

## Managing Intellectual Property

### China's patent revolution – from imitation to innovation

*When one thinks of world-leading innovation, dynamic technology and scientific breakthroughs, China is not always the first country to spring to mind By Joan Mill, CEO of Novum Global Strategies.*

However, since the late 1990s, China's dramatic economic growth has forced it to focus on integrating with the global IP machine much more closely. This need is further encouraged by the Chinese government, which provides financial incentives to support patent filings.

But is Beijing's strategy working? The short answer is yes. According to the 2014 edition of the World Intellectual Property Indicators, China's State Intellectual Property Office (SIPO) led worldwide patent application filings by a large margin for the third year in a row, with 825,136 filed in 2013. This margin is up 26.4 percent over 2012.

Many believe that a main reason for the growing number of Chinese patents in Europe is a need to catch up with the pack. China's stock of international patents remains small compared with its research and development (R&D) spending, however, should Chinese companies want to compete for business in Europe, they will need to ensure that the underlying IP in their technology is owned by them and legal in the EU.

The issue of legality is often viewed as a provocative topic when it comes to China as their reputation for producing imitations of everything from luxury items, cars and computers continues to hold. However, foreign corporations do not appear to be deterred by this as they increasingly seek protection for their innovations in China. This provides the Chinese IP community, and its inventors, with a much needed boost as it encourages further investment in Chinese innovation.

Although the concern around imitation exists for many, foreign corporations are using a different method – rather than abstinence – in order to engage with the region. As China is set to become the largest marketplace in the world, foreign companies are increasingly filling patents in China to hedge the risk of future infringement by Chinese companies. All things considered, this could be a very shrewd move.

China's exploding number of applications and increased IP activity is no secret in the industry. However, while the number of applications increases, a direct link to an equivalent increase in

market value has arguably not been seen. While China accounts for approximately 10 per cent of patents filed to the EPO, when it comes to patents granted the proportion drops to a mere 2 per cent.

Has the need to increase applications and integrate into the global IP machine with the financial backing of the government taken over from the simple need for valuable innovation and ideas? One could argue that China is somewhere in the middle. Like a sieve, once the high volume of applications has been shaken, some exciting, valuable and novel innovations will no doubt be left. If this keeps us talking about China whilst aiding in the discovery of a few powerful inventions, perhaps the Chinese strategy works! Let's watch this space to see what the application to grant conversion rate looks like in the near future. In the meantime, something tells me it will increase.