

Business group urges China overhaul patent system

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(AP) — A foreign business group urged China on Wednesday to make extensive changes to a patent system it said hampers the country's ability to innovate and might hurt global companies.

The European Chamber of Commerce in [China](#) said China's system awards too many patents for work that is not real innovation. It said rules on such things as national security reviews are unclear and low standards allow applicants to acquire unjustified patents only to extract license fees from other companies.

China's efforts to encourage innovation and the status of foreign companies' rights to their technology are a key trade issue with Washington and other governments. Many say Beijing is improving gradually but must do more to protect intellectual property.

Communist leaders have made innovation a cornerstone of efforts to transform China from the world's low-cost factory into a creator of profitable technology. They have boosted research spending and reward companies that are awarded patents and the officials that oversee them.

But foreign and Chinese companies alike complain technology theft is common despite repeated government promises to tighten enforcement. A key complaint lately is that Beijing is doing too little to discourage employees who leave a [company](#) from taking trade secrets to a new employer.

China has risen to the top ranks of countries in numbers of patents granted but the European Chamber said many of those are "low quality" work. In addition to patents for inventions, about one-third of those awarded by Beijing are process patents for small improvements on other products that require little proof of innovation.

"The overall strength of China's actual innovation appears overhyped," said the 210-page report.

It includes 52 recommendations for changes ranging from requiring patent applicants to do more to show their work is truly innovative to increasing penalties for "bad faith" applications.

It recommends limiting use of national security reviews that Beijing requires before companies can apply abroad for a patent on technology developed in China. The report urged Beijing to clarify its rules and limit reviews to inventions that directly affect national security.

The European Chamber said it would discuss the proposals with the Commerce Ministry and China's [patent](#) agency, the State Intellectual Property Office.

The report said Beijing should reconsider its "megaproject approach" of setting up big industrial groups to develop technology. It said breakthroughs were more likely to come from individuals and small companies and the government should create structures to encourage them.

Chinese regulators also have tried repeatedly to compel foreign companies to hand over know-how in mobile phones, encryption, electric cars and other fields in exchange for market access. Many of those initiatives have been dropped after protests by Washington and other trading partners.

In a reflection of foreign unease about the safety of intellectual property, the European Chamber report noted that only 2.2 percent of European companies' investment in research and development outside Europe was in China. Some 13 percent went to the United States and Canada.

Other groups including the American Chamber of Commerce in China have said companies are reluctant to bring their most advanced technology to China for fear it will be stolen.

Enforcement is "slowly moving in a positive direction" but is "an area where much more can happen so companies can trust when they bring technology here that their patents are enforceable," said Oliver Lutze, co-chairman of the European Chamber's [intellectual property](#) group.

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