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Panel on Commerce and Industry

Meeting on 21 May 2013

**Background brief on the development of
intellectual property trading**

Purpose

This paper gives an account on the development of intellectual property (IP) trading in Hong Kong and summarizes views and concerns expressed by Members during previous discussions on the subject.

Background

2. IP trading generally refers to the buying, selling and transferring of IP rights under mutually agreed terms and conditions. IP trading may include acquisition and licensing of inventive patents, industrial designs, semi-conductor layout-designs, plant varieties, copyright works, trademarks for goods and services, trade-secrets and more.

3. According to the Report of the Advisory Committee on Review of the Patent System in Hong Kong¹, there has been a global growing demand for IP rights. Patent applications have increased across the world from 800 000 in the early 1980s to 1.8 million in 2009, with a shift towards Asian countries. IP rights have become increasingly tradable, with the emergence of new intermediaries and IP marketplaces. Companies, universities and governments are implementing new IP policies to take advantage of the trend.

¹ The Advisory Committee was appointed by the Government in October 2011 to conduct a review of the patent system in HK.

4. Hong Kong is one of the innovative and creative economy leaders in the region. As an established international financial and trading centre, Hong Kong's favourable and secure business environment creates an ideal foundation for the development of IP trading and has the potential to develop into a regional IP trading hub.

5. The Chief Executive announced in his 2013 Policy Address the setting up of a working group to study the overall strategy for promoting Hong Kong as a hub for IP trading.

Previous discussions

Panel discussions

6. Panel members have expressed concern about the development of IP trading in Hong Kong and how IP protection and development of IP trading would complement the development of innovation and technology in Hong Kong at Panel meetings held on 23 January and 19 February 2013. Members were of the view that to successfully promote Hong Kong as a hub for IP trading, the Administration should first provide the necessary hardware and software support conducive to the sustained development of IP trading in Hong Kong. Some members considered that a robust IP protection regime, with patent protection as a key component, was instrumental in promoting innovation and technology, the realization and commercialization of research and development (R&D) results, as well as branding development of home-grown brands which would in turn complement the sustained development of IP trading in Hong Kong. The Administration was urged to develop overall strategies to promote Hong Kong as an IP trading hub and to explore how best to help enterprises, especially small and medium enterprises, protect and capitalize on their intellectual assets for future business development. Concerns were also raised about Hong Kong's advantages in promoting itself as a regional IP trading hub, the problem of pirated goods in the Mainland and how the Administration would protect the patent and IP rights of Hong Kong enterprises in the Mainland.

7. The Administration advised that under a knowledge-based economy, IP rights were increasingly commercialized and traded around the world. With overseas IP owners eagerly eyeing the Asian market, Hong Kong was well placed to develop into a regional IP trading hub providing professional services in licensing, franchising and registration in the IP fields by leveraging on its sound financial and legal systems, a low-tax regime, outstanding business environment, experience in areas such as R&D, design, trading and business, and a pool of world-class business professionals.

Moreover, the development of an "Original Grant" patent system might attract and encourage local and foreign enterprises to make R&D and related investments in Hong Kong. On protecting patent and IP rights of Hong Kong enterprises in the Mainland, the Administration assured members that continued efforts would be made to foster a close partnership between the IP related authorities in the Mainland and Hong Kong so as to enhance mutual understanding and respect for the patent and IP rights in the two places.

Council meeting

8. At the Council Meeting on 20 March 2013, a motion on "Promoting Hong Kong's economic restructuring" moved by Hon Martin LIAO and amended by Hon Kenneth LEUNG, Hon Christopher CHEUNG, Hon TANG Ka-piu, Hon SIN Chung-kai, Hon IP Kin-yuen and Hon Charles Peter MOK was passed. The motion urged the Administration to, among others, restructure public finances and properly use budget surplus to increase recurrent expenditure to promote Hong Kong's economic restructuring, so as to alleviate social conflicts. Regarding the innovation and information technology industry, the Administration was urged to implement a series of measures, among which included comprehensively reviewing the existing scientific research assistance policies, formulating support policies to attract overseas or mainland enterprises to co-operate with the local scientific research sector, and allocating additional resources to encourage enterprises to undertake research and development projects, so as to develop Hong Kong into an international IP trading hub, thereby creating more quality employment opportunities in scientific and technological industries.

Recent developments

9. Pursuant to the Chief Executive's announcement in the 2013 Policy Address, the Working Group on IP Trading ("the Working Group") was set up in March 2013 to study the overall strategies to promote the development of Hong Kong as an IP trading hub, and to identify possible policy and support measures to facilitate IP trading in Hong Kong. Led by the Secretary for Commerce and Economic Development, members of the Working Group have been drawn from a wide range of sectors related to IP trading including IP creators, IP users and IP intermediaries, as well as representatives from the Government and the Hong Kong Trade Development Council. The membership of the Working Group is in **Appendix I**.

10. In addition, following a comprehensive review on the positioning of Hong Kong's patent system conducted by the Advisory Committee on Review of the Patent System in Hong Kong, the Government is planning to introduce an "Original Grant" patent system to complement the efforts to develop Hong Kong into an innovation and technology hub and IP trading hub.

Latest position

11. The Administration will brief the CI Panel on 21 May 2013 on the initiatives in fostering the development of IP trading in Hong Kong.

Relevant papers

12. A list of relevant paper is in **Appendix II**.

Council Business Division 1
Legislative Council Secretariat
16 May 2013

**Membership of the Working Group
on Intellectual Property Trading**

Chairman

Secretary for Commerce and Economic Development

Vice-chairman

The Hon Andrew LIAO Cheung-sing, GBS, SC, JP

Members

Mr Nicholas Charles BROOKE, SBS, JP

Ms Agnes CHAN Sui-kuen

Dr Jackson CHAN Chik-sum

Dr Toby CHAN Lap-man

Professor Paul CHEUNG Ying-sheung

Professor Raymond CHOY Hon-sing

Ms Yvonne CHUA

Dr Roy CHUNG Chi-ping, BBS, JP

Mr KWONG Chi-keung, JP

Mr Alfred KWOK Chan-fai

Mr Anson KWOK

Mr Ronald LAI Chi-shing

Dr Terence LAU Lok-ting

Mr Jong LEE

Mr Sunny LEE Wai-kwong, JP

Dr Lewis LUK Tei, JP

Mr WONG Ming-yam, BBS, JP

Dr WU Po-chi

Director of Intellectual Property (or representative)

Commissioner for Innovation and Technology (or representative)

Head of Create Hong Kong (or representative)

Executive Director, Hong Kong Trade Development Council (or representative)

Development of intellectual property trading

List of relevant papers

Date of meeting	Meeting	Minutes/Paper	LC Paper No.
23/1/2013	Panel on Commerce and Industry	Administration's paper Minutes of meeting	CB(1)436/12-13(03) http://www.legco.gov.hk/yr12-13/english/panels/ci/papers/ci0123cb1-436-3-e.pdf CB(1)694/12-13 http://www.legco.gov.hk/yr12-13/english/panels/ci/minutes/ci20130123.pdf
19/2/2013	Panel on Commerce and Industry	Administration's paper Minutes of meeting	CB(1)534/12-13(05) http://www.legco.gov.hk/yr12-13/english/panels/ci/papers/ci0219cb1-534-5-e.pdf CB(1)830/12-13 http://www.legco.gov.hk/yr12-13/english/panels/ci/minutes/ci20130219.pdf
20/3/2013	Council meeting	Motion moved by Hon Martin LIAO	Hansard (Page 7648-7782) http://www.legco.gov.hk/yr12-13/english/counmtg/hansard/cm0320-translate-e.pdf