Corporate Innovation and IP Protection in China

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Contents:

I The overview of national innovation

- Ranks as 1st in all developing countries concerning the intensity of R&D; ranks as 6 worldwide in R&D funds and investment
- Ranks as 4 worldwide in the number of international scientific and technological papers
- Number of IP ranks as the top in all developing countries, but it still has a quite large gap with developed countries

- **The ranking of China innovative capacity worldwide respectively: 43, 36 and 40. It comes as the top in all developing countries, but is still lagging far behind compared to developed countries and new emerging industrial countries and areas.**

II Facts for corporate innovation and IP

- By the end of 2005, only 1.4% of all domestic companies has ever applied for patents.
- The most common patent application for companies are package design and practical new style. Application for innovation only accounts for 20% of all.
- The implementation rate of corporate patents is up to 86%, most of which are carries out in the original company with a low percentage of patent licensing and transfer

- 22％ of all corporate patent application comes from foreign funded companies, among which 12 % is from foreign holding companies, 10% from Hong Kong, Macao and Taiwan holding companies.
- There is an unequal distribution of the comprehensive strength of patents, and there are very few domestic holding companies with strong and professional patents.

- In 2005, the proportion of R&D funds to main businesses in all domestic large and medium-sized companies is 0.76%.
- 65% of innovative patents are gained by medium and small sized companies in China, and 80% of new products are created by them too.

III Problems and reasons

- Generally, China has a relatively poor capacity in innovation, and companies that lack motivation and mechanism of innovation, have not become the main part for technological innovation.
- The root for that lies in the shortage of innovative drive.
- China has not come up with a complete mechanism and rules to protect the drive and profits of entrepreneurs.
- The system of property right and the structure for corporation governance still have space for improvement.

IV Relevant policies and prospects for development

- The entire society pays great attention to independent innovation, and already forms a upsurge of promoting independent innovation. An overall environment that favors independent innovation and a good atmosphere have gradually formulated in China.
- Related bureaus have issues 60 rules and regulations ranging from finance, taxation and government procurement that will further push forward the formation of a complete policy system that favors independent innovation and the development of high-tech industry.

- Some provinces and cities propose to establish an innovative province or city, and the investment in corporate R&D has seen an obvious increase as well as the upsurge of enthusiasm in independent innovation. A large number of companies have already put innovation in the top agenda and assumed that innovation has an important bearing on the company’s success.

Favorable facts of corporate innovation in China:

a. The initial establishment of socialist market economy brings in the rapid development of the economy and the society as well as the enormous enhancement of economic strength.

b. China owns sufficient scientific and human resources.

c. The improvement of professional level of industries and the capacity of companies to integrate technological resources from both home and abroad.

d. The large domestic market provides a broad application platform of results from independent innovation.

e. China has the capacity for large scale manufacturing and the condition for forming a complete industry set

f. The opening up and reform policies offer a good foundation for open research

At present, China is constituting and implementing the strategy of IP:

- Define guidelines, basic principles, strategic goals, key points, specific missions and measures for national IP work in 5-10 years.
- Stress innovation encouragement, intensive protection, innovation promotion and culture nurturing.

Prospects：

- Chinese companies will further perfect its innovative mechanism, enhance its innovation capacity and stress and strengthen more on IP protection.