

立法會
Legislative Council

LC Paper No. CB(1)1100/14-15
(These minutes have been seen
by the Administration)

Ref : CB1/PL/CI

Panel on Commerce and Industry

Minutes of meeting
held on Tuesday, 19 May 2015, at 2:30 pm
in Conference Room 3 of the Legislative Council Complex

Members present : Hon WONG Ting-kwong, SBS, JP (Chairman)
Hon Vincent FANG Kang, SBS, JP (Deputy Chairman)
Hon Emily LAU Wai-hing, JP
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon Charles Peter MOK, JP
Hon Dennis KWOK
Hon SIN Chung-kai, SBS, JP
Hon Martin LIAO Cheung-kong, SBS, JP
Dr Hon CHIANG Lai-wan, JP
Ir Dr Hon LO Wai-kwok, BBS, MH, JP
Hon CHUNG Kwok-pan

Members absent : Dr Hon LAM Tai-fai, SBS, JP
Hon MA Fung-kwok, SBS, JP

Public officers attending : Agenda item IV
Mr Gregory SO, GBS, JP
Secretary for Commerce and Economic
Development

Miss Fabia TAM
Principal Assistant Secretary for Commerce and
Economic Development (Commerce and Industry)³

Ms Ada LEUNG, JP
Director of Intellectual Property

Ms Maria Kaiser NG
Assistant Director of Intellectual Property
(Advisory)

Mr Frank TSANG
Assistant Commissioner for Innovation and
Technology (Funding Schemes)

Mr Wellington FUNG
Assistant Head for Create Hong Kong

Agenda Item V

Miss Fabia TAM
Principal Assistant Secretary for Commerce and
Economic Development
(Commerce and Industry)³

Miss LEE Sau-kong
Deputy Director of Intellectual Property

Miss Joyce POON
Assistant Director of Intellectual Property
(Registration)

Clerk in attendance : Ms Annette LAM
Chief Council Secretary (1)³

Staff in attendance : Ms Connie HO
Senior Council Secretary (1)³

Ms May LEUNG
Legislative Assistant (1)³

I. Confirmation of minutes of meeting

(LC Paper No. CB(1)819/14-15 -- Minutes of meeting held on 17 March 2015)

The minutes of the meeting held on 17 March 2015 were confirmed.

II. Information papers issued since last meeting

(LC Paper No. CB(1)794/14-15(01) -- Information on the financial position of the Applied Research Fund for the period from 1 September to 30 November 2014

File Ref: CITB CR 75/53/8 and -- Legislative Council Briefs on CITB CR 75/53/4 United Nations Sanctions (Central African Republic) Regulation 2015 and United Nations Sanctions (Democratic Republic of the Congo) Regulation 2015)

2. Members noted that the above papers had been issued since the last meeting.

III. Date of next meeting and items for discussion

(LC Paper No. CB(1)831/14-15(01) -- List of outstanding items for discussion

LC Paper No. CB(1)831/14-15(02) -- List of follow-up actions)

3. Members noted that the next regular Panel meeting would be held on 16 June 2015 at 2:30 pm to discuss the following items proposed by the Administration:

- (a) Increase in commitment and enhancement measures for SME Development Fund and SME Export Marketing Fund; and
- (b) Progress report on Research and Development Centres 2014-2015.

IV. Progress of the Working Group on Intellectual Property Trading

(LC Paper No. CB(1)831/14-15(03) -- Administration's paper on progress of the Working Group on Intellectual Property Trading

LC Paper No. CB(1)680/14-15(01) -- Report of the Working Group on Intellectual Property Trading

LC Paper No. CB(1)831/14-15(04) -- Paper on promotion of intellectual property trading in Hong Kong prepared by the Legislative Council Secretariat (updated background brief)

Presentation by the Administration

4. At the invitation of the Chairman, Secretary for Commerce and Economic Development ("SCED") briefed members on the measures recommended by the Working Group on Intellectual Property ("IP") Trading ("Working Group") to promote the development of IP trading in Hong Kong. The relevant measures fell under four areas of the strategic framework devised by the Working Group, namely enhancing the IP protection regime; supporting IP creation and exploitation; fostering IP intermediary services and manpower capacity; and pursuing promotion, education and external collaboration efforts. Details of the work progress of the Working Group were provided in the Administration's paper (LC Paper No. CB(1)831/14-15(03)).

Discussion

Fostering IP intermediary services and manpower capacity

5. Mr Jeffrey LAM said that robust economic development of the Mainland China had driven the demand for IP and created enormous business opportunities for Hong Kong's IP intermediary services. He called on the Administration to strengthen the IP manpower capacity and where necessary, consider putting in place measures to attract overseas IP talents to Hong Kong to complement the development of IP trading in Hong Kong.

6. Mr Martin LIAO echoed Mr Jeffrey LAM's view. He remarked that the lack of public awareness on IP-related issues and a clear IP manpower development plan had posed a challenge to the development of IP trading in Hong Kong. In this connection, he advised that measures should be drawn up to encourage local graduates and relevant professionals to join the relevant IP intermediary services sectors. Efforts should also be made to build up IP

management capacity of local enterprises and enhance their awareness of IP-related issues to enable them to protect and capitalize on their IP assets.

7. Ir Dr LO Wai-kwok expressed his support for the measures recommended by the Working Group to foster the development of IP trading in Hong Kong. He considered that, apart from fostering the IP intermediary services, it was also pivotal to develop a local culture that attached importance to innovation and technology ("I&T") to encourage IP creations. Referring to the findings of the Survey on IP Trading commissioned by Intellectual Property Department ("IPD") on the respective number of persons engaged in IP creation (19 100) and IP management (15 400), Ir Dr LO urged the Administration to formulate a comprehensive human resource development plan in order to ensure an adequate supply of talents to sustain the long-term development of IP trading in Hong Kong.

8. On fostering the IP intermediary services, SCED advised that IPD would explore the feasibility of conducting a dedicated manpower survey to take stock of the IP manpower situation and the needs of Hong Kong's IP intermediary services sectors. Complementary measures in respect of the manpower development of the relevant professional sectors would be formulated in the light of the findings of the survey. In the meantime, IPD would consider sponsoring and promoting training courses to facilitate the development of IP related services among professionals and nurture talents. To this end, IPD was liaising with relevant professional bodies in organizing or sponsoring training courses on IP related subjects in order to build up the requisite manpower capacity to support IP trading activities in Hong Kong. In response to the Chairman's enquiry about whether the relevant training programmes would be recognized under the Qualifications Framework, SCED said that the Administration maintained an open mind in this regard and would explore the relevant arrangements when necessary.

9. SCED further said that the 28 recommended measures under the four strategic areas proposed by the Working Group aimed at expanding the IP trading market in Hong Kong by creating an environment conducive to the conduct of IP trading activities. Apart from strengthening the IP intermediary services, initiatives had also been drawn up to foster IP management manpower capacity in small and medium enterprises ("SMEs") who were the major creators/owners/users of IPs. In partnership with the major trade associations and SME associations, the Hong Kong Science and Technology Parks Corporation and Cyberport, an IP Manager Scheme would be launched in May 2015 to support SMEs in building up their manpower capacity in IP management, commercialization and trading practices, integrating IP assets into their overall business strategy, and communicating the IP value with business partners and financiers. IPD was also working with the Law Society of Hong Kong ("Law Society") to compile and publish a checklist containing basic practical guidelines

on two areas, namely "IP audit" (management for day-to-day business) and "IP due diligence" (due diligence for IP transactions) to facilitate businesses, in particular SMEs, in understanding the process of IP due diligence and the benefits that it would bring about prior to seeking IP finances and engaging in IP trading activities.

IP financing and insurance

10. Mr Martin LIAO noted with concern that while the conduct of IP trading activities relied heavily on the support of IP intermediary services, the IP intermediary services sectors in Hong Kong, in particular the IP financing and insurance markets, were rather immature. He called on the Administration to put in place targeted measures to foster the development of IP financing and insurance markets. SCED responded that the Hong Kong Business Valuation Forum ("HKBVF") had released a pioneering Statement of Standard on the reporting of IP valuation for its Registered Business Valuers to follow. Given the intangible nature of IP, the said reporting standards could provide a basis for IP valuation to help promote IP financing and insurance. IP professionals might also make use of this tool to facilitate IP commercialization. He said that the IPD would explore with HKBVF means to further promulgate the reporting standards and maximize its impact.

IP arbitration and mediation

11. Mr Martin LIAO said that the number of disputes involving IP rights had increased as a result of the rising demand for IP. Pointing out that Hong Kong had lagged behind Singapore in respect of the development of dispute resolution services, he asked whether the Administration would formulate any concrete measures or guidelines to develop Hong Kong into an international legal and dispute resolution services centre to complement the development of IP trading in Hong Kong. Mr LIAO advised that the Administration should consult veteran professionals in the legal sector who were highly familiar with the IP trading market to help formulate the strategies and policies in relation to the development of IP dispute resolution services.

12. SCED responded that the Government was committed to developing and promoting Hong Kong as a leading dispute resolution centre in the Asia Pacific region. The Department of Justice ("DoJ") would continue to showcase Hong Kong's dispute resolution services to businesses and relevant stakeholders in Mainland China and overseas through various international forums organized by the Government, professional organizations and Hong Kong Trade Development Council. In promoting Hong Kong as an Alternative Dispute Resolution ("ADR") centre in Mainland China and overseas, efforts would be made to feature IP arbitration and mediation as one of the important components. In addition, IPD

was exploring potential refinement to the substantive and/or procedural laws relevant to arbitration with a view to enhancing Hong Kong's competitiveness in being an international IP ADR centre.

13. Director of Intellectual Property ("DIP") added that IPD would work with DoJ and relevant stakeholders to develop and promote the use of mediation to resolve IP disputes, and to explore the use of evaluative mediation on top of facilitative mediation as a means of dispute resolution for IP disputes. In this connection, DoJ and IPD would jointly organize an IP Mediation Workshop focusing on the use of evaluative mediation in resolving IP disputes.

14. SCED further said that the Working Group had taken into account the views of its members who were experts from the legal sector in formulating the policies and recommendations in relation to IP arbitration and mediation. DIP added that IPD had maintained collaboration with the Hong Kong International Arbitration Centre ("HKIAC"), a reputable professional arbitration organization in Hong Kong, in taking forward the recommendations of the Working Group in relation to IP arbitration. HKIAC was considering drawing up a list of IP arbitrators for users' reference to help strengthen Hong Kong's specialty and capability in the concerned areas. DIP assured members that IPD would continue to maintain close communication and work with local arbitral and mediation bodies to improve offering on IP arbitration and mediation.

15. Referring to litigations arising from trademarks disputes that involved famous Hong Kong and international brands handled by courts in the Mainland, Dr CHIANG Lai-wan enquired whether the Administration would coordinate with the relevant Mainland authorities to promote the use of Hong Kong's IP arbitration service in resolving such disputes. Pointing out that IP right infringements were common on the Internet and in the Mainland, Dr CHIANG asked about the protection of IPs registered in Hong Kong in case of infringements. She urged the Administration to explore ways to foster the mutual recognition of IP rights between Hong Kong and the Mainland to enhance the protection of IPs registered in Hong Kong, thereby enhancing the competitiveness of Hong Kong as an IP trading hub.

16. SCED explained that IP protection was territorial in nature and that IP rights were granted in each jurisdiction independently according to its own IP laws and practice. As such, there was no arrangement for mutual recognition of IP rights at the international level. Given that IP disputes would be handled according to the respective local laws, the best way for IP creators to protect their IPs was to register their IP rights in countries where protection was sought. ADR services, including arbitration and mediation, could be used in place of litigation to resolve IP disputes in cases where the law of a specified jurisdiction had been chosen as the governing law of the arbitration. He added that the Customs and

Excise Department would join hands with the relevant Mainland authorities to take enforcement actions against cross-border IP right piracy cases.

IP Consultation Service Scheme

17. The Chairman enquired about SMEs' demand for the free initial IP consultation services under the six-month pilot IP Consultation Service Scheme jointly launched by IPD and the IP Committee of the Law Society in December 2014. He asked whether the Administration would consider providing free IP consultation services on an ongoing basis in the future upon completion of the pilot scheme. DIP responded that 16 applications had been received so far during the pilot period from December 2014 to June 2015. IPD and the Law Society would review the scheme taking into account the experience gained during the pilot period, and consider the feasibility of a formal scheme.

18. Citing some SMEs' feedback that the free advisory services on IPs currently offered by the IPD and the concerned organization could be more thorough to effectively support local enterprises or enhance their awareness on IP-related matters, Mr Martin LIAO called for improvement in the provision of such services. SCED said that the six-month pilot scheme aimed to enhance SMEs' awareness on IP-related issues such as creation, protection and application through the provision of free initial IP consultation services. SMEs had to approach the relevant professionals should they require more in-depth advice and services regarding their IPs.

Resource input and promotion strategies

19. Mr CHUNG Kwok-pan noted that the Administration had earmarked \$23 million in the 2015-2016 Budget for offering IP consultation, organizing and sponsoring IP manpower training, facilitating the provision of highly specialized IP intermediary services, and launching promotion and public education campaigns in the coming three years to support the development of IP trading in Hong Kong. He considered the provision insufficient taking into account the wide range of work to be involved. Dr CHIANG Lai-wan expressed a similar view.

20. SCED responded that apart from setting aside \$23 million in the 2015-2016 Budget in support of the promotion of IP trading, the Administration had also been deploying resources from other Government funding, such as the Innovation and Technology Fund, Film Development Fund and the CreateSmart Initiative, to support IP creation and exploitation in the I&T and creative industries. He said that the allocation was considered sufficient for implementing the new initiatives proposed in the 2015-2016 Budget as a start. The Administration would seek the Legislative Council's support for additional funds if there was a

need to expand the relevant work.

21. Given the wide scope of IP trading that spanned across many different industries, Mr CHUNG Kwok-pan suggested that the Administration should consider selecting a few industries with good potential for focus development as a start. SCED responded that industries in which Hong Kong had an edge, such as the textiles and apparel industries, might be considered as pilot industries in the development of IP trading. The Administration welcomed views from relevant stakeholders on fostering the development of IP trading in all industries concerned.

22. Dr CHIANG Lai-wan urged the Administration to step up the promotion of Hong Kong as a preferred place of IP trading. She enquired about the competitive advantages of Hong Kong over its neighbouring competitors in conducting IP trading activities. SCED responded that Hong Kong's edges for developing into an IP trading hub were multi-folded. As a metropolis and an international financial centre with Mainland China as the hinterland, Hong Kong cast itself as the business, trading and services hub for Mainland China and the region as a whole, and functioned as a springboard for foreign investors seeking to tap the Mainland China market. In addition to a long tradition of upholding the rule of law, Hong Kong had a sound IP rights protection system, a simple and low tax regime, as well as a pool of bi-literate and tri-lingual professionals with Mainland and international perspectives. Given also Hong Kong's experience in areas such as research and development, design, trading and business services in support of industrial production, Hong Kong had the potential to develop into a regional IP trading hub.

V. Application of the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks to the Hong Kong Special Administrative Region

(LC Paper No. CB(1)831/14-15(05) -- Administration's paper on consultation on the proposed application of the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks to the Hong Kong Special Administrative Region: Outcome of Consultation

LC Paper No. CB(1)831/14-15(06) -- Paper on the application of the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks to the Hong Kong Special Administrative Region prepared by the Legislative Council Secretariat (background brief)

Presentation by the Administration

23. At the invitation of the Chairman, Principal Assistant Secretary for Commerce and Economic Development (Commerce and Industry)3 ("PASCED(C&I)3") briefed members on the outcome of the three-month consultation exercise conducted from 11 November 2014 to 11 February 2015 on the proposed application of the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks ("Madrid Protocol") to Hong Kong, details of which had been set out in the Administration's paper (LC Paper No. CB(1)831/14-15(05)).

Discussion

Benefits of the application of the Madrid Protocol to Hong Kong

24. Dr CHIANG Lai-wan and Ir Dr LO Wai-kwok asked whether trade mark rights granted in Hong Kong would be recognized by contracting parties of the Madrid Protocol, including the Mainland, upon application of the Madrid Protocol to Hong Kong. PASC&ED(C&I)3 and Deputy Director of Intellectual Property ("DDIP") advised that IP protection was territorial in nature. IP rights were granted in each jurisdiction independently according to its own IP laws and practice and protection was confined to the place in which the mark was being applied for and registered. Hence, there was no arrangement for mutual recognition of patent, trademark and other IP rights at the international level. DDIP added that the Madrid Protocol was an international agreement and was not applicable to the trade mark registration arrangement between Mainland China and Hong Kong which would be a domestic arrangement within China.

25. Noting that the application of the Madrid Protocol to Hong Kong would not facilitate mutual recognition of trade mark rights between Hong Kong and other contracting parties of the Protocol, Dr CHIANG Lai-wan and Ir Dr LO Wai-kwok enquired about the benefits for Hong Kong to join the Madrid System.

26. DDIP advised that the Madrid System could provide procedural convenience for trade mark applicants to register and manage their marks in

multiple countries and jurisdictions. Traditionally, a trader needed to apply for registration of his trade mark in each jurisdiction where he wished to obtain protection. However, under the Madrid System, a trade mark owner could seek to protect his trade mark in one or more countries or territories by filing a single application for registration and paying one set of fees. In addition, the Madrid System also simplified the post-registration management of the marks through a central depository of World Intellectual Property Organization ("WIPO") which enabled trade mark owners to centrally request and record further changes, or renew the registrations, through a single procedural step with the International Bureau of WIPO.

27. Ir Dr LO Wai-kwok enquired how the Madrid Protocol could be extended to Hong Kong. DDIP advised that China was a contracting party to the Madrid Protocol. The Central People's Government ("CPG") might apply the Madrid Protocol to Hong Kong in accordance with Article 153 of the Basic Law. The implementation details would need to be worked out with the CPG and the WIPO.

Impact on the business of local trade mark agents

28. Referring to the trade mark profession's concern that the number of trade mark registrations filed in Hong Kong might be drastically reduced upon the implementation of the Madrid Protocol, Ir Dr LO Wai-kwok expressed concern about the possible adverse impact of the proposal on local trade mark agents' business. Dr CHIANG Lai-wan expressed a similar concern. Given that the reduction in the number of domestic applications might result in a loss of jobs in the IP sector, Dr CHIANG said that a diminishing IP profession was not conducive to the development of Hong Kong into an IP trading hub.

29. DDIP said that some trade mark agents had reservation about the proposed application of the Madrid Protocol to Hong Kong out of concern that the number of locally filed applications could reduce drastically, thereby adversely affecting their businesses. However, the impact on the trade mark profession might not be as serious as speculated in view of the rising trend in the number of trade mark registrations filed in Hong Kong, which had increased by about 39% during 2010 to 2014 and the fact that the majority of domestic applications (almost 60% in 2014) were filed by applicants of Hong Kong and the Mainland China and thus outside the scope of the Madrid Protocol. It was believed that the Madrid Protocol would provide an additional procedural option for overseas trade mark owners to protect their trade marks in Hong Kong by designating Hong Kong in their international applications, but this option would not displace the existing domestic application channel for seeking trade mark registration in Hong Kong. The increase in international applications on the other hand might bring new business opportunities for the local trade mark practitioners, particularly the small and medium law firms. A study of overseas experience showed that subsequent

to their joining the Madrid Protocol, some countries had experienced an overall increase in the number of both domestic and international applications for trade mark registration while some other countries had experienced a decrease in the number of domestic applications while at the same time recording an increase in the number of international applications, suggesting that the impact of the Madrid Protocol could not be easily generalized.

30. Regarding the implication of the proposal on the development of IP trading, DDIP stated that the application of the Madrid Protocol to Hong Kong could be beneficial to both local and overseas IP traders. By enabling local enterprises, especially SMEs, to register and manage their trade marks internationally in a more efficient and cost-effective manner, this could facilitate their exploration of global business opportunities. On the other hand, as overseas traders could obtain trade mark protection in Hong Kong by designating Hong Kong in their international applications under the Madrid System, this might confer greater incentive for them to seek protection of their trade marks and explore business opportunities in Hong Kong. Hence, joining the Madrid System could help enhance the competitiveness of Hong Kong as a place for setting up and doing business and could also enhance the credibility of Hong Kong's trade mark regime and be conducive to Hong Kong's development as an IP trading hub and a knowledge-based economy.

Operation of the Madrid System in Hong Kong

31. Given that Mainland China but not Hong Kong was the contracting party to the Madrid Protocol, Mr Martin LIAO enquired whether the application of the Madrid Protocol to Hong Kong would take away the Trade Marks Registry's approval authority for international trade mark applications submitted under the Madrid System. He also asked whether enforcement of the IP rights of international trade marks registered in Hong Kong would be in accordance with the relevant local legislation. DDIP advised that the Madrid System provided procedural convenience for trade mark applicants to register and manage their marks in multiple countries and jurisdictions. However, the substantive registration requirements and the related dispute resolution mechanisms in a particular jurisdiction would be subject to the relevant local legislation and practice. Hence, international applications under the Madrid System designating Hong Kong would still be subject to substantive examination conducted by the Trade Marks Registry of IPD. IP rights would also be enforced in accordance with the laws of Hong Kong.

VI. Any other business

32. There being no other business, the meeting ended at 4:01 pm.

Council Business Division 1
Legislative Council Secretariat
14 July 2015