arbitration Ordinance (Chapter 609) came into effect as of 1 June 2011. It repealed the previous Arbitration Ordinance (Chapter 341) and enacted a unitary regime for international and domestic arbitration based on the UNCITRAL Model Law. Provision was made for the continuance of domestic arbitration provisions for a sunset period.

18. For the most part, the new Arbitration Ordinance explicitly adopts the provisions of the UNCITRAL Model Law on Arbitration.[2] S.4 of the Arbitration Ordinance provides as follows:

> "The provisions of the UNCITRAL Model Law that are expressly stated in this Ordinance as having effect have the force of law in Hong Kong subject to the modifications and supplements as expressly provided for in this Ordinance."

Schedule 1 to the Ordinance reproduces the UNCITRAL Model Law and sets out where it has been adopted or where changes from the law have been made.

19. The UNCITRAL Model Law on International Commercial Arbitration is a model law prepared by the UNCITRAL in 1985 and amended in 2006 to assist states in drafting arbitration laws. As stated on the UNCITRAL webpage:

[2] See 'Rationale and Justifications for the Drafting Approach of the Arbitration Bill', LC Paper No CB(2)2469/08-09(01) for an explanation of the approach taken.

> "The Model Law is designed to assist States in reforming and modernizing their laws on arbitral procedure so as to take into account the particular features and needs of international commercial arbitration. It covers all stages of the arbitral process from the arbitration agreement, the composition and jurisdiction of the arbitral tribunal and the extent of court intervention through to the recognition and enforcement of the arbitral award. It reflects worldwide consensus on key aspects of international arbitration practice having been accepted by States of all regions and the different legal or economic systems of the world."

20. The UNCITRAL Model Law should not be confused with the UNCITRAL Arbitration Rules discussed later. These are two separate documents.

21. In Hong Kong, the reasons for adopting the Model Law when enacting the new Arbitration Ordinance (Chapter 609) were set out as follows:

> "The purpose of the reform is to make the law on arbitration more user-friendly. As the Model Law is familiar to practitioners from civil law as well as common law jurisdictions, this would have the benefit of enabling the Hong Kong business community and arbitration practitioners to operate an arbitration regime which accords with widely accepted international arbitration practices and development. Hong Kong would be seen as a Model Law jurisdiction thereby attracting more business parties to choose Hong Kong as the place to conduct arbitral proceedings. The reform of the law of arbitration will also promote Hong Kong as a regional centre for legal services and dispute resolution."[3]

22. Where the UNCITRAL Model Law is adopted, the provision of the Model Law is expressly enacted. For example, S.5 of the Arbitration Ordinance provides as follows:

> "Article 5 of the UNCITRAL Model Law, the text of which is set out below, has effect—

[3] Consultation Paper Reform of the Law of Arbitration in Hong Kong and Draft Arbitration Bill, Department of Justice, December 2007, paragraph 3

"Article 5. Extent of court intervention
In matters governed by this Law, no court shall intervene except where so provided in this Law.".

23. There are numerous other provisions in addition to the Model Law provisions to deal with matters not mentioned in the Model Law. For example, enforcement, and of relevance to this report, arbitration of intellectual property rights are dealt with in Hong Kong specific provisions.

24. The Arbitration Ordinance has been amended a number of times since it was enacted, most importantly:

(a) Arbitration (Amendment) Ordinance 2013
    (i) To provide for mutual recognition of awards between Hong Kong and Macau
    (ii) To provide for the appointment of emergency arbitrators and granting of emergency relief.
    (iii) Taxation of costs to be on a "party and party" basis.
(b) Arbitration (Amendment) Ordinance 2015, relating to the opt-in mechanism for domestic arbitration.
(c) Arbitration (Amendment Ordinance) 2017 amended the Arbitration Ordinance to clarify that disputes over intellectual property rights ("IPRs") may be resolved by arbitration and that it is not contrary to the public policy of Hong Kong to enforce arbitral awards involving IPRs. These changes are discussed in detail below.
(d) Arbitration and Mediation Legislation (Third Party) (Amendment) Ordinance 2017 amend the Arbitration Ordinance to allow third party funding in arbitration. The amendments came into effect on 1 February 2019.
(e) Arbitration (Amendment) Ordinance 2021 gives effect to the Supplemental Arrangement Concerning Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region. The amendments came into effect on 19 May 2021
(f) Arbitration and Legal Practitioners Legislation (Outcome Related Fee Structure for Arbitration) (Amendment) Ordinance 2022 allowing for contingency fees in arbitration. The amendments came into full effect on 16 December 2022.

25. Of these amendments, the most important for this report are the 2017 amendments specifically allowing for arbitration of IP disputes. The amendments allowing for third party funding and for contingency fees, however, also have a potentially big impact on IP arbitration in Hong Kong. IP arbitrations can be expensive but the potential damages can also be very large. The ability to obtain third party funding or for lawyers to work on contingency are also important changes. Further, Hong Kong has special agreements allowing for enforcement of awards in the Mainland of China that can make Hong Kong an attractive place to arbitrate. The specific legal provisions are discussed in later chapters. Set out below are some of the reasons for these amendments.

Arbitrability of IP Disputes

26. The Hong Kong Government has made strong efforts to enhance Hong Kong's status as a leading centre for international legal and dispute resolution services and a premier hub for intellectual property ("IP") trading in the Asia-Pacific region. They have also made strong efforts to develop and promote IP arbitration as one of the areas in which Hong Kong should develop and promote.

27. As discussed, further in this report, the law on the arbitrability of IP disputes varies from jurisdiction to jurisdiction. As part of the development of HK as an IP arbitration hub, the Hong Kong government wished to clarify the law to make it clear that IP disputes could be arbitrated. In a paper to the Hong Kong Legislative Council, the Hong Kong government stated:

> "As part of the efforts to promote Hong Kong as a leading international arbitration centre in the Asia-Pacific region and to enable Hong Kong to have an edge over other jurisdictions in the Asia-Pacific region as a venue for settling IPR disputes, the Government believes that specific statutory provisions on the issue of arbitrability of IPR disputes would serve to clarify the legal position and would attract and facilitate more parties (including parties from other jurisdictions) to settle their IPR disputes by arbitration in Hong Kong."[4]

[4] Report of the Bills Committee on Arbitration (Amendment) Bill 2016 (LC Paper No. CB(4)1160/16-17),

28. In particular there were concerns that enforcement of awards could be refused on the basis that arbitration of IP disputes was against public policy. To put the matter beyond doubt, the law was amended to make it clear that IPR disputes, whether they arise as the main issue or an incidental issue, are capable of settlement by arbitration. In particular, it was made clear that it is not contrary to the public policy of Hong Kong to enforce an award made in an IP dispute.

29. The amendments were therefore proposed to:

(i) clarify any ambiguity (whether perceived or otherwise) in relation to the "arbitrability of IPR disputes" in a case where Hong Kong has been chosen as the place of arbitration, or Hong Kong law has been chosen as the governing law of the arbitration;

(ii) make Hong Kong more appealing than other jurisdictions for conducting arbitration involving IPR disputes; and

(iii) demonstrate to the international community that Hong Kong is committed to developing itself as an international centre for dispute resolution involving IPR matters as well as an IP trading hub in the region.

Third Party Funding

30. Third party funding of Hong Kong litigation proceedings has been prohibited and made a criminal offence for many years. (There is an exception for insolvency cases.) While there was no clear prohibition on third party funding for arbitration most funders were not willing to take the risk of being found criminally liable for funding arbitration. However, third party funding of arbitration and other dispute resolution proceedings has become increasingly common in numerous jurisdictions, including Australia, England and Wales, various European jurisdictions and the United States.

31. Following a report from the Hong Kong Law Reform Commission[5], the Hong Kong government decided that in order to maintain Hong Kong as one of the major

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para 4

[5] Third Party Funding for Arbitration, Hong Kong Law Reform Commission, October 2016. Available at: https://www.hkreform.gov.hk/en/publications/rtpf.htm

centres of international arbitration in the Asia Pacific region determined it was necessary to change the law to provide that third party funding was clearly permitted.

32. Third party funding is now allowed for arbitrations and a number of funders operate in Hong Kong.

Contingency fees

33. Lawyers in Hong Kong have traditionally been prohibited from agreeing to take on a case on a contingency basis for all dispute resolution work, including arbitration. Section 98O of the Arbitration Ordinance (Chapter 609) previously expressly prohibited any lawyer from providing "arbitration funding" to a party where the lawyer or his legal practice is acting for any party in relation to the relevant arbitration.

34. This made Hong Kong a notable exception. Almost all other major locations for international arbitration have permitted contingency fees for many years. Singapore also amended its law in 2022 to allow for contingency fees. However, many parties to arbitrations are keen to arrange funding for their cases. This is not just for clients who lack sufficient funds to bring or defend a case but also for sophisticated, commercial clients, looking to take some of the costs of arbitration off their balance sheets.

35. Because international arbitrations can be seated anywhere, it was necessary for Hong Kong to keep up with the latest practice in international arbitration, preserve and maintain Hong Kong's competitiveness as a leading arbitration centre in the Asia Pacific region and beyond, enhance access to justice and respond to client demand for pricing flexibility. The Hong Kong government decided it was essential that Hong Kong can offer what its competitors offer in terms of legal fees and the structure of those fees for arbitration work.

36. The amendments passed on 30 June 2022 and were enacted as Part 10B of the Ordinance. The amendments came into force on 16 December 2022. Legal practitioners in Hong Kong are now able to reach contingency fee agreements with their clients for arbitration cases.

Mediation Ordinance

37. Mediation is a voluntary, confidential and private dispute resolution process in which a neutral person, the mediator, helps the parties to reach their own negotiated settlement agreement. The mediator has no power to impose a settlement. His/Her function is to overcome any impasse and encourage the parties to reach an amicable settlement.

38. The Hong Kong Mediation Ordinance (Cap. 620) came into effect on 1 January 2013.

39. Prior to the enactment of this Ordinance there was no proper legal framework for mediation. However, in 2009, Hong Kong enacted civil justice reforms which encouraged the parties to seek to resolve litigation disputes by mediation. This was implemented by the Hong Kong Judiciary's Practice Direction 31 on mediation. This set out procedures for parties to court proceedings to seek to resolve disputes by mediation.

40. In November 2011 the Mediation Bill was introduced into the Legislative Council, proposing a stand-alone Mediation Ordinance to govern the conduct of mediation without hampering the flexibility of the mediation process. The Mediation Bill sought to implement certain recommendations, including:

(a) provision of assistance or support in mediation;
(b) confidentiality of mediation communications; and
(c) the admissibility of mediation communication in evidence.

41. The bill was passed and the Mediation Ordinance came into force on 1 January 2013. The ordinance does not have any specific provisions dealing with intellectual property.

Apology Ordinance

42. The Apology Ordinance was introduced to deal with the problem that a party may wish to make an apology, but they are often inhibited from making an

apology or are advised by their legal advisers not to make an apology even if they wish to do so. This is because an apology could be relied on the other party in civil proceedings as evidence of admission of fault or liability on the part of the party making the apology. Insurance companies would often not allow a party to apologies. An apology can often be a very effective way to resolve a dispute or, at the least, prevent an escalation of a dispute.

43. The Apology Ordinance, therefore, provides that apologies shall not be an admission of liability and, except if ordered by the court, may not be used as evidence of liability.

Charts and Table

44. The following tables set out statistics on IP ADR cases handled by the key arbitration institutions in Hong Kong. Further details relating to the institutions are provided in Chapter 2.

45. There will be more cases that involved IP issues but which are not reflected in the statistics. For example, a defence to a commercial claim can raise IP issues but this will not have been classified as an IP case by the institution but rather as an IP case.

HKIAC IP arbitrations and domain name cases

46. HKIAC statistics for IP and domain name cases for the 6 years since 2016 when it established its panel of arbitrators for IP cases are set out below. More details can be found at the following link:

https://www.hkiac.org/about-us/statistics

Year	Total no. of Arbitrations	Total no. of Mediations	Total	% IP cases	No. of IP cases	Domain disputes
2021	277	12	289	4%	**11**	225
2020	318	16	334	2.2%	**7**	149
2019	308	12	320	2.5%	**8**	182
2018	265	21	286	1.8%	**5**	234

2017	297	15	312	4.6%	**14**	220
2016	262	15	277	5.4%	**15**	183

47. For domain names, in 2021, of the 225 domain name disputes handled by the HKIAC 172 were filed under the UDRP, all new gTLDs, and certain country-code Top Level Domains (ccTLDs)); 42 under the China Domain Name Dispute Resolution Policy (for .cn and .中国 domain names) (CNDRP); 7 under the Hong Kong Domain Dispute Resolution Policy (.hk and .香港 domain names) (HKDRP); and 4 under the Uniform Rapid Suspension System (for all new gTLDs) (URS). The figures are similar for previous years.

CIETAC

48. CIETAC's general statistics for all cases handled by CIETAC for the past 5 years for Intellectual Property and Licensing and Franchising arbitrations are set out below. Most licensing and franchise cases involve intellectual property issues. Some of the disputes will have been administered by CIETAC Hong Kong, but he numbers for cases which have been handled by CIETAC Hong Kong are not available. As a rough estimate, the case load of CIETAC Hong Kong is probably 10% of that of CIETAC in general.

Year	**IP Arbitrations**	**Licensing and Franchising Arbitrations**	**Total**	**Domain disputes**
2021[6]	23	74	**97**	145
2020[7]	22	35	**57**	143
2019[8]	158	40	**58**	147
2018[9]	12	40	**52**	172
2017[10]	10	31	**41**	156

[6] http://www.cietac.org/index.php?m=Article&a=show&id=18218

[7] http://www.cietac.org.cn/index.php?m=Article&a=show&id=17429

[8] http://www.cietac.org/index.php?m=Article&a=show&id=16447

[9] http://www.cietac.org/index.php?m=Article&a=show&id=15803

[10] http://www.cietac.org/index.php?m=Article&a=show&id=15193

ICC

49. The ICC does not provide a breakdown of cases by the type of cases. In 2020, the ICC administered 19 cases where Hong Kong was the seat of arbitration. Based on the HKIAC statistics where approximately 4% of cases were IP cases, this would mean that 1 case at the ICC was an IP case.

Section 2: Legal system regarding ADR in Hong Kong

Statutory provisions

50. The following statutory and legal provisions govern Alternative Dispute Resolution in Hong Kong:

(a) Arbitration Ordinance Cap 609

The Arbitration Ordinance provide for the law relating to arbitration, and to provide for related and consequential matters such as enforcement of awards. It is modelled on the UNCITRAL Model Law.

(b) Mediation Ordinance Cap 620

The Mediation Ordinance is an Ordinance to provide a regulatory framework in respect of certain aspects of the conduct of mediation. It defines what a mediation communication is and provides for their confidentiality unless otherwise ordered by the court.

(c) Apology Ordinance Cap 631

The Apology Ordinance makes provision for the effect of apologies in certain proceedings and legal matters. The ordinance provides that apologies shall not be an admission of liability and, except if ordered by the court, may not be used as evidence of liability.

(d) Rules of the High Court - Order 73: Arbitral Proceedings

The Rules of the High Court make provision for the handling of civil proceedings in the High Court. Order 73 of the Rules deals with arbitration proceedings. The provisions deals applications to be made to the court in the course of arbitration proceedings or to enforce or set aside an award from Hong Kong or overseas.

(e) Judiciary Practice Directions

(i) Practice Direction 6.1 – Construction and Arbitration List

(ii) Practice Direction SL2 – regarding certain applications in the Construction and Arbitration List

(iii) Practice Direction 31 on Mediation

These Practice Directions give guidance to litigants in court on the handling of court cases relating to arbitration and for seeking to mediate a court dispute.

(f) Hong Kong Mediation Code

The Hong Kong Mediation Code is a code of conduct for mediations adopted by the HKMAAL, HKIAC, Hong Kong Law Society and most professional associations in Hong Kong. It sets out rules and procedures for conducting mediation that the parties may agree to.

<u>Applicable institutions and institutional rules</u>

51. The following institutions handle ADR in Hong Kong and have the following rules. Further details of the institutions are provided in later chapters.

(a) Hong Kong International Arbitration Centre (HKIAC)

- Institutional
  - ✓ 2018 Administered Arbitration Rules
- Ad Hoc:
  - ✓ 2013 UNCITRAL Arbitration Rules
  - ✓ 2019 Rules as Appointing Authority (Appointment of Arbitrators and Mediators and Decision on Numbers of Arbitrators) Rules
  - ✓ 2013 Rules as Appointing Authority (Appointment of Arbitrators and Mediators and Decision on Numbers of Arbitrators) Rules

- Domestic:
  - ✓ 2014 Domestic Arbitration Rules
- Other HKIAC Rules
  - ✓ HKIAC Short Form Arbitration Rules
  - ✓ HKIAC Securities Arbitration Rules
  - ✓ HKIAC Electronic Transaction Arbitration Rules
  - ✓ HKIAC Small Claims and 'Documents Only' Procedures

(b) CIETAC

- Arbitration Rules 2021
- Rules as Appointing Authority in Ad Hoc Arbitrations

(c) ICC

- 2021 Arbitration Rules
- 2014 Mediation Rules
- 2018 Rules of ICC as Appointing Authority in UNCITRAL or Other Arbitration Proceedings

(d) eBram

i. eBram Arbitration Rules
ii. eBram Mediation Rules
iii. eBram APEC Rules
iv. eBram Rules for COVID-19 ODR Scheme

(e) Hong Kong Mediator Accreditation Association Limited

i. Hong Kong Mediation Code

<u>Laws governing Intellectual Property</u>

52. The following statutory provisions govern Hong Kong intellectual property. In addition to statute law there is the common law of passing off that can be used to protect trade marks and trade names as well as prohibit some acts of unfair competition. Confidential and private information can also be protected under common law and equitable case law.

53. For intellectual property arbitration and mediation conducted in Hong Kong, it will often be necessary to apply or refer to the intellectual property laws of other jurisdictions, particularly those of Mainland China.

Hong Kong statutory provisions governing intellectual property

- Trade Marks Ordinance (Cap 559)
  - Trade Marks Rules (Cap. 559A)

- Patents Ordinance (Cap 514)
  - Patents (Designation of Patent Offices) Notices (Cap.514A)
  - Patents (Transitional Arrangements) Rules (Cap.514B)
  - Patents (General Rules) (Cap 514C)

- Registered Design Ordinances (Cap 522)
  - Registered Designs Rules (Cap. 522A)

- Copyright Ordinance (Cap.528)
  - Registration of Copyright Licensing Bodies Regulation (Cap. 528A)
  - Copyright (Libraries) Regulations (Cap. 528B)
  - Copyright Tribunal Rules (Cap. 528D)
  - Prevention of Copyright Piracy Ordinance (Cap. 544)
  - Prevention of Copyright Piracy (Notices) Regulation (Cap. 544A)

- Trade Descriptions Ordinance (Cap. 362)

- Layout-Design (Topography) of Integrated Circuits Ordinance (Cap. 445)

- Plant Varieties Protection Ordinance (Cap. 490)

Section 3: International agreements regarding ADR in Hong Kong

54. Hong Kong is party to the following international or cross-jurisdictional agreements relating to ADR.

International agreements

(a) The Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention)

- The New York Convention is one of the key instruments in international arbitration. The New York Convention applies to the recognition and enforcement of foreign arbitral awards and the referral by a court to arbitration.

(b) United Nations Convention on International Settlement Agreements Resulting from Mediation (Singapore Convention on Mediation)

- The Singapore Convention on Mediation is a uniform framework for international settlement of agreements resolving commercial disputes resulting from mediation.

Cross-jurisdictional agreements

(c) Arrangement Concerning Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (came into force on 1 February 2000)[11]

- The Arrangement provides for the recognition and enforcement of arbitral awards between the Mainland of China and Hong Kong. Its provision are similar to the New York Convention.

(d) Supplemental Arrangement Concerning Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (came into force on 27 November 2020)[12]

- This Arrangement amends some of the provisions relating to enforcement in the above arrangement.

(e) The Arrangement Concerning Mutual Assistance in Court-ordered Interim Measures in Aid of Arbitral Proceedings by the Courts of the Mainland and the Hong Kong Special Administrative Region (came into force on 1 October 2019)[13]

- This arrangement makes provision for seeking interim relief, such as asset freezing orders, in the Mainland of China or in Hong Kong in arbitration cases involving both jurisdictions.

[11] https://www.doj.gov.hk/en/legal_dispute/pdf/mainlandmutual2e.pdf

[12] https://www.doj.gov.hk/en/mainland_and_macao/pdf/supplemental_arrangementr_e.pdf

[13] https://gia.info.gov.hk/general/201904/02/P2019040200782_307637_1_1554256987961.pdf

Chapter 2:

Implementation procedures of IP ADR in Hong Kong

Introduction

1. This chapter discusses procedures for the Alternative Dispute Resolution of IP Disputes in Hong Kong. Hong Kong has a number of advantages for the arbitration of IP disputes, in particular disputes involving parties from the Mainland of China. These include:

   (a) There are specific provisions in the Hong Kong Arbitration Ordinance allowing for the arbitration of IP disputes;
   (b) There are a number of special agreements between Hong Kong and the Mainland of China regarding arbitration. In particular, there is a special agreement allows for application for interim relief from Chinese courts in support of arbitration;
   (c) Many legal practitioners in Hong Kong are bilingual in English and Chinese meaning that they can handle cases involving Chinese documentation with ease;
   (d) Many legal practitioners in Hong Kong have qualifications in the law of the Mainland of China which can assist if Chinese law needs to be considered;
   (e) There are many very experienced international arbitration practitioners in Hong Kong. The firms of these practitioners often have offices in Japan which can assist with case preparation of Japanese parties;
   (f) Chinese parties often insist in contract negotiations that arbitration of any disputes be conducted in the Mainland of China. Japanese (and other non-Chinese) parties often prefer not to arbitrate in the Mainland of China. However, Hong Kong is a part of China but is a separate legal jurisdiction. Agreeing to arbitration in Hong Kong can be a good compromise where the Chinese party can arbitrate in a jurisdiction that is part of China but the Japanese party can arbitrate in a separate common law jurisdiction.

2. The chapter has been structured to provide an overview of the procedures for alternative dispute resolution. In a number of sections practical points to note have been included in italics. Special points to note relating to alternative

dispute resolution in Hong Kong are listed below with a brief summary and a reference to the appropriate paragraphs of this report.

Arbitration

Special points to note	**Summary**	**Paras**
Enforcement of arbitral awards vs foreign judgments	It is much easier to enforce an arbitral award worldwide compared to enforcing a foreign judgment.	10-12
Arbitrability of IP disputes - HK	HK Arbitration Ordinance provides specifically that all IP disputes may be arbitrated in HK.	16-23
Arbitrability of IP disputes – Mainland China	In Mainland China the validity of patents and trademarks cannot be arbitrated. HK may therefore be a preferable place to arbitrate.	24-29
Enforcement of arbitral award in Hong Kong	Foreign arbitral awards are generally very easily enforced in Hong Kong	31-35
Enforcement of arbitral award against Chinese party	The ability in a HK seated arbitration to apply for interim asset preservation in Mainland China may assist in enforcement of an award.	36-44
Advantages and dis-advantages to arbitration	There are a number of advantages and disadvantages to arbitrating, but if a case involves a Mainland Chinese party, arbitration may be the best choice because of the ease of enforcement.	45-62
Arbitrators' fees	HKIAC and CIETAC HK rules provide for hourly rates by default. ICC rules provide for *ad valorem* fees which can help control costs if amount in dispute is likely to be small.	74-77
Procedural order	Hong Kong rules for document disclosure and cross examination can be very useful to obtain evidence against Chinese parties	78-82
Hearings	Real time transcripts for hearings can assist	83-85

	non-native speakers in understanding what is being said in a hearing.	
Confidentiality agreements in arbitration	Arbitration proceedings are confidential. Sometimes parties will suggest higher levels of confidentiality such as "Outside Counsel's eyes only". These need to be considered carefully as they make giving and receiving instructions very difficult.	92-93
Interim relief from Chinese courts	After an arbitration is commenced in Hong Kong it is possible to apply for interim relief from the Chinese courts, for example, to freeze assets. It is also possible to apply for injunctions before the arbitration commences directly to Chinese courts.	94-97
Breadth of arbitration clauses	Arbitration clauses are interpreted very widely in Hong Kong meaning a wide range of matters may be covered by a clause.	104-105

Mediation

Confidentiality – mediation	Any mediation communication in Hong Kong is specifically protected by confidentiality provisions in the Mediation Ordinance	111 and 138-140

Domain names

Domain names	HKIAC and ADNDRC has strong capabilities to handle proceedings in English or Chinese	171
Domain names	.cn domain name cases may be arbitrated in Hong Kong with non-Chinese national panelists	176

Section 1: IP Arbitration

a. Definition and Legal Theory

What is arbitration?

3. Arbitration is a method of dispute resolution where the parties have agreed that, in the event of a dispute arising, they will resolve their dispute by having it decided by an independent expert or experts. It is only possible to arbitrate if there is an agreement to arbitrate in place. This can be an agreement that is made as part of an underlying contract (such as a license or technology transfer agreement) or an agreement that is made after the dispute has arisen. Most arbitration cases are under the first type of agreement because there are numerous difficulties in getting parties to agree to arbitrate after a dispute has arisen.

The underlying legal theory of arbitration

4. The commonly accepted legal theory as to why arbitral awards are binding between the parties is that the process of the arbitration and the award of the arbitrator are an extension of the contract between the parties. That is, the parties have agreed in their contract that if there is a dispute it will be resolved by an arbitrator or arbitrators (referred to as an "arbitral tribunal"). The decision made by the arbitral tribunal (which is called an "award") is binding between the parties. Courts acting in aid of arbitration are simply enforcing the agreement between the parties.

5. With very few exceptions, courts when considering a challenge to an arbitral award will not consider the substance of any award. That is, they will not look behind the legal reasoning or findings of fact made by arbitral tribunal. A court will look at the process of the arbitration to make sure that it complied with the parties' agreement. For example, whether that the award falls within the scope of disputes which the parties have agreed to arbitrate or that arbitrators with the necessary qualifications were appointed. The court will also consider if the parties were afforded a right to be heard and that there has been no corruption or other serious irregularities in the process. This fits within the contractual

theory in that the court is ensuring the process agreed between the parties has been followed. Courts may also refuse to enforce an award if the award is against public policy in the place it was made or in the place where it is to be enforced.

The binding effect of arbitral awards

6. A decision made by an arbitral tribunal will, subject to certain narrow exceptions, be enforced by courts worldwide. The Convention on the Recognition and Enforcement of Foreign Arbitral Awards (also known as the 'New York Convention'), to which almost all countries worldwide are members of, provides for procedures to enforce arbitral awards in other countries. The People's Republic of China is a party to the New York Convention.

7. Hong Kong has since 1 July 1997 been a Special Administrative Region of the People's Republic of China. Prior to that, since 1842 Great Britain exercised sovereignty and treated it as a colony. As a British governed territory it had a legal system based on the British common law and its written laws were based on British statutes. As part of an agreement between China and Great Britain Hong Kong was returned to the People's Republic of China with effect from 1 July 1997. However, the legal system previously in force was retained making Hong Kong a separate legal jurisdiction to Mainland of China. This arrangement will stay in place until 30 June 2047. Recent speeches by senior Chinese leaders have indicated the system will continue after that date.

8. Since the handover of Hong Kong to the People's Republic of China on 1 July 1997, any arbitral award made in Hong Kong has been treated as a domestic award in the Mainland of China and is not governed by the New York Convention (the same applies to awards made in Macau seated arbitrations from 20 December 1999). Instead, there are special agreements in place to allow for enforcement between these jurisdictions. In 1999, the Mainland and Hong Kong entered into an arrangement concerning the mutual enforcement of arbitral awards which came into force in February 2000. In November 2020, this was supplemented by an additional arrangement which expanded the scope of the original arrangement.

Key legal documents

9. The key legal documents governing the enforcement of arbitral awards for arbitrations seated in Hong Kong or the enforcement of foreign or China awards in Hong Kong are set out below:

(a) The Convention on the Recognition and Enforcement of Foreign Arbitral Awards (entered into force 7 June 1959) (The "New York Convention") https://www.newyorkconvention.org.

(b) Arrangement Concerning Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region. https://www.doj.gov.hk/en/legal_dispute/pdf/mainlandmutual2e.pdf.

(c) Supplemental Arrangement Concerning Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region. The Supplemental arrangement came into full force on 19 May 2022. https://www.doj.gov.hk/en/mainland_and_macao/pdf/supplemental_arrangementr_e.pdf

Enforcement of arbitral awards vs enforcement of judgments of national courts

10. Arbitral awards are generally much easier to enforce in another jurisdiction compared to enforcing the judgments of national courts. There is no overarching international treaty for the enforcement by court judgments. One treaty, the Convention of 2 July 2019 on the Recognition and Enforcement of Foreign Judgments in Civil or Commercial Matters has been signed by a number of countries and will come into force in 2023, however it does not cover intellectual property.[14] No country in Asia has signed the convention.

11. Judgments of national courts can also be enforced in other countries based on bilateral agreements or reciprocity. However, even then, under the law of most countries, only the damages ordered to be paid under the judgment will be

[14] https://www.hcch.net/en/instruments/conventions/specialised-sections/judgments

enforced and courts will not enforce injunctions. In the case of Mainland China the enforcement of foreign judgments has been traditionally very difficult with very few cases of successful enforcement. The Mainland of China and Hong Kong have reached an agreement to allow for enforcement of judgments between the two jurisdictions.[15] The agreement has not yet come into force but is expected to in 2023. The agreement, however, specifically excludes the enforcement of any judgments relating to patent infringement litigation and the enforcement of injunctions in intellectual property cases.[16]

12. ***Practical points to note**: There can be difficulties enforcing foreign judgments worldwide, but there are particular difficulties in Mainland China. Arbitral awards are much more easily enforced under the New York Convention.*

Public policy issues in relation to IP Arbitration

13. Arbitration of intellectual property rights raises a number of public policy issues. IP rights are granted by the state and can be enforced against any person. There is a public interest in any decision as to whether IP rights have been infringed or valid being determined in a public hearing. In particular, in relation to the validity of IP rights because they affect third parties, there is a good case to be made the state should be the one to determine their validity by way of a public hearing and decision. The validity of IP rights not only affects parties to dispute but also the public at large. If an IP right is invalid anyone is free to use the technology or other type of IP covered by the right. However, if an arbitral tribunal decides that an IP right is invalid in a confidential hearing, this will not be known to others. Further, in most countries, the award of the arbitral tribunal will not be able to be used invalidate the right on a public register.

14. For this reason, some countries have limitations on the arbitrability of IP disputes. South Africa is the strictest and does not allow either infringement or validity to

[15] The Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region available at https://www.doj.gov.hk/en/mainland_and_macao/RRECCJ.html

[16] Paras 3(3) and Article 17. Injunctions are available in trade secret cases.

be arbitrated.[17] Some jurisdictions, such as the Mainland of China, do not allow validity of IP rights to be arbitrated. Many countries allow decisions on validity that are valid only between the parties to the disputes. These jurisdictions include Hong Kong, the United States of America, the United Kingdom and Germany. A very small number of countries will allow for an arbitral award to be the basis for formal invalidation of an IP right on the register. (An example of this is Switzerland).

15. The position of Hong Kong in relation to arbitrability of IP rights is discussed immediately below. Further, as many Hong Kong-seated arbitrations relate to IP rights registered or subsisting in the Mainland of China and any award of an arbitral tribunal will, in most cases, need to be enforceable in the Mainland of China, the position in the Mainland of China is also considered.

Arbitrability of IP Rights in Hong Kong

16. The Hong Kong Arbitration Ordinance (Cap 609) was amended with effect from January 2018 to provide that all IP disputes are arbitrable in Hong Kong. Before these amendments came into force, it was generally considered that IP infringement and validity were arbitrable, but the amendments have put this beyond doubt.[18]

17. Section 103D(1) of the Arbitration Ordinance (Cap 609) sets out, very simply, the key principle:

> 'An IPR dispute is capable of settlement by arbitration as between the parties to the IPR dispute'.

18. Section 103D(3) adds that s 103D(1) applies even if the IPR dispute is incidental to the main issue in the arbitration.

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[17] See Vicente, D, 'Arbitrability of intellectual property disputes: a comparative survey' (2015) 31(1) Arbitration International 163.

[18] See the 'Report of the Bills Committee on Arbitration (Amendment) Bill 2016', LC Paper No CB(4)1160/16-17.

19. An 'IPR dispute' is defined very broadly in s 103C of the Arbitration Ordinance:

> In this Part, a dispute over an IPR (IPR dispute) includes—
>
> (a) a dispute over the enforceability, infringement, subsistence, validity, ownership, scope, duration or any other aspect of an IPR;
>
> (b) a dispute over a transaction in respect of an IPR; and
>
> (c) a dispute over any compensation payable for an IPR.

20. 'IPR' is also defined very broadly in s 103B(1) of the Arbitration Ordinance to include: a patent, a trade mark, a geographical indication, a design, a copyright or related right, a domain name a layout-design (topography) of integrated circuit, a plant variety right, a right in confidential information, trade secret or know-how, a right to protect goodwill by way of passing off or similar action against unfair competition, or any other IPR of whatever nature. Further, under s 103B(2), a right is an IPR whether registered or not, and whether registrable or not. This latter provision will cover, for example, unregistered trademarks.

21. Section 103D(4) further provides that an IPR dispute may be resolved by arbitration even if a specified entity in Hong Kong or elsewhere is given jurisdiction to deal with the dispute. This is intended to make it clear that even if a court or other body is given jurisdiction to deal with a dispute over IP rights, a Hong Kong-seated arbitral tribunal may also decide the dispute.

22. With regard to patents, s 103I of the Arbitration Ordinance (Cap 609) specifically provides that s 101(2) of the Patents Ordinance (Cap 514) (which provides that validity of patents may only be put in issue in specified proceedings) does not prevent from validity being raised in arbitral proceedings. Section 103J also has provisions in relation to short-term patents and waives the requirements for a patentee to request substantive examination prior to enforcing a short-term patent.

23. ***Practical point to note:*** *These provisions of the Hong Kong Arbitration Ordinance make Hong Kong very attractive for arbitration of IP disputes. The*

provisions make it clear that arbitration in relation to infringement and validity of IP rights are not against Hong Kong public policy which means an arbitral tribunal may deal with any IP issues. It will also assist with enforcement in other jurisdiction because it will not be able to be argued the award is against public policy in the seat of the arbitration.

Arbitrability of IP disputes in the Mainland of China

24. Whether an IP right is infringed is generally considered arbitrable in the Mainland of China. Article 2 of the PRC Arbitration Law provides that contractual and other disputes over rights and interests may be arbitrated. A dispute over whether a patent or trademark is infringed is a dispute over rights and interests and, in the most cases, will be decided as part of a contractual dispute.

25. However, it is generally considered that the validity of patent and trademark rights is not arbitrable in Mainland China. Article 3(2) of the PRC Arbitration Law provides that parties may not arbitrate issues that are to be determined by administrative bodies. Validity of trademark and patent rights are both determined by administrative bodies in the Mainland of China. The Trademark Review and Adjudication Department ('TRAD') (formerly the Trademark Review and Adjudication Board) and Re-Examination and Invalidity Department ('RID') (formerly the Patent Review Board) of the China National Intellectual Property Administration ('CNIPA') are both administrative bodies that are given the sole right to determine validity of patents and trademarks in the Mainland of China. (Article 45 of the PRC Patent Law; Article 44 of the Trademark Law.) (There are appeals to the People's Courts available but the courts do not have original jurisdiction to invalidate an IP right.)

26. Currently, the only intellectual property law in China that makes specific reference to arbitration is the Copyright Law which provides in Article 60 that parties may refer any disputes involving copyright to arbitration institutions for resolution (or if they have not agreed to arbitrate to bring the matter to court).

27. The PRC Patent Law and Trademark Law, on the other hand, make no mention of arbitration, instead providing that disputes may be resolved by mediation, administrative complaints or litigation in the People's Courts. The Anti-Unfair

Competition Law which can be used to prevent acts of unfair competition relating to trademarks and trade names and to protect trade secrets provides in Article 17 that a party who has suffered loss due to unfair competition may bring an action in the People's Courts.

28. Nevertheless, given the wording of Article 2 of the Arbitration Law it is accepted that the parties to a contract that relates to patent and trademark rights may arbitrate infringement issues but not validity issues. Similarly, copyright, unfair completion and trade secrets cases may also be arbitrated.

29. ***Practical point to note****: There are limitations on the arbitrability of IP rights in the Mainland of China. This strongly favours arbitrating in a jurisdiction where there is no question local public policy favours arbitration, such as Hong Kong.*

Possible solutions to lack of arbitrability of validity in countries where validity of IP disputes cannot be arbitrated

30. There are a number of possible ways to draft an arbitration clause to avoid problems with enforcement in countries where the validity of IP rights are not arbitrable. These include:

(a) if the dispute is over damages or royalties that should be paid, the parties can draft a clause that allows the tribunal to determine the amount to be paid, taking into account the tribunal's views of infringement and validity, but not making a final determination as to infringement or validity;

(b) the arbitration clause may simply require the tribunal decide on an amount to be paid without giving any detailed reasons. This would be an award that should be enforceable because there will be no finding of infringement of validity.

Enforcement of an arbitral award in Hong Kong

31. A party who has obtained an arbitral award either inside or outside Hong Kong may make an application to the court to enforce the award. The application is made by *ex-parte* originating summons in the Court of First Instance supported by an affirmation or affidavit.

32. The applicant for enforcement must exhibit to the affirmation in support:

(a) a copy of the agreement to arbitrate;
(b) the award; and
(c) a certified translation of the award if it is not in English or Chinese.

33. The applicant must also confirm that the award has not been complied with. If the court is satisfied that the award should be enforced, an order is made that the award may be enforced as if it is a judgment of the court. Procedures such as garnishee proceedings, charging orders or winding up proceedings may then be commenced to enforce the award. The defendant to the application (that is, the losing party to the arbitration) will normally be given 14 days to apply to set aside the award before it becomes effective.

34. The Hong Kong court is very pro-arbitration. It will only set aside an award if due process is not followed by the arbitral tribunal and it will not look at the substantive merits of the disputes nor the correctness of the award (*Grand Pacific Holdings Ltd v Pacific China Holdings Ltd (in liq) (No 1)* [2012] 3 HKC 498, [2012] 4 HKLRD 1 (Hong Kong Court of Appeal)).

35. ***Practical point to note:*** *If a Japanese party has obtained an award in another jurisdiction, it will generally be easily enforceable in Hong Kong against a party based in Hong Kong or which has assets in Hong Kong through the courts.*

Enforcement of awards in other jurisdictions

36. Arbitral awards can generally be enforced worldwide under the New York Convention and between Hong Kong and Mainland of China under the special arrangement discussed above.

37. Hong Kong awards are regularly enforced in the Mainland of China. The ability of parties in Hong Kong seated arbitrations to apply for interim measures from a Mainland Chinese court, such as asset freezing increases the likelihood of an award being paid. The provisions of the Hong Kong Arbitration Ordinance that make it clear that arbitration of IP rights is not against Hong Kong public policy

should also help with enforcement of an award in the Mainland of China (or other countries with limitations similar to China's).

38. Article V of the New York Convention sets out grounds upon which enforcement of an award may be refused. These deal with breaches of natural justice or procedural fairness, or that the award was beyond the scope of the arbitration agreement.

39. Most importantly for IP cases, a court may reject applications to enforce under art V(2), on the grounds that:

(a) the subject matter of the difference is not capable of settlement by arbitration under the law of that country; or
(b) the recognition or enforcement of the award would be contrary to the public policy of that country.

40. Article 7 of the Arrangement Concerning Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region has almost identical provisions to art V of the New York Convention.

41. In China an arbitral award is enforced by application to a court where the party against whom the award is being enforced is located or has assets. Any refusal to enforce an award must be reported to the Higher People's Court in that province who will report to the Supreme Peoples' Court if they agree enforcement should be refused.[19] In general, a large majority of awards are enforced but it can take some time to do so. In a case in 2022, enforcement took about 1 year.

42. A party to an arbitration that may seek to enforce an award through the courts of Mainland of China an entity in the Mainland of China should take care that they do not ask the tribunal to make an award that involves the validity of Mainland Chinese IP rights. This would be a matter not capable of settlement by arbitration under Mainland Chinese law and a Mainland Chinese court, as a matter of public policy may refuse to recognise and enforce the award.

[19] Notice of the Supreme People's Court on the Handling by People's Courts of Issues Concerning Foreign-related Arbitration and Foreign Arbitration, 2008

43. However, it should be noted that many Mainland Chinese companies now have assets outside the Mainland of China and even if an award is not enforceable in Mainland of China, it may be enforceable against assets in Hong Kong or other jurisdictions. As part of the due diligence in bringing any arbitration proceedings against an entity based in the Mainland of China, searches should be conducted to ascertain if there are any assets outside of China (and in particular any assets in Hong Kong.)

44. ***Practical Points to note**: (i) In a Hong Kong seated arbitration, the ability to apply for asset preservation in Mainland China during the course of arbitration may make it easier to enforce an award (or get a favourable settlement)*
(ii) Asset searches should be conducted to identify assets of the other side outside Mainland China that can be enforced against.

b. Advantages and disadvantages of arbitrating IP disputes

Advantages of arbitration

45. There are a number of advantages to arbitrating IP disputes. These are enumerated below.

46. Expertise: One of the key advantages of arbitration is that parties can choose to appoint an arbitrator or arbitrators with expertise in the subject matter of the dispute. This can significantly reduce both the time taken to resolve a dispute as well as reduce the risk of an outlying decision from non-specialist courts. For example, in high technology disputes, the parties can appoint an arbitrator with training in the area of technology and solid legal experience. For a trademark dispute, the parties can appoint an arbitrator with significant experience in international trademark disputes.

47. Single forum. The territorial nature of IP rights means that most complex IP disputes will proceed in the courts of multiple jurisdictions. Parties will very often be involved in litigation in five or more countries at the same time. Unlike commercial litigation, the court will not stay an intellectual property dispute for *foreign non conveniens*, for the simple reason that the most convenient forum to determine validity or infringement of an IP right is the national court where that

right is registered. (For example, in *Intel Corp v Via Technologies Inc* [2002] 3 HKC 650 (CFI), the Hong Kong court refused to stay a patent action in favour of UK patent proceedings on these grounds.) Through arbitration, parties can resolve their disputes in a single forum and avoid expensive multi-jurisdictional litigation.

48. Procedural flexibility: In arbitration, parties are free to agree flexible procedures that are suited to the dispute. Or, if the parties are not willing to agree such procedures, the arbitral tribunal can order them. Examples of flexible procedure are the arbitral tribunal deciding different issues at different times on the basis that if a decision is made on one point it may either resolve the case or encourage settlement. The arbitral tribunal could also order that it will only decide issues of liability to pay royalties as a first step before deciding what damages should be paid.

49. Time and cost. Having disputes decided by a specialist panel and in a single forum, along with procedural flexibility, can save time and costs.

50. Admissibility of evidence: Some legal systems, particularly, the Mainland Chinese legal system, have strict rules on admission of evidence. Often evidence will need to be notarized and, if from overseas, legalized. In arbitration there is generally more flexibility to admit evidence, particularly if the arbitration is in a common law jurisdiction (such as Hong Kong) or the parties have agreed to rules for the admission of evidence, such as the International Bar Association Rules for Taking Evidence in International Arbitrations.

51. Confidentiality and secrecy: Arbitral proceedings and arbitral awards in Hong Kong are confidential unless the parties otherwise agree (subject to some exceptions). (See s 18 of the Hong Kong Arbitration Ordinance (Cap 609) and Art 45 of the 2018 HKIAC Rules.) This can mean that the fact that the parties are in a dispute does not become public. In patent cases, this can be advantageous to the patentee because any challenge to the validity of the patent can remain confidential. Further, in trade secret disputes, the confidentiality provisions make it much easier for the parties to present their case before an arbitral tribunal than in an open court. The whole proceedings can be closed rather than having a cumbersome approach of opening and closing proceedings when issues involving trade secrets are to be dealt with.

52. Nature of award: Depending on the agreement between the parties, the parties can have flexibility by tailoring the award that is given by an arbitrator. The parties in dispute over how much is owed under a license could request the arbitrator that rather than finding if patents are valid and infringed, to simply make an award as to how much is payable. This can be an advantage to both the patentee and the licensee. If the dispute was in court and the defence of non-infringement and/or invalidity are successful, this could be disadvantageous to both parties. If a patent is declared invalid, all third party competitors will be able make products falling in the claims of the patent. If the patent is found non-infringed, this will provide clear guidance as to how to manufacture work arounds.

53. Enforcement: Court judgments are only enforceable on a patchwork basis around the world and, even where enforceable as to damages, injunctions granted by foreign courts are not enforceable in most countries. However, arbitral awards (including injunctions) are enforceable in most countries around the world under the New York Convention.

54. In addition, for arbitrations seated in Hong Kong involving Mainland Chinese entities there is the following advantage:

Interim measures: It is possible to seek interim measures from a Mainland Chinese court to support an arbitration seated in Hong Kong. (Discussed below)

Disadvantages of arbitration

55. There are a number of reasons why a party may also choose not to arbitrate. These are enumerated below.

56. Limited publicity: Sometimes a party will want to publicise a dispute. An IP right holder may want other competitors (or potential competitors) to know that it is enforcing its rights. An accused infringer may want to use the leverage of a public attack on validity of the IP rights holders as a bargaining tool. Once a defence challenging validity is filed, it is often public and the grounds can be used by others.

57. Non-specialist judge: A party with a weak case may prefer to have the dispute decided by non-specialist judges. It also can be possible to drag out court proceedings through various interlocutory applications. Non-specialist judges also have a tendency to decide a case on their view of the perceived merits rather than technical arguments. These factors can both be strong incentives for defendants to prefer court proceedings. Some plaintiffs with weak cases on infringement or validity can also prefer non-specialist judges because it is more likely a non-specialist judge will not consider the technical issues in detail and find infringement and that the right is valid.

58. "Leverage": Multi-jurisdictional litigation cases can create "leverage" for one party over the other. For a well-funded party, suing in multiple jurisdictions and forcing the other side to defend multiple actions can make it financially impossible for a defendant to defend itself properly. The defendant will need to instruct multiple lawyers and may not have the in-house capability to handle the dispute. The costs of defending can force a party to an early settlement to avoid large legal fees. In the worst case scenario, the costs of defending can drive a party into bankruptcy.

59. Preliminary or interim injunctive relief. If a party can obtain a preliminary or interim injunction from a court, such as an interim injunction against infringement or an anti-suit injunction, these can be powerful tools to force a negotiated settlement that many parties are not willing to give up.

60. Other litigation advantages: Litigation in many jurisdictions can also have advantages over arbitration, such as being able obtain full discovery of documents from the other side (in most common law jurisdictions). In most arbitrations, only limited document production is ordered. It is also generally difficult to obtain documents from third parties or to compel witnesses to attend.

61. Costs of arbitration can be high: Depending on the type of case, arbitration can be very costly, especially when the matter involves multiple parties. It is necessary to pay for the arbitrators and for the venues. For certain claims, for example, for unpaid royalties or franchise fees, a simple debt collection action in court, often where summary judgment would be available, might be much quicker and less expensive.

62. ***Practical point to note:*** *All of the above factors need to be considered when deciding whether to agree to an arbitration clause in a commercial contract. However, for an agreement with a Chinese company which does not have assets outside China, arbitration will be the best choice for the simple reason foreign judgments are difficult to enforce in Mainland China (and many other jurisdictions) but arbitral awards are enforceable.*

Reaching an arbitration agreement after a dispute has arisen (Submission Agreement)

63. A submission agreement is an agreement reached by parties to a dispute after the dispute has arisen to submit the dispute (or part of it) to arbitration.

64. It is generally very hard to get parties to agree to arbitrate after a dispute has arisen. Depending on the facts and merits of the parties' cases, one party will feel it is better off litigating rather than proceeding with an arbitration. The factors listed above relating to the advantages and disadvantages of arbitration will all be relevant.

65. Put simply, arbitration has many advantages that favour the rights holder compared to an alleged infringer, such as a specialist tribunal and speedy resolution. Outside an arbitration, an alleged infringer can avail itself of a multitude of tools to seek to gain leverage, such as delaying the case or filing multiple invalidity actions to use the risk of invalidating IP rights as a bargaining chip.

66. On the other hand, the alleged infringer may wish to reduce its financial exposure to damages and be concerned about the impact of injunction if it loses a court case.

67. The best way to get another party an agreement to arbitrate after the dispute as arisen is therefore to offer some commercial certainty to the other side from agreeing to arbitrate. This can be, for example, the offer of a license at an agreed rate if they lose the case. Alternatively, the rate to be paid can be left to the arbitrator to decide. Another option is to offer a cap on damages. For example, if the potential claim is up to US$200 million, an offer could be made to cap any damages at US$100 million no matter what the arbitrator decides.

These types of arrangements can be very attractive to a potential respondent because they allow business to proceed with a clear idea of the risks involved. (On the other hand, by reducing risk, they also remove incentives to settle.)

68. ***Practical point to note****: If a potential claimant wishes to reach a submission agreement with a potential respondent, consideration needs to be given to what economic or other drivers can be used to get the party to agree to arbitrate rather than litigate.*

c. Types of IP cases resolved by Arbitration

69. The great majority of IP cases in Hong Kong that are arbitrated are commercial disputes relating to license or technology transfer agreements involving foreign parties and Mainland Chinese parties. This is because the nature of arbitration as a consensual dispute resolution method requires there to be an agreement to arbitrate in place.

70. There have, however, also been arbitrations in Hong Kong relating to pure allegations of infringement of IP rights. These have been dealt with by arbitration where the parties had agreed as part of settlement of a previous dispute to arbitrate any intellectual property disputes. Japanese companies have been parties to some of these disputes.

71. Because of confidentiality provisions in the Hong Kong Arbitration Ordinance the full details of cases are not available. However, in many cases, the arbitrators or lawyers involved in the case have published as part of their professional biographies short details of the cases they have handled. From this, the following types of IP related cases handled in Hong Kong can be identified. The institution which administered the dispute is shown in brackets.

Patents

(a) A claim by a Japanese party regarding patent infringement and breaches of contract concerning Automatic Teller Machines (HKIAC)
(b) Arbitration involving misappropriation of trade secrets, patent entitlement and breach of contract (HKIAC)

(c) Three arbitrations alleging infringement of patents in USA and Mainland China Patent infringement allegations (HKIAC)
(d) Claim for misuse of transferred technology and patent infringement allegations, (HKIAC)
(e) Breach of patent and know how license (HKIAC)

Trade marks

(a) A trademark licensing dispute between Japanese and Chinese parties. (HKIAC)
(b) A trademark licensing dispute between Singapore and Chinese parties pertaining to a luxury hotel brand in China. The arbitration agreement required that the arbitrator be 'bilingual in both Chinese and English'. (HKIAC)
(c) A trademark licensing dispute seated in Hong Kong between Dutch and Chinese parties pertaining to the manufacture and distribution of luxury clothing and household furnishing products. (ICC)
(d) A trademark licensing dispute between British and Mainland Chinese entities (HKIAC)

Copyright

(a) Software pre-loading and distribution agreement (HKIAC)
(b) Dispute relating to licensing agreement for an online computer game between Korean and Taiwanese entities (HKIAC)

Confidential Information/Trade secrets

(a) Distribution agreement – contract claims and claims for misappropriation of confidential information (HKIAC)
(b) Arbitration involving misappropriation of trade secrets, patent entitlement and breach of contract (HKIAC)
(c) Dispute alleging misuse of trade secrets (HKIAC)
(d) Emergency arbitration of a dispute relating to confidentiality and non-disclosure agreement in respect of the intended acquisition of a biotechnology company between Delaware and Cayman Islands entities

(HKIAC Emergency Arbitration Rules)

Franchise agreements

(a) Breach of franchise agreement between Hong Kong entity and Taiwan entity (HKIAC under UNCITRAL Rules,)
(b) Breach of franchise agreement between Hong Kong entities (HKIAC under UNCITRAL Rules)

Disputes relating to different types of technology

(a) Dispute relating to authorisation agreement in respect of products made from biotechnologically engineered antibodies between American and Mainland Chinese entities (*Ad hoc* arbitration)
(b) Dispute relating to cooperation agreement between Hong Kong based-subsidiaries of two biotechnology groups engaged in developing stem cell therapy with respect to a claim of unjust enrichment for quantum valebat (HKIAC under HKIAC Expedited Procedure Rules)
(c) Hong Kong seated dispute between a UK telecommunications company and a Chinese telecommunications VAS (Value Added Services) provider for breach of an acquisition agreement. Amount in controversy US$ 110,000,000. (ICC)
(d) Arbitration between U.S. and Chinese parties involving a failed acquisition agreement and telecommunications and IP licensing issues under Chinese law. (*ad hoc*, UNCITRAL Rules)
(e) Hong Kong seated dispute between Japanese and Chinese parties arising out of agreements for the sale and purchase of precision scientific equipment governed by Hong Kong law. (HKIAC)

Procedures for conducting arbitration in Hong Kong

72. The procedures for carrying out an IP arbitration in Hong Kong are generally the same for commercial arbitration. The procedures are governed by the rules of each institution or the UNCITRAL Rules, if applicable.

73. The basic steps are set out below with some approximate timelines. Timing very

much depends on the parties and the arbitrator and can vary a lot. In general an IP arbitration in Hong Kong is completed within 18 months.

	Action	**Timeline**
1	The Claimant files a Notice of Arbitration. This can a be a simple document setting out the basic claim being made. It is filed with administering institution. The Notice of Arbitration will usually also include nominees for proposed by the Claimant to serve as the arbitral tribunal.	This is the date the arbitration formally commences.
2	Payment of filing fee. For the HKIAC this is HK$8,000. The institution may also at this stage ask the parties for a deposit. The HKIAC usually requested HK$100,000 from each party.	This is done with filing the notice of arbitration.
3	The Notice of Arbitration is served on the Respondent by Claimant. This can be done by one of the contractually agreed ways and can be by email or registered post. The key issue is to ensure that the Respondent receives the notice.	
4	Filing of Answer to Notice of Arbitration by Respondent. This is can also be a simple document setting out the basic defence to the claim.	Within 30 days of service. This time can be extended
5	Appointment of Arbitrator(s) by institution. The institution will consider any nominees by the parties and proceed to appoint arbitrators.	Approximately 1 month from filing of Answer
6	Procedural Order	Within 1 month of appointment of arbitrator(s)
7	Taking of procedural steps; eg pleadings and document production, witness statements	Timelines will be agreed between the parties, but procedural steps generally take one year.

8	Hearing	Usually 2 months following completion of procedural steps
9	After hearing, handing down of award by arbitral tribunal	Usually 3 months from hearing.

Costs

74. The costs of IP arbitrations in Hong Kong can vary substantially depending on the complexity of the disputes. For simple cases they can be in the hundreds of thousands of US dollars, but for more complex cases in the millions of US dollars.

75. The HKIAC and CIETAC Hong Kong rules provide that, unless otherwise agreed between the parties, arbitrators may charge hourly rates for sitting as an arbitrator. The ICC rules provide for *ad valorem* fees. That is, fees are determined by the amount in dispute. Where it is likely that disputes may be over relatively small sums of money, the ICC rules can be advantageous.

76. Further it should be noted that as a general rule, in Hong Kong, the losing party pays the costs of the winning party. These may be the full costs or the amount can be reduced by the arbitral tribunal when making an award on costs.

77. *Practical point to note: Where it is likely monetary claims will be relatively small choosing the ICC rules may be advantageous as a way to control costs.*

Procedural order

78. After appointment, the tribunal will, in consultation with the parties, issue one or more procedural orders setting out the steps to be taken in the arbitration. This will generally set out a timeline for pleadings, document production and exchange of witness statements and expert reports as well as simple procedural issues, such as how service is to be effected, the form of submissions and time limits. The tribunal will also usually set a date for hearing and work backwards in setting a timetable in working up to the hearing.

79. The arbitral tribunal will generally follow the tradition of the seat or arbitrator(s)

in determining the procedures of the arbitration. That is, if the arbitration is in a common law seat or the arbitrator is from a common law background, they are more likely to require witness statements, oral evidence and cross examination. In a civil law seat or with a civil law arbitrator, they may take a more document-based approach.

80. In Hong Kong as a common law jurisdiction, most arbitrators will make provision for document disclosure, witness statements and cross examination of witnesses. This can be very useful in disputes with Chinese parties. In Chinese civil ligation there is limited disclosure of document and no cross examination of witnesses. These procedures can assist very much to obtain evidence to support a case in Hong Kong.

81. The procedural order is a very important part of the arbitration process. Any company engaged in arbitration should discuss with their counsel well in advance the terms of the procedural order.

82. ***Practical point to note****: Hong Kong procedures for document disclosure and cross examination can be very useful to obtain evidence from the other side, particularly Chinese parties.*

Hearings

83. The arbitral tribunal may hold interlocutory and final hearings in person, or by audio or video link. Telephone conferences are often used for interlocutory hearings. Since the Covid-19 pandemic, video links have become much more commonly used in arbitration. Counsel and witnesses may appear by video link or, in some cases, counsel have appeared in person but all witnesses have been called by video link. Where one counsel is able appear in person, but the other counsel is not, the general practice to ensure fairness to the parties is for both counsel to appear by video link. In many cases the parties also organize and pay for real time transcripts for a case. A real time transcript is very useful for keeping track of what is being said in a case. It can be particularly useful for non-native speakers to pick up all words that have been spoken.

84. In-person hearings, while less formal than a court hearing, can very much

resemble a court hearing with the arbitrator(s) seated in the same position as judges and counsel addressing the tribunal in the same order as court proceedings.

85. ***Practical points to note****: Hearings can go for a full day and will often be in English or Chinese. Interpreters can be arranged to assist staff members who may not catch all the words said in a hearing. Real time transcripts can also greatly assist understand by allowing the transcript to be read during the hearing.*

Final award or partial final award

86. At the end of the case and after hearing the parties, the tribunal will issue a final award which is generally a reasoned decision setting out the parties' cases, the findings of the tribunal and the relief to be granted. In the case of an institutional arbitration, the administering institution will affix its seal to any award. A tribunal may make an award on different issues at different times. For example, a party may have challenged jurisdiction or the tribunal may have bifurcated the question of liability and damages. In such a case, the tribunal make a final partial award on the issues it has ordered to be heard.

Special Issues

Challenge to Jurisdiction

87. A party may challenge the jurisdiction of an arbitral tribunal. The principal ground will be that that the scope of the dispute is outside the scope of the arbitration agreed between the parties. For example, in a number of arbitration cases in Hong Kong in addition to claiming under a license a claimant has added allegations of infringement of IP rights to the claim. The parties in such case have agreed to determine disputes relating to the licensed terms. Such disputes often require a Tribunal to determine if an IP right is infringed. The question then becomes does the arbitration clause cover an allegation of infringement separately to determining if there has been a breach of the license. Depending on the width of the arbitration clause the arbitral tribunals may or may not find a claim such as this to be in the jurisdiction of the tribunal.

88. Most rules require that any jurisdiction challenge be made no later than the Statement of Defence. (See, for example, art 19.3 of the 2018 HKIAC Rules and s 34 of the Hong Kong Arbitration Ordinance (Cap 609)). Under ICC Rules, any challenge must be made no later than the Terms of Reference. The Secretary-General may also refer a question of jurisdiction to the ICC Court. Very often, the arbitral tribunal will determine its jurisdiction at the outset of the case, although it can be left to the final award.

89. The ability for the tribunal to rule on its own jurisdiction is set out in art 16(1) of the UNCITRAL Model Law (which has been enacted in Hong Kong under s 34 of the Arbitration Ordinance (Cap 609)). Article 16(1) provides: "The arbitral tribunal may rule on its own jurisdiction, including any objections with respect to the existence or validity of the arbitration agreement". The theory that a tribunal may decide on its own jurisdiction is referred to as 'competence-competence' from the German '*kompetenz-kompetenz*'. That is, a tribunal is competent to rule on its own competence.

90. Under Article 16 of the UNCITRAL Model Law, which has been enacted as s 34 of the Hong Kong Arbitration Ordinance (Cap 609), the tribunal may either a rule as a preliminary question or issue an award on merits on its jurisdiction. If the tribunal rules, as a preliminary question, that it has jurisdiction, an application may be made to the Court of First Instance to appeal this decision (art 16(3)). If the tribunal makes an award on merits, it can only be set aside on narrow grounds. There is no appeal from a decision that the tribunal has no jurisdiction (art 16(4)).

Special directions in IP cases

91. Pleadings. IP cases may require special directions. For example, in cases involving patents, it is recommended that the tribunal give directions for pleading infringement and validity which includes the preparation and filing of claim charts. Suggested directions are included in this chapter as Appendix A.

92. Confidentiality. The parties may also wish to agree a confidentiality regime over and above the general requirement for confidentiality in domestic statutes and the rules of the institution. (In Hong Kong, s 18 of the Arbitration Ordinance (Cap 609)) This can be done by entering into a special confidentiality agreement or

asking the tribunal to impose one if it cannot be agreed between the parties. An example of the need for such an agreement would be the disclosure of commercial processes by a respondent to show they had not been using the claimant's processes. The respondent would not want this information to be shared with claimant generally but instead request for limited disclosure or 'Outside Counsels' Eyes Only' disclosure.

93. ***Practical point to note****: Confidentiality agreements need to be considered carefully, particularly if there are 'Outside Counsels' Eyes Only' provisions. This means the parties may also not see the documents which can make giving instructions and reporting very difficult. Such provisions should only be agreed to after detailed consideration.*

Interim relief from the courts

94. In Hong Kong, a party may always apply directly to the Court of First Instance of the High Court of Hong Kong for interim relief, if necessary, even if the parties have agreed to arbitrate. (S. 45 of the Hong Kong Arbitration Ordinance (Cap 609).) Such applications will be necessary if very urgent relief is necessary (such as freezing bank accounts). However, it is also possible to seek interim relief from an arbitrator that can then be enforced by the court.

95. In the Mainland of China, if an arbitration has not yet been commenced, in cases involving intellectual property, it is possible to seek preliminary relief directly from the courts. (Article 3 of the Supreme People's Court Rules in Relation to Several Issues concerning Act Preservation in Intellectual Property Disputes.). It is necessary to commence the arbitration within 30 days of the preliminary relief being granted. This will, generally, be the preferred option if urgent relief is needed.

96. The ability to apply directly to the courts for a preliminary injunction in IP cases is an exception to the general rule that in Mainland China an application for interim relief must be submitted through the arbitration institution chosen by the parties. (Article 272 of the Civil Procedure Law.). This general rule also applies to arbitrations relating to intellectual property rights that have already commenced. (Article 5 of the Supreme People's Court Rules in Relation to Several

Issues concerning Act Preservation in Intellectual Property Disputes.). For Hong Kong seated arbitrations, special arrangements have been put in place that allow a party to also apply for interim relief from courts in the Mainland of China. The arrangement is mutual, however, it makes no change to Hong Kong practice because a party in a Mainland arbitration has always been able to seek interim relief from the Hong Kong courts. The applicant must first commence the arbitration and then obtain confirmation the arbitration has been commenced from the arbitration institution before the applying to the PRC courts for relief.

97. *Practical point to note: If an interim injunction in an IP case may be needed from a Chinese court, it is best to file before the arbitration is commenced. The application may then be made direct to the court. After the arbitration is commenced it is necessary to go through the Hong Kong arbitration institution to obtain documentation before applying to the Chinese court.*

Emergency Arbitration

98. Emergency arbitration allows parties to apply for interim measures at an early stage in a dispute before a tribunal has been appointed. The HKIAC Rules for emergency relief are set out in Sch 4 to the 2018 HKIAC Rules. These provide for the appointment of an emergency arbitrator within 24 hours of the application being filed. The application is to be handled on paper and a decision should be made within 14 days of the application. For an injunction against a party in Hong Kong, this can be much faster than applying for an interim injunction from the court (other than an *ex parte* or truly urgent injunction) where the court will give directions for filing evidence and a hearing date be set for some months later. If the injunction is granted, the court will enforce it relatively quickly. If the party is outside Hong Kong, it may take some time to enforce an emergency award and, thus, a direct application in the country the party is located may be more efficient.

99. A tribunal, once appointed, may also grant interim measures. (See, for example, art 23 of the HKIAC Rules; ss 35 and 36 of the Hong Kong Arbitration Ordinance (Cap 609)). In Hong Kong, under s 36 of the Arbitration Ordinance (Cap 609) (which enacts art 17A of the UNCITRAL Model Law), the tribunal is required to be satisfied in accordance with the following test:

(a) harm not adequately reparable by an award of damages is likely to result

if the measure if not ordered;

(b) such harm substantially outweighs the harm likely to result if the measure is not granted; and

(c) there is a reasonable possibility that the requesting party will succeed on the merits of the claim.

100. An application may be made under s 61 of the Arbitration Ordinance for leave to enforce any emergency order or interim measure.

No summary judgment

101. It is generally accepted that there is no provision for 'summary judgment' to be given in an arbitration, although the rules of some institutions do provide for summary dismissal of claims or defences. However, in simple cases, it is possible for a party to request for simplified procedures, namely that a case be decided on a 'documents-only basis'.(See, for example, art 22.4 of the 2018 HKIAC Rules)

d. Arbitration institutions in Hong Kong

Hong Kong International Arbitration Centre (HKIAC

Year of establishment:	1985
History:	HKIAC was established in 1985 by a group of businesspeople and professionals in an effort to meet the growing need for dispute resolution services in Asia.
Structural relationship with the government:	No structural relationship with the government. The Hong Kong government does, however, provide some funding to the HKIAC
Organisation structure:	Company Limited by Guarantee. Non Profit.
List of arbitrators:	General Panel: https://www.hkiac.org/arbitration/arbitrators/panel-and-list-of-arbitrators Intellectual Property Panel:

	https://www.hkiac.org/arbitration/arbitrators/panel-arbitrators-intellectual-property Emergency arbitrators https://www.hkiac.org/arbitration/arbitrators/panel-emergency-arbitrators
Characteristics (I.e., IP):	HKIAC established a specialist list of IP arbitrators in 2016
Website:	www.hkiac.org
Email:	adr@hkiac.org
Offices:	Hong Kong, Shanghai, Seoul
Hong Kong Office:	38th Floor Two Exchange Square 8 Connaught Place Central, Hong Kong Telephone: (852) 2525-2381 Fax: (852) 2524-2171
Shanghai Office	Unit 1711, Pufa Tower 588 South Pudong Road Shanghai, China, 200120 Contact Person: Ling Yang Email: lyang@hkiac.org
Seoul Office	Room 1703, 17/F Trade Tower, Samseong-dong, 511 Yeongdong-daero, Gangnam-gu Seoul 06164, South Korea

China International Economic and Trade Arbitration Commission (Hong Kong) "CIETAC HK")

Year of establishment:	2012 (Hong Kong) (CIETAC was established in 1956)
History:	CIETAC was the original arbitration institution founded in the People's Republic of China. CIETAC

	Hong Kong was established in 2012 as institution to administer arbitrations under CIETAC rules but under Hong Kong law.
Structural relationship with the government:	CIETAC is established under the China Council for Promotion of Foreign Trade. It is state owned. The Hong Kong government provides premises for CIETAC HK in Hong Kong.
Organisation structure	CIETAC is established under the China Council for Promotion of Foreign Trade
List of arbitrators:	www.cietachk.org.cn
Characteristics (I.e., IP):	CIETAC handles a number of IP cases. It does not have a specialist IP list.
Website:	www.cietachk.org.cn
Email:	hk@cietac.org
Offices:	Hong Kong (CIETAC has a number of offices in Mainland China)
Hong Kong Office	Room 503, 5/F, West Wing, Justice Place, 11 Ice House Street, Central, Hong Kong Tel: +852 2529 8066 Fax: +852 2529 8266

International Court of Arbitration of the International Chamber of Commerce – Hong Kong ("ICC HK")

Year of establishment:	1998 (Hong Kong) (ICC Court of Arbitration was established in 1923)
History:	ICC is an organisation that represents the interests of business in a number of ways. It established an International Court of Arbitration in 1923 that provides international arbitration services

Structural relationship with the government:	None. The Hong Kong government provides premises for the ICC in Hong Kong.
Organisation structure	In Hong Kong ICC is established as a company limited by guarantee
List of arbitrators:	ICC does not have an official panel of arbitrators
Characteristics (I.e., IP):	ICC HK handles a number of IP cases. It does not have a specialist IP list.
Website:	https://iccwbo.org/dispute-resolution-services/
Email:	ica8@iccwbo.org (HK case management team) icc@iccwbo.org (Headquarters)
Offices:	Hong Kong (ICC has a number of offices worldwide)
Hong Kong Office	Room 102, 1/F., West Wing, Justice Place, 11 Ice House Street, Central, Hong Kong Tel.: (852) 3954-9504 Fax: (852) 2523-1619

e. Cases or judgements in Hong Kong related to ADR

102. There are no specific Hong Kong court judgements in relation to intellectual property ADR. However two principles from Hong Kong court cases are worth noting.

103. First, the Hong Kong courts are very pro-arbitration and will be very slow to interfere with decisions made by an arbitrator anywhere in the world. (*Shandong Hongri Acron Chemical Joint Stock Co Ltd v PetroChina International (HK) Corp Ltd*, CACV No. 31/2011, 25 July 2011 at §13)

104. Second, in construing the scope of an arbitration clause, the Court starts from the presumption of a "one-stop method of adjudication", covering all disputes between the parties to a given contract, will apply in almost every case. The

rationale for adopting this approach was explained by Lord Hoffmann in *Fiona Trust v Privalov* [2008] 1 Lloyd's Rep 254, at §13:

> "In my opinion the construction of an arbitration clause should start from the assumption that the parties, as rational businessmen, are likely to have intended any dispute arising out of the relationship into which they have entered or purported to enter to be decided by the same tribunal. The clause should be construed in accordance with this presumption unless the language makes it clear that certain questions were intended to be excluded from the arbitrator's jurisdiction. As Longmore LJ remarked, at para 17: 'if any businessman did want to exclude disputes about the validity of a contract, it would be comparatively easy to say so.'"

105. ***Practical point to note****: The Hong Kong courts (and, therefore, Hong Kong arbitral tribunals) give very broad interpretations to arbitration clauses. This can mean that issues beyond the immediate contract (such as stand-alone infringement claims) can be dealt with by an arbitral tribunal.*

Section 2: IP Mediation

Introduction

106. Many of the advantages of Hong Kong as a place to arbitrate apply equally to mediation. However, as discussed below, mediation is a consensual form of dispute resolution and it is therefore very flexible in its procedures.

a. Definition and legal theory

107. Mediation is a confidential, non-binding form of dispute resolution that parties can seek to use either before or after a dispute has arisen. It is important to emphasise that the mediator in a mediation cannot impose a result on the parties but only assist them to reach a negotiated solution. One type of mediation, discussed in more detail below, is adjudicative mediation where the mediator can express his or her views on a case. However, even for adjudicative mediation the

mediation can only express his or her views and not impose any decision on the parties.

108. Mediation can be a very useful tool for resolving commercial disputes, including IP disputes. Often parties in a negotiation have difficulties in finding a way to resolve their disputes for a variety of reasons. These include: not being willing to be seen to be the make the first move in negotiations; not having analysed the strengths and weaknesses of their and their opponent's case; and, not considering the case in a wider commercial context.

109. A well trained mediator can assist parties to overcome these obstacles to settlement and facilitate open discussion between the parties. The role of a mediator is to facilitate negotiation of a settlement, not to make a decision as to which party should win or lose (or even suggest that one party is right and the other is wrong.)

110. Subject to certain exceptions (discussed below) everything said and done in a mediation in Hong Kong is confidential and cannot be used by either party in any ongoing or subsequent arbitration or litigation.

111. Mediation does not always achieve a final resolution of the dispute. However it is often effective in bringing the parties closer to a settlement by helping them to understand the other parties commercial (and sometimes personal) drivers. Often mediations do not immediately succeed, however, the very fact the mediation has brought the parties together can facilitate the settlement of a dispute later by changing the perceptions of the parties as to the possibility of settlement.

112. In Hong Kong the process of mediation is governed by the provision of the Mediation Ordinance. Some of the key principles to be applied in mediation are:

(a) Anything said, done or document provided or information provided in a mediation may only be admissible in other proceedings with leave of the court (S.2 and S.9 of the Mediation Ordinance)

(b) Leave should only be sparingly granted "in the clearest type of cases so that the primary policy of upholding confidentiality will not be undermined." *Crane World Asia Pte Ltd v Hontrade Engineering Ltd* [2016] 3 HKLRD 641

(per Lam VP (as he then was) and Barma JA)

(c) For granting leave, the court must take into account:

(a) Whether consent was given by the parties and the mediator;

(i) Whether it is in the public interest or the interests of the administration of justice for the mediation communication to be disclosed or admitted in evidence; and

(ii) Any other circumstances or matters that the court or tribunal considers relevant

(d) Leave should be sought before any mediation communication is put in any evidence.

Facilitative vs Adjudicative mediation

113. There are two principal types of mediation:

(a) Facilitative mediation

(b) Adjudicative mediation

114. Facilitative mediation is the most common form of mediation. The mediator's role is to "facilitate" the discussion between the parties, and unless expressly asked, not to give any views on the merits.

115. In adjudicative mediation, the mediator can give his or her views, however, these views will be non-binding and should only be done as part of the process of assisting the parties to reach a settlement. In IP cases, adjudicative mediation can be useful where the parties have widely different views as to the validity or infringement of an IP right. A mediator with substantial experience in the area expressing his or her views may assist in reaching a settlement.

Role of a Mediator

116. Unlike a judge or an arbitrator a mediator does not decide the case. Their role is

to guide the parties to possible settlement. This key ways in which a mediator does this are:

(a) holding pre-mediation meetings with the parties to understand their case and their goals. The mediator will also test the assumptions the parties hold and ask them to consider what they will gain or lose from other forms of dispute resolution;

(b) holding joint sessions with the parties (called a "caucus");

(c) holding separate sessions with each of the parties to discuss the case as they see it developing; and

(d) shuttling back and forward between the parties to discuss individually the process. Sometimes the parties will never even meet. This can be very effective, particularly where strong emotions are involved.

117. The mediator's task is to enable each party to understand fully the position of the other party. The mediation will seek to:

(a) to identify the main factors driving the dispute, namely the commercial imperatives;

(b) create an environment which moves parties seek to cooperate and look at commercial imperatives and not just be driven by litigation.

118. The mediator's goal is to seek to help the parties reach a settlement of their dispute that is quicker, less expensive and more appropriate than anything that might be available from a court or arbitral tribunal.

119. As part of agreeing to mediate, the parties will select their own mediator. This can be a lawyer or other specialist in the area. It is very important to select someone with the knowledge and experience to facilitate settlement of the parties' dispute. An experienced mediator can help parties to reach a solution that may not have seemed possible at the outset.

Who should attend mediation?

120. It is very important that senior representatives of each party involved in a dispute actively engage in the mediation. There should be someone in attendance with the power to reach a settlement and to make concessions. It is also equally important to have such a person there to be able to communicate to the other

side the issues of importance to that party.

Agreement to mediate

121. When agreeing to mediate, the parties should sign a mediation agreement that sets out the issue to be resolved and in particular the confidentiality regime to be applied. The agreement should also deal with the costs of the mediation and the mediator.

122. The Hong Kong Mediation Code attaches a sample mediation agreement. The code and sample agreement can be found at:

http://www.hkmaal.org.hk/en/HongKongMediationCode.php

Settlement Agreement

123. If the mediation results in a settlement, the parties will often sign a "Heads of Agreement" setting out the key settlement terms and providing that full settlement terms will be agreed. However, if at all possible, the parties should agree final terms of settlement at mediation. Subsequent negotiations can often break down over minor points and it is often better to have a binding agreement in place at the end of a mediation.

Advantages and disadvantages of Mediation in global IP disputes

124. The principal advantages of mediation are set out below.

125. Speed. A mediation can be conducted within weeks and if successful result in a commercial settlement agreeable to both parties.

126. Costs. If a quick settlement is reached, mediation can save very substantial costs.

127. Win-win solutions. A mediation can often help parties to find a win-win solution outside the scope of the actual dispute by directing the parties to focus on their commercial goals and not just legal goals.

128. Non-confrontational. As a less formal and non-confrontational form of dispute resolution, mediation can also help to re-build relationships between former business partners (and can even help build relationships between a rights holder and alleged infringer.)

129. Resolution of global disputes in one format. Mediation can resolve any type of dispute covering as many countries as the parties agree. The parties are entirely free to add or remove disputes they wish to resolve or can also agree to put issues on hold. Because a judge or arbitrator is not being asked to decide a specific issue the parties can tailor a solution (with the assistance of a mediator) to suit their commercial purposes.

Disadvantages

130. The principal disadvantages of mediation are set out below.

131. Lack of engagement. If one party does not properly engage in mediation it can mean the time spent is wasted. To be successful, mediation requires both parties to have senior management with decision making power engaged. In some cases, the operational management of a company will have difficulty getting senior management to engage making it hard for them to make concessions or approach mediation with appropriate flexibility.

132. "Check the box" mediation. Similar to the above, some parties can enter mediation, only to say they have tried to mediate without any real intention of settling. Effectively, they are only "checking a box" on a checklist required for moving forward with their claim or defence. A "check the box" attitude is a more common problem in mediations seeking to resolve court litigation. The courts often require attempts at mediation so the parties will formally go through the process.

133. Over-formalistic. Parties, particularly when represented by lawyers, can approach mediation in an over-formalistic way and seek to treat the mediation like litigation or arbitration. Mediation should be approached with an open mind and the parties should be looking for ways to resolve the dispute. This can

increase costs and make settlement harder.

134. Delay. The conduct of mediation can delay proceeding with other forms of dispute resolution and some parties engage for this reason. Appropriate timelines should be agreed for any mediation.

b. Types of cases for Mediation

135. Any type of intellectual property case that can subject to mediation proceedings in Hong Kong. For litigation cases, the Hong Kong courts strongly encourage, but do not require, mediation. This means that almost all cases that go to trial will have been through and unsuccessful mediation. These include patent, trademark, copyright and other intellectual property disputes.

136. Some examples, obtained from professional biographies of lawyers include:

(a) Mediation in relation to patent infringement proceedings in the High Court of Hong Kong.
(b) Mediation of alleged breach of franchise agreement.
(c) Mediation for copyright infringement claims in High Court proceedings.

c. Procedures for conducting mediation in Hong Kong

137. The procedures for conducting a mediation are entirely flexible. The following sets out a brief outline of the procedures that are commonly adopted for conducting mediation. Depending on the parties and mediator this may vary. A rough timeline is provided. The time taken can vary substantially. The parties are, effectively, in charge of mediation and can agree to move quickly or slowly.

	Action	**Rough Timeline**
1.	Parties agree to mediate either to settle a dispute before it has arisen or in the course of arbitration of litigation	1 to 2 weeks
2.	Parties agree on mediator	As part of 2

3.	Parties agree on institution to assist with mediation (Institution may then appoint the mediator)	As part of 2
4.	Mediator appointed	1 week
5.	Mediation agreement signed between parties and mediator	2 days to 1 week
6.	Mediator will discuss with parties process of mediation.	1 week
7.	Parties may agree to exchange "mediation statements"; that is statements that set out their position for the mediation. (The parties may prefer not to put anything in writing and make oral statements during the mediation)	Part of 6
8.	Parties may also prepare a confidential document for mediator setting out settlement terms that they will accept. The mediator will not show this to other side but helps the mediator understand the party's position.	Part of 6
9.	Mediator will have separate pre-mediation meetings with parties to discuss case and help party to assess strength and weaknesses of case.	1 day to 1 week
10.	Mediation will be conducted. This can be in person or online. But, at least for initial stages, in person is recommended.	½ day to 4 days
11.	During mediation, there may be group sessions or private sessions for the parties to discuss directly or with the mediator.	Part of 10
12.	Mediator will try to guide the parties to a settlement.	Part of 10
13.	If settlement reached, agreement signed, of if no binding agreement can be reached heads of agreement signed. At the least a	Part of 10

	memorandum should be prepared of where a consensus will be reached.	

d. Mediation institutions in Hong Kong

138. Each of the arbitration institutions set out above, HKIAC, CIETAC HK, ICC HK and eBRAM provide mediation services. In addition to these bodies, the following institutions provide mediation services.

Hong Kong Mediation Centre

Year of establishment:	1999
History:	Established in 1999, Hong Kong Mediation Centre (HKMC) is the first professional mediation organisation recognised as a charitable institution in Hong Kong. It has more than 1,000 members from various professional sectors and plays a leading role in the mediation industry.
Structural relationship with the government:	None.
Organisation structure	Company limited by guarantee – not for profit.
List of mediators:	https://www.mediationcentre.org.hk/en/mediators/Panel.php
Characteristics (I.e., IP):	N/A
Website:	https://www.mediationcentre.org.hk
Email:	admin@mediationcentre.org.hk
Hong Kong Office	Room 504, 5/F, West Wing, Justice Place, 11 Ice House Street,

	Central, Hong Kong Tel: (852) 2866-1800 Fax: (852) 2866-1299

Law Society of Hong Kong

Year of establishment:	1907
History:	The Law Society of Hong Kong is the professional regulatory body for solicitors in Hong Kong.
Structural relationship with the government:	None.
Organisation structure	Company limited by guarantee – not for profit.
List of mediators	https://www.hklawsoc.org.hk/en/Serve-the-Public/List-of-Legal-Service-Providers/Panels-of-Mediators
Characteristics (I.e., IP):	A number of members of the panel of mediators are IP specialists.
Website:	https://www.hklawsoc.org.hk https://www.hklawsoc.org.hk/-/media/HKLS/pub_e/resource/leaflets/Mediation_En.pdf
Email:	mediation@hklawsoc.org.hk
Office	3/F, Wing On House, 71 Des Voeux Road Central, Hong Kong Tel: (852) 2846-0500 Fax: (852) 2845-0387 Fax: +852 2866 1299

HKEMC Mediation

Year of establishment:	2009

History:	HKEMC Mediation provide a neutral venue for mediations in Hong Kong.
Structural relationship with the government:	None.
Organisation structure	Limited company
List of mediators:	N/A
Characteristics (I.e., IP):	N/A
Website:	www.hkemc.com.hk
Email:	Emailinfo@hkemc.com.hk
Hong Kong Office	Rooms 2205-2206, 22/F, Alliance Building, 133 Connaught Road Central, Hong Kong Tel: (852) 2877-5888 Fax: (852) 28775808

e. Cases or judgements in Hong Kong related to Mediation

139. The Hong Kong courts have made decisions that show the fundamental importance of confidentiality in relation to mediation and that the confidentiality extends to the process as well as the substance of the mediation.

140. Vice President Rogers of the Hong Kong Court of Appeal in *S v T* CACV 209/2009, 29 April 2010 (prior to the enactment of the Mediation Ordinance) said:

> "*Fundamental to mediation is confidentiality. Every mediation starts with an agreement between the parties and the mediator that what is said in mediation must be kept confidential and even the process of mediation and the fact that it is embarked upon should be kept, in my view, confidential. It is wholly wrong for any party, of their own motion, to refer to what was said or not said or arose out of mediation, unless and until, a concluded agreement has been reached in the mediation which encompasses what may be disclosed and not disclosed*."

141. Linda Chan J in Leong *Chi Kai v Chan Wing Sun* [2021] HKCFI 1431 20 May 2021 (at paras. 55 and 56) said in relation to a case where a party had used information disclosed in mediation:

> *"55. P has never sought the consent of D or the Mediator to disclose anything said or done during the 2 mediations. Nor has P made any application under s 10 of the MO for leave to disclose or admit in evidence any such mediation communications. Instead, P (and his legal advisers) completely ignored the confidential nature of the mediation communications and saw fit to allege, in the SOC and P's witness statement, that the parties had during the 2 mediations agreed on the Alleged Oral Terms. In so doing, P (and his legal advisers) unilaterally and wrongfully undermined, if not destroyed, the confidentiality of the 2 mediations.*
>
> *56. For the above reasons, I consider that P's conduct in raising and pursuing the Alleged Oral Terms constitute an abuse of process.*"

Section 3: Domain name dispute resolution

Introduction

142. Hong Kong has a number of domain name dispute resolution bodies for resolving both international and domestic domain name disputes. The Asian Domain Name Dispute Resolution Centre (ADNDRC) handles numerous top level domain name disputes. The HKIAC is authorized to handle .cn domain name disputes and can be a good choice of provider for these disputes.

143. As with arbitration there is a large pool of practitioners in Hong Kong who can assist with handling domain name disputes.

a. Definition and legal theory

144. A domain name, the name by which internet users access a webpage, can be very valuable commodity. Domain names are very easily registered on-line by simply paying a small fee of (typically) less than US$10 to a domain name registrar to register any domain name of choice. There is no examination of domain name applications and as soon as a domain name is registered a registrant can start using the domain name immediately.

145. The potential value of domain names against the very low cost of registration

attracts a number of businesses that seek to profit from registering other companies names or trademarks with the intent of either selling them to the company or using the domain name to attract traffic to their website. This is often referred to as 'cybersquatting'.

146. There is also a business in registering domain names that are very similar to other companies' names of trademarks but with typographical errors or the addition of a number of letters. This so often referred to as 'typosquatting'. These domain names can also be used in scams as email addresses to fool targets to believe they are dealing with the genuine company. More simply, similar domain names can be used to generate revenue for a domain name holder by what is referred to as 'click through revenue'. The webpage under a domain name will feature advertisements for products that the consumer may be looking for. For example, for a domain name that is similar to the name of a hotel chain, there may be advertisements for hotels or other tourism services. If a consumer clicks on the link the owner of the page will be paid a referral fee for having directed the consumer to the page. As long as the income from click through revenue is larger than the costs of the holding the page, the registrant will make a profit. The costs of holding a domain name can be as low as US$10 per year, so very little revenue is needed to make this a profitable business provided enough domain names are registered.

Domain name dispute resolution through court

147. Initially, there was no international domain name dispute resolution procedure. People and companies aggrieved by the registration of a domain name had to take action in court to recover domain names. Where the registrant was located in the same country, this was relatively simple. Action could be brought in court and in most cases the domain name would be ordered to be transferred.

148. In Britain and Hong Kong, the courts were able to rely on cases going back many years dealing with the registration of company names to either block competitors entering a market or to trade off their goodwill. Courts had found the registration of such names to be the creation of an instrument of deception or a conspiracy to injure. The same causes of action were found to be applicable to domain names. The leading case in Britain (and the British common law world) is *British*

Telecommunications PLC v One In A Million Ltd & Ors [1999] FSR 1. In that case, the defendants has registered a large number of domain names made up of the names or trademarks of well-known companies including 'ladbrokes.com', 'sainsburys.com', 'marks and domain names. The Court of Appeal found this to be passing off.

Internet Corporation for Assigned Names and Numbers (ICANN) Dispute Resolution Policy

149. In 1999, the Internet Corporation for Assigned Names and Numbers ("ICANN") issued a Dispute Resolution Policy ("UDRP") which all registrars of domain names must comply with. When registering a domain name, registrants are required to contractually agreed to domain name dispute resolution procedures under the UDRP.[20]

150. In November 1999, the World Intellectual Property Organisation ("WIPO"), based in Geneva, was approved as the first domain name dispute resolution provider. In December 1999, the National Arbitration Forum (now the Forum) was approved as the second dispute resolution provider. In 2002, the Asian Domain Name Dispute Resolution Centre ("ADNDRC") which has an office in Hong Kong was established and started accepting cases.

151. In addition to gTLDs there are country level TLDs such as .cn for China, .hk for Hong Kong and .au for Australia. Each country has systems in place for domain name dispute resolution, for the most part based on the UDRP. The various domain name dispute resolution providers also handle cases in relation to such country level domain names. Which country level domain names each provider handles is available on their websites.

152. In 2013, ICAAN introduced a Uniform Rapid Suspension (URS) for new gTLDs. It does not apply to the traditional gTLDs such as .com, .net and org. The URS is designed for the clearest cases of trade mark abuse with a higher burden of proof on the complainant. If the complaint is successful the domain name will be

[20] The UDRP and related policies may be found at https://www.icann.org/resources/pages/help/dndr/udrp-en

suspended.

153. For the most part, domain name disputes are resolved under the UDRP or similar policies. The main reasons for this are speed, convenience, cost and the systems in place for avoiding cyberflight. Most proceedings are handled on-line and are resolved within two to three months. The filing fees are between US$500 and US$1,500 and registrars are required to lock a domain name as soon as a dispute is filed.

Relationship between domain name disputes and court proceedings

154. The UDRP does not exclude a party bringing an action in court. An aggrieved party may still bring proceedings in court without recourse to the UDRP or bring a case to court if they are unhappy with the result of a UDRP case. If an aggrieved party wishes to claim damages or seek an injunction against future cybersquatting, it is necessary to bring court proceedings as these remedies are not available under the UDRP.

155. The dispute resolution policy for .hk cases, decisions provide that the arbitration is to be final and binding, meaning that a complainant who wishes to take matter to court should do so without filing a domain name dispute case first. Otherwise, they will have waived their right to resolve the matter through the courts and will only be able to set aside a decision on the narrow grounds set out in S.81 of the Arbitration Ordinance (Cap 609). Under Rule 3(b)(xii) of the Domain Name Dispute Resolution Policy for .hk and .香港 domain names Rules of Procedure, a complainant is required to make the following declaration: 'The Complainant, by submitting the Complaint agrees to the settlement of the dispute, regarding the Domain Name which is the object of the Complaint by final and binding arbitration in Hong Kong in accordance with the Domain Name Dispute Resolution Policy for .hk and .香港 domain names, and Domain Name Dispute Resolution Policy for .hk and .香港 domain names Rules of Procedure and the Supplemental Rules of the Provider.'

156. The Hong Kong High Court has in one case also granted an application to stay pending .hk domain name proceedings. In *Juicy Couture Inc v Bella International T/A Juicy Girl & Ors* [2009] HKCU 1977 the plaintiff had already brought

proceedings for trade mark infringement and passing off. The relief sought included the transfer of the domain name juicygirl.com.hk. One year after bringing the proceedings, the plaintiff brought domain name resolution proceedings against the defendant at the Hong Kong International Arbitration Centre ('HKIAC'). Yam J granted an order to stay the HKIAC proceedings pending resolution of the court action on the grounds that it was highly undesirable there be parallel proceedings.

No appeals under UDRP

157. The UDRP was drafted in 1999 when there was an urgent need for a domain name dispute resolution policy. The UDRP also does not create an appellate tribunal to which decisions of panels can be appealed. Decisions of previous panels are not binding on later panels and the views of panelists on issues can often differ sharply on certain points. As a consensus of views develops on points, panelists are encouraged to follow the general consensus. Certain decisions have become accepted as established jurisprudence and are almost universally followed by panelists.

Key provisions of the UDRP

158. The key provisions of the UDRP are found in para 4(a), (b) and (c). Para 4(a) provides that mandatory administrative proceedings may be commenced where a Complainant asserts that:

1. your domain name is identical or confusingly similar to a trademark or service mark in which the complainant has rights; and
2. you have no rights or legitimate interests in respect of the domain name; and
3. your domain name has been registered and is being used in bad faith.

159. This is the 'trinity' of points that a Complainant must prove to prevail in a domain name dispute.

160. Paragraph 4(b) then sets out factors that may be used as evidence of registration and use in bad faith. Paragraph 4(c) sets out how a respondent may prove that it has rights and legitimate interests in the domain name. Other important provisions are: para 4(f) that deals with consolidation of cases; para 4(i) that sets

out remedies; and, para 4(k) that deals with the availability of court proceedings. Paragraph 2 which sets out representations by the domain name registrant has been held to be important in a number of cases that consider the meaning of registration in bad faith because it contains a number of representations as to the legitimacy of the registration and use of the domain name being registered. These are all dealt with below.

161. ICAAN has also issued Rules for Uniform Domain Name Dispute Resolution Policy (the 'UDRP Rules'). The most recent version was issued in 2013 and came into effect on 31 July 2015. Most of the rules are procedural and are discussed as appropriate below. However, Rule 15(a) sets out the legal principles to be applied by panels:

> "A Panel shall decide a complaint on the basis of the statements and documents submitted and in accordance with the Policy, these Rules and any rules and principles of law that it deems applicable."

162. This gives a very broad discretion to panelists to consider any principles of law they consider applicable. This may vary depending on the nature of the dispute. Where a dispute is between two parties located in the same country the relevant domestic law is sometimes considered. Panels will sometimes also make reference to international intellectual property treaties as far as they consider them relevant.

Remedies

163. Paragraph 4(i) of the UDRP provides for two remedies; namely, cancellation of the disputed domain name or transfer of the disputed domain name to the complainant. The panel may, of course, also deny the complaint. The most commonly requested remedy is for transfer of the domain name. Approximately 85% of WIPO disputes result in a transfer and only 2% in cancellation of the domain name. The remainder are either denials or, rarely, the withdrawal of the complaint. The reason for requesting a transfer is simple. If the domain name is cancelled, it will very likely be registered by someone else. However, where budgets are tight, some rights holders are willing to request a cancellation.

164. A panel may also make a finding that the complainant filed the complaint in bad faith or was engaged in reverse domain name hijacking. This is discussed further below.

165. A registrar is required to implement a panel decision within 10 days of receipt of a decision unless a court action has been brought in relation to the domain name. (UDRP para 4(k)).

b. Procedures for domain name dispute resolution

166. The procedures for bringing a domain name a complaint are as follows:

	Action	**Timeline**
1	Complaint filed by complainant to its chosen institution.	
2	Institution reviews complaint and, if it complies with formalities, accepts case.	3 to 7 days
3	Institution sends complaint to registrar to confirm details in complaint	As part of 2.
4	If details are not correct, institution requests complainant to amend complaint.	7 days
5	Amended complaint (if any) filed	
6	Complaint sent to Respondent.	14 days to respond
7	If Response filed, institution sends to Complainant	
8	If no Response filed, Respondent's default notified.	
9	Panel appointed by institution. This includes conflict checks.	2 to 3 days
10	Case file sent to panel	Part of 9
11	Panel issues decision within 14 days of appointment (may be extended)	14 days (or any extension)
12	Institution reviews decision	1 to 7 days
13	Decision sent to parties and Registrar	Part of 13
14	Registrar implements transfer or cancellation	14 days after

		decision received.

167. The ADNDRC provides the following simplified timeline on its website based on normal procedures:

Day 0 Upon discovery of a domain name infringement, the Complainant files a complaint with the Provider. The Provider request the Registrar of the domain name to lock the domain name.

⇓

Day 3 The Provider sends the complaint to the Respondent and Registrar

⇓

Day 23 The Respondent submits a standardized Response Form to the Provider.

⇓

Day 28 The Provider appoints a Panelist from its list of panelists to hear the dispute

⇓

Day 41 The Panelist renders a decision as whether the domain should be transferred or cancelled.

⇓

Day 45 The Provider communicates the decision to the concerned Registrar who informs both parties the date for the implementation of the decision.

c. Domain dispute service providers in Hong Kong

.hk domain name dispute service provider

168. HKIAC is the sole provider for .hk domain name disputes. In the 2010s there were, on average, between 10 to 15 .hk cases handled by the HKIAC each year. The fees for a single member panel are HK$10,000 and HK$20,000 for a three member panel.

169. Details of the HKIAC have been provided above.

170. The HKIAC has published a Guide to HKIAC Domain Name Dispute Resolution.

The Second edition can be found at the following link:

https://www.hkiac.org/ip-and-domain-name/guide-hkiac-domain-name-dispute-resolution-TOC

gTLD domain name dispute service providers

171. There is one gTLD domain name dispute resolution provider with an office in Hong Kong . This is the Asian Domain Name Dispute Resolution Centre ("ADNDRC"). Its details are as follows:

Year of establishment:	2002
History:	ADNDRC was jointly established by CIETAC and the HKIAC in 2002. Since then, CIETAC and HKIAC have been operating respectively as the Beijing Office and Hong Kong Office of the ADNDRC. In 2006, the Korean Internet Address Dispute Resolution Committee (KIDRC) joined the ADNDRC and started to operate as the Seoul Office. In 2009, the ADNDRC announced the opening of its Kuala Lumpur Office operated by the Asian International Arbitration centre (AIAC). As of March 2021, the Hong Kong office (HKIAC) operates the Secretariat of the ADNDRC. The Kuala Lumpur Office (AIAC) was the Secretariat of the ADNDRC from 2018 – February 2021.
Structural relationship with the government:	No structural relationship with the government. The Hong Kong

	government does, however, provide some funding to the HKIAC which is a member of the ADNDRC
Organisation structure:	Company Limited by Guarantee. Non Profit.
List of panelists:	https://www.adndrc.org/panellists
Characteristics (I.e., IP):	ADNDRC handles only domain name disputes. It has a list of panelists who are required to re-qualify on a regular basis.
Website:	https://www.adndrc.org
Email:	hkiac@adndrc.org
Offices:	Hong Kong, Beijing, Seoul, Kuala Lumpur
Hong Kong Office:	38th Floor Two Exchange Square 8 Connaught Place Central, Hong Kong Telephone: (852) 2525-2381 Fax: (852) 2524-2171
Beijing Office	6/F,CCOIC Building, 2 Huapichang Hutong, Xicheng District, Beijing Tel：010-82217788, 64646688 Fax：010-82217766, 64643500 Email: info@cietac.org or cietac@adndrc.org
Seoul Office	9, Jinheung-gil, Naju-si, Jeollanam-do, Republic of Korea CONTACT Tel: (82) 61-820-2765 Fax: (82) 61-820-2413 Email: idrc@idrc.or.kr
Kuala Lumpur Office	AIAC, Bangunan Sulaiman,

	Jalan Sultan Hishamuddin, 50000 Kuala Lumpur, Malaysia Tel: (603) 2271 1000 Fax: (603) 2271 1010 Email: aiac@adndrc.org

172. The ADNDRC Hong Kong office handled 172 UDRP cases in 2021 and the HKIAC (including the ADNDRC Hong Kong office) handled a total of 49 cases including .cn and .hk cases.

173. The fees for filing a dispute with ADNDRC US$1,300. The ADNDRC fee of US$1,300 is for one to two domain names and increases to US$1,600 for three to five domain names. For a three member panel, basic filing fees are US$2,800 for ADNDRC. The fee schedules for each organisation should be checked for all disputes to ascertain which will be most cost efficient.

174. The ADNDRC has strong capabilities for handling Chinese language disputes. It has case managers who are bilingual in English and Chinese and numerous bilingual panelists. ADNDRC case managers provide a high level review of decisions.

175. In addition, the following providers can also handle gTLD cases.

Provider	**Website**
Arab Center for Domain Name Dispute Resolution	www.acdr.aipmas.org
Canadian International Internet Dispute Resolution Centre	www.ciidrc.org
The Czech Arbitration Court Arbitration Center for Internet Disputes ('CACACID')	www.hudrp.adr.eu
The Forum (formerly the National Arbitration Forum)	www.adrforum.com/Domains
World Intellectual Property Organisation ('WIPO')	www.wipo.int/amc/en/domains/

176. ANDRC and the Forum are also URS service providers. A third URS service provider is MFSD Srl (www.mfsd.it) based in Italy.

.cn domain name dispute providers

177. The HKIAC is also a provider for .cn domain name disputes. The other two providers are:

Provider	Website
China International Economic and Trade Arbitration Commission (CIETAC)	http://dndrc.cietac.org/
WIPO	www.wipo.int/amc/en/domains/cctld/cn/index.html

178. All three organisations each handle under 100 .cn domain name disputes a year. The filing fees for a single panel for 1 domain name are RMB8,000; for two to five domain names RMB12,000 and for six to 10 domains names RMB16,000.

179. The CIETAC panel is almost completely made up of Chinese nationals. The HKIAC and WIPO panels include Chinese and foreign panelists. In some HKIAC and WIPO .cn cases the panels have on the request of one of the parties agreed to conduct the proceedings in English.

d. Cases or judgements in Hong Kong related to Domain Names

180. There are no particular cases of relevance relating to domain names in Hong Kong. The courts have in a number of cases ordered transfer of domain names based on passing off. There have been no decision relating to ADR.

Section 4: Comparison table of different ADR vs litigation

181. The following table sets out a high level comparison of the cost, time taken, binding effect, prosecution effect and finality of arbitration, mediation and litigation.

	Arbitration	**Mediation**	**Litigation**
Cost	High	Low	High
Time	18 months	2 weeks to 2 months	2 to 3 years
Binding effect	Binding	Non-binding unless agreement reached	Binding (but may not be enforceable in other countries)
Prosecution effect	High	Low (but can maintain good commercial relations)	High
Finality	Final	Final only if agreement signed	Final but with appeals

Section 5: Online dispute resolution

a. Definition and legal theory

182. The use of technology in business transactions has grown exponentially over the years. In particular, the expansion of e-commerce with parties in different locations, speaking different languages, and not able to meet face-to-face has fuelled a demand for simplified dispute resolution procedures, particularly for smaller claims. A view has formed that disputes arising from online activities can be better resolved online. Suing in a local court can be expensive if suing outside one's home country and can be ineffective if suing in your own country as it may not be possible to enforce a judgment. The legal costs also pose difficulties bringing action in local courts.

183. In-person arbitration offers an alternative, but is considered costly and slow. A survey by Queen Mary University showed that 90% of the respondents reported that, among cases in which disputes are taken to formal dispute resolution mechanisms, in-person arbitration was the preferred method in cross-border trade. However, nearly three-fourths of respondents to the survey favoured simplified procedures for claims under the value of US$500,000. Respondents cited cost and lack of speed as the biggest drawback to international in-person arbitration.

184. For this reason in a number of countries are developing institutions and systems for online dispute resolution, focused in particular on smaller value claims.

185. It should be noted, however, that since the Covid-19 pandemic more and more international arbitrations have moved online, reducing costs. Arbitration institutions are also looking at way to streamline costs. This column deals, however, with ODR aimed at resolving smaller disputes.

b. Pros/Cons of each ODR in global IP disputes

186. ODR is not particularly suited to solving complex IP disputes, where in-person hearings are still often preferred.

187. For small scale IP disputes, such as with online platforms in relation to sales by third parties, ODR offers and opportunity for low cost efficient IP dispute resolution.

c. Types of IPR cases for each ODR

188. At present there do not appear to have been any ODR cases involving IPR in Hong Kong.

d. ODR institutions in Hong Kong

189. As noted above all arbitration institutions have and are continuing to develop ODR capabilities. In Hong Kong, one institution has been established specifically to handing online disputes. Its details are set out below.

eBRAM International Online Dispute Resolution Centre Limited

Year of establishment:	2018
History:	eBRAM is a not-for-profit company limited by guarantee established in 2018, with the support of Asian Academy of International Law Ltd, Hong Kong Bar Association, and The Law Society of Hong Kong.
Structural relationship with the government:	None.
Organisation structure	Company limited by guarantee – not for profit.
Panels:	https://www.ebram.org/overview.html (Click on link for "Panels")
Characteristics (I.e., IP):	N/A
Website:	https://www.ebram.org
Email:	info@eBRAM.org

Hong Kong Office	Room 403, 4/F, West Wing, Justice Place, 11 Ice House Street, Central, Hong Kong Tel: +852 3792 0707

e. ***<u>Cases or judgements in Hong Kong related to ODR</u>***

190. At present there have been on court cases or judgments relating to ODR in Hong Kong.

Appendix A:
Sample Tribunal Directions for Pleading in Patent Cases

1. A copy of each document referred to in the Pleadings, and where necessary, a translation of the document in English, must be served with each pleading.

2. The Statement of Claim must:
   (i) state which of the claims in the specification of each patent in issue are alleged to be infringed;
   (ii) give at least one example of each type of infringement alleged; and
   (iii) for each patent in issue, append a claim chart broken down by integer for each claim alleged to be infringed summarising the reasons why the Claimant alleges the integer is present in the Respondent's product ("Claimant's Infringement Claim Chart").

3. The Statement of Defence must, in relation to the allegations of infringement:
   (i) plead specifically to each allegation of infringement and, where an allegation is denied, the Respondent(s) shall state reasons for such denial; and
   (ii) for each patent in issue append a claim chart summarising the Respondent's response to the allegations in the Claimant's Infringement Claim Chart.

4. The Statement of Defence must, in relation to the validity of each patent in issue:
   (i) specify the grounds on which validity of each patent is challenged;
   (ii) include particulars that will clearly define every issue (including any challenge to any claimed priority date) which it is intended to raise; and
   (iii) for each patent in issue, append a claim chart stating which claim is alleged to be invalid and the reasons why ("the Respondent's Invalidity Claim Chart").

5. If the grounds of invalidity include an allegation that the invention is not a patentable invention because it is not new or is obvious, the particulars must specify details of the matter in the state of the art relied on, as set out below:
   (i) in the case of matters made available to the public by written description, the date on which and the means by which it was so made available, unless this is clear from the fact of the matter; and
   (ii) in the case of matter made available to the public by use —
      (1) the date or dates of such use;

(2) the name of all persons making such use;
(3) the place of such use;
(4) any written material which identifies such use;
(5) the existence and location of any apparatus employed in such use; and
(6) all facts and matters relied on to establish that such matter was made available to the public.

6. If the grounds of invalidity include an allegation that the specification of the patent does not disclose the invention clearly enough and completely enough for it to be performed by a person skilled in the art, the particulars must state, if appropriate, which examples of the invention cannot be made to work and in which respects they do not work or do not work as described in the specification.

7. The Reply and Defence to Counterclaim (if any) must:

(i) plead specifically to each allegation of invalidity and, where an allegation is denied, the Respondent(s) shall state reasons for such denial.
(ii) for each patent in issue, append a claim chart summarising the Claimant's response to each allegation of invalidity in the Respondent's Invalidity Claim Chart.

Chapter 3:

Dispute Resolution Clauses and ADR

Section 1: ADR dispute resolution clause and its negotiation

1. This section considers the points to note when choosing ADR and negotiating a dispute resolution clause in IP related contractual negotiations.

Arbitration

2. The key issues that will need to be negotiated in relation to an arbitration are:

- Arbitration seat
- Ad hoc arbitration or institutional arbitration
- Choice of Arbitration institution
- Arbitration rules
- Governing law
- Numbers of Arbitrators
- Language of Arbitration
- Requirements regarding arbitrator/mediator (e.g., nationality)
- Document production
- Interim Relief
- Emergency Arbitration
- Negotiation deadline

Arbitration seat

3. The seat of arbitration simply means the place where the arbitration is deemed to be located and the courts located in that seat are the courts that will supervise the arbitration. So, if the seat of arbitration is Hong Kong then the courts of Hong Kong will be the courts where applications relating to arbitration can be made, such as an application to set aside the award. By choosing the seat of arbitration, the parties are simply choosing which court will supervise the arbitration and the *lex loci arbitri* of the proceedings. If Hong Kong is chosen as

the place of arbitration, then the Hong Kong courts will supervise the arbitration and the Arbitration Ordinance (Cap 609) will govern the arbitral procedure, to the extent its non-mandatory provisions are not displaced by institutional rules or other agreement between the parties.

4. In international arbitration, parties are generally free to choose any place as the seat of the arbitration. As this report is considering alternative dispute resolution in Hong Kong, the rest of the report will only consider Hong Kong as the seat of arbitration.

The seat of arbitration when considering arbitration between entities incorporated in Mainland China

5. The only caution that needs to be added regarding the seat is that if the parties to the arbitration agreement are all entities incorporated in the Mainland and the PRC, including foreign invested entities, such as Wholly Owned Foreign Enterprises, then an award made outside the Mainland of China may not be enforceable in China. In order to arbitrate a dispute between domestic Chinese entities that will be enforceable in the Mainland of China, the arbitration must be conducted in an arbitration administered by a domestic PRC arbitration institution. Only 'foreign-related' matters may be administered by foreign arbitration institutions. This can be a major issue in China because many foreign companies in China have established Wholly Foreign-Owned Enterprises ('WFOEs') (generally pronounced 'woofies') or joint ventures to conduct business there. A WFOE is an entity established in China which is 100% owned by foreign parties. It has not Chinese shareholders. Joint ventures will have Chinese and foreign shareholders. WFOEs and joint ventures are considered to be domestic Chinese entities and an agreement between two WFOEs and/or joint ventures may not be considered to be 'foreign-related'.

6. Article 271 of the Civil Procedure Law of the People's Republic of China provides:

> *Where disputes arising from economic, trade, transport or maritime activities involve foreign parties, if the parties have included an arbitration clause in their contract or subsequently reach a written arbitration agreement that provides that such disputes shall be submitted for*

arbitration to an arbitration institution of the People's Republic of China for foreign-related disputes or to another arbitration institution, no party may institute an action in a people's court.

7. Article 1 of the Interpretation of the Supreme People's Court on Several Issues Concerning the Application of the 'Law of the People's Republic of China on the Law Applicable to Foreign-Related Civil Relationships' (the 'Judicial Interpretation on Choice of Law') provides as follows:

> Where a civil relationship falls under any of the following circumstances, the people's court may determine it as foreign-related civil relationship:
> (i) where either party or both parties are foreign citizens, foreign legal persons or other organizations or stateless persons;
> (ii) where the habitual residence of either party or both parties is located outside the territory of the People's Republic of China;
> (iii) where the subject matter is outside the territory of the People's Republic of China;
> (iv) where the legal fact that leads to establishment, change or termination of civil relationship happens outside the territory of the People's Republic of China; or
> (v) other circumstances under which the civil relationship may be determined as foreign-related civil relationship.

8. For IP related contracts, particularly involving licenses of IP rights there will generally be a foreign party to the contract. Most non-Chinese corporate groups (and some Chinese corporate groups) hold their IP in holding companies incorporated outside China. However, in order to take advantage of tax incentives, some WFOEs have also registered IP rights in China. Foreign corporate groups may also use WFOEs to enter into non-disclosure agreements and know-how licenses without joining a non-Chinese entity to the contract. In these cases, the contract may not be considered to be 'foreign-related' unless it falls within one of the provisions of the Judicial Interpretation on Choice of Law.

9. There have been some cases where Chinese courts have recognised foreign arbitral awards between WFOEs. For example, in 2015 in *Siemens International Trade Co Ltd v Shanghai Golden Landmark Co Ltd* (2013) Hu Yizhong Minren

(Waizhong) zi No 2, 27 November 2015 the Shanghai First Intermediate People's Court enforced an award between two WFOEs by identifying several foreign-related elements, including (a) that both WFOEs were established in Shanghai Free Trade Zone; and (b) that the pieces of equipment in question, as bonded goods, were first transported from overseas to the free trade zone for supervision. The SPC subsequently issued Supreme People's Court Opinion on the Provision of Judicial Safeguards for the Construction of Pilot Free Trade Zones, art 9(1) of which provides that an arbitration between two WFOEs in a free trade zone could be considered a foreign related arbitration.

10. In any event, the safest course if parties wish to choose international arbitration for a dispute related to IP in China is to ensure that at least one non-Chinese entity is named as a party.

Ad hoc arbitration or institutional arbitration

11. The parties are free to agree, in their arbitration agreement, the rules to be applied in any arbitration between them. They can, if they wish, agree to a full set of rules themselves as to how the arbitration is to proceed.

12. One major choice to be made is whether to have an arbitration administered by an institution or proceed by way of *ad hoc* arbitration (*ad hoc* is Latin for 'created or done for a particular purpose'). As will be explained, below, *ad hoc* arbitration is not suited for the resolution of intellectual property disputes.

13. *Ad hoc* arbitration is generally agreed to by parties in specialist areas where companies in the industry arbitrate regularly, such as construction, shipping and re-insurance.

14. The parties and the arbitrator are solely responsible for the conduct of the arbitration. In a dispute between sophisticated parties, having a specialist arbitrator can allow great flexibility and speed in the resolution of the dispute. The parties can design the appropriate dispute resolution procedure themselves to meet the needs of the specific dispute. This does, however, require the cooperation of the parties and, generally, that the parties are from the same legal tradition. International IP disputes are not generally known for a high level of

cooperation between the parties and, very often, the parties are from different legal traditions, making agreement on even simple points difficult.

15. Very often in *ad hoc* arbitrations, the parties will also agree to use rules drafted by the United Nations Commission on International Trade Law (UNCITRAL) which set out basic rules for the conduct of an arbitration.[21] The most recent version of the UNCITRAL rules were issued in 2010 and then amended in 2013 to add a new paragraph to incorporate UNCITRAL Rules on Transparency in Treaty-based Investor-State Arbitration. They are generally referred to as the 'UNCITRAL Arbitration Rules' (with new Art 1, para 4, as adopted in 2013). Parties can also agree to having an institution administer an arbitration under the UNCITRAL Arbitration Rules.

16. The UNCITRAL Arbitration Rules cannot be recommended for intellectual property disputes. Compared to the most up-to-date institutional rules, they have two main drawbacks. First, the UNCITRAL rules do not have provisions providing for emergency relief, which can be very important in IP disputes. Second, the process of appointment of an arbitrator can be drawn out when compared to institutional rules. If the parties cannot agree on an arbitrator, a request must be made to an appointing authority which can take time and be cumbersome.

***Ad hoc* agreements — the danger for enforcement in the Mainland of China**

17. There is a major issue with agreeing to *ad hoc* arbitration for any dispute involving a Mainland Chinese party where enforcement will be sought in the Mainland. Under Art 16 of the PRC Arbitration Law, an arbitration agreement is required to contain (a) the expression of application for arbitration, (b) the matters of the subject of arbitration and (c) a designated arbitration commission chosen. Article 18 of the PRC Arbitration Law then provides: 'If an arbitration agreement contains no or unclear provisions concerning the arbitration commission, the parties may reach a supplementary agreement. If no such supplementary agreement can be reached, the arbitration agreement shall be null and void'. Under Arts 16 and 18 of the PRC Arbitration Law, a 'designated arbitration commission' is a mandatory

[21] https://uncitral.un.org/en/texts/arbitration/contractualtexts/arbitration.

requirement for a valid arbitration agreement.

18. A number of PRC courts in the past have ruled that awards based on an arbitration clause that did not specify an arbitral institution could not be enforced in the Mainland of China. The impact of these decisions was reduced by the 2006 Interpretation by the Supreme People's Court ('SPC') on Several Issues Concerning the Application of the Arbitration Law of the People's Republic of China. Article 4 of the Interpretation provides.

> In case an arbitration agreement only stipulates the arbitration rules that applies to the dispute, it shall be ascertained that the arbitration institution is not agreed except that the interested parties reach a supplementary agreement or can conclude the arbitration institution in light of the arbitration rules stipulated between them

19. Therefore, where the arbitration clause provides for institutional rules, and these rules make it clear that that institution will administer the arbitration, this is sufficient.

20. Nevertheless, to avoid any issues with enforcement, it is best to specify the administering institution. Many model clauses did not specifically identify the administering institution. For example, the ICC model clause reads:

> 'All disputes arising out of or in connection with the present contract shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with the said Rules'.

21. In this case, ICC Rules are mentioned but not that the ICC will administer the arbitration. The WIPO model clause is also drafted in the same form. The HKIAC and SIAC now have model clauses that specify the HKIAC or SIAC will administer the arbitration to avoid this issue.

***Ad hoc* Hong Kong awards and the Hong Kong-Mainland of China arrangements**

22. This issue does not apply to *ad hoc* awards made in Hong Kong-seated

arbitrations. The arrangement between the Mainland of China and Hong Kong allows for the enforcement of *ad hoc* awards. Article 7 of the Arrangement lists out the reasons and situation which awards may not be enforced and it does not include that arbitration was an *ad hoc* arbitration. In 2009, the Supreme People's Court issued the 'Notice of Relevant Issues on the Enforcement of Hong Kong Arbitral Awards in the Mainland' in response to queries from lower courts, and specifically stated that *ad hoc* awards from Hong Kong are enforceable and the only exceptions to enforcement are those listed in Art 7 of the Arrangement.

23. It also clarified that awards made in arbitrations administered by other international bodies other than the HKIAC in Hong Kong, such as the ICC and CIETAC, were enforceable.

Choice of arbitration institution

24. On the basis that Hong Kong has been decided to be the seat of arbitration and it is desired to proceed with institutional arbitration, the next choice that needs to be made is the choice of arbitration institution.

25. The arbitration institution does not have to be located in the seat of the arbitration. For example, the International Chamber of Commerce (ICC) is often selected as an arbitration institution even though it is based in France. It does, however, have a Hong Kong office. Also for IP arbitrations, the World Intellectual Property Organisation based in Geneva administers arbitrations that can be seated anywhere.

26. For Hong Kong seated IP arbitrations the main choices of institutions are:

(a) Hong Kong International Arbitration Centre ("HKIAC") (www.hkiac.org)
(b) International Chamber of Commerce ("ICC")
(c) China International Economic and Trade Arbitration Commission ("CIETAC"), Hong Kong office
(d) World Intellectual Property Organisation ("WIPO")

27. Which institution to choose will often be a matter of negotiation between the parties. There are no major differences between how the institutions handle

cases.

HKIAC

28. The HKIAC was established in 1985 by local Hong Kong business people as a company limited by guarantee. It is a non-profit organization and operated independently of the Hong Kong government. According to the Queen Mary, University of London and White & Case's 2021 International Arbitration Survey, HKIAC is the third most preferred and used arbitral institution worldwide.

29. The HKIAC and its secretariat has office in Exchange Square in Hong Kong with a number of hearing rooms available for use by parties.

International Chamber of Commerce

30. The International Chamber of Commerce was established in 1919 by a number of business in Paris, France. The ICC Court of Arbitration was established in 1923. The Court is based in Paris and has offices all over the world. In Asia, it has an office of Secretariat in Hong Kong and a representative office in Singapore.

31. Two notable features of ICC arbitrations are (1) fees of the arbitrator(s) are calculated on an *ad valoreum* basis by reference to the amount in disputes and not on hourly rates and (2) draft awards are scrutinised by the secretariat as to substance to ensure consistency of awards.

CIETAC – Hong Kong

32. The China International Economic and Trade Arbitration Commission ('CIETAC') (www.cietac.org), China's leading arbitral institution, administers numerous arbitrations in the Mainland of China and has also established an office in Hong Kong to administer arbitrations under the Hong Kong Arbitration Ordinance (www.cietachk.org.cn/). CIETAC Hong Kong arbitrations proceed under the CIETAC Rules. However, Chapter VI (Arts 75–80) makes special provision for Hong Kong arbitrations, including that non-CIETAC panel arbitrators may be appointed if confirmed by the Chairman of CIETAC.

WIPO

33. WIPO is a self-funding agency of the United Nations based in Geneva, Switzerland. WIPO's mission is to lead the development of a balanced and effective international IP system that enables innovation and creativity for the benefit of all. Our mandate, governing bodies and procedures are set out in the WIPO Convention, which established WIPO in 1967.

34. The WIPO Arbitration and Mediation Center (www.wipo.int/amc/en/) provides arbitration and mediation services under its own rules for intellectual property disputes with specialist IP panels. The WIPO Arbitration and Mediation Center (www.wipo.int/amc/en/) is headquartered in Geneva with an office in Singapore.

Avoid Hybrid clauses when choosing an institution

35. When negotiating over arbitration clauses, Mainland Chinese parties will often insist that an arbitral institution be named. This can lead to the parties agreeing to a hybrid clause where the named institution and the rules to be applied are different. A real life example of a hybrid clause is for disputes to be resolved:

> 'by arbitration before the Singapore International Arbitration Centre in accordance with the Rules of Arbitration of the International Chamber of Commerce'.

36. This clause was included in an arbitration agreement between Alstom and a PRC company, Insigma, involving the transfer of technology. Alstom brought arbitration at SIAC in 2008 and SIAC confirmed that it could administer under the ICC Rules. Insigma challenged in Singapore courts that such a hybrid clause was invalid and void for uncertainty. Singapore Court of Appeal held that the hybrid clause is a valid *ad hoc* arbitration agreement. (*Insigma Technology Co Ltd v Alstom Technology Ltd* [2009] SGCA 24)

37. The tribunal awarded US$58 million in damages but the award was not paid. Alstom sought to enforce the award in the Mainland of China but it was rejected by the Hangzhou Intermediate People's Court based on the reason that the constitution of the tribunal under SIAC Rules was not in accordance with ICC

Rules. This rejection was approved by Supreme People's Court of the PRC.

38. After this ruling, the ICC adopted a new set of rules in 2012 that include rules 1(2) and 6(2) which state that: 'The [International] Court [of Arbitration] is made the only body authorised to administer arbitrations under the ICC Rules' and 'By agreeing to arbitration under the [ICC] Rules, the parties have accepted that the arbitration shall be administered by the Court'.

Arbitration rules

39. In an institutional arbitration, the arbitration agreement will provide for the application of the rules of the chosen arbitral institution. Usually, the agreement will provide for the application of the rules in force at the time the arbitration is filed, although, if the parties prefer to lock in specific rules, it can specify that the rules at the time the agreement was signed are to be applied.

40. All of the major institutions in Hong Kong have rules for Arbitration. The following table provides links to the current rules:

Institution	**Rules**
HKIAC 2018 Rules	https://www.hkiac.org/arbitration/rules-practice-notes/hkiac-administered-2018
CIETAC 2015 Rules	http://www.cietac.org/Uploads/201607/5795f078aa6d5.pdf
ICC 2021 Rules	https://iccwbo.org/dispute-resolution-services/arbitration/rules-of-arbitration/
eBram 2021 Rules	https://www.ebram.org/download/rules/eBRAM%20Arbitration%20Rules_20210531.pdf

41. Institutional rules set out basic principles governing the commencement of arbitration, the appointment of — and challenge to — arbitrators, the composition of the panel, conduct of the arbitration (such as pleadings, evidence, joinder and security for costs), the form of awards and decisions and fees to be paid.

42. Most institutional rules also provide for emergency relief where a party requires

an urgent injunction prior to the constitution of the arbitral tribunal. The HKIAC, ICC and CIETAC all have rules providing for emergency relief. This can be very important in an IP dispute where a party may require an injunction before the arbitral tribunal is appointed. It is, therefore, recommended that any rights holder choose institutional rules that include provisions for emergency relief. (The party that may be the subject of an injunction may, however, prefer rules that do not provide for emergency relief.)

43. Under most rules, it is also possible to apply for expedited procedures in urgent cases.

Governing Law

44. There are three choices of laws that need to be decided by all parties to an arbitration agreement that will involve arbitration of IP rights. :
    (a) What law should govern the agreement to arbitrate?
    (b) What law should be applied to interpret the contract and govern any substantive dispute?
    (c) What law will govern question of validity and infringement of IP rights?

<u>Agreement to arbitrate</u>

45. The parties should agree to the law governing the agreement to arbitrate. This does not have to be the same as the law governing the substantive law of the contract. In general, the parties should choose the law of the seat as the law of the agreement to arbitrate. In the absence of an express choose, the law governing the agreement to arbitrate is often the law of the chosen seat, but the outcome of such analysis will depend on the specific circumstances of the case.

<u>Substantive law of contract</u>

46. The substantive law of the contract does not have to be the same as the law as the agreement to arbitrate. It can be and, in many cases, the parties choose that the same law govern both the agreement to arbitrate and the substantive contract.

47. However, the parties are free to choose another law and may, for example, in a contract involving technology transfer to the Mainland of China, agree to the application of Mainland Chinese law (or indeed the law of the country of the transferor).

48. Section 68 of the Hong Kong Arbitration Ordinance (Cap 609) (which applies art 28 of the UNCITRAL Model Law) provides that where the parties have not agreed a substantive law, the tribunal 'shall apply the law determined by the conflict of laws rules which it considers applicable'.

49. Most countries do not, however, allow parties to contract out of mandatory provisions of law. This is specifically provided for in art 11 of the Interpretation of the Supreme People's Court on Several Issues Concerning the Application of the 'Law of the People's Republic of China on the Law Applicable to Foreign-Related Civil Relationships'. So, even if Mainland Chinese law is not chosen, if there are mandatory provisions of Mainland Chinese law that apply, such as in relation to anti-monopoly or technology transfer, the arbitral tribunal should be made aware of these. An award in breach of a mandatory provision may not be enforceable in the country that imposes that provision.

Law applicable to validity and infringement of IP rights

50. For international IP disputes, there is an added complication. While it is necessary to specify the law under which the contract will be interpreted, if questions are to arise as to the infringement and validity of IP rights, the parties need to decide what law is to be applied to these questions. Many license agreements are drafted on the basis that royalties are payable if a product infringes an IP right (most often patents). If an IP right is invalid, by definition, it cannot be infringed. IP rights are territorial and if validity were to be determined by a national court, the court would apply domestic law.

51. However, in an arbitration where the law for determining validity and infringement has not been agreed between the parties, the arbitrator may proceed to decide the question under the law of the contract and not the jurisdiction in which the IP right is registered. If questions of validity and/or infringement are determined under a different law to that under which the IP

right is registered, the result may be different. For example, in patent law, whether there is any application of the doctrine of equivalents and how it is to be applied varies from country to country. In some countries, prior publication in an obscure journal and obscure language may not be novelty destroying, but in others, it may be.

52. The simplest solution is to provide in the agreement that the law of the place of registration of an IP right will be used to determine validity and/or infringement. If this has not been agreed in advance, the parties can agree on it once arbitration is commenced or ask the arbitrator to rule on the issue. The application of a number of different laws can lead to increased expense because it will be necessary to prepare for and argue the application of each law. On the other hand, if this is not done, if an award is made in favour of one party based on the application of a different law to that under which the IP right is registered, this may result in difficulties in enforcement of the law.

53. Another solution would be for the parties to provide that the tribunal may refer the principles set out in the International Law Association's Guidelines on Intellectual Property and Private International Law ('Kyoto Guidelines') on Applicable Law. These guidelines were drafted with the overall objective to provide a set of model provisions to promote a more efficient resolution of cross-border intellectual property disputes and provide a blueprint for national and international legislative initiatives in the field.

54. Where a contract has not spelt out the law to be applied, the choice is generally considered to be a choice between (a) '*lex fori*' — applying the law of the forum; (b) '*lex loci protectionis*' — applying the law of 'the place for which the protection is claimed'; and (c) '*lex originis*' — applying the law where the IP right originated.

Number of arbitrators

55. The choice is between a sole arbitrator or a panel of three arbitrators. (Very rarely, parties will agree on a panel of five arbitrators. This can occur when there is a multi-party dispute and each party wishes to appoint an arbitrator or if there is a highly complex area of law and the parties wish to have larger panel to consider it. Where the parties have agreed on a sole arbitrator, most institutional rules

provide that the parties may jointly designate a sole arbitrator. It they cannot agree, the sole arbitrator will be appointed by the arbitral institution. (See art 7 of the 2018 HKIAC Rules). For a three-person panel, each party will generally appoint an arbitrator and then the two party-appointed arbitrators will appoint a chair (often in consultation with the parties).(See art 8 of the 2018 HKIAC Rules. The chosen arbitrator should be designated in the Notice of Arbitration and Answer.) Under the ICC Rules, unless specifically agreed between the parties, the ICC Court of Arbitration will appoint the President. (Article 12(4) of the 2021 ICC Rules of Arbitration.) A party-appointed arbitrator is required to be neutral and impartial, and is not appointed as an advocate of the party.

56. Where the parties have not agreed on the number of arbitrators, the rules of different institutions vary. The 2018 HKIAC Rules provide the HKIAC will decide if the case shall be heard by a sole arbitrator or a three-person panel (art 6). The ICC Rules provide that where the parties have not agreed between themselves, a sole arbitrator will be appointed "save where it appears to the Court that the dispute is such as to warrant the appointment of three arbitrators." (Article 12(2)). CIETAC Rules provide for three arbitrators as the default (art 25.1).

57. The key advantage of having a sole arbitrator is that the arbitration will proceed quickly as there will be no need for agreement to be reached between tribunal members on procedural or substantive issues. It is also easier to schedule hearings where only one arbitrator is involved. For relatively small cases, such as a simple debt claim, a sole arbitrator will generally be preferred for the simple reason of keeping costs down.

58. The disadvantages of having a sole arbitrator are that parties will have only one person giving procedural directions and deciding the substantive issues. While this can often be a good thing, if the arbitrator has certain fixed views on the law or on the need for strict compliance with procedural deadlines, this can create problems for one or both of the parties. Also, where the sole arbitrator is appointed by an administering institution, they may not necessarily have all the technical, legal or language skills at the level that the parties would like.

59. The principal advantage of a three-person panel is that a party will have the opportunity to directly appoint an arbitrator with the appropriate technical,

language and legal skills to the panel. While a party-appointed arbitrator is required to be neutral and impartial, in general, the party will seek to find someone who will be receptive to their arguments. There will also be discussion between the tribunal members in relation to any award which can help lead to a more reasoned decision.

60. The principal disadvantages of a three-person panel is the converse of the advantages of a single person panel. Decision-making and progress can be slower, scheduling can be more difficult and, of course, there is the need to pay more for a three-person panel.

61. One of the biggest issues when drafting a dispute resolution clause is to decide whether to have a sole arbitrator or three-person panel. If disputes are likely to be relatively simple, a sole arbitrator will generally be the best choice. If the dispute is likely to be complex, then a three-person panel may be best. If there is likely to be a variety of disputes, the best course will be to choose a sole arbitrator but add wording to the contract that the parties agree that, in the event of a complex or large dispute arising, the administering institution may, under the discretion it has under its rules, appoint three arbitrators. Such a clause should be drafted by specific reference to the rules of the administering institution.

Language of the arbitration

62. The language of the arbitration should be agreed. Where the parties have not reached an agreement, the tribunal will normally determine the language to be used. In HKIAC arbitrations, if a language has not been agreed, the parties shall communicate in English or Chinese pending a decision by the tribunal. (Article 15 of the 2018 HKIAC Rules.) In CIETAC arbitrations, Chinese is the default language unless otherwise agreed between the parties or designated by CIETAC. (Article 81 of the 2015 CIETAC Rules.)

Requirement regarding arbitrator (e.g., nationality)

63. Under the HKIAC and ICC rules where a national of one of the parties will not normally be appointed the chairman of a three personal panel or as sole arbitrator. The CIETAC rules do not have a similar provision. If a party wants to

ensure a non-national of party is not appointed this should be specifically included in the arbitration clause.

64. Parties sometimes also wish to specify certain technical skills of an arbitrator, such as they have a degree in the subject matter of the technology being transferred. This can be helpful during an arbitration. However, if the skillset is too detailed or narrow this can make the appointment of the arbitrator(s) very difficult as there will be a limited number of potential candidates.

65. Similarly, parties will sometimes specify the language abilities of the arbitrator(s) such as they must speak Chinese or Japanese. This can, however, also seriously limit the number of available candidates.

Document production

66. In general arbitral tribunals in Hong Kong seated arbitrations will order the production of documents relevant to the arbitration. However, this will not usually be as wide as that ordered in discovery in court proceedings. In IP cases document disclosure is often necessary to prove that certain processes have been used or to obtain evidence of the quantities of products sold. In order to ensure that there are rules in place to govern document production. One commonly agreed set of rules is the International Bar Association Rules on the Taking of Evidence in International Arbitration ('IBA Evidence Rules').[22] These were most recently revised in 2020. The rules set out procedures for production of documents, calling of witnesses, preparation of expert reports and calling expert evidence. It also includes rules on the admissibility of evidence.

67. When negotiating an arbitration clause as part of a commercial contract before a dispute has arisen, it is usually not difficult to get a Chinese party to agree to rules such as the IBA Evidence Rules being included. They also appreciate that disclosure may be necessary in an arbitration and generally do not push back. If negotiating to agree an arbitration clause after a dispute has arisen, as with every

[22] https://www.ibanet.org/MediaHandler?id=def0807b-9fec-43ef-b624-f2cb2af7cf7b

clause, this could be heavily negotiated. Depending on the nature of the case each party will be seeking to include terms favourable to themselves. If, for example, the allegation is that there has been under-reporting of royalties or misuse of confidential information, the parry who is alleged to have failed to comply with the agreement will resist rules that provide for document disclosure.

68. Even if not agreed as part of arbitration agreement, the parties will often agree after the arbitration commences, or the arbitral tribunal will order, that the IBA Evidence Rules will be used for guidance.

Interim Relief

69. The contract should state that either party will suffer irreparable harm from any breach and that notwithstanding the arbitration clause preliminary relief may be sought from any court of competent jurisdiction. While the laws of most countries allow for interim relief to be applied for in support of an arbitration, it is best to include such a clause to take the issue beyond doubt.

Emergency Arbitration

70. Most arbitration institutions now include in their rules provision for emergency arbitration, that is, for an arbitrator to be appointed on an emergency basis to grant interim relief. If a party does not wish an emergency arbitrator to be appointed, they must opt out. Japanese companies will probably like to keep the option of an emergency arbitrator being appointed as they are likely to being licensing out or transferring technology and will want to be able to see emergency relief. However, if they do not wish either party to seek emergency relief, the dispute resolution clause should specifically exclude emergency arbitration.

Negotiation deadline

71. The negotiation deadline for an arbitration clause that is part of a commercial

contract is the same as that for the other terms. However, parties will often leave agreeing the arbitration clause to the very end of a negotiation. This can be dangerous as it is important to understand all the issues about an arbitration clause and have a clear view of what is acceptable and not acceptable.

72. Where negotiating a submission agreement, to resolve a dispute that has already occurred, deadlines should be set to ensure that an agreement is reached rapidly.

Mediation clauses

73. The key issues that will need to be negotiated in relation to a mediation are:

- Choice of mediator/Number of Mediators
- Choice of mediation institution
- No Mediation seat
- Mediation rules
- Governing law
- Language of Mediation
- Requirements regarding arbitrator/mediator (e.g., nationality)
- Interim relief
- Negotiation deadline

74. Because mediation is a consensual form of dispute resolution where a mediator has no power to make a decision binding on the parties many of the considerations applicable to arbitration do not apply. The simple question in appointing a mediator is: will this person assist us to resolve this dispute?

Choice of mediator(s)/Number of mediator(s)

75. Normally parties will select a mediator with experience of the issues in disputes. For IP disputes this will often be a practicing or retired IP practitioner. There are, however, a number of very experienced mediators who are very good at focusing on the commercial aspect of a dispute and will test the commercial issues more

than technical issues. They can be a good choice as a mediator. Normally a mediator is required to be independent of the parties. However, because the mediator cannot make a binding decision, the parties can waive conflicts if they consider a person to be a suitable mediator.

76. Normally only one person is chosen as a mediator, but in certain circumstances the parties may have two mediators. For example, in an important case, the parties may wish to have a very experienced mediator combined with someone with technical expertise to act as mediator.

Choice of mediation institution

77. There is no particular advantage of choosing one mediation centre over the other. The key issue will be whether a mediator can be located and agreed by the parties that will help the parties resolve the case.

Language of Mediation

78. The languages a mediator can communicate in can be very important to a successful mediation. A mediator may often speak to the parties separately and also speak directly to the parties rather than their lawyers. If the mediator can speak languages that both parties are fluent in this will help a lot.

No Mediation seat

79. There is no concept of a mediation seat. Courts do not supervise mediation like they do arbitration. However, if a mediation is conducted in Hong Kong the parties could seek orders from the Hong Kong courts as necessary.

Mediation rules

80. The following set out the mediation rules of mediation institutions in Hong Kong.

Institution	Rules
HKIAC 1999 Rules	https://www.hkiac.org/mediation/rules/hkiac-mediation-rules
CIETAC 2015 Rules	http://www.cietac.org/index.php?m=Article&a=show&id=15889&l=en
ICC 2014 Rules	https://iccwbo.org/dispute-resolution-services/mediation/mediation-rules/
eBram 2021 Rules	https://www.ebram.org/download/rules/eBRAM%20Mediation%20Rules_20210531.pdf
Hong Kong Mediation Centre Rules	https://www.mediationcentre.org.hk/en/services/MediationRules.php

Governing law

81. For a mediation in Hong Kong, generally Hong Kong law will govern the mediation agreement. However, the parties are free to choose any governing law.

Interim relief

82. There is no interim relief in mediation itself. However, the parties should agree if the mediation will stay any applications to the court or an arbitrator or not.

Requirement regarding arbitrator/mediator (e.g., nationality)

83. As set out above, the key question is: can a mediator assist to resolve a dispute? Their technical or language skills may assist this. Nationality is generally not an issue. However, a track record of resolving international disputes will be most important.

Negotiation deadline

84. Mediation is a form of negotiation and it is wise to set a timetable and deadlines for the mediation. This will depend on the nature of the case. If the parties feel

they are close to resolution they are free to extend any deadlines.

Section 2: Model Clauses

85. Most institutions provide model clauses for agreeing to arbitrate under the auspices of that institution. These include clauses to be agreed in a commercial contract at the time of signing and submission agreements for when a dispute has already arisen.

86. The model clause for arbitrations institutions based in Hong Kong may be found at the following links:

Institution	Pages with model clauses/links to model clauses
HKIAC	www.hkiac.org/arbitration/model-clauses
CIETAC HK	www.cietachk.org.cn/portal/showIndexPage.do?pagePath=%5Cen_US%5Cindex&userLocale=en_US
ICC	https://iccwbo.org/dispute-resolution-services/arbitration/arbitration-clause/
Ebram	https://www.ebram.org/ebram_online_mediation_model_clause.html

87. In the following paragraphs the HKIAC model clause will be used as an example to explain some key points. The HKIAC model clause for an arbitration administered under the 2018 HKIAC Rules to be included in a commercial contract is set out below.

Any dispute, controversy, difference or claim arising out of or relating to this contract, including the existence, validity, interpretation, performance, breach or termination thereof or any dispute regarding non-contractual obligations arising out of or relating to it shall be referred to and finally resolved by arbitration administered by the Hong Kong International Arbitration Centre (HKIAC) under the HKIAC Administered Arbitration Rules in force when the Notice of Arbitration is submitted.

The law of this arbitration clause shall be ... (Hong Kong law). The seat of arbitration shall be ... (Hong Kong).*

*The number of arbitrators shall be ... (one or three). The arbitration proceedings shall be conducted in ... (insert language).***

The footnotes are as follows:

* Optional. This provision should be included particularly where the law of the substantive contract and the law of the seat are different. The law of the arbitration clause potentially governs matters including the formation, existence, scope, validity, legality, interpretation, termination, effects and enforceability of the arbitration clause and identities of the parties to the arbitration clause. It does not replace the law governing the substantive contract.
** Optional

Wide scope of arbitration

88. The very wide breadth of the HKIAC model clause above should be noted. The parties are agreeing to arbitrate any and all disputes whether contractual or non-contractual (that is, including, tort claims) arising out of or relating to the contract.

89. In *Fiona Trust & Holding Corp v Privalov* [2007] UKHL 40, [2007] 4 All ER 951 (HL) it was held by the House of Lords that arbitration clauses are to be construed on the assumption that the parties intended any dispute to be resolved by the same tribunal. Lord Hoffman in that case said at para 13:

> In my opinion the construction of an arbitration clause should start from the assumption that the parties, as rational businessmen, are likely to have intended any dispute arising out of the relationship into which they have entered or purported to enter to be decided by the same tribunal. The clause should be construed in accordance with this presumption unless the language makes it clear that certain questions were intended to be excluded from the arbitrator's jurisdiction. As Longmore LJ remarked, at para 17: 'if any businessman did want to exclude disputes about the validity of a contract, it would be comparatively easy to say so'.

90. This case has been followed in Hong Kong in, for example, *Giorgio Armani SpA v Elan Clothes Co Ltd* [2019] 2 HKLRD 313, [2019] HKCU 769, [2019] HKCFI 530.

91. Thus, with a very broad clause and authorities that make it clear that those clauses should be construed broadly, claims that a party may not have expected to be covered by the arbitration clause are covered by the clause.

92. Arbitral tribunals in Hong Kong have, applying these principles, held that in patent license disputes, stand-alone patent infringement claims fall within the jurisdiction of a tribunal. An arbitral tribunal has also granted an anti-suit injunction prevent the filing of invalidation actions against patents that are the subject of a dispute.

Mediation model clauses

93. The model clause for mediation administered by institutions based in Hong Kong may be found at the following links:

Institution	**Pages with model clauses/links to model clauses**
HKIAC	https://www.hkiac.org/mediation/rules/hkiac-mediation-rules
ICC	https://iccwbo.org/dispute-resolution-services/mediation/mediation-clauses/
Ebram	https://www.ebram.org/ebram_online_arbitration_model_clause.html
Hong Kong Mediation Centre	https://www.mediationcentre.org.hk/en/services/Suggested.php
Hong Kong Law Society	https://www.hklawsoc.org.hk/en/Support-Members/Professional-Support/Mediation/Law-Societys-Suggested-Mediation-Clauses

Mediation Clause

94. The Hong Kong Mediation Centre model mediation clause reads as follows:

> "Any dispute arising from or in connection with this contract shall be submitted to Hong Kong Mediation Centre for mediation which shall be conducted in accordance with the Centre Mediation Rules in effect at the

time of the mediation."

95. This is one of the simplest forms of mediation clause that can be found. It simply refers the parties to mediation in accordance with the Centre's Rules. It is, in fact, not necessary to even name an institution for the conduct of a mediation and many mediation clauses simple state the parties agree to mediate. Mediation is a consensual process and will generally only succeed if there is some level of cooperation between the parties, so it is usually possible for the parties to agree on a mediator and a mediation agreement even if there is no designated centre to appoint the mediator.

Mediation-Arbitration Clause

96. The ICC has a number of model clauses. This includes what are referred to as "med-arb" clauses or tiered clause. The ICC sample is as follows:

> "(x) In the event of any dispute arising out of or in connection with the present contract, the parties shall first refer the dispute to proceedings under the ICC Mediation Rules. The commencement of proceedings under the ICC Mediation Rules shall not prevent any party from commencing arbitration in accordance with sub-clause y below.
>
> (y) All disputes arising out of or in connection with the present contract shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with the said Rules."

97. It should be noted that this clause specifically allows an arbitration to be commenced while a mediation is on-going. This is generally a good idea, because it takes sometimes to commence and arbitration and have arbitrators appointed – up to two months. The costs of commencing an arbitration are relatively low and it can avoid loss of time if the mediation is unsuccessful to have an arbitration ready to proceed.

Tiered dispute resolution clauses

98. Clauses can also be drafted to require the parties to go through a number of steps to seek to resolve a dispute. This can include negotiations between high level executives, mediation and then arbitration. This type of clause is a called a "tiered clause" or an "escalation clause" because it requires a number of steps to be taken before arbitration (or litigation) can be commenced.

99. These clauses can be useful to try to avoid claims being made quickly. However, in intellectual property disputes it can often be necessary to act quickly or to seek interim relief (or begin an emergency arbitration). It is therefore recommended that if a tiered dispute resolution clause is used the various tiers not be binding on the parties and that the agreement specifically provides that interim relief or emergency arbitrations may be commenced.

Section 3 – Sample Model Clauses

100. The following sets out model clauses that can be used by a Japanese party agreeing with another party to arbitrate or mediate in Hong Kong. The clauses are on the basis the parties will be entering into a technology transfer agreement, and agreement to license IP rights or a research and development agreement.

101. Because almost all IP arbitrations in Hong Kong relate to China, the clause has been drafted with a specific view to any award being enforceable in China, taking account that Chinese public policy. It should be borne in mind that if the only parties to the agreement will be a local subsidiary of the Japanese company in China and a local Chinese entity, arbitration will, most likely, need to be conducted in the Mainland of China. However, if am entity incorporated outside the Mainland of China is also a party then arbitration in Hong Kong is acceptable.

Summary of key issues

102. In general the model arbitration clause recommended by each institution can be used. As set out in more detail above, there are, however, four issues that should be specifically addressed. These are:

(a) The specific requirement of the Chinese Arbitration Law that the arbitration institution be named;

(b) The scope of document disclosure

(c) Law to be applied to considering the validity or infringement of IP rights.

(d) Provision for interim relief.

Recommended Arbitration Clause

103. The following is a recommended arbitration clause. The administering institution and rules can be changed depending on preferences or the negotiations of the parties.

> Any dispute, controversy, difference or claim arising out of or relating to this contract, including the existence, validity, interpretation, performance, breach or termination thereof or any dispute regarding non-contractual obligations arising out of or relating to it shall be referred to and finally resolved by arbitration administered by the **Hong Kong International Arbitration Centre (HKIAC) under the HKIAC Administered Arbitration Rule**s in force when the Notice of Arbitration is submitted.
>
> *[The above is the core arbitration clause. The institution and rules can be changed if desired. Please ensure that the rules of the chosen institution are specified and not the rules of another institution]*
>
> The arbitration shall be conducted according to the IBA Rules of Evidence as current on the date of the commencement of the arbitration.
>
> *[This is optional but recommended to ensure that there are clear rules in place regarding evidence and document production.]*
>
> The law of this arbitration clause shall be Hong Kong law.
>
> *[This is optional but makes it clear the arbitration clause is to be interpreted under Hong Kong law.]*
>
> Unless otherwise agreed between the parties where the arbitral tribunal needs to consider whether an intellectual property right is infringed or if an intellectual property right is valid it will do so under the law of the place where the intellectual property right is registered. If the intellectual property right is not registered, when considering validity the arbitral tribunal will

apply the law of the place where infringement is alleged to have occurred. The parties agree that any consideration of infringement or validity of an intellectual property right will only apply as between the parties.

[This is optional, but important to include in an arbitration with Chinese parties to try as far as possible to have an award that is enforceable in the Mainland of China.]

The seat of arbitration shall be Hong Kong.

[This should be included.]

The number of arbitrators shall be **one or three**. The arbitration proceedings shall be conducted in **English**.

[This clause can list the number of arbitrators as one or three depending on the preference of the parties. English is recommended as the language of arbitration as this provides the widest pool of arbitrators and is generally more neutral. Other languages can be specified.]

Notwithstanding this agreement to arbitrate, the parties agree that either party may apply for preliminary or interlocutory relief from any court of competent jurisdiction.

[This clause is strictly not necessary, but it is useful to spell out that interim relief can be applied for.]

Recommended Mediation Clause

104. The following is a recommended mediation clause.

In the event of any dispute arising out of or in connection with the present contract, the parties shall first refer the dispute to mediation in Hong Kong. The parties will endeavour to reach agreement on the mediator within 7 days of notice of a dispute. If agreement cannot reach, the parties agree to mediate under the rules of the Hong Kong Mediation Centre.

Commencement of mediation proceedings shall not prevent any party from

commencing arbitration as provided for in this contract.

Recommended Tiered Clause

105. The following is a recommended tiered clause providing for mediation and then arbitration.

> In the event of any dispute arising out of or in connection with the present contract, the parties shall first refer the dispute to proceedings under the ICC Mediation Rules. The commencement of proceedings under the ICC Mediation Rules shall not prevent any party from commencing arbitration in accordance with the following sub clause.
>
> All disputes arising out of or in connection with the present contract shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with the said Rules.
>
> The seat of arbitration shall be Hong Kong.
>
> *[Other provisions from the suggested arbitration clause above can be added, as required.]*

Chapter 4:

Simulation scenario of Hong Kong IP ADR

Introduction

1. This section sets out 4 scenarios of international IP disputes that may arise for Japanese companies and the thought process for deciding the best approach to ADR.

Section 1: Scenario 1

2. A Japanese video game company is negotiating an agreement to license trademark and copyright rights to a Singapore listed company to develop Chinese language versions of its games for distribution in Chinese speaking territories. The main market will be the Mainland of China but it is expected that there will be large sales in Taiwan, Hong Kong and Macau. The Singapore company will sell through distributors in each territory. The parties have agreed to Hong Kong law governing the contract and to Hong Kong as the place of dispute resolution but cannot agree on whether to resolve the dispute by litigation or arbitration and, if by arbitration, an institution. The Singapore company has proposed ad hoc arbitration under UNCITRAL Rules.

3. The Japanese company is considering the best form of dispute resolution clause to agree to.

Issue	Sub-Issue	Points to note
Where will actions be necessary if there is a breach of contract, for example, unauthorized distribution of games?		Even though the listed company is in Singapore, in relation to sales or distribution in China, it may be necessary to enforce by way of injunction in Mainland China. (see Chapter 2, paras. 24-29)

		HK interim awards can be enforced in China. (see Chapter 2, para. 37)
Will arbitration or litigation be better to resolve disputes?		Arbitration has the advantage of speed and any award being enforceable anywhere in the world. However, a HK judgment will also be enforceable in Singapore but not in Mainland China. (see Chapter 2, paras. 11, 31-35)
If arbitration is chosen is *ad hoc* arbitration appropriate?		*Ad hoc* awards are enforceable in Singapore and HK *ad hoc* awards are enforceable in the PRC. However *ad hoc* arbitration means the parties have to administer the arbitration which can be cumbersome. Institutional rules such as HKIAC and CIETAC would be better. (see Chapter 3, paras. 22-23)
Are the UNCITRAL Rules acceptable?		Using UNCITRAL Rules can mean there will be a substantial delay in appointment of arbitrators. There is no provision for emergency arbitration under UNCITRAL Rules.

		Institutional rule such as HKIAC and CIETAC HHK would be better. (see Chapter 3, para. 16)

Summary

4. The Singapore company is listed on the Singapore stock exchange meaning that it will likely be possible to enforce any Hong Kong court judgement or arbitral award in Singapore. There are, however, some other factors that favour arbitration. These are: (i). The agreement will cover a number of territories where an award or judgement may need to be enforced. (ii) in particular, the Mainland China will be the main place of sales. A Hong Kong court judgment cannot be enforced there. (This may change in 2023[23]). Arbitration offers more flexibility or enforcing any award, including that interim relief from the courts in each jurisdiction will be available.

5. UNCITRAL Rules are not recommended for IP related arbitration. There is no provision for emergency arbitration and the appointment of a panel can take some time. Institutional arbitration through HKIAC, ICC HK or CIETAC HK is recommended.

6. In conclusion, arbitration in Hong Kong under the rules of HKIAC, ICC HK or CIETAC HK will be preferable.

Section 2: Scenario 2

7. Japanese Company X is negotiating an exclusive license with a Chinese company to license the Chinese Company Y's patents in Mainland China. The agreed royalty is 5% based on the Chinese company having a portfolio of 50 patents in the Mainland of China. The parties agree that if any of the Chinese parties

[23] The Mainland of China and Hong Kong in 2019 agreed to procedures for enforcement of judgments between the two jurisdictions. A bill introduced into the Hong Kong Legislative Council in 2022 to implement this arrangement and will likely be enacted in 2023. The arrangement has limitations on enforcement of IP related judgments. Patent infringement proceedings are not covered and injunctions will not be enforceable. See further: https://www.info.gov.hk/gia/general/202204/20/P2022042000199.htm

patents are invalidated in China there will be a pro-rated reduction in the royalty fee to be paid.

8. Chinese Company Y has proposed that given the license is for the Mainland of China only:
   (a) The contract be subject to Chinese law.
   (b) Any disputes be resolved by arbitration under the auspices of CIETAC Beijing
   (c) The arbitration be in Chinese (because the patents are in Chinese)
   (d) There be three arbitrators, all of whom must be Chinese patent agents.

9. The Japanese party is considering these proposals.

Issue	**Sub-issue**	**Points to note**
Is Chinese law acceptable to govern the agreement?		In general, there should be no problem with Chinese law as the substantive law of the contract. (See discussion in para. 9 below)
	- What other laws could be proposed to govern the agreement?	Any other law could be proposed. If the seat is to be Hong Kong, Hong Kong law would be acceptable.
Will CIETAC Beijing be appropriate institution to administer the dispute?		Any arbitration is likely to involve determination of the validity of Chinese patents. This is not allowed under Chinese law and an institution based in Mainland China will likely not accept a case. (see Chapter 2, paras. 24-25)

How should patent validity issues be determined?		
	- Should an arbitral tribunal determine the validity of patents?	If the parties agree to arbitration, it is preferable the arbitral tribunal decides all issues.
	- Should questions of validity be left to the patent office and courts?	This is an option, but it bifurcates the case and will lengthen any proceedings as there could be 3 levels of hearing, first before the Re-Examination and Invalidity Department of the Chinese Patent Office, then an appeal to the Beijing Intermediate Court and then a final appeal to the Supreme Court IP Tribunal.
	- What other institutions could administer dispute?	Arbitration in HK would allow for determination of validity by the arbitral tribunal. (see Chapter 2, para. 23)
	- Would there be enforceability problems if the arbitral tribunal determined validity?	A Chinese court may decline to enforce an award, but if Company Y has assets outside the mainland of China then enforcement overseas would be a possibility. (see Chapter 2, para. 43)
Should the arbitration be in Chinese?		The question will be if Company X has sufficient

		staff who are fluent in Chinese? Arbitration in Chinese may also limit the pool of arbitrators, particularly if Company X wants a non-national arbitrator?
	- If not Chinese, which language?	Japanese will likely not be acceptable to the Chinese party. English will probably be the best choice.
Are three arbitrators necessary?		One arbitrator is probably sufficient unless a potential claim will be very large.
What should be the composition of the Tribunal? Will 3 Chinese patent agents be acceptable?		Only Chinese nationals can be Chinese patent agents. If agreed to all the arbitrators will be Chinese nationals.
	- Should the parties specify the nationality of arbitrators?	This could be useful but it may be better to only specify the chair must be a non-Chinese national.

Summary

10. As this is a license solely for Chinese patents, in general, there should be no objection in agreeing to Chinese law to govern the agreement as a whole. In any event, questions of infringement or validity of the Chinese patents should be determined under Chinese law under the principle of *lex loci protectionis*. However, if the parties want the arbitral tribunal to deal with validity, the arbitration will need to be seated outside the Mainland of China. Arbitral tribunals in Mainland China cannot decide questions of validity.

11. The Japanese company needs to consider its commercial position in deciding where and what to arbitrate. It is most likely to want to seek a reduction in royalties because it considers certain patents to be invalid. In such a case choosing arbitration where the tribunal can decide validity will be a good choice. If validity is left to the Chinese patent Office and courts this could mean it will take many years to decide validity as there will be hearings before the Re-examination and Invalidation Department of the Patent Office and two levels of appeal. This will mean arbitration should be conducted outside Mainland China. Hong Kong will be a good option. However, if the Japanese company will also be seeking over-paid royalties then it does need to consider if the Chinese company has assets outside the Mainland of China or not. An award based on a decision that some patents are not valid may not be enforceable in the Mainland of China. If the Chinese company has assets outside China then the award can be enforced against those assets. If the Chinese company only has assets in the Mainland of China, then careful thought will need to be given to the structure of the agreement to ensure a large amount of money should not need to be paid from the Chinese company to the Japanese company. This could include, for example, paying money into an escrow account pending resolution of the dispute. An escrow account is an account opened by a third-party holding funds pending resolution of a dispute. The third party will pay the funds as directed by the parties or an order of the arbitral tribunal.

12. For the language of the arbitration, most Japanese companies may prefer English. Although this will increase translation costs, many pieces of prior art are likely to be in foreign languages meaning that translation will necessary, in any event. English will also ensure a wider pool of arbitrators.

Section 3: Scenario 3

13. A Japanese company (Company A) has entered a technology transfer agreement with a Chinese company (Company B) where it has transferred technology to develop electronic machines. The agreement is written in English. Under the agreement Company B is required to pay an upfront fee of US$1 million and then royalties of 5% of revenue on worldwide sales for any products which “infringe” Company A’s patents. Company A has patents in China, EU and the USA, but not in the rest of the world.

14. Company B paid the US$1 million fee upfront but now 3 years after signing of the contract has not paid any royalties. Company A has found products produced by Company B on sale in South America which it considers infringe its Chinese patents. The products bear markings that they are "Made in China." From the volume of products in the market and shipping records, company A estimates that the total amount of unpaid royalties is US$5 million. Company A does not have any patents in South America.

15. Company A contacts Company B to demand payment of royalties. Company B tells Company A that the products do not use Company A's technology and even though they are marked "Made in China" were not in fact made in China. In fact, Company B considers Company A's technology to have not met the requirements of the contract and says it wants a refund of the US$1 million it has paid. It also says it considers Company A's Chinese patents to be invalid. Company B says it will commence arbitration under the arbitration clause in the contract which reads:

> "The parties agree to arbitrate any disputes relating to this contract in Hong Kong under ICC Rules".

16. The Japanese company A is considering how to defend against Company B's claims and also whether it should bring its own claim for royalties.

Issue	**Sub-Issue**	**Points to note**
Is there a valid arbitration clause?		
	- No institution is named. Is this sufficient?	Under HK law it is not necessary to name the institution in an arbitration clause. However, there have been problems in the past enforcing in China where no institution named. This should no longer be a

		problem since the SPC issued a notice specifying that if rules are provided for this will cover the institution. (Chapter 3, paras. 18-19)
	- Does the arbitration clause cover validity of patents?	Under Hong Kong law the agreement to arbitrate "all disputes" is probably sufficient to cover arbitration over the validity of patents. (Chapter 2, para. 104)
Will there be trouble enforcing an award involving the validity of patents in China?		A Chinese court may decline to enforce an award.
Where else can an award be enforced?		
	- Does the Chinese company have assets in other places?	If Company B has assets outside the Mainland of China then enforcement overseas would be a possibility. (Chapter 2, para 43)
Is arbitration the best way to solve the dispute?		
	- What are the alternatives to arbitration?	Mediation and litigation.
	- Is mediation possible?	Mediation can always be proposed even if there is an arbitration clause in place. The parties will need to agree.

	- Is litigation possible?	The arbitration clause seems to be valid. If litigation is brought the other side could have it dismissed or stayed. However, if they do not challenge the claim then litigation can proceed.
If deciding to proceed with arbitration, should Company A file first or let Company B file?		
	- Are there any advantages to being a claimant or respondent?	There are no particular advantages to being a claimant. One advantage to filing first would be to make the first submissions on the number of arbitrators. One advantage of waiting would be if the Chinese party files with the ICC in HK it is making it clear it accepts ICC HK has jurisdiction.
Should one or three arbitrators be appointed?		
	- What do ICC rules provide in relation to the number of arbitrators?	ICC rules provide that where there is no agreement on arbitrators, a sole arbitrator will be appointed unless the circumstances warrant 3 arbitrators being appointed. (Chapter 3, paras. 55-56)

	- Does the size of the claim justify one or three arbitrators?	For a relatively small claim, one arbitrator may be sufficient, but agreement of the other side would be necessary to change the number. (Chapter 3, para. 57)
Should Company A seek interim injunctions or file an emergency arbitration application?		This will depend if clear infringement of patents can be shown and it is likely that Company B will not be able to pay any damages awarded. The fact that the products are being sold countries where Company A does not have patents may make it less likely to get emergency or interim relief. Evidence would be needing the products are being made or sold in a place where Company A has patents. If there is evidence of sales in places Company A has patent, then whether to apply for an interim injunction or emergency arbitration will depend on an assessment of how quick domestic courts will be in determining an interim in injunction application and the cost of

		doing so. Emergency arbitration will cover all jurisdictions and could be relatively quick. The ability for the Chinese Company B to pay any award will also need to be considered.

Summary

17. The scenario identifies a number of issues that arise in IP disputes. The key issue is that a licensee will often not pay royalties and claim that it is because the technology is not covered by the license agreement. The licensor then needs to determine how to deal with this. The licensor can simply seek to claim royalties and deal with any defence and counterclaim in the arbitration. However, if it wishes to put more pressure on it can consider whether to seek interim injunctions from domestic courts or file an emergency arbitration. A number of factors needs to be considered in making these decisions as set out above.

Section 4: Scenario 4

18. Company C is a Hong Kong biotechnology company. It has a research base in Hong Kong but also has a WFOE in Shenzhen (Company D).

19. Company E is a biotechnology company incorporated in Japan. It has a WFOE in Shanghai, Company F.

20. Company C and Company E entered into the R&D agreement under Hong Kong law to develop new biotechnology products. The R&D agreement is stated to cover all subsidiaries of either company but no subsidiary is a named party.

21. The arbitration clause between the parties is the HKIAC model clause, namely:

> "Any dispute, controversy, difference or claim arising out of or relating to this contract, including the existence, validity, interpretation, performance,

breach or termination thereof or any dispute regarding non-contractual obligations arising out of or relating to it shall be referred to and finally resolved by arbitration administered by the Hong Kong International Arbitration Centre (HKIAC) under the HKIAC Administered Arbitration Rules in force when the Notice of Arbitration is submitted.
The law of this arbitration clause shall be Hong Kong law.
The seat of arbitration shall be Hong Kong.
The number of arbitrators shall be three. The arbitration proceedings shall be conducted in English."

22. Company D has been working with Company F on the development process. They entered into a non-disclosure agreement with the same model clause.

23. Company E believes that some employees of Company D in Shenzhen have disclosed confidential information provide to Company D to a competitor.

24. Company E is considering bringing a claim against Company C and Company D.

Issue	**Sub-issue**	**Points to note**
Who can bring a claim against Company D?		
	- Is Company D covered by the main agreement?	It may be possible to bring company D under the main agreement as it states it covers all subsidiaries.
	- If Company F has to bring a claim against Company D is it permissible to arbitrate in Hong Kong?	If the claim is solely between Company D and F as Chinese incorporated entities, there may be issues with enforcement in China as the case may not be considered to be foreign related and therefore should be arbitrated in Mainland

		China. (See Chapter 3, para. 5)
Can a consolidated arbitration be brought under both agreements?		Yes, the HKIAC rules allow for consolidation of claims under multiple agreements.
Should Company E? seek interim injunctions or file an emergency arbitration application?		It appears a case where some time of interim relief should be sought.
	- Would interim injunctions from the Chinese courts or an emergency arbitration be better?	An interim injunction can be sought in IP cases directly from the Chinese court and may be the best way to proceed. An emergency arbitration award should be granted within 14 days by a HK arbitrator. This could be a good option if it is thought the Chinese side will comply.

Summary

25. The key recommendation from this scenario is that when wholly owned subsidiaries in China enter into agreements that include arbitration clauses it is always best to include a foreign party to the agreement so that there is no doubt that any arbitration will be an international arbitration.

26. Further, when there is on-going breach of obligation, emergency relief or interim injunctions should be sought.

［特許庁委託事業］
香港知財 ADR マニュアル

2023年3月
禁無断転載

［調査受託］
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