



Most Recent Law Changes on the Technology Transfer and the Practices

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People

- **450** in Beijing, **15** in Hong Kong, **30** in Shanghai
- **3** offices, **5** liaison offices
- **58 Lawyers**, **160** patent attorneys, **60** trademark attorneys,

Amendments to Regulations on the Administration over Technology Import and Export

- **Article 24** The transferor of a technology import contract shall guarantee that it is the party who has legitimate ownership of, or who is entitled to transfer or license, the technologies concerned.
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- Where the transferee of a technology import contract is accused of infringement by a third party due to exploiting the technologies provided by the transferor according to contractual agreements, the transferee shall immediately notify the transferor who shall, upon receipt of the notice, assist the transferee in eliminating obstruction.
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- ~~Where the transferee of a technology import contract infringes upon the legitimate rights and interests of other parties due to exploiting the technologies provided by the transferor according to contractual agreements, the transferor shall assume corresponding liabilities in this regard.~~
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- ~~**Article 27** During the term of validity of a technology import contract, the achievements made from technology improvement shall belong to the party making the improvements.~~

Amendments to Regulations on the Administration over Technology Import and Export

- ~~Article 29~~ A technology import contract shall not contain any of the following restrictive clauses:
- ~~(1) Clauses requiring the transferee to accept attached conditions that are not essential for technology import, including the purchase of non-essential technologies, raw materials, products, equipment or services;~~
- ~~(2) Clauses requiring the transferee to pay royalties or undertake relevant obligations for the technologies whose patent has expired or has been declared invalid;~~
- ~~(3) Clauses restricting the transferee from making improvements to the technologies provided by the transferor or restricting the transferee from using improved technologies;~~
- ~~(4) Clauses restricting the transferee from obtaining, from other sources, technologies similar to or competitive with the technologies provided by the transferor;~~
- ~~(5) Clauses placing unreasonable restrictions on the channels or sources from which the transferee may purchase raw materials, parts and components, products or equipment;~~
- ~~(6) Clauses placing unreasonable restrictions on the quantity, types or sale prices of the products manufactured by the transferee; or~~
- ~~(7) Clauses placing unreasonable restrictions on the export channels of the products manufactured by the transferee using imported technologies.~~

Amendments to Implementing Regulations for the "Sino-Foreign Equity Joint Venture Enterprise Law"

- **Article 43** Technology transfer agreements concluded by an EJV shall be reported to the Examination and Approval Authority for approval.
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- Technology transfer agreements shall meet the following stipulations:
 - (1) Fees for using the technology shall be fair and reasonable;
 - (2) Unless otherwise agreed upon by both parties, the technology export party shall not limit the region, quantity, and price of the products exported by the technology import party;
 - ~~(3) The term of a technology transfer agreement shall, in principle, not exceed ten years;~~
 - ~~(4) After the expiration of a technology transfer agreement, the technology import party shall be entitled to continue to use the technology;~~
 - (5) The conditions, under which both parties concluding a technology transfer agreement mutually exchange the improved technology, shall be reciprocal;
 - (6) The technology import party shall be entitled to purchase machinery, equipment, accessories or parts, and raw materials from the sources it deems appropriate; and
 - (7) Any unreasonable and restrictive clause that is prohibited by the laws or regulations of China shall not be included.

Remaining Clause Complained Very Often

- **Article 17** A system of contract registration administration shall apply to technologies that are freely importable.
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- A contract on the import of technologies that are freely importable shall come into effect when it is duly established, without being subject to the prerequisite of contract registration.

Case Study : ZHANG vs. 3M IP & 3M China

- Zhang is one of the inventors of a Chinese patent filed in the name of 3M IP in 2006 and granted in 03/2010
- 3M China published Award Plan in 09/ 2010 and paid RMB 20K (about 3000 USD) to Zhang according to the calculation method in the Award Plan
- Zhang sued 3M IP and 3M China in 11/2012, asking for a compensation of RMB 4.4 million for the years 2010-2012

Case Study : ZHANG vs. 3M IP & 3M China

- 1st Instance Court:
 - Whether the agreement between 3M IP and 3M China is valid?
 - Whether Chinese Patent Law shall apply?
 - Whether the plaintiff is qualified as an inventor?
 - Whether 3M China has the obligation to remunerate the plaintiff?
 - Whether the Award Plan is justified?
 - Whether the agreed calculation method in the Award Plan is reasonable in view of the statutory remuneration rate of 2% of the profit?
- 1st Instance Court ruled a compensation of RMB 200,000 at its discretion
- 2nd Appellate Court upheld
- 3M's formula:
 - $\text{Yearly Revenue} \times 0.01\% \times \text{Product Rate} \times \text{Patent Distribution rate} \times \text{Inventor distribution Rate}$

Thanks

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NTD Intellectual Property Attorneys

Ranking

- One of the **Top 4** firms dealing with most foreign-related patent and trademark filings in China
- Top 5 firms handling most TM administrative litigations 2017
- Vice president of China Trademark Association and a “China Outstanding Trademark Agency” by the Association from 2011 to 2017
- Members of AIPPI、FICPI、INTA、IBA、LES
- Former General Secretary and current VP of LES

Awards

- IAM Tier 1 Patent Agency
- 2015-2016 “Tier 1 Trademark Prosecution Firm” in China by World Trademark Review
- 2014 - 2016 “IP Stars” by MIP
- IP Litigation Law Firm Top 10 by IPHOUSE

