Delegation of the European Union to China
www.eu-in-china.com
Delegation-china-scitech@eeas.europa.eu

EURAXESS Links China
ec.europa.eu/euraxess/links/china/
jacques.desoyres@euraxess.net

IPR in China: Guidance for Researchers

European research cooperation with China has seen a marked increase in recent years. Though the scale and substance of collaborations certainly varies, in all cases, a basic understanding of intellectual property rights (IPR) within the Chinese context may help to maximize the success of joint cooperation. This brochure aims to provide European researchers with an introduction to the basic aspects of intellectual property and what this means in China. It signposts useful sources of further information and explains where to seek advice and guidance through the different contact points available.

In order to help us update this brochure in the future, you are welcome to share comments or suggestions, be it on the format or on the content of the brochure, by writing to Delegation-china-scitech@eeas.europa.eu or Jacques.desoyres@euraxess.net

IPR in China: Guidance for Researchers

The EU-China S&T Agreement and IPR

The S&T Agreement between the PRC and the European Union was signed in 1998 and renewed in 2004 and 2009. It provides a framework for cooperative scientific and technological research and development activities between the EU and China. One of the Agreement's principles stipulates that **'Cooperative activities shall be conducted on the basis of appropriate protection of IPR.'**

According to the Agreement, research entities participating in one party's projects should follow the rules in force at that party (i.e. Chinese rules for Chinese projects and EU rules for EU projects), regardless of where they are located.

An Annex to the Agreement is specifically dedicated to IPR. It foresees, inter alia:
- **Timely notification** between the parties (i.e. the EC and the Chinese Government) of any IPR created in a joint project;
- **Non-discriminatory treatment** of participants from the other party;
- **Establishment of a Technology Management Plan** managing all issues related to IPRs (ownership, protection, exploitation etc.) to be created in the course of joint research, within the rules and regulations in force at each Party.

Find out more by consulting the **S&T Agreement and its Annex on IPR**

Why IP matters

European researchers involved in cooperation with Chinese partners may face various Intellectual Property Rights (IPR) issues, since most R&D cooperation activities have an innovative content.

Some knowledge about the Intellectual Property (IP) system in China and how to treat IPR issues when establishing and conducting their research cooperation with Chinese partners is therefore useful. This brochure introduces the Chinese IPR systems of most common interest to EU researchers (Copyright, Patents, Know-how, Licensing, Technology Transfer), and gives a general overview of IPR protection and enforcement in China. It also highlights the main points to keep in mind regarding IPR when establishing research cooperation in China.

IPR should be regarded as one of the foundations upon which solid and fruitful research cooperation should rest, especially in terms of any future exploitation of R&D results.

IP issues and research

Someone who is responsible for a 'creation of the intellect' such as an inventor, author or originator, creates IP. The main criterion, for most forms of IP, is whether you have been responsible for creating something novel or innovative, representing progress over what went before.

Different IPR exist depending on the nature of your creation. For researchers, the most common protection sought of its IPR will be through copyright, which protects for instance literary publications (articles) and software, and patents, which protect technical invention.

IPR can also be the subject of various activities, in particular in the framework of international cooperation. EU researchers engaging in research cooperation with China might notably be concerned with technology transfer and licensing.

What is Copyright?

Copyright is an inherent right that arises upon creation and does not need to be registered to exist. Registration of a copyright, however, is possible. It protects creative works such as articles or any kind of scientific publication. Copyright protection occurs automatically once the original work has first been created and fixed in some tangible medium of expression. It is therefore important to take into account that copyright protects only the expression of an idea, not the idea itself (such as scientific theories).

Copyright in China

As in Europe, copyright in China arises automatically upon the creation of a copyrightable work.

China also allows you to voluntarily register your copyright. Copyright registration is presumptive evidence of ownership if you wish to enforce your copyright, and greatly simplifies the preparation of evidence. Copyright registration in China is inexpensive, easy, and generally recommended.

However, if your copyright is not registered or you do not plan its registration, it is important to keep evidence of creation and ownership so that you can prove your ownership of the copyright. Always indicating the author's name, date of creation, and using the © symbol on the work (including on all drafts) are simple steps you can take.

When creating works for others or commissioning others to create works for you, make sure that your contract clearly states who owns the copyright to the works. Unlike in many other countries, in China, the commissioned party (including the employee, for example) owns the copyright to the works unless the contract states otherwise.

What is a Patent?

A Patent is a form of registered IPR, used to protect technological inventions, e.g. products, devices, processes, etc. A patent gives the inventor a monopoly right over the invention (during a limited time of generally twenty years). It is essential to apply for a patent early on in the process of the development of a new product or process since – in addition to the possibility of someone else copying it – a technology that is already in the public domain is not patentable. Therefore, before you start to market, sell or otherwise make the invention known to the public anywhere in the world, a patent application must first be filed, since novelty is one of the requirements for the granting of the patent protection.

Although this may sound surprising, it should be noted that being the owner of a patent does not automatically allow you to use the information concerned. Indeed, your invention may constitute a particular variant of a broader technology, already patented. (This also applies to other IP rights.) In this case you would need a licence on the broader patented technology in order to use (e.g. manufacture, sell, distribute etc.) your own invention.

Treatment of IPR in the European Union's FP7 projects

The European Commission has produced a set of rules applicable to IPR for projects funded under the EU research programme (FP7) managed by the European Commission.

Main principles are:
- IPR resulting from the project ("foreground") is owned by the participants generating it;
- IPR jointly generated is jointly owned, unless decided otherwise by the participants;
- Transfer of IPR ownership is possible (under certain conditions);
- IPR resulting from the project should be protected in an effective manner. If valuable foreground is left unprotected, the Commission may take over the ownership and protect the IP in its own name;
- Each partner shall define in a flexible way which "background" (IPR owned or held prior to the starting of the project) s/he intends to share (through the granting of access rights) with the other participants for the implementation of the project;
- Participants should prepare and sign a Consortium Agreement including the rules governing IPR before signing the Grant Agreement i.e. the contract between all the participants in a project and the European Commission.

Find out more by consulting the **Guide to IP Rules for FP7 projects**

Patent protection in China

In order to obtain patent protection in China, the inventor or the owner of the invention has to file a Chinese patent application. The Chinese State Intellectual Property Office (SIPO) is the government authority that receives and examines patent applications.

There are 3 ways of filing a patent:
- Filing it directly in China. Foreign applicants, however, must use a local patent agent to handle the filing of a patent application.
- Filing a patent application first in a foreign country and then file a patent application in China within 12 months, claiming the priority of the first application.
- Filing an international patent application under the Patent Cooperation Treaty (PCT), naming China as one of the designated states. The application could then be filed in an EU country, and the national phase, i.e. the procedure with SIPO (Chinese State Intellectual Property Office), should be initiated no later than 30 months from the priority date (i.e. the date on which the patent application was first filed under PCT).

Every patent owner engaged in activities related to the technology protected by the patent in China is strongly advised to use the Chinese patent system. It is absolutely crucial to apply for patent protection in China for each and every innovation, even if the launch of the respective product on the Chinese market is not yet on the horizon. It should also be noted that patents are territorial rights and, therefore, are enforceable only in those countries where protection has been formally sought. The examination of patent applications by SIPO currently takes around 3 years.

What is Technology Transfer?

Technology transfer is the process of transferring Knowledge, technologies and know-how among institutions to ensure that scientific and technological developments are accessible to a wider range of users who can then further develop and exploit the technology. Cooperation in research can involve transfer of technology from one partner to the other. This technology transfer can take different forms (including licensing) and, evidently, requires that the partner transferring the technology is entitled to do so (i.e. either owns the technology – or is a licensee and is authorised to sub-license the technology to thirds).

While formal IP protection, through patent filing or copyright registration for example, should usually take place before transfer, structuring your technology transfer remains critical to ensure the effective protection of your IP. The IP risk associated with a particular technology transfer will vary depending on the transfer method you use. It is important to include strong confidentiality provisions in the technology transfer contract, especially if it covers the sharing of confidential information, trade secrets and know-how, which are protected without registration.

IPR in China: Guidance for Researchers

Technology transfer to China

EU research institutions are keen to enter the Chinese market and develop long term partnerships in China. For that purpose, they might be willing to transfer to and share with their Chinese partners their latest technology. Such technology transfer may unwillingly result in a loss of competitiveness and market share in the mid to long term.

At the same time, key policies in China stress the need for technology transfer and innovation within China. As a result of this situation, former Chinese partners of European institutions or firms might then become competitors within China and in other countries. In this context, the recommended form of technology transfer is licensing rather than ownership transfer.

Attention must be paid to compulsory technology transfer in China, which may result e.g. from local legal obligations to enter a joint venture with a local partner in order to be allowed to do business in China – this partner would then have broad access to your know-how.

What is Licensing?

Based on the exclusive rights conferred by a patent, licensing is a permission granted by the patent owner to another party to use the patented invention on agreed terms and conditions (including, for example, the payment of royalties), while the patent owner continues to retain ownership of the patent. Licensing not only creates an income source for the patent owner, but also establishes a sound legal framework for the transfer of the technology.

Reasons for researchers and research institutions to license can include:
- Provide access rights to partners in connection with a R&D cooperation or joint venture
- Obtain access to technologies through cross-licensing or grant-back licenses
- Speed up market entry / market development for new products or services
- Generate additional income through licence fees
- Avoid or settle infringement litigation
- Contribute to standardization
- Increase reputation

Licensing in China

When licensing, different strategies can be adopted to lower the risk of IP leakage. The 'modular strategy' involves using different Chinese suppliers to source different components of your product so that no single supplier can make the final product. In the framework of research collaborations, perhaps a more adapted strategy is the "phased implementation" where the partner is first tested out with limited licensing before licensing / transferring additional technology. In case of a close collaboration requiring prompt availability of results and hence to share technology more broadly, the solution will rest in inserting the licensing in a comprehensive IP agreement, clearly identifying the role of each partner and dealing with the whole range of IP issues accordingly. See below the part on 'Establishing the agreement'.

How are IP Rights enforced in China?

China has a dual track system of enforcement: the administrative process and the judicial process. The administrative route involves making a complaint to the Administrative Authorities who regulate various IP laws, and have their own powers to investigate and penalise acts of infringement. The judicial route involves filing a complaint to a judicial civil court.

The administrative route does not involve court proceedings and is often favoured for quick, low-cost and straight-forward infringement cases. However, the administrative system is also considered a relatively weak enforcement route and may not be available at all for certain types of cases, especially those involving complicated technologies.

The judicial route is longer (first instance proceedings involving a foreign party last on average approximately 2 years), more complex and requires careful planning and preparation for the case with the assistance of a patent lawyer.

Before involving the Authorities, it is worth considering less formal steps first. Not all infringement is deliberate and not all infringers are aware of the gravity of what they are doing. One should also bear in mind that negotiation and mediation are very much a part of the Chinese business approach. Many IPR cases are solved through dispute resolution, either before or after going to court.

Enforcement of IP Rights in China faces challenges but is achievable.

Delegation of the European Union to China
www.eu-in-china.com
Delegation-china-scitech@eas.europa.eu

IPR in China: Guidance for Researchers

Where should I begin?

IPR are an asset produced by creative and innovative research. They can be seen both as a benchmark and goal of a successful research work and as such as a positive element in the development of research collaboration. In addition, proper protection is an effective way of promoting the actual exploitation of R&D results (e.g. in pharmaceutical and ICT industries, but also in other sectors).

However, the positive nature of IPR and related issues such as licensing and technology transfer can only be fruitfully exploited if both partners engaged in R&D collaboration have a clear understanding on how to manage them and of their reciprocal obligations. Hence it is extremely important to establish a good research cooperation agreement, including also IPR aspects.

In order to minimize the risks linked to IPR and their utilization, as well as to avoid unwanted leakage of technology and know-how in China, EU research institutions and entities should pay attention to the following aspects when engaging in research cooperation in China:

Before establishing the agreement

- Carry out a comprehensive analysis and a thorough check of potential Chinese partners, local industrial policies and laws. This is particularly important in China, as directors of Chinese research institutions and professors of well-known Chinese universities are often partners of private companies or other institutions and, as Chinese research institutions may lack the capacity to fully act autonomously, other Chinese legal entities could be involved as a (third) contracting party. Make sure the contracting partner has the capacity to engage in the collaboration (if technology transfer is involved, for example, it must have technology export and import rights).

- Reach a common understanding with your potential partner about the scope and aim of the collaboration. In particular, examine the goals of a potential partner and the nature of the shareholders (e.g. if the partner is a state-owned or a private company).

- When it comes to "real" cooperation, the rules of "Foreign Investments" apply, which means that certain registrations and approvals are necessary and a limited amount of possible legal structures (Joint Venture, Foreign Invested Partnership for example) are available.

- Make sure you have filed for appropriate IPR protection both within China and in Europe before entering into negotiations and disclosing confidential information (use confidentiality agreements – also with employees – where appropriate).

When establishing the agreement

- Clearly define in writing with your chosen or designated partner the breadth of rights and technologies to be shared, as well as the aspects concerning the use and appropriation of future improvements. Clearly define who may use technology transferred to the joint venture (excluding subsidiaries and subcontractors).

- Wherever possible, grant licences to the joint venture instead of transferring ownership rights. Make sure that the disclosure of any relevant documents, drawings and oral communications is well documented and covered by the agreement.

- Clearly define ownership of rights of inventions and creations made in the collaboration and the rights of use (also in case of termination of the collaboration).

- Be aware of the legal framework (e.g. R&D contract or R&D collaboration agreement) of your collaboration with a Chinese partner as it will have an impact on the ownership of IP.

- The nature of your partner and its type of funding might also affect the rules applicable to IP ownership (e.g. if your partner is funded by the government)

- The terms of ownership of R&D results can be freely negotiated within the limits of the legal framework. Contractual clauses conflicting with law provisions usually have no legal effect. Therefore you need to be aware of the legal framework applicable to your cooperation. If the research is conducted in China, Chinese laws and regulations may prevail over any other contractual provision or legal provision from other jurisdictions.

- Sign employee confidentiality agreements, invention assignment, non-competition agreements and reward agreements (fees, incentives, bonus, etc.) with employees.

- Never allow the default rules of IP ownership to be applied – specify the ownership of the R&D results including each party's right to use them.

- Foresee the termination of the agreement beforehand, in the text of the collaboration agreement.

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EURAXESS Links China
ec.europa.eu/euraxess/links/china/
jacques.desoyres@euraxess.net

IPR in China: Guidance for Researchers

After establishing the agreement

- Signing an agreement between the participants is only the beginning of the cooperation. Seek to comply with the agreement and ensure compliance by the other side. Good contract management will ensure sound and profitable collaboration.

- Make sure all the participants of the project are aware of obligations relevant to them. Preparing a summary can be useful.

- The best and most long lasting agreements are those that are properly monitored by both sides. There should be no embarrassment to ask for proof of compliance by the other party.

- Obligations under agreement may not apply to information provided or work done outside the scope of the cooperation agreement. Check and, if necessary, expand scope or negotiate new agreements.

- In case of breach of the cooperation agreement, the breach should be cured. If not curable and the cooperation needs to be terminated, carefully implement the termination clause of the collaboration agreement (see above) and the steps that need to be taken to avoid negative consequences and loss of knowledge and technology.

- In case of dispute, arbitration or litigation should be the last resort. Each agreement should have a dispute resolution clause, specifying under which conditions (and jurisdiction) disputes should be resolved in order to avoid extremely expensive problems in the future. Validity and enforceability of the dispute resolution clause need to be considered.

- Ensure that all individual researchers involved in the cooperation are aware of their basic obligations regarding IPR aspects (such as the fact that the public disclosure of an invention, before formally taking care of its protection, makes it unpatentable).

- Provide regular training on IPR issues.

Main messages

* IPR can be registered and enforced in China, and not necessarily with difficulty.

* Good agreements help partners to work together and avoid disputes related to IPR. They represent the foundations for a successful collaboration.

* Having your research project scrutinized by a legal expert who is familiar both with the legal framework in China and the characteristics of European research institutions will help in the design of a comprehensive agreement.

* Know what you do, why and with whom you do it: a clear understanding of the implications, drivers and partners of your project in China is the essential pre-condition for its success, including on the IPR side.

* From simple copyright issues as an individual researcher, to complex patent protection provisions in a joint project agreement, do not hesitate to turn towards specialized contact points for assistance, preferably before problems arise.

IPR in China: Guidance for Researchers

Sources of information (Selection of)

European Commission:

European Union-People's Republic of China S&T Agreement:
http://ec.europa.eu/world/agreements/downloadFile.do?fullText=yes&treatyTransId=784
European Commission's Guide to IP Rules for FP7 Projects:
ftp://ftp.cordis.europa.eu/pub/fp7/docs/ipr_en.pdf
European Commission (DG RTDI) – EPO flyer about the relevance of patents for researchers:
http://ec.europa.eu/invest-in-research/pdf/download_en/patents_for_researchers.pdf

EU-China Project on the Protection of Intellectual Property Rights (IPR2 Project):

IPR2 Copyright Protection in China Roadmap:
http://www.ipr2.org/images/stories/lay_roadmap_copyright_protection.pdf
IPR2 Patent Protection in China Roadmap:
http://www.ipr2.org/images/ipr2_patent_roadmap-en-update_feb_2010691.pdf

China IPR SME Helpdesk:

China IPR SME Helpdesk Technology Transfer Brochure:
http://www.china-iprhelpdesk.eu/docs/publications/Tech_transfer_English.pdf

Intellectual Property Office UK

IPR in China Guide:
http://www.ipo.gov.uk/ipr-guide-china.pdf

China's State Intellectual Property Office (SIPO): **http://english.sipo.gov.cn/**

Outline of the National Intellectual Property Strategy (China):
http://www.sipo.gov.cn/sipo_English/laws/developing/200906/t20090616_465239.html

World Intellectual Property Organization (includes online resources material):

http://www.wipo.int/portal/index.html.en

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www.eu-in-china.com
Delegation-china-scitech@eeas.europa.eu

EURAXESS Links China
ec.europa.eu/euraxess/links/china/
jacques.desoyres@euraxess.net

Contact points for advice and guidance

China IPR SME Helpdesk (Beijing)
Phone: +86 (10) 8527 6922
Fax: +86 (10) 8527 6923
Email: **question@china-iprhelpdesk.eu**
Web site: **www.china-iprhelpdesk.eu/**

EU Delegation to China - Trade & Investment section (Beijing)
Phone: +86 (10) 8454 8167
Fax: +86 (10) 8454 8011
Email: **marianne.gumaelius@eeas.europa.eu**
(Head of section)
Web site: **www.eu-in-china.com**

EU IPR helpdesk (Luxembourg and Germany)
Phone: +352 25 22 33 - 333 (IP Helpline)
Fax: +352 25 22 33 - 334 (IP Helpline)
Email: **service@iprhelpdesk.eu**
Web site: **www.iprhelpdesk.eu/**