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Paper for the House Committee meeting on 13 March 2015

**Report of the Subcommittee on
Registration of Copyright Licensing Bodies (Amendment) Regulation
2015, Trade Marks (Amendment) Rules 2015 and
Registered Designs (Amendment) Rules 2015**

Purpose

This paper reports on the deliberations of the Subcommittee on the Registration of Copyright Licensing Bodies (Amendment) Regulation 2015, Trade Marks (Amendment) Rules 2015 and Registered Designs (Amendment) Rules 2015 ("the Subcommittee").

Background

2. The Intellectual Property Department ("IPD") provides registration services in respect of copyright licensing bodies, trade marks, designs, and patents. The fees payable to the Government are specified in the following legislation –

- (a) The Registration of Copyright Licensing Bodies Regulation (Cap. 528A) under the Copyright Ordinance (Cap. 528);
- (b) The Trade Marks Rules (Cap. 559A) under the Trade Marks Ordinance (Cap. 559);
- (c) The Registered Designs Rules (Cap. 522A) under the Registered Designs Ordinance (Cap. 522); and

(d) The Patents (General) Rules (Cap. 514C) under the Patents Ordinance (Cap. 514).

3. In line with the "user pays" principle, it is government policy that fees charged by the Government should in general be set at levels sufficient to recover the full cost of providing the services. IPD has carried out costing exercises to review the costs and the fees of services provided by its various registries. Based on the outcome of the costing exercises and upon consultation with relevant stakeholders, IPD has proposed fee revisions for its Copyright Licensing Bodies Registry, Trade Marks Registry and Designs Registry. It has not proposed any fee revision for the Patents Registry as its revenue approximately matches the full costs of its running.

Registration of Copyright Licensing Bodies (Amendment) Regulation 2015 (L.N. 24 of 2015)

4. The Registration of Copyright Licensing Bodies (Amendment) Regulation 2015 is made by the Secretary of Commerce and Economic Development under section 152 of the Copyright Ordinance (Cap. 528) and by virtue of section 28(1)(c) of the Interpretation and General Clauses Ordinance (Cap. 1) to amend the Schedule to the Registration of Copyright Licensing Bodies Regulation (Cap. 528A) to increase the fees for application for registration and renewal of registration by a licensing body.

5. According to the Administration, the costing exercise of the Copyright Licensing Bodies Registry shows that IPD is not able to fully recover the costs of processing application for and renewal of registration of copyright licensing bodies at the current fee levels. The Administration has proposed that the application fee and renewal fee be increased by 12% and 58% (in dollar terms, \$235 and \$550) respectively to recover the full costs of providing the services. Details of the proposed fee revisions are set out in **Appendix I**.

Trade Marks (Amendment) Rules 2015 (L.N. 25 of 2015)

6. The Trade Marks (Amendment) Rules 2015 is made by the Registrar of Trade Marks under section 91 of the Trade Marks Ordinance (Cap. 559) with the consent of the Financial Secretary ("FS") and by virtue of section 28(1)(c) of the Interpretation and General Clauses Ordinance (Cap. 1) to, among others, amend the Schedule to the Trade Marks Rules (Cap. 559A) to add a new item of fee and revise certain fees.

7. According to the Administration, the current overall cost recovery rate for the Trade Marks Registry is 87.7%. In order to achieve global full cost recovery for the Trade Marks Registry following the general government policy and prevailing legislative provisions¹, the Administration has proposed to increase the fees related to trade mark applications² by about 54% (in dollar terms, \$350 to \$800) taking into account the increase in the costs in providing the services. According to the Administration, the revised fees will remain competitive when benchmarked against fees charged by overseas trade mark registries with a similar regime in the United Kingdom ("UK"), Australia and Singapore. The Administration has also proposed to reduce the fees related to renewal by about 11% (in dollar terms, \$160 to \$330), taking into account that IPD has been able to provide the renewal services at a lower cost through automation and streamlining operational procedures. The proposed fee revisions will bring the overall cost recovery rate of the Trade Marks Registry to 100%.

8. To address the possible abuse of the preliminary advice and/or search of records service on the Register of Trade Marks in recent years and to better reflect the actual cost of providing the relevant services³, the Administration has proposed to increase the relevant fee by 100% (in dollar terms, \$200), as well as to add a new fee item of \$200 to be charged for each additional class of goods/services covered by the preliminary advice/search of records. Details of the proposed fee revisions are set out in **Appendix II**.

¹ According to s.149(6) of Cap. 514, s.79(6) of Cap. 522 and s.91(6) of Cap. 559, any rules made under the respective Ordinance may prescribe fees fixed at or provide for fees to be fixed at levels that provide for the recovery of expenditure incurred or likely to be incurred by the Government or other authority in the exercise of any or all functions under the Ordinance, and shall not be limited by reference to the amount of administrative or other costs incurred or likely to be incurred in the exercise of any particular function.

² These include application fees for registration and additional class fees, and related fees such as request to amend application, application for registration of defensive trademark, and application for registration of a series of trademarks.

³ IPD currently provides a service of preliminary advice and/or search of records on the Register of Trade Marks. The current fee is the same irrespective of the number of classes of goods/services requested. IPD observes that there may have been an abuse of the service in recent years, as some applicants requested advice on a large number of classes at the flat fee of \$200, draining IPD's stringent manpower resources.

Registered Designs (Amendment) Rules 2015 (L.N. 26 of 2015)

9. The Registered Designs (Amendment) Rules 2015 is made by the Registrar of Designs under section 79 of the Registered Designs Ordinance (Cap. 522) with the consent of the FS and by virtue of section 28 (1)(c) of the Interpretation and General Clauses Ordinance (Cap. 1) to amend the Schedule to the Registered Designs Rules (Cap. 522A) to reduce certain renewal fees.

10. According to the Administration, the current overall cost recovery rate for the Designs Registry is 126.9%. The Administration has proposed to reduce the renewal fees by about 36% (in dollar terms, \$440 to \$1,480) given that IPD has been able to cut down on the costs in providing renewal services for designs through automation and with streamlining of procedures. With the reduction in renewal fees, the overall cost recovery rate for the Designs Registry will be brought down to 100%. Details of the proposed fee revisions are set out in **Appendix III**.

11. The three pieces of subsidiary legislation will come in operation on 30 March 2015.

The Subcommittee

12. At the House Committee meeting held on 6 February 2015, Members agreed to form a subcommittee to study the three pieces of subsidiary legislation. The membership list of the Subcommittee is in **Appendix IV**.

13. Under the chairmanship of Hon Charles Peter MOK, the Subcommittee held one meeting on 17 February 2015 with the Administration to examine the subsidiary legislation.

14. To allow sufficient time for the Subcommittee to compile a report to the House Committee, a resolution was passed at the Council meeting of 25 February 2015 to extend the scrutiny period to 25 March 2015.

Deliberations of the Subcommittee

15. Members in general support the proposed fee revisions for achieving full cost recovery and consider that the fee increases, which amount for only a small part of the business costs over the 10-year registration period, should not have significant impact on the enterprises concerned. During deliberation of the three pieces of subsidiary legislation for implementing the fee revisions, members have taken the opportunity to explore with the Administration ways to encourage non-renewal of disused trade marks, if any.

Rationale for fee revisions

16. Members have noted the objections to the proposed increase of trade mark application fees and the proposed reduction of trade mark and design renewal fees expressed by the Law Society of Hong Kong ("the Law Society") in its submission dated 23 January 2015⁴ to the Panel on Commerce and Industry, which was consulted on the Administration's fee revision proposals on 16 December 2014. Some Subcommittee members have expressed concern whether the higher application fees will create a barrier to market entry and lower renewal fees may encourage the abuse of monopoly rights as claimed by the Law Society.

17. The Administration has advised that the present fee revision proposals for the Trade Marks Registry and the Designs Registry respectively are a reasonable package balancing different considerations. While the increase in the trade mark application fees may seem significant in percentage terms, the increase is relatively modest in absolute monetary value (e.g. \$700 for application for trade mark registration in respect of the first class of goods/services and \$350 in respect of application for trade mark registration for each additional class of goods/services), particularly in view of the absence of fee adjustment for over 10 years. According to the Administration, the application fees still remain substantially below cost recovery level after the proposed increase, and continue to be subsidized by income generated from trade mark renewals. Moreover, the revised application fees will remain competitive and generally in line with or lower than those charged by overseas trade mark registries with a similar regime such as in the UK and Singapore.

18. Regarding the proposed reduction in the renewal fees for trade marks, the Administration has advised that the cost of providing trade mark renewal services has significantly dropped since the implementation

⁴ LC Paper No. CB(1)488/14-15(01).

of automation and streamlined operational procedures. Even after the proposed reduction, the trade mark renewal fee will still be well over the costs of providing the service and as such, it will still be a major source of income and could subsidize the costs for trade mark applications.

Retention of disused trade marks by owners

19. Mr SIN Chung-kai and Ms Cyd HO have expressed concern that some of the trade marks on the Trade Marks Register may possibly no longer be in use but are being kept on the register by their owners paying an insignificant amount of renewal fee. As such, some new applications for trade mark registration may be rejected on the ground that they conflict with the disused earlier trade marks. Mr SIN and Ms HO consider that the Administration should ascertain the extent of the issue and should explore more effective ways to encourage non-renewal of disused trade marks.

20. In this connection, Mr SIN Chung-kai has suggested that the Administration should consider using administrative measures, such as requiring applicants to provide evidence of continued use of the trade marks to substantiate the applications for renewal, instead of charging applicants a high renewal fee. Moreover, Mr SIN has suggested that the Administration could consider new measures, for example, implementing provisional registration with a shorter period and allowing owners to only register trade marks in use upon expiry of the provisional registration. With a view to reducing the chance of prolonged ownership of disused trade marks, Ms Cyd HO has suggested that, for example, the Administration should consider shortening the period of trade mark registration from 10 years at present to three years.

21. The Administration has advised that these suggestions from members would increase the cost to be incurred and burden to be borne by owners in seeking renewals of trade mark registrations and should be subject to separate critical examination, which is beyond the scope of the present fee revision proposals. In dealing with disused trade marks, any person can apply for the revocation of the registration of a trade mark on the ground that the trade mark has not been genuinely used by the owner for a continuous period of at least three years, as provided for under the Trade Marks Ordinance (Cap. 559). The Administration considers that this is an effective safeguard against the retention of disused trade marks for a long period of time. In 2014, 40 registrations were revoked wholly or partly on ground of non-use. The Administration has further pointed out that since only about half of the registered trade marks are renewed,

there appears to be no signs of abuse in the renewal of disused trade marks.

22. Regarding the concern of whether lower renewal fees may encourage the abuse of monopoly rights, the Administration has advised that even after the relatively mild reduction as proposed, the renewal fees for trade marks will still be higher than those charged in comparable jurisdictions such as Singapore.

23. In response to members' views and suggestions, the Administration has undertaken to keep track of future applications for trade mark registration which are rejected due to conflict with earlier trade marks on the Trade Marks Register and consider measures to encourage non-renewal of disused trade marks. It will then report back to the Panel on Commerce and Industry as appropriate in due course.

Recommendation

24. The Subcommittee raises no objection to the subsidiary legislation. The Subcommittee will not propose any amendment.

Advice sought

25. Members are invited to note the deliberations of the Subcommittee as set out above.

Council Business Division 1
Legislative Council Secretariat
12 March 2015

Appendix I

Proposed revision of fees under the Registration of Copyright Licensing Bodies Regulation (Cap. 528A) under the Copyright Ordinance (Cap. 528)

Item	Fee description	Existing fee (\$)	Proposed fee (\$)	Proposed amount of change (\$)	Percentage change (%)
Amendments relating to increase in fees					
1	Application for registration under section 148(1) of the Ordinance	1,895	2,130	+235	+12%
2	Application for renewal of registration under section 148(1) of the Ordinance	950	1,500	+550	+58%

Appendix II

Proposed revision of Trade Mark Fees under the Trade Marks Rules (Cap. 559A) under the Trade Marks Ordinance (Cap. 559)

Item	Fee no.	Fee description	Existing fee (\$)	Proposed fee (\$)	Proposed amount of change (\$)	Percentage change (%)
Amendments relating to increase in fees						
1	1	Application for registration of a trade mark (including a collective mark and a certification mark) under rule 6 for the first class of goods or services set out in the specification	1,300	2,000	+700	+54%
2	1	Application for registration of a trade mark (including a collective mark and a certification mark) under rule 6 for each additional class of goods or services set out in the specification	650	1,000	+350	+54%
3	2	Request to amend application under rule 7(5) for each class of goods or services added to the specification	650	1,000	+350	+54%
4	24	Request for search of records under rule 72 for the first class of goods or services set out in the specification	200	400	+200	+100%

Item	Fee no.	Fee description	Existing fee (\$)	Proposed fee (\$)	Proposed amount of change (\$)	Percentage change (%)
5	25	Request for Registrar's preliminary advice under rule 73 for the first class of goods or services set out in the specification	200	400	+200	+100%
6	30	Application for registration of a series of trade marks under rule 97(1) for the first class of goods or services set out in the specification	1,300	2,000	+700	+54%
7	30	Application for registration of a series of trade marks under rule 97(1) for each additional class of goods or services set out in the specification	650	1,000	+350	+54%
8	32	Application for registration of a trade mark as a defensive trade mark under rule 99 for the first class of goods or services set out in the specification	1,500	2,300	+800	+53%
9	32	Application for registration of a trade mark as a defensive trade mark under rule 99 for each additional class of goods or services set out in the specification	750	1,150	+400	+53%

Item	Fee no.	Fee description	Existing fee (\$)	Proposed fee (\$)	Proposed amount of change (\$)	Percentage change (%)
Amendments relating to reduction of fees						
10	7	Renewal of trade mark registration under rule 32(1) or (3) for the first class of goods or services set out in the specification	3,000	2,670	-330	-11%
11	7	Renewal of trade mark registration under rule 32(1) or (3) for each additional class of goods or services set out in the specification	1,500	1,340	-160	-11%
12	9	Renewal of trade mark registration under rule 33(2) for the first class of goods or services set out in the specification	3,000	2,670	-330	-11%
13	9	Renewal of trade mark registration under rule 33(2) for each additional class of goods or services set out in the specification	1,500	1,340	-160	-11%
14	10	Restoration and renewal of trade mark registration removed from the register under rule 35 for each additional class of goods or services set out in the specification	1,500	1,340	-160	-11%

Item	Fee no.	Fee description	Existing fee (\$)	Proposed fee (\$)	Proposed amount of change (\$)	Percentage change (%)
Amendments relating to introduction of fees						
15	24, 25, 25A	Request for search of records under rule 72 or Registrar's preliminary advice under rule 73 or both for each additional class of goods or services set out in the specification	NA	200	+200	NA ⁵

⁵ This is a new fee item to be introduced to tie in with the fees in items 4 and 5.

Appendix III

**Proposed revision of Design Fees under
the Registered Designs Rules (Cap. 522A) under
the Registered Designs Ordinance (Cap. 522)**

Item	Fee no.	Fee description	Existing fee (\$)	Proposed fee (\$)	Proposed amount of change (\$)	Percentage change (%)
Amendments relating to reduction of fees						
1	14	For renewal of the period of registration under section 28(3) or (5) of the Ordinance and section 29-1 st 5-year extension	1,230	790	-440	-36%
2	15	For renewal of the period of registration under section 28(3) or (5) of the Ordinance and section 29-2 nd 5-year extension	1,860	1,200	-660	-35%
3	16	For renewal of the period of registration under section 28(3) or (5) of the Ordinance and section 29-3 rd 5-year extension	2,740	1,760	-980	-36%
4	17	For renewal of the period of registration under section 28(3) or (5) of the Ordinance and section 29-4 th 5-year extension	4,170	2,690	-1,480	-35%

Appendix IV

Subcommittee on Registration of Copyright Licensing Bodies (Amendment) Regulation 2015, Trade Marks (Amendment) Rules 2015 and Registered Designs (Amendment) Rules 2015

Membership list

Chairman Hon Charles Peter MOK, JP

Members Hon WONG Ting-kwong, SBS, JP

Hon Cyd HO Sau-lan, JP

Hon Paul TSE Wai-chun, JP

Hon MA Fung-kwok, SBS, JP

Hon Dennis KWOK

Hon SIN Chung-kai, SBS, JP

(Total : 7 members)

Clerk Mr Derek LO

Legal Adviser Miss Winnie LO