

**For discussion on  
16 December 2014**

**Legislative Council Panel on Commerce and Industry**

**Review of fees and charges of the Intellectual Property Department**

**Purpose**

This paper brief Members on the Administration's proposal to revise the fees as set out in the Registration of Copyright Licensing Bodies Regulation, the Trade Marks Rules, and the Registered Designs Rules following a review by the Intellectual Property Department ("IPD").

**Background**

2. 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. In the 2013-14 Budget Speech, the Financial Secretary emphasized the need to review fees and charges systematically for upholding the "user pays" principle, with priority given to those fees that had not been revised for years and did not directly affect people's livelihood, as well as items which had low cost recovery rates.

3. IPD provides registration services in respect of trade marks, designs, patents and copyright licensing bodies. 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).

4. The existing copyright licensing body related fees have been in force since July 2001; the existing trade mark related fees, since April 2003; and the existing patent and design related fees, since May 2004.

## **Proposals**

5. 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, IPD proposes fee revisions as set out in the following paragraphs.

### ***(I) Copyright Licensing Bodies Registry***

6. The costing exercise of the Copyright Licensing Bodies Registry shows that we are 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 application fee and renewal fee are accordingly proposed to be increased by 12% and 58% respectively to recover the full cost of providing the services. Details are set out at **Annex A**.

### ***(II) Trade Marks, Designs and Patents Registries***

7. We encourage the creation, use and protection of intellectual property by registration where appropriate. We provide incentives e.g. by setting application fees at a competitive and affordable level, albeit below cost recovery, to attract filing on the one hand, and setting renewal fees above cost recovery level to encourage non-renewal of disused intellectual property. Applying these considerations to the Trade Marks Registry, Designs Registry and Patents Registry, the fees under each of these registries are determined to achieve full cost recovery on a global basis for the registry concerned, following the prevailing legislative provisions<sup>1</sup>.

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<sup>1</sup> 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.

8. The latest costing exercises conducted in respect of the three registries show that the Trade Marks Registry is not recovering the full costs of its services, while the Designs Registry is recovering more than the full costs of its running, and the Patents Registry's revenue approximately matches its full costs. We accordingly propose fee revisions for the former two registries and no fee revision for the remaining one. The table below summaries the overall position at present and after the proposed fee revisions. The paragraphs following detail the proposal.

Registry	Last fee revision	Current cost recovery rate at 2014-15 prices	Cost recovery rate after proposed fee revisions at 2014-15 prices
Trade Marks	April 2003	87.7%	100.0%
Designs	May 2004	126.9%	100.0%
Patents	May 2004	102.9%	102.9% (no fee revision proposed)

(a) Trade Marks Registry

9. The current overall cost recovery rate for the Trade Marks Registry is 87.7%. The proposed fee revisions will bring the overall cost recovery rate to 100%. Details are set out at **Annex B**.

10. In terms of transaction volume (hence cost and revenue), the most significant fees are those related to trade mark applications and renewals. In order to mitigate the impacts and disturbance caused to domestic and international users, we propose to revise only those fees related to applications and renewals (and the fees for search of records and request for preliminary advice on registrability, to be explained at paragraph 12 below)<sup>2</sup>, but not other fees with relatively insignificant cost and revenue implications.

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<sup>2</sup> In addition, some fees are common to the three registries of Trade Marks, Patents and Designs, such as the fees for providing uncertified copy of an entry in the register, or of an extract from the Register, and it would be confusing to increase those fees for one registry and not the others.

11. In order to achieve global full cost recovery for the Trade Marks Registry, we propose to increase the fees related to trade mark application<sup>3</sup> by about 54% (items 1 to 3 and 6 to 9 of Annex B) taking into account the increase in the costs in providing the services. The revised fees will remain competitive (and below cost recovery level) when we benchmark against fees charged by overseas trade mark registries with a similar regime<sup>4</sup>. At the same time, we propose to reduce the fees related to renewal by about 11% (items 10 to 14 of Annex B), taking into account that we have been able to provide the renewal services at a lower cost through automation and streamlining operational procedures. Renewal fees will remain to be charged above the cost recovery level and a major source of income for the Trade Marks Registry.

12. 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. In order to address this problem, and to better reflect the actual cost of providing the relevant services, it is proposed to increase the fee by 100% (items 4 and 5 of Annex B), as well as to add a new fee item to be charged for each additional class of goods/services covered by the preliminary advice/search (item 15 of Annex B)<sup>5</sup>.

13. We also propose to delete a fee item in relation to an obsolete transitional arrangement under which an applicant could file a notice with the Registrar of Trade Marks to have the registrability of a mark applied for registration under the repealed Trade Marks Ordinance (Cap. 43) determined in accordance with the Trade Marks Ordinance (Cap. 559). The period for filing such notice has already expired.

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<sup>3</sup> 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.

<sup>4</sup> Our new application fees will still generally be lower than those charged for similar services in the UK, Australia and Singapore.

<sup>5</sup> In the future, IPD will monitor usage and may further consider discontinuance of providing the service of preliminary advice and/or search of records.

(b) Designs Registry

14. The current overall cost recovery rate for the Designs Registry is 126.9%. Details of the proposed fee revisions are set out at Annex C.

15. Similar to the case of trade mark renewals, we have been able to cut down on our costs in providing renewal services for designs through automation and with streamlining of procedures. We therefore propose to reduce the renewal fees by about 36% (items 1 to 4 of Annex C). We propose no change to the various application fees set below cost-recovery levels in line with the policy as set out in paragraph 7 above. With the reduction in renewal fees, the overall cost recovery rate for the Designs Registry will be brought down to 100%.

16. We also propose to delete a fee item in relation to an obsolete transitional arrangement for renewal of registration of deemed registered design under the Registered Designs Ordinance (Cap. 522). The period for filing such applications for renewal has already expired.

**Financial implications**

17. If the proposed fee revisions are implemented, the estimated net increase in annual revenue would be about \$22 million per annum.

**Efficiency improvement measures**

18. Over the years IPD has been implementing various measures to enhance efficiency, including streamlining work procedures, facilitating electronic submissions of documents, enhancing staff capacity, etc., so as to reduce or contain the costs of service as far as possible. It will continue to explore further efficiency improvement measures in the delivery of registration services to the public.

**Public consultation**

19. Many registration and renewal applications are handled by intellectual property practitioners on behalf of their clients. In respect of the proposed fee revisions, IPD has consulted various professional practitioner

organizations, namely the Intellectual Property Committee of the Law Society of Hong Kong, Hong Kong Institute of Trade Mark Practitioners and Asian Patent Attorneys Association Hong Kong Group, as well as the five copyright licensing bodies currently registered. They indicated no strong objection to the proposals.

20. Regarding the Trade Mark Registry, some parties mentioned the wish to maintain the trade mark renewal fees (instead of reducing them by 11% - items 10 to 14 of Annex B) in exchange for a smaller increase of application fees (items 1 to 3 and 6 to 9 of Annex B).

21. The proposed reduction in trade mark renewal fees results mainly from costs savings on the part of the Trade Marks Registry. Even after such relatively mild reduction, the renewal fees will remain our major source of income, still being charged at a level significantly higher than the costs of providing the service. On the other hand, the application fees will remain attractive after the proposed increase. The overall fees structure will continue to reflect the policy set out in paragraph 7 above. We consider the proposals for the Trade Mark Registry reasonable as a total package.

### **Way forward**

22. Taking into account Members' views on the above fee revision proposals, we shall proceed with the necessary amendments to the legislation mentioned in paragraph 3 above. Subject to negative vetting of the amendment legislation by the Legislative Council, the revised fees are expected to be implemented in March 2015.

### **Advice sought**

23. Members are invited to give their views on the proposals.

**Commerce and Economic Development Bureau**  
**Intellectual Property Department**  
**December 2014**

**Annex A**

**Proposed Revision of Fees under  
the Registration of Copyright Licensing Bodies Regulation (Cap.528A) under  
the Copyright Ordinance (Cap.528)**

<b>Item</b>	<b>Fee Description</b>	<b>Existing fee (\$)</b>	<b>Proposed fee (\$)</b>	<b>Proposed Amount of Change (\$)</b>	<b>Percentage change (%)</b>
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%

**Proposed Revision of Trademark 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 (%)
<b>Amendments relating to increase in fees</b>						
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%
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%



Item	Fee no.	Fee Description	Existing fee (\$)	Proposed fee (\$)	Proposed Amount of Change (\$)	Percentage change (%)
7	30	Application for registration of a series of trademarks 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%
<b>Amendments relating to reduction of fees</b>						
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%

Item	Fee no.	Fee Description	Existing fee (\$)	Proposed fee (\$)	Proposed Amount of Change (\$)	Percentage change (%)
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%
<b>Amendments relating to introduction of fees</b>						
15	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 <sup>1</sup>
<b>Amendments relating to deletion of a fee item</b>						
16	34	Notice under rule 122 to have the registrability of a mark determined in accordance with the Ordinance	900	NA	NA	NA

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<sup>1</sup> This is a new fee item to be introduced to tie in with the fees in items 4 and 5.

**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 (%)
<b>Amendments relating to reduction of fees</b>						
1	14	For renewal of the period of registration under section 28(3) or (5) of the Ordinance and section 29-1 <sup>st</sup> 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 <sup>nd</sup> 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 <sup>rd</sup> 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 <sup>th</sup> 5-year extension	4,170	2,690	-1,480	-35%
<b>Amendments relating to deletion of a fee item</b>						
5	18	For renewal of the period of registration under section 92(2) of the Ordinance and section 75	1,230	NA	NA	NA