Research & Development in China

By: John Tang, Esq.

Up until now, vague intellectual property (IP) laws and lax enforcement have kept U.S. businesses from seeing China as a hub for research and development operations. How could anyone be sure that technological advancements, breakthroughs and sensitive information would be safe in China? If a breach were committed, what recourse would you have? Hungry for foreign investment of a more sophisticated variety, China is starting to answer many of these questions and make real strides toward providing enforceable IP protections.

Stronger IP Laws

Over the last few years, changes to China’s IP laws have included modifications in court procedure to make enforcement easier and less costly, especially against counterfeiters and other flagrant infringers. The government has also strengthened civil remedies and criminal penalties for IP infringement. The biggest change, however, has been the Third Amendment to China’s patent law. It has, among other things, raised the standards for patent filings, broadened protections for design patents and increased possible damages for patent infringement.

Why China?

So there are better protections in place now. Still, what are the benefits to having research and development operations in China? Imagine a 24-hour research and development presence to expedite results. Choose from numerous local engineering and science graduates with lower wage expectations. Looking to make significant inroads in the Chinese marketplace? Why not dedicate a research and development staff familiar with local culture and preferences to take you in the right direction?

Incentives

Beyond the logistical advantages to research and development in China, are further incentives put in place by the government. These include tax and customs-duty exemptions for the purchase of research and development equipment (both imported and bought domestically), special administrative offices and personnel to streamline the establishment of facilities and cut red tape, concessions and discounts on land prices, and other incentives offered by local governments.

In the end, while not perfect, China’s new IP environment is creating real opportunity for U.S. businesses looking for new ways to make their research and development dollars stretch further. Is this the right move for your business? There’s no time like the present to explore your options.

John Tang is an attorney with the business law firm of Brennan, Manna & Diamond, with an office at 3301 Bonita Beach Road, Suite 100, Bonita Springs, Florida 34134. His practice is focused on international business transactions. John has assisted many businesses in opening their doors to the Chinese market. He can be reached at jtang@bmdlccom or by calling (330) 374-6249.