

Licensing is often regarded by SMEs as a cost effective way of entering the Chinese market. Licensing is also often seen as a way to work with local people who have the know-how to enter the market and an opportunity to tap into a local network. While licensing can offer a great opportunity, there are also risks with licensing that should be considered. You should ensure that the potential licensee really is who they say they are and has the experience, resources and market reach to match your expectations.

Just as important as identifying the right licensee, is developing a well thought out and robust licensing agreement. This is a complex area and should be undertaken by a competent lawyer.

Some of the IPR issues you need to consider in relation to licensing in China include:

Identify your IP rights - what is to be licensed

A thorough study of your company's IPR situation is needed to ensure that the IP rights and the related know-how to be licensed are identified. From this assessment you should be able to answer the following questions:

- What is already registered?
- What needs to be registered?
- Who is currently responsible?

Make sure that everything that needs to be registered, is registered. In this way your company can ensure that the right IP protection is in place before entering a licensing agreement in China. To get an idea of how to perform an IP audit see the 'IP Audit' section above.

Ensure you can end the agreement without losing your market

Sometimes, an exit plan from an agreement is forgotten. It is very important to have a plan for

terminating an agreement when signing the contract with a Chinese partner. The actual content of the exit plan is very dependent on what you are licensing, it is important to keep in mind that the licensing partner can become a future potential competitor and/or infringer if not considered appropriately.

Keep the most important know-how to yourself

Often the licensing partner does not need to know all the details of your product. It is imperative that you keep the most important information to yourself (if possible).

How should the licensee handle your know-how and IP rights?

When working with a licensee it is important to ensure that the licensee is guided on how to utilise your company's IP rights. A guideline to handle IP rights should be developed to ensure that the licensee can handle your assets with care.

In the licensing agreement it is a good idea to clearly state the Intellectual Property Rights owned in respect of the items to be supplied and to clearly state that any know-how, discovery, invention (whether patentable or not), design, drawing, computer program, photograph, plan or record relating to the development of prototypes and the subsequent final version of products, the licensing agreement should also clearly state any future developments of products which are made, created, developed or acquired by the supplier (together with all Intellectual Property Rights and any future rights in respect of any such matter) will belong to the SME absolutely. See the 'Research and Development' section to read more.

Monitoring the licensee

Always monitor what goes on. In China precedence means a great deal. One way to do this is by having external persons to inspect whether the licensee lives up to the agreement.