



China IPR SME Helpdesk

Technology Transfer and IP Contracts in China

- Matias Zubimendi, 29.10.2020

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IP Factsheet: Mainland China



1. THE FACTS: Business in Mainland China for EU Companies
(Source: DG Trade)



SIZE of Market:

- EU exports to Mainland China: EUR 173.5 billion
- EU imports from Mainland China: EUR 299.9 billion
- Total trade in goods: EUR 473.4 billion

> Mainland China is the EU's second largest trading partner, after the USA.
 > The EU is China's largest trading partner.

Key INDUSTRY SECTORS:

- > EU exports to Mainland China are dominated by machinery and equipment, motor vehicles, aircraft, and chemicals.
- > Mainland China's key export items to the EU include machinery and equipment, footwear and clothing, furniture and lamps, and toys.

1. THE FACTS: Business in Mainland China for EU Companies
Key INDUSTRY SECTORS

2. IPR in Mainland China for SMEs: BACKGROUND
Intellectual Property Rights for SMEs: Why is this RELEVANT to you?
How does Mainland China's IP legal framework compare to INTERNATIONAL STANDARDS?

3. IP Rights in Mainland China THE BASICS

- Copyright
- Patents
- Trade Marks
- Geographical Indications (GIs)
- Trade Secrets

4. Using CUSTOMS to block counterfeits

5. Enforcing your IP
Administrative actions
Civil Litigation
Criminal Prosecution

6. RELATED LINKS and Additional Information

Co-funded by:

European Union

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Protecting Your Trade Secrets in China

Prevention is the key to protection.



WHAT EXACTLY CAN BE A TRADE SECRET

SOMETHING THAT

1. Is not publicly known
2. Has commercial value
3. You took measures to keep secret

expressions of ideas

status of products or services under development

valuable business information, lists, cost and price information

know-how, manufacturing or design techniques

TRADE SECRETS

KEEP IT SECRET, KEEP IT SAFE

It is important to remember that once trade secrets become publicly known, they can no longer be protected as trade secrets.



DON'T FORGET YOUR EMPLOYEES

CONFIDENTIAL

- Limit access and copying rights to the personnel who actually need it.
- Require all employees to sign an employment agreement with strict confidentiality provisions.
- Be sure to hold exit-interviews and have them return documents, materials, computers, and files.
- Establish an internal management system for trade secrets. Training and clear written guidelines are essential.

DEALING WITH THIRD PARTIES

Business dealings or negotiations with third parties, potential partners, suppliers, contractors, licensees, or customers

monitor your partners, suppliers or licensees to make sure they are complying with your trade secrets protection policy

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Speaker's Bio



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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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By Matias Zubimendi 29.10. 2020

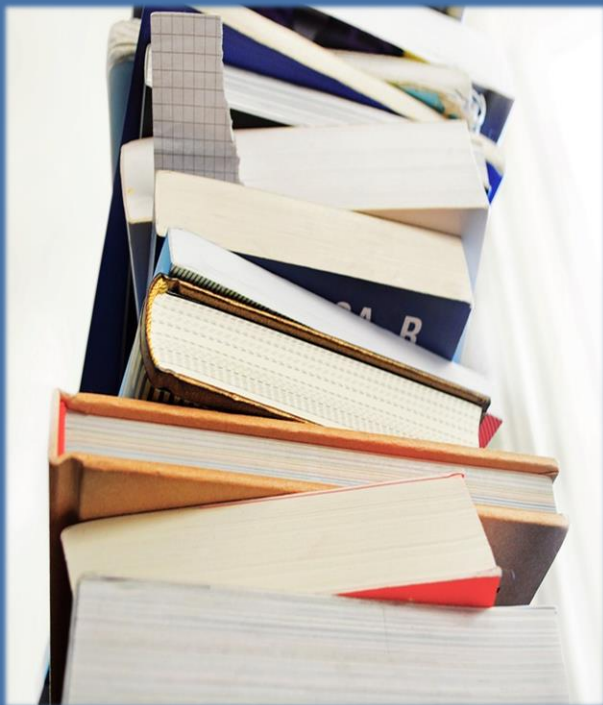


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02

Introduction to technology transfer

– Basics



2.1

Definition

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

2.3

Types of technology

- Emerging technology
- Innovative technology
- Established technology

2.2

Ways technology is transferred

- Consulting
- Graduating students
- Collaborative research
- Patenting and licensing
- Service and outreach
- Spin-off companies
 - Joint Ventures

03

Rules for technology transfer in China

- Relevant laws



**Foreign Investment Law
- 2020**



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



New rules

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



Company types modifications rules

- Wholly Foreign-owned Enterprises (WFOE)
- Joint Ventures (JV)

04 | 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?

04 | Bureaucracy – more in China



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>

06

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?*

07

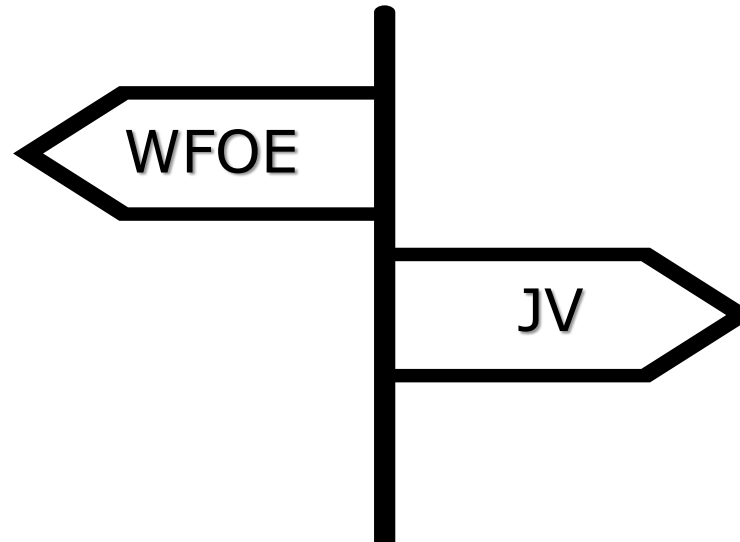
Company types

– Choose your company type

Wholly Foreign-owned

Enterprises

- Advantages
- Disadvantages



Joint Ventures

- Advantages
- Disadvantages



Can I freely choose a company type?

07

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

08

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

08

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



09 | 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?

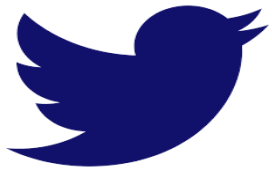
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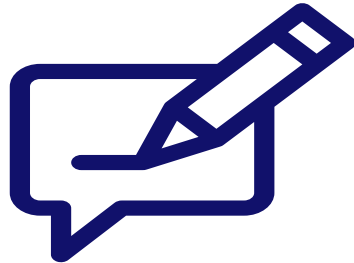
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