

ITEM FOR ESTABLISHMENT SUBCOMMITTEE OF FINANCE COMMITTEE

HEAD 78 – INTELLECTUAL PROPERTY DEPARTMENT Subhead 000 Operational expenses

Members are invited to recommend to Finance Committee the creation of the following supernumerary post in the Intellectual Property Department from 1 April 2014 to 31 March 2017 –

1 Assistant Director of Intellectual Property
(DL2) (\$136,550 - \$149,350)

PROBLEM

We need dedicated staffing support at the directorate level in the Intellectual Property Department (IPD) to carry out the work relating to the implementation of the “original grant” patent (OGP) system and the strengthening of the promotion of Hong Kong as an intellectual property (IP) trading hub.

PROPOSAL

2. We propose to create a supernumerary post of Assistant Director of Intellectual Property (ADIP) (DL2) in IPD for a period of three years with effect from 1 April 2014.

JUSTIFICATION

Implementation of the OGP system

3. Having regard to the recommendations of the Advisory Committee on Review of Patent System in Hong Kong (the Advisory Committee), the

/Government

Government announced in February 2013 the way forward for the development of the patent system, with the following key points -

- (a) introducing an OGP system with substantive examination outsourced to other patent office(s) whilst retaining the current re-registration system;
- (b) retaining the short-term patent system with suitable refinements; and
- (c) developing a full-fledged regulatory regime on patent agency services in the long run, which should be achieved in stages, with possible interim measures.

Encl. 1

The terms of reference and membership of the Advisory Committee are set out at Enclosure 1.

4. Following the introduction of the OGP system, it is expected that the functions of IPD in respect of patents registration will be substantially expanded. Under the current re-registration system, IPD only needs to conduct formality examination of applications for standard patents given that the corresponding patents have been published and granted by the three designated patent offices¹. Short-term patent applications under the existing regime are also subject to formality examination only. The new OGP system would however call for both formality and substantive examinations under which IPD would need to receive and vet patent applications, communicate with applicants on the applications, grant or reject applications and provide a review/appeal system. Although the substantive examination part will be carried out by other patent office(s) in the short to medium term, it is the target of IPD to explore the development of capability in conducting substantive examination in niche areas where Hong Kong should have the expertise to do so. IPD would also need to enhance the OGP system continuously to ensure that it is on par with international standards, and to explore co-operation with other patent authorities such as mutual facilitation of application procedures, i.e. patent prosecution highway (PPH)².

/5.

¹ The three designated patent offices are the State Intellectual Property Office of the People's Republic of China, the United Kingdom (UK) Patent Office and the European Patent Office (for European patents designating the UK).

² A PPH is a bilateral agreement between two patent offices. Under a PPH agreement, a patent applicant can request an accelerated processing of the patent application at the patent office of second filing (OSF), when the patent office of first filing (OFF) has already found corresponding patent claims allowable. A PPH establishes a process whereby the OSF makes use of the work already carried out by the OFF in relation to the same invention. The OSF can process the patent application quicker because the examination process begins at a more informed level. However, the OSF is not compelled to follow the opinion of the OFF and may make its own decision on whether to grant a patent.

5. Subject to the progress of implementation work and preparation of the legislation, we tentatively aim at launching both the OGP system and the refined short-term patent system in 2016-17 at the earliest. We have already commenced preparatory work in consultation with the Advisory Committee. Furthermore, we have reached a co-operation arrangement with the State Intellectual Property Office to secure its support in providing technical assistance and support in substantive examination for Hong Kong's OGP system and refined short-term patent system, and to assist Hong Kong in manpower training and development to build up its capability for conducting substantive examination.

Promotion of IP trading

6. The surge in global and regional demand for IP offers huge opportunities for IP trading. Hong Kong, with advantages in its sound IP rights protection, business-friendly environment, sophisticated professional services, experience in IP-related areas and strong connections with Asia and the Mainland, is set to benefit from the development by further developing into a regional IP trading hub. In March 2013, a Working Group on IP Trading (the Working Group) was set up to advise on the overall strategies to promote the development of Hong Kong as a premier IP trading hub in the region, and to identify appropriate policy and other support measures to facilitate IP trading in Hong Kong. The terms of reference and membership of the Working Group are set out at Enclosure 2.

Encl. 2

7. The Working Group has identified four strategic areas under which to group the focus strategies to promote IP trading in Hong Kong –

- (a) Enhancing the IP protection regime
- (b) Supporting IP creation and exploitation
- (c) Fostering IP intermediary services and manpower capacity
- (d) Promotion, education and external collaboration

In the time ahead, the Working Group will continue deliberations and recommend support measures under each specific focus strategy to form a coherent action plan.

8. IPD is heavily involved in conducting relevant researches and studies to support the formulation of the action plan, and will play a central role in its implementation. Apart from areas (a) and (b) above which have been covered by its core work in the provision of legal and policy advice, IPD also has to liaise with

/relevant

relevant stakeholders and IP intermediaries, conduct promotion and education on IP trading, and collaborates with external parties as well as the international community to take forward work in areas (c) and (d). Currently the above activities are supported by IPD's Marketing Division, without the oversight of a designated ADIP.

Need for a new ADIP post

9. There are four existing ADIP (DL2) posts heading the respective teams of registration, copyright, advisory and hearings. ADIP (Registration) used to oversee the review of the patent system at the directorate level, in addition to discharging his own core duties in relation to the operation of the Trade Marks, Designs and Patents Registries, and the ongoing legislative exercise for amending the High Court Rules and relevant legislation for modernising trademark, design and patent proceedings. With the rapid increase in the number of trademark applications in recent years which has called for a corresponding increase in legal input from the Registration Team³ and the several new areas which ADIP (Registration) has to take up, such as the possible application of international agreements related to trademarks and industrial designs to Hong Kong, and the international development of new types of IP legal instruments⁴, we consider it no longer sustainable for ADIP (Registration) to continue to oversee the review of the patent system.

10. With the substantial increase in workload in the coming years for the implementation of the OGP system and promotion of Hong Kong as an IP trading hub, we see a genuine operational need to create an additional ADIP (DL2) post heading a dedicated team to take forward the above new initiatives. Having regard to the timelines of the various tasks involved, as an interim measure, IPD has temporarily deployed existing manpower and resources, and created a supernumerary ADIP post with effect from October 2013 for six months under

/delegated

³ The statistics of the annual number of trademark applications from 2008 to 2013 are as follows –

Year	2008	2009	2010	2011	2012	2013
No. of trademark applications received	24 230	24 754	28 872	32 559	35 530	37 092

The considerable increase in the number of applications has called for increased support by legal officers in the Registration Team in both their advisory and adjudication roles in deciding on the registrability issue having regard to interpretation of the relevant statutory provisions and case law.

⁴ For example, negotiations for developing an international legal instrument(s) for the effective protection of traditional knowledge and traditional cultural expressions are currently underway in the World Intellectual Property Organization Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore.

delegated authority for carrying out the work related to these two new initiatives. He is supported by a team of five non-directorate staff including four temporarily redeployed civil service staff and one Non-Civil Service Contract (NCSC) staff⁵. The supernumerary ADIP post will lapse on 1 April 2014, and there is an imminent need for the creation of a new ADIP post to continue providing strategic steer and directorate leadership to a new dedicated team to be created to pursue the package of new initiatives. Major tasks to be carried out in the coming years include –

- (a) mapping out the legal and administrative framework for revamping our patent system, and overseeing a consultancy study to assist in formulating the legal framework for the OGP system;
- (b) finalising the detailed arrangement of substantive examination for the OGP system and the refined short-term patent system;
- (c) formulating appropriate legislative amendments for introduction into the Legislative Council;
- (d) planning and building the electronic system in support of the new patent regime;
- (e) drafting examination manuals and designing workflows for examination of patent applications under the new patent system;
- (f) providing ongoing secretariat support, including substantial amount of legal research input, to the Advisory Committee;
- (g) engaging the stakeholders for support from time to time;
- (h) promoting the new patent system prior to its introduction;
- (i) developing a regulatory regime for patent agency services, which involves mapping out the strategic implementation plans in consultation with the Advisory Committee and stakeholders; and
- (j) promoting the concept of IP trading to stakeholders, furthering public education and regional and international IP collaboration, and taking forward future recommendations of the Working Group.

/Proposed

⁵ The contract of the NCSC staff will expire by late July 2014.

Proposed creation of a supernumerary ADIP post

11. Given the scope and complexity of the tasks involved, we see a strong need for strengthening the directorate support at ADIP (DL2) level in IPD. For the OGP system, IPD would need to enhance the OGP system continuously to ensure that it is on par with international standards, and develop a regulatory regime for patent agency services in the longer run. On the IP trading side, with the Government's commitment to promote Hong Kong as a premier IP trading hub in the region, the role and support from IPD is expected to sustain and increase in future. We propose to create a supernumerary ADIP post for three years to take forward the time-critical initiatives set out in paragraphs 3 to 8 above. We will review the long-term directorate leadership requirement of the department taking into account developments on all fronts in due course. The proposed job description of the ADIP post is at Enclosure 3. We will also take this opportunity to rationalise the duties of ADIP (Registration). The existing and revised job descriptions of ADIP (Registration) are at Enclosures 4(a) and 4(b) respectively.

Encl. 3

Encls. 4(a)
& 4(b)*Additional non-directorate posts*

12. The proposed supernumerary ADIP (DL2) post will be supported by a new designated team of seven non-directorate civil service posts, including five permanent posts and two three-year time-limited posts. The new team will take over all patent-related work, including the implementation of the OGP system, the operation of the new Patents Registry, the implementation of the refined short-term patent system and issues relating to establishing a regulatory regime for patent agents. The proposed supernumerary ADIP post will also assist in driving the new policy initiative of IP trading with the support of the existing Marketing Division. The existing and proposed organisation charts of IPD are at Enclosures 5(a) and 5(b).

Encls. 5(a)
& 5(b)**ALTERNATIVES CONSIDERED**

13. We have carefully examined the feasibility of internal redeployment and outsourcing but found them not viable.

14. As explained in paragraph 9 above, it has clearly become unsustainable for ADIP (Registration) to absorb the increasing workload for implementing the OGP system and promoting IP trading.

15. The other three ADIPs are also fully engaged with a wide range of short, medium and long-term commitments. They have no spare capacity to share out or absorb the additional duties without affecting the discharge of their current

/duties

duties. ADIP (Copyright) is fully engaged in works relating to the reviewing and updating of the copyright regime in Hong Kong, taking into account international developments and society's needs. ADIP (Hearings) is fully engaged in dealing with hearings⁶. It is important that IPD continues to maintain an efficient hearing system and meet customers' expectation on reducing the waiting time of hearing. ADIP (Advisory) is fully occupied by the core function of providing legal advice on IP matters to Government bureaux and departments, undertaking liaison duties with the international and regional community on the intellectual property front, as well as addressing issues from time to time arising from bilateral or multilateral negotiations (such as negotiations of Free Trade Agreements in which IP is always one of the major agenda items).

16. We have also considered the option of engaging an outside service provider. The core issues underlying the establishment and the operation of the OGP system together with the refined short-term patent system are highly technical in nature and involve heavy government policy content. The operation of the Patents Registry is also an important public function. Other than obtaining external legal service for addressing certain confined legal and technical issues, we do not consider it appropriate for the tasks to be undertaken by an outside service provider.

FINANCIAL IMPLICATIONS

17. The proposed creation of a supernumerary ADIP post will entail an additional notional annual salary cost at mid-point of \$1,739,400. The additional full annual average staff cost, including salaries and staff on-cost is \$2,601,000.

18. The additional notional annual salary cost at mid-point for the proposed seven non-directorate civil service posts is \$5,732,220 and the additional full annual average staff costs, including salaries and staff on-costs, is \$8,394,000.

19. Subject to the Finance Committee's approval of the proposed directorate post, IPD will include sufficient provision in the draft Estimates of 2014-15 and subsequent years to meet the cost of the proposal.

PUBLIC CONSULTATION

20. We briefed the Legislative Council Panel on Commerce and Industry (CI Panel) on the introduction of the OGP system and the strategic directions

/recommended

⁶ The number of decisions issued by IPD increased from 146 in 2011 to 173 in 2012, and further to 209 in 2013.

recommended by the Advisory Committee on 19 February 2013. The CI Panel supported the introduction of the OGP system and the strategic directions recommended by the Advisory Committee, and considered that we should seek resources required for its implementation as soon as practicable. We also briefed the CI Panel on the development of IP trading and the Working Group's initial work on 21 May 2013. In sum, the CI Panel supported the development of IP trading as it would present enormous business opportunities for Hong Kong, contribute to the upgrading of the economy, and create career opportunities in various high-end business sectors for the younger generation.

21. On 17 December 2013 we consulted the CI Panel on the proposal of creating a supernumerary post of ADIP in IPD to carry out the work relating to implementing the OGP system and strengthening the promotion of Hong Kong as an IP trading hub. The Panel supported the submission of the staffing proposal to the Establishment Subcommittee. There were questions as to why the Government only proposed the creation of a supernumerary post instead of a permanent post, as the additional work would not disappear after three years given our long term economic development needs. We explained the prudent approach we were following and that we would review the long-term directorate leadership requirement of the department taking into account developments on all fronts in due course (paragraph 11 above).

ESTABLISHMENT CHANGES

22. The establishment changes in IPD for the past two years are as follows –

Establishment (Note)	Number of Posts			
	Existing (As at 1 January 2014)	As at 1 April 2013	As at 1 April 2012	As at 1 April 2011
A*	9 [#]	9	9 [@]	7
B	33	31	29	31
C	87	82	77	76
Total	129	122	115	114

Note:

A – ranks in the directorate pay scale or equivalent

B – non-directorate ranks, the maximum pay point of which is above MPS point 33 or equivalent

C – non-directorate ranks, the maximum pay point of which is at or below MPS point 33 or equivalent

* – excluding supernumerary directorate post created under delegated authority

– as at 1 January 2014, there was one unfilled directorate post in IPD arising from an unexpected wastage.

The post is expected to be filled by the first half of 2014.

@ – two permanent posts were upgraded from Senior Solicitor to Assistant Principal Solicitor (DL1) to strengthen directorate support for the Hearings Team with effect from 1 August 2011, taking into account the recommendation of the Standing Commission on Civil Service Salaries and Conditions of Service (as set out in its Report No.43 for the Grade Structure Review on the Government Counsel grade and the related Legal Aid Counsel and Solicitors grades). FC approved the relevant upgrading proposal vide EC(2010-11)21 on 15 April 2011.

/CIVIL

CIVIL SERVICE BUREAU COMMENTS

23. The Civil Service Bureau supports the proposed creation of the supernumerary ADIP (DL2) post for three years from 1 April 2014 to 31 March 2017 to carry out the work relating to the implementation of the OGP system and the strengthening of the promotion of Hong Kong as an IP trading hub. The grading and ranking of the proposed post are considered appropriate having regard to the level and scope of responsibilities required.

ADVICE OF THE STANDING COMMITTEE ON DIRECTORATE SALARIES AND CONDITIONS OF SERVICE

24. As the post is proposed on a supernumerary basis, its creation, if approved, will be reported to the Standing Committee on Directorate Salaries and Conditions of Service in accordance with the agreed procedure.

Commerce and Economic Development Bureau
January 2014

Advisory Committee on Review of the Patent System in Hong Kong

Terms of reference

To advise the Secretary for Commerce and Economic Development on

- (a) how the Administration should position Hong Kong's patent system, having regard to the issues outlined in the public consultation paper of October 2011 and the responses received; and
- (b) how best to implement changes to the patent system, in the light of decisions made by the Administration on the way forward.

Membership

Name

Professional Background^{Note}

Chairman

Mr Andrew LIAO Cheung-sing Senior Counsel

Members

Mr Ewan BEWLEY Chartered UK Patent Attorney and
Registered European Patent Attorney

Mr Christopher William BRITTON Solicitor

Dr Sunny CHAI Ngai-chiu Industrial sector

Dr Jackson CHAN Chik-sum Research and development sector

Professor Paul CHEUNG Ying-sheung Academia

Ms Helen JIANG Hua Patent practitioner

<u>Name</u>	<u>Professional Background</u> ^{Note}
Mr KWONG Chi-keung	Solicitor / Chartered Arbitrator and Accredited Mediator
Miss Alice LEE Suet-ching	Academia
Mr Joseph POON Wing-sang	Research and development sector
Dr Gabriel TONG Yui-lung	Industrial sector
Dr Claudia XU Jian	Academia
Director of Intellectual Property	
Deputy Secretary for Commerce and Economic Development (Commerce and Industry) 2	
Assistant Commissioner for Innovation and Technology (Funding Schemes)	

Note: Information is provided by members of the Advisory Committee on Review of the Patent System in Hong Kong on a voluntary basis.

Working Group on Intellectual Property Trading

Terms of reference

- (a) To advise on the overall strategies to promote the development of Hong Kong as an intellectual property trading hub; and
- (b) To identify possible policy and other support measures to facilitate intellectual property trading in Hong Kong.

Membership

<u>Name</u>	<u>Professional Background</u> ^{Note}
<u>Chairman</u>	
Secretary for Commerce and Economic Development	
<u>Vice-Chairman</u>	
Mr Andrew LIAO Cheung-sing	Senior Counsel
<u>Members</u>	
Mr Charles Nicholas BROOKE	Chartered Surveyor and Valuer
Dr Jackson CHAN Chik-sum	Research and Development
Dr Toby CHAN Lap-man	Brand owner and Licensing Services
Professor Paul CHEUNG Ying-sheung	Academia
Professor Raymond CHOY Hon-sing	Creative Industries
Ms Yvonne CHUA	Legal services/IP practitioner
Dr Roy CHUNG Chi-ping	Manufacturing
Mr Peter KUNG	Accounting and Tax services

<u>Name</u>	<u>Professional Background</u> ^{Note}
Mr KWONG Chi-keung	Legal services/Chartered Arbitrator and Accredited Mediator
Mr Alfred KWOK Chan-fai	High-tech social entrepreneur
Mr Anson KWOK	Financial services
Mr Ronald LAI Chi-shing	Risk management and Insurance services
Dr Terence LAU Lok-ting	Research and Development
Mr Jong LEE	Private equity and strategic consulting
Mr Sunny LEE Wai-kwong	University administration
Dr Lewis LUK Tei	IP lawyer/IP practitioner
Mr WONG Ming-yam	Manufacturing
Dr Po Chi WU	Educator/Venture capitalist/Entrepreneur (US & Asia)/Scientist
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)	

Note : Information is provided by members of the Working Group on Intellectual Property Trading on a voluntary basis.

**Job Description of
the Assistant Director of Intellectual Property**

Post Title : Assistant Director of Intellectual Property (Patents)
Rank : Assistant Director of Intellectual Property (DL2)
Responsible to : Deputy Director of Intellectual Property

Major Duties and Responsibilities

- (a) Oversee the review of the patent system in Hong Kong and other incidental issues arising from the review, including rendering legal and policy advice, formulating the legal and administrative framework and drawing up strategic plans about manpower and resources as required for implementing the recommendations made by the Advisory Committee on Review of the Patent System in Hong Kong covering the setting up of the “original grant” patent system and the refined short-term patent system
- (b) Engage and steer further discussions for setting out and finalising the details of the arrangement for substantive examination of standard and short-term patents
- (c) Engage and seek support from relevant stakeholders from time to time
- (d) Prepare for the establishment of the regulatory regime for patent agency services, including rendering legal and policy advice, drawing up strategic implementation plans and formulating the legal and administrative framework in support of the regulatory measures and schemes
- (e) Support the intellectual property (IP) trading initiative covering formulation of appropriate strategies and support measures, and their implementation, for developing Hong Kong as a premier IP trading hub in the region
- (f) Perform any other duties as assigned by senior officers from time to time

**Current Job Description of
Assistant Director of Intellectual Property (Registration)**

Post Title : Assistant Director of Intellectual Property (Registration)
Rank : Assistant Director of Intellectual Property (DL2)
Responsible to : Deputy Director of Intellectual Property

Major Duties and Responsibilities

- (a) Oversee the practice and procedures in respect of the application and post-registration processes of trademarks, patents and designs
- (b) Supervise and convene trademark registrability sessions
- (c) Monitor the approval of trademarks, patents and designs registrations
- (d) Oversee the provision of policy and legal advice on trademarks, patents, designs and other registrable rights
- (e) Update the Trade Mark Manual in respect of the application and post-registration processes as and when necessary and oversee the preparation of internal guidelines relating to registration and post-registration matters
- (f) Advise on draft intellectual property High Court Rules; plan and prepare drafting instructions on possible amendments to Ordinances and subsidiary legislation on registrable intellectual property rights

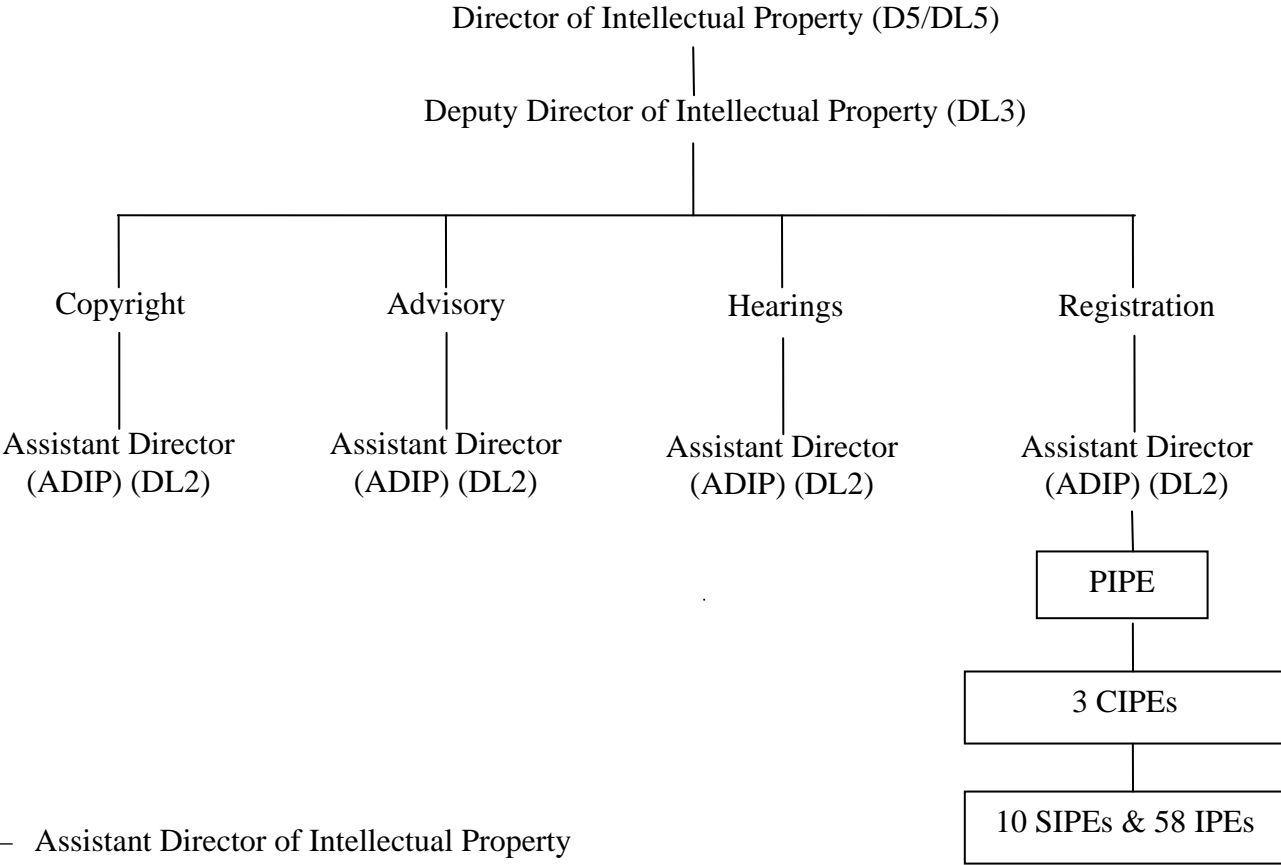
**Revised Job Description of
Assistant Director of Intellectual Property (Registration)**

Post Title : Assistant Director of Intellectual Property (Registration)
Rank : Assistant Director of Intellectual Property (DL2)
Responsible to : Deputy Director of Intellectual Property

Major Duties and Responsibilities

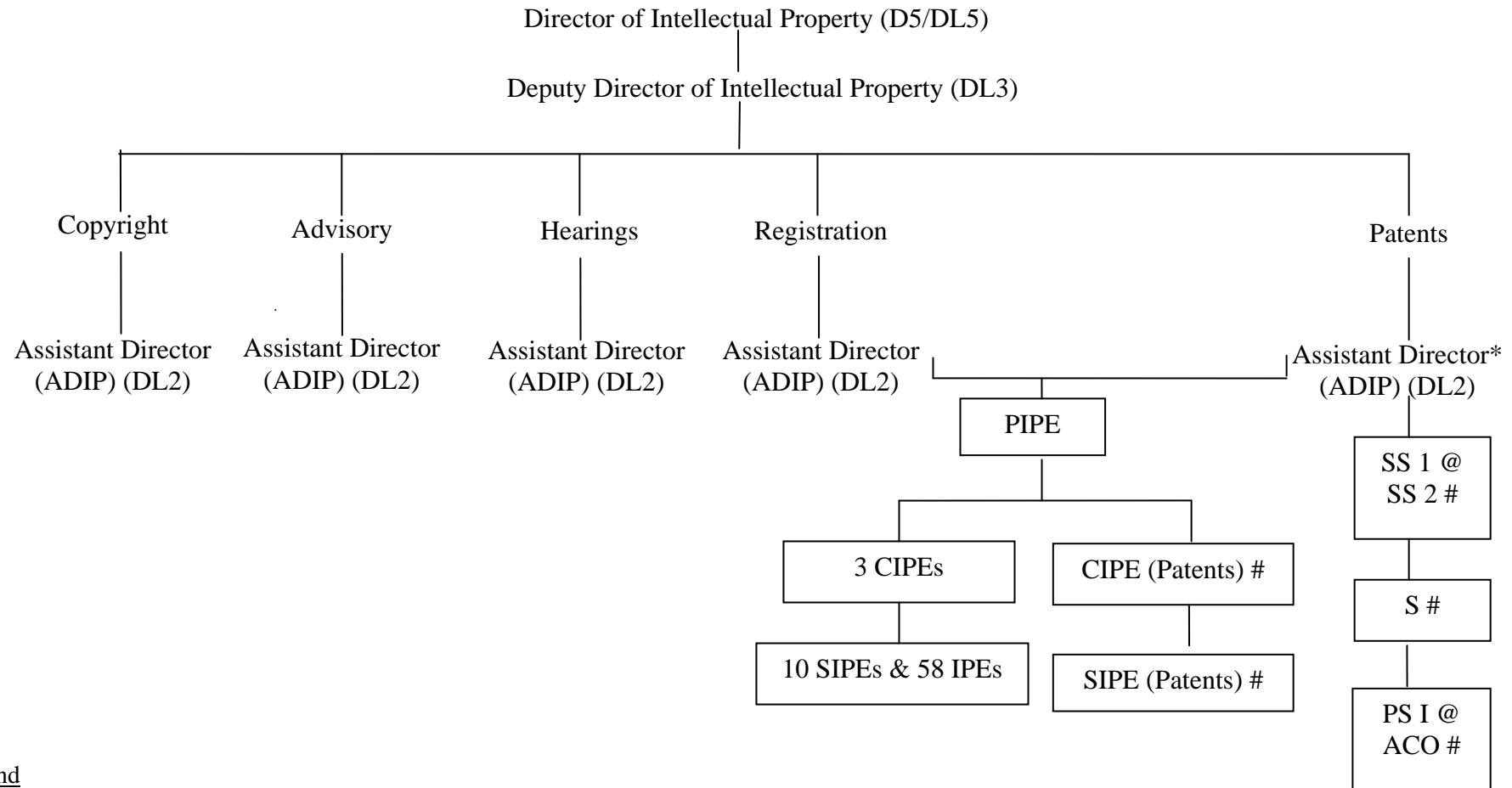
- (a) Oversee the practice and procedures in respect of the application and post-registration processes of trademarks and designs
- (b) Supervise and convene trademark registrability sessions
- (c) Monitor the approval of trademarks and designs registrations
- (d) Oversee the provision of policy and legal advice on trade marks, designs and other registrable rights except patents
- (e) Update the Trade Mark Manual in respect of the application and post-registration processes as and when necessary and oversee the preparation of internal guidelines relating to registration and post-registration matters
- (f) Advise on draft intellectual property High Court Rules; plan and prepare drafting instructions on possible amendments to Ordinances and subsidiary legislation on registrable intellectual property rights other than patents

Existing Organisation Chart of the Intellectual Property Department



- Legend
- ADIP – Assistant Director of Intellectual Property
 - CIPEs – Chief Intellectual Property Examiners
 - IPEs – Intellectual Property Examiners
 - PIPE – Principal Intellectual Property Examiner
 - SIPEs – Senior Intellectual Property Examiners

Proposed Organisation Chart of the Intellectual Property Department



Legend

- ACO – Assistant Clerical Officer
- ADIP – Assistant Director of Intellectual Property
- CIPEs – Chief Intellectual Property Examiners
- IPEs – Intellectual Property Examiners
- PIPE – Principal Intellectual Property Examiner
- * Proposed supernumerary directorate post
- @ Time-limited non-directorate posts proposed to be created
- # Permanent non-directorate posts proposed to be created

- PSI – Personal Secretary I
- S – Solicitor
- SIPEs – Senior Intellectual Property Examiners
- SS – Senior Solicitor