

IP Best Practice in UK-China Technology Transfer

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Technology transfer is a general term used to describe the commercialisation of research and knowledge generated from the research base that includes universities and research institutions. Commercialisation may take the form of licensing intellectual property (IP) directly to an existing company or using IP and/or other intellectual assets to establish a new company. The term will sometimes be used to refer to commercial partnerships between academia and industry such as collaboration and contracted services. In the UK, the wider terms of Knowledge Transfer or Knowledge Exchange are used to cover this broad range of ways in which businesses access the benefits of research for innovation.

IP Check-List for UK-China Technology Transfer

- How do you intend to commercialise the opportunity?
- Consider the sort of IP protection needed. There may be more than one appropriate route. Have you registered your IP in China?
- Be clear on ownership of IP, both existing background IP and any new foreground IP arising from improvements. New IP may be filed outside of China subject to certain processes.
- Understand how to manage service invention remuneration.
- Get up to speed with pertinent tax issues.
- Draft contracts in Chinese.
- Take advice where appropriate from experts familiar with IP and technology transfer with China.

Technology Commercialisation Routes & Related IP Considerations

The IP considerations in any particular technology transfer deal will depend on the route selected to commercialise a new opportunity. This in turn will depend, amongst other things, on the technology, its level of market readiness, its ease of adoption, the extent of IP protection, the aspirations of the inventor or developer and the mission of the organisation.

Whichever commercialisation method is selected, the commercialisation contract should explain what is being transferred and/or developed, to/with whom and on what basis. Standard elements of cross-border commercialisation agreements may need to be adapted to Chinese law, so advice should be sought from a qualified Chinese lawyer. Contracts that may need to be enforced in China (and under Chinese law) should primarily be written in Chinese – not translated from an English version.

Commercialisation options include licensing, development partnerships and company formation. Most IP rights are territorial, and the below sections assume that all relevant IP is protected in China.

Licensing is an attractive option if there are existing companies with expertise in place and the market is difficult to penetrate. Consider whether the licence should be exclusive or non-exclusive and whether it should be restricted to specific fields or to market territories.

A **development partnership** with an existing company, coupled to a licence, may support further development of the technology opportunity and draw on additional assets from both parties. Whilst revenue returns may be lower, the prospect of getting to market may be higher. Subject to any prior agreement to the contrary, the party who makes an improvement will own the IP on such improvement in China. Foreign individuals and foreign entities can own the IP on improvements. The procedure to be followed for filing of patent applications depends on where the invention was “made”. Under Chinese law this is that the jurisdiction where the substantial part of the invention is carried out. Inventions made in China may initially be filed inside or outside of China subject to “foreign filing clearance” or filed under the Patent Cooperation Treaty (PCT) via the China National Intellectual Property Administration (CNIPA).

Creating a **new company** may be a good route if the technology has multiple applications and there is no obvious route to market. A joint venture (JV) may be established with a Chinese partner to operate in China and the JV contract will set out terms for transfer of IP and ownership of foreground IP arising through the operation of the JV. Where there is no Chinese partner, such as where the technology owner wishes to operate in China independently or in collaboration with another foreign entity, a Wholly Foreign Owned Enterprise (WFOE) may be required to operate within China.

In the event that a JV or WFOE is created for the purposes of technology transfer and commercialisation, intangible assets such as IP are accepted as investment into a company under Chinese law. Previously the law required intangible assets must not account for more than 70% of the registered capital of the company, but this requirement has been abolished.

IP Ownership & Service Inventions in China

In China, an invention made by an employee through his activities at work is generally deemed to be a service invention under Chinese law. If the invention used the material and technical means of the employer, then the contract between the employer and the inventor will determine who owns the patent rights. There is a policy of statutory reward if revenue share is not specified in staff contracts.

Taxation Implications

There will be tax implications for transfer of IP to China, which is regarded as a transfer of intangible assets under the Chinese tax regime. Applicable taxes for IP transactions may include enterprise income tax (for income originating from China); business tax (for transfer of IP from a non-resident country); and stamp tax (payable on technology contracts or technology development).

Where intellectual property rights are transferred to a Chinese company, it is usual for the Chinese transferee to pay the foreign transferor’s EIT and BT. However, the foreign transferor is still the official taxpayer and liabilities should be dealt with in the contract.

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It was further updated by [Xuefang Huang](#) and [Xiaoyang Yang](#) in the Beijing office of [Marks & Clerk](#) in March 2021.

For more information on IP in China – or to arrange a discussion of a particular case based on our experience working in China – please contact commercialmail.beijing@fcdo.gov.uk.