Survey on Intellectual Property Trading

Major Findings

Intellectual Property Department

HKSAR

June 2015

Survey on Intellectual Property Trading

Survey Objective

1. The Intellectual Property Department commissioned a professional research service provider - MOV Data Collection Center Limited, in June 2014 to conduct a survey on Intellectual Property ("IP") Trading ("Survey"). The key objective of the Survey is to collect opinions and quantitative information on IP trading[1] activities conducted by establishments engaged in the relevant industries in Hong Kong. The findings will be useful to the Government in formulating policies with respect to the promotion and development of IP trading in Hong Kong.

Survey Coverage

2. The Survey covered establishments in selected industries in which IP-related businesses are likely to be prevalent. These establishments were classified into two main groups, namely, IP intermediaries[2] and IP creators/owners/users in nine surveyed sectors[3] as identified in interviews, focus group discussions and a desk-top study conducted prior to the Survey.

Data Collection Method and Enumeration Results

3. The survey data were collected through face-to-face interviews conducted during visits in-person to the sampled establishments. Two structured questionnaires were respectively designed to cater for the different data required from IP intermediaries and IP creators/owners/users.

4. The fieldwork was carried out between 8 September and 30 November 2014. Among a total of 3 848 establishments sampled (including 777 IP intermediaries and

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[1] IP trading generally refers to transaction of IP rights, such as patents, copyright works, industrial designs, trademarks, semi-conductor layout-designs, or even trade secrets and plant varieties. This trading occurs amongst IP creators, owners and users; and may take different forms, such as acquisition, licensing and franchising of IP rights.

[2] An IP intermediary generally refers to a party or platform that offers and provides one or more intermediary services for any arrangement, activity, task, negotiation, transaction or proceeding which involves addressing and/or resolving an IP issue, such as IP registration, IP arbitration and mediation, IP matching services, IP legal services, IP valuation, etc.

[3] The nine surveyed sectors are: (i) motion picture, video and TV programme production/distribution (Hong Kong Standard Industrial Classification (HSIC) codes 5911, 5913); (ii) television programming and broadcasting (HSIC code 6020); (iii) sound recording and music publishing (HSIC code 5920); (iv) publishing of books, directories and mailing lists (HSIC code 5811); (v) computer programming (HSIC code 6201); (vi) knowledge transfer offices of local universities, and research and development centres (HSIC code not applicable); (vii) leasing of intellectual property and similar non-financial intangible assets (except copyrighted works) (HSIC code 7730); (viii) import/export trading of household goods (HSIC codes 4514, 4524); and (ix) import and export trading of machinery, equipment and supplies (HSIC codes 4516, 4526).

3 071 IP creators/owners/users), 494 were classified as invalid (for reasons such as unable to contact the establishments, cessation of business, operations suspended, or establishments' business activities fell outside the scope of IP intermediaries or IP creators/owners/users, etc.). For the remaining 3 354 establishments, 1 025 of them declined to participate. Out of the 2 329 establishments that were successfully enumerated, there were 437 IP intermediaries (including 240 establishments in the legal services industry and 197 in other industries) and 1 892 IP creators/owners/users. The overall response rate achieved was 69.4%.

Cautionary Remarks

5. In respect of IP intermediaries that were not engaged in the legal services industry ("IP intermediaries in other industries"), the Survey only covered those establishments which were known to be or likely to be involved in IP intermediary services based on information collected from various sources. As they do not constitute a scientific random sample, this would impose certain limitations on statistical inference. As a result, the findings in this report in relation to IP intermediaries in other industries only represented the position of those establishments that were successfully enumerated.

6. The above remark also applies to the "knowledge transfer offices of local universities, and research and development centres" sector among IP creators/owners/users since the Survey only covered those establishments which were known to be or likely to be engaged in IP trading activities from information collected from various sources. Likewise, the findings in this report in relation to the above sector only represented the position of those establishments that were successfully enumerated. For the "computer programming" sector, the Survey only covered large establishments[4] and those known or likely to be involved in IP trading. Hence, the Survey findings relating to this sector only represented the position of the above establishments.

7. Some results are derived from a small number of sample observations due to refusal by respondents to disclose the relevant information to us. This is particularly the case in relation to business receipts and operating expenses. Results relating to such matters are subject to relatively large sampling errors and should therefore be interpreted with caution.

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[4] Defined as those establishments under the Hong Kong Standard Industrial Classification (HSIC) code 6201 ("computer programming") with 100 or more persons engaged.

Major Findings

IP Intermediaries in the Legal Services Industry

8. Based on the information obtained from the Census and Statistics Department and the data obtained from the Survey, it is estimated that there were 2 300 establishments [5] in the legal services industry (comprising 1 200 solicitors' establishments and 1 100 barristers' establishments) at the time of enumeration.

IP Intermediary Services Provided and IP Rights Handled

9. Based on the data collected from the Survey, it is estimated that 37.6% of the establishments in the legal services industry provided IP intermediary services ("IP intermediaries in the legal services industry") at the time of enumeration, with a higher proportion recorded for solicitors' establishments (58.3%) than barristers' establishments (15.6%).

10. The majority of the IP intermediaries in the legal services industry provided IP registration (74.6%) and IP litigation services (68.6%) whereas a smaller proportion provided IP arbitration and mediation (24.2%) and IP due diligence (16.9%) services. However, only a few of them provided IP services in the areas of matching, valuation, financing and insurance (between 0.4% and 1.5%).

11. Almost all of the IP intermediaries in the legal services industry involved in works relating to trademarks (95.5%) and about half of them were engaged in works relating to patents (48.9%). Other IP rights handled by these establishments included copyright in computer software/systems[6] (35.4%), designs (28.7%) and copyright in other works (19.3%).

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[5] The legal services industry comprises establishments from both solicitor services (HSIC code 6911) and barrister services (HSIC code 6912). In principle, an establishment is an economic unit which engages, under a single ownership or control, in one or predominantly one kind of economic activity at a single physical location. It is operationally defined based on the business registration records of the Business Registration Office and such definition applies to all industries, including solicitor services and barrister services. Each business registration carries one business registration number (BRN). An establishment basically refers to one such business registration or BRN, with or without some kind of restructuring for statistical purposes.

[6] This includes computer software/systems which have been created, acquired or licensed by the clients of the IP intermediaries for direct production of income or profit in the course of their trade or business, but excluding those used by them as end-user.

Manpower Situation

12. It is estimated from the Survey findings that as at end-June 2014, there were a total of 22 900 persons engaged in the legal services industry, of whom 16 500 persons were engaged by the IP intermediaries in the industry. Among the 16 500 persons, 16.6% of them (around 2 700 persons) were involved in providing IP intermediary services (hereinafter referred to as "IP-related staff") and they were primarily engaged on a full-time basis (99.4%). These IP-related staff represented about 11.9% of the total number of persons engaged in the legal services industry.

13. The academic and professional qualifications of these IP-related staff varied. Most of them (80.8%) had obtained Bachelor degrees or above, 57.3% had attained relevant IP-related academic qualifications[7], 40.2% possessed relevant IP-related professional qualifications[8], and 37.5% possessed both relevant IP-related academic and professional qualifications.

14. The IP intermediaries in the legal services industry anticipated that there would be an overall 10.1% increase in the number of IP-related staff from end-June 2014 to end-2015.

Business Receipts Generated by Providing IP Intermediary Services in 2013[9]

15. For the IP intermediaries in the legal services industry, it is estimated that the business receipts generated from IP intermediary services ("IP-generated business receipts") contributed to about 16.1% of their total business receipts. In turn, such receipts are estimated to account for 12.0% of the total business receipts of the legal services industry. Furthermore, in relation to these IP-generated business receipts, it is noted that:

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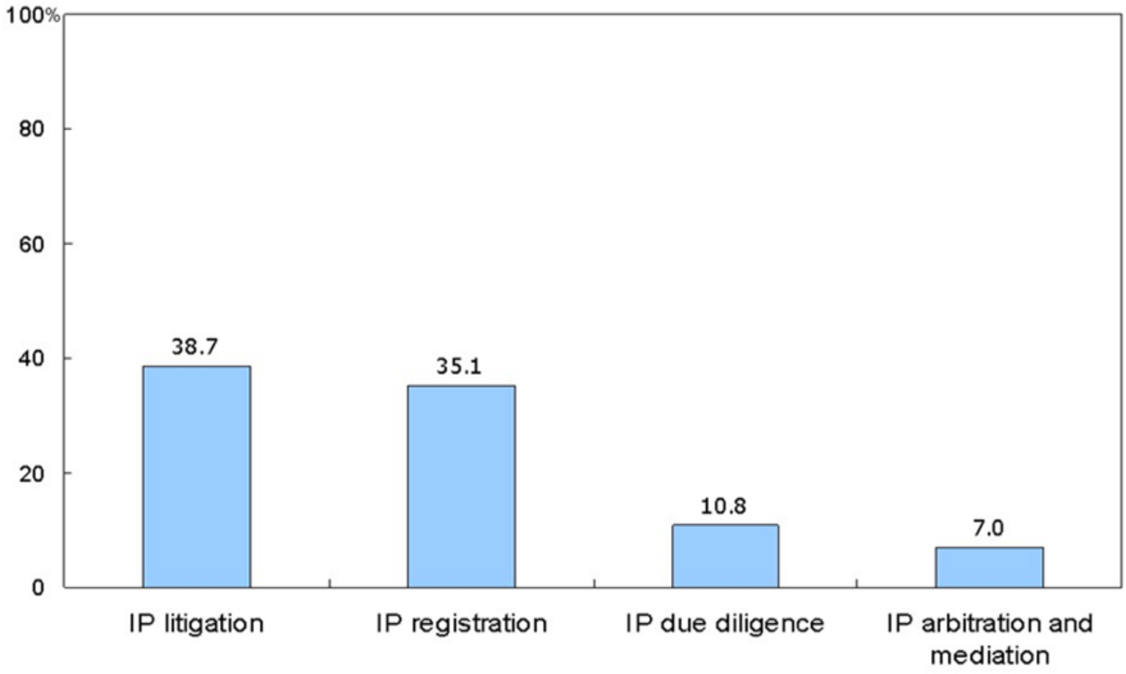
[7] Examples include: Bachelor of Laws (with law course(s) covering IP subjects), Master of Laws in Information Technology and Intellectual Property Law (conferred by the University of Hong Kong), Master of Laws in Intellectual Property Law (conferred by various UK and US universities) and Master of Science in Patent Law (conferred by some US universities).

[8] Examples include: Qualified solicitors/barristers in Hong Kong specialising in IP practice, US patent attorneys, People's Republic of China patent agents, UK chartered patent attorneys, European patent attorneys, UK trade mark attorneys, Australia trade mark attorneys and New Zealand trade mark attorneys.

[9] This refers to the period from 1 January 2013 to 31 December 2013, or any consecutive 12-month period between 1 January 2013 and 31 March 2014 according to the accounting period of each of the surveyed establishment.

a) More than one-third was generated from IP litigation (38.7%) and IP registration (35.1%) services; a relatively smaller proportion was derived from IP due diligence (10.8%) and IP arbitration and mediation (7.0%) services.

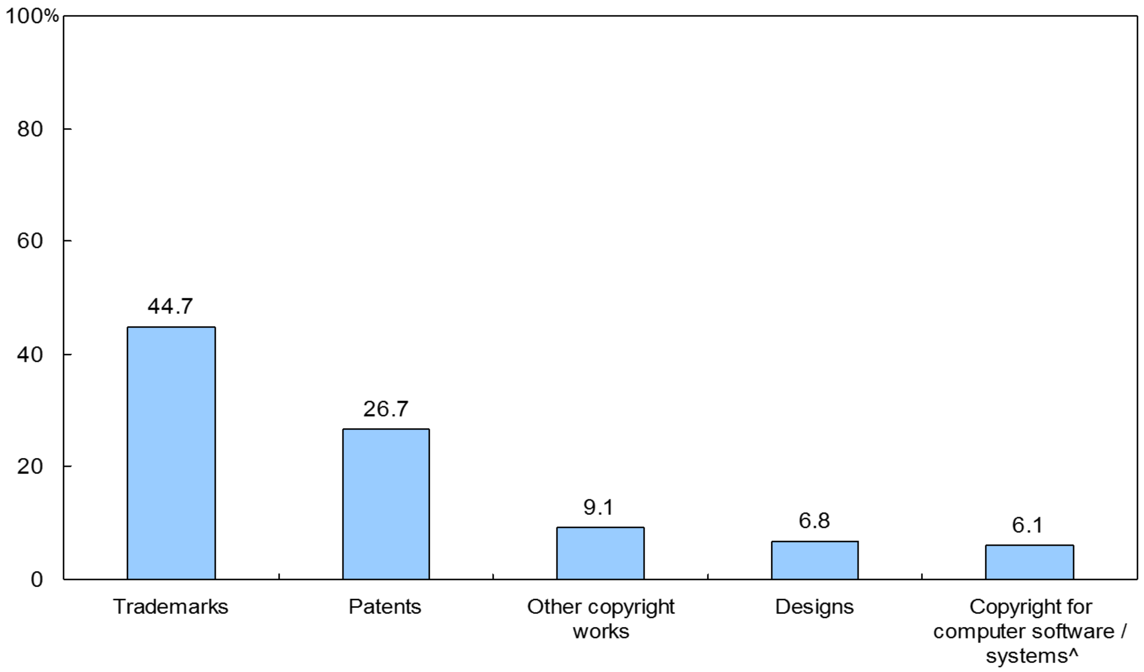
Breakdown of IP-generated Business Receipts of IP Intermediaries in the Legal Services Industry According to Major Types of Services in 2013



Base: IP-generated business receipts of establishments covered by the Survey in the legal services industry that provided IP intermediary services, excluding those that refused to disclose relevant information.

b) Most of such receipts were generated from providing IP intermediary services involving trademarks (44.7%) and patents (26.7%). Other types of IP rights each accounted for less than 10% of such receipts.

Breakdown of IP-generated Business Receipts of IP Intermediaries in the Legal Services Industry According to Major Types of IP Rights in 2013



Base: IP-generated business receipts of establishments covered by the Survey in the legal services industry that provided IP intermediary services, excluding those that refused to disclose relevant information.

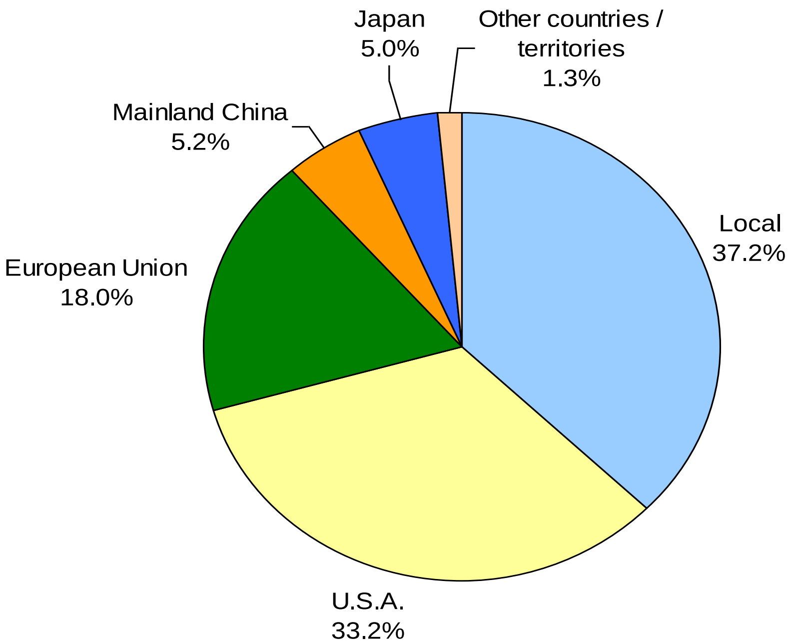
^Copyright for computer software/systems refers to the copyright subsisting in computer software/systems, including those which have been created, acquired or licensed by the clients of the IP intermediaries for direct production of income or profit in the course of their trade or business, but excluding those used by them as end-user.

c) 98.0% of such receipts were derived from IP intermediary services provided to clients in the private sector. The major clients were from the "motion picture, video and television programme production and distribution" and "manufacture, import / export trading and retail sale of medicine" industries whose business accounted for 12.2% and 11.3% of such receipts respectively[10].

[10] In relation to 51.2% of the IP-generated business receipts, we could not identify the industry from which such receipts were derived since the relevant information was not disclosed to us in the Survey.

d) The largest proportion of such receipts were generated from services provided to local clients, which accounted for 37.2% of such receipts. This was followed by clients from the U.S.A. and the European Union who contributed to 33.2% and 18.0% of the receipts respectively. Clients from Mainland China and Japan each accounted for about 5% of such receipts.

Breakdown of IP-generated Business Receipts of IP Intermediaries in the Legal Services Industry According to Place of Residence of Clients in 2013



Base: IP-generated business receipts of establishments covered by the Survey in the legal services industry that provided IP intermediary services, excluding those that refused to disclose relevant information.

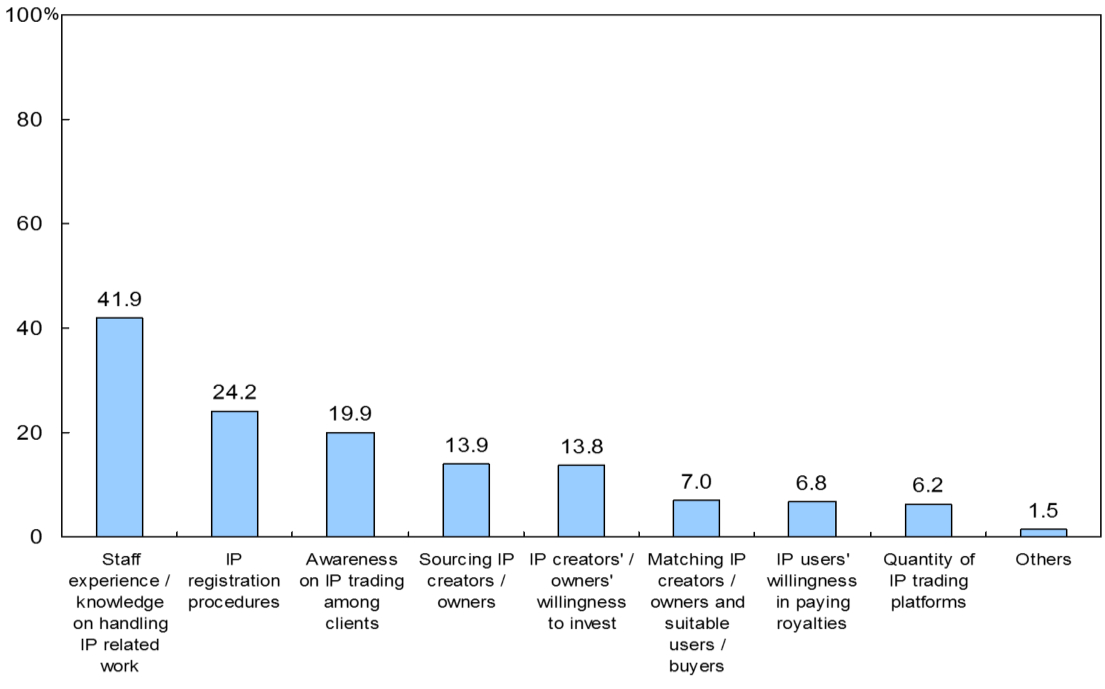
Operating Expenses Attributable to IP Intermediary Services Provided in 2013

16. Among the IP intermediaries in the legal services industry, it is estimated that 11.0% of their total operating expenses (other than compensation of employees) were attributable to their IP intermediary services. In turn, such IP-related operating expenses accounted for about 8.1% of the total operating expenses of the legal services industry.

Views on Development of IP Trading

17. "Staff experience / knowledge on handling IP related work" was commonly considered by IP intermediaries in the legal services industry as a major challenge in providing services to their clients. 41.9% of the IP intermediaries regarded this as a major challenge to them. Other challenges mentioned included "IP registration procedures" (24.2%) and "awareness on IP trading among clients (including IP creators / owners, IP users / buyers and the public at large)" (19.9%).

Proportion of IP Intermediaries in the Legal Services Industry by Major Challenges Faced in Providing IP Intermediary Services to Clients

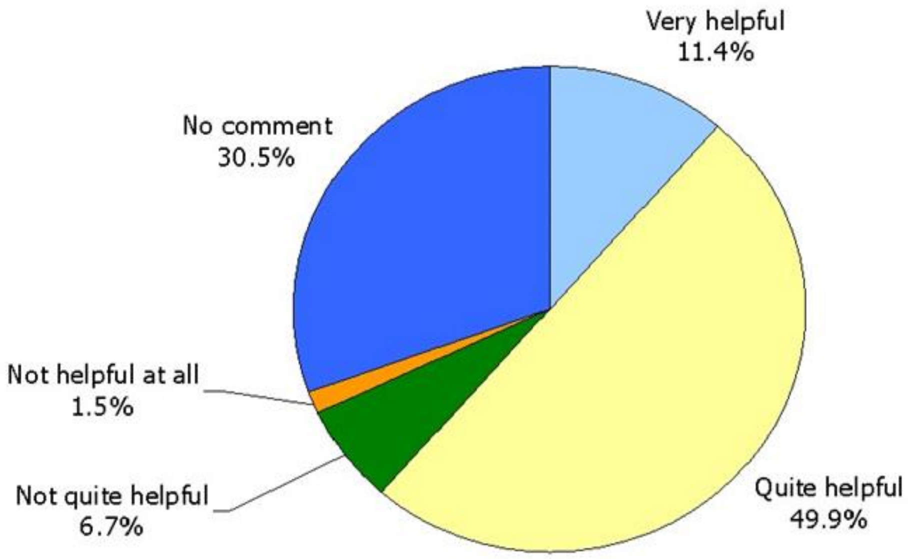


Base: All establishments covered by the Survey in the legal services industry that provided IP intermediary services.

*Multiple answers allowed.

18. On the question of whether IP trading could enhance the overall development of Hong Kong's economy, 11.4% of the establishments in the legal services industry considered it very helpful, 49.9% rated it as quite helpful, 6.7% opined that it was not quite helpful, 1.5% said that it was not helpful at all, while 30.5% had no comment.

Proportion of Establishments in the Legal Services Industry by Opinions on Whether IP Trading Could Enhance the Overall Development of Hong Kong's Economy



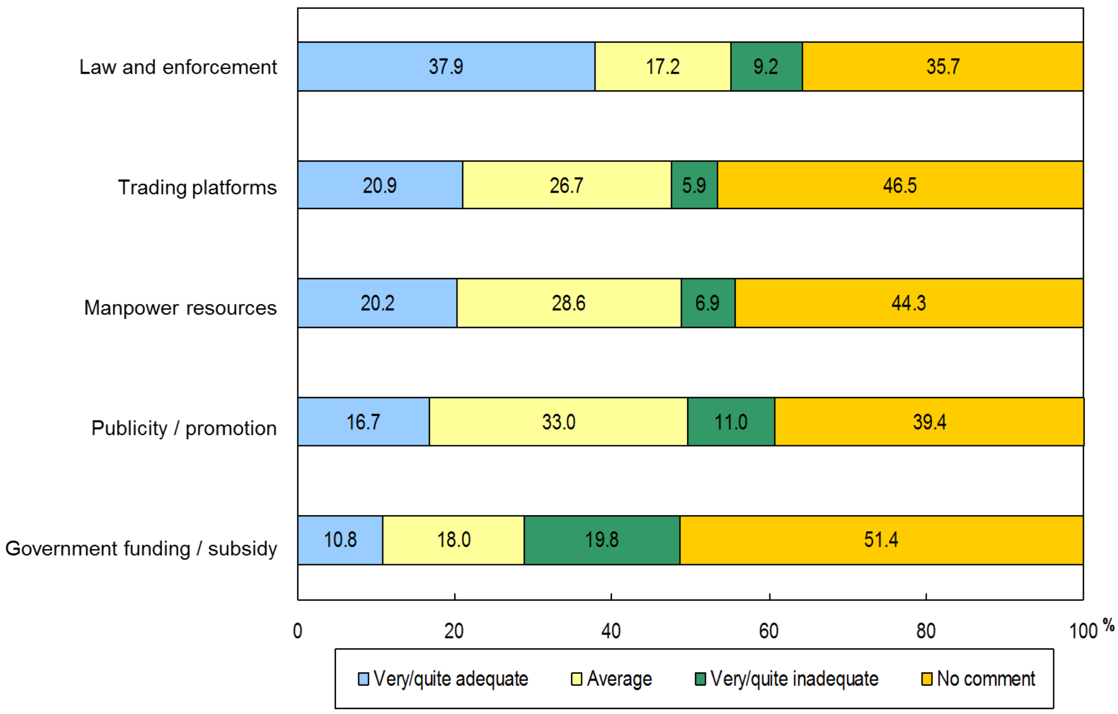
Base: Establishments covered by the Survey in the legal services industry, excluding those that refused to disclose relevant information.

19. The establishments in the legal services industry were asked to assess the adequacy of different measures which support the development of Hong Kong as an IP trading hub. The Survey findings are summarised below:

a) Among the different measures, "law and enforcement" was generally considered as more adequate than the others. 37.9% of the establishments rated it as very/quite adequate while 17.2% of them considered it as average.

b) On the other hand, "government funding/subsidy" was regarded as the least adequate among the various measures. Only 10.8% of the establishments considered it as very/quite adequate while 19.8% of them rated it as very/quite inadequate.

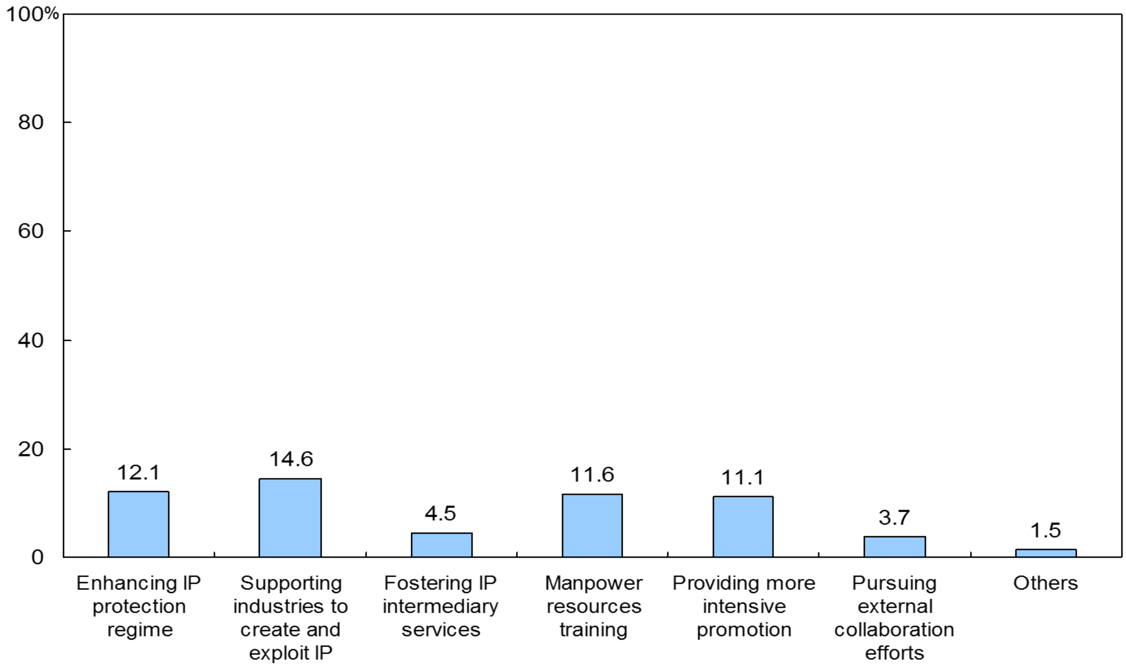
Proportion of Establishments in the Legal Services Industry by Opinions on Adequacy of the Various Measures in Support of the Development of Hong Kong as an IP Trading Hub



Base: All establishments covered by the Survey in the legal services industry.

20. In respect of the policies that should be adopted by the Government for further promoting the development of IP trading in Hong Kong, a large proportion of the establishments (72.5% of the establishments in the legal services industry) offered no comment. Other establishments considered that "supporting industries to create and exploit IP" (14.6%), "enhancing IP protection regime" (12.1%) and "manpower resources training" (11.6%) were required.

Proportion of Establishments in the Legal Services Industry by Government Policies Cited for Further Promoting the Development of IP Trading in Hong Kong



Base: All establishments covered by the Survey in the legal services industry.

*Multiple answers allowed.

IP Intermediaries in Other Industries

IP Intermediary Services Provided and IP Rights Handled

21. 197 IP intermediaries in other industries were successfully enumerated in the Survey[11]. Although a large proportion of them had provided IP registration services (67.0%), their involvement in other intermediary services was relatively limited. Less than one-fifth of them indicated that they had handled IP matching (18.8%), IP valuation (17.8%), IP due diligence (14.2%), IP arbitration and mediation (13.2%) and IP litigation (10.7%) services. Only a few of them were involved in IP financing (3.0%) and IP insurance (1.5%) services.

22. As regards the types of IP rights involved, a predominant proportion of the surveyed IP intermediaries in other industries (84.8%) were involved in trademarks. Those involved in patents and designs amounted to 47.7% and 24.9% of the respondents in this category. A smaller proportion of these intermediaries were engaged in works relating to copyright in computer software/systems (17.8%) and copyright in other works (15.7%).

Manpower Situation

23. It is estimated from the Survey findings that as at end-June 2014, a total of 5 000 persons were engaged by the surveyed IP intermediaries in other industries. Amongst them, 31.6% (around 1 600 persons) were involved in providing IP intermediary services (i.e. "IP-related staff"). Most of IP-related staff (93.1%) were engaged on a full-time basis.

24. The academic and professional qualifications of these IP-related staff varied. About two-thirds (64.4%) had obtained Bachelor degrees or above, 58.0% had attained relevant IP-related academic qualifications, 14.7% possessed relevant IP-related professional qualifications, and 11.4% possessed both relevant IP-related academic and professional qualifications.

[11] Among the 197 surveyed IP intermediaries in other industries, 24 of them were mainly engaged in "accounting and auditing services" (HSIC code 6921), 61 of them in "business management and consultancy services" (HSIC code 7022), 83 of them in "miscellaneous professional, scientific and technical activities (not elsewhere classified)" (HSIC code 7590), and 29 of them in "other services".

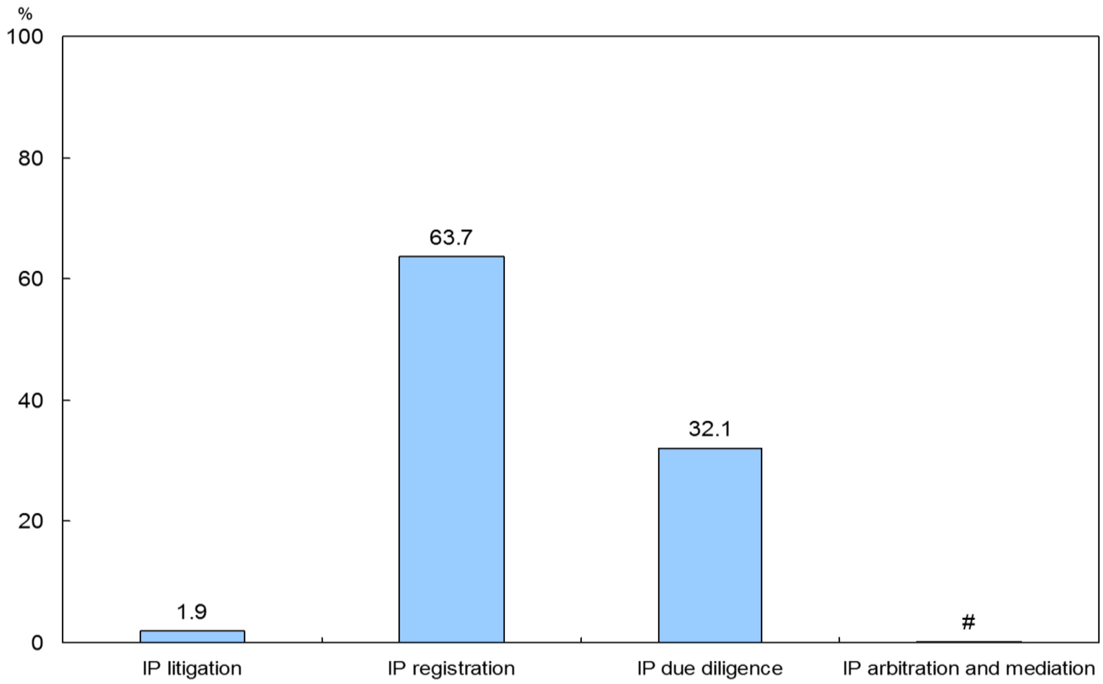
25. The surveyed IP intermediaries in other industries anticipated that there would be an overall 5.9% increase in the number of IP-related staff from end-June 2014 to end-2015.

<u>Business Receipts Generated by Providing IP Intermediary Services in 2013</u>

26. It is estimated that the IP-generated business receipts amounted to about 37.6% of the total business receipts of the surveyed IP intermediaries in other industries. With regard to such IP-generated business receipts, it is noted that:

a) A large proportion was generated from IP registration services (63.7%) and IP due diligence services (32.1%). Only a very small proportion of such receipts was generated from the provision of IP litigation services (1.9%).

Breakdown of IP-generated Business Receipts of Surveyed IP Intermediaries in Other Industries According to Major Types of Services in 2013

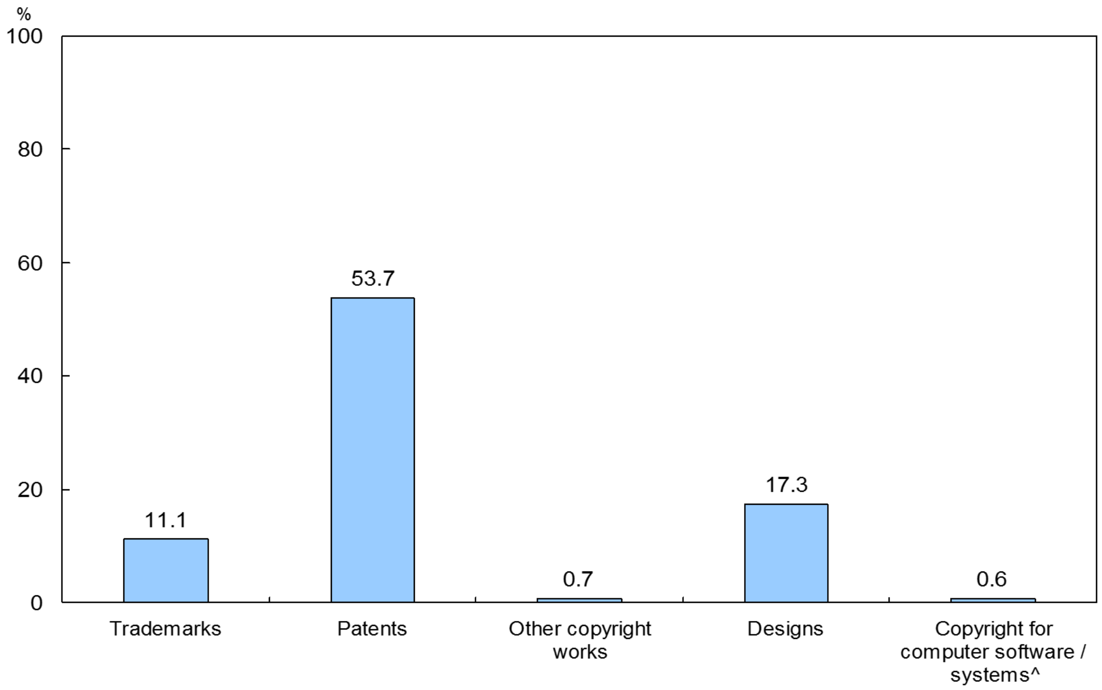


Base: IP-generated business receipts of surveyed IP intermediaries in other industries, excluding those that refused to disclose relevant information.

Less than 0.5%.

b) Most of the receipts were generated from works involving patents (53.7%) while a smaller proportion was derived from works relating to designs (17.3%) and trademarks (11.1%).

Breakdown of IP-generated Business Receipts of Surveyed IP Intermediaries in Other Industries According to Major Types of IP Rights in 2013



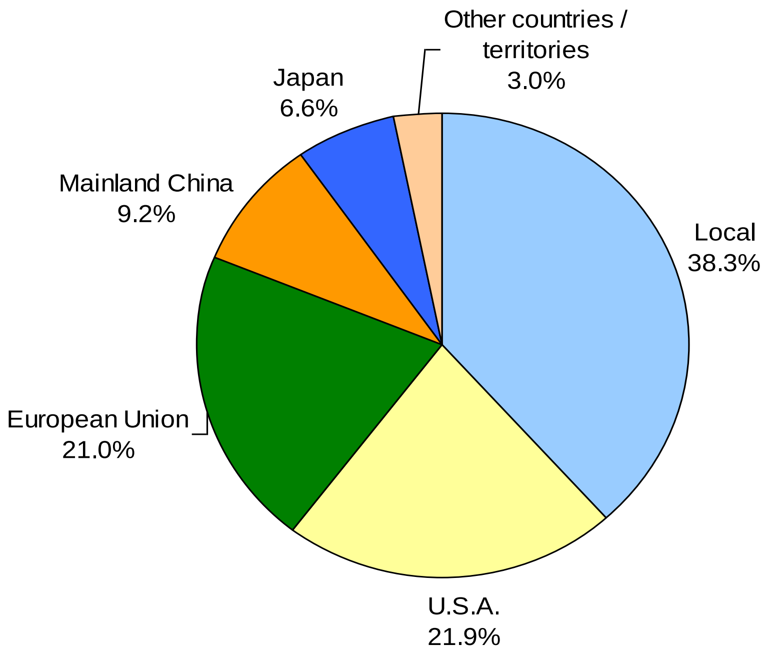
Base: IP-generated business receipts of surveyed IP intermediaries in other industries, excluding those that refused to disclose relevant information.

^Copyright for computer software/systems refer to the copyright subsisting in computer software/systems, including those which have been created, acquired or licensed by the clients of the surveyed IP intermediaries for direct production of income or profit in the course of their trade or business, but excluding those used by them as end-user.

c) Private sector clients accounted for a major proportion (88.3%) of the receipts. The largest contribution to such receipts was derived from services provided to the "import/ export trading of machinery, equipment and supplies" industry (57.0%). This was followed by the "manufacture, import / export trading and retail sale of food products" (21.8%) industry. Other industries each accounted for a relatively small proportion (less than 5.0%) of such receipts.

d) Over one-third of the receipts was generated from local clients (38.3%). This was followed by clients from the U.S.A. and the European Union who accounted for 21.9% and 21.0% of such receipts respectively. Clients from Mainland China and Japan each accounted for less than 10.0% of such receipts.

Breakdown of IP-generated Business Receipts of Surveyed IP Intermediaries in Other Industries According to Place of Residence of Clients in 2013



Base: IP-generated business receipts of surveyed IP intermediaries in other industries, excluding those that refused to disclose relevant information.

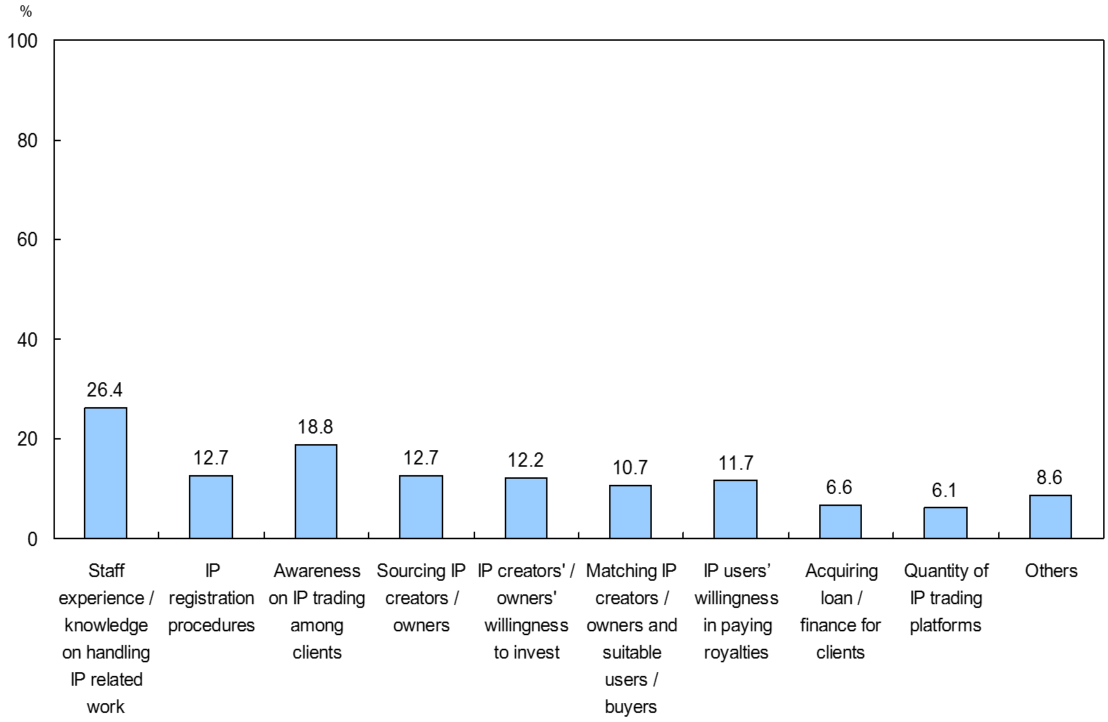
Operating Expenses Attributable to IP Intermediary Services Provided in 2013

27. The operating expenses (other than compensation of employees) attributable to IP intermediary services constituted about 40.7% of the total operating expenses of the surveyed IP intermediaries in other industries.

Views on Development of IP Trading

28. Out of the surveyed IP intermediaries in other industries, 26.4% of them considered “staff experience / knowledge on handling IP related work” as a major challenge in providing services to their clients. The next major challenge was “awareness on IP trading among clients (including IP creators / owners, IP users / buyers and the public at large)” (18.8%). Other challenges cited by the surveyed IP intermediaries included “IP registration procedures”, “sourcing IP creators / owners”, “IP creators’ / owners’ willingness to invest”, “IP users’ willingness in paying royalties” and “matching IP creators / owners and suitable users / buyers” (each accounted for about 10% to 13%).

Proportion of Surveyed IP Intermediaries in Other Industries by Major Challenges Faced in Providing IP Intermediary Services to Clients

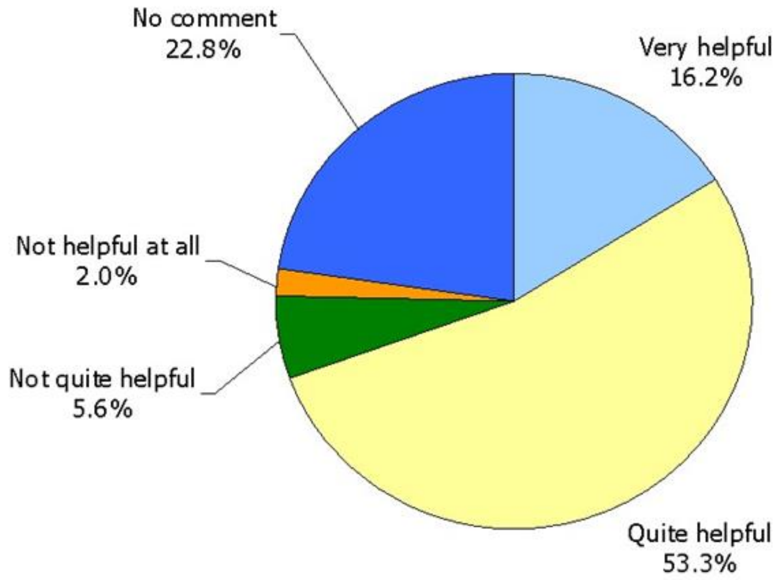


Base: All surveyed IP intermediaries in other industries.

*Multiple answers allowed.

29. Regarding their opinions on whether IP trading could enhance the overall development of Hong Kong's economy, 16.2% of the surveyed IP intermediaries in other industries considered it very helpful, 53.3% indicated that it would be quite helpful. 7.6% rated it as not quite helpful / not helpful at all, while 22.8% offered no comment.

Proportion of Surveyed IP Intermediaries in Other Industries by Opinions on Whether IP Trading Could Enhance the Overall Development of Hong Kong's Economy



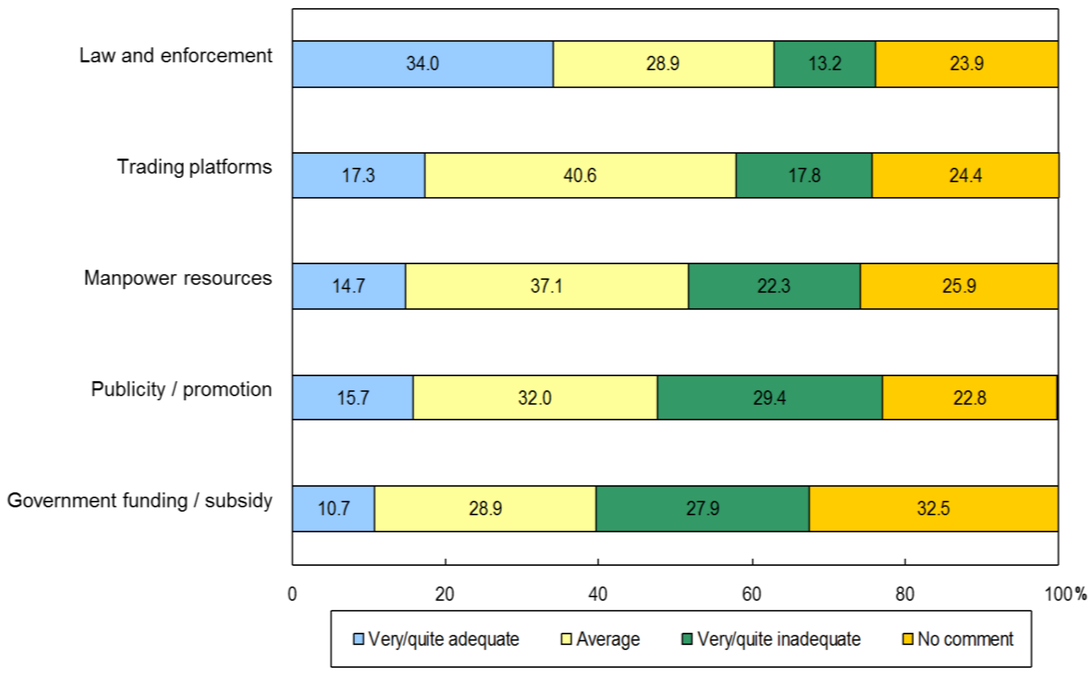
Base: Surveyed IP Intermediaries in other industries, excluding those that refused to disclose relevant information.

30. The surveyed IP intermediaries in other industries were asked to assess the adequacy of different measures which support the development of Hong Kong as an IP trading hub. Their views are summarised below :

a) “Law and enforcement” was generally considered to be more adequate than the others. 34.0% of the surveyed IP intermediaries rated it as very/quite adequate while those who rated it as average amounted to 28.9%.

b) As regards “government funding/subsidy”, only 10.7% of the surveyed IP intermediaries considered it as very/quite adequate. Those who rated it as average or very/quite inadequate amounted to 28.9% and 27.9% respectively.

Proportion of Surveyed IP Intermediaries in Other Industries by Opinions on Adequacy of the Various Measures in Support of the Development of Hong Kong as an IP Trading Hub

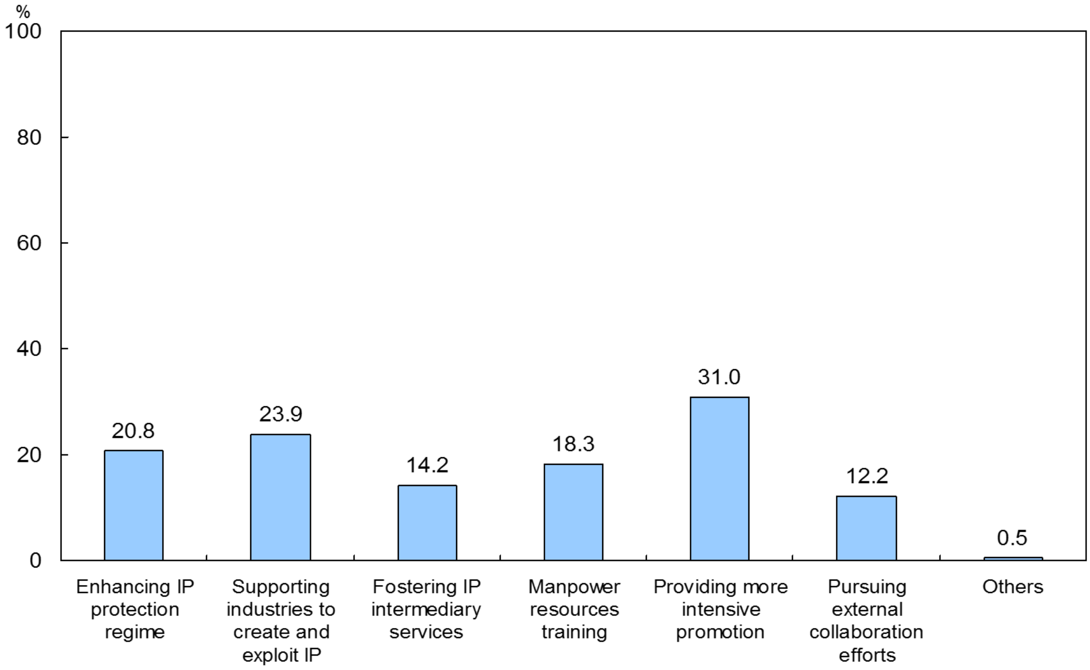


Base: All surveyed IP Intermediaries in other industries.

31. When asked on the policies that the Government should adopt to further promote the development of IP trading in Hong Kong, 43.7% of the surveyed IP

intermediaries offered no comment. Others considered that "providing more intensive promotion" (31.0%), "supporting industries to create and exploit IP" (23.9%) and "enhancing IP protection regime" (20.8%) were required.

Proportion of Surveyed IP Intermediaries in Other Industries by Government Policies Cited for Further Promoting the Development of IP Trading in Hong Kong



Base: All surveyed IP Intermediaries in other industries.

*Multiple answers allowed.

IP Creators/Owners/Users

32. Nine sectors were identified in the category of “IP Creators/Owners/Users”[12] and this report will focus on presenting the findings of six of these sectors. They are: (i) motion picture, video and TV programme production/distribution; (ii) television programming and broadcasting; (iii) sound recording and music publishing; (iv) publishing of books, directories and mailing lists; (v) computer programming; and, (vi) knowledge transfer offices of local universities, and research and development centres (collectively referred to as “six surveyed sectors”). As regards the remaining three sectors[13], given that their sample sizes were fairly limited[14], the findings presented in this report for these sectors will only focus on the IP activities performed by them, the number of persons engaged, as well as the views of the establishments on the development of IP trading.

IP Activities Performed

33. Based on the data collected in the Survey, it is estimated that up to the time of enumeration, all the establishments in the “leasing of intellectual property and similar non-financial intangible assets (except copyrighted works)” and the “knowledge transfer offices of local universities and research and development centres” sectors had performed some IP activities. Besides, many establishments in the “computer programming” sector[15] (representing 93.6% of the establishments in the sector), the “publishing of books, directories and mailing lists” sector (79.7%), the “motion picture, video and TV programme production/distribution” sector (76.9%) and the “sound recording and music publishing” sector (70.8%) had also engaged in IP activities. On the other hand, less than half of the establishments in the “television programming and broadcasting” sector had engaged in IP activities (41.9%) and the relevant percentages were lower for establishments in the “import/export trading of household goods” sector (11.0%) and the “import/export trading of machinery, equipment and supplies” sector (6.2%).

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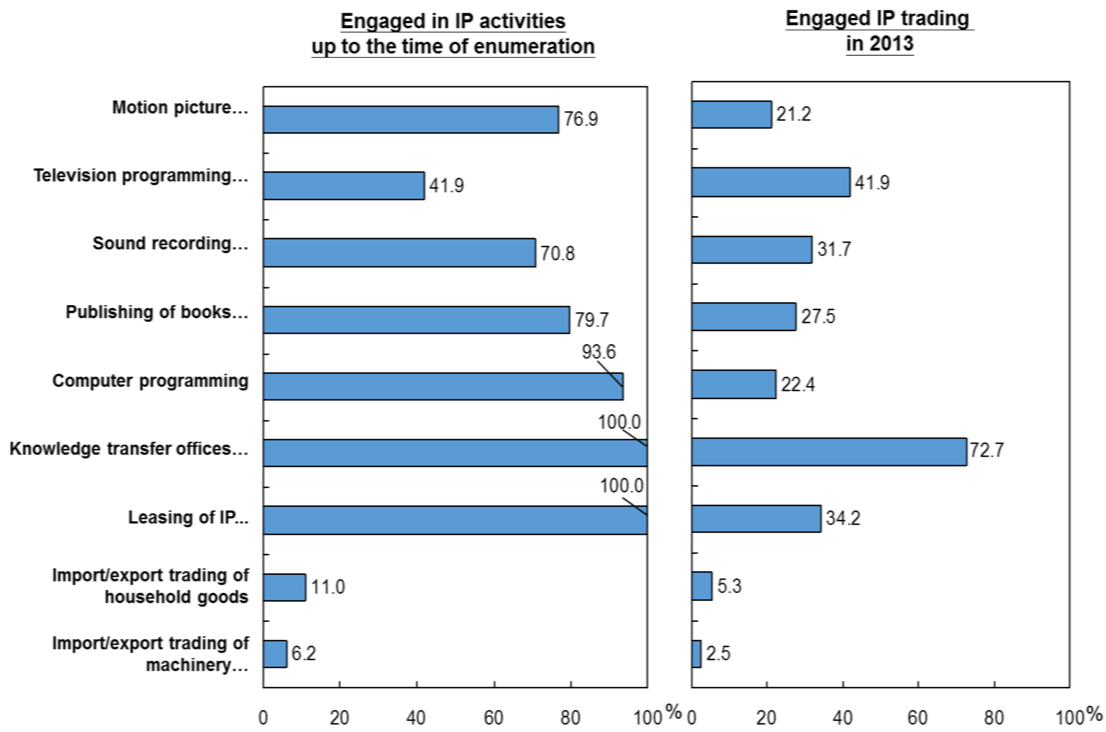
[12] Apart from the nine sectors referred to in this report, the “fast food cafes” industry (HSIC code 5612) was identified to be heavily engaged in IP trading activities in a desk-top study. Although attempts were made to collect the required data from this industry, no valid data in respect of IP activities of this industry was ultimately collected.

[13] The 3 sectors are: (i) leasing of intellectual property and similar non-financial intangible assets (except copyrighted works); (ii) import/export trading household goods; and (iii) import/export trading of machinery, equipment and supplies.

[14] Since fairly limited information relating to “Business Receipts Generated by IP Trading” and “Expenses Attributable to IP Trading” were provided by the establishments in the 3 sectors, the data obtained could not provide valuable statistical insights. Hence, this report will not present the above data in relation to the 3 sectors.

[15] For the computer programming sector, only large establishments and those known or likely to be involved in IP trading were covered in the Survey.

Proportion of Establishments in the Nine Surveyed Sectors that Had Engaged in IP Activities up to the Time of Enumeration / Had Engaged IP Trading in 2013

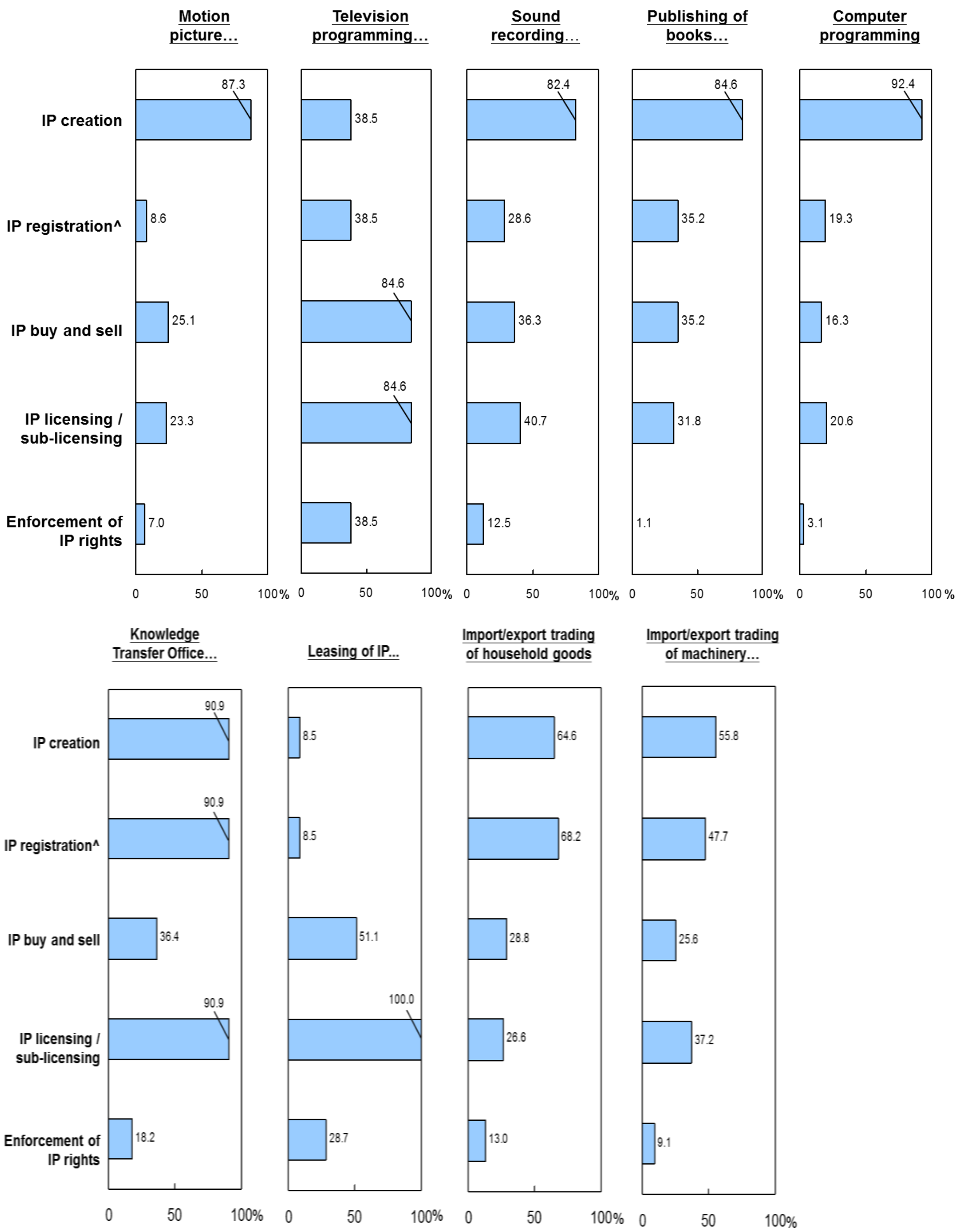


Base: All establishments covered by the Survey in the respective sectors.

*For the computer programming sector, only large establishments and those known or likely to be involved in IP trading were covered in the Survey.

34. It is noted that most of the establishments that had engaged in IP activities were involved in IP creation work. The sectors that were particularly active in IP creation were the "computer programming", "knowledge transfer offices of local universities, and research and development centres", "motion picture, video and TV programme production/distribution", "publishing of books, directories and mailing lists" and "sound recording and music publishing" sectors (ranging from 82.4% to 92.4% of the establishments in the respective sectors above). Another major IP activity performed by the establishments that had engaged in IP activities in the surveyed sectors was IP licensing/sub-licensing (ranging from 20.6% to 100.0% of the establishments in the relevant sectors). Other activities included IP buy and sell (16.3% to 84.6% of the establishments in the respective sectors), IP registration (8.5% to 90.9%) and enforcement of IP rights (1.1% to 38.5%).

Proportion of Establishments in the Nine Surveyed Sectors by Types of IP Activities Performed



Base: All establishments covered by the Survey in the respective sectors that had engaged in IP activities.

^For the purpose of the Survey, registration of the name of an establishment as a trade mark is not considered as an IP activity of such establishment since the name of an establishment seldom constitutes the subject matter of IP trading.

*For the computer programming sector, only large establishments and those known or likely to be involved in IP trading were covered in the Survey.

Manpower Situation

35. It is estimated from the Survey findings that as at the end of June 2014, the total number of persons engaged in IP creation[16] ("IP creation staff") and IP management[17] ("IP management staff") in the nine surveyed sectors were about 19 100 and 15 400 respectively.

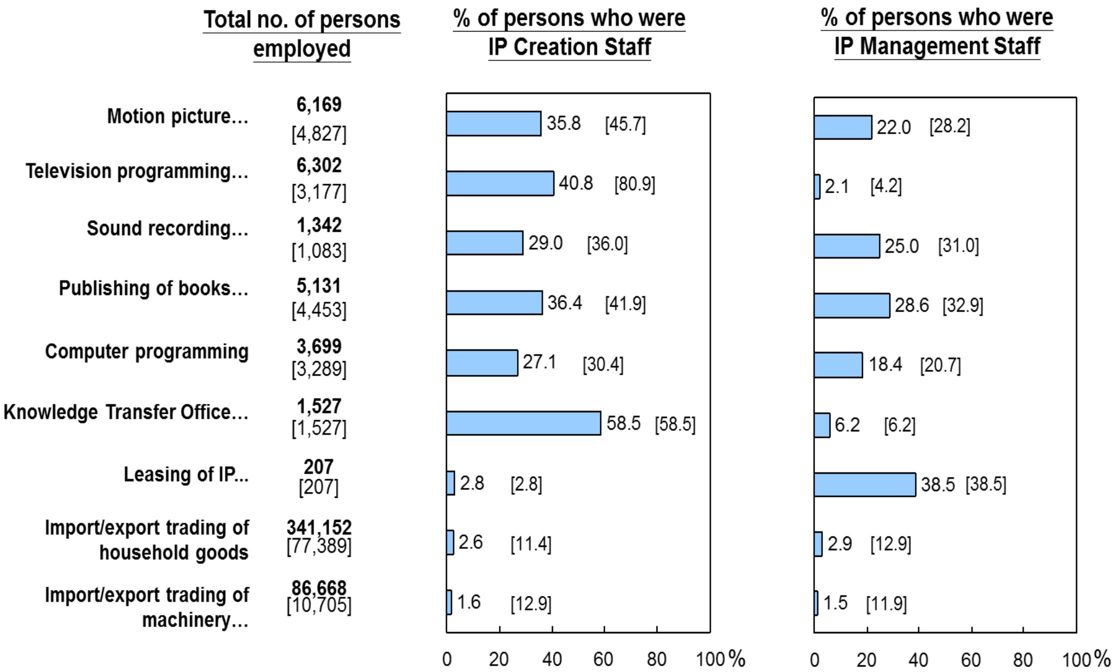
36. There was considerable variation in the number of IP creation staff among the nine surveyed sectors. It is estimated that the percentage of IP creation staff ranged from 1.6% - 58.5% in relation to the total number of persons engaged in each of the nine surveyed sectors. The sectors that anticipated a more significant increase in the percentage of IP creation staff from end-June 2014 to end-2015 were the "import/export trading of machinery, equipment and supplies" (an increase of 14.6%) and "computer programming" (an increase of 7.8%) sectors.

37. As regards IP management staff, it is estimated that as at the end of June 2014, the percentage of IP management staff in relation to the total number of persons engaged in each of the nine surveyed sectors ranged from 1.5% to 38.5%. The sector that anticipated the highest rate of growth in the number of IP management staff from end-June 2014 to end-2015 was the "import/export trading of machinery, equipment and supplies" sector (an increase of 7.7%). That aside, the data collected from other sectors was fairly moderate and some even indicated a negative growth.

[16] IP creation refers to the process of creating intellectual property which may include researches and development underlying such creation.

[17] IP management refers to the process of identification, acquisition, maintenance, protection, commercialisation and enforcement of intellectual property rights. Such process may involve the formulation of an IP strategy, and integration of such strategy into the overall business strategy.

Persons Engaged by the Establishments in the Nine Surveyed Sectors



Base: Establishments covered by the Survey in the respective sector.

*Figures with brackets [ ] were based on to those establishments that had engaged in IP activities, whereas figures without brackets were based on all establishments covered by the Survey in the respective sectors. The chart was plotted based on figures without brackets.

**For the computer programming sector, only large establishments and those known or likely to be involved in IP trading were covered in the Survey.

Involvement in IP Trading in 2013

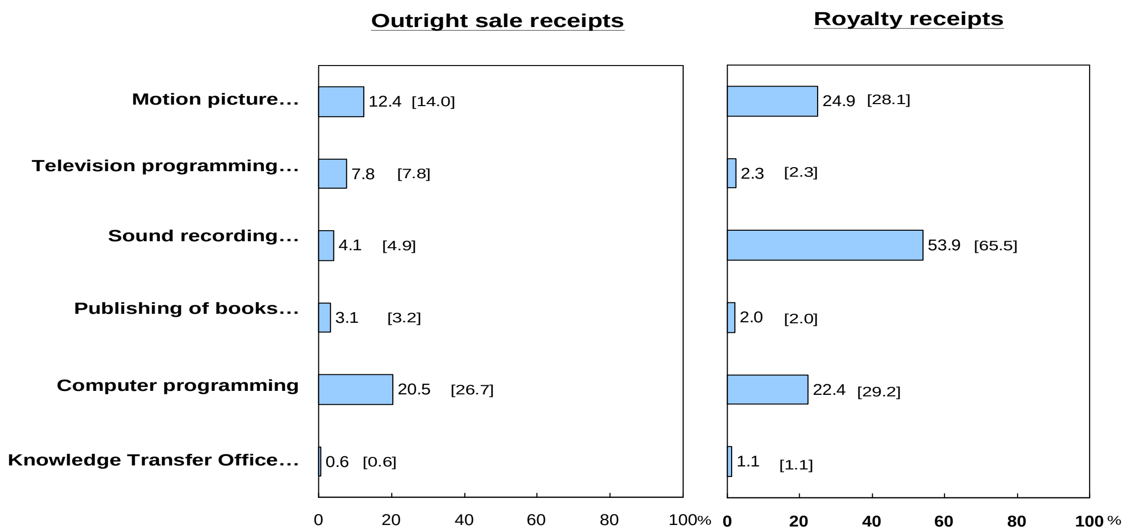
38. It is estimated from the Survey that 72.7% of the establishments in "knowledge transfer offices of local universities, and research and development centres" sector had engaged in IP trading in 2013. This was followed by the "television programming and broadcasting" (41.9%) and "leasing of intellectual property and similar non-financial intangible assets (except copyrighted works)" (34.2%) sectors. It is also revealed that a much smaller proportion of the establishments in the "import/export trading of household goods" sector (5.3%) and "import/export trading of machinery, equipment and supplies" sector (2.5%) had engaged in such trading activities (*see chart on page 21*).

Business Receipts Generated by IP Trading in 2013 (for Six Surveyed Sectors)

39. It is estimated that the total business receipts generated by IP trading accounted for over half of the total business receipts of the "sound recording and music publishing" sector (58.0%), and over one-third of that of the "computer programming" (42.9%) and "motion picture, video and TV programme production/distribution" (37.3%) sectors.

40. Outright sale of IP rights owned by an establishment and the licensing/sub-licensing of IP rights (whether owned by or licensed to the establishment) are two important sources of income derived from IP trading activities. For outright sale of IP rights, receipts from such source vary considerably among the six surveyed sectors. It is estimated that such receipts represented 20.5% of the total business receipts of the establishments in the "computer programming" sector which is the highest percentage among the six surveyed sectors. As regards licensing/sub-licensing of IP rights, it is estimated that receipts from such source accounted for 53.9% of the total business receipts of the establishments in the "sound recording and music publishing" sector. This is the highest among the six surveyed sectors for this type of receipts.

Percentages of Receipts Generated by IP Trading in Total Business Receipts by Types of Receipts in 2013 for the Six Surveyed Sectors



Base: Establishments covered by the Survey in the respective sectors.

*Figures with brackets [ ] were based on those establishments that had engaged in IP activities, whereas figures without brackets were based on all establishments covered by the Survey in the respective sectors. The chart was plotted based on figures without brackets.

**For the computer programming sector, only large establishments and those known or likely to be involved in IP trading were covered in the Survey.

Expenses Attributable to IP Trading in 2013 (for Six Surveyed Sectors)

41. It is estimated that the total expenses attributable to IP trading constituted well over half of the total operating expenses (other than compensation of employees) of the "television programming and broadcasting" (66.5%) and "motion picture, video and TV programme production/distribution" (60.5%) sectors; and over one-third of that of the "sound recording and music publishing" sector (36.5%). The percentages of such expenses were much lower for the other sectors.

42. Payments made to third parties for the outright purchase of IP rights or the licensing of IP rights are two major heads of expenses incurred by establishments engaged in IP trading. In relation to the outright purchase of IP rights, it is estimated that this type of expenses accounted for 20.8% of the total operating expenses of the "motion picture, video and TV programme production/distribution" sector. This is the highest percentage among the six surveyed sectors. As regards expenses incurred in obtaining licences to use IP rights, such expenses represented 66.5% of the total operating expenses of the establishments in the "television programming and broadcasting" sector which is the highest among the six surveyed sectors

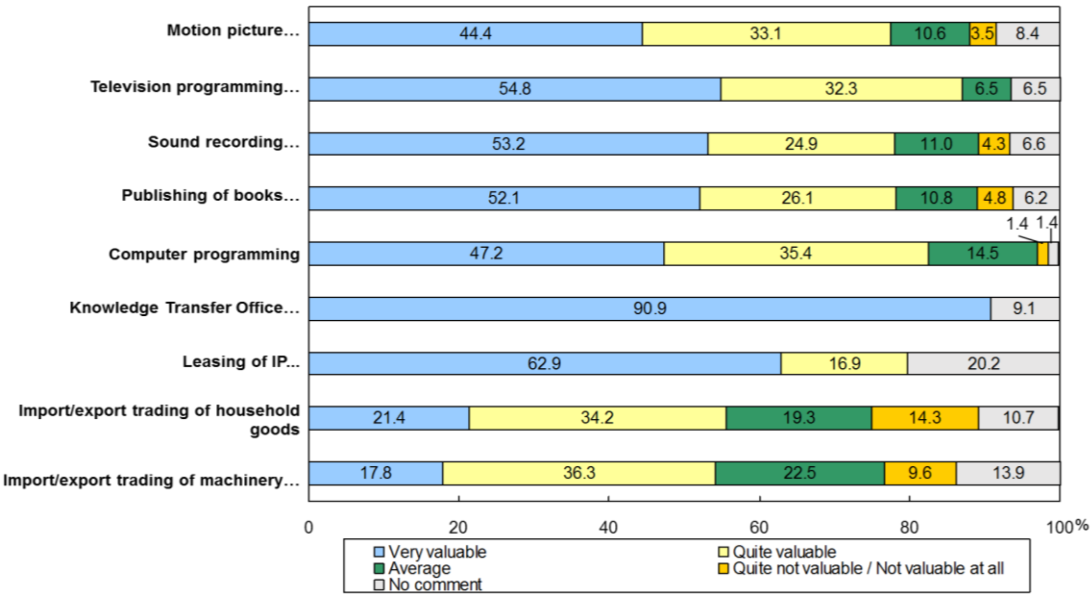
Use of IP Intermediary Services (for Six Surveyed Sectors)

43. It is estimated that 63.6% of the establishments in the "knowledge transfer offices of local universities, and research and development centres" sector had used IP intermediary services in 2013. This was followed by the "sound recording and music publishing" (5.7%) and "computer programming" sectors (5.0%). For establishments in the remaining three sectors, the relevant percentages were lower at 2.1% or below.

Views on Development of IP Trading

44. A vast majority of the establishments in the nine surveyed sectors regarded the IP rights owned by them as very/quite valuable assets. Such establishments represented 54.1% to 90.9% of the establishments in the relevant sectors. However, some establishments considered that the IP rights owned were quite not/not valuable assets and they represented not more than 14.3% of the establishments in the relevant sectors.

Proportion of Establishments in the Nine Surveyed Sectors by Extent That IP Rights Owned Were Valued as Assets of the Establishment

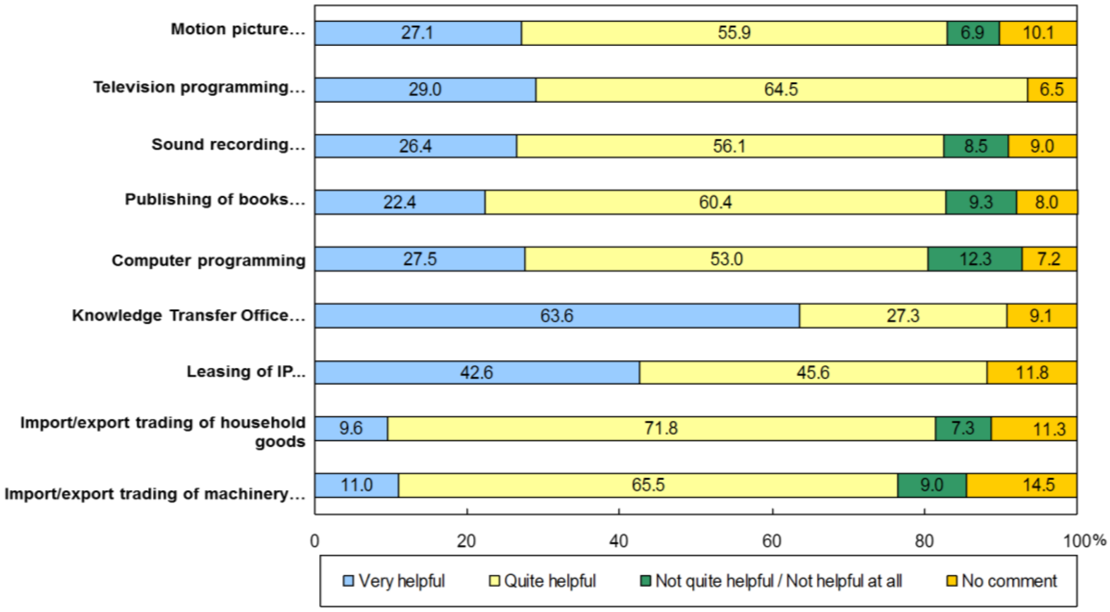


Base: Establishments covered by the Survey in the respective sectors.

*For the computer programming sector, only large establishments and those known or likely to be involved in IP trading were covered in the Survey.

45. The establishments in the surveyed sectors were also asked for their views on whether IP trading could enhance the overall development of Hong Kong's economy. Over 75% of the establishments in all the surveyed sectors considered IP trading to be either very or quite helpful in enhancing the overall development of Hong Kong's economy. In particular, over 90% of the establishments in the "television programming and broadcasting" and "knowledge transfer offices of local universities and research and development centres" sectors were positive on the benefits that IP trading would bring to Hong Kong's economy. However the Survey also recorded that 12.3% of the establishments in the "computer programming" sector indicated that IP trading was not quite/not helpful at all.

Proportion of Establishments in the Nine Surveyed Sectors by Opinions on Whether IP Trading Could Enhance the Overall Development of Hong Kong's Economy

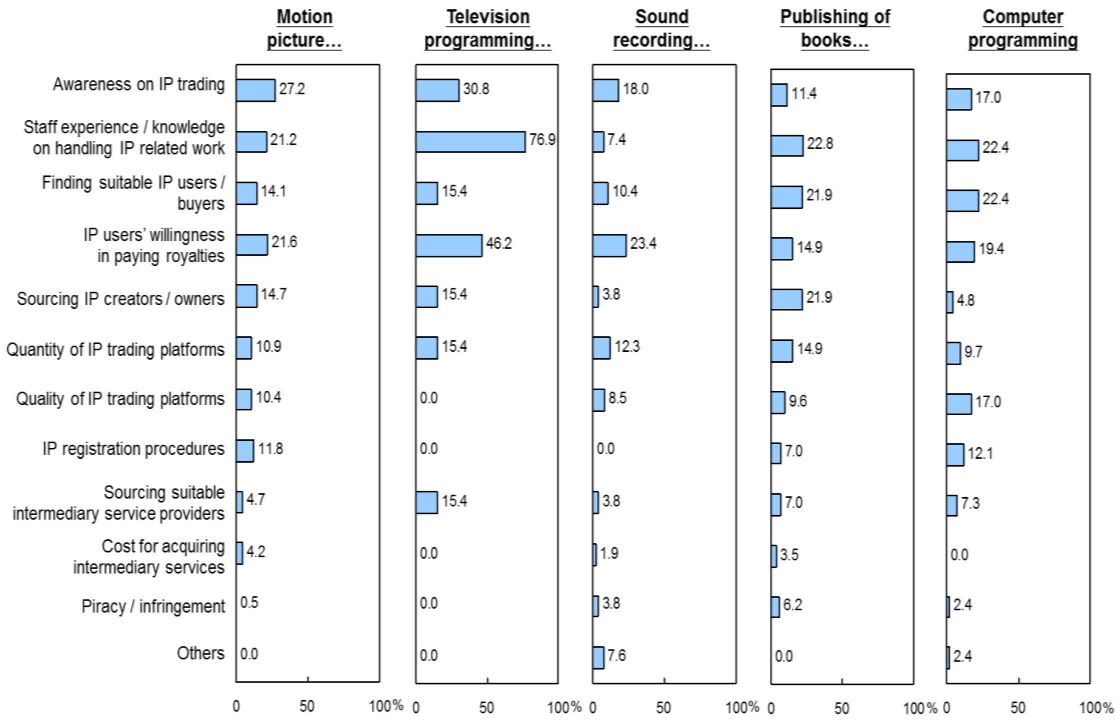


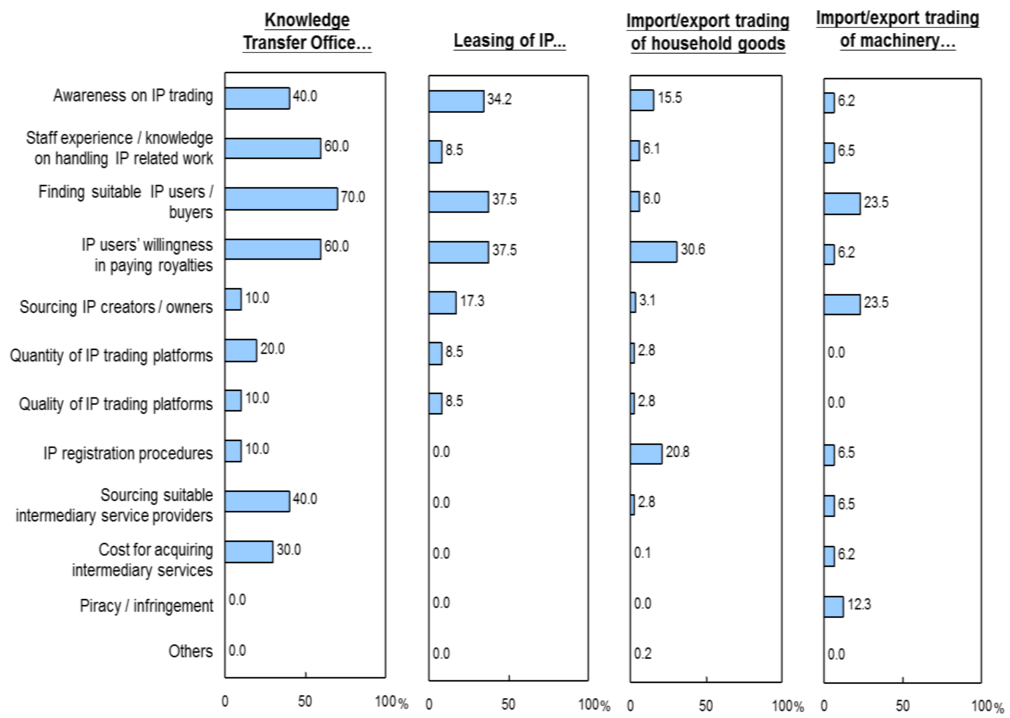
Base: Establishments covered by the Survey in the respective sectors.

*For the computer programming sector, only large establishments and those known or likely to be involved in IP trading were covered in the Survey.

46. As regards the major challenges faced by the establishments in relation to IP trading, "staff experience / knowledge on handling IP related work" was most commonly cited by establishments that had engaged in IP activities in the relevant surveyed sectors. In particular, 76.9% of the establishments in the "television programming and broadcasting" sector perceived this as the major challenge while the relevant percentage for the "knowledge transfer offices of local universities and research and development centres" sector was 60%. Other challenges commonly cited included "IP users' willingness in paying royalties", "finding suitable IP users / buyers" and "awareness on IP trading (including IP creators / owners, IP users / buyers and the public at large)".

Proportion of Establishments Engaged in IP Activities in the Nine Surveyed Sectors by Major Challenges Faced in relation to IP Trading





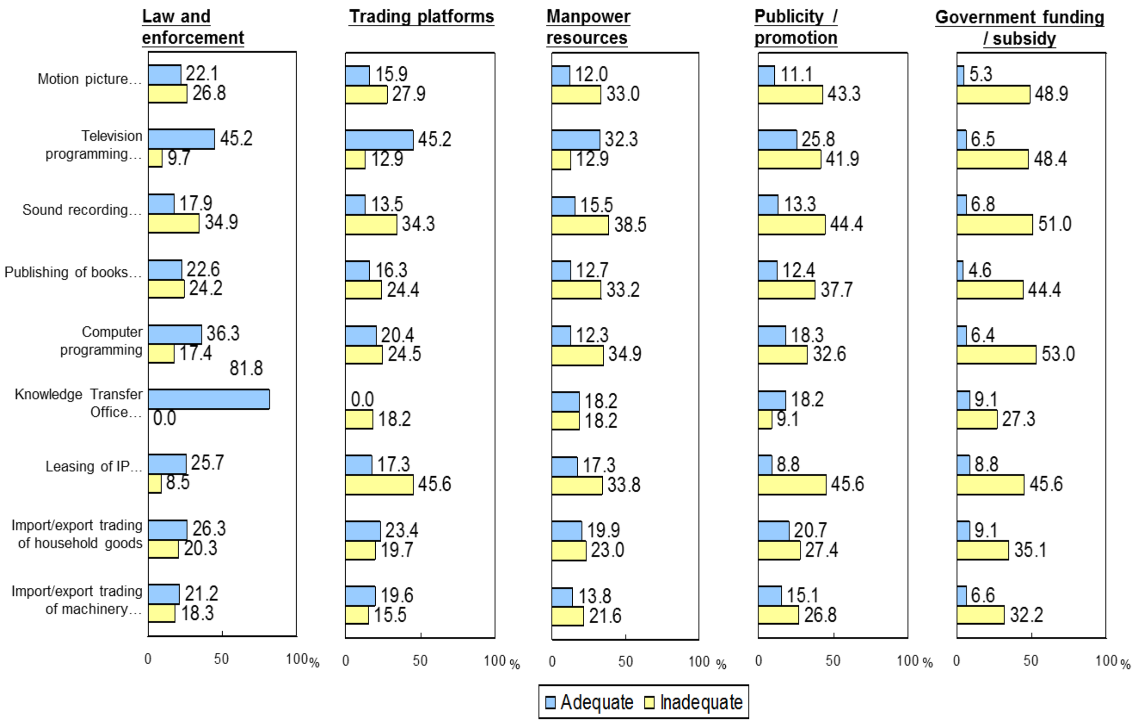
Base: Establishments covered by the Survey in the respective sectors that had engaged in IP activities.

*For the computer programming sector, only large establishments and those known or likely to be involved in IP trading were covered in the Survey.

**Multiple answers allowed.

47. The establishments were asked to assess the adequacy of different measures which support the development of Hong Kong as an IP trading hub. Their views are summarised below:

Proportion of Establishment in the Nine Surveyed Sectors by Opinions on Adequacy of the Various Measures in Support of the Development of Hong Kong as an IP Trading Hub



Base: All establishments covered by the Survey in the respective sectors.

*For the computer programming sector, only large establishments and those known or likely to be involved in IP trading were covered in the Survey.

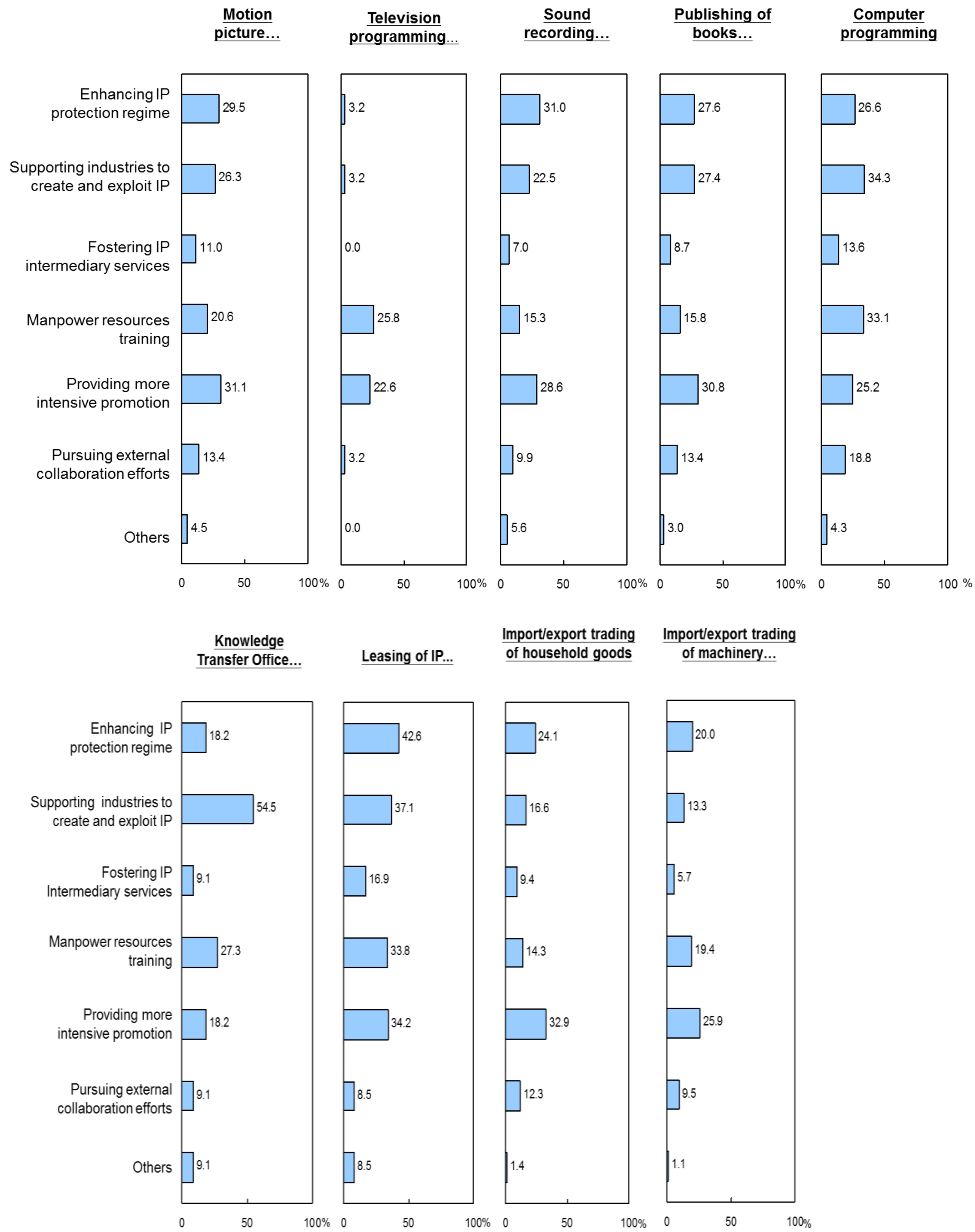
a) "Law and enforcement" was perceived by many establishments to be more adequate than the others. 81.8% of the establishments in the "knowledge transfer offices of local universities and research and development centres" sector considered this aspect as adequate in Hong Kong. This was followed by the "television programming and broadcasting" (45.2%) and "computer programming" (36.3%) sectors.

b) "Government funding/subsidy" was regarded as the least adequate among the various measures. In particular, over 40% of the establishments in six of the surveyed sectors considered this aspect to be inadequate, namely the "motion picture, video and TV programme production/distribution", "television programming and broadcasting", "sound recording and music publishing", "publishing of books, directories and mailing lists", "computer programming", and "leasing of intellectual property and similar non-financial intangible assets (except copyrighted works)" sectors.

c) For "publicity/promotion", over 40% of the establishments in four of the surveyed sectors (i.e. the "motion picture, video and TV programme production/distribution", "television programming and broadcasting", " sound recording and music publishing" and "leasing of intellectual property and similar non-financial intangible assets (except copyrighted works)" sectors) considered this aspect to be inadequate. However, some of the establishments in the "television programming and broadcasting" and "import/export trading of household goods" sectors considered this aspect as adequate (representing 25.8% and 20.7% of the establishments in the respective sectors).

48. In respect of the policies that should be adopted by the Government for further promoting the development of IP trading in Hong Kong, different opinions were expressed by the establishments in the nine surveyed sectors and the ones commonly expressed were: "providing more intensive promotion" (18.2% to 34.2% of the establishments in the relevant sectors), "supporting industries to create and exploit IP" (3.2% to 54.5%) and "enhancing IP protection regime" (3.2% to 42.6%). On the other hand, a significant proportion of the establishments in the "leasing of intellectual property and similar non-financial intangible assets (except copyrighted works)" (33.8%), "computer programming" (33.1%), "knowledge transfer offices of local universities and research and development centres" (27.3%) and "television programming and broadcasting" (25.8%) sectors suggested that "manpower resources training" should form part of the Government's policies for further promoting the development of IP trading in Hong Kong.

Proportion of Establishments in the Nine Surveyed Sectors by Government Policies Cited for Further Promoting the Development of IP Trading in Hong Kong



Base: All establishments covered by the Survey in the respective sectors.

*For the computer programming sector, only large establishments and those known or likely to be involved in IP trading were covered in the Survey.

**Multiple answers allowed.

END