China IPR SME Helpdesk

Technology Transfer and IP Contracts in China

- Matias Zubimendi, 29.10.2020
Mr. Matias Zubimendi is the IP Business Advisor at China IPR SME Helpdesk, where he advises European SMEs on intellectual property rights matters. Mr. Zubimendi holds a Master’s degree in Chinese Civil and Commercial Law from Peking University as well as a Master’s degree in Intellectual Property Law from Austral University in cooperation with the World Intellectual Property Organisation. Mr. Zubimendi has a strong background in both business development and intellectual property rights protection, having previously worked as a China Business and Legal Consultant at Terragene, where he focused on business development and as a Director of Legal Affairs at Conquer Europe. Previously, he has also worked as a Patent and Trademark Attorney at Phoebus Abogados and Mazzeo & Canet, where he represented SMEs as well as Fortune 500 companies.

Mr. Zubimendi has given lectures at various conferences including the Ibero-American Conference on Chinese Studies and published several articles including The legal protection of intangibles in the video games industry. As a Professor Assistant, he has also given lectures on Commercial Law and Procedural law, while focusing on Copyright and AI in his research. Mr. Zubimendi is a native Spanish speaker fluent in English.
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Introduction to IPR
Intellectual Property Rights

1. Main intellectual property rights
   - Innovation Patents & Utility models
   - Design patents
   - Trade marks
   - Copyright
   - Trade secrets
   - Know-how

2. Main principles
   - Registration
   - Territoriality
Introduction to technology transfer
– Basics

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

2.2 Ways technology is transferred
- Consulting
- Graduating students
- Collaborative research
- Patenting and licensing

2.3 Types of technology
- Emerging technology
- Innovative technology
- Established technology
03 Rules for technology transfer in China

- Relevant laws

Foreign Investment Law - 2020

- New rules
  - National treatment
  - Investment protection
  - Investment administration
  - Legal liability

Regulation on the Administration of the Import and Export of Technologies (TIER) - 2019

- Company types modifications rules
  - Wholly Foreign-owned Enterprises (WFOE)
  - Joint Ventures (JV)
Bureaucracy
– Avoid bureaucracy from stealing your IP

A. Technology Import and Export Catalogues

• Catalogue for Prohibited and Restricted Technology Imports
• Catalogue for Prohibited and Restricted Technology Exports

B. How can we classify the technologies?

• Freely importable
• Restricted
• Prohibited

C. Procedure to obtain permission

Important! Check both Catalogues

• Do those Catalogues have the same content?
• What happens if I imported a technology, improved it, can I export it back?
### D. Negative Lists for Foreign Investment

- What are they?
- Does the content match the Import-Export Catalogues?

### E. Types of foreign investments

- Free to invest
- Restricted
- Prohibited

### F. Main concerns for SMEs

- What kind of restrictions?
- What happen if we imported a technology that is included in the Negative List?

### F. Encouraged Industries Catalogue

- What is it?
- What kind of benefits does it bring?
05 Study your business partner

5.1 How to study a Chinese partner?
• Meetings
• National Enterprise Credit Information Publicity System (NECIPS)
• Contact public institutions
• Embassies
• Chambers of Commerce

5.2 What can I learn from NECIPS?
• Legal representative
• Capital
• Business type / scope
• Sanctions
• Shareholders

http://www.gsxt.gov.cn/index.html
Trade Secrets
– Keep your secrets secret

1. Requirements
   ▪ Non-public information
   ▪ Providing a competitive advantage
   ▪ Kept confidential by its holder

2. Measures of protection
   ▪ Physical measures: mark documents and bases confidential, introduce access restriction and tracing systems
   ▪ Technology measures: Blockchain, encrypted communications
   ▪ Contractual measures: confidentiality agreements.
   ▪ Training personnel
   ▪ Court injunctions

If there is no registration, how do I transfer them?
Company types
– Choose your company type

**Wholly Foreign-owned Enterprises**
- Advantages
- Disadvantages

**Joint Ventures**
- Advantages
- Disadvantages

Can I freely choose a company type?
Company types
– Principal clauses of a Joint Venture

- Nature of the relationship
- Company type and share
- Parties' contributions
- Sharing
  - Profits
  - Risks
  - Liability
  - Taxes / fees
- Control issue and decision making
- Improvements – ownership
  - Employees
  - Improvements done only by the Chinese side
Contracts
– Principal clauses of a license

- Territory
  - Parallel exports

- Duration

- Content – licensed IPR
  - Trade secret – Know-how

- Royalties

- Control
  - Need of approval before sell/export
    - Quality/quantity control

- Damages

- Conflict resolution methods

- Return of documentation
Contracts
– Principal clauses of a license agreement

➢ Limitations
  ▪ Improvements
  ▪ Sub-licenses – exclusivity
  ▪ No competence
  ▪ Reverse engineering

➢ Confidentiality
  ▪ NDA?
  ▪ NNN

Tips for licenses to sub-contractors
→ Modular production
Takeaway messages

- Check the Technology Import and Export Catalogues
- Check the Negative Lists for Foreign Investment
- Study your business partner
- Protect your trade secrets

- Choose the Company type according to your business plan
- License smartly
- Protect the ownership of future improvements
- Contact your embassy for assistance

- Contact the China IPR SME Helpdesk  
  question@china-iprhelpdesk.eu
Questions?

HELPLINE
free, fast & confidential
working 3 days

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