

# **Intellectual Property Considerations**

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# Topics

- Why intellectual property is important for your business
- Intellectual property in China
- Making the most of the Chinese intellectual property system
- Some points to consider when collaborating and working in China

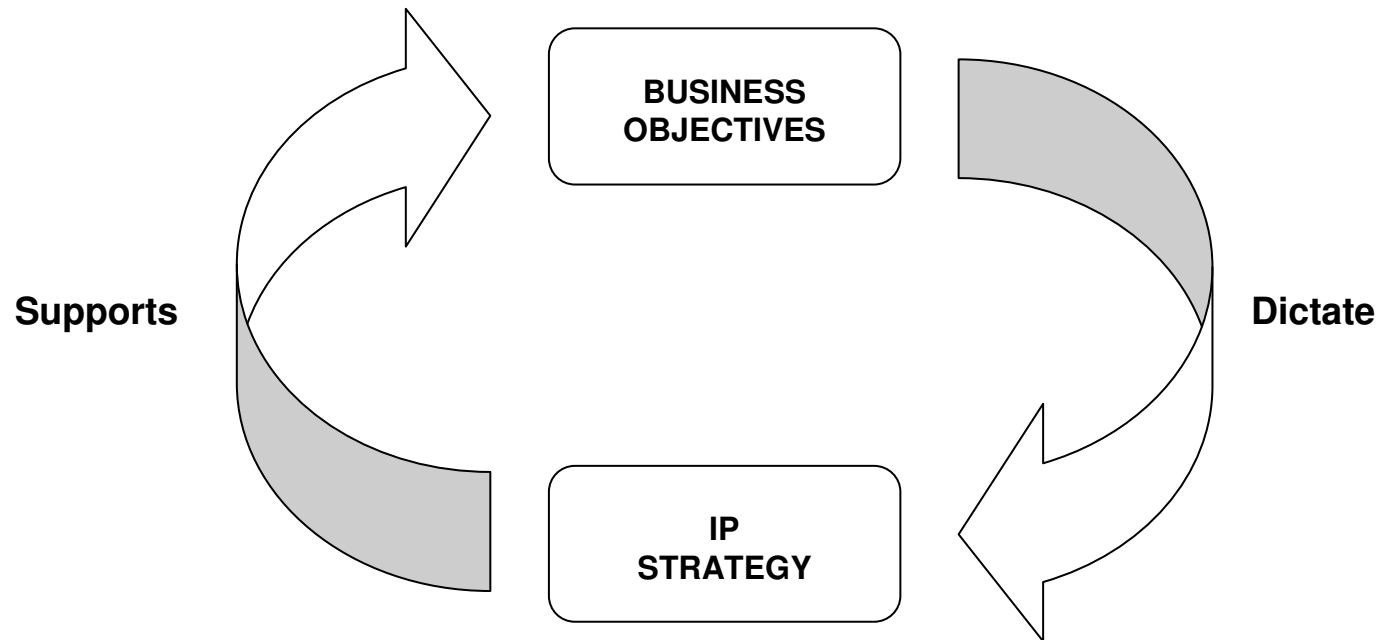
# Why Intellectual Property is Important

- Every business has some commercially valuable Intellectual Property
- Proper protection for inventions, ideas, designs and trade and service marks can make the difference between commercial success and failure

# Case study – How Intellectual Property can help your business

- 30 gigabyte iPod video
- Manufactured in China
- Retails for \$299
- About \$114 goes to Apple
- About \$4 goes to the Chinese Manufacturer

# IP strategy must support business goals



# Making the Most of Your IP

- Identify all of your IP assets and how they relate to your current/future business goals
- Identify how you are going to protect and enforce your IP assets
- Have a budget
- Support on the ground – selecting the right partners that understand and value your IP

# Collaborative and Non-Predatory Approach to IP

- Traditional view – IP is a negative right – enables you to prevent someone else from using your technology or perhaps exclude them from your market
- Consider a more inclusive approach to IP
- A bridge to collaborate rather than a barrier between companies
- Strong IP makes for strong and successful innovation collaboration

# Why protect your IP in China?

- To assist in obtaining your commercial objectives
- Fast growing economy/market
- Competitors
- Government is taking IP very seriously
- Modern IP Laws and TRIPS
- Enforcement is improving

# Enforcement of Rights

- Improving
- Highly Qualified Judges
- Foreign parties have high success rate
- Enforcement costs not that high
- Typically cheaper and quicker than EU, UK and US

# Intellectual Property in China

- Patents
- Designs
- Utility models
- Trade marks
- Copyright
- Trade secrets

# Intellectual Property in Greater China

- Registered Intellectual Property has territorial limitations
- Chinese patents, trade marks, design registrations and utility models do not cover
  - Taiwan
  - Hong Kong
  - Macao

# Patents

- For Inventions having a technical nature
- Need to show inventiveness
- Long term
  - Can take a long time to obtain
  - Valid for up to 20 years

# Utility Models (1)

- New technical solution relating to shape and/or structure of a product, fit for practical use
- Term of up to 10 years
- Grant within 6 to 12 months of filing
- Preliminary examination but no substantive examination
- Requirement for inventiveness low

## Utility Models (2)

- In 2008 more than 220,000 applications filed
- Only 0.7 % of these were filed by foreign applicants
- Fast and cheap way to obtain an enforceable right
- Useful for urgent protection

# Design Patents (1)

- Aspects of the appearance of an article or part of an article can be registered
- Easy and cheap to obtain
- Hard to invalidate

## Design Patents (2)

- In 2008 more than 260,000 applications filed
- Only 5.2 % of these were filed by foreign applicants
- Foreign products without design patent rights are easily counterfeited.
- Many foreign products entering the Chinese market fall foul of design patents
- Nearly half of all patent infringement cases in China relate to designs

# Strategy for Effective Protection- Inventions that Reach Market Quickly

- Double-filing: both utility model and patent for invention
- Design

# **Some Points to Consider When Collaborating and Working in China**

# Ownership of Intellectual Property

- Determine exactly what you own – both registered and non-registered rights
- Agreement should indicate
  - Which party owns IP in existence at the time of the agreement
  - Ownership of any potential IP resulting from the collaboration

# Possible Arrangements for Ownership of IP Resulting from Collaboration

If an invention is jointly made by two or more parties the patent filing right belongs jointly to those parties unless there is an agreement to the contrary

- IP owned jointly by the collaborating parties
- IP owned by a Joint Venture
- IP owned by one party and the other party is free to use the technology

Commissioned R&D project – the invention is owned by the party that carried out the research work unless there is an agreement to the contrary

# Common Ownership

- The co-owners may exploit the patent independently
- One co-owner may issue a non-exclusive license to a third party without the consent of the other co-owner(s) but any royalties must be shared
- All other types of exploitation must be agreed upon by all the co-owners

# Employed Inventors (1)

Unless there is an agreement to the contrary

- Inventions made by an employee are owned by the employer
- Inventions made by a former employee within one year of him/her leaving the company that relate to the original research assignment are owned by the original employer

# Employee Inventors (2)

- Inventors should be rewarded on issue of a patent
- Employees should be remunerated when technology they have invented is implemented
- When a technological achievement is transferred out the employer should use no less than 20% of the net income to remunerate the inventors and those people who contributed to the transfer and the technological achievement
- State owned companies must remunerate inventors in a way that is stipulated in law

# First Patent Filing for an Invention made in China

- At present, if an entity or individual wants to file a patent application for an invention made in China, it/he must first file it in China
- In the future, any entity or individual may file a patent application for its/his invention made in China abroad but it must first pass a security examination conducted by SIPO.

# In Conclusion

- China has modern IP laws that can effectively protect your IP
- You must register your rights, police and enforce them
- When collaborating make sure that issues such as ownership of IP and remuneration of inventors are clearly stipulated

Thank you for your attention!

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