

**US-China Clean Energy Research Center Webcast  
Intellectual Property Challenges and Opportunity: Bringing your Business into China  
Monday, July 20, 2015**

*Event Summary*

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Background: On July 20, 2015, the Department of Energy hosted a webcast titled: “Intellectual Property Challenges and Opportunity: Bringing Your Business into China.” The event was organized in cooperation with the U.S.-China Clean Energy Forum under the banner of the U.S.-China Clean Energy Research Center. Over a 90-minute program, five expert panelists discussed intellectual property as it relates to doing business in China. The program is available for viewing by clicking on the link for the July event at the CERC website: [www.us-china-cerc.org/](http://www.us-china-cerc.org/)

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Intellectual Property (IP) in China is a rapidly evolving landscape. This panel aimed to bring clarity to the current state of IP protection in China through the perspectives of five speakers involved in clean energy activities in China. From the legal aspects of IP, to the day-to-day business dealings with IP, the goal of this webcast was to give concrete examples of experiences with IP management and protection in China.

The first speaker was Benjamin Bai, Partner at Allen & Overy LLP in Shanghai. Bai provided updates on IP litigation from the perspective of a lawyer who has worked for 11 years on IP law in China. He noted that between 2006 and 2011, the overall foreign plaintiff win rate in China was 88%, compared with an 84% plaintiff win rate overall.

Bai discussed the new IP courts that have been operating in China since they were established by the Standing Committee of the National People’s Congress on August 31, 2014. In their first year, these IP courts have not been a game changer, but they are providing a step in the right direction. His overall message was that the Chinese court system generally works, and can yield good results. Companies must still be proactive, however, by implementing a corporate IP strategy that helps protect against the need for litigation, including by adopting preventative measures.

The second speaker, Erik R. Puknys, Managing Partner at Palo Alto-based Finnegan, Henderson, Farabow, Garrett & Dunner, LLP, spoke about patent management strategies when establishing one’s business presence in China. Puknys noted that over the past 30 years Chinese patent law has advanced very quickly, both in terms of policy and in terms of actual practices on the ground. He cited recent notable policy improvements regarding IP protections, as well as counterfeit and pirated goods, “trademark grabbing,” and litigation involving multinational corporations. He noted, however, that reforms are still needed. There are still instances of “forced” technology transfer to domestic companies being required of foreign firms in return for market access, capped licensing fees and prices, and policies for preventing mergers to protect famous domestic brands. He noted that the US Chamber of Commerce had raised concerns about

China's Anti-Monopoly Law (AML), which appears designed to boost national champions often through industrial policy, and noting shortcomings in due process. He noted that the AML may require compulsory licensing as outlined in an April 2015 SAIC notice "where the intellectual property constitutes an essential facility in manufacturing or business operations," though it's not yet clear how this will be enforced.

Despite these challenges, Puknys cited reasons for optimism. He mentioned that the Third Plenary Session of the 18<sup>th</sup> Communist Party of China Central Committee (November 2013) had called for the strengthening of IP rights and the improvement of IP courts, along with non-discriminatory rights, opportunities and rules. He also cited the 25<sup>th</sup> Annual US-China Joint Commission on Commerce and Trade (JCCT) (December 2014) at which both governments agreed to equality for foreign and domestic firms, and to better transparency and due process surrounding investigations of firms for violations.

The third speaker was Leslie Benton, Vice President for Advocacy & Stakeholder Engagement at CREATE.org. The Center for Responsible Enterprise and Trade works with companies to create leading practices for IP protection and anticorruption. Benton discussed how trade secret theft is among the most pressing issues that companies face, along with patent infringement, trademark infringement, copyright infringement, and registered design infringement. She noted that while cyber intrusions from "hactivists" are on the rise, the most common threat to companies comes from insiders, including current or former employees.

Benton presented a five-step framework to help companies assess and safeguard trade secrets: 1) identify trade secrets; 2) assess threat actors; 3) relative value ranking; 4) economic impact analysis; and 5) secure trade secret portfolio. Step 5 includes an effective IP protection program consisting of everything from having clear policies and procedures, to employee trainings, to taking corrective actions when necessary.

The fourth speaker was Stacy Baird, Executive Director of the US-China Clean Energy Forum (CEF) Intellectual Property Program. Baird focused on the novel IP management framework of the US-China Clean Energy Research Center (CERC). He described the CERC as a novel approach to joint innovation that puts a spotlight on IP management. Baird discussed how interactive efforts were leading to jointly produced results in the clean energy space, and how this was distinct from prior US-China cooperation initiatives. In the CERC model, teams of participants from both countries jointly develop work plans, researchers focus on the same projects, yet thousands of miles apart, with a shared goal of creating joint R&D results.

Baird described how the IP annex to the CERC Protocol ensures that each side has a right to joint inventions. This model is distinct from any other science and technology agreement the United States has. The Technology Management Plan (TMP) defines what the right is under the CERC IP Annex. While licenses are required in order to share background IP when needed for further R&D, the terms of those licensing arrangements are left to the owners to negotiate on fair commercial terms. The TMP distinguishes "background" IP from "project" IP, with jointly-created "project" IP shared among inventors and across borders. While there is no absolute IP protection provided by the CERC, it does establish a dispute resolution process, which to date has not been needed.

The final speaker was Christine M. Lhulier, Corporate Counsel for DuPont Industrial Biosciences. She spoke about how collaboration is a hallmark of DuPont's approach to doing business in China. Most recently the company announced a licensing agreement to bring their cellulosic ethanol technology to China in what will be the largest such facility in the country. The agreement with New Tianlong Industry Co., DuPont will license its ethanol technology and some of its enzymes to produce renewable biofuel from the leftover biomass on Jilin Province corn farms. In addition to this new initiative, DuPont has a large R&D center in Shanghai, along with several other sales and production facilities around the country.

Lhulier noted that in all of their activities in China, DuPont conducts an IP risk assessment as part of their broader business strategy and decision-making process. They also attempt to select partners and employees carefully, recognizing that contracts are only as good as the people who sign them.

The speakers then engaged in a panel discussion facilitated by Dennis Bracy, Chief Executive Officer of the US-China Clean Energy Forum. The panel discussed increases in patenting activity by Chinese firms, and how Chinese firms are increasingly just as concerned as American firms about protecting their IP. Speakers also emphasized the importance of building relationships and trust in order to prevent misunderstandings that can come from cross-cultural differences. All speakers recognized the importance of China's market and the benefits to be gained by taking advantage of such business opportunities, so long as steps are taken to mitigate the risks with regard to IP, and to practice the right strategies. Benjamin Bai admonished, "Don't let the IP tail wag the business dog." Several panelists emphasized a preventive approach to IP protection, recognizing that while litigation is increasingly a viable option, it is best to avoid it in the first place if possible.