

China's e-cigarette inventor fights for financial rewards

October 2 2013, by Tom Hancock

The Chinese inventor who dreamed up the electronic cigarette in a nicotine-induced vision says that despite its global popularity, copycat versions and legal disputes mean he has battled to cash in on his creation.

"Smoking is the most unhealthy thing in people's everyday lives.... I've made a big contribution to society," said Hon Lik, 57, in a cramped office in Beijing, sending [tobacco](#)-scented smoke into the air as he puffed on a battery-powered pipe.

"But I don't live like a rich person, because of all the troubles our [company](#) has faced."

Hon, a soft-spoken man from northwestern China, is the co-founder of Ruyan, a company which has produced [electronic cigarettes](#) and cigars—starting at 68 yuan (\$11, eight euros)—for more than a decade.

His patents are set to be sold in a \$75-million deal with Britain's Imperial Tobacco, but Hon says he will see little of the windfall, and that years of copyright disputes and negative publicity have eroded his profits.

His battles highlight rising competition in a market that's skyrocketed to \$2 billion in global [sales](#), according to research firm Euromonitor International.

E-cigarettes, as the devices are commonly known, heat a liquid nicotine solution to turn it into vapour.

Manufacturers say a lack of tar and other ingredients, as well as an absence of smoke, makes the devices safer than conventional cigarettes. Research from the British medical journal *The Lancet* in August called them more effective than nicotine patches in helping smokers quit.

Early e-cigarette designs were drawn up in the US as early as the 1960s, but Hon is acknowledged among industry commentators as the first person to develop a viable commercial version.

He came up with his design in 2003 while working as a medical researcher and trying to quit a pack-a-day habit developed in his teens.

"In the evenings I sometimes forgot to take off my nicotine patch, which gave me nightmares all night," he said.

In one dream Hon said he found himself drowning in a sea that turned into a cloud of vapour, giving him inspiration for the product which he scribbled down on a bedside notepad.

After a year spent perfecting the design, he said, sales took off and by 2006 Ruyan was "producing 24 hours a day with demand still exceeding supply".

But that same year, media reports that described his products as addictive and causing heart attacks dented sales.

China's tobacco sales administration accused the company of irresponsible advertising and recommended Beijing shops stop selling its products.

Hon said China's state-run tobacco industry—a powerful lobby that contributes as much as 10 percent to total government revenues, according to the US-based Brookings Institution—was wary of the

competition.

"All tobacco companies disliked our products, especially the large ones, and they have influence over governments," Hon said, accusing the industry of driving some of the negative coverage.

"It's like how the inventor of a perpetual motion machine would receive pressure from the energy industry."

'Maybe in 20 or 30 years I'll be very famous'

Meanwhile rival firms sprang up in China and abroad. But Hon maintains they are copycats infringing patents owned by Dragonite International, a Hong Kong-listed company of which he is chief executive.

The firm has filed lawsuits against several manufacturers in the United States, and Hon said at least one has agreed to settle out of court.

"They have made some small adjustments, but their basic structure is the same," he said.

"If I received just one mao (\$0.02) from each cigarette sold, that would be a huge amount."

Hon's invention has also faced setbacks in Asia, with Australia, Singapore, Taiwan and Thailand banning the sale of e-cigarettes on safety grounds.

His biggest fear is that governments will classify them as medical products, as in Hong Kong—where sales are low—potentially limiting the market by subjecting them to standards they were not designed to meet.

His latest gambit is to team up with Europe's second-largest tobacco company, Imperial Tobacco, which has announced plans to pay \$75 million for the e-cigarette patents owned by Dragonite, in which Hon says he only has a small shareholding.

The inventor said the proceeds will be invested back into the company, and he will not get any immediate financial benefit.

Eric Bloomquist, an independent [tobacco industry](#) analyst based in London, said the patents may have been strong enough to be attractive to Imperial but that they could also lose relevance as the product evolves.

"They found the patents compelling," he said, but added that it was not clear "to what degree Dragonite's [patents](#) are critical components to the newest standards in the market".

Imperial said the acquisition would "further strengthen our growing presence in the e-vapour sector" but declined to elaborate.

Hon will remain in the e-cigarette business as adviser to Imperial—he says there's "nothing contradictory" about working with a [tobacco company](#)—and will also work on devising new [products](#).

He hopes his invention can eventually replace the conventional cigarette entirely—and perhaps bring him the recognition he says he deserves.

"It's like a digital camera taking over from the analogue camera. It needs time," he said.

"My fame will follow the development of the e-cigarette industry. Maybe in 20 or 30 years I will be very famous."

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