



UNIVERSITY OF EDINBURGH
Business School

Research project:

Convergence or differentiation in IP protection strategies and business models? – The case of China

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Report on twin projects

Thanks to our Funders

- RCUK Centre for Copyright and New Business Models in the Creative Economy - A case study of new models for digital film, music and e-fiction production and distribution in China
- AHRC Centre for Digital copyright and IP Research in China - Convergence or differentiation in IP protection strategies and business models? new models for digital film distribution in China

Thanks to our Research Team



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STI &
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Research partners

➤ In the UK

- University of Edinburgh Business School,
- University of Edinburgh Institute for the Study of Science, Technology and Innovation
- University of Edinburgh Law School;
- CREATE Centre

➤ In China

- PKU law school
- Tsinghua University Management School



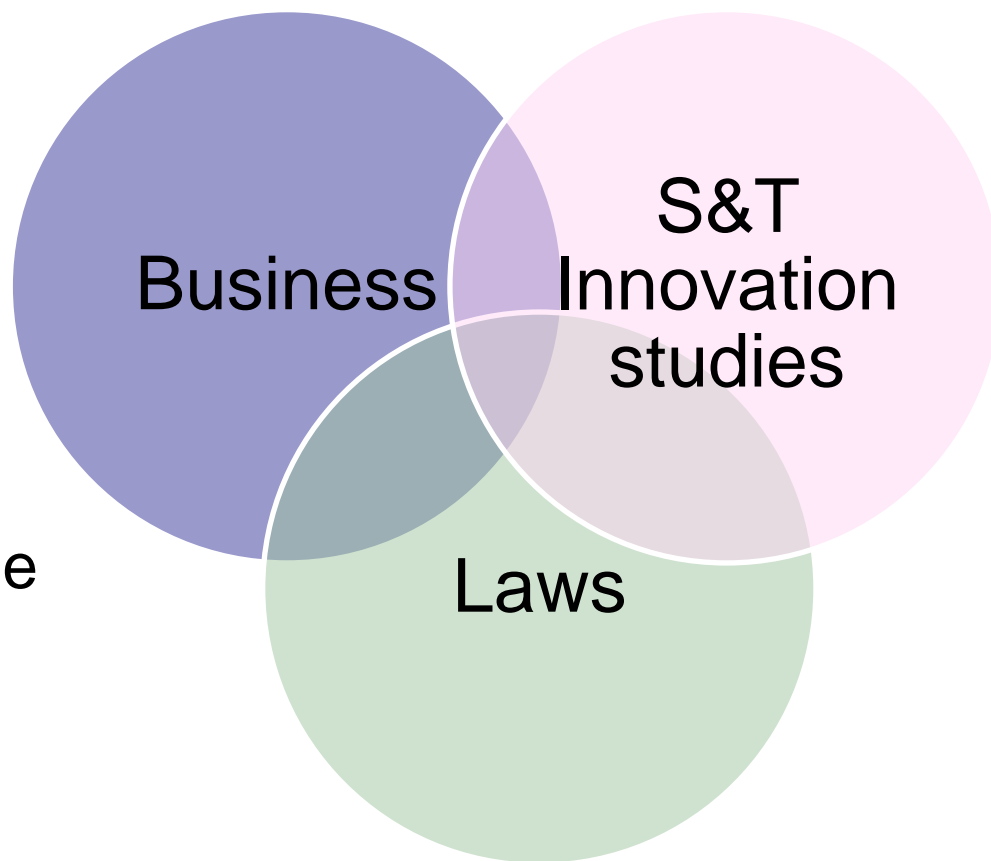
Research Objectives

- **We seek to understand the current status of the play with large internet companies to engage with creative industries**
- **What business models are being developed by Chinese internet companies in the creative industries, which may be radically different from those in the West?**
- **We investigate whether the Chinese cultural creative world is converging/diverging with the global north.**

Research framework (and perspectives)

Interdisciplinary with
three positions:

- 1) Business models
/strategies are not
isolated neither fixed
- 2) Legal systems cannot
be transferred from one
society to another
without adaptation
- 3) Innovation embeds in
the context





Social shaping of technology/social learning

- Developments are patterned by historical context
- Sharp differences remain between China & West despite attempts to create convergence e.g. through WTO accession
- Strong parallels: protracted processes of collective experimentation & ‘Learning by doing’ – creating and attracting users to new services: digital economy firms intensely focused on user responses

The Research Methods

- **One year project**
- **For this *exploratory* research, we adopt a qualitative methodology based on detailed ethnographic interviews**
- **58 interviews carried out (up to 11 November 2016) in the field**
- **Actors and other stakeholders interviewed across several categories:**
 - Internet platforms
 - Creative culture industries
 - Law and legal professionals
 - Academics in the fields of law and media
 - Collecting societies
 - Policymakers and officials responsible for creative culture industries at Beijing municipality and central government
 - Managers and business people of overseas institutions stationed in China, which are concerned with the above areas

Interview records

Companies/date	Interviewees			
1 Baidu (14-12-2013)	Ning Lei- Deputy Director, Baidu International Liaison Affairs			Xiaobei, yixiao
2 LeTV (15-12-2013)	Liu Xiaoping- Director of Legal Department	Sun Xiaohui- Legal Manager, Legal Department		Xiaobei, yixiao
3 Alibaba (16-12-2013)	Ou Yongcheng -Director for the Research Institute for cross-border e-commerce	Li Wei (Carol) - Director of Legal Dept., Alibaba Group.	lv Changjun - digital platform senior expert, Legal Dept. Mi Zhibin - operational expert, Legal Dept.	Xiaobei, yixiao
4 Communication University of China (16-12-2013)	Wang Sixin -Deputy Dean of Faculty of Literature and Law; Director of Cyberspace Law and Intellectual Property Study Centre	Jiang Yingyi - Direct of Copyright Division, University Press	Li Shoulian - Editor-in-Chief, Editorial Dept., University Press	Xiaobei
5 IP Key -EU-China New Intellectual Property Cooperation (18-12-2013)	Benoit Misonne- Team Leader	David Follador- Technical Expert		Xiaobei, yixiao
6 PKU Law School (21-12-2013)	Zhang Ping- IP professor			Xiaobei, yinliang, yixiao
7 Former high level official in Ministry of Commerce, Leader (to be) of IP Law in China (17-12-2013)	Yang Guohua - Visiting professor, Tsinghua University Law School, former Deputy director general, Department of Treaty and Law, Ministry of Commerce			Xiaobei
8 Alibaba headquarters (04-06-2016)	Carol Li-			Xiaobei, Robin

		Legal director for entertainment platform		
9 Hangzhou Yinghua Taping Film and Television Media Company (03-04-2016)	Bei Qiqian - Chairman of the board and Art Director			Xiaobei
10 China Copyright Protection Center (12-04-2016)	Suo Lajun- deputy director			Xiaobei, yixiao
11 China Copyright Protection Center (12-04-2016)	Jing Xie -legal			Xiaobei, yixiao
12 Alibaba literature (14-04-2016)	Liu Aijing - legal Chen Pei -editor			Xiaobei, yixiao
13 Alibaba music (14-04-2016)	Xiong Ying (Candice)			Robin
14 The office for cultural enterprises, Ministry of Finance (14-04-2016)	Li Tingwei - Director of the office			Xiaobei, Yinliang, Yixiao
15 The international Publishers Copyright Protection Coalition in China ("IPCC") (14-04-2016)	Zhang Yuguo (Hugo) - Senior president			Xiaobei, Martina, Yixiao
16 Chinese Academy of Science, IPM (13-04-2016)	Xiao Youdan - Associate Professor			Xiaobei
17 All picture (13-04-2016)	Jie Ying- General Counsel			Xiaobei
18 Baidu (16-04-2016)	Li Yingwen -product manager			Xiaobei
19 Tencent Academy (18-04-2016)	Meng Zhaoji- deputy			Xiaobei, Yixiao
20 Tencent, Legal (18-04-2016)	Qin Xudong- expert advisor			Xiaobei, Yixiao
21 China association of audio and video works of collective management (19-04-2016)	Ma Jichao - Deputy Secretary General			Xiaobei, Yixiao, martina
22 Industrial Culture Development Center, Ministry of Industry and Information Technology (19-04-2016)	Dr. Fu Xianghe - associate researcher			Xiaobei, Yixiao
23 Beijing IP Court (20-04-2016)	Chen Jinchuan - deputy president	Feng Gang - Judge		Xiaobei, Yinliang, Yixiao

14 IQiyi (20-04-2016)	Wang Yan - Senior legal director			Xiaobei, Yinliang, Yixiao
25 Media Research Institute, Beijing Academy of Social Sciences (21-04-2016)	Guo Wanchao - Chief director			Xiaobei, Yixiao
26 iResearch (23-04-2016)	Lu Weina - President			Yinliang, Yixiao
27 China Reading Limited (23-04-2016)	Wang Zheng - Senior legal director, Chief legal advisor			Yinliang, Yixiao
28 MIGU Co., Ltd (23-04-2016)	Shan Lei- Deputy president			Yinliang, Yixiao
29 Music and Recording School, Communication University of China (23-04-2016)	Zhang Fengyan - associate professor			Yinliang, Yixiao
30 Tencent Rights Protecting Center (23-04-2016)	Zou Liangcheng- Director			Yinliang, Yixiao
31 Zhongnan University of Economics and Law (23-04-2016)	Xiong Qi-associate professor			Yinliang, Yixiao
32 CCTV (04-12-2013)	Michael Kaufmann - TV producer			Martina
33 Hogan Lovells (14-12-2013)	Stefaan Meuwissen -lawyer			Martina
34 European Patent Office (18-12-2013)	Carlo Pandolfi - Director			Martina
35 Metis IP (26-01-2016)	Xiao Long - Lawyer			Martina
36 Innovation Incubator (26-01-2016)	He Zhang - Director			Martina
37 UK Embassy (27-01-2016)	Tom Duke -IP Attache			Martina
38 IP Key (29-01-2016)	Benoit Misonne - leader			Martina
39 Blue Ocean Networks Beijing (30-01-2016)	Keely Stanley - Hollywood producer			Martina
40 Penguin China (29-02-2016)	Jo Lusby - Director			Martina
41 US Embassy (10-03-2016)	Joe Blank -IP Attache			Martina
42 China Entertainment (14-03-2016)	Matthew Alderson - lawyer			Martina
43 Universal Music China (21-03-2016)	Cerelinde Booth			Martina

44 China Media Management (25-03-2016)	Kristian Kender -Director	Anke Redl - Director		Martina
45 Irish Times (27-03-2016)	Clifford Coonan - Hollywood reporter			Martina
46 Sino-EU film festival (27-03-2016)	Jenny Men			Martina
47 IPR EU SME Helpdesk (28-03-2016)	Reinout van Malenstein - lawyer			Martina
48 PAE Pictures (31-03-2016)	Philipp Cerny - Director			Martina
49 (31-03-2016)	Alex Bonhomme, Managing Director			Martina
50 Trade Section EU Delegation to China (03-04-2016)	Benoit Lory - IP Director			Martina
51 Outdustry Music Rights (11-04-2016)	Ed Peto	Alex Teggard		Martina
52 Bird&Bird (12-04-2016)	Rieko Michishita - Lawyer	Zhao Lin- Lawyer		Martina
53 Int'l. Federation of Phonographic Industry Beijing (20-04-2016)	Guo Biao	Sunny Jin		Martina
54 Flightmoon Media, part of Huairun Media group (26-04-2016)	Zach Smith -Screen writer			Martina
55 Phoenix Insipision (28-04-2016)	Ray Wu -Director			Martina
56 China-Britain Business Council (03-05-2016)	Tom Simpson- Sector Head Creative Industries;	Yan Zhang - UK Trade&invest, creative industries		Martina
57 Tencent (09-11-2016)	Huang Jie - Legal consultant, Tencent general legal affairs	Dr Na Sun - Researcher, Tencent research institute		Xiaobei, Yixiao
58 Bridge Picture Ltd. Hong Kong (11-11-2016)	Stephen Lam- film producer, Founding Partner, CEO. Previously producer for HK GreatWall Film, Sil Methopole Organisation Ltd			Xiaobei

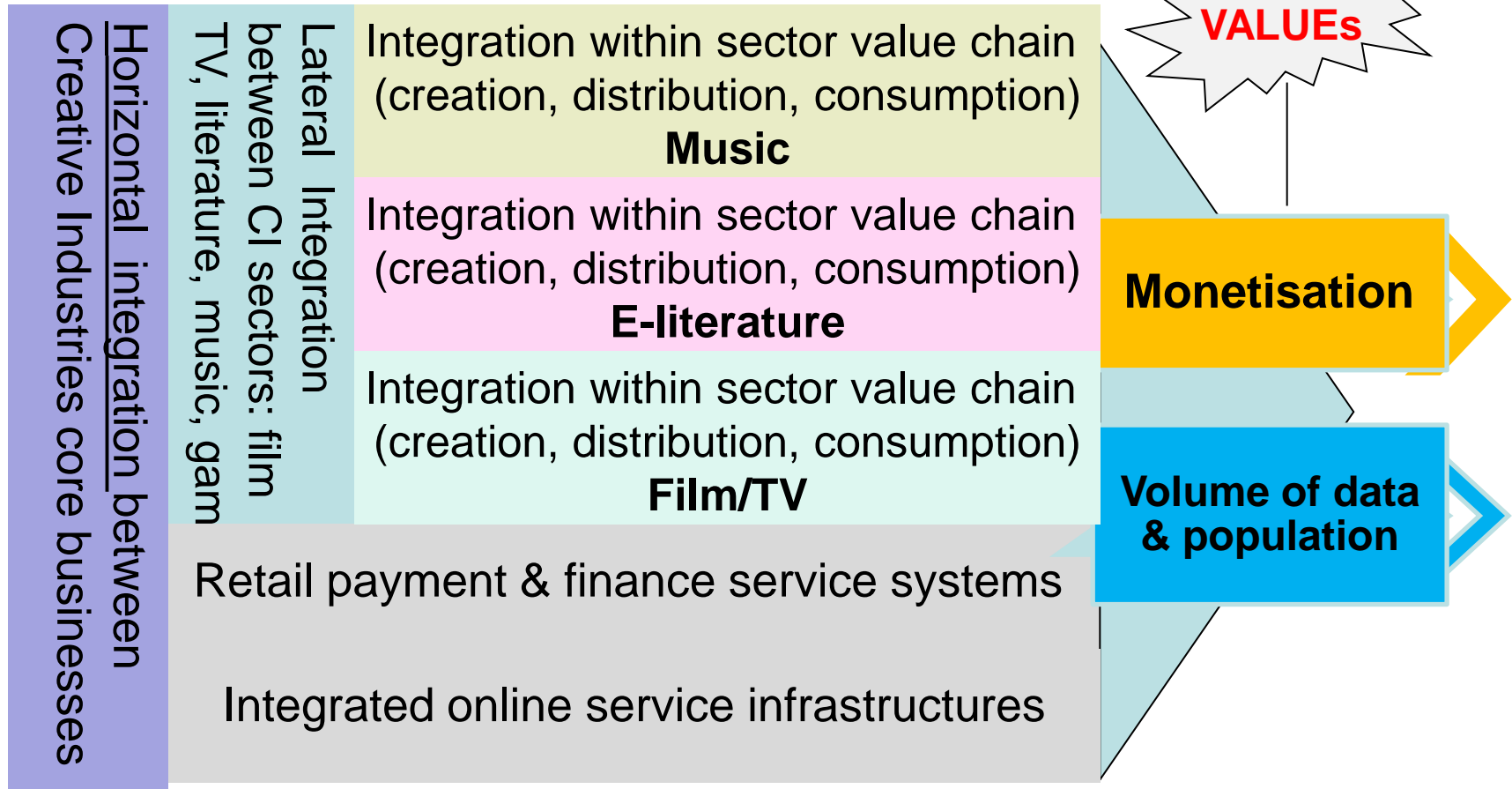
Research findings (Contexts)

- In the context of weak IP enforcement; absence of powerful rights owners (eg record companies with catalogue of artists/IP to protect); many start-ups offering free distribution of unlicensed content; Widespread experimentation at scale => diverse services: creates an emerging ecosystem “a hundred flowers bloom”
- Recent tightening of licensing– substantial investments needed to buy up licenses provokes rapid restructuring; M&A; Entry of cash-rich social media companies (Baidu, AliBaba, TenCent) with deep pockets which come to play a key role across a number of digital creative industries
- Recombination of many elements of digital creative industry business & service models to create a **radical extension of multi-sided models** (Belleflamme & Peitz 2016, Baden Fuller 2016), which may be able to mitigate the problems facing copyright protection regime

Dominance of BAT

- Integration/leveraging value along and around the Value Chain:
 - integrating creation, distribution and consumption:
Netizens/mobile users become major actors by performing, interacting, rating, commenting, financing, etc.
 - integrating (O2O-online and offline) complementary products and services (services for creators; merchandising, ticket sales etc)
- Integrating and leveraging value at different levels
 - Within specific Creative Industry sector
 - Between different Creative Industry sectors:
music, literature and film production and distribution, games etc
 - Integrating cultural industry businesses with other core business and commercial services

BAT Multiple Value Propositions



Conclusions

- Through extended processes of real-life experimentation, China has become a laboratory for the elaboration of new business and service models matched to her historical setting.
- Mangematin et al. (2014:2) “disassembly.. the shaking of existing business models of transaction and distribution.. and reassembly [using] new tools and architectures to interact with audiences and communities in selected creative industries”.
- Distinctive service models/value propositions which may provide templates for other developing and developed economies
- Our study has provided a snapshot of the emerging ecology of China’s new digital cultural industries. This is are only the early stage of extended evolution process.
- Further research is needed – longitudinal studies; multi-level studies: organisation <> sector

Future trends

➤ **Services are not yet self-sustaining**

- Spotify isn't yet profitable: 2016 lost \$206M on \$2bn revenue (85% for licensing fees)
- (when?) will this become an issue for the firms involved?

At some stage we may expect:

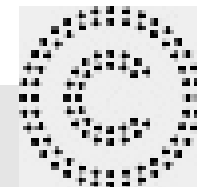
- shift from extensive growth
- Shake-out of services as financial viability becomes more salient

Question: *Will more stringent copyright protection in China inhibit further innovation (start-ups; service models)?*



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Understanding the social shaping of business

- Need to address these as dynamic processes
- c.f. limitations of snapshot studies;
- Researchers and practitioners needing to draw conclusions before 'facts of the case' become established
- Avoid premature judgements around particular cases/views



Understanding the social shaping of business

- Path dependencies shape future trajectories;
- first movers become entrenched - but are not the end of the story
- further evolution of ecology (c.f. sector/ecosystem models: stable boundaries/positions)
- The outcomes are not yet established – indeed they are still being shaped/contested
- Value of longitudinal and cross-national comparative assessments –to obtain different vantage points on these complex sets of developments