



# Safeguarding Your Intellectual Property While Doing Business in China

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## Safeguarding Your Intellectual Property While Doing Business in China

- **Overview of Chinese Regulations on Foreign Investments and Technology**
  - How does the Chinese government classify my product and technology?
  - Licenses, permits, approvals, registrations required?



## Safeguarding Your Intellectual Property While Doing Business in China

- **Overview of Chinese Regulations on Foreign Investments and Technology**
  - Foreign Investments Industrial Guide Catalogue
    - Encouraged Industries
    - Restricted Industries
    - Prohibited Industries
    - All others are “Permitted Industries”
  - Technology Import and Export Catalogues
    - Prohibited Technologies
    - Restricted Technologies
    - Permitted Technologies



## Safeguarding Your Intellectual Property While Doing Business in China

- **Choosing Your Investment Vehicle**
  - What Are Your Objectives?
    - Direct sale of products from U.S. to China
    - Licensing technology to Chinese Companies in return for royalty payment
    - Outsourcing certain functions to China
    - Setting up a substantial presence in China for manufacturing, trading, research and development, etc.



## Safeguarding Your Intellectual Property While Doing Business in China

- **Choosing Your Investment Vehicle**
  - Contractual relationship
    - Direct Sales Contract
    - Distribution Agreement
    - Licensing Agreement
    - Outsourcing Agreement
  - Representative Offices



## Safeguarding Your Intellectual Property While Doing Business in China

- **Choosing Your Investment Vehicle**
  - Foreign-Invested Enterprises (FIEs)
    - Joint Ventures (JVs)
      - Equity JVs
      - Contractual JVs
    - Wholly Foreign-Owned Enterprises (“WFOEs”)



## Safeguarding Your Intellectual Property While Doing Business in China

- **Choosing Your Investment Vehicle**
  - Additional Vehicles
    - Holding companies
    - Foreign-invested companies limited by shares
    - Research and development centers
    - Foreign-invested commercial enterprise (FICEs)
    - Foreign-invested venture capital enterprise



## Safeguarding Your Intellectual Property While Doing Business in China

- **Scope of Business**
  - Need to obtain official approval for specified scope of business
  - Must use terminology contained in Standard Industrial Classification of all Economic Activities (effective January 2006)



## Safeguarding Your Intellectual Property While Doing Business in China

- **Overview of Chinese Patent, Trademark, Copyright and Trade Secret Law**
  - China has enacted comprehensive IP laws, similar to those in the U.S.
  - Enforcement has improved, but still in embryonic stage



## Safeguarding Your Intellectual Property While Doing Business in China

- **Overview of Chinese Patent, Trademark, Copyright and Trade Secret Law**
  - China affords legal protection to registered patents, trademarks, and copyrights
  - International IP treaties to which China is a member



## Safeguarding Your Intellectual Property While Doing Business in China

- **Protecting IP *Before* Entering China**
  - Clean chain of title from inventor to the Company
  - Identify consultants and employees and obtain appropriate assignments
  - Non-competes, NDAs
  - Register your IP in the US and/or protect your trade secrets
  - Know your limitations (review your licenses, assignment rights, competing filings, etc.)



## Safeguarding Your Intellectual Property While Doing Business in China

- **Protecting IP in China**
  - Register IP rights in China
    - China affords legal protection to registered IP
    - Includes both the English and Chinese versions of trademarks
  - Negotiate with Chinese partners
    - Right to monitor IP
    - Right to IP improvements
    - Indemnification from Chinese partners for IP breaches



## Safeguarding Your Intellectual Property While Doing Business in China

- **Protecting IP in China**
  - Adopt written policies and safeguarding procedures and made known
  - Require NDAs and non-competes from all employees/consultants

QUERY: Do you restrict foreign employees from using flash drives, home computers, digital cameras, etc. in connection with their employment?



## Safeguarding Your Intellectual Property While Doing Business in China

- **Protecting IP in China**

- License IP to JVs
- Protect your crown jewels
  - Share confidential information only as needed
  - Keep crown jewels in the U.S.

QUERY: How do you protect your trade secrets when conducting manufacturing or other operations in China?



## Safeguarding Your Intellectual Property While Doing Business in China

- **Protecting IP in China**

- Consider dividing development process among different divisions (or companies)
- Separate sales force from engineers/developers

QUERY: Do you have different employment and/or IP policies geared to Chinese laws when dealing with Chinese employees, or do you use the same policies you have developed for use in the U.S.?





## Safeguarding Your Intellectual Property While Doing Business in China

- **Protecting IP in China**

- On-going monitoring
- “Exit” certifications and post-employment confidentiality

QUERY: Do you have special exit procedures for foreign employees? Do you use liquidated damage provisions in your foreign employment agreements? How effective are these measures?



## Safeguarding Your Intellectual Property While Doing Business in China

- **Protecting IP in China**

- Take appropriate enforcement actions
- Consider Arbitration
  - CIETAC (China International Economic and Trade Arbitration Commission)
  - New York Convention (United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958))



## Safeguarding Your Intellectual Property While Doing Business in China

### • Tips and Strategies for Success

- Follow Best Practices; prevention is the best way to protect IP
- Understand Chinese laws and practical implications at national, provisional, and local Levels; Be sensitive to the local market and variations in legal systems
- Build strong relationships with the government; use government agencies and criminal authorities where available



## Safeguarding Your Intellectual Property While Doing Business in China

### Thank You! Questions?

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