

*Intellectual Property Department: Registration and protection of intellectual property*

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The Audit Commission ("Audit") conducted a review of the Intellectual Property Department ("IPD")'s work on the registration and protection of intellectual property ("IP"). A related audit review on the subject was previously conducted and reported in October 2006.<sup>1</sup>

2. IPD is responsible for the registration and protection of IP, i.e. a group of separate intangible property rights, including trade mark, patent, design and copyright. In Hong Kong, trade marks, patents, designs and copyrights are generally protected under the Trade Marks Ordinance (Cap. 559), the Trade Descriptions Ordinance (Cap. 362), the Patents Ordinance (Cap. 514), the Registered Designs Ordinance (Cap. 522) and the Copyright Ordinance (Cap. 528). Copyright is an automatic right and is not necessary to be registered. As at 31 December 2019, the number of trade marks, patents and designs registered in Hong Kong totalled 536 592. In 2018-2019, IPD's income was \$220.7 million and its total expenditure was \$177.5 million.

3. The Committee noted the following findings from the Director of Audit's Report:

Registration of trade marks, patents and designs

- the number of outstanding trade mark applications increased by 29% from 5 270 in January 2018 to 6 775 in December 2019, while as at 31 December 2019, for 4 907 (72%) of the 6 775 outstanding trade mark applications, IPD had not completed deficiencies checking stage,<sup>2</sup> including 765 (16% of 4 907) which had been received for over 90 days. In the period from January 2018 to October 2019, IPD took more than 60 days after receipt of the applications to issue the first letters<sup>3</sup> for 17 177 (26%) out of the 67 049 trade mark applications, and the longest time taken was 433 days;

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<sup>1</sup> Chapter 11 of Director of Audit's Report No. 47 - "Registration and promotion of intellectual property rights"

<sup>2</sup> Deficiencies checking was the first stage of a trade mark application (total three stages). Upon receipt of the applications, IPD carried out checking to ensure that the application forms had been properly filled in and all the required information was submitted.

<sup>3</sup> After the deficiencies checking, IPD would issue first letters to applicants requesting them to provide information to remedy the deficiencies or notifying them that their applications would proceed to the next stage, i.e. the search and examination stage.

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- there was an increasing trend in the number of outstanding applications for standard patents since late 2018 and for short-term patents since early 2019. From January 2018 to December 2019, the number of outstanding standard patent and short-term patent applications increased by 4 431 (70%) and 146 (56%) respectively;
- the average waiting time for inter partes substantive hearings on trade mark registration heard in December 2019 was long (11 months) as compared to the performance of overseas IP agencies and the Judiciary of Hong Kong;
- the percentage of electronic filing for trade mark applications in 2019 was 73%, a figure lower than those of other major IP offices outside Hong Kong;

Promotion of IP protection

- the Survey on Public Awareness of Intellectual Property Right Protection<sup>4</sup> conducted by IPD in 2018 found that 74% of the 1 003 respondents were not aware that IPD was responsible for promoting IP rights protection, 49% were not aware of its promotional activities and 36% considered that its promotional activities were quite/very ineffective;
- from 2015 to 2019, the number of physical shops covered under the No Fakes Pledge ("NFP") Scheme<sup>5</sup> decreased by 274 (4%);
- as at 11 February 2020, 318 (26%) of the 1 225 retail merchants who were members of NFP Scheme in 2019 had not renewed their membership;
- in January 2020, Audit visited nine retail shops whose NFP Scheme membership had already been suspended or terminated and found two (22%) of them were still displaying the No Fakes logo;

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<sup>4</sup> In order to evaluate the change in awareness level on IP among the public, IPD had periodically conducted the Survey on Public Awareness of Intellectual Property Right Protection since 1999.

<sup>5</sup> IPD launched the NFP Scheme in 1998. Participating merchants in the Scheme must volunteer to make a pledge not to sell fakes, and may post the No Fakes stickers and place tent cards in their shops. IPD was the coordinator of the Scheme, and there were four supporting organizations including the Customs and Excise Department.

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- IPD had not taken prompt follow-up actions against three member shops of NFP Scheme after the Customs and Excise Department's raid operations for IP rights infringement;
- the number of new participating enterprises of the IP Manager Scheme<sup>6</sup> decreased by 91 (38%) from 242 in 2017-2018 to 151 in 2018-2019;

Administrative issues

- although IPD received only two tender proposals in the 2006 tender exercise for procuring outsourced services for its non-core services, it did not conduct any market research or expression of interest exercise for subsequent tender exercises; and
- from 2014 to 2019, 11 (55%) of the 20 Management Committee<sup>7</sup> meetings and 11 (65%) of the 17 business review meetings for monitoring outsourced services were held longer than three months after their previous meetings, at variance with contract requirements.

4. The Committee did not hold any public hearing on this subject. Instead, it asked for written responses regarding the registration of trade marks, patents and designs, promotion of IP protection and administrative issues. The replies from **Director of Intellectual Property** are in *Appendix 46*.

5. The Committee wishes to be kept informed of the progress made in implementing the various recommendations made by Audit.

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<sup>6</sup> The IP Manager Scheme was launched in 2015 with an aim of assisting Hong Kong enterprises, especially small and medium enterprises, to build up their IP manpower capacity. Participating enterprises were required to appoint a staff member in a managerial position as their in-house "IP Manager", who would be responsible for overseeing the compliance, management, exploitation and commercialization of IP assets.

<sup>7</sup> IPD's control mechanism for monitoring the contractor's performance included the Management Committee and business review meetings. They both comprised representatives of IPD and the contractor, and should meet or should be held at least once every three months or at such interval as determined by IPD according to contract requirements.