

## Innovation, Growth and Development:

# China's National Experience from Her Thirty-Year Intellectual Property System

Tian Lipu, Commissioner of the State Intellectual Property Office of the P.R.China

The year 2010 bears special meaning for China's intellectual property community. Thirty years ago, intellectual property was almost an unexplored new area in China, and the value of intellectual assets was yet to be recognised. In 1980, in line with the important decision made by the Chinese government to build a modern intellectual property system, the Chinese Patent Office (the predecessor of the State Intellectual Property Office) was established and in the same year, China joined the World Intellectual Property Organisation (WIPO), thus including a population accounting for almost a forth of the world total population then into the global intellectual property system. In the following thirty years, China has established, developed and constantly improved its own intellectual property system, and made it compatible with China's national conditions and needs for development and consistent with the international rules, and disseminated the intellectual property culture among its 1.3 billion people. All these efforts have not only played an important role in promoting China's economic, technological, trade and cultural developments, but also made positive contribution to the popularisation and promotion of the intellectual property system and culture around the world. Over the three decades, thanks to the efforts made by WIPO for developing and improving the international intellectual property system, over 90% of the world's population has been incorporated into the system. Here, I would like to share with you China's national experience in promoting innovation, growth and development by making full use of the intellectual property system.

The Chinese nation has been advocating innovation and making rich inventions since antiquity. The four great inventions in ancient China – papermaking technology, gunpowder, compass and movable-type printing – contributed tremendously to the development of the world civilisation. However, since the industrial revolution, the Chinese civilisation, which had been leading the world, lagged behind. Such a situation had persisted up to the late 1970s, and was

ameliorated along with the ever deepening efforts to reform and open up the country to the outside world. Since the reform and opening up, China's strength in science and technology and capacity for innovation have been significantly improved along with the rapid economic developments. In this process, the intellectual property system has played an irreplaceable role and, in particular, when entering into the 21st century, gradually become a key source of support for the national science and technology progress, cultural prosperity and economic growth.

Over the ten years from 2000 to 2009, the average annual growth rate of invention patent applications in China reached 22.3%. From January to August 2010, the number of invention patent applications totaled 226,821, an increase by 18% compared with the same period of last year; the number of PCT applications was 7,749, increasing by 67.9% each year; and the number of PCT applications entering the national phase of China totaled 42,464.

In the field of trademarks, from January to August 2010, the number of trademark registration applications reached 684,000, increasing by 31% in the year. It is estimated that over one million applications will be filed in the year, hitting an all-time high. In the same period, the number of applications filed by foreign enterprises designating China for territorial extension through the Madrid System totaled 9,867, keeping the same level with the same period of last year; Chinese enterprises filed 1,090 applications for international registration of trademarks through the Madrid system, representing an increase by 46% in the year. In the field of copyright, China has stepped up its efforts for the relevant legislation and revision of laws. And the Interim Measures for the Payment of Remuneration for Audio Products Played by Radio and TV Stations have been in force since January 1, 2010. On February 26, the Standing Committee of the National People's Congress (NPC) passed the decision on revising the relevant provisions in the Copyright Law of the People's Republic of China; in addition, the country has also

strengthened its effort to protect copyright in the online and digital environment, and has launched nation-wide special actions to crack down on Internet piracy and infringement, with the Tort Liability Law of the People's Republic of China going into force on July 1, 2010. Through these efforts, the market environment for copyright protection has been substantially improved; five collective copyright management organisations have been set up, and the framework for public and social copyright services basically established.

The improved capacity for innovation has further boosted China's economic development. In 2009, China's total investment in R&D ranked among the world's top five, and the national R&D expenditure accounted for approximately 1.62% of the country's GDP. The export of hi-tech products accounted for nearly 30% of China's total export volume. In the first seven months this year, the added value of hi-tech industries increased by 17.1% year on year. The High Speed Railway linking the Wuhan and Guangzhou put into operation in December last year is 1,068 km long, with the maximum speed reaching 394 km/h.

However, China's economic development mode has some drawbacks that can not be ignored, which is largely reflected by the "high investment, high consumption, high pollution and low returns". The recent financial crisis has made China fully aware of the "crisis" of its traditional economic development mode, and see the "opportunity" brought by the scientific way of development. The opportunity lies in the necessity for industrial restructuring and upgrading, as well as for the development of high added value industries. In June 2008, the Outline of the National Intellectual Property Strategy promulgated and implemented by the Chinese Government came at the right time. It has raised the protection of intellectual property to a higher level as a national strategy, and has provided a new opportunity of development for Chinese enterprises and for those foreign-funded enterprises in China. The burst of vitality for creation of intellectual property has expanded the space for cooperation between Chinese and foreign enterprises; the increased commercialisation of intellectual property achievements has brought prosperity to the technology market and helped the realisation of the technology value; the diverse means of intellectual property management have strengthened the policy stability; and the strengthening of the intellectual property protection has provided us with a more sound environment for investment.

Through encouraging creative design, technological R&D and brand cultivation, China's national intellectual property strategy has accelerated the transformation of the economic development mode from an element-driven one to a knowledge-driven one. For instance, the scale of China's

culture and copyright-related industries surpassed USD \$340 billion in 2009, with an increase by 15.5% year on year, which was 5 percentage points higher than that of GDP over the same period last year. These industries have become new powerhouse for growth of China's economy in the post-crisis era.

Improvement of the intellectual property protection in China has greatly boosted the confidence of foreign investors. China is one of the countries attracting the most foreign investment in the world now. More than 470 enterprises listed in the Fortune 500 have set up their branches in China. By the end of July this year, China had attracted accumulatively a total of USD \$1,050 billion in foreign investment, ranking first in the developing countries in the 18 consecutive years. From January to July 2010, the foreign investment absorbed by China had increased by 20.7% year on year.

The overall operation of foreign-funded enterprises in China is sound, yielding considerable investment returns. Many enterprises have become the growth points and profit centres for the global business of their parent companies. All this has shown that the endeavors made by the Chinese Government to create a favourable investment environment have been recognised by the investors and thus boosted their confidence. In the five consecutive years from 2006 to 2010, China has implemented annually an action plan for intellectual property protection, constantly strengthened its efforts in administrative and judicial enforcement of intellectual property right, and launched several special campaigns to crack down on Internet piracy and infringement, thus having maintained the order of the market and improved the environment for investment.

In the first half of 2010, with the gradual recovery of the world economy, the number of patent applications from abroad began to increase again, with a growth rate of 9.8%. And the number of invention patent applications increased by 11.4% year on year, returning to the level prior to the financial crisis. Currently, the number of various R&D centres set up by multinational companies in China exceeded 1,200, and foreign-funded enterprises have become a key component of the vigor of R&D and innovation in China.

The economic restructuring and sustainable economic development in China have made positive contribution to the recovery and growth of the global economy. In 2009, China's import volume exceeded USD \$1,000 billion; and in the first seven months, this year, the import volume reached USD \$766.6 billion, representing an increase by 47.2% year on year. It shows that China's economic growth has provided major development opportunities to its trade partners around the world, and created huge demand for the major economies and neighbouring countries, thereby becoming an

important engine for the recovery of the global economy.

In the history of establishing and developing its intellectual property system, China has obtained the ardent support and help as well as the genuine understanding and cooperation from the international community, particularly from the energetic support of WIPO and of its previous and present Director Generals. China is now looking forward to further deepened and comprehensive cooperation with all countries and international organisations in the future.

The financial crisis is like a storm, changing the landscape in every place where it sweeps across. However, when the crisis is over, we will find a different world. We will see new changes, new ideas and the direction where our future lies. Thus, I would like to put forward some opinions with regard to the relevant international affairs for the future.

First of all, we need to examine the innovations with a broader vision, and make efforts to realise the balanced development of the intellectual property system. The aim of protecting intellectual property is to encourage innovation, while innovation provides inexhaustible impetus to the continuous growth and development of a country. In the development of the knowledge-based economy nowadays, the mode of innovation has been constantly changing, from the sparkling of genius ideas to collaborative research and development. The intellectual property system has made it possible for us to easily absorb innovation elements on a global scale, and a well functioning and sufficiently internationalised intellectual property system can provide institutional support to the global innovation activities.

Only an international intellectual property system under balanced development can better promote the vigorous development of innovation activities across the globe. Therefore, it is of importance to make unrelenting efforts to constantly improve the systems, such as the existing PCT system and the Madrid system, and to actively advance various agendas presided over by WIPO in order to achieve comprehensive and balanced results which take into account the interests of all parties. In this way, the intellectual property system can enjoy balanced development in protecting the interests of the right holders and those of the general public, among different economies at different levels of development, and between the society and economy of each country.

Secondly, we need to adopt a more comprehensive viewpoint to intellectual property protection, and build the consensus of pursuing development. The IP protection requires us to enhance the public awareness, improve the legal environment, and particularly meet the demand for IP products. Therefore, a fundamental way to curb IP infringement is to promote development and narrow the gap be-

tween various countries in terms of their development. One country should respect the development concerns of other countries while pushing forward its own development. Hence, we call upon the international community to, while attaching importance to intellectual property protection, increase support to the developing countries in the field of technological innovation, application and transfer of technologies, and provide more assistance to them in the follow-up arrangements after the transfer of technologies.

Thirdly, we need to conduct cooperation in a more open manner, and join hands in addressing the challenges to achieve win-win results. On the one hand, the content of the intellectual property rights is constantly expanding, and nowadays, the traditional intellectual property problems are intertwined with financial crisis, climate change, public health threat, etc., thereby exposing all nations to a common challenge. To solve these problems is beyond the ability of one country or region. Thus, the only way to meet the challenge is to strengthen international cooperation, go beyond the line between the south and the north, and bridge over differences.

On the other hand, with shortened cycle of global innovation, as well as increased innovative activities, intellectual property offices of many countries, in particular those major ones, are facing tremendous challenges from backlog of applications and from the need of further improving efficiency and quality. It has been a consensus that the intellectual property offices have to reduce duplication of work, realise work sharing, mutually utilise search and examination results, and improve efficiency and quality of examination. The various types of deepened cooperation among these offices are to provide speedier, more efficient and cost-effective services to global innovators and holders of intellectual property rights. Therefore, all these countries should develop a common understanding, conduct close cooperation in the spirit of sufficient flexibility and constructiveness, and jointly explore the effective way to solve problems facing us.

Fourthly, we need to tolerate one another with a broader mind, so as to promote the common development. In our opinion, a sound intellectual property system in a real sense must enable all countries, developed or developing, to share the benefits from innovation; it must be a system enabling the global economy to grow in a balanced way; it must be a system that helps all human-beings shake off poverty and develop together. It is hoped that all of us, who are pondering hard over the development direction of the intellectual property cause and those who are taking actions non-stop for the development of the IP cause, keep our open and tolerant spirit to enable all countries to develop while seeking common ground and allowing differences. ■