

China – creating and capturing value in the global IP economy

Ian Harvey

December 8th, 2014

April 2010

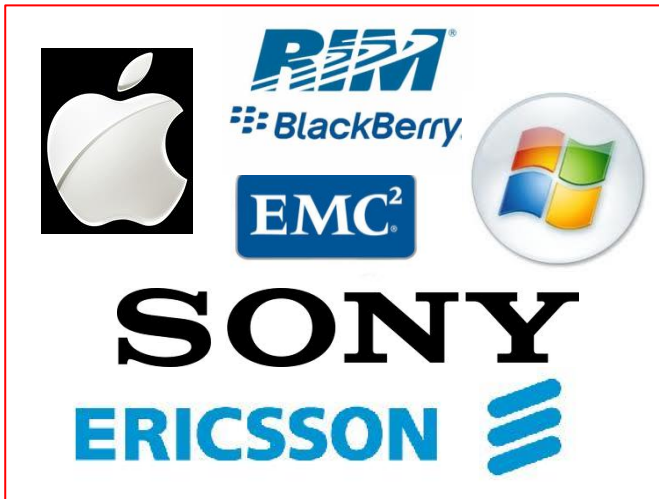


Buys



\$1.2 billion

July 2011



Buy



**Patent portfolio for
\$4.5 billion**

March 2010



Sues



**Patent
infringement**

Sues

SAMSUNG

**Design + patent
infringement**

April 2011



**September 2011 -
Galaxy Tab withdrawn**

**BUT - Apple loses design patent cases in Germany,
Netherlands, UK, Japan, Korea**

Apple WINS ~\$1+b in USA (now ~\$130m)

August 2011

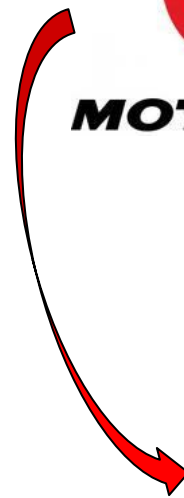
Google™

Buys



MOTOROLA

\$12.5 billion



September 2011



*Buys 9
patents*
from*



*Counter-
Sues*



For infringing



patents

**Motorola, Palm patents*



= 1,600 patents



= 6,000 patents



MOTOROLA

= 17,000 patents

IP Value \approx “\$750,000 per patent”

August 2013

Microsoft Acquires Nokia Handset Business



*Nokia's handset
business*

~ \$7.2 billion



**Includes \$2b for a license to
38,500 patents**

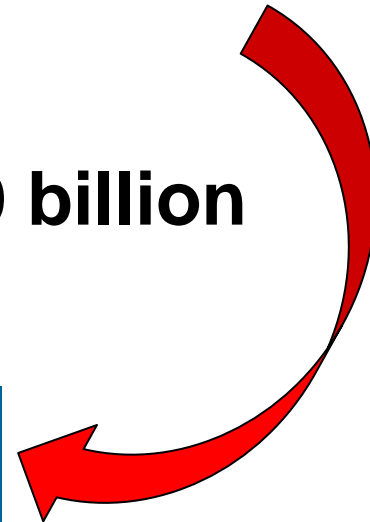
January 2014



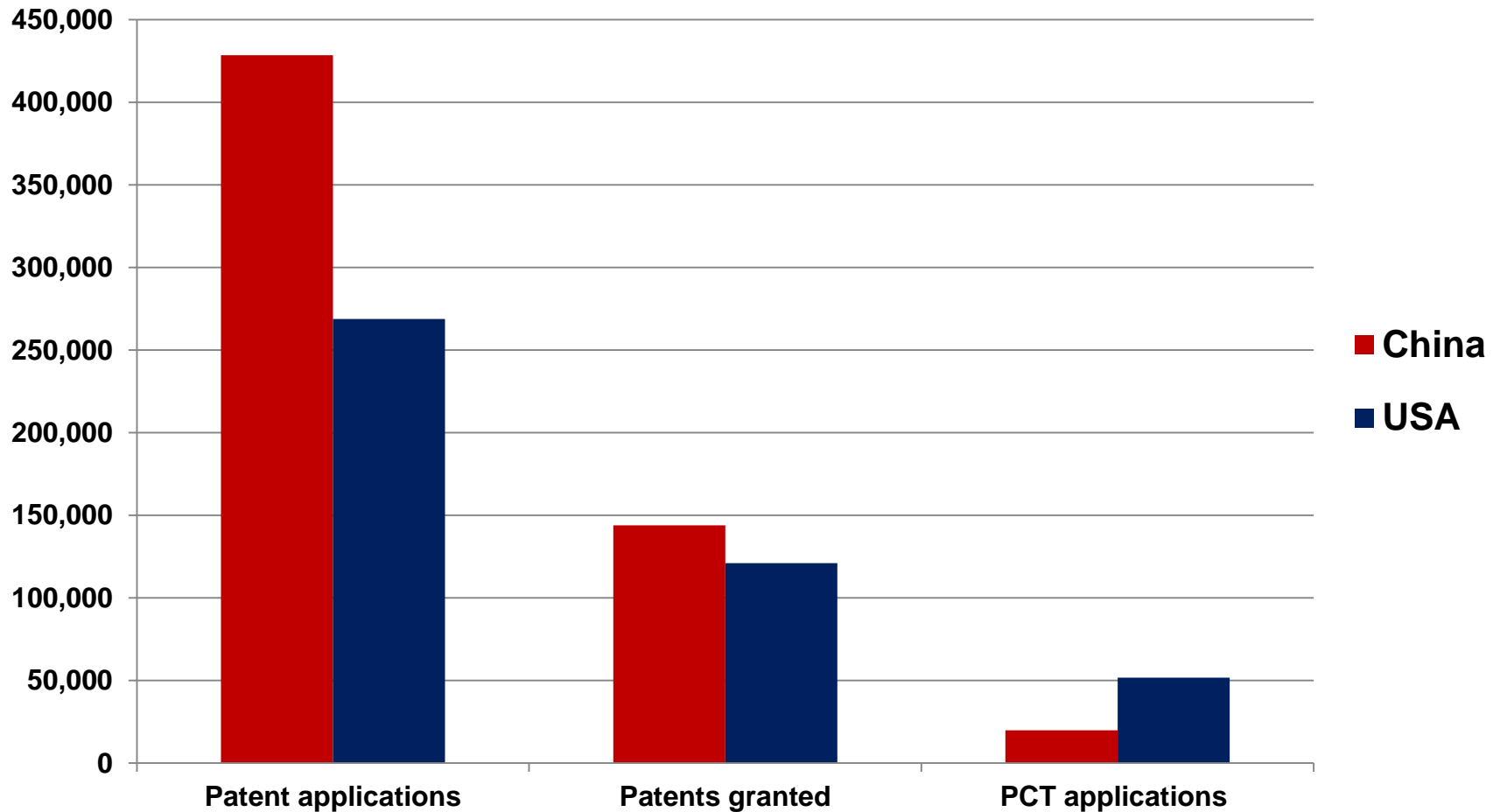
Sells/licenses



\$2.9 billion



Domestic & PCT invention* patents 2012



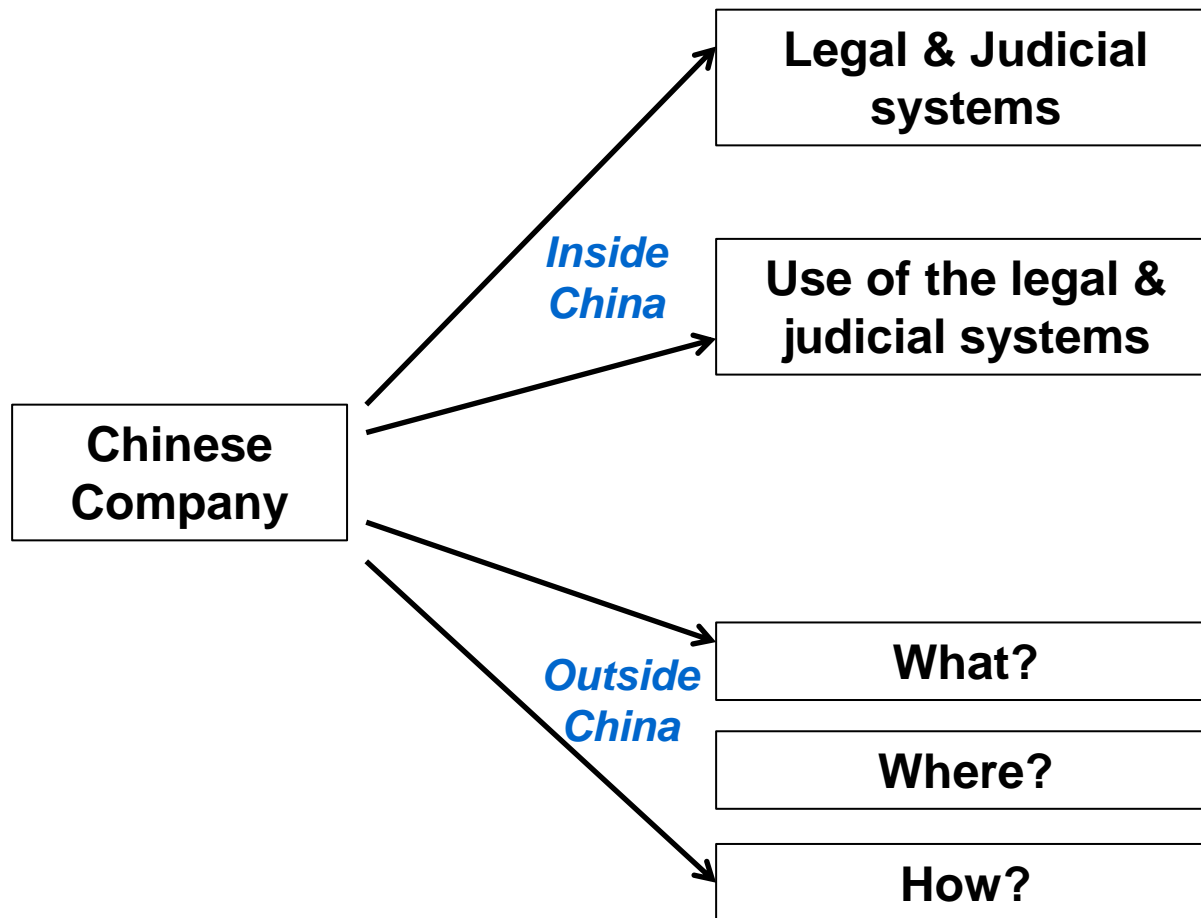
Sources: SIPO, USPTO, WIPO

* In the US "Utility" patents

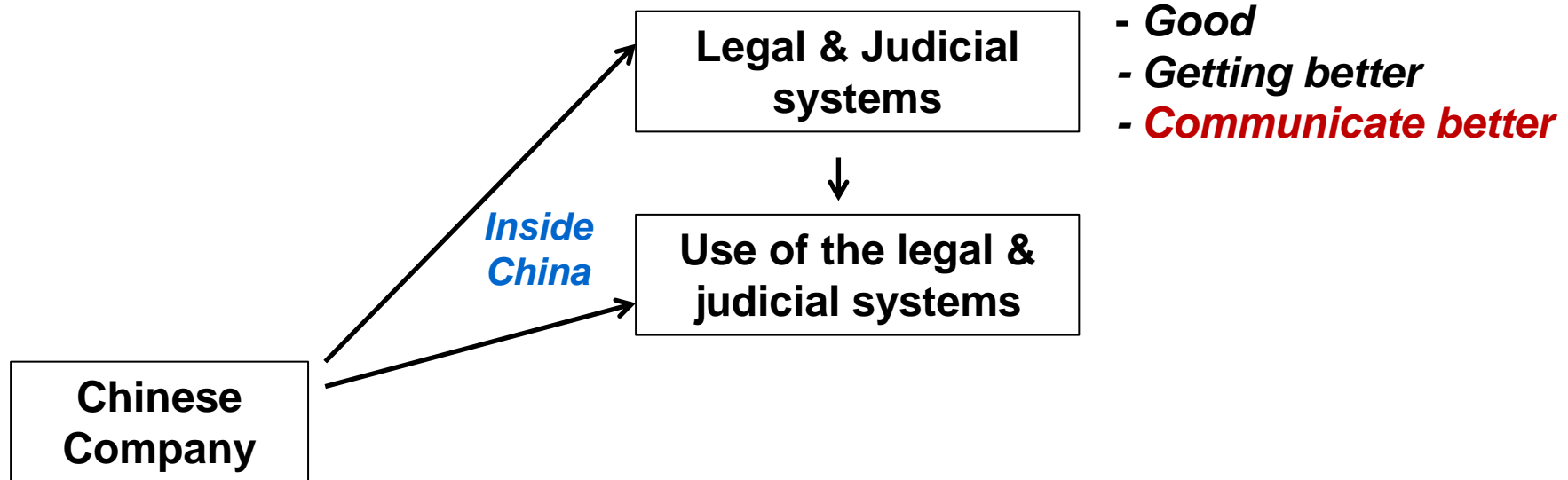
***These are the IP
games that Chinese
companies must now
learn to play***

..... and some are doing very well

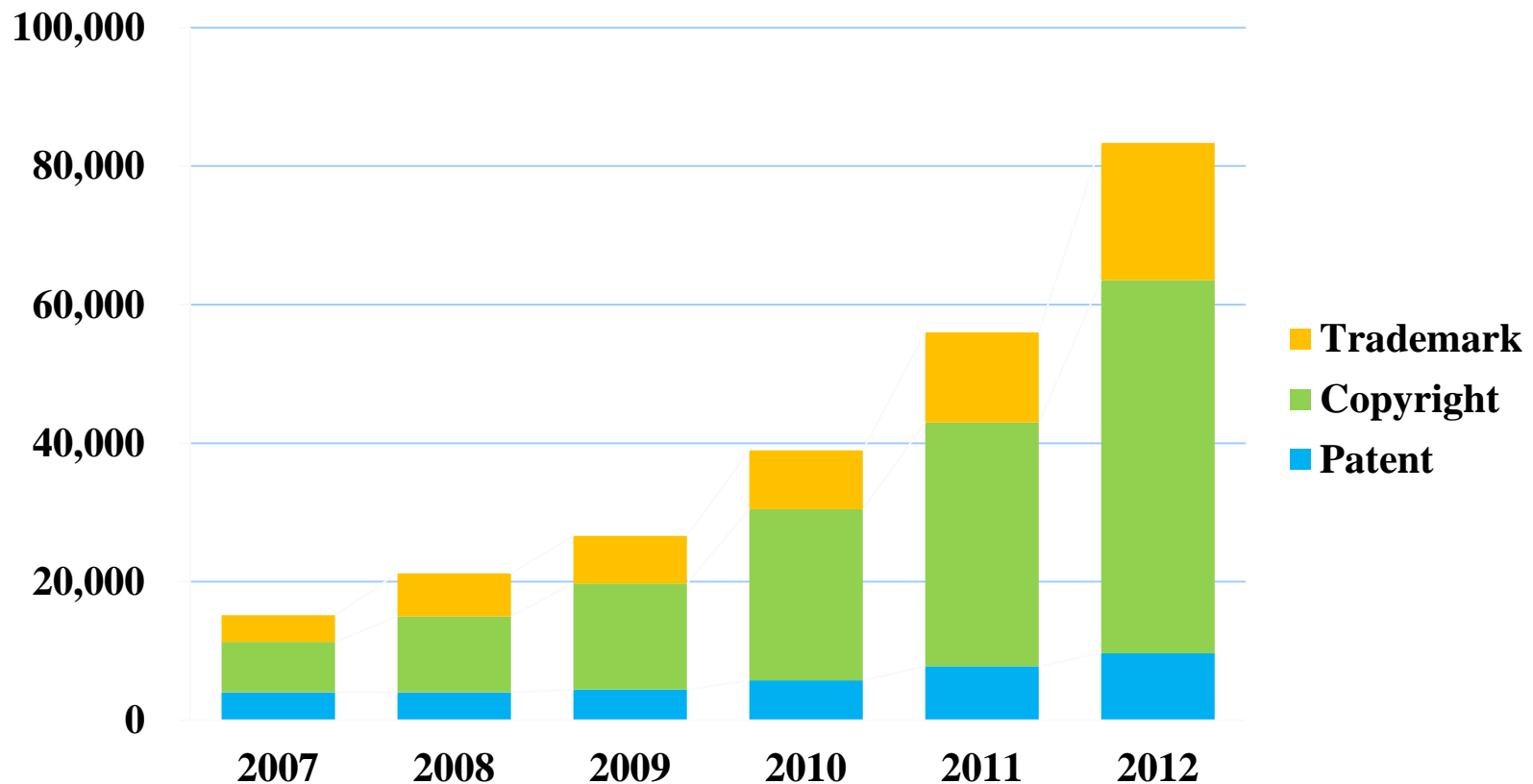
Strategic framework



Strategic framework – inside China



IP Litigation* cases in China 2007-2012



“Most IP litigious country”

China IP Litigation: dominated by Chinese companies

- **More patent litigation in China than any other country including the USA**
- **98%* of cases are Chinese vs Chinese company**
- **Of the 2% foreign companies, 90% win their cases**
- ***NB: In the USA only ~35% of foreign companies win their court of first instance cases***

Foreign companies are 2 – 3 times more likely to win their patent case in China than in the USA

****Excluding cases related to Hong Kong & Macau (111) and Taiwan (58)***

Sources: Jianyang Yu–Liu (Shen & Associates) 2005; SIPO Report on IP Rights Protection in China in 2004; IH estimates

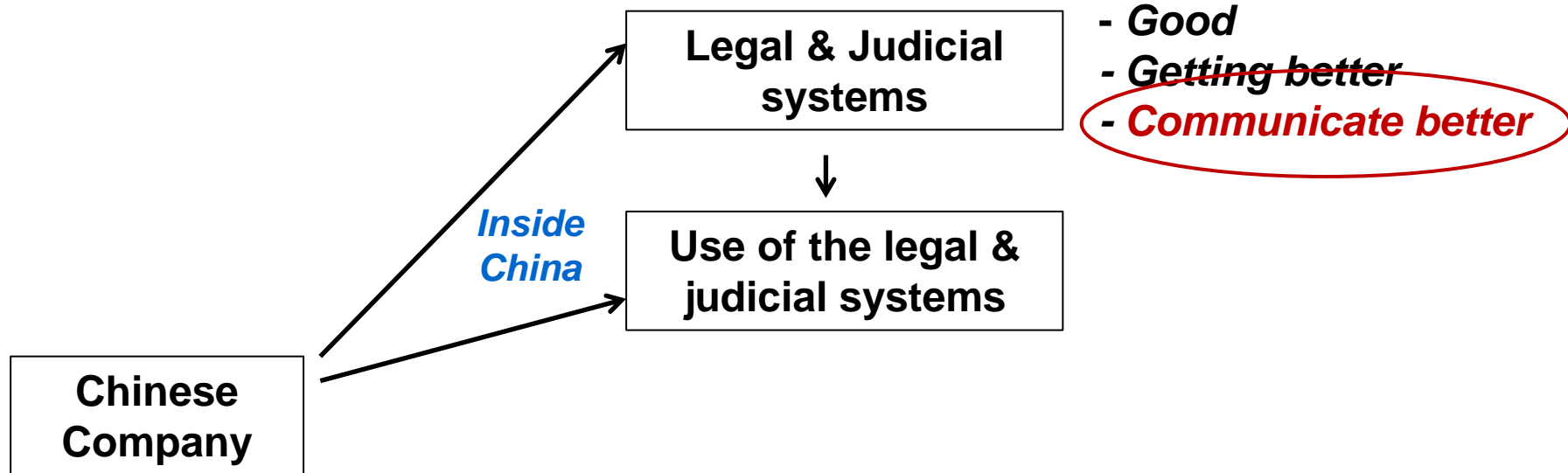
“Invention patent” enforcement costs in China are not high

- **Litigation: filing suit to enforcement** **\$60 – 120k**
12 – 14 months
- **Administrative route:** **<\$20k**
a few weeks
- **Border enforcement (Customs)** **cheap & fast**

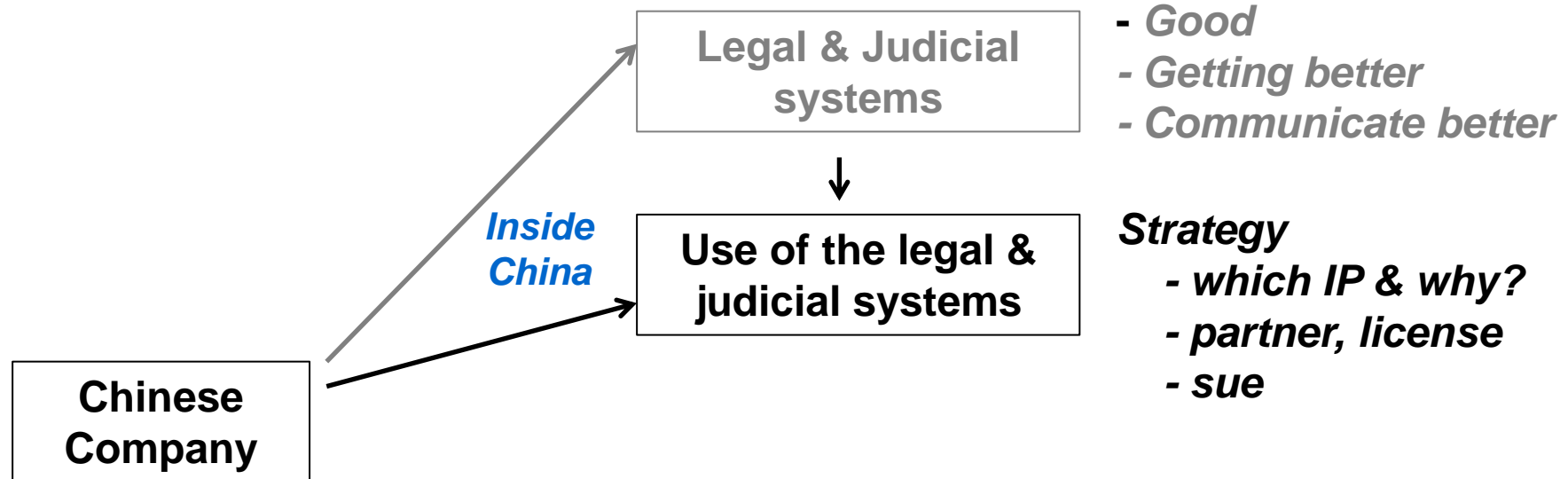
Cheaper & quicker than EU, UK, USA, Japan

Source: Rouse & Co, Shanghai

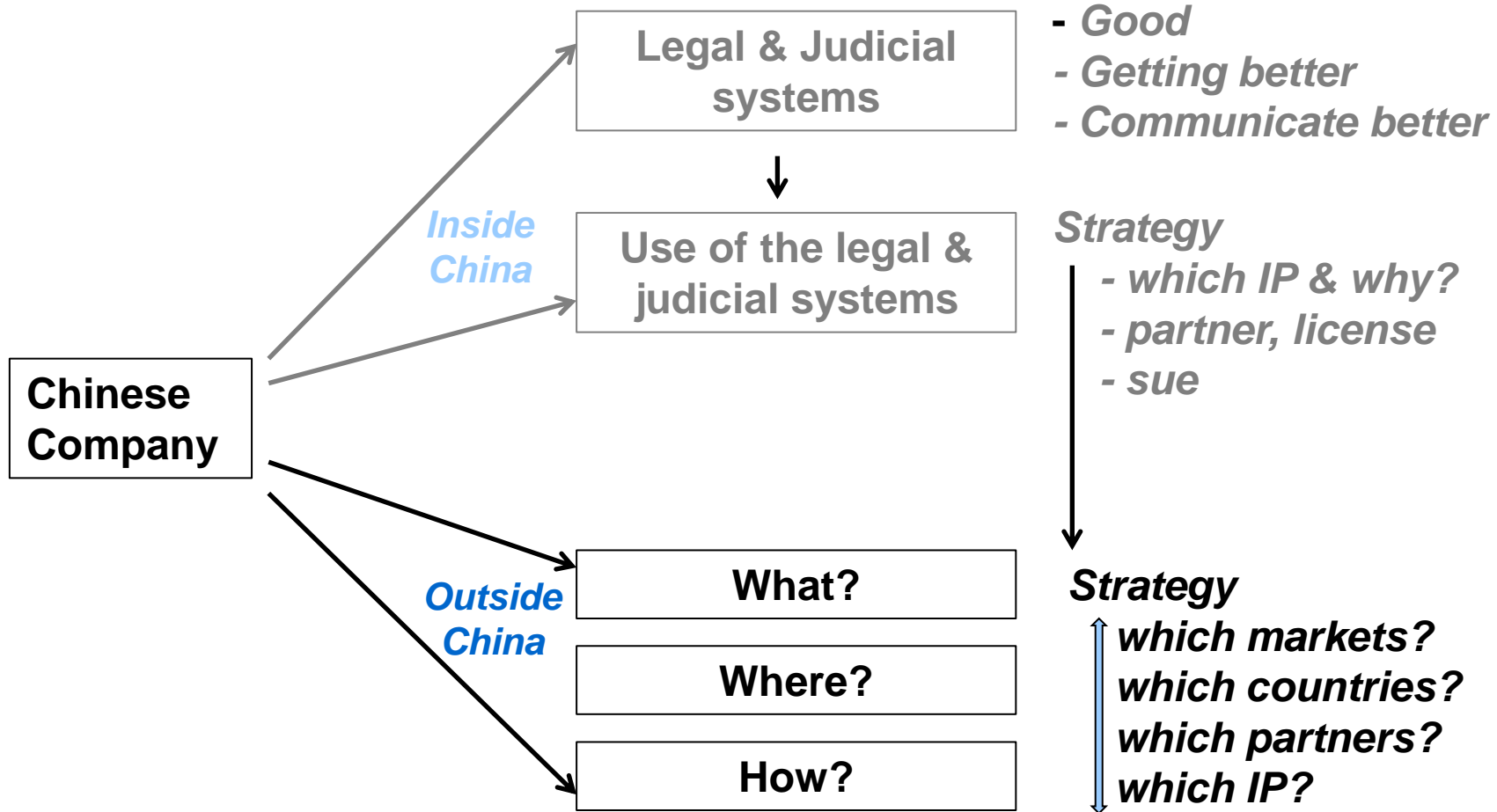
Strategic framework – inside China



Strategic framework – inside China



Strategic framework – outside China



Key issues:

Chinese companies:

- Senior managers must understand the basics of IP
- Integrate IP into strategy
- IP managers must understand the business and speak up

Chinese IP service providers:

- Learn the language of business
- Interact with clients on *which IP, how much and where*

Chinese universities and business schools:

- Teach IP to all MBAs
- Introduce all students to the basics of IP



清華 x-lab

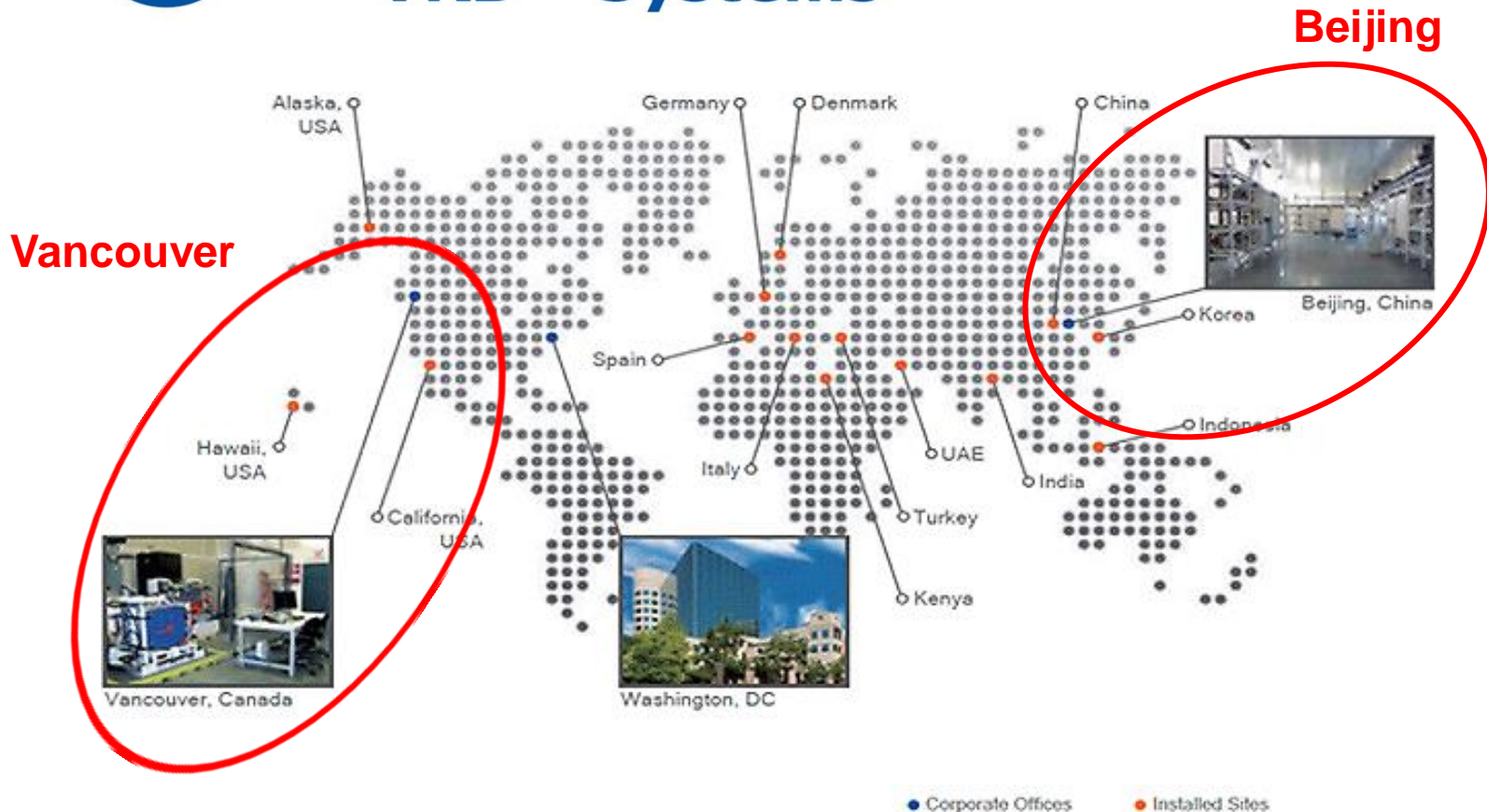
Tsinghua IP Center

- **Supporting spinouts/startups**
- **Teaching IP to MBAs**
- **Developing case studies for teaching of IP**

Success → (almost) disaster → success



Prudent Energy VRB™ Systems





Bicycle & Ag Equipment
repair shop

1984 - First supply to
US auto industry

1994 - US operation
- Quoted Shenzhen

1998 - acquired Schiller IP
(gross \$19m, net \$420k)

By 2005

- 
- Acquired/created 30 companies
 - Presence in 8 countries
 - Runs *American Manufacturing Fund*
 - Revenues: ~ \$4b, 40,000 employees

Major Tier 1 auto component supplier

Lenovo buys IBM's PC business

1. *Transferring brand values*
2. *Creating the world's best PC IP portfolio*





February 2014

MUNICH INNOVATION GROUP IN COOPERATION
WITH TECHNISCHE UNIVERSITÄT MÜNCHEN

77 Chinese companies:

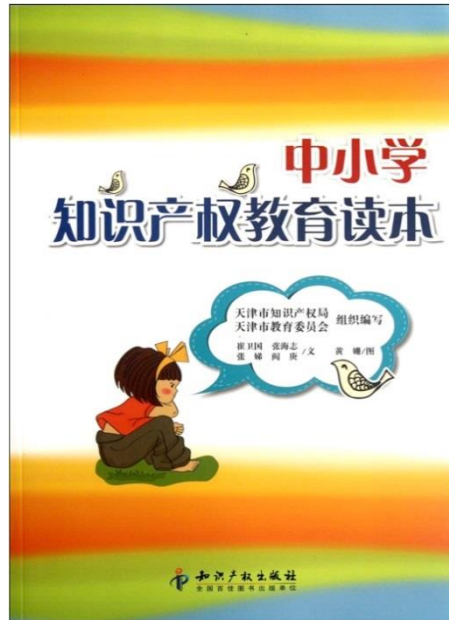
- *Automotive*
- *Chemical*
- *Pharmaceutical*
- *Electronic*
- *IT*
- *Internet*
- *Engineering*
- *Solar*
- *Telecoms*
- *Oil*
- *Steel*

*IP Internationalization
strategies*

Key messages for Chinese companies

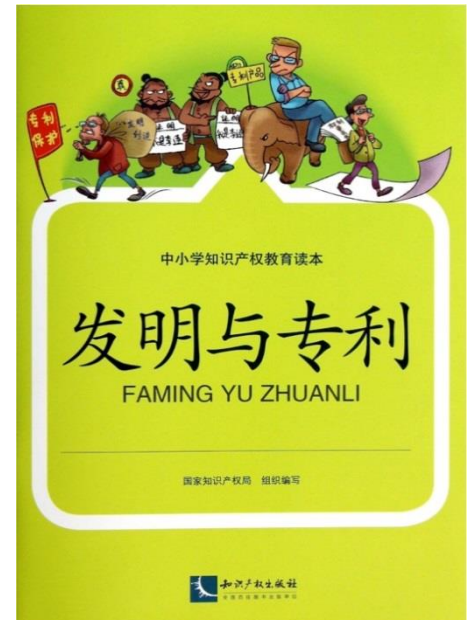
- **Understand IP**
- **Integrate IP into corporate strategy**

China School IP Textbooks



Invention and patent - IP textbook for primary and secondary school students

IP textbook for primary and secondary school students by Tianjin Educational Committee – front and back covers.



11th Shanghai International IP Forum



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