

**For discussion on
20 December 2016**

**Legislative Council
Panel on Commerce and Industry**

**Proposed Creation of one Permanent Directorate Post of
Assistant Director of Intellectual Property in the
Intellectual Property Department**

PURPOSE

This paper invites Members' views on a proposal for making permanent a supernumerary post of Assistant Director of Intellectual Property (ADIP) (Directorate Legal 2)¹ in the Intellectual Property Department (IPD) for continuing with the duties and responsibilities pertinent to the patent portfolio, including implementing an "original grant" patent (OGP) system and a refined short-term patent (STP) system (collectively "the new patent system") in Hong Kong, overseeing the daily operation of the expanded Patents Registry (the Registry) and carrying out appropriate measures to drive the further development of the new patent system in the long run.

BACKGROUND

2. After considering views received during a public consultation exercise and recommendations made by the Advisory Committee on Review of the Patent System in Hong Kong (the Advisory Committee), the Government announced in February 2013 its policy decision to, amongst other things, establish an OGP system in Hong Kong. In March 2013, the Government set up a Working Group on Intellectual Property Trading (WG) to advise on the overall strategy to promote Hong Kong as a premier Intellectual Property (IP) trading hub in the region. With the support of the ADIP(Patents), the WG completed its work and released a report in March 2015 containing 28 recommended measures including the implementation of an OGP system.

¹ Designated as ADIP(Patents).

3. Over the above policy deliberations, one pertinent issue raised was the investment required to set up the new patent system and the benefits it might bring. The considered judgment was that we need to take a long-term strategic view on the future patent system for Hong Kong, which should not be clouded by immediate difficulties.² We believe that the new patent system would enhance our IP protection infrastructure and are important building blocks for the future development of Hong Kong's IP regime. This will also demonstrate our commitment to maintaining a patent system on par with advanced economies to the effect of attracting international IP trading and management activities to Hong Kong, thereby helping Hong Kong build a firmer foothold as an innovation and IP trading hub.

4. We briefed Members on 15 November 2016 (vide LC Paper CB(1)90/16-17(05)) on the progress that has been made in implementing the new patent system and key tasks that need to be accomplished in the medium to long run. Members noted the progress and the way forward, and indicated support for the implementation of the new patent system.

5. Apart from the progress and tasks ahead, we also briefed Members on matters relating to the manpower support required including the following-

- (a) the existing organisation setup of the dedicated legal team (the Patents Team) and the Registry;
- (b) the expansion of the Registry; and
- (c) the Government's current review on the long-term manpower requirement of the Patents Team, notably the directorate leadership, in order to follow through the patent reform.

We undertook to brief Members on the review outcome concerning the directorate leadership required for the Patents Team as soon as it is completed and seek Members' support for any proposal arising from the review. The ensuing paragraphs set out the justifications of our current proposal for making permanent the supernumerary post of ADIP at issue following conclusion of the review.

² Considerations of the merits and demerits of the policy change and the conclusion are set out in detail in chapter 3 of the Report of the Advisory Committee (pp 8-34) released in 2013.

JUSTIFICATION

Tasks accomplished thus far

6. IPD has set up since October 2013 a dedicated Patents Team to take over all patent-related work. With the approval of the Finance Committee (FC) in February 2014, the existing supernumerary post of ADIP was created in April 2014 for three years to head the Patents Team to undertake essential preparatory work for the implementation of the new patent system. The post will lapse on 31 March 2017. Progress to date includes the following -

- (a) taking into account the expert advice of the State Intellectual Property Office (SIPO), inputs of a consultancy study, practices and procedures generally established in the international community, as well as major regional and international patent treaties, intensive legislative drafting work had been ensued to prepare necessary legislation to provide for the legal framework for the new patent system. As a result, the Patents (Amendment) Bill 2015 (the Bill) was introduced into the Legislative Council (LegCo) in November 2015;
- (b) following thorough scrutiny by a LegCo Bills Committee with Government assistance, the Bill was supported by LegCo and was passed into law in June 2016 as the Patents (Amendment) Ordinance 2016. The new law, however, will commence to implement the new patent system only after all preparatory work is completed;
- (c) various preparatory tasks are underway, including the drafting of subsidiary legislation on the procedural aspects, preparation of the operation manuals, design of workflows for examination of patent applications, and the planning of the electronic system in support of the new patent system;
- (d) throughout the above process, various stakeholders³ were engaged to solicit their views and advice; and

³ Including the Advisory Committee and representative bodies of the local legal and patent practitioners.

- (e) on the promotion and education front, IPD has been reaching out to the public through international, regional and local conferences and seminars to publicise the progress of implementing the new patent system. IPD has also sponsored training courses and workshops on patent drafting and practice.

Further tasks to follow through the patent reform

7. The enactment of the Patents (Amendment) Ordinance 2016 represents the completion of a critical, first step in revamping the local patent system. An array of imminent and important tasks needs to be followed through with a view to rolling out the new patent system as soon as practicable (target 2019), and IPD is stepping up its efforts to resolve the legal, technical and administrative issues in this relation. The major tasks underway include -

- (a) formulating the legislative proposals for amending the subsidiary legislation, namely the Patents (General) Rules (Cap 514C), to provide for the detailed procedural framework concerning applications for grant of patents under the OGP system and also post-grant substantive examination of STPs;
- (b) drawing up examination guidelines and designing workflows to set out the general principles and practice to be adopted by the Registry in processing patent cases under the new patent system;
- (c) expanding the Registry to take on a new role of undertaking substantive examination on a daily basis, notably by recruiting additional patent examiners for processing cases under the new patent system, and also planning appropriate training for the new recruits in order to equip them with the knowledge and skills required for conducting substantive examination of inventions;
- (d) setting up an interface for external use by the public at large (e.g. for searches and electronic filings of OGP applications) and a new electronic processing system for internal use by the Registry (mainly for processing patent applications and related matters);

- (e) engaging stakeholders to keep them posted of progress and solicit inputs and advice; and
- (f) drawing up further publicity plan to promote the new patent system prior to its introduction.

8. After the commencement of the new patent system, there will remain a sharp learning curve for the expanded Registry to become capable on its own feet in daily operation and to grow and develop to become a free-standing and credible unit with indigenous substantive examination capability⁴. Notably its staff must be equipped with highly specialised technical knowledge and skill sets. We therefore need to sustain efforts to run, maintain and enhance the system on a long term basis, focusing on the following key areas and in line with patent-related recommendations of the WG -

- (a) operating the Registry to deal with all patent applications to a satisfactory professional standard;
- (b) handling patentability and post-registration legal issues concerning application and grant of standard patents and STPs;
- (c) conducting hearings on patent-related issues on behalf of the Registrar of Patents;
- (d) building up in-house substantive examination capability in the medium to long-term, starting with niche areas where Hong Kong has an edge in research and development in the longer run;⁵

⁴ Taking Singapore as an example, it took around 18 years before it set up its own search and examination unit to start conducting its indigenous substantive examination after adopting an OGP system in 1995.

⁵ Although the Registry would initially enlist the technical assistance of SIPO in the conduct of substantive examination, establishing indigenous substantive examination capacity is essential in the medium and long run for enhancing the user-friendliness as well as the overall strength and quality of our new patent system so that it is on par with international standards. This would also strengthen Hong Kong's bargaining position to explore co-operation with other patent authorities such as mutual facilitation of application procedures, i.e. Patent Prosecution Highways (see footnote 6) which is in line with respective strategic observations and recommendations of the Advisory Committee and the WG, and which also meets the general expectation of the patent filers.

- (e) exploring cooperation with other patent authorities by making reference to international developments, such as initiating discussions with other patent authorities for establishing bilateral and plurilateral Patents Prosecution Highways (PPHs)⁶;
- (f) establishing a full-fledged regulatory regime for local patent practitioners in the medium and long term in consultation with all stakeholders. IPD needs to map out the strategic implementation plans in consultation with the Advisory Committee, engage in multiple rounds of consultation and discussions with stakeholders on prescribing the qualification requirements⁷ and standards as well as transitional arrangement such as grandfathering, establishing a regulatory body and drawing up necessary legislative proposals for implementation;
- (g) conducting regular reviews of the patent law as well as operation of the new patent system, consulting stakeholders and introducing further legislative amendments as may be required⁸;
- (h) monitoring development of patent law and practice in the international community covering the designated patent offices under our current re-registration system and other overseas patent offices⁹; and

⁶ Under a PPH agreement, a patent applicant can request an accelerated processing of patent application at the patent office of second filing (OSF), when the patent office of the 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.

⁷ We have initiated discussions with some local universities and their knowledge transfer offices with a view to nurturing talents with professional knowledge on patent. We will continue to encourage local universities to develop patent-related programmes.

⁸ For example, it is necessary to review the substantive patent law covering topics like Bolar exception, provisional patent applications, maximum patent protection term and patentability issues on software patents and business methods etc. in order to build in appealing features or advantages for attracting more users.

⁹ Such follow-up task includes reviewing the existing international treaties relating to patent protection (such as the *Strasbourg Agreement Concerning the International Patent Classification* and *Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure* to which China is a contracting party, and the *Patent Law Treaty*); as well as other emerging international treaties, advising on their potential application to Hong Kong and, where appropriate, planning for their implementation.

- (i) sustaining and deepening education efforts on exploiting the new patent system as a driver for innovation and growth and as an integral part of the wider IP regime that may spearhead development of a knowledge economy.

Need for a permanent ADIP post

9. Having regard to the latest development of the patent reform as well as the growth of departmental operations in recent years, we have reviewed the organization setup and directorate manpower requirement of IPD. Given the breadth, complexity and technicality of the tasks as set out in paragraphs 7 and 8, as well as the need to bear in mind IPD's many other commitments following growth of departmental operations in recent years, we see the need to create a permanent ADIP post to head the Patents Team. The proposed job description of the proposed post is at **Annex 1**.

10. First and foremost, the building and running of the new patent system is a long-term commitment to be sustained and perfected through continuous efforts over time. It will become a permanent Government function as an integral part of our IP regime as well as our legal infrastructure. In this regard, we are strengthening the Patents Team and the Registry it oversees to assume this Government function and get on with the demanding tasks as outlined above.

11. In addition, the opportunity will be taken to rationalise the overall registry operation of IPD. At present, applications for patents and registered designs are processed respectively by the Registry which reports to ADIP(Patents) and the Designs Registry which reports to ADIP(Registration).¹⁰ With a permanent post of ADIP(Patents) in place, and having regard to the ongoing and additional commitments undertaken by ADIP (Registration) and the Registration Team as specified in paragraph 15(d), the Patents Team is taking over certain duties and responsibilities from the Registration Team, namely in overseeing the practice and procedures of the Designs Registry, including provision of legal advice on individual applications for registered designs whenever necessary. Accordingly, it will be more effective for the Designs

¹⁰ Applications for trade marks are handled by a separate team of examiners in the Trade Marks Registry under ADIP(Registration). The arrangement was established having regard to various factors such as the workload of respective Registries.

Registry to also report to ADIP(Patents) so that he and his strengthened Patents Team will maintain policy oversight over its daily operation, including provision of legal advice on individual applications for registered designs as necessary.

Non-directorate support

12. At present, the Patents Team headed by ADIP(Patents) comprises two Senior Solicitors (SS), one Solicitor (S), one Personal Secretary I (PS I) and one Assistant Clerical Officer. The posts of one SS and one PS I are time-limited ones up to 31 March 2017 tying in with the supernumerary ADIP post. To maintain the necessary ongoing support to the proposed permanent ADIP post, we plan to make these time-limited non-directorate posts permanent with effect from 1 April 2017. As for the Registry, we have secured resources and we are expanding the Registry by creating five IP examiner posts (three at Senior IP Examiner level (SIPE level) and two at IP Examiner I (IPE I) level) initially. Of the five permanent posts, one IP Examiner I post was already filled in October 2016. We will further review the non-directorate support requirement in the Patents Team and the Registry after the new patent system has come into operation.

13. The respective organisation charts showing the current and the proposed new Patents Team are at Annex 2 and Annex 3.

ALTERNATIVE

14. Having carefully examined the feasibility of internal staff re-deployment and outsourcing, we found them not viable to support the aforesaid initiatives under the patent portfolio.

Internal re-deployment

15. Apart from the current supernumerary post of ADIP, there are four other existing ADIP (DL2) posts heading the respective legal teams of advisory, copyright, hearings and registration. All these ADIPs and their respective teams are already over-stretched with a diversity of demanding and substantial load of legal and policy work, and they have no spare capacity to share out or absorb the hefty and complicated patent portfolio.

- (a) ADIP (Advisory) and the Advisory Team are fully engaged in providing legal advice on a wide range of civil matters involving IP issues to Government bureaux and departments. The Team is also tasked with monitoring and attending to developments of international and regional IP issues from time to time, such as those relating to the World Intellectual Property Organization, Agreement on Trade-Related Aspects of Intellectual Property Rights, Asia-Pacific Economic Co-operation, as well as bilateral or multilateral negotiations (such as negotiations of Free Trade Agreements and Investment Promotion and Protection Agreements which involve IP as one of the agenda items). In addition, ADIP (Advisory) also needs to oversee and provide steer and support to the implementation of various measures recommended by WG for promoting and developing Hong Kong into an IP trading hub. Key tasks include (i) providing assistance to the Department of Justice (DoJ) in formulating legislative proposals to amend the Arbitration Ordinance (Cap. 341) with a view to facilitating and attracting more parties to resolve their IP disputes by arbitration in Hong Kong; and (ii) providing legal inputs to the legislative exercise that seeks to expand the scope of tax deduction for capital expenditure incurred for the purchase of all major types of IPRs¹¹.
- (b) ADIP (Copyright) and the Copyright Team are fully engaged in working out the way forward on how best the local copyright regime can be updated following the unsuccessful legislative attempt under the Copyright (Amendment) Bill 2014 by, amongst others, conducting further detailed studies and researches on international development of various copyright issues, engaging the stakeholders from time to time for discussions, planning the publicity and education programmes to promote understanding of the copyright regime and respect for the rights of others as well as putting forward recommendations on possible options regarding future legislative reforms.

¹¹ We briefed Members on the legislative proposal and obtained support from Members on 15 November 2016.

- (c) ADIP (Hearings) and the Hearings Team responsible for adjudicating proceedings before the Registrar of Trade Marks/Designs/Patents are wholly committed in maintaining an efficient hearing system which is one of the statutory duties of IPD.¹²
- (d) ADIP (Registration) and the Registration Team are wholly engaged in providing substantive legal inputs, mainly in tackling considerable number of trade mark applications, notably in determining the registrability issue by reference to the relevant statutory provisions and case law.¹³ Besides, ADIP (Registration) is also heavily engaged in working out the possible implementation model and legal, administrative and technical issues with the Central People's Government and the World Intellectual Property Organization to facilitate the Government to make a policy decision on whether the Madrid Protocol (MP) should be implemented in Hong Kong.¹⁴ In the case of applying MP in Hong Kong, ADIP (Registration) will need to oversee amendments to the legislation and establishment of the administrative system to support the new route of international applications under MP. Therefore, the transfer of policy oversight over the daily operation of the Designs Registry to ADIP (Patents) will not leave ADIP (Registration) extra capacity.

Outsourcing

16. The alternative option of engaging an outside service provider is considered inappropriate. The core issues underlying the establishment, administration and operation of the new patent system are highly legal and

¹² The total number of decisions issued by IPD in 2015 was 173. The annual number of decisions varies from year to year, and can reach up to 209 (in 2013) within the recent 5-year period from 2011 to 2015.

¹³ The annual number of trade mark applications received by IPD increased from 32 559 in 2011 to 39 179 in 2015.

¹⁴ The MP is an international treaty which facilitates a trade mark owner to apply for registration in multiple jurisdictions by simply filing a single application in one language and paying one set of fees, thus saving time and costs. It also facilitates cost-effective international management of post-registration matters. Seeing the merits of applying the MP to Hong Kong, the Government conducted a public consultation in November 2014 to February 2015 on the proposed application of the MP to Hong Kong. In addition, the WG Report also specifically recommended the Government to pursue the proposed application of the MP to Hong Kong, taking into account the consultation outcome.

technical in nature, and they to a large extent contain heavy government policy content. Other than obtaining external advice for addressing certain confined legal and technical issues, we do not see it proper for outsourcing the patent portfolio to an outside service provider.

FINANCIAL IMPLICATIONS

17. The proposed creation of the permanent ADIP(Patents) post will bring about an additional notional annual salary cost at mid-point of \$2,056,200. The additional full annual average staff cost, including salaries and staff on-cost is \$2,637,000.

18. The additional notional annual salary cost at mid-point for the other two time-limited non-directorate posts to be made permanent as mentioned in paragraph 12 above to support the proposed ADIP(Patents), i.e. one SS and one PS I in the Patents Team is \$1,772,940 and the additional full annual average staff cost, including salaries and staff on-cost, is \$2,582,000.

19. IPD will include sufficient provision in the draft Estimates of 2017-18 and subsequent years to meet the cost of the proposal.

ADVICE SOUGHT

20. Members are invited to comment on the proposal. Subject to Members' support, we will seek the recommendation of the Establishment Subcommittee and approval from the Finance Committee afterwards to retain the existing time-limited ADIP post on a permanent basis.

**Commerce, Industry and Tourism Branch
Commerce and Economic Development Bureau
Intellectual Property Department
December 2016**

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

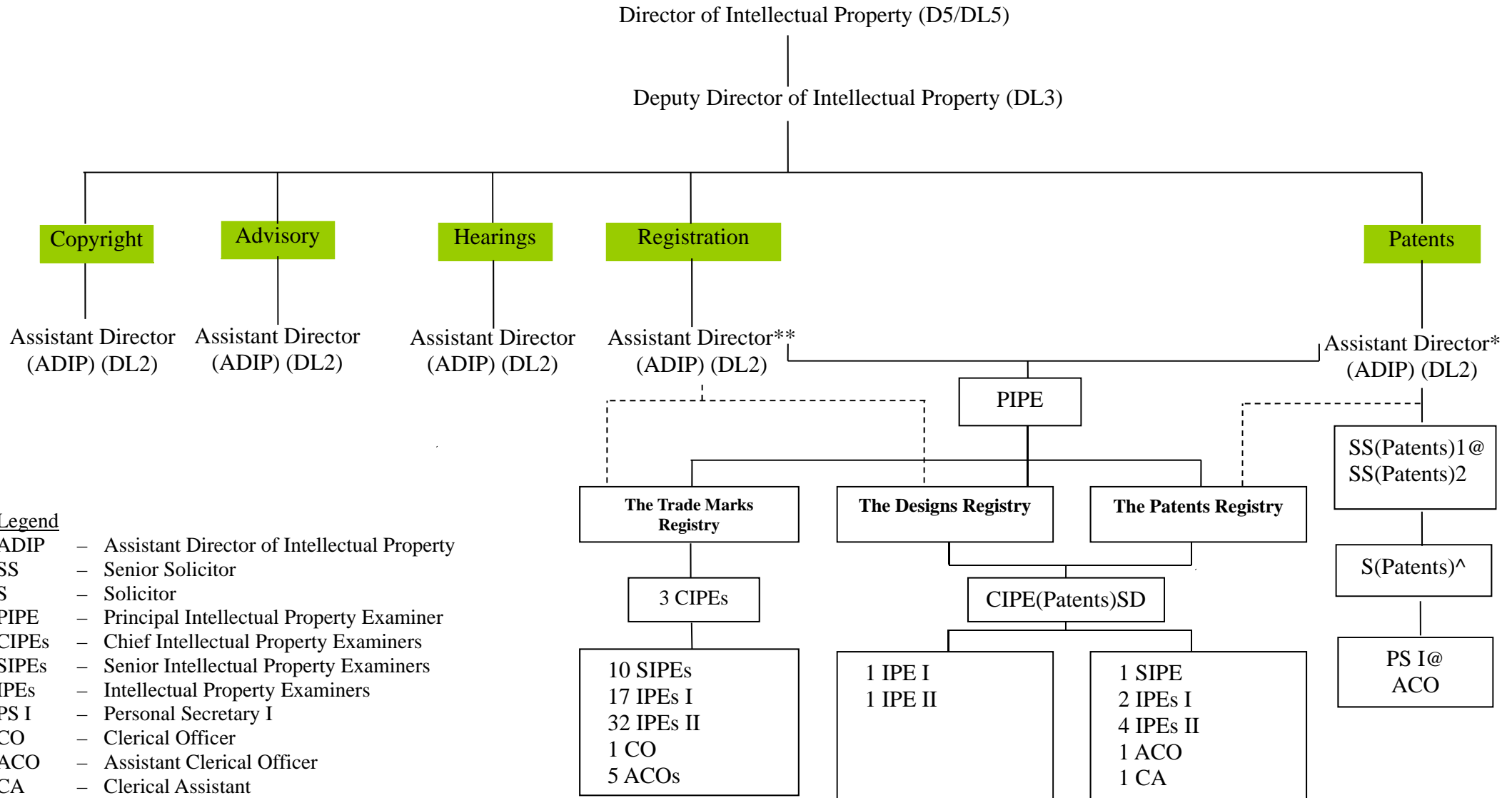
Post Title : Assistant Director of Intellectual Property (Patents)
Rank : Assistant Director of Intellectual Property [DL2]
Responsible to : Deputy Director of Intellectual Property

Major Duties and Responsibilities:

- Oversee the establishment of the OGP system and the refinement of the STP system in Hong Kong, including rendering legal and policy advice, engaging and steering further discussions on setting out the detailed arrangement for substantive examination, formulating the necessary legal and administrative framework, drawing up strategic plans about the manpower and resources required under the new patent system, overseeing the development and implementation of an IT system for the OGP system and drawing up publicity programmes to promote the OGP system
- Maintain policy oversight of the daily operation of the expanded Patents Registry implementing the new patent system and the Designs Registry
- Oversee the provision of policy and legal advice on further development of the local patent system
- Oversee the practice and procedures of the local patent and design registration systems
- Prepare for the establishment of the regulatory regime for provision of patent agency services in Hong Kong, including rendering legal and policy advice, drawing up strategic implementation plans in consultation with the Advisory Committee on Review of the Patent System in Hong Kong, and formulating the legal and administrative framework in support of the regulatory measures and schemes
- Review the international treaties, particularly on patent protection, make recommendations on whether they should be applied to Hong Kong, and, if so, plan for their implementation

- Assist in liaison with patent officers in overseas jurisdictions and on the Mainland for further cooperation
- Engage and seek support from relevant stakeholders from time to time
- Perform any other duties as assigned by senior officers from time to time

**Current Organisation Chart of the Intellectual Property Department
particularly showing the Current Patents Team, the Patents Registry and the Designs Registry**



Legend

- ADIP – Assistant Director of Intellectual Property
- SS – Senior Solicitor
- S – Solicitor
- PIPE – Principal Intellectual Property Examiner
- CIPEs – Chief Intellectual Property Examiners
- SIPEs – Senior Intellectual Property Examiners
- IPEs – Intellectual Property Examiners
- PS I – Personal Secretary I
- CO – Clerical Officer
- ACO – Assistant Clerical Officer
- CA – Clerical Assistant
- SD – Special Duties

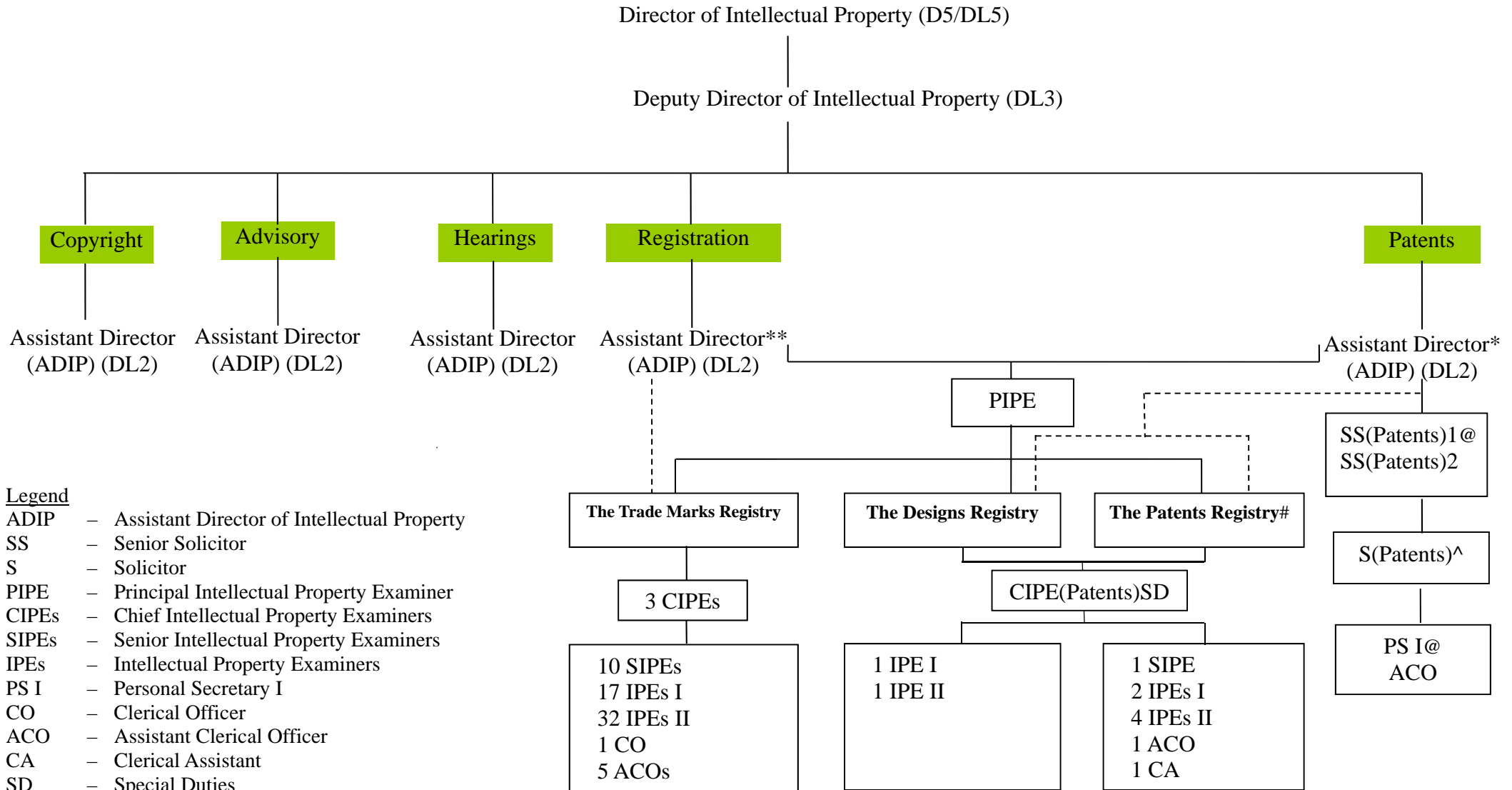
* Time-limited supernumerary directorate post (up to 31 March 2017) responsible for, amongst others, overseeing the Patents Registry

** The existing directorate post responsible for, amongst others, overseeing both the Trade Marks Registry and the Designs Registry

@ Time-limited non-directorate posts (up to 31 March 2017)

^ At present, we have manpower strength of 1.5 Solicitors in the Patents Team. The 0.5 Solicitor has been re-deployed from the Registration Team of IPD whose duties involve 50% of each of the work related to the Registration Team and the Patents Team.

**Organisation Chart of the Intellectual Property Department
particularly showing the Proposed Patents Team, the Patents Registry and the Designs Registry**



Legend

- ADIP – Assistant Director of Intellectual Property
- SS – Senior Solicitor
- S – Solicitor
- PIPE – Principal Intellectual Property Examiner
- CIPEs – Chief Intellectual Property Examiners
- SIPes – Senior Intellectual Property Examiners
- IPEs – Intellectual Property Examiners
- PS I – Personal Secretary I
- CO – Clerical Officer
- ACO – Assistant Clerical Officer
- CA – Clerical Assistant
- SD – Special Duties

* Proposed permanent directorate post (effective 1 April 2017) responsible for, amongst others, overseeing both the Patents Registry and the Designs Registry

** The existing directorate post responsible for, amongst others, overseeing the Trade Marks Registry

@ Proposed permanent non-directorate posts (effective 1 April 2017)

We are expanding the Patents Registry by recruiting 3 more SIPes and 1 more IPE I with technical credentials to start building our substantive examination capacity.

^ At present, we have manpower strength of 1.5 Solicitors in the Patents Team. The 0.5 Solicitor has been re-deployed from the Registration Team of IPD whose duties involve 50% of each of the work related to the Registration Team and the Patents Team.