

# Technology Transfer and IP Contracts in China

Ms Lisa LU, 22 August 2025

**CHINA**  
IP SME HELPDESK



China has made changes in many IP related laws and regulations to facilitate and support legitimate technology transfers. From former China, they are currently in progress. In addition, based on the current situation, the government is working to improve the legal environment for technology transfers.



# China IP SME Helpdesk

**ABOUT US**

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- Free initial advice to SMEs
- Geographic coverage: 4 jurisdictions of China
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  - Hong Kong
  - Macao
  - Taiwan

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**Guide**

1. Technology Transfer to China
2. Thinking of Transferring Technology?
3. What Can Companies Do to Protect Themselves?
4. SME Case Studies
5. Technology Transfer Checklist
6. Take-Away Messages
7. Related Links

**Technology Transfer to China: Guidance for Businesses**

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**Guide**

1. Introduction: Contracts in China
2. Important Contract Provisions to INCLUDE
3. Important Contract Provisions to AVOID
4. Non-Disclosure Agreements
5. Confidentiality, Remuneration and Other IP Provisions in Contracts
6. Sample Non-Disclosure Agreement (NDA)

Guide Glossary

Important Tips and Take-Away Messages

Related Resources

**Guide to using contracts to protect your Intellectual Property Rights in China**

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# INTELLECTUAL PROPERTY ADVICE FOR YOUR BUSINESS



Six EU-funded helpdesks offer free resources to your small or medium-sized business to help you manage your intellectual property.

<https://ec.europa.eu/ip-helpdesk>

# Speaker's Bio



## **Lisa Lu**

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Lisa Lu is the IP Business Advisor at China IP SME Helpdesk in Beijing, where she advises European SMEs on intellectual property rights matters. She holds a double master's degree in law from the China University of Political Science and Law and University of Hamburg. Before joining the China IP SME Helpdesk at the European Chamber, Lisa worked as a trademark attorney for the Ferrante Intellectual Property and Chang Tsi & Partners. She mainly focused on the fields of trademark prosecution, trademark enforcement, copyright protection and unfair competition. During her time working in both law firms, she dealt with a variety of clients including but not limited to automotive performance, media, entertainment, new energy, apparel, architecture design, data management, e-commerce, household products, HVAC, and fire & security. Her clients included a range of globally leading companies and small and medium-sized enterprises (SMEs). Lisa is fluent in Chinese and English.



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# 01

## Introduction to technology transfer – Definition and basic principles



### Definition

- What exactly is technology transfer?
- What is being transferred?



### Types of technology

- Emerging technologies
- Innovative technologies
- Established technologies



### Ways technology is transferred

- Consulting
- Graduating students
- Collaborative research
- Patenting
- Licensing
- Spin-off companies
  - Joint Ventures

# 01

## Introduction to technology transfer

– Catalogues for Prohibited and Restricted Technology Imports and Exports



### Technology Import and Export Catalogues

- Catalogue for Prohibited and Restricted Technology [Imports \(2021\)](#)
- Catalogue for Prohibited and Restricted Technology [Exports \(2025\)](#)

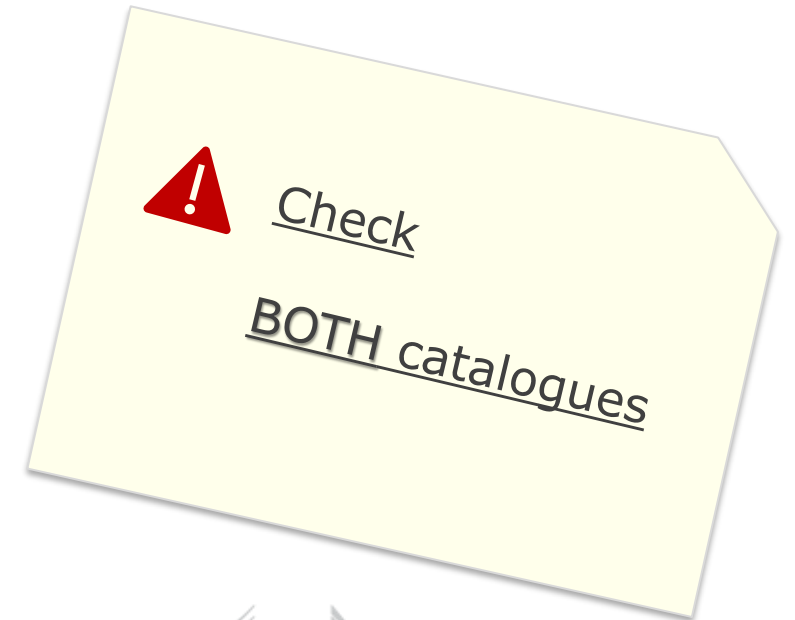


### How can we classify the technologies?

- Freely importable/ exportable
- Restricted
- Prohibited



### Procedures to obtain permission



# 01

## Introduction to technology transfer – Negative lists and encouraged industries



### Negative Lists for Foreign Investment (2024)

- NO restrictions on foreign investment accessing the manufacturing sector
- The restrictions remain in the telecommunication, education, healthcare, transportation, etc.



#### 2024年版全国外资准入负面清单发布 制造业领域外 资准入限制措施“清零”

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国家发展改革委、商务部8日全文发布《外商投资准入特别管理措施（负面清单）（2024年版）》，自2024年11月1日起施行。制造业领域外资准入限制措施实现“清零”。

发布实施2024年版全国外资准入负面清单，是贯彻落实党中央、国务院决策部署，建设更高水平开放型经济新体制的重要举措，展示了我国坚定不移推动投资自由化便利化的决心和推动全球开放合作的担当。

2024年版全国外资准入负面清单限制措施由31条减至29条，删除了“出版物印刷须由中方控股”，以及“禁止投资中药饮片的蒸、炒、炙、煨等炮制技术的

# 01

## Introduction to technology transfer – Negative lists and encouraged industries



### Types of foreign investments

- Free to invest
- Restricted
- Prohibited



### Encouraged Industries Catalogue

- What is it?
- What kind of benefits does it bring?



### Main concerns for SMEs

- What kind of restrictions?
- What happens if tried to import a technology that is included in the Negative List?

# 02 | Due diligence on business partners

## -Basics of due diligence

### ? How to study a Chinese business partner?

- National Enterprise Credit Information Publicity System (NECIPS)
- Contact public institutions
- Embassies
- Chambers of Commerce

<http://www.gsxt.gov.cn/index.html>



### ? What can I learn from NECIPS?

- Legal representative
- Capital
- Business type / scope
- Date of establishment
- Shareholders
- Abnormal operation enterprise?
- Disputes
- Annual reports

*Short video about how to search for basic information about a Chinese company*



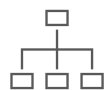
# 02

## Due diligence on business partners - Handling meetings with business partners

- **Before** the discussion or transfer: **NDA** (prepare in advance); background searches
- **Sharing information**: view at your business premises at later stage, or share only rough sketches/ a general idea.
- Negotiations have reached a certain stage: Memorandum of Understanding (**MOU**) outlining the structure of the deal, what information to share, the non-disclosure obligations of both parties.
- **Final agreement** should identify who owns what information, what information was exchanged, the non-disclosure obligations of both parties.
- Continue to **monitor**, pay unannounced visits.

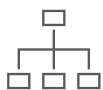
# 02 | Due diligence on business partners

## – Structure of technology transfer



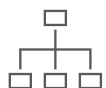
### Licensing

- Modular strategy
- Least control of IP



### WFOE (Wholly Foreign Owned Enterprise)

- Highest control
- Not in Negative list



### Joint-venture

- Business efficiency
- Negative list
- IP leakage risks



# 03

## IP in Contracts

### – Principal clauses of a Joint Venture



Nature of the relationship



Control issues and decision making



Company type and share



Improvements – ownership



Parties' contributions

- Employees
- Improvements done only by the Chinese side



Sharing

- Profits
- Risks
- Liability
- Taxes / fees



# 03

## IP in Contracts

### – Principal clauses of a license agreement

- Definition of the scope of use of IP
- Monitoring of the licensee’s activities: Prevent unauthorised use
- Assignments or transfers: Prevent your technologies from being transferred to third parties without your permission
- Reverse engineering?
- Confidentiality: Protect your confidential information
- Dispute resolution: Applicable law is Chinese law for IPR
- Termination: contract term and retrieval of the documents
- Language: including Chinese version



# 03

## IP in Contracts -provisions to AVOID

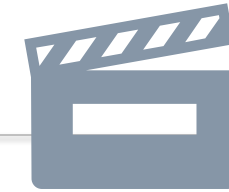


- Prohibit a licensee from making improvements to the licensed technology
- Unreasonable restraints on a licensee's procurement channels (raw materials, equipment, etc).
- Unreasonable restrain the quantity, price, sales channels by the licensee.
- Exclude any remuneration to an employee for his or her patented creation
- Require Chinese IPR to be governed by non-Chinese law



## Case Study 1

# - Modular strategy and WFOE



## Action taken

### The Background

**Company type:** A European company that designs, manufactures, and sells tattoo chairs

**Objective:** reduce manufacturing costs and enter the growing market for tattoo chairs in China

(1) Patent: register core technology as patent in China

(2) Modular strategy:

- Core technology remains manufactured in Europe and shipped to WFOE located in Shanghai
- One factory to manufacture the seat pads
- Another factory to manufacture the metal frame
- Final assembly takes place at WFOE

(3) Innovation improvement:

- WFOE also engages in R&D activities
- Ownership: all employees to sign agreements to make sure the European company owns the employee inventions.
- Product development manager is required to sign a non-compete agreement



# Lesson learnt

- 📄 Register patents to your technology in China.
- 📄 Use different manufacturers for different components.
- 📄 Keep critical components offshore, and have final assembly take place at a WFOE or offshore.
- 📄 Use contracts to address ownership of employee invention.






## Case Study 2

# - Trade secret infringement in China

### The Background

An European SME, who is in chemistry industry, licenses the know-how including software to Chinese companies, to build up chemistry plants.

### License agreement

- They work with a prestigious Chinese company. 
- A separate agreement in place, authorising their Chinese partner to handle the enforcement in China.

### Trade secrets

- All the technical documents are delivered using double strong encryption, with triple encryption used for key equipment.
- Provided on a need-to-know basis.
- In addition, the technical documents contain hidden markers that identify them as IP.



## Infringement

- **Former employees** in key position, stole the confidential documents and sold to a new plant in another province.
- The SME and the Chinese partner decided to take enforcement actions.
- A criminal complaint with the **Public Security Bureau (PSB)** of the district of former employees was filed.
- The police started the **investigation** to obtain the drawings.
- **Expert witness** confirmed the similarity of the technology, and the trade secrets infringement.
- PSB issued a country-wide **warrant** for search and arrest the former employees.



## Outcome

- > One former employee was arrested, the other is at large.
- > New plant still proceeded with the installation and has now commenced production.
- > Cross-province coordination slowed down the investigation, awaiting for further notice now.
- > The SME filed a criminal complaint in EU member state, probably will involve International Criminal Police Organisation (INTERPOL).
- > The SME contacted Embassy in China, and Chamber of Commerce.



## Lesson learnt

- ✍ Taking various measure to protect confidential business information as trade secrets.
- ✍ Leakage of trade secrets by (former) employees is the most common case of trade secrets infringement. Make sure to sign the confidentiality agreement, non-compete agreement and non-disclosures agreement with the employees in key position.
- ✍ It is not cheap to enforce IP in China. The attorney fees for an IP infringement case in China could easily cost more than EUR 10,000. However, if one does not stop the first IP infringement, more infringements in the future are likely to happen leading to an even bigger loss for the IP right holder.
- ✍ For EU SMEs, when encountering IP infringements in China, it is recommended to contact IP experts to assist.

# 05 | Take-away messages



- ✓ Protect your IP when transferring technology to China.
- ✓ Refer to Technology Import and Export Catalogues and the Negative List for Foreign Investment before bringing your technology to China.



- ✓ Conduct due diligence to your potential business partners.
- ✓ Develop a protocol to deal with the Chinese partners.
- ✓ Use China IP experts to help draft your contracts to ensure the protection of your IPR.



- ✓ Contact the China IP SME Helpdesk ***question@china-iprhelpdesk.eu***

# 1-on-1 consultations



Meet Lisa Lu – your IP Business Advisor

Book the time slot via the QR code

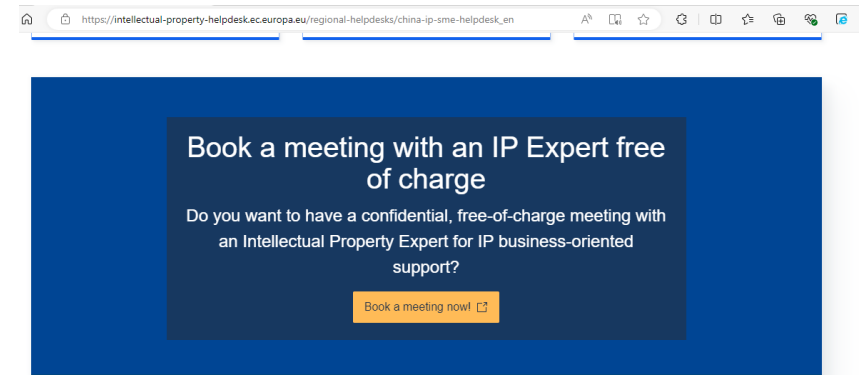


via Helpdesk website

<https://intellectual-property-helpdesk.ec.europa.eu/>

->China->"Book a meeting Now"

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## Questions?

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