



INNOVATING CHINA

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ROUSE

QUESTIONS

- Why is it important for IP professionals in the West to understand what is happening in China?
- Is China's impact on Western systems diminishing?
- How will China's ambitions impact the rest of the world, short, medium and long-term?
- How to best advise our clients about China and assist them with their IP strategies?



BACKGROUND

CHINA IS RAPIDLY DEVELOPING ITS DOMESTIC TECHNOLOGY CAPABILITY



DRIVERS

Political priority

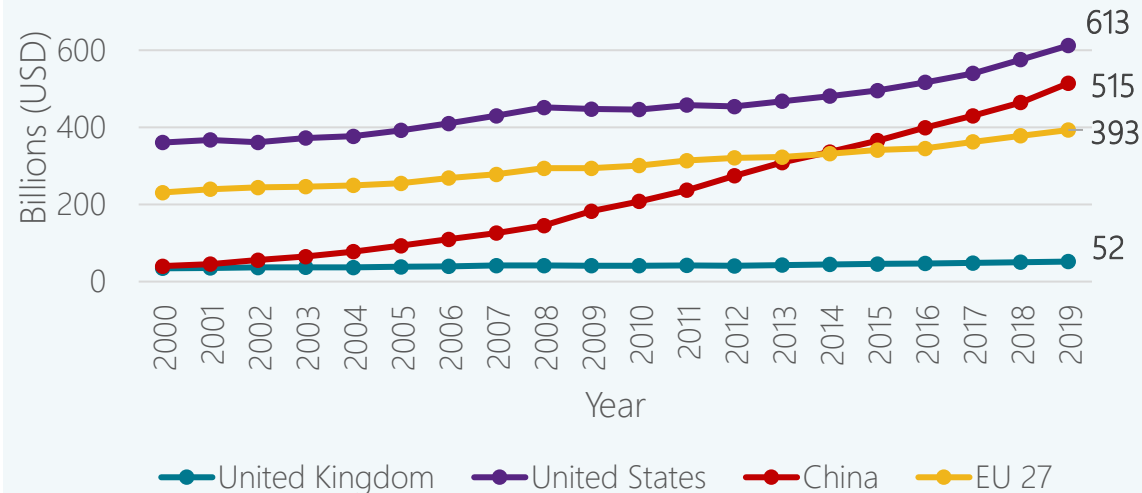
Innovation and technology development written into national strategies:

14th Five Year Plan (2021 – 2025)

“By 2035, significant breakthroughs will be made in core technologies in key areas, turning China into a global leader in innovation, and to achieve new-type industrialisation, informatisation, urbanisation and agricultural modernisation, creating a modernised economy”

Massive investment

Gross domestic spending on R&D
(annual total in billion US dollars, OECD)

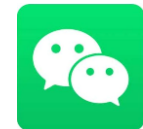


Consumer adoption of technology

Willingness by the public and business to widely adopt and utilise new technologies:

Sophisticated digital market

- World leader in e-commerce
- Multi-channel apps
- Online payments



CHINA'S FOCUS ON THE FUTURE

Irrespective of the type of business, there is a strong focus on emerging technologies and industries of the future

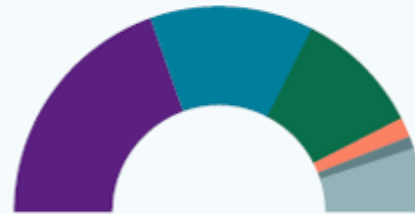
Share of global Artificial Intelligence funding in 2017 by country



China (48%) US (38%)
Others (13%)

Source: CBI Insights State of Artificial Intelligence 2018

Share of global Electric Vehicles market in 2030 by country



China (39%) Europe (26%) US (20%)
Japan (3%) India (2%) Others (10%)

Source: Electric Vehicle Outlook 2018, Bloomberg New Energy Finance

Share of Blockchain patents globally in 2017



China (56%) United States (22%)
Others (22%)

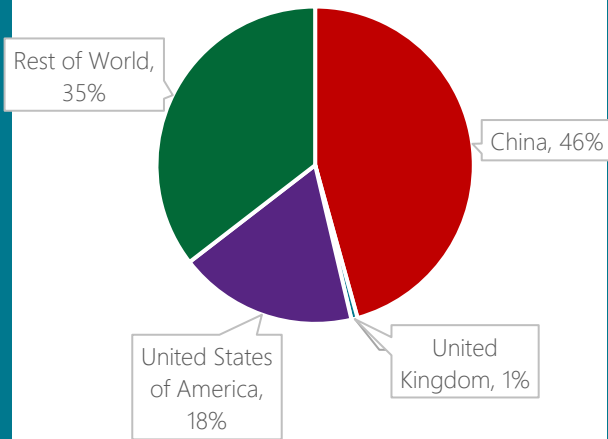
Source: Thomson Reuters

CHINA IS BECOMING MORE OF AN INTERNATIONAL TECH PLAYER



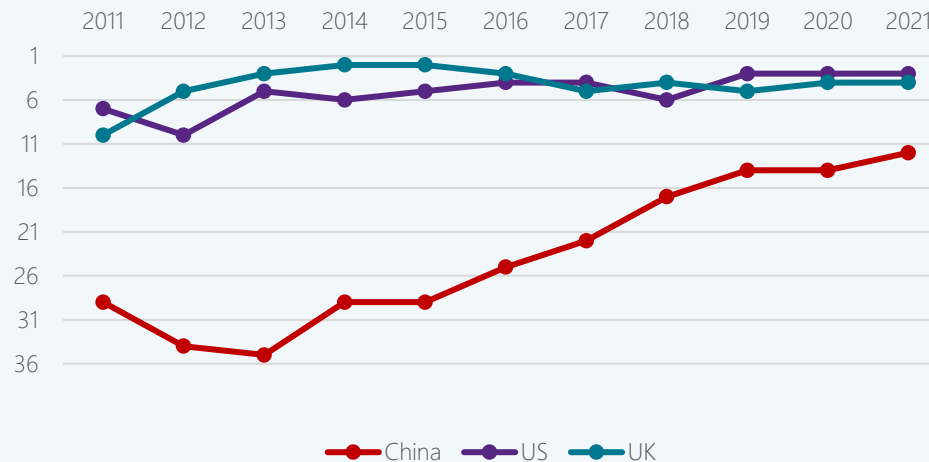
Leading the world in patent applications

Global Patent Applications 2020



Significant improvement in Global Innovation Index ratings

Global Innovation Index Rankings



Chinese firms moving into international markets

- 
Social media
 - Global penetration
- 
Electric scooters
 - Growing presence in Europe
- 
Smart phones
 - 17% global market share
- 
Automotive
 - Batteries for London buses
- 
Automotive
 - London taxis

CHINA'S INNOVATION ECOSYSTEMS ARE NOT NATIONAL

A number of centres of innovation are well placed for international collaboration



State Council Guidelines
"Development of Incubators"

Ministry of Science and Technology guidelines: encourage incubators to establish platforms for international collaboration, and to promote communication and cooperation with talent, technology, innovative projects and investment from overseas

Regional specific innovation policies



Jingjingji

Yangtze River Delta

Pearl River Delta



ECOSYSTEMS BUILT AROUND QUASI PUBLIC/PRIVATE ENTERPRISE

National champions play a key role in investment in start up and innovation communities



Yangtze Delta: top 10 investment payouts were worth >\$15bn

Pearl Delta: Estimated to have \$60bn investment funds under management

Beijing area: 80% search market share, 1bn active users in 2020.

Sectors:

1. Hard Tech IT
2. Software IT
3. Consumer
4. Healthcare
5. Banking, financial services and insurance
6. Real estate
7. Gaming
8. Education

GOVERNMENT FUNDED/SUPPORTED ECOSYSTEMS

Myriad of support available to encourage innovation

400 enterprise accelerators

5 major start-up centers

2226 national level “double creation” platforms

3,255 science and technology incubators

4,298 public “maker spaces”

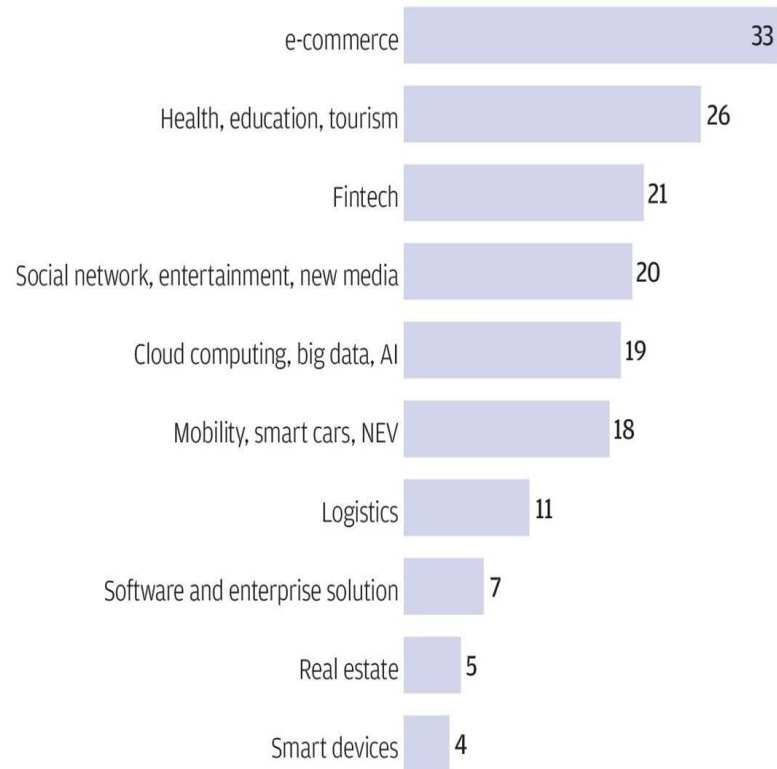
324 Government led funds worth \$272bn

19 national level innovation zones



Together the policies and ecosystems are delivering multiple unicorns, set to become the new national champions

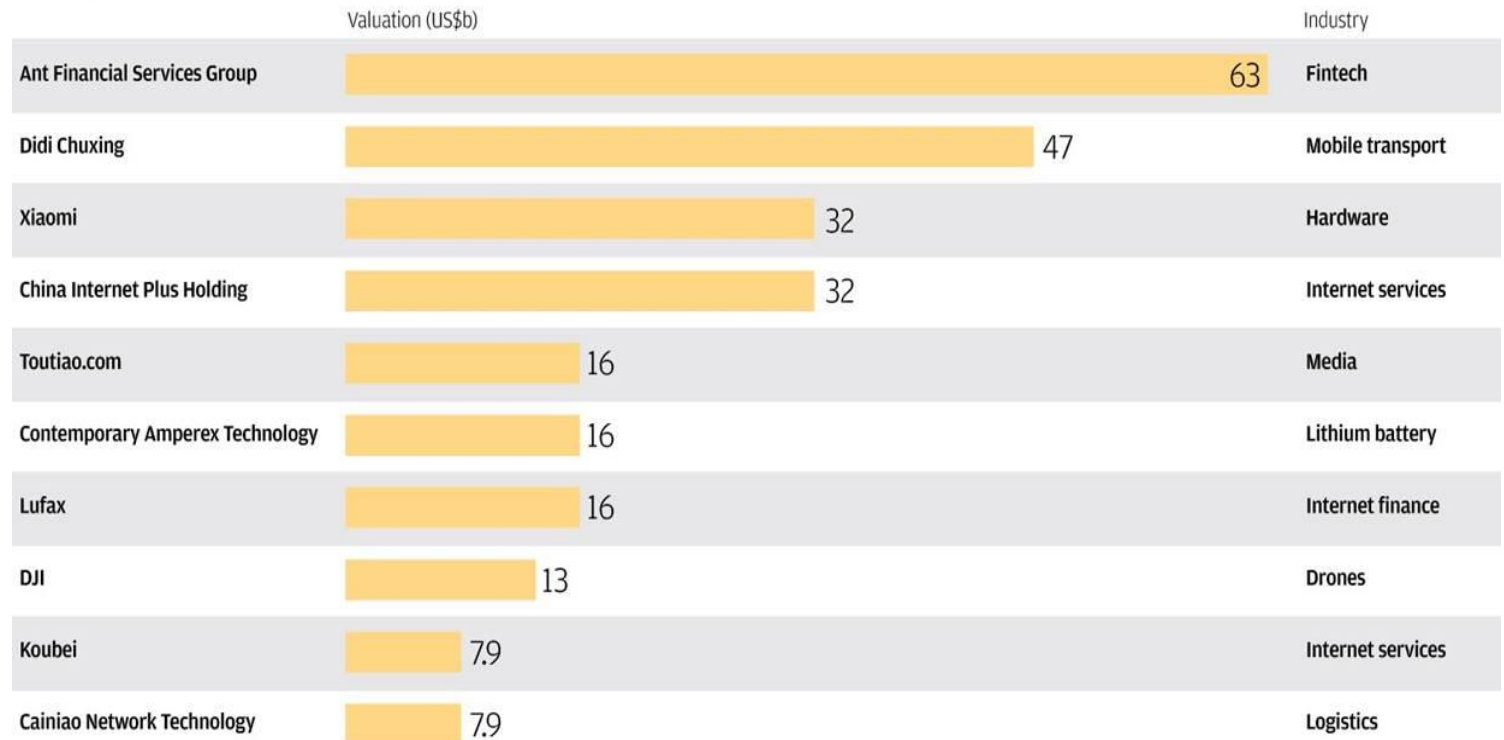
What Chinese unicorns are feeding on 2017



Source: Torch Centre

Chart of the day

China's top 10 unicorns



SCMP

Sources: Wind, brokerage data

SCMP



THE IP / LEGAL SYSTEM

AN INTERNATIONALLY COMPETITIVE IP LEGAL SYSTEM?



IP System Evolution

- Huge developments since 1980. From nothing to an internationally competitive system. The UK's first patent granted in 1449, first copyright law in 1710.
- System is primarily built to address needs of domestic entities but that does not mean that foreign rights holders are necessarily treated unfairly in the system.
- Government understands well that an innovation driven economy requires an IP legal system that functions effectively for all market players.



Continual Improvement

Laws updated on an ongoing basis:

- Chinese Patent Law 2021
- Copyright Law 2020
- Trademark Law 2019
- Unfair Competition Law 2019 (Trade Secrets)

Creation of sophisticated court system:

- In 2019, China established an appellate IP Court within the Supreme People's Court: national court with highly regarded judges
- Builds on the creation of dedicated IP courts in Beijing, Shanghai & Guangzhou and 15 other dedicated IP tribunals in 2014

FOREIGN PLAINTIFFS CAN SUCCESSFULLY USE THE CHINESE LEGAL SYSTEM



Civil Invention Patent First Instance in 2006-2021				
	% of cases	Win rate	Injunction rate	Numbers of cases
All cases	100%	70%	69%	2,473
Foreign plaintiff	19%	82%	79%	470
Domestic plaintiff	81%	67%	66%	2,003

Statutory Damages for Civil Invention Patent First Instance in 2006-2021			
	Mean compensation awarded (CNY)	Median compensation awarded (CNY)	Number of cases
All cases	240,067	100,000	1,588
Foreign plaintiff	301,925	150,000	362
Domestic plaintiff	221,802	90,000	1,226

For patent disputes, foreign business are:

- more likely to win than domestic businesses: win rate 82% vs 67%
- awarded more compensation
- more likely to secure an injunction.

WILL CHINA BECOME A STRATEGIC BATTLEGROUND FOR IP OWNERS?

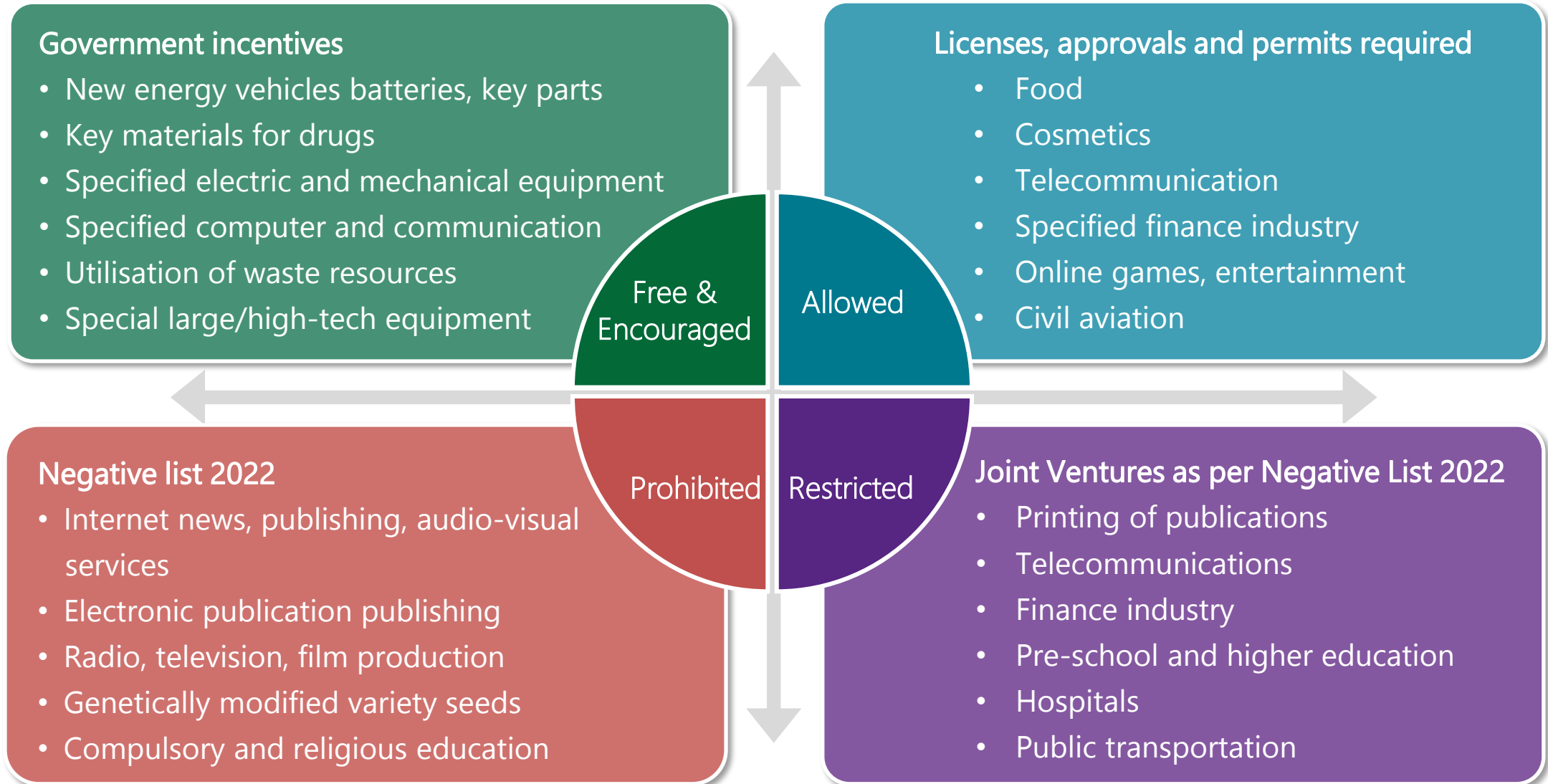
We have almost arrived at the 'sweet spot' moment for litigation in China

- Manufacturing base for global supply chains
- Size of China's domestic market for most global technologies and brands
- Injunction rates and quality/transparency of decisions
- Digital innovation in civil procedure
- Damages, speed, impact...



FOREIGN INVESTMENT LANDSCAPE

Foreign investment laws: different categories of guests follow different rules





DIGITAL INDUSTRIES: REGAINING
CONTROL

Crackdown on the digital industry: bringing it back in line



Founded: 1999
Market cap: \$463.7 billion
Revenue: \$109.5 billion



JD.COM
Founded: 1998
Revenue: \$114.3 billion



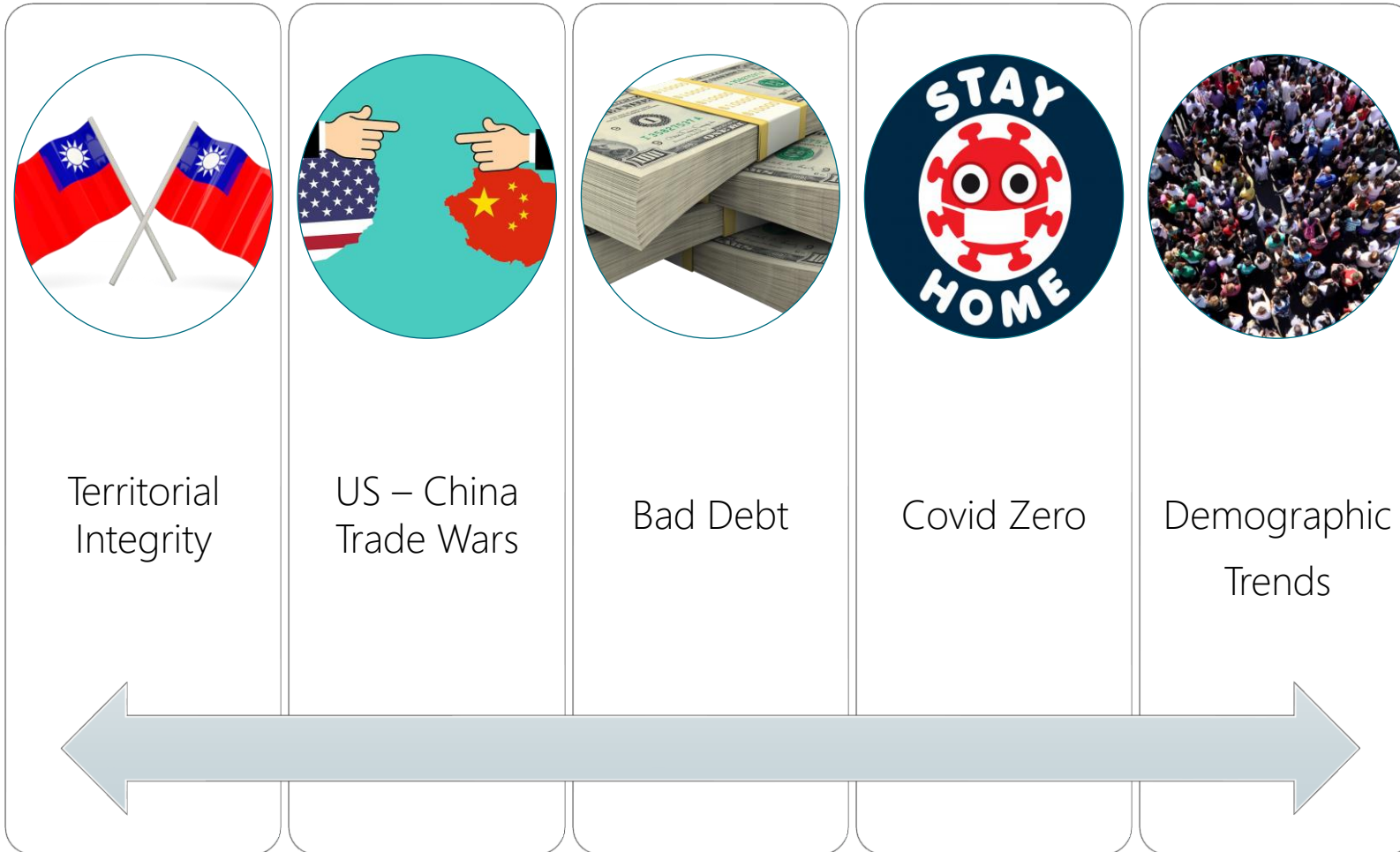
Founded: 1998
Market cap: \$584.5 billion
Revenue: \$74.4 billion

- Digital content industries v traditional media.
- Digital now at the forefront: social stability and national security.
- Crack down with strong enforcement:
 - Anti-trust regulations
 - Cyber security and data laws
 - Fintech sector
- Driving new behaviors:
 - Act like SOEs
 - Philanthropic investments
 - Receiving state investment



POLITICAL AND ECONOMIC
FACTORS

OTHER FACTORS TO CONSIDER





TAKEAWAYS – HOW TO
APPROACH CHINA FROM AN IP
PERSPECTIVE?

INTELLECTUAL ASSETS BEHAVE DIFFERENTLY IN CHINA



- Cultural attitudes to IP rights
- Cheap to register IP
- Availability of utility models

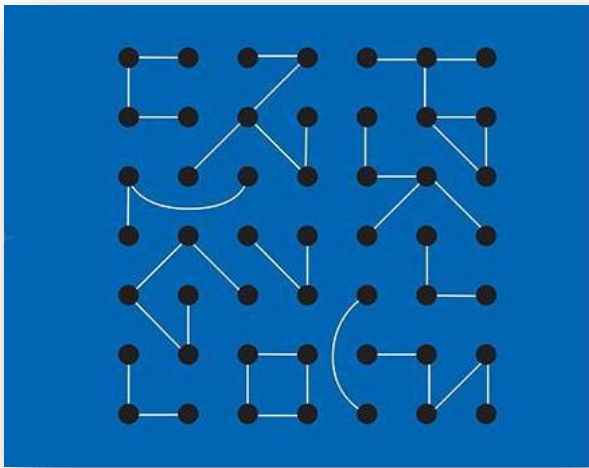


- Cultural differences to imitation
- Lack of (mutual) understanding

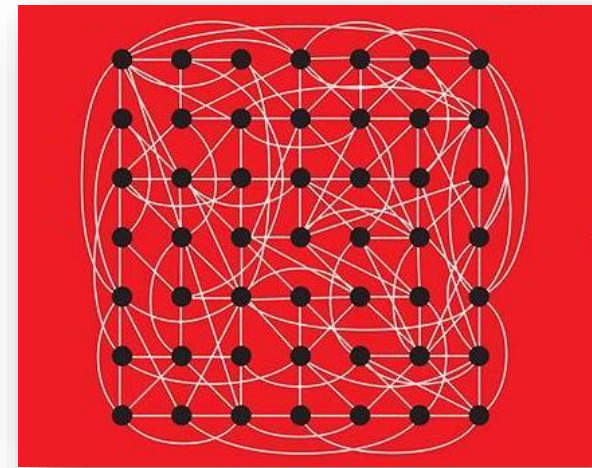
Differences in China create risks that are not well understood and not factored in to business plans

PEOPLE BEHAVE DIFFERENTLY IN CHINA

Networking in the Western world



Networking in China



This is particularly relevant to anyone advising on trade secret and know-how protection, particularly where know-how is licensed in without on-the-ground resources to monitor and control.

HIGH PERFORMING GLOBAL-CHINESE BRANDS

Well adapted brands



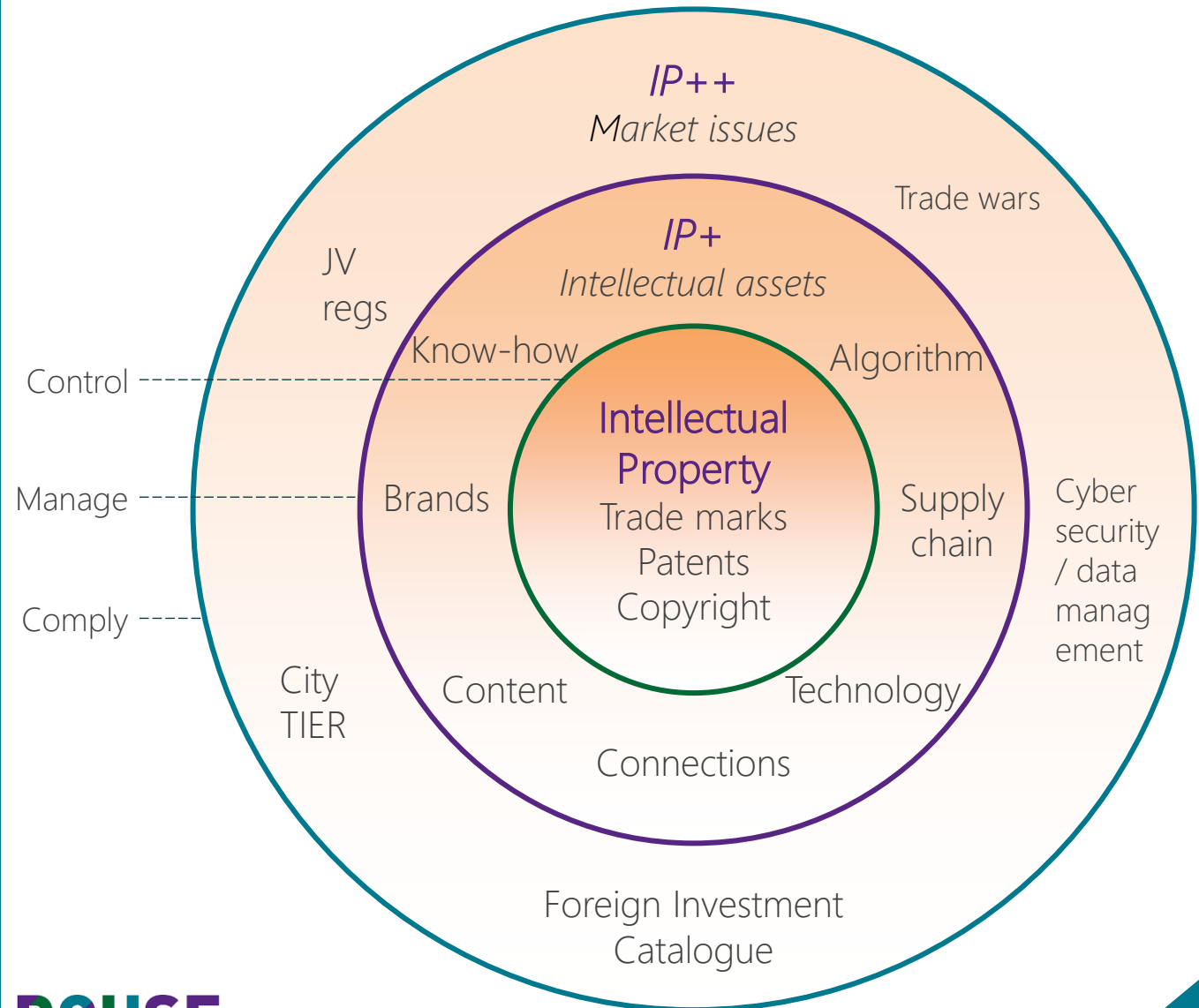
Non-adapted brands




This is particularly relevant when advising on trade mark protection for Western companies looking to sell into China, especially via e-commerce channels.

INTELLECTUAL ASSETS IN CHINA

- In most countries, working with intellectual assets is focused on the first two levels: IP and IP+.
- A company is meant to focus on its own strengths and compete with others
- In China, companies need to keep IP++ in mind. They need to work on multiple levels and have a positive impact on the country.





TAKEAWAYS – HOW TO
APPROACH CHINA FROM AN IP
PERSPECTIVE?

3 CONCLUSIONS...

- As an IP professional, make it your business to stay informed about China and its innovation strategy. It will impact all of us in different ways.
- The opportunity vs risk landscape is changing and becoming more complex but the fundamentals remain the same: opportunity outweighs risk if you approach China in the right way.
- Don't rely on mainstream media to inform your view of China: build your understanding from multiple different perspectives.



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