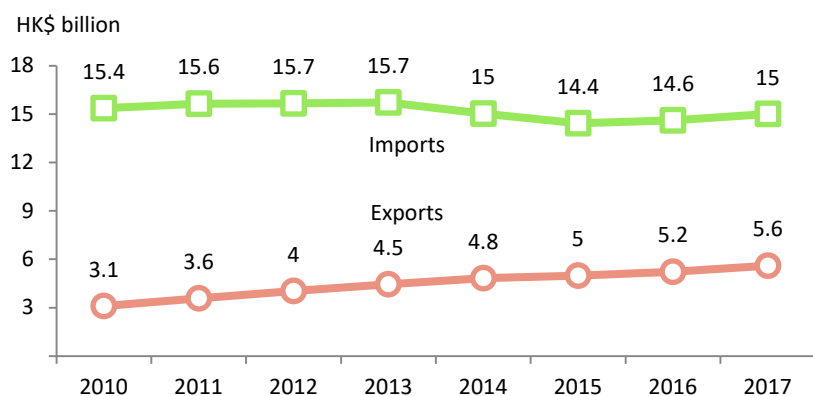




Intellectual property trading

Figure 1 – Value of trade services related to the use of IP⁽¹⁾, 2010-2017



Note: (1) It refers to receipts/payments on authorized use of franchises, patents, trademarks, copyrights and other non-financial proprietary rights; and receipts/payments for licences to reproduce and/or distribute IP embodied in products not included elsewhere.

Figure 2 – Proportion of establishments engaging in IP trading/management activities in selected industry groups

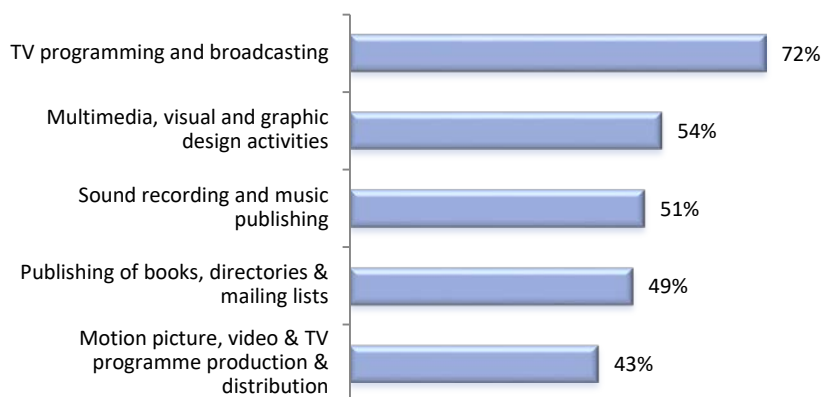
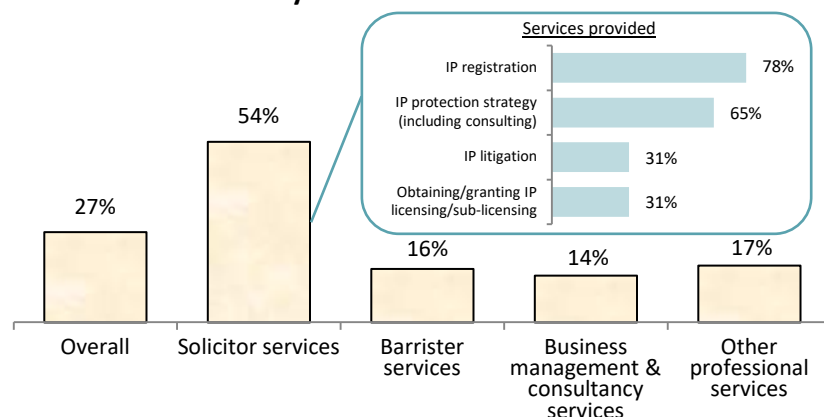


Figure 3 – Proportion of establishments providing IP intermediary services



Highlights

- Intellectual Property ("IP") trading generally refers to the buying, selling and transferring of IP rights such as trade marks, patents and designs. A vigorous IP trading market is expected to bring a lot of potential benefits to the city, including an enhancement of local research and development capacity, facilitating technology transfer and creation of jobs in various high end business sectors.
- Over the past years, Hong Kong's IP trading activities have remained fairly stable with growing signs of export services. According to the latest information available, the value of imports of services related to the use of IP hovered between HK\$15 billion and HK\$16 billion from 2010 to 2017 (Figure 1). On the other hand, the value of exports of services related to the use of IP grew continuously from about HK\$3.1 billion in 2010 to around HK\$5.6 billion in 2017, at an average annual growth rate of 8.8%.
- IP trading and management (e.g. identifying and protecting IP) activities are particularly prevalent in creative industries. According to a survey on manpower in IP trading and management commissioned by the Intellectual Property Department in 2017, 72% of "TV programming and broadcasting" industry group indicated that they had engaged in IP trading/management activities, which was followed by "multimedia, visual and graphic design activities" (54%), and "sound recording and music publishing" (51%) (Figure 2).
- IP trading activities create demand for specialized support services, including legal, financial and consulting services. Based on the survey results, the "solicitor services" industry group had the highest proportion (54%) of participation in providing IP intermediary services (Figure 3). Among them, IP registration (78%) and IP protection strategy (including consulting) (65%) were the two most common types of services rendered.

Intellectual property trading (cont'd)

Figure 4 – Competitive edge of Hong Kong as an ideal IP trading hub in Asia

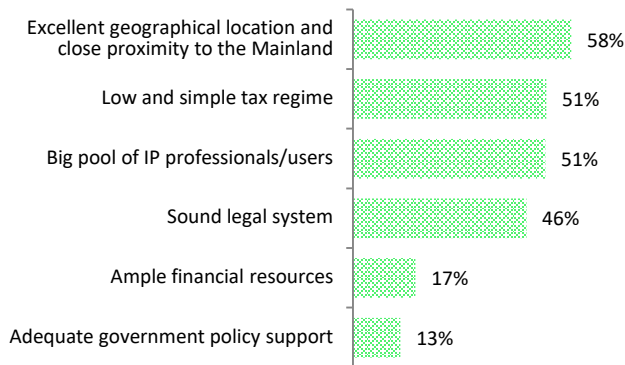


Figure 5 – Patent applications by residency in 2018

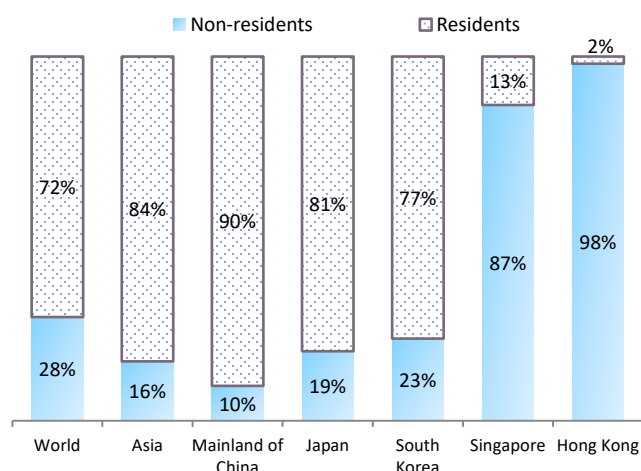


Figure 6 – Tax concessions for capital expenditure incurred for purchase of IP rights

IP rights	Since
1. Patents	1983 ^(a)
2. "Know-how" (industrial information and techniques likely to assist in the manufacture or processing of goods or materials)	1992
3. Copyright	2011
4. Registered designs	
5. Registered trade marks	2018
6. Layout-design of integrated circuits	
7. Plant varieties	
8. Performances	

Note: (a) Originally, the deduction was also applicable to "trade marks" and "designs". It was withdrawn in 1992 as a measure to prevent exploitation.

Highlights

- According to another survey of IP professionals and industry players conducted by the Hong Kong Trade Development Council in 2018, Hong Kong remained the most important IP trading hub in Asia. In the views of the respondents, "excellent geographical location and close proximity to the Mainland" (58%) was the most popular reason for conducting IP trading in Hong Kong (**Figure 4**). This was followed by the "low and simple tax regime" (51%) and "big pool of IP professionals/users" (51%). However, only 13% cited that there was "adequate government policy support".
- Indeed, Hong Kong ranked among the world's top 25 out of over 100 IP application centres for patents, trade marks and designs. In particular, almost all of the standard patent applications (98%) came from non-residents in 2018 (**Figure 5**). This is far higher than the world average of 28% and Asia's average of 16%. The high share of non-resident IP applications is seen as a sign of Hong Kong's business potential in IP commercialization for foreign IP owners. On the other hand, the phenomenon may also be due to the weakness of the existing patent re-registration system under which local inventors are required to file the applications at the non-local designated patent offices in advance, which is considered to be inconvenient and costly. Recently, the Government has announced that the original grant patent system would be launched in December 2019 to allow the applicants filing the applications directly in Hong Kong. The new system will run in parallel with the existing re-registration system.
- To encourage enterprises to engage in the development of IP trading business, the Government has expanded the scope of profits tax deductions for capital expenditure incurred by enterprises for purchase of IP rights. At present, there are eight types of IP rights for which the capital expenditure, such as registration expenditure and purchase cost, are deductible (**Figure 6**). When introducing the bill to expand the types of IP rights in 2018, the Government indicated that the amount of revenue foregone was insignificant, at HK\$140 million in respect of the assessment year 2015-2016. It is expected that extension of the tax concession scheme to cover more IP rights will bring positive effects to the development of Hong Kong as an IP trading hub and help contribute to a more favourable environment for innovation.

Data sources: Latest figures from Census and Statistics Department, Hong Kong Trade Development Council, Intellectual Property Department and World Intellectual Property Organization.

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