

Why is it important to have patents in China?

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President *epi*

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- **Challenges for companies**
 - Intellectual Economy
 - **Why is CN important for the EU and vice versa?**
 - **Strategic choices**
 - New IP landscape to exploit IP
 - Considerations for strategic choices
 - General
 - Internal
 - CN
 - **Value based IP management**
 - **Summary**

Changes in industry:

- **First industrial revolution:** mechanization through water and wind
- **Second industrial revolution:** mass production with electricity
- **Third industrial revolution:** digital revolution



But now

- **Fourth industrial revolution:** connected world: internet of things





Fourth Industrial Revolution

- Machines, work pieces and systems are all connected along the entire value chain. They can control each other autonomously.
- Complexity of production and supplier networks will grow enormously. Factories will be **interconnected** to large manufacturing systems **across geographical regions**.



Fourth Industrial Revolution

- Integration of supply chain and producers means innovations need to be shared → Need to define who owns what

Thus: Intellectual Property will become even more important

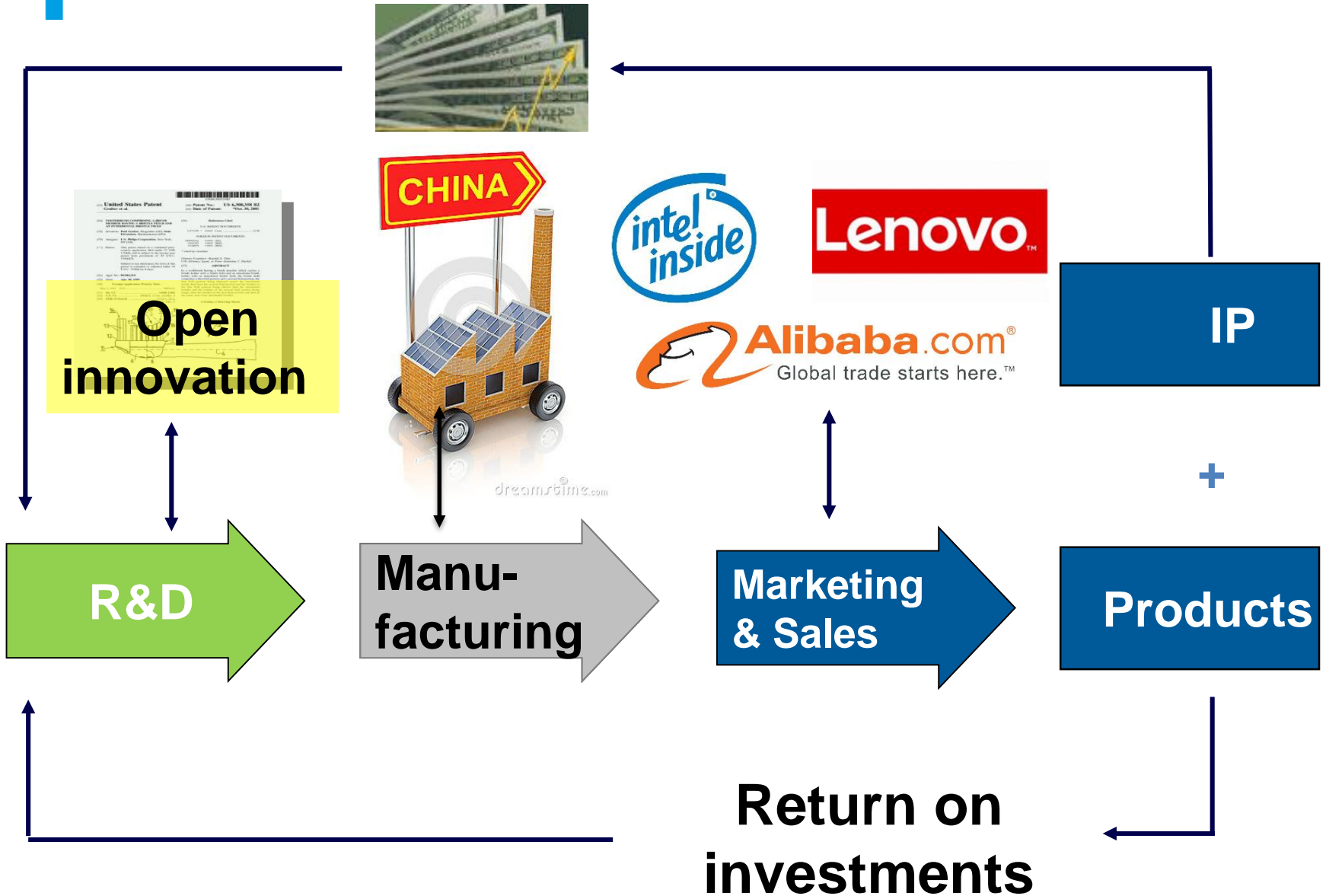
- Cooperation is all over world → necessary to think carefully about IP portfolio



Changing playing field

- Originally more **vertically organized** companies
 - Own labs, mass production / miniaturization
- More competition, lower margins: US, JP, KR, CN
- Now more **horizontally organized** companies:
 - specialists
 - outsourcing (to low wage countries)
- Competitive edge of companies shifts from production-based to knowledge-based, i.e. IP-based

Intellectual Economy





Why is China important for the EU and vice versa?

For the EU:

- CN is EU's 2nd trading partner behind the United States
- CN is EU's biggest source of imports: machinery and equipment, footwear and clothing, furniture and lamps, and toys
- CN has become one of EU's fastest growing export markets
- China is rapidly catching up in high technology industries as well as in science activities

For CN:

- EU is China's biggest trading partner
- EU has also become China's biggest source of imports: machinery and equipment, motor vehicles, aircraft, and chemicals.

China and Europe now trade well over €1 billion a day.

Different flavors of IP

- Different IP value creation models lead to different flavors of IP:
- Exploitation different
- Focus IP different: internal vs. external
- Different types IP: designs, Trade Marks, patents



New IP landscape

Proprietary
"Exclusive IP"

Buy, Sell or
License IP
"Paid IP"

Open Source/
Patent Commons/
RF Standards
"Free IP"

Collaborative
"Share IP"

- User Interface Technology/Menus
- Trade Marks, designs
- Display enhancement
- Medicines



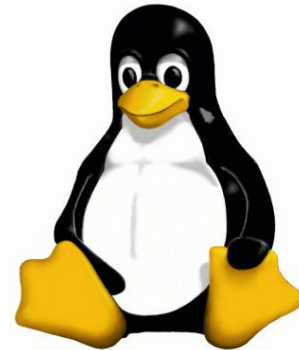
- Dolby
- Windows
- TOMTOM



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- Linux
- Automotive standards
- Android



- Enabling Technologies
- Production equipment
- Test facilities





Considerations for strategic IP choices: general

- What **value** are you going to create with IPR **in that country/region**?
- Every country **costs** money
 - IP Office: filing, prosecution, maintenance
 - IP Agent
- Look at **balance value versus costs** created in country
- Look ahead 5-10 years from now



Considerations for strategic IP choices: internal

- Your **ambition**
- **Look at total IP portfolio**, consider not just patents, but all forms of IPR
- **Strength / broadness of patents** (use search / preliminary opinion)
- **Flexibility needed**, i.e. possibility to keep options open and adapt countries/regions, depends on choice of procedure (PCT or National). **The later the choice for CN the more certainty there is about exploitation.**
- **Speed** of grant Patent: PPH

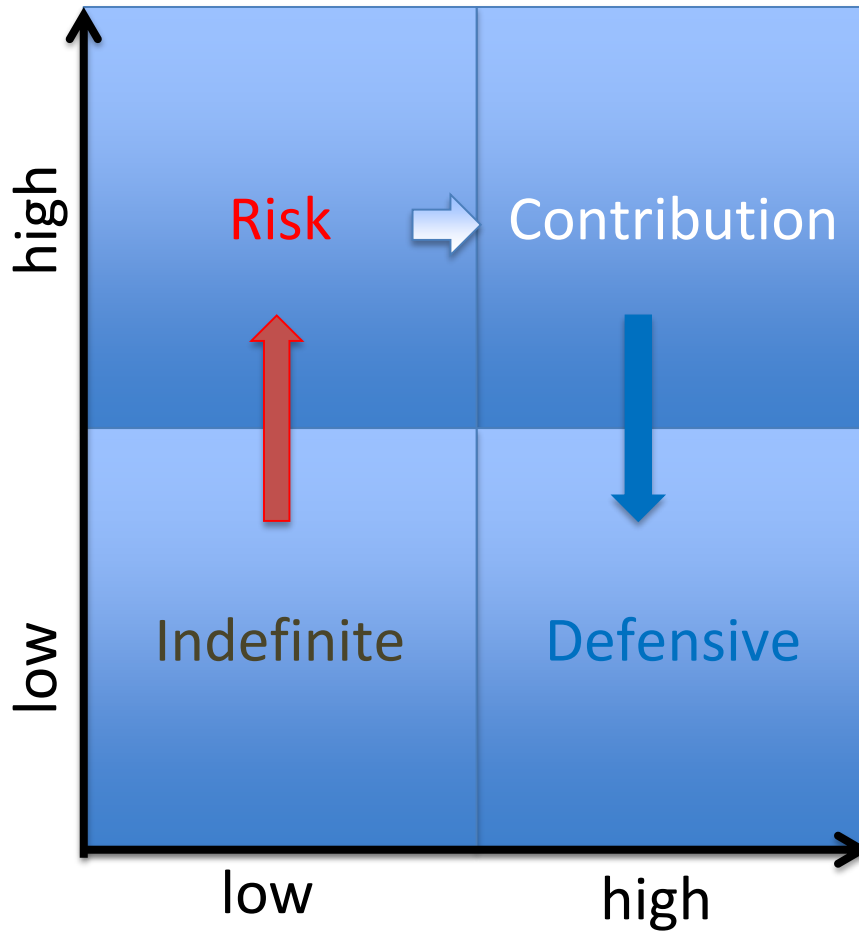


Considerations for strategic IP choices: China

- **Markets** for products
 - Size market / Growth market
 - China is the EU's 2nd trading partner (US #1): large market; annual growth ~5%
- **Competitor presence** (for licensing or defense/counterattack):
 - EU is China's biggest trading partner, i.e. many CN firms export to EU
 - EU has also become China's biggest source of imports, i.e. EU firms are exposed in CN to competitors and need protection
- **Production countries**
 - China and Europe now trade well over €1 billion a day.
- **Import / export facilities concentrated in major ports**
 - border detentions
- **Working litigation system**

Value based IP management

Strategic Relevance



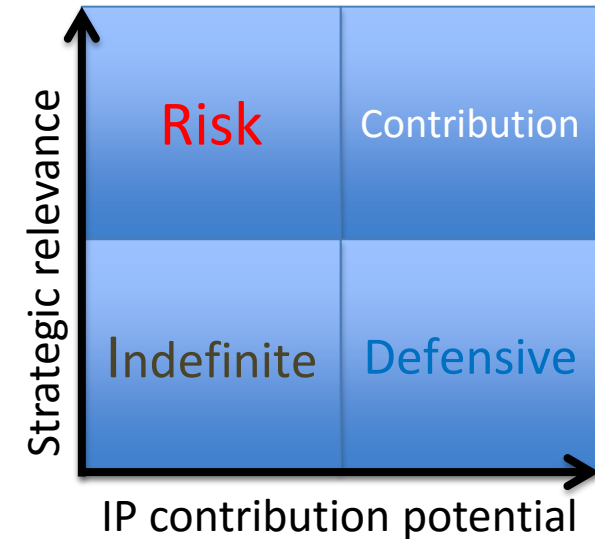
- Technology attractiveness
- Potential market
- Competitive intensity
- Standards

- Skills within firm
- Resources firm
- Funding projects
- Innovation potential

IP Contribution potential

Value based IP management

- **Pro-active** building of an IP portfolio
 - Do not wait for R&D
 - Guide R&D: Risk / Contribution areas?
 - Select **based on value** to be created
- Involve Business, R&D and IP people:
 - Transform risk into contribution areas
 - Weed out the indefinite stuff
 - Exploit the defensive area



Role CN:

- Chinese Science and Innovation System is rapidly catching up in high technology industries as well as in science activities
- #students and graduates in technology is enormous
- Use Espacenet to get feeling what is going on in CN to identify risks and potential partners

Summary

- We live in an **Intellectual Economy** where the competitive edge of firms is based on know-how, i.e. IP
 - IP is a **tool to create most value** for your business through **using different flavors of IP**
 - **IP management** should be based on what you expect to be **valuable in 5-10 years from now**
 - **CN** is important since it is the **major trade partner of EU** and vice versa and it continues to grow
 - To be **successful in business** on a world wide scale it is essential to build a **presence in CN**
 - CN has **many graduates in technology** and rapidly builds **world class science and innovation centers so stay alert on CN developments through espacenet**
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Thank you
for your attention!