



Relevant provisions on foreigners contributing IPR to establishing enterprise

<http://english.ipr.gov.cn>

State Office of Intellectual Property Protection, China

Establishment of foreign-capital enterprises

Based on "Implementation Regulations of the Law of the People's Republic of China on Foreign-capital Enterprises", to set up foreign-capital enterprises in China, the foreign investors may make their investments with convertible foreign currencies, or with machinery and equipment, with industry property rights and proprietary technology by appraising their values.

The industry property rights and proprietary technology to be contributed as investment by the foreign investor must be owned by the foreign investor.

Such industrial property rights and proprietary technology must be appraised in accordance with the relevant international rules, and the value amount of them may not exceed 20 per cent of the registered capital of the foreign-capital enterprise.

Detailed information must be prepared for the industrial property rights and proprietary technology appraised to be contributed as investment, including the copy of the certificate of the title, the validity of the title, and their technical performance, the practical value, and the basis and standard on and according to which the value has been appraised, and it should be submitted to the examining and approving authority, together with the application for the establishment of the foreign-capital enterprise as an attachment to the application.

After the industrial property rights and proprietary technology appraised have been put to use, the examining and approving authority shall have the power to inspect them, and demand corrections by the foreign investor, within a prescribed time limit, if they are inconsistent with the industrial property rights and proprietary technology prescribed in the information submitted by the foreign investor.

Establishment of Sino-foreign equity joint ventures

According to the "Implementation Regulations of the Law of the People's Republic of China on Sino-foreign Equity Joint Ventures", each party to a joint venture may contribute cash or buildings, factory premises, machinery, equipment or other

materials, industrial property, proprietary technologies, or site use rights as investment, the value of which shall be ascertained. If the investment is in the form of buildings, factory premises, machinery, equipment or other materials, industrial property or proprietary technologies, the value shall be assessed through consultation by the parties to the joint venture on the basis of fairness and reasonableness, or shall be assessed by a third party agreed upon by parties to the joint venture.

The industrial property or proprietary technologies contributed by the foreign party as investment shall have one of the following:

- Capacity of improving markedly the performance and quality of existing products and raising productivity; and
- Capacity for notable savings in raw materials, fuel or power.

Foreign parties who contribute industrial property or proprietary technologies as investment shall present relevant documentation on the industrial property or proprietary technologies, including photocopies of the patent certificates or trademark registration certificates, statements of validity, their technical characteristics, practical value, the basis for calculating the price and the price agreement signed with the Chinese partners. All these shall serve as an annex to the contract.

The machinery, equipment or other materials, industrial property or proprietary technologies contributed by foreign parties as investment shall be subject to the examination and approval authority for approval.

Establishment of Sino-foreign contractual joint ventures

Based on the "Law of the People's Republic of China on Chinese-Foreign Contractual Joint Ventures", the investment or conditions for cooperation contributed by the Chinese and foreign parties may be provided in cash or in kind, or may include the right to the use of land, industrial property rights, non-patent technology or other property rights. □

Incubation Asia Network

The creation of regional and sub-regional business incubation networks has long been part of the incubator initiative that infoDev launched in 2001. In addition to direct assistance to incubators, the Initiative also focuses on strengthening networks of knowledge sharing and mutual support among incubators both regionally and globally. To this end and by working closely with a broad range of existing networks of incubator associations, science parks, and other organizations promoting innovation and business development, the Initiative supports regional networking and knowledge sharing among supported incubators and other partners in each developing region.

In New Delhi in 2004, during the Global Forum on Business Incubation, the strengthening of networks that cross countries was reiterated as critical and timely. Thereafter, regional groupings were formalized and regional liaisons designated to help put together activities and groups in their respective regions. IncubationAsia Network covers the following countries: Bangladesh, China, India, Indonesia, Malaysia, Micronesia, Mongolia, Nepal, The Philippines, Sri Lanka, Thailand and Viet Nam. There are a total of 22 business incubators in the whole region.

For more information, access: <http://www.incubationasia.org>



Making money from intellectual property rights

<http://www.iprights.com>

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In today's highly competitive and fast moving business world, intellectual property (IP) rights are one of the most, or perhaps the most, important intellectual assets of any business.

Naturally, when thinking of exploitation of intellectual assets, people normally think of using these assets in relation to their own products/services or preventing third parties from using them.

Of course, this is right, but it is not all. Businesses can also generate additional revenue from licensing their IP assets in business areas and/or territories where they are not active. The beauty of IP licensing is that it allows both licensor (IP owner) and licensee (user) to benefit: the licensor from increased revenue and the licensee from building up competitive advantages at relatively low cost and for relatively little effort.

With that in mind, this article reviews and summarises key issues on IP licensing in Viet Nam. A successful IP licensing strategy in Viet Nam requires an understanding of local market conditions and legislation.

Know your market

Market knowledge is particularly important for companies that are new to business in Viet Nam, due in part to Viet Nam's recent WTO entry, but also to local practices.

The easiest and quickest way to understand the local market is for a licensee, who can provide knowledge of the market, to monitor the local market for infringements and support enforcement actions.

Finding the right licensing partner is essential and due diligence in regard to potential licensees is crucial to avoid entering into a relationship with a troublesome party.

Learning from similar jurisdictions in Asia, especially China, such due diligence is especially crucial. It is also important to ensure that proper protection for your IP assets are secured before entering into any negotiation or transaction with a potential licensee.

Regulatory awareness

Regulatory awareness of licensing is also critical. The IP Law requires that all licence agreements be executed in writing and contain essential information including: ● Licence entitlements; ● Licence grants; ● Licence term; ● Licence price and ● Rights and obligations of the parties.

Rights and assets

The licence entitlement refers to the licensor's rights over the intellectual assets that are the subjects of the licence agreement. For some intellectual assets, such as trade marks, patents and industrial designs, the licensor must obtain registration before granting a licence.

Licence grant

The licence grant is an important part of the licence agreement as it defines the type of licensing, that is, exclusive or non-exclusive. It also defines the licensing rights and territorial limitations, in particular, types of product and geographic areas in which the licensee is permitted to sell the products.

Licence terms

The term of licensing is normally decided by the parties based on business considerations. Under the old regulations, the maximum period for a licence agreement was seven years. This limitation has been abolished and the parties are now free to decide the licence term – as long as it does not exceed the remaining term of the IP rights being licensed.

Price and royalties

Licence price is always a great concern of the parties. Unlike the old regulations, there is no restriction on the licence price under the new Intellectual Property Law (IP Law). Royalties can be calculated in various ways, such as a percentage on turnover, a fixed amount per unit, or a lump sum. The most common basis for calculating royalties is as a percentage of turnovers.

Rights and obligations

It is advisable to define clearly the rights and obligations of the parties. Unreasonable restraints on the licensee's rights are prohibited and such clauses will be considered invalid. Prohibiting improvements to the IP object, except in the case of trade marks, or compelling the licensee to transfer free-of-charge to the licensor improvements to the IP object are some examples of unreasonable restraints.

Don't forget ...

Quality control over licensed products is another essential aspect of the licence agreement. Although quality control is not legally required, a lack of appropriate quality-control provisions in the licence agreement may result in inconsistency in the quality of the products. This will have a negative effect on the goodwill associated with the intellectual assets.

As for registration formalities, although registration is no longer mandatory for a licence agreement to be valid in Viet Nam, the parties may choose to register the agreement with the National Office of Intellectual Property so that it will be effective against third parties.

Finally, it should be noted that, under the IP Law, apart from the licensor, the licensee is also entitled to take action against infringements of the licensed IP rights. It is unclear as to when and how they can do so, but it is advisable to address this in detail in the agreement contract. □

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