

# Law of the PRC on the Promotion of the Transformation of Scientific and Technological Achievements

Dan Young Business Consultancy — [www.danyoungcpa.com](http://www.danyoungcpa.com)  
Unofficial English translation prepared for reference only. The official Chinese text prevails.

## Contents

|                                              |   |
|----------------------------------------------|---|
| Table of Contents                            | 1 |
| Chapter I — General Provisions               | 1 |
| Chapter II — Organization and Implementation | 3 |
| Chapter III — Safeguard Measures             | 4 |
| Chapter IV — Technology Rights and Interests | 5 |
| Chapter V — Legal Liability                  | 7 |
| Chapter VI — Supplementary Provisions        | 7 |

Adopted at the 19th Session of the Standing Committee of the Eighth National People's Congress on May 15, 1996

Amended in accordance with the Decision on Amending the Law of the People's Republic of China on the Promotion of the Transformation of Scientific and Technological Achievements adopted at the 16th Session of the Standing Committee of the Twelfth National People's Congress on August 29, 2015

Effective: October 1, 2015

## Table of Contents

- Chapter I — General Provisions
- Chapter II — Organization and Implementation
- Chapter III — Safeguard Measures
- Chapter IV — Technology Rights and Interests
- Chapter V — Legal Liability
- Chapter VI — Supplementary Provisions

## Chapter I — General Provisions

Article 1 — This Law is enacted for the purposes of promoting the transformation of scientific and technological achievements into practical productive forces, standardizing the transformation activities of scientific and technological achievements, accelerating scientific and technological progress, and promoting economic and social development.

Article 2 — For the purposes of this Law, "scientific and technological achievements" means the applicable scientific and technological results generated from scientific research and technological development that

have practical value. "Transformation of scientific and technological achievements" means the subsequent testing, development, application, and dissemination of scientific and technological achievements, up to the formation of new technologies, new processes, new materials, or new products, and the development of new industries, conducted for the purpose of raising the level of productivity. Transformation of scientific and technological achievements under this Law includes the following activities:

- (1) Self-investment for implementation and transformation by enterprises or other organizations;
- (2) Transfer of scientific and technological achievements to another person;
- (3) Licensing another person to use scientific and technological achievements;
- (4) Joint implementation and transformation conducted through cooperation with another person;
- (5) Investing scientific and technological achievements as capital contributions or equity shares to implement transformation;
- (6) Other methods of transformation as determined through consultation.

Article 3 — The transformation of scientific and technological achievements shall be conducive to accelerating the implementation of the innovation-driven development strategy, promoting the deep integration of science and technology with the economy, increasing economic returns and social benefits, protecting the environment, making rational use of resources, and promoting employment and entrepreneurship.

Article 4 — In the transformation of scientific and technological achievements, the principles of voluntariness, mutual benefit, fairness, and good faith shall be observed; contracts shall be concluded in accordance with the law to stipulate rights and obligations, and the transformation shall proceed in accordance with the principles of benefiting scientific and technological progress and economic construction, and protecting national and public interests.

Article 5 — The State and local people's governments at all levels shall incorporate the transformation of scientific and technological achievements into national economic and social development plans, organize and coordinate transformation activities, and give priority to and support the transformation of scientific and technological achievements in areas including but not limited to the following:

- (1) Those capable of significantly raising the level of industrial technology and economic returns;
- (2) Those capable of forming industrial scale and having the prospect of high economic returns in the domestic and international markets;
- (3) Those capable of promoting the coordinated development of agriculture and rural economy;
- (4) Those capable of promoting rational development and utilization of resources, energy conservation and emission reduction, and combating and mitigating natural disasters;
- (5) Those capable of improving people's livelihood and raising the level of public health;
- (6) Those capable of protecting the environment and ecology and improving capacity to respond to climate change;
- (7) Those capable of promoting economic and social development in regions inhabited by ethnic minorities, border regions, and underdeveloped areas.

Article 6 — The State encourages scientific research and development institutions, institutions of higher education, enterprises, and other organizations and individuals to carry out transformation activities of scientific and technological achievements. The State encourages enterprises to establish and improve technology development and transformation mechanisms, strengthen cooperation with scientific research and development institutions and institutions of higher education, and promote enterprise-led,

market-oriented and in-depth industry-university-research cooperation.

Article 7 — The State supports and encourages the establishment of public service platforms for the transformation of scientific and technological achievements, such as technology transfer institutions, science and technology enterprise incubators, and makerspaces, and provides specialized services for the transformation of scientific and technological achievements.

Article 8 — The State protects intellectual property rights in the transformation of scientific and technological achievements. Relevant government departments shall administer and supervise scientific and technological achievements according to the division of functions.

Article 9 — The department of science and technology administration under the State Council, the relevant departments of the State Council, and the relevant military departments shall, within the scope of their respective functions and duties, manage, guide, and coordinate the transformation of scientific and technological achievements. Local people's governments at all levels shall be responsible for managing, guiding, and coordinating the transformation of scientific and technological achievements within their respective administrative areas.

## **Chapter II — Organization and Implementation**

Article 10 — For scientific and technological achievements obtained from scientific and technological projects funded by government funds, the project undertaking entity shall carry out transformation; where the entity fails to carry out transformation within a reasonable period and fails to implement transformation, the government funding department may permit others to implement transformation after obtaining the consent of the right holder.

For scientific and technological achievements involving national security, significant national interests, or major public interests, the State may organize, implement, or permit others to implement transformation in accordance with law.

Article 11 — State-established scientific research and development institutions and institutions of higher education shall strengthen capacity building for the transformation of scientific and technological achievements, establish and improve management systems and rules for transformation, specify specialized work institutions or personnel, and promote such transformation.

Article 12 — For scientific and technological achievements independently researched and developed by scientific research and development institutions and institutions of higher education established or funded by the State, the transformation may be implemented through the following means:

- (1) Transfer, licensing or investment as capital contribution of the scientific and technological achievements;
- (2) Self-implementation or cooperative implementation of transformation by the entity;
- (3) Other methods of transformation determined through negotiation between the entity and the personnel who completed the achievements.

Article 13 — When State-established scientific research and development institutions and institutions of higher education transfer or license scientific and technological achievements they hold, or invest them as capital contribution, they shall independently decide on pricing through methods such as agreement pricing, listing on technology exchange markets, or auction. Where pricing is conducted through agreement, the entity shall publicize on its premises the name of the achievement and the proposed transaction price.

Article 14 — State-established scientific research and development institutions and institutions of higher education shall establish assessment and evaluation systems conducive to promoting the transformation of scientific and technological achievements, and include the transformation of scientific and technological achievements in the scope of professional title evaluation, post management and performance assessment.

Article 15 — The State encourages enterprises to strengthen technological innovation and the transformation of scientific and technological achievements. Enterprises may independently issue science and technology awards. Tax incentives shall be given to enterprises for expenses on the transformation of scientific and technological achievements in accordance with relevant State regulations.

Article 16 — Enterprises shall, in accordance with law, have the right to independently decide the transformation projects, partners and methods of scientific and technological achievements. Where enterprises invest in and implement transformation of scientific and technological achievements, those meeting conditions may apply for government funding, loan interest subsidies, tax incentives and other policy support programs in accordance with relevant State regulations.

Article 17 — Scientific and technological achievements obtained by enterprises from government-funded scientific and technological projects may be independently transformed by the enterprises in accordance with law, and the transformation income shall be retained by the enterprises. The government funding departments and relevant competent departments shall not organize or compel transformation.

Article 18 — The State establishes and improves an information exchange and release system for scientific and technological achievements, as well as a science and technology reporting system, and establishes a unified scientific and technological achievements information system to standardize the release of information, provide public inquiry, screening, filtering and other public welfare services.

Article 19 — The State encourages enterprises, scientific research and development institutions, and institutions of higher education to jointly establish institutions or organizations for the transformation of scientific and technological achievements, such as research and development institutions, technology transfer institutions, pilot testing bases, and technology innovation alliances, to jointly carry out research and development, transformation and application of achievements, and standardization.

For cooperative transformation projects of scientific and technological achievements, the parties shall enter into an agreement specifying cooperative matters in accordance with law, including the method of cooperation, the organizational structure and division of responsibilities, rights of cooperative parties, risk liability, intellectual property ownership, benefit distribution, and confidentiality obligations.

Article 20 — The State encourages agricultural scientific research institutions, agricultural colleges and universities, agricultural technology extension institutions, agricultural science and technology enterprises, and farmer cooperatives to establish an agricultural science and technology extension system featuring industry-university-research cooperation to promote the transformation of agricultural scientific and technological achievements.

Article 21 — The State supports the establishment of technology transfer institutions or entrusts third-party institutions to provide services and technical guidance for the transformation of scientific and technological achievements in accordance with law.

Article 22 — State-established scientific research and development institutions and institutions of higher education shall submit annual reports on the transformation of scientific and technological achievements they hold to the competent authorities; reports of those directly under the State Council shall be submitted to the relevant competent department under the State Council.

### **Chapter III — Safeguard Measures**

Article 23 — The central government budget shall arrange funds for the transformation of scientific and technological achievements to support the major transformation of scientific and technological achievements through government procurement, research and development subsidies, loan interest subsidies and risk compensation, and to guide social funds in promoting such transformation.

Local people's governments at all levels shall arrange funds in their fiscal budgets for guiding, supporting and promoting the transformation of scientific and technological achievements within their respective regions.

Article 24 — The State shall implement tax incentive policies conducive to the transformation of scientific and technological achievements in accordance with law. The specific measures shall be formulated by the State Council.

Article 25 — The State encourages banking financial institutions to carry out innovation in organizational structures, management systems, financial products and services, support the transformation of scientific and technological achievements, and encourage financial institutions to provide intellectual property pledge financing, equity pledge financing and other loan products and services for the transformation of scientific and technological achievements.

The State encourages insurance institutions to develop insurance products suited to the characteristics of the transformation of scientific and technological achievements.

Article 26 — The State encourages and guides the establishment of venture capital funds, guidance funds for the transformation of scientific and technological achievements, and venture capital enterprises to invest in the transformation of scientific and technological achievements.

Article 27 — The State encourages and guides scientific and technological personnel to engage in transformation activities of scientific and technological achievements. Relevant government departments shall establish incentive mechanisms conducive to the transformation of scientific and technological achievements.

Article 28 — The State shall strengthen the development of technical training, technology brokerage, technology assessment and other service institutions for the transformation of scientific and technological achievements and promote the professionalization, marketization and internationalization of technology markets.

Article 29 — The State supports the transfer and transformation of scientific and technological achievements through technology exchange markets, technology property rights exchanges, and science and technology achievement exhibitions.

Article 30 — The relevant departments and local people's governments shall increase support for technology transfer institutions and science and technology intermediary service institutions providing services for the transformation of scientific and technological achievements. Eligible technology transfer institutions and science and technology intermediary service institutions may enjoy tax incentives in accordance with relevant State regulations.

## **Chapter IV — Technology Rights and Interests**

Article 31 — The ownership of scientific and technological achievements obtained from scientific and technological projects funded by government funds shall be determined by the project undertaking entity and the funding agency in accordance with law. Where not otherwise stipulated, the scientific and technological achievements shall be owned by the project undertaking entity.

Article 32 — For scientific and technological achievements obtained from government-funded scientific and technological projects owned by the project undertaking entity, where the undertaking entity transfers or licenses such achievements, or invests them as capital contribution, the entity shall enjoy the right to dispose of the achievements independently, and the income obtained from transformation shall be retained by the entity.

Article 33 — Scientific and technological achievements obtained by State-established scientific research and development institutions and institutions of higher education shall be owned by the entity, unless otherwise

stipulated by laws and regulations or agreed by contract.

Article 34 — When State-established scientific research and development institutions and institutions of higher education transfer or license scientific and technological achievements they hold, or invest such achievements as capital contributions, they shall, through agreement or in accordance with the entity's internal rules, stipulate and honor rewards and remuneration for the personnel who completed the achievements and persons who have made important contributions to the transformation.

Where State-established scientific research and development institutions and institutions of higher education do not stipulate rewards and remuneration in accordance with the provisions of the preceding paragraph, or do not fulfill rewards and remuneration as stipulated, the personnel who completed the achievements and persons who have made important contributions to the transformation may, in accordance with law, require the entity to fulfill the rewards and remuneration.

Article 35 — Where State-established scientific research and development institutions and institutions of higher education do not stipulate rewards and remuneration for the personnel who completed the scientific and technological achievements and persons who have made important contributions to the transformation in accordance with Article 44 of this Law, a minimum of the following standards shall be applied:

- (1) Where scientific and technological achievements are transferred or licensed to others, no less than 50 percent of the net income from the transfer or licensing shall be allocated;
- (2) Where scientific and technological achievements are invested as capital contributions, no less than 50 percent of the shares or proportion of capital contribution obtained from such investment shall be allocated;
- (3) Where scientific and technological achievements are implemented and transformed by the entity itself or in cooperation with others, upon successful transformation and production, no less than 5 percent of the operating profit shall be allocated each year for three to five consecutive years.

Article 36 — Enterprises and other organizations shall implement incentive mechanisms for the transformation of scientific and technological achievements according to their actual situations; the content and form of incentives shall be determined by the enterprise or organization in accordance with relevant State regulations.

Article 37 — Enterprises, scientific research and development institutions, and institutions of higher education may reward scientific and technological personnel who have completed scientific and technological achievements and persons who have made important contributions to the transformation through methods such as equity awards, stock options, and project-based dividends.

Article 38 — In the cooperative transformation of scientific and technological achievements, the parties shall stipulate in the contract the ownership of intellectual property rights involved in the transformation according to law. Where the contract does not stipulate or the stipulation is unclear, the rights and interests of the parties in the cooperative transformation shall be handled in accordance with the following provisions:

- (1) During the cooperation, no party shall transfer the jointly-owned technology to a third party without the consent of the other parties;
- (2) Where the cooperation is terminated or rescinded, the ownership of the technology used in the cooperation shall be determined by negotiation among the parties.

Article 39 — Where an entity entrusts another entity or an individual to conduct research and development, the ownership and relevant rights and interests of the scientific and technological achievements obtained shall be stipulated in the contract.

Article 40 — Scientific and technological personnel shall comply with academic norms and professional ethics, and shall not infringe upon the intellectual property rights of others in scientific and technological activities. Scientific and technological personnel who complete job-related scientific and technological

achievements shall fulfill confidentiality obligations; without the permission of the entity, they shall not disclose or transfer the key technologies of the entity, or leave their post to engage in the same or similar business in competition with the original entity within the statutory period.

## **Chapter V — Legal Liability**

Article 41 — Where, in the transformation of scientific and technological achievements, fraud is committed by deceptive means such as falsifying or tampering with data, fabricating facts, or deliberately concealing defects, the responsible competent department shall order correction and impose punishment in accordance with law; where economic losses are caused to others, civil liability for compensation shall be borne in accordance with law; where a crime is constituted, criminal liability shall be pursued in accordance with law.

Article 42 — Where, in the transformation of scientific and technological achievements, another person's intellectual property rights are infringed upon, civil liability shall be borne in accordance with the relevant laws and regulations on intellectual property protection. Where the intellectual property rights of the State are involved, the relevant government departments shall investigate and impose punishment in accordance with law.

Article 43 — Where State-established scientific research and development institutions or institutions of higher education, in violation of the provisions of this Law, fail to submit annual reports on the transformation of scientific and technological achievements as required, the competent authorities shall order correction; where the circumstances are serious, disciplinary sanctions shall be imposed on the directly responsible person in charge and other directly responsible personnel in accordance with law.

Article 44 — Where State-established scientific research and development institutions or institutions of higher education fail to stipulate standards for rewards and remuneration for personnel who completed scientific and technological achievements and persons who made important contributions to the transformation as provided by this Law, or fail to fulfill rewards and remuneration in accordance with the stipulations, the competent authorities shall order correction within a specified time limit; where correction is not made within the time limit, disciplinary sanctions shall be imposed on the directly responsible person in charge and other directly responsible personnel in accordance with law.

Article 45 — Where scientific and technological personnel, in violation of the provisions of this Law, disclose or transfer key technologies of their entity without permission, or leave their post to engage in the same or similar business in competition with the original entity within the statutory period, they shall bear civil liability for compensation in accordance with law; where a crime is constituted, criminal liability shall be pursued in accordance with law.

Article 46 — Where government departments and their staff members engage in fraud or abuse their power in activities related to the transformation of scientific and technological achievements, disciplinary sanctions shall be imposed on the directly responsible person in charge and other directly responsible personnel in accordance with law; where a crime is constituted, criminal liability shall be pursued in accordance with law.

## **Chapter VI — Supplementary Provisions**

Article 47 — Where laws and administrative regulations provide otherwise for the transformation of scientific and technological achievements, such provisions shall prevail.

Article 48 — For the purposes of this Law:

(1) "Job-related scientific and technological achievements" means scientific and technological achievements completed by scientific and technological personnel in the course of performing their work duties at their entity, or mainly completed by using the material and technical resources of the entity;

(2) "Net income" means the income from the transfer or licensing of scientific and technological achievements minus the direct costs paid for the achievement and transaction expenses.

Article 49 — The transformation of scientific and technological achievements of scientific research and development institutions other than those established by the State and institutions of higher education other than those established by the State shall be governed by reference to the relevant provisions of this Law.

Article 50 — Where scientific and technological achievements involve national security, significant national interests, or major public interests, transformation shall be carried out in accordance with relevant State regulations.

Article 51 — The specific measures for the transformation of scientific and technological achievements involving national defense shall be formulated by the State Council and the Central Military Commission.

Article 52 — This Law shall come into effect on October 1, 1996. The amended provisions shall come into effect on October 1, 2015.

Disclaimer: This English translation is provided for informational and reference purposes only. While every effort has been made to ensure accuracy and completeness, this translation is not an official version and has no legal force. For legal purposes, the original Chinese text published by the National People's Congress of the People's Republic of China shall prevail. Users should consult qualified legal professionals for interpretation and application of any provisions. Dan Young Business Consultancy makes no warranties, express or implied, regarding the accuracy, reliability, or completeness of this translation, and assumes no liability for any loss or damage arising from its use.