

# Too prone to copy

*Financier Peter Fuhrman on China's IP flaws*

China's lack of robust intellectual property protection makes winners and losers of all of us living here. We can choose to save big money by buying cheap pirated products or downloading without charge just about any song or copyrighted material. But, China also pays a price by making it so hard to protect patents, trademarks and copyright. Chinese companies are mainly stuck in a low-margin and low-growth trap, without unique, IP-defended products or technologies. Come up with a novel idea and it's almost certain to be stolen or copied without real compensation.

The victims of IP theft in China are many, from Hollywood studios to Microsoft to manufacturers of most high-tech machinery, as well as thousands of Chinese tech start-ups. I joined their ranks last month. I can't say I suffered any real material loss, but the bitter taste lingers.

On a late May weekday morning, my email and Wechat began to blink with activity. Friends and acquaintances wrote telling me they'd just finished a Chinese-language article with my byline published that day on the website of China's most authoritative daily source about the private equity industry, called PE Daily in English and 投资界 in Chinese.

It's a nice way to start the day, with friendly messages, some offering a pat on the back. But, in this case, I knew something was off. I hadn't written anything for this company, in fact have never had any contact with them. A couple of clicks got me to the article with my name on it. It came with a rather long and

sensational Chinese headline, “中国PE“悲情”十年：LP只拿回30%本金，美国同期高达200%！”，the first part of which you could translate as “China PE's Dismal Decade”.

The headline and accompanying illustration were new but the rest was familiar. The text had been lifted verbatim from an article I wrote 16 months ago and published in print in January 2015 by one of China's most respected and well-read business magazines, Caijing.

The PE Daily version doesn't credit Caijing, the copyright holder, nor include the date of original publication. The data I cite on a performance gap between Chinese and US private equity firms in cash payouts to investors, current at the time I wrote it, is now stale. A predictable result, within a few hours of the PE Daily article appearing, I began getting attacked in online forums for disingenuously ignoring more recent numbers that would perhaps show China's PE industry in a better light.

Had PE Daily bothered to ask, I probably would have provided updated numbers. I know it has an influential readership. The article got over 15,000 views within the first 24 hours. From there, the stolen article began to spread like a pandemic. It's now been republished on a dozen other Chinese financial industry websites, including some of the mainstream ones. These other sites ran the article exactly as published by PE Daily with one small difference. They mainly all deleted my name. At a guess, I'd say the article has been seen by 100,000 people by now.



**Fuhrman: China First Capital's CEO**

On every site I've looked at, the article is surrounded by online ads. This proves what everyone would intuitively guess: IP infringement, when it goes unpunished, is as good a way to make money as there is. Your input costs can be zero.

I got hold of the editor at Caijing and confirmed they hadn't given their permission to PE Daily to republish, nor would they or I be receiving any kind of syndication fee. “Sure, we could go to court,” he concluded, “but we'd spend money on lawyers and probably get nothing in return.” In other words, no recourse.

I twice emailed the owner of PE Daily enquiring if it was authorised to republish the Caijing article. There's been no reply so far. But the article was taken down from the PE Daily website. The other Chinese websites still have the article up, and still include the fact they syndicated it from PE Daily.

China has made a few notable efforts to discourage IP infringement. But overall it's still common and, as in my small case, often quite brazen. This must inevitably put a damper on China's efforts, as President Xi Jinping recently put it, to “make innovation the pivot of development”. The government money and urgency are there. What's still missing, a system that protects innovators, patent and copyright holders. The rewards still flow too easily to thieves and copycats. ■