



## SECURING YOUR RIGHTS IN A CHANGING CHINA

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liaison offices in the U.S.

# Patent Protection in China

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# 01

## BACKGROUND INFORMATION FOR PATENT PROTECTION IN CHINA



# Reasons of Getting Protection in China

- ❖ Lots of things are manufactured in China
- ❖ Two real examples (enforcement factor; Filing utility model even lack of novelty)
- ❖ Defensive publication
- ❖ Important proposed amendments in fourth revision of Chinese patent law to address enforcement issues:
  - 1) difficult burden of proof for appropriate damages;
  - 2) long cycle;
  - 3) low compensation;
  - 4) high cost and poor result;





# Draft fourth amendment

- ❖ Reduce the difficulty of providing evidence for calculating damages
- ❖ Add willful infringement (one or five times of the calculated damages or statutory damage)
- ❖ Raise statutory damage from RMB 10,000-1,000,000 to RMB 100,000 - 5,000,000 ( about USD744,000 ) .



- ❖ Add joint liability of e-commerce platform in the case of known infringement.
- ❖ Reinforce local patent offices' power on evidence inspection and products seizure. Mediation agreement facilitated through local patent office can be mandated enforced.

# Types of Patent

Invention patent (similar to utility patent in the US)

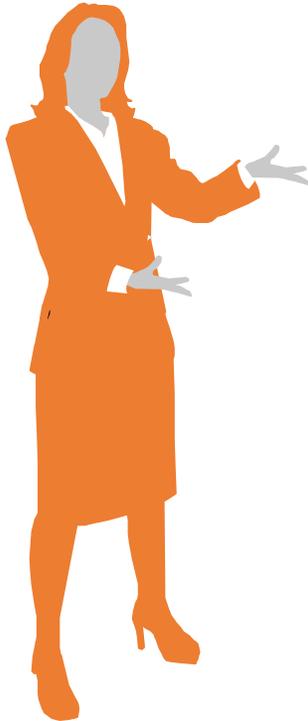
Utility model (no such category in the US)

Design

## Invention patent

- subject matter: machine, manufacture, process, composition of matter;
- term: 20 years from Chinese filing date (international filing date);
- it takes about 3 years from filing to issuance.

# Utility Model



- ❖ Subject matter: fixed shape and/or structure (exclude process, microstructure, unfixed shape or structure);
- ❖ Preliminary examination (between formality review and substantive examination);
- ❖ No prior art search;
- ❖ Lower inventive step requirement;
- ❖ Low cost;
- ❖ Short pendency: three years (invention) v. eight months (utility model);



# Utility Model

- ❖ Enforce patent earlier;

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- ❖ Term: 10 years from Chinese filing date (international filing date);

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- ❖ Good for short-life product;

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- ❖ One of largest damages ever granted by a Chinese court was awarded to an utility model patentee (Schneider v. Chint USD47 million);

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- ❖ Filing invention and utility model on the same day is not available for Chinese national stage cases;

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# Invalidation Rates of Three Types of Patent

Type of patent	Completely upheld rate
Invention patent	45.66%
Utility model patent	34.09%
Design	41.80%



# Dual filing

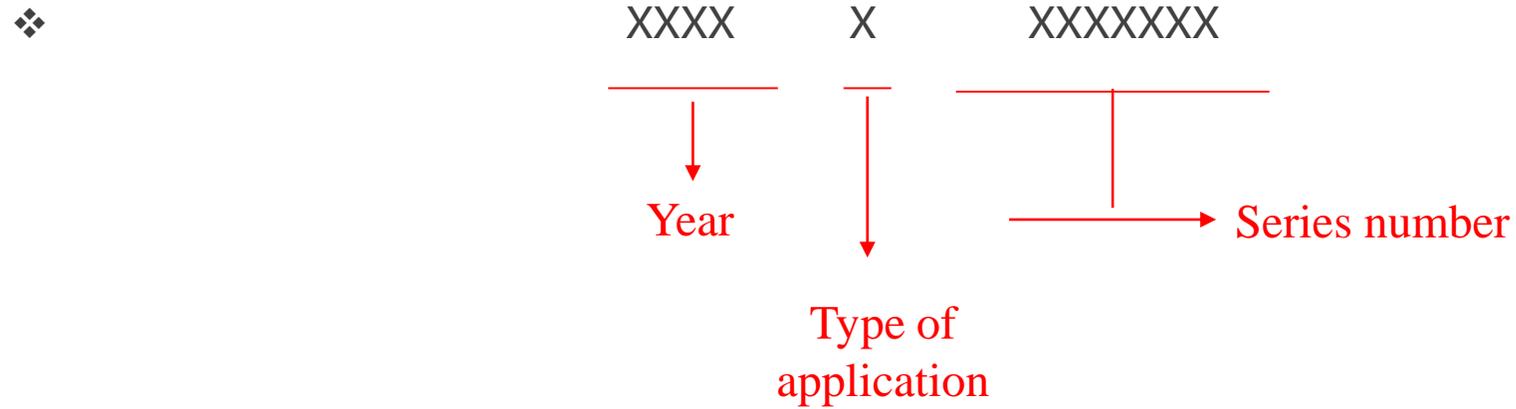
- ❖ Filing an invention and utility model on the same day;
- ❖ Filing invention and utility model on the same day is not available for Chinese national stage cases;
- ❖ Patentee can get a utility model patent quickly and enforce it
- ❖ Choose which one to keep once the invention patent becomes mature to grant.

**Thus, the patentee can enforce a utility model very quickly and can extend the enforceable time on essentially the same invention.**

# Q Design

- ❖ Subject matter: any new ornamental design of the shape, the pattern, or their combination, or the combination of the color with shape or pattern, of a product.
- ❖ Partial design cannot be protected under the current Chinese patent law.
- ❖ Single design application with multiple designs (similar designs of same product or products normally sold or used in sets under same design concept).
- ❖ It normally takes 8-12 months for the Chinese Patent Office to issue a design patent.
- ❖ Different from a US design patent, a Chinese design application does not go through substantive examination.
- ❖ Annuities must be duly paid to maintain a Chinese design patent.

# 💡 Patent Application Number



- ❖ Year: year of international filing date
- ❖ Type: 1- invention application;  
2-utility model application;  
3- design application;  
4-invention application from a PCT;  
5-utility model from a PCT;
- ❖ Patent number and application number share the same number

## ❖ Additional claim fee and application size fee

Matters	Chinese Patent Practice	US Patent Practice
Additional Claim fee	<p>More than 10 claims; no more claim fee after application is filed or after the PCT is entered the Chinese national stage;</p> <p>For a PCT entry case, it is calculated based on the claims filed on the International Filing date.</p>	<p>1. More than three independent claims;</p> <p>2. More than 20 claims;</p> <p>3. Multiple dependent claims;</p> <p>For a PCT entry case, it is calculated based on the preliminary amendment when the claim fee is paid.</p>
Application size fee	<p>specification including drawings each page in excess of 30 pages or each page in excess of 300 pages</p>	<p>each additional 50 sheets that exceeds 100 sheets</p>



# Issues for R&D in China

- Foreign Filing License
- Grace period: no US one-year grace period
- Inventor remuneration: 2% of profits for inventor (contract); applies entities in China
- Collect information for inventions
- Create IP protection environment for R&D facilities in China
- First applicant for Chinese patent filings
- Where to file first, which firm responsible for drafting, in which language, how to review, which firm responsible for drafting response to Office Action

# Foreign Filing License

- ❖ Part or whole invention is made in China
- ❖ Does not apply to design cases
- ❖ Get a FFL to file a provisional in the US and get another FFL to file a non-provisional
- ❖ Three approaches to obtain a FFL.

## ❖ *Approach one - PCT*

- ❖ a PCT application in English or Chinese at the Chinese Receiving Office is deemed that we file a Request for FFL at the same time.
- ❖ It takes 2-4 weeks to get the result of FFL. If we pass the FFL, the Chinese Receiving Office will transmit the PCT to the International Bureau, which can be learned from form PCT/RO/105.

## ❖ *Approach two – just a request for FFL*

- ❖ The description of the technical in Chinese language is required.
- ❖ It takes 2-4 weeks to get the decision of FFL

## ❖ *Approach three - Filing a CN Application with FFL Request*

- ❖ The application must be in Chinese.
- ❖ It takes 0-2 weeks to get the decision of FFL. Sometimes we got the decision on the same day when we filed the request.

# Extending to Hong Kong

## ❖ Reasons of filing in Hong Kong:

-port of Hong Kong is one of the largest in the world

-From the business perspective, Hong Kong is commercially active. home to some of the largest -trade shows in the world (Hong Kong Electronics Fair, the Hong Kong Optical Fair, and the Hong Kong Houseware Fair)

-Speaking from the enforcement perspective, Hong Kong Customs are efficient and well equipped. Once the patentee gets a solid patent right and a favorable decision from the court, the customs can effectively seize and seal the infringing product. It can put up one more obstacle for Chinese exporters and to protect a potentially important consumer market.

-If the infringement is only revealed in Hong Kong but not in Mainland China, the only choice is to enforce the patent right in Hong Kong based on Hong Kong patent. A Chinese patent does not work.



# Extending to Macau

- ❖ Application step and registration step
- ❖ Two approaches to carry out the two steps.
- ❖ Approach One:
  - carry out the application step at any time when the Chinese national stage case is pending.
  - after the Chinese case is issued, carry out the registration step within three months from the issue date of the Chinese case.
- ❖ Approach Two
  - within three months from the issue date of the Chinese case, take the application and registration steps together as a single step.
- ❖ Approach Two is recommended

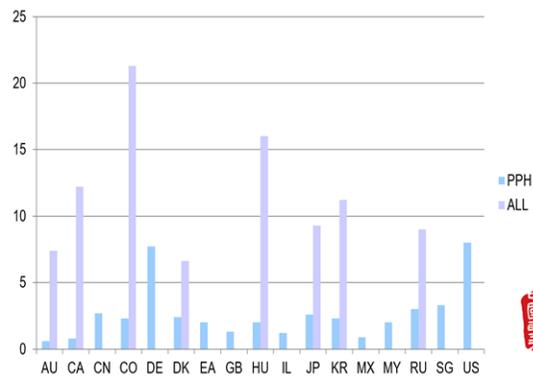


# 02

## COST-EFFECTIVELY OBTAIN STRONG PATENT PROTECTION IN CHINA

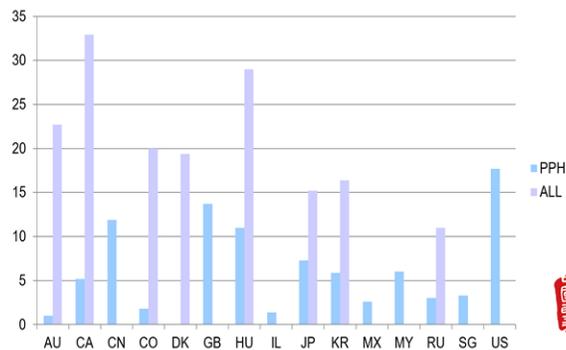
审批加快 (以常规PPH为例)

一通周期 (2016年1 - 6月)



审批加快 (以常规PPH为例)

结案周期 (2016年1 - 6月)



我国PPH数据

(2016年1-6月期间)

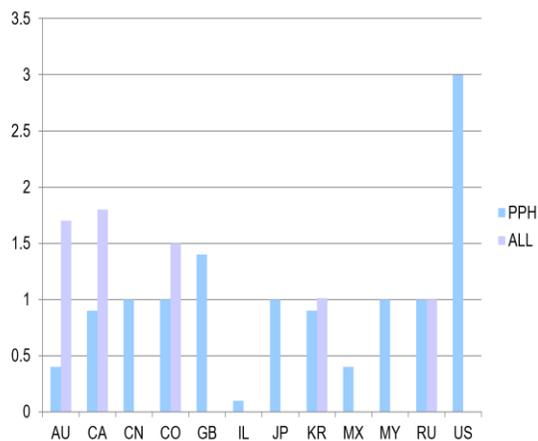
- 一通周期
  - 从PPH请求到发出一通
  - 2.7月
- 结案周期
  - 从PPH请求到结案
  - 11.9月
- 通知书次数
  - 1.0





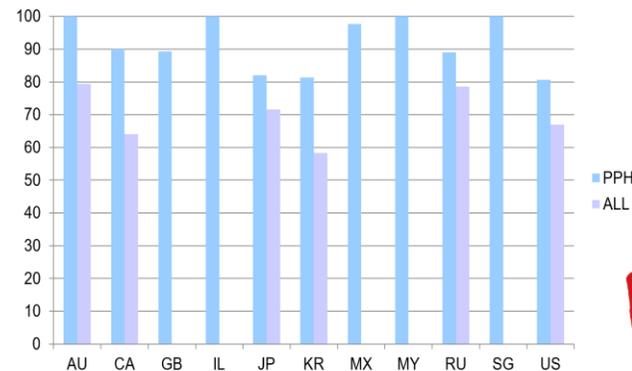
节省费用-通知书次数减少 (常规为例)

通知书数量  
(2016年1 - 6月)



授权率高 (以常规PPH为例)

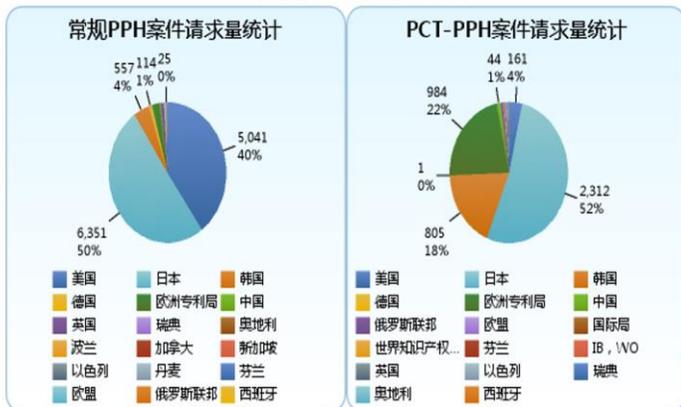
授权率: 提高审查结果的可预见性  
(2016年1 - 6月)





## PPH数据

外国申请人提交的PPH请求数量  
(截至2016年6月30日)



Total: 12932

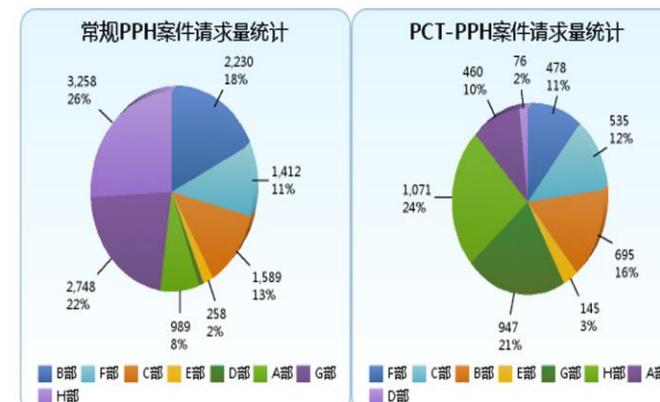
Total: 4326

22



## PPH数据

外国申请人提交的PPH请求的IPC分布  
(截至2016年6月30日)



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# PCT-PPH/PPH Benefits



Cost saving : Fees for responding to OAs; Fees for appeals



Special status



Reduced overall pendency  
(Average pendency of Chinese Patent Office: 22 months;)



# Financial Assistance

Locations	Eligibility	Scope of financial assistance
*Shanghai	First applicant is located in Shanghai	<p>Chinese filings:</p> <ol style="list-style-type: none"> <li>1. After filing, 80% of government fees (filing fee, additional claim fee and application size fee, publication fee, fee for claiming a priority) is granted; After issuance, 100% of examination fee, issue fee, and 80% of second annuity and third annuity are granted. No more than RMB2,000 per issued Chinese invention patent.</li> <li>2. 50% of government fees of utility model from filing to issuance is granted after issuance.</li> <li>3. 60% of government fees of design from filing to issuance is granted after issuance.</li> </ol> <p>Foreign filings:</p> <ol style="list-style-type: none"> <li>1. no more than RMB30,000 (USD4,350) per issued invention/utility patent in other countries. No more than 5 countries.</li> <li>2. no more than RMB3,000 (USD435) per issued design patent in other countries. No more than 3 countries.</li> </ol> <p>Hong Kong, Taiwan and Macao filings: no more than RMB5,000 (USD725) per patent.</p>
*Pudong, Shanghai	First applicant is located in Pudong	<p>Chinese filings: After filing request for substantive examination and pay the fee, RMB1,500 (USD217) is granted; After issuance, RMB2,000 (USD290) is granted.</p> <p>Foreign filings:</p> <ol style="list-style-type: none"> <li>1. RMB7,500 (USD1,090) per PCT application.</li> <li>2. 50% of total costs but no more than RMB20,000 per issued patent outside China.</li> <li>3. Maximum subsidy of foreign patents is RMB 1 million (USD145K).</li> </ol>

# Filing Utility Model and Design

- ❖ Subject matter: fixed shape and/or structure (exclude process, microstructure, unfixed shape or structure);
- ❖ Preliminary examination (between formality review and substantive examination);
- ❖ No prior art search;
- ❖ Lower inventive step requirement;
- ❖ Low cost;
- ❖ Short pendency: three years (invention) v. eight months (utility model);
- ❖ Enforce patent earlier;
- ❖ Term: 10 years from Chinese filing date (international filing date);
- ❖ Good for short-life product;
- ❖ One of largest damages ever granted by a Chinese court was awarded to an utility model patentee (Schneider v. Chint USD47 million);
- ❖ Filing invention and utility model on the same day is not available for Chinese national stage cases;
- ❖ Single design application with multiple designs;

# High-tech Certification

## I. Definition and History

- **Definition:** a company which is registered in Mainland China and carries out business activities by exploiting intellectual properties owned by itself.
- **History:** 2008--implemented in accordance with the tax laws of China; 2016--updated Administrative Measures for Certification of High-tech company comes into effect and has remained effective so far.

## II. Requirements

- Last for more than one year
- Own intellectual property
- Belong to specific areas (Yes for HPE)
- Personnel requirements
- Research and development expenditure requirements
- Revenue requirements
- Innovation capability requirements
- Compliance requirements

## III. Nationwide Tax Break and Time

- **Tax Break:** reduced income tax rate of 15%, instead of the general rate of 25%.
- **Time:** three years only. Commencing on the date when the certificate is issued, and thus the reduction of income tax will be valid for the same three years. Companies may re-apply for certification after the first three-year term lapses.

## IV. Procedure

After submission of the application, the filed papers will be appraised by a panel of experts. The authority will, based on the opinions of the expert panel, examine the application and make the decision.



# 03

## COMPARISON WITH US PATENT PRACTICE AND CHINESE PATENT PRACTICE

# Comparison with US Patent Practice and Chinese Patent Practice (Cont.)

- ❖ Importance of understanding the differences (change practice according to the differences);

Matters	Chinese Patent Practice	US Patent Practice
Request for Continued Examination	No	Yes
Divisional application	Yes (due date of filing: issue date of Notice of Allowance + 15 calendar days +2 months)	Yes copending
Continuation in part	No Practice: claim a domestic priority within 12 months	Yes

# Comparison with US Patent Practice and Chinese Patent Practice (Cont.)

Matters	Chinese Patent Practice	US Patent Practice
Inventorship	<ol style="list-style-type: none"><li>1. Inventors only have a right to put their names onto the patent application/patent;</li><li>2. Wrong inventorship cannot be used to invalidate a patent</li></ol>	Wrong inventorship can cause a patent to be invalid or unenforceable
Grace period following public disclosure	6 months; In practice, it is almost never used (do not rely on it)	12 months;
Duty of information disclosure	No, unless the examiner asks for search result from an office.  A favorable written opinion or an Office Action from other countries would be helpful to get a patent fast or save cost.	Yes

# Comparison with US Patent Practice and Chinese Patent Practice (Cont.)

Matters	Chinese Patent Practice	US Patent Practice
References used for 102 rejection	1) Publicly used before the priority date; 2) Publicly known before the priority date; 3) Patented or described in a printed publication before the priority date; 4) Filed before the priority date and published at SIPO after the priority date; for a PCT application, it must be published by SIPO after entering the Chinese national stage It does not matter entity; (1), (2) and (3) are worldwide	102
References used for 103 rejection	1) Publicly used before the priority date; 2) Publicly known before the priority date; 3) Patented or described in a printed publication before the priority date;	102

# Comparison with US Patent Practice and Chinese Patent Practice (Cont.)

Matter	CN Patent Practice	US Patent Practice
Determining Obviousness/Inventive Step	<ol style="list-style-type: none"><li>1. Identify the closest reference – <b><u>disclose most limitations</u></b>;</li><li>2. Ascertaining the differences between the claimed invention and identify <b><u>object</u></b> of application based on technical effect archived by the differences; and</li><li>3. Resolving the level of ordinary skill in the pertinent art</li></ol>	<ol style="list-style-type: none"><li>1. identify the prior art;</li><li>2. Ascertaining the differences between the claimed invention and the prior art; and</li><li>3. Resolving the level of ordinary skill in the pertinent art.</li></ol>

# Comparison with US Patent Practice and Chinese Patent Practice (Cont.)

Matters	Chinese Patent Practice	US Patent Practice
“Same invention type” double patenting	Same priority date or Chinese filing date Same owner: pick one or amend Different owners: owners make agreement of the ownership; amend claims; Otherwise, both applications are rejected	It is not possible to overcome the rejection other than by canceling or amending the identical claim
“Obviousness type” double patenting	Canceling or amending the claims	Canceling or amending the claims or Terminal Disclaimer
Applicant	Can be a legal entity; No need to record an assignment if the legal entity files the application from the start	After September 16, 2012, can be non-inventor applicant

# Comparison with US Patent Practice and Chinese Patent Practice (Cont.)

Matters	Chinese Patent Practice	US Patent Practice
Appeal	Yes, but it is called reexamination	Yes
First Office Action Prediction	No	Yes
Nonobviousness (35 USC 103)	Inventive step: a limitation not disclosed in prior art + technical effect	a limitation not disclosed in prior art
Secondary considerations	(1) long felt but unresolved needs; (2) skepticism by experts; (3) unexpected result; (4) the invention's commercial success;	(1) the invention's commercial success, (2) long felt but unresolved needs, (3) the failure of others, (4) skepticism by experts, (5) praise by others, (6) teaching away by others, (7) recognition of a problem, (8) copying of the invention by competitors.

# Comparison with US Patent Practice and Chinese Patent Practice (Cont.)

Matters	Chinese Patent Practice	US Patent Practice
Restriction practice	distinct inventions (unity of invention); traverse/adding special technical feature into claims/delete claims which do not comply with Unity of Invention	distinct inventions/ distinct species Traverse (not often)/pick a group



# Contact Us

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# THANKS

Beijing, Shanghai, Guangzhou, Shenzhen, Nanning and Hong Kong, liaison offices in the U.S.

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