Overview of Chinese Patent Law

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Statutory Provisions Addressed: Chinese Patent Law

Abstract: *China's admission to the Word Trade Organization (WTO) in 2001 has brought increased attention to China's patent law including enforcement of intellectual property rights. In particular, procurement and enforcement of patent rights in China has become very important to many foreign companies as they expanded their technology-based presence in China. This paper discusses overview of Chinese Patent Law including the historical development of Chinese Patent Law, recent amendments to the Chinese Patent Law, patent filing and substantive examination in China as well as a post grant procedure.*

OVERVIEW OF CHINESE PATENT LAW

I. Historical Background for the Patent Legislation and the First Patent Law (1984)

1. Historical Background

After the end of the Second World War, China was in civil war for about 4 years. The Communist prevailed in the end. And, the People's Republic was founded in October of 1949.

The new leaders of China, who had far more experience in destruction than construction, copied everything from the Soviet Union, including Stalin's version of communist theory, and the Soviet Union's model of central planning economy.

Based on Stalinism theory, capitalism is inferior because it is built upon the private ownership of properties, especially land and production materials, which will inevitably lead to the exploitation of labor, civil inequity and injustice, non-solvable cycling problem of economic crises and imperialism.

Based on the same theory, China built up its new social and economic structure. Land was nationalized without remuneration, and redistributed among farmers (and later, the farmers were grouped into collective farms). Private businesses were gradually absorbed by the growing state-owned business. All state laws, regulations and public policies were designed to safeguard and honor state interest and public interest rather than private property and personal interest. However, private ownership of personal properties, including houses, and small businesses such as bicycle repair were tolerated.

Matters went to the extreme during the "Cultural Revolution" (1966 – 1976) when China was in high fever of communist "fundamentalism". The "Cultural Revolution" disrupted the social and economical development of the country, and turned the whole country into turmoil.

The "Cultural Revolution" ended officially in 1976 after Mao's death. At that time, the economy was at the verge of total collapse. When China began to look outward, people were astonished to realize that China was then technically and economically far behind the developed countries, such as, Japan.

China needed to catch up, but the question of how to do that was a heavily disputed issue. Ideas collided between fundamentalism and realism. The leaders eventually decided not to debate ideology, but just do what was good for the people and the country. Therefore, China started economic reform, and adopted the so-called "open-door" policy in late 1970's.

The leaders of the country had never been bothered by the question of whether to have a patent system or not in China until the end of the "Culture Revolution". Eventually, the first patent legislation was initiated by the end of 1970's.

2. The First Patent Legislation

The whole world was happy to see China get on track again after Mao's death. The world leaders at the same time pressed China to set up a patent system, to help China attract foreign investment. Internally, several ministries, especially the State Science Commission and the Ministry of Foreign Trade were strongly in favor of a patent system, and were working to get a patent law enacted (law drafting was the business of responsible government ministries).

In 1978, Mao's successor, Hua, the Chairman of the Communist Party, decided to give the State Science Commission the mandate for all patent-related matters. One year later, in October of 1979, the State Science Commission completed the feasibility study and submitted to the State Council a report proposing to establish a patent system in China.

There was strong opposition against the idea of having a patent system in China. Many others believed that a patent system would be beneficial for China, but not at this time. Most of the opposition came from industry. The concerns included, for example:

(1) China was technically behind many industrialized countries, which would mean fewer patent filings by domestic companies than foreign companies. In addition, Chinese companies had neither experience nor resources for patent filing strategy and policy. Therefore a patent system would benefit only for foreign companies.

(2) A patent system would mean no more free-copying of foreign technology, and China may have to pay heavy royalties to foreign licensors if a patent system was established.

In addition, there were also systematic and ideological problems.

(3) At that time, the economy was nearly monopolized by state-owned companies, which in turn were managed by respective government ministries. Inventions made by one company could, in fact, be shared among companies in the same industry. A patent system that provides monopoly power over inventions to an individual person or company was contrary to the philosophy and management structure then in place;

(4) Scientists were educated free of charge by the state, and in fact all scientists were working for the government or state-owned firms (there was no private industry at that time). Inventions made by the research scientists were therefore owned by the state. In other words, there was no reason to grant monopoly power to the inventors, and thus having to pay royalty for something that the state had already paid for; and

(5) A patent system would mean private ownership of property, which directly contradicts the prevailing communist theory existing at that time.

In any event, in view of the general policy of the state, the State Council approved the report on January 14, 1980, which resulted in the approval of the following:

(1) Start preparation of the drafting of a patent law;

(2) The types of patents including regular inventions, small inventions (utility models), and designs;

(3) Patent applications for regular inventions were to be examined;

(4) The form of patent were to be decided taking into consideration both the regular patent as was typical in industrialized countries, and the “inventor certificate” as was then typical in Soviet Union and other eastern European countries;

(5) Establish the State Patent Office; and

(6) Establish a patent agency to represent foreign incoming filings.

The decision by the State Council administratively ended the debate over the issue of appropriateness of a patent system for China. However, this was not the end of the whole debate. After a one-year study, discussion and hearings, the State Science Commission proposed the first draft of Patent Act in March of 1981.

In the report to the State Council, it was emphasized that China was a socialist country, and therefore the European type of patent system was not an appropriate model. At the same time, the Soviet Union type inventor certificate model also did not fit the Chinese reform policy. The report then proposed to take the Yugoslavian-Romanian model. Specifically, the inventors would be remunerated, and inventions made by state-owned firms were to be owned by the state. The firm will just “hold” the invention. Other state-owned firms would have the right to use the state-owned inventions, which was subject to royalty payment to the “holder” of the invention.

The Patent Act was then submitted to the Standing Committee of the People’s Congress for approval, where it again met heavy opposition by influential politicians until 1984 when it was finally passed.

3. The First Patent Law

The first Patent Law was passed by the Standing Committee of the People’s Congress on March 12, 1984 and came into force on April 1, 1985. The first Patent Law was quite “European” and can be summarized as follows:

Types of Patents:

Regular Inventions, Utility Models and Designs.

Duration of Patents:

15 year for regular invention patent from the filing date,

5 years for utility model patents and design patents,

extendable to 3 more years.

Unpatentable Subject Matter:

Scientific discovery;

Rules of mental activity;

Methods for the prevention and treatment of diseases;

Food, beverages and dressings;

Pharmaceuticals and substances obtained by chemical process;

Animal and plant varieties; and

Substances obtained through nucleus exchange.

Publication and Examination:

Regular patent applications will be published 18 months after the filing dates, and will be examined upon written request, which must be filed within 3 years from the filing date.

Utility model and design applications will be patented automatically upon preliminary examination.

Rejections and appeals:

Rejections made by the Patent Office can be appealed to the Patent Re-examination Board.

Board decisions on regular invention applications can be appealed to court. Board decisions on utility model and designs are final.

Opposition and Invalidation:

Oppositions can be filed with the Patent Office against an allowed patent within 3 months after the announcement of the allowance. The decisions made by the Patent Office can be appealed to the Patent Re-examination Board.

After the issuance of the patent, an invalidation request can be filed at any time with the Patent Re-examination Board.

The Board's decisions can be appealed to court.

The definition of patent right:

Patentees had the right to prevent others from making, using or selling the patented products, or using the patented processes for production or business purposes.

Non-infringing activities:

The use or sale of a patented product that was produced by the patent owner or produced with the patent owner's permission;

The use or sale of a patented product without knowing the fact that the product was produced and sold without the permission of the patent owner;

The production and use of a patented invention, where the preparation was ready before the filing date of the respective patent application;

The use of a patented invention on a vehicle that temporarily passed the Chinese territory; and

The use of a patented invention for scientific and research purposes.

In addition, the first Patent Law had the following features:

Foreign Filing License:

A Chinese company or individual must obtain a foreign filing permit before the intended foreign filing is made.

Assignment:

Assignment of a patent or patent application by a Chinese company or individual to a foreign company or individual must be approved by a competent government agency.

Ownership of patents:

The first Patent Law kept the idea of having the invention made by state-owned firms owned by the state, and allowing the firms to "hold" the patent. However, the idea of allowing all other state-owned firms to use state-owned inventions without the permission of the "holder" was dropped.

Patent Administrative Bureaus:

At the time the Patent Act was discussed in the early 1980's, the court system had just been re-established for only a few years. Already heavily burdened with criminal and civil law suits, and troubled with inadequate staffing and training, the court cautioned that it was not ready to hear patent-related cases. The solution to this problem was to create a quasi-judicial governmental agency as an option for patent owners and the public to settle their patent-related disputes. This agency was called Patent Administrative Bureau.

II. The Sino-US Trade Negotiation and the Amendment of the Patent Law (1992)

1. The Sino-US Trade Negotiation and Memorandum Of Understanding (MOU)

China and the United States started trade negotiations in 1989. The negotiation was connected with the annual review by the US government on China's most favored nation status.

The focal point of the negotiations was intellectual property protection in China. The US Government demanded China to revise the Patent Law to protect chemicals and pharmaceutical products, and to permit extension of US patents that had been issued from 1976 onward into China. On the list were also demands for revision of the Copyright Law, the promulgation of laws to protect trade secrets, and to place strict conditions for granting compulsory licenses.

The negotiation dragged on for two years without progress until 1991, when the US Government placed China on the Special 301 blacklist and threatened China with trade sanctions. The Chinese Government agreed to a compromise in the end. On January 17, 1992, shortly before the Chinese New Year, the two sides signed the well-known MOU in Washington D.C, in which the Chinese Government made the following commitments:

(1). To revise the Patent Law to protect chemicals and pharmaceutical products;

(2). To revise the Patent Law to include into the definition of patent protection for a process patent the right to prevent others from using, selling and importing the products directly obtained by the patented process;

(3). To revise the Patent Law to place strict conditions for the granting of

compulsory licenses;

(4). To revise the Patent Law to extend patent term for regular inventions from 15 years to 20 years; and

(5). To try to have the amendment passed by the People's Congress and implemented on or before January 1, 1993.

In addition, the Chinese Government agreed:

(6). To promulgate a law for the protection of trade secrets, and submit the bill to the People's Congress before July 1, 1993, and to try to have that bill passed by the People's Congress and implemented on or before January 1, 1994;

(7). To grant administrative protection for chemicals and pharmaceuticals that were patented in the US during the window period of from January 1, 1986 to January 1, 1993, for a period of seven and half years;

(8). To take border enforcement measures (custom procedure) to protect intellectual property; and

(9). Other undertakings in the field of copyright protection.

In return for the commitment from the Chinese side, the US Government agreed to extend patent term from 17 years to 20 years, and to terminate the investigation under Special 301 of the US Trade Law and to remove China from the watch list.

2. The Amendment of the Patent Law

As promised, the Standing Committee of the People's Congress passed the amendment on September 4, 1992, and the amended Patent Law came into force on January 1, 1993.

The major amendments of the Patent Law can be summarized as follows:

Duration of patent:

The patent term was extended for regular patents from 15 to 20 years, and for utility model and design patents from 5 to 10 years, with no further extensions.

Unpatentable subject matter:

Chemicals and pharmaceuticals were removed from the list of unpatentable subject matter.

Definition of Patent Right:

The patent right is now broadened to cover products directly obtained by patented processes; and importation of patented products and products obtained directly by patented processes.

Opposition:

Opposition procedure was changed to a post-issuance procedure (6 months after the issuance of patent), and re-named as “cancellation” procedure.

Compulsory license:

The granting of compulsory license can now be made under more strict conditions.

Burden of Proof:

Under the first Patent Law, the burden of proof was on the defendant in a patent litigation involving a process patent.

Under the amended Patent Law, the burden is reversed only if the patented process is for the production of a “new” product.

3. Other Commitments

To keep the other promises, including the protection of trade secrets, China promulgated:

Regulations on the Administrative Protection of Chemicals, and Regulations on the Administrative Protection of Pharmaceuticals (1992);

Anti-Unfair Competition Law (1993); and

Regulations on Custom Procedures for the Protection of Intellectual Property Right (1995).

III. WTO Accession and the Amendment of Patent Law (2000)

China succeeded in making accession into WTO on November 12, 2001. As the result of the negotiations, China committed again to review and revise the Patent Law.

Accordingly, the Standing Committee of the People’s Congress passed the second amendment bill on August 25, 2000, and the amendment became effective on July 1, 2001.

The second amendment can be summarized as follows:

Definition of patent right:

To make the Patent Law in compliance with the TRIPS Agreement, the Patent Law was revised to grant patentee the right to prevent others from “offering for sale" patented products or products obtained directly by patented processes.

In the revised Patent Law, Article 11 reads: "after the grant of the patent right for an invention or utility model, except as otherwise provided for in the law, no entity or individual may, without the authorization of the patentee, implement the patent, namely make, use, offer for sale, sell or import the patented product; or use the

patented process, or use, offer for sale, sell or import the product directly obtained by the patented process, for production or business purposes."

Non-infringing acts:

Before the amendment, Article 62 of the Patent Law provided that the act of use or sale of a patented product without knowing the fact that the product was produced and sold without the permission of the patent owner was not an act of infringement. This non-infringing exemption had been proven to be one of the major problems for the successful enforcement of patents, since the user or seller of patent-infringing products could always get away from infringement liabilities by a simple indication of their “ignorance” on the existence of the patent rights. The non-infringing exemption made it impossible, in many cases, for a patentee to track down the producer of the product, and to effectively stop the whole infringement activities.

In the revised Patent Law (Article 63), "use or sale without knowledge" was deleted from the list of non-infringing acts. A separate paragraph was added which stipulates that a person who uses or sells a patented product or a product directly obtained from a patented process is not liable for infringement damages, if the uses or sale was done not knowing that it was made and sold without the authorization of the patentee, and if the person could prove that the product comes from legitimate sources.

The revision makes the act of use or sale of patent-infringing product an act of patent infringement irrespective of the knowledge of the user/seller. This enables the patentees to either sue the user/seller for patent infringement, and / or to force the user/seller to produce the information that may lead to the finding of the producer.

The revision further limits the exemption of liability on the user and seller of patent-infringing products, because it requires proof of legitimate sources of the product.

Damage calculation:

For the first time, the revised Patent Law provided for the methods for calculating infringement damages (Article 60). According to the revised law, damages are calculated according to the loss suffered by the patent right holder or the profit made by infringer as the result of the infringement. In case it is difficult to determine the loss or profit, the damages should be reasonable multiples of the royalties of a patent license.

A statutory damage of up to RMB500,000 (approximately USD60,000) may be granted if the profit of the infringer or the loss of the infringed cannot be determined (The Supreme Court interpretation, June 19, 2001).

Preliminary Injunction:

The revision of the Patent Law introduced a preliminary injunction procedure (Article 61). This was a very significant event in the development of the Chinese legal system because it was the first time for China to introduce such a procedure into the law. It is in fact a procedure of preliminary injunction in combination with property

preservation. Article 61 provides that a patentee may request the court to grant a preliminary injunction and the preservation of property if the patentee can show, to the satisfaction of the court, evidences of ongoing infringement or infringement in preparation, and that irreparable damages will be incurred upon the patentee if the infringement is not promptly stopped.

A guarantee must be provided before the preliminary injunction order is issued and formal complaint must be filed within 15 days (The Supreme Court Interpretation, June 7, 2001).

Opposition procedure:

As discussed above, the amendment of the Patent Law in 1992 changed the previously pre-issuance opposition procedure into a post-issuance "cancellation" procedure. A cancellation request should be filed with the Patent Office, and the original examination department was then to reconsider the allowability of the issued patent. The idea of the opposition/cancellation procedure was to allow the Patent Office to cure its mistakes. Correspondingly, the official fee for opposition/cancellation was also substantially lower than the fee for invalidation.

However, the practice after the amendment of the Patent Law showed that coordination of the two post-issuance procedures, namely the cancellation procedure and the invalidation procedure was quite troublesome. The opposition procedure not only added the burden on the Patent Office, but also overlapped with the invalidation procedure. It was then decided to abolish the cancellation procedure. The only procedure to decide the validity of an issued patent is now the invalidation procedure.

Appealability of Board decisions:

To comply with the requirement in the TRIPS Agreement, the Patent Law was amended so that decisions made by the Re-examination Board on the allowability and validity of utility models and designs can now be appealed to the court.

One oral hearing for the amendment of the Patent Law organized by the Legislative Office of the State Council and the Patent Office were held in early spring of 2000. The participants were patent attorneys and government officials from the local Patent Administrative Bureaus. In addition to the issues officially identified and proposed, the participants, mainly patent attorneys, strongly proposed to make the following revisions:

(A) To abolish the foreign filing license requirement;

(B) To abolish the government approval requirement for the transfer of patent/applications from Chinese individuals /companies to foreign individuals and companies;

(C) To restrict or abolish the Patent Administrative Bureau; and

(D) To adopt the terms in the Patent Law to be in harmony with the gradually reformed economic structure of the country (for example holding v. ownership).

The proposals were widely supported by the participants, and many of the ideas were finally reflected in the amended Patent Law.

Foreign filing license:

The Patent Law before the second amendment required that Chinese entity or individual who intends to file in a foreign country an application for an invention made in China should first file a patent application in China and obtain approval from the competent authority of the State Council. The law was to be understood that the government ministries responsible for the respective area of industry or technology would have the power to grant such licenses. However, that had never been clarified. Thus the requirement was in effect inoperable. The reality was that some of the ministries were not aware of having the power to grant such licenses, and they did not like to be bothered by such a meaningless duty. This simple fact had created difficulties for many applicants and attorneys. Besides, the political reform on the government structure had gone so far that the ministries and agencies had been relieved of their traditional duty of running the respective industries, and many ministries and agencies had even been completely dissolved.

In view of this, the revised Patent Law abolished the requirement on foreign filing licenses. However, the requirement for first to file in China was still the law (Article 20).

Transfer of patents/patent applications:

The Patent Law before the second amendment required that assignment of patents and patent applications from a Chinese company or individual to foreigners should be approved by the competent authority of the State Council. This requirement was also inoperable since it had never been clarified as to who was the "competent authority."

This issue was hotly debated during the hearing. The proposal to abolish the government approval requirement for the transfer of patents/patent applications was not adopted, and thus the requirement is still the law (Article 10).

However, it has now been clarified by the Patent Office in its Decree No. 94 (December 26, 2003) for the transfer of patents/patent applications, that the procedure stipulated in the Regulations on the Administration of Technology Import and Export should apply.

Compulsory Licenses

The Patent Law has made several changes regarding compulsory licenses, which bring its in compliance with Article 31 of GATT TRIPS. For example, as recited in Article 50, where an invention or utility model patent involves an “important technical advance of considerable economic significance” in relation to an earlier issued patent and the exploitation of the later invention or utility model depends on the earlier invention or utility model (e.g. an improvement), the Patent Administration Authority can, upon request by the later patentee, grant a compulsory license to the earlier patent. The patentee must be provided with timely notice stipulating the scope and duration of the license. The patentee may petition the Patent Administrative Authority to issue a decision to terminate the license once the reason for granting the compulsory license ceases to exist. In addition the decision is subject to judicial review if either the patentee or the licensee is dissatisfied with the license fee stipulated under the compulsory license (which is a change from the earlier

law).

Patent Administrative Authorities:

The debate on whether to abolish or keep the Patent Administrative Bureaus was heated. One side reasoned that this was originally a temporary solution, and it had to come to an end, especially in view of the fact that China now already has a reliable and capable court system. The other side simply argued that the Bureaus had to be there because they already existed.

In the end, it was decided to keep the Bureaus. According to the revised Patent Law, the functions of the local patent administrative authorities remain basically unchanged, but some unclear issues were clarified.

According to the revised Patent Law, Patent Administrative Bureaus are set at the provincial level (Article 3). This means the closing down of many sub-bureaus that were in place in many provinces. The Bureaus are granted the power to decide on infringement issues. The decisions are subject to the court review through administrative procedure. However, the Bureaus have no power to execute their decisions. In case of defiance of their decisions by any party, the Bureaus must seek the courts' assistance. The Bureaus also have no power to decide infringement damages. They can only mediate settlement between the disputed parties provided that the parties accept such mediation (Article 57).

Ownership of inventions:

In view of the economic and political reform that had been going on for years, it was no longer appropriate to stipulate in the law, expressly or impliedly, that the inventions made by state-owned companies are owned by the state, and the companies only "hold" the patents. In other words, "holding" no longer had any meaning in practice. In view of this, the revised Patent Law replaced the term "hold" with "own".

Additionally, there were other noteworthy changes in the amended Patent Law.

Duty of information disclosure:

Before the second amendment, the law required patent applicants to disclose information that was material to the examination, especially search reports and examination results of corresponding foreign applications, at the time of requesting substantial examination. Failure to meet the requirement would result in the application be deemed withdrawn.

In the revised Patent Law, the requirement was reduced to a minimum. Now, applicants are only required to submit search reports or other documents upon receipt of official notice from the Patent Office (Article 36).

Use of inventions owned by state-owned companies:

Sixteen years after the promulgation of the first Patent Law, the idea of copying the old Yugoslavian-Romanian patent system that was abandoned at the last minute of

the first patent legislation came back again.

In the revised Patent Law, it is stipulated that the State Council may decide to designate certain companies to use a patented invention owned by a state-owned company, if the interest of the state or the interest of the public dictate such use. In such cases, the government will decide the appropriate amount of royalty to be paid to the owner of the patent (Article 14).

The current Patent Law is provided as Appendix A of this paper.

IV. Patent Filings

The State Intellectual Property Office (SIPO) in Beijing and its local/regional offices are responsible for patent administration and enforcement in China. Patent applications can be filed with SIPO in Beijing or, if foreign priority is not relied upon, in a regional acceptance office (Shanghai, Guangzhou, Tianjin, Xi'an, Changsha, Nanjing, Jian, Shenyang, Chengdu, Wuhan, Zhengzhou, Shijiashuang, Harbin and Changchun).

The Patent Law is enacted to protect patent rights for "inventions-creations" (Article 1) which is defined in Article 2 as "inventions, utility models and designs". Unlike the US, China has numerous nonstatutory categories that are unpatentable per se, including "scientific discoveries, rules and methods for mental activities, methods for the diagnosis or for the treatment of diseases, animal and plant varieties (with the exception of processes for producing animal and plant varieties) and substances obtained by means of nuclear transformation. Furthermore, under Article 7 of the MPEG, biotechnology related inventions that are contrary to social morality, or detrimental to the public interest, such as methods of cloning humans, humans cloned, methods of modifying the human biological protection system and industrial or commercial application of human embryos are not patent eligible.

As recited above, there are three types of patent in China: invention patents (also referred to herein as "regular invention patents") utility models and design patents (Article 2). Regular invention patents have a duration of twenty (20) years from filing, whereas utility models and design patents are ten (10) years from filing (design patents have a duration of 14 years from the date of issuance in the US and 15 years from the date of registration in Japan).

V. Patentability

According to Article 22 of the Patent Law states that any "invention or a utility model for which patent right may be granted must possess novelty, inventiveness and practical applicability." Quasi-enablement and best mode requirements similar to 35 *USC* 112 are also required for properly drafted patent applications (*China Intellectual Property For Foreign Business, Catherine Sun, LexisNexis Butterworths, 2004).*

Chinese Patent Law requires absolute novelty (Article 22). Public disclosure in publications anywhere in the world destroys novelty, however, only public *use* or if *made known public by other means* outside China are not novelty destroying. Thus, an oral disclosure or use outside of China prior to the filing date is not considered prior art under Chinese Patent Law. Inventive step is similar to the European

inventive step and the US obviousness standards. To overcome an inventive step rejection, a regular invention must have "prominent substantive features and represents a notable progress" while utility models have a lesser standard of having "substantive features and represent progress". As with the US standard of utility, the practical applicability standard is not a difficult standard to meet.

VI. Priority, Pre and Post Grant Examination

Like Europe and unlike the US, China's Patent Law awards a patent to the first applicant filing the patent (Article 8). Article 29 defines the priority claims in China. Specifically Article 29 recites: "within twelve months from the date on which any applicant first filed in a foreign country an application for a Patent for invention or utility model, or within six months from the date on which any applicant first filed in a foreign country an application for a patent for design, he or it files in China an application for a patent for the same subject matter, he or it may, in accordance with any agreement concluded between the said foreign country and China, or in accordance with any international treaty to which both countries are party, or on the basis of the principle of mutual recognition of the right of priority, enjoy a right of priority." The patent applicant must claim the foreign priority within three (3) months after filing the Chinese patent application.

Invention patent applications are subject to substantive examination which must be requested within three (3) years from the filing date (Alternatively, SIPO can conduct substantive examination on its own accord (Article 35)). Invention patent applications are published eighteen (18) months after filing and passing a preliminary examination. If the invention patent application is determined to be in compliance with the Patent Law, including the novelty, inventive step and practical applicability requirements, an invention patent will be issued.

In the event a final rejection is issued, the applicant may, within three (3) months, appeal the decision to the Board seeking "re-examination" (Article 41). A panel formed by the Board will re-examine the re-examination application and overturn the final rejection and remand for further examination or affirm the final rejection (Article60 of the *Implementing Rules* and *China Intellectual Property For Foreign Business, Catherine Sun, LexisNexis Butterworths, 2004).* The decision of the Board can be appealed to the Beijing Intermediate People's Court No. 3 Civil Tribunal within three (3) months of the Boards decision.

As stated above, the post-grant procedure now available is invalidation. Articles 45, 46 and 47 of the Patent Law addresses the invalidity proceedings of an issued patent. An entity or individual can initiate a request the Board (Patent Re-examination Board) to declare a patent invalid. The Board shall examine the request for invalidation, make a decision and notify the person who made the request and the patentee. A decision declaring the patent invalid shall be registered and announced by the State Council. As with re-examination (referred to above), a decision of the Board may be appealed to the people's court.

A flow-chart illustrating the examination of invention patent applications, utility model and design patent applications, re-examination and invalidation procedures in China is provided as Appendix B. Furthermore these procedures are more fully defined in Chapters IV and V of the Patent Law (provided as Appendix A).

VII. Inventorship

In China, a patent may be filed by an individual or an entity. If an inventor invents in the course of his employment or uses mainly the materials and technical means of his employer, the right to file for a patent belongs to the entity (his employer). If two or more individuals or entities jointly develop an invention, they are both considered to be inventors. However, whether it be between two entities, two individuals, or an entity and an individual, if there is a contract between the parties, the contract shall govern. (Articles 6, 7 and 8)

VIII. Patent Statistics

Despite the relatively short time period in which China has had a formal patent law, a significant number of patent applications have been filed in China. For the statistics provided by SIPO, the amendments in 2000 and the efforts to comply with GATT TRIPS have resulted in a significant increase in patent filings in China (http://www.sipo.gov.cn/sipo_English/gftx_e/ndbg_e/2002nb_e/t20030425_13508.htm). The statistics published by SIPO are provided herein as Appendix C.

IX. Tips for Patent Procurement

1. In recent years, the examination of patent applications in the field of chemistry and pharmaceuticals has been getting slightly stricter on data requirement (e.g., working examples). The rational has been that the applicant is only entitled to an invention that is reasonably broader than what has been really done in the laboratory.

In view of the ongoing evolution of the examination theories, one tip would be to include more data and/or examples in the disclosure to reduce the risk of being found defective.

2. The Patent Office has been in the process of recruiting and training new Examiners since 1998 in an effort to try to reduce examination backlog. This effort has now paid off and the examination backlog has been reduced to about 2 years, and in some areas, shortage of cases has even become a problem.

Most of the examiners who are now issuing Office Actions are quite young. They are college graduates with one to three years of training or working experience in the Patent Office. They are young, energetic, productive, and at the same time, not fully experienced. This means that most examiners are flexible, and relatively easier to convince, as compared to their senior colleagues who are set in their ways.

Another tip to keep in mind is to find a good attorney to present your case (of course everybody knows this, but this is still a “tip”).

3. The Patent Office changed its internal working quota system quite recently. According to the new system, an Examiner who finally rejected an application and then received the file remanded from the Board for reconsideration will receive no “point” (previously, it was just the opposite). This discourages the Examiner from issuing final rejections.

Years ago, it was prevalent to make second Office Action final. Now, one should not be surprised to see third Office Actions or even phone calls from the Examiner to further the prosecution of the patent application.

4. As explained above, a regular invention patent has a duration of twenty (20) years from filing, whereas a utility model has a duration of ten (10) years from filing. Furthermore, a utility model is not subject to substantive examination, but rather is subject only to formality examination, and is thus quickly registered/issued (e.g., within 8 months). With this in mind, a patent applicant may consider filing both a utility model patent application and a regular invention patent application. While the filing of both a utility model patent application and a regular invention application is permissible, patents on both may not coexist. Thus, if filed simultaneously, the utility model should issue and the regular invention application will be subject to examination (which will be requested within three (3) years from filing. Once the regular invention patent application I substantively examined, the examiner should find the corresponding utility patent. Once the regular patent application is allowable, with the exception of the existence of the utility model, the examiner will request that the applicant elect either the utility model patent or the regular invention patent application. Failure to make the election shall render the regular invention patent application withdrawn. A renouncement of the utility model will result in the utility model patent being withdrawn on the date of issuance of the regular invention patent. In the event that the examiner does not reject the regular invention patent application in view of the utility model, the applicant must let the utility model lapse upon issuance of the regular invention patent.

5. Final tip, push a bit stronger than before (don’t give up too easy).

APPENDIX A: CHINESE PATENT LAW
APPENDIX B: FLOWCHART OF PATENT PRACTICES IN CHINA
APPENDIX C: CHINESE PATENT STATISTICS