



A Long Long Way to Win- Win?

***--IPR Issues in Technology Transfer
from US to P.R. China***

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Issues



- With the fast rise of national technology industry, is China still remaining as an IPR victim in the technology transfer from US?
- **What approaches or solutions might be able to bring US and China to a “happy ending”--Win-Win in reality?**

An Icebreaker



From two pictures above, could anyone tell me what is the ***common object*** shared on the designs of both national flags of US and China?

I. Introduction

- **Definition** of technology transfer
In this article, it will focus on the communication or transmission of a technology from one country to another
- **Significance** Why does technology has to be transferred into developing countries such as China?
Reasons: 1. Make poverty history
2. The Globalization trend
- **Poking Angles**
 1. US-Sino trade relations
 2. The focal points: They will demonstrate some fresh air on on combinations of different elements mainly on theories and facts from China's perspective

II. China's IPR Review

1. The condition of IPR review lies in China's national characteristic

Two sages with great influences-- Confucius and Sun Tzu

A. Confucius

a. His social and political philosophy

"Ren", "What you do not wish for yourself, do not do to others" and "Since you yourself desire standing than help others achieve it, since you yourself desire success then help others attain it."

b. Assessment of Confucius

- **Positive effects** He created Win-Win theory in Chinese culture and "Ren" supported up the continuance of China
- **Negative effects** "Deprecating Oneself" might drag innovation and too much "Ren" is not good for IP enforcement

Confucianism could be a good answer to explain the social, cultural and historical reasons behind IP issues in China, but I assume that people are more concerned with a practical question:

How?

How to achieve Win-Win?

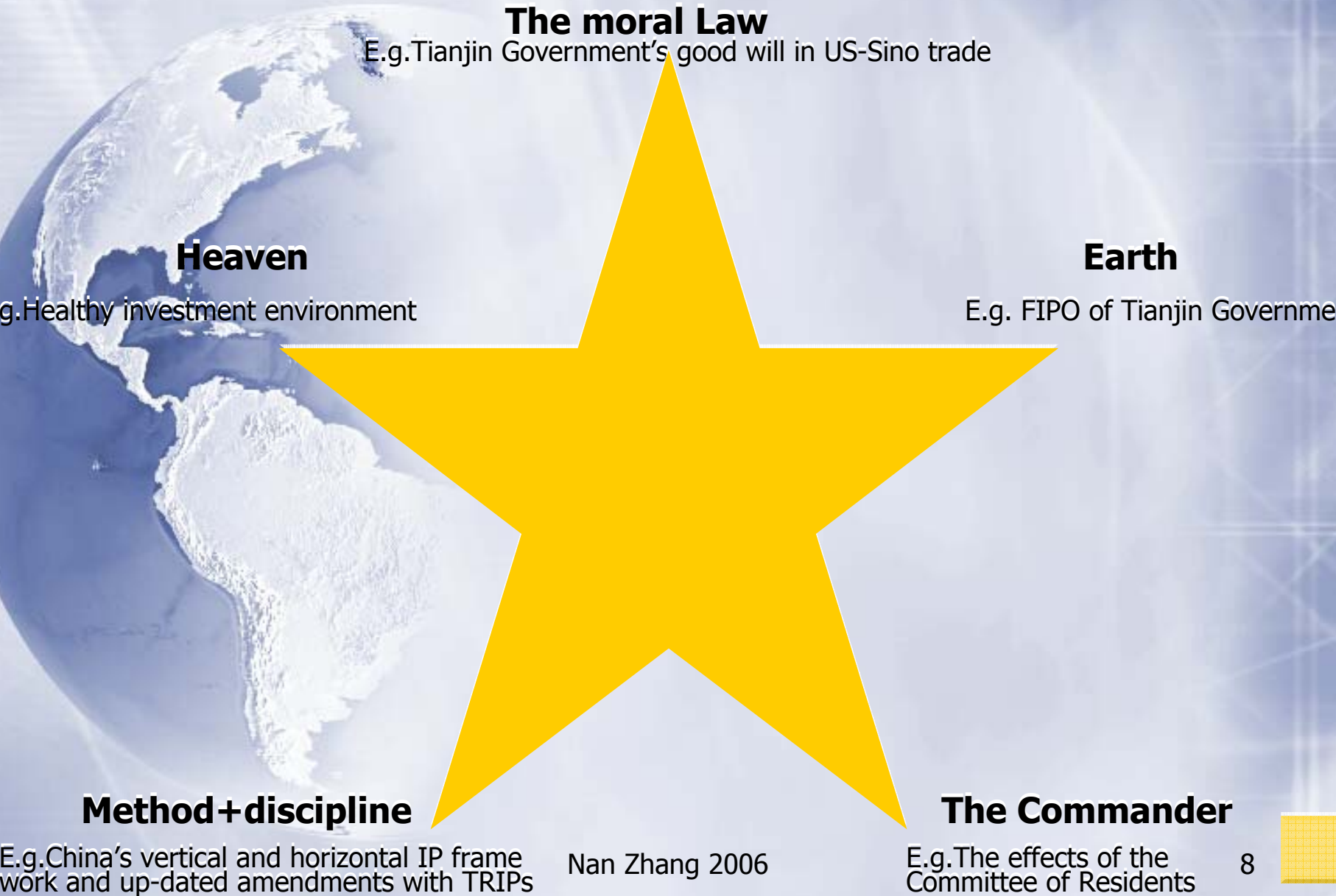
2. The Role of Calculation



In Art.26 of Chapter 1, Article 2 of Chapter 3 of The Art of Strategy Sun Tzu said:

- The general who wins a battle makes many calculations in his temple ere the battle is found.
- The general who loses a battle makes few calculations beforehand
- Hence to fight and conquer in all your battle is not supreme excellent
- Supreme excellence consists in breaking the enemy's resistance without fighting

3. The solution: the modern Win-Win of Sun Tzu's The Art of Strategy



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III. A real case study--IBM marries Lenovo



1. A short brief and facts

- In 2005, Lenovo became an international company through merger with IBM PC Unit
- Lenovo paid \$1.75 billion(including debts) to IBM and got 10,000 IBM employees including IBM CEO Stephen Ward
- IBM managed to take 18.9% stake of new Lenovo

A. The calculation of IBM: Why Lenovo?

(1) Alliance might form possibilities in China PC market

- Two features of China PC market

a. Huge

b. Purchase tradition: "Seeing is believing" at retailers + cash payment

- What Lenovo has

a. 27% share of China PC market in 2003

b. massive nationwide network of distributions in the last two decades

(2) Alliance might accomplish “lower price+higher efficiency”

- Lenovo’s labor price is only \$3 per desktop PC and this will save IBM’s operating expense to less than 9% of revenues.
- Lenovo staff’s working efficiency is high because of exterior environment, such as “the open door policy” and current social welfare

(3) Alliance might get rid of a dilemma

- During a long time, PC Unit of IBM hasn’t been a good performer
- In Lenovo, PC has been its “Fist Product” since its establishment in 1984

B.The calculation of Lenovo: Why IBM?

(1) Internationalization

- Obtain a strong helper IBM in the global market--IBM's 30,000-person sales team and global network of 9,000 business partners will help sell new Lenovo PCs
- IBM's 19% of the stakes of new Lenovo will guarantee the common interests
- After merger, new Lenovo will be permitted to use IBM's global trademark Thinkpad for 5 years-- building customers' affection

(2) Improvement of R&D and setting an example of a lawful player

- Lenovo focuses on long-term interests in technology transfer by being a respectful and rational player
- Through merger with IBM, new Lenovo obtained over 1,000 granted patents(in 1996, Lenovo only had one granted patent)

(3) Management of International Experience

- The management of IP is a foreign concept for Chinese people
- Merger with IBM will quickly infuse new Lenovo with stronger management team

IV. Conclusion and solutions

1. With the fast rise of its national technology industry, is China still remaining as an IPR victim in the technology transfer from US? Is Win-Win possible?

- The differences in economic development between US and China and demands of technology transfer have cost China a lot
- China is remaining at a relatively negative position in the technology transfer at present
- However, some companies such as Lenovo, after completing the primitive accumulation of capital, are trying to change their traditional negative positions to be lawful and rational players

2. How to achieve Win-Win?

- ❖ **An open-minded attitude**
- ❖ **US-Sino common interests**
- ❖ **Time and effort**
- ❖ **Modern interpretation of Sun Tzu's ancient strategy([The Star Chart](#))**
 - "Heaven"+"earth" both reflect social,cultural and even investment policies
 - "The moral law" represents the open door policy and good will to build healthy atmosphere for US-Sino trade
 - "Method and discipline" means a complete and mature IP protection framework
 - "The commander" demonstrate 2 meanings, first is the importance of IP management team with international experience; second is the element of people at every supporting point of IP protection system,e.g. The Committee of Residence in China



***Thank you
for your time and attention!***

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