Foreign Company Patent Filings in China

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<tr>
<th>Year</th>
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- Japan
- United States
- Germany
- Republic of Korea
- France
- Netherlands
- Switzerland
### Top 10 Foreign Corporate Filers 2014

<table>
<thead>
<tr>
<th>Rank</th>
<th>Nation</th>
<th>Company</th>
<th>Volume</th>
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<tbody>
<tr>
<td>1</td>
<td>Germany</td>
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<td>3</td>
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### Top 10 Foreign Corporate Filers 2015

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China Patent Law and Implementing Regulations

• History of Chinese Patent System
  – The Chinese Patent Law was legislated on March 12, 1984, and entered into force on April 1, 1985
  – The first amendment to the Chinese Patent Law was made on Sep 4, 1992, and became effective on January 1, 1993
  – The second amendment was made on Aug 25, 2000, and became effective on July 1, 2001
  – The third amendment was made on Dec. 27, 2008, and became effective on Oct. 1, 2009.
  – The fourth amendment is currently open for comments, not yet adopted.
China Patent Law and Implementing Regulations

- **Unpatentable Subject Matter**
  - Invention that is contrary to the law or social moral or detrimental to public interests.
  - Invention made in relying on genetic resources obtained or utilized in violation of any laws and administrative regulations.
  - Scientific discoveries
  - Rules and methods of mental activities
China Patent Law and Implementing Regulations

- Unpatentable Subject Matter (continued)
  - Methods of diagnosis and treatment of diseases
    *(New amendments proposed: excluding breeding animals)*
  - Animal and plant varieties
  - Substances obtained by means of nuclear transformation
  - Printed 2D design (pattern, color or the combination) used primarily for identification
Patent Prosecution Highway (PPH)

- PPH (Patent Prosecution Highway)
  - Receive 1st OA more quickly
  - Pilot program started for IP5, US, JP, KR, DE, RU, AT, FI, DK, MX, PT, CA, SG, GB, PL, ES, IS, IL, SE, HU, IP5
  - Only applicable to electronic filed application since March 1, 2012
When to Request PPH

1. Request Exam
2. SIPO Publication
3. Enter Substantive Exam
4. PPH Request
5. First OA
6. PPH Request

PPH Request
PPH General Requirements

- At least one claim as patentable/allowable
- Claims sufficient correspondence
- Care about the time limit of Voluntary Amendments
What will SIPO do?

- No notification if PPH request is accepted
- If rejected, only one chance for resubmission
- PPH is only for expediting the First OA (within 3 months)
- No penalty in failure
- Official Fee free
Foreign Filing License (FFL)

- Foreign Filing License (request for secrecy examination)
  - **Condition**: the invention created inside China.
  - **Time period for CPO**: 4 months to decide whether a secrecy examination is necessary, if yes, another 2 months to proceed with the examination.
  - **Consequence if violated**: no Chinese patent to be granted and a granted Chinese patent can be invalidated.
Foreign Filing License (FFL)

- Foreign Filing License (continued)
  - “Invention created inside China”---- the substantive contents of the technical solution of an invention is created inside China.
  - Ways to request for secrecy examination:
    - Filing a PCT international application (in Chinese or English) at the Chinese Patent Office.
    - Filing a Chinese patent application + a separate request form.
    - Filing abroad only: a request form + final version of the description (in Chinese).
Trends of IP Protection in China and Practical Approaches for Foreign Companies to Protect Themselves
China’s IP Landscape: Overview

• A member of the World Trade Organization since 2001
• Developments on the National Level
  – Medium and long range science and technology plans
  – A national IP strategy
  – A national talent strategy
  – Significant and comprehensive amendments to its IP laws
• Developments on the International Level
  – Paris Convention
  – Berne Convention
  – Madrid Protocol
  – Patent Cooperation Treaty
Chinese IP Rights: Patents

- China’s Patent Law was first enacted in 1984
- Duration of patent protection - 20 years from the date of filing
- A “first-to-file” system
- Patent applications are filed with China’s State Intellectual Property Office (SIPO)
- SIPO performs international patent searches and preliminary examinations of patent applications
- A foreign patent application filed by a person or firm without a business office in China must be made through an authorized patent agent
Chinese IP Rights: Trademark

- China’s Trademark Law was first adopted in 1982
- Madrid Protocol requires reciprocal trademark registration for member countries
- A “first-to-file” system that requires no evidence of prior use or ownership
- Foreign companies seeking to distribute their products in China are advised to register their marks and/or logos with the China Trademark Office
- Further, foreign companies should register appropriate Internet domain names and Chinese language versions of their trademarks
- Valid for ten years and can be renewed indefinitely for further ten year periods
Chinese IP Rights: Copyright

- China’s Copyright Law was established in 1990
- China grants protection to persons from countries belonging to copyright international conventions or bilateral agreements of which China is a member
- Copyrighted works do not require registration for protection
- Copyright owners may wish to register voluntarily with China’s National Copyright Administration (NCA) to establish evidence of ownership, should enforcement actions become necessary
- Copyright term is the life of the author plus 50 years or 50 years after registration
IPR Enforcement in China

• Administrative Action
  – Intellectual property offices (Patents)
  – Administration for Industry and Commerce (AIC) (Trademarks and unfair competition)
  – National Copyright Administration (Copyright)
• Civil Litigation
• Criminal Sanctions
  – State may prosecute serious offenders under criminal law, but are very rare
• Border Enforcement
  – Local customs offices check and intercept infringing goods being imported or exported
Administrative Action - Remedies

- Raid premises and seize and destroy infringing items
- Order infringing party to cease infringement
- Impose fines
- Need to compile evidence to trigger a raid
- Can not award damages to a right holder
Administrative Action – Advantages & Disadvantages

- **Advantages:**
  - Cost effective
  - Efficient
  - “Immediate” enforcement
  - Evidence gathered can be used in civil action
  - Can be used as leverage for settlement

- **Disadvantages:**
  - Idiosyncratic
  - No damages
  - Decision does not bind the court in any subsequent civil litigation
  - Subject to appeal
Enforcement of China IPR Rights - Civil Litigation

- Four levels of courts
  - Supreme People’s Court
  - Higher People’s Court
  - Intermediate People’s Court
  - Basic People’s Court
- Civil law system and no doctrine of binding precedent
- Two tier approach:
  - Court determines infringement
  - SIPO determines invalidity of trademark / design / patent
- Injunctions:
  - Court can issue interim injunctions (rare)
- Stay (pending invalidation proceedings)
- Discovery is not permitted in a judicial proceeding in China
Enforcement of China IPR Rights - Civil Litigation

- **Remedies:**
  - Injunction
  - Seizure and destruction of infringing goods
  - Monetary damages

- **Costs/Time:**
  - Only small proportion of costs recoverable
  - The time to trial is usually less than a year from the filing of the complain, compared to at least two years in US
IPR Enforcement Challenges

- Local protectionism and bias towards local companies, transparency of judicial proceedings, and particularly the non-reporting of important decisions
- Uneven and problematic enforcement of court orders and judgements
- Damage awards in China are usually so meagre that they do not justify the cost of litigation (less than $30,000 per victory)
- Significant procedural barriers that frustrate company efforts to protect IP in China, e.g., companies have to go through burdensome legalization requirements in order to introduce evidence from outside of China into court proceedings
- Lingering issues remain with China’s IP legal framework in areas such as trade secrets
- Increasingly sophisticated counterfeiters and infringers, they often exploit procedural loopholes, proactively seek to invalidate legitimate patents and trademarks, deploy advanced techniques such as reverse engineering, and find new ways to infiltrate legitimate distribution networks and build their own parallel networks
Preventive Best Practices for Foreign Companies

- Understand the IP legal landscape
- Make sure everyone in your business value its IP
- Design and implement a corporate IP strategy in China
- Adopt preventive measures to protect IP and minimize the risk
  - Register your intellectual property rights
  - Perform due diligence on your business partners & licensees
  - Ensure your contracts protect your intellectual property rights
  - Make scheduled and unscheduled visits to your operations in China
  - Build up contacts with local government authorities and maintain a good relationship with organizations that can help you
  - Patrol trade fairs
  - Enforce your intellectual property rights
IPR Enforcement Resources

- Intellectual Property Rights Coordination Center (IPR Center) - http://www.gov/iprcenter/
- The Computer Crime and Intellectual Property Section (CCIPS)
- www.stopfakes.gov - small and medium-sized enterprises (SMEs), consumers, government officials, and the general public
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Thank You!