

PATENT

Introduction

Patents, like other intellectual property rights, are specific to the country that grants them. A United States patent does not, for example, offer a potential remedy for infringing activity in any country except the United States. Thus, in order to receive patent protection in the People's Republic of China, the item at issue must be patented in China. Obtaining patent protection in foreign jurisdictions is the responsibility of the patent owner and is subject to strict time restrictions and other requirements.

While acknowledgement of intellectual property rights in China can be traced back as far as the Tang Dynasty (618-907 AD), the first patent-specific law in China was enacted in 1889 toward the end of the Qing Dynasty. Modern Chinese patent law, however, began with the issuance of the Provisional Regulations on the Protection of Invention Rights and Patent Rights in 1950, which provided rewards to inventors but left ownership of intellectual property in the hands of the State. The onset of the Cultural Revolution in the mid-1960's, however, brought an end to even this modest recognition of intellectual property.

China began to revisit intellectual property in the early 1980's, first sending a number of researchers to study patent law and practices in other countries and then in 1984 promulgating [the Patent Law of the People's Republic of China \(the "Patent Law"\)](#). China subsequently became a member of the Paris Convention for the Protection of Industrial Property (the "Paris Convention") in 1985. The Patent Law was amended in 1992 and China became a signatory to the Patent Cooperation Treaty ("PCT") as of 1994. The Patent Law was amended most recently in 2001 in an effort to bring it in line with the relevant provisions of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPS").

As China strives toward modernization, its attention to the importance of patents has grown. Chinese statistics indicate the government received more than 1.6 million patent applications between 1985 and 2003, with a thirty-eight percent increase in applications during 2003 alone. Notwithstanding the increased number of applications, many patent owners (both foreign and domestic) continue to experience problems with infringement in China. Counterfeiting and other infringing activities are rampant, and critics frequently complain of lax enforcement of intellectual property laws. As a result, any party considering introducing a patented (or patentable) technology into China – especially one that could be easily reverse engineered or duplicated – would be well advised to proceed with extreme caution, seek legal advice from the outset, and plan fastidiously.

Legislation

The original version of the Patent Law was adopted at the 4th Meeting of the Standing Committee of the Sixth National People's Congress on March 12, 1984. On September 4, 1992, the Patent Law was amended in accordance with the Decision of the Standing Committee of the Seventh National People's Congress on Amending the Patent Law of the People's Republic of China at its 27th Meeting.

The current version of the Patent Law was last amended by the Standing Committee of the Ninth National People's Congress August 5, 2000, together with new Implementing Regulations. The amendments were made in an effort to bring the Patent law in line with the relevant provisions of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPS"). These amendments became effective July 1, 2001.

For more detailed information on China's amended Patent Law, please see the [Ask the Experts section](#) below.

China is a member and has ratified the following agreements:

- Paris Convention for the Protection of Industrial Property (since 1985);
- Patent Cooperation Treaty (since 1994);
- Convention Establishing the World Intellectual Property Organization (WIPO, since 1980);
- Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS, since 2001).

Coverage – What Can be Patented Under Chinese Patent Law?

Under the Patent Law, patent protection is available in three forms – invention patents, design patents and utility models. An invention patent has a term of 20 years and is analogous to a utility patent in the United States. A design patent has a term of 10 years and is similar in function and scope to a design patent in the United States (and may constitute a comparatively quick and easy avenue to afford protection to eligible items). The third patent variety, a utility model, also has a term of only 10 years and is most similar to a U.S. improvement patent. Protection for all three patent varieties may be curtailed for failure to pay administrative fees or if the owner renounces the patent.

Approval for patent protection is subject to the following criteria:

- Novelty;
- Inventiveness; and
- Practical Applicability.

Generally, an invention is novel if before the date of filing, no identical invention had been publicly disclosed in China or abroad. Inventiveness is defined as an improvement of prominent substantive features and notable progress compared to existing technology. Practical applicability is defined as an invention that can be made or used to produce effective results.

For additional information on design patents, see "[Design Patents in China: The Underutilized IP Tool](#)"

What Cannot be Patented under Chinese Patent Law?

The Patent Law provides that the following works will not be afforded patent protection:

- Scientific discoveries;
- Rules or methods for mental activities;
- Methods for the diagnosis or for the treatment of diseases;
- Animal and plant varieties;
- Substances obtained by means of atomic transformation; and
- Anything immoral or detrimental to the public interest.

Software itself cannot be patented, although software combined with a computer or technique intended to solve a technical problem may be.

Registration

When deciding whether to register a patent in China, companies should keep the following in mind:

- Patents are territorial; only a Chinese patent has the potential to provide protection against infringement in China;
- Invention patents in China are valid for 20 years, whereas both design and utility patents are valid for 10 years in China;
- Both Design and Utility Model applications are reviewed only for compliance with application formalities and not for substance; and
- Foreign applications must be made through registered patent agents.

The Patent Registration Process

- **Step 1: Obtain Qualified Counsel**

Patents are complicated. In this era of global competition, it can be important to seek patent protection in multiple countries, and because disclosure (inadvertent or otherwise) in one country may result in a loss of patentability in others, inventors should obtain legal advice as soon in the process as possible. Moreover, residents of Patent Cooperation Treaty (“PCT”) member states (which include the United States and more than one hundred other countries) may file an “international patent application” that can reduce the complexity of overseas filings and allow an applicant greater time to decide in which countries to file. A qualified patent attorney will be able to help you navigate these complicated matters and select appropriate overseas counsel and agents to assist you.

- **Step 2: Determine Whether You Have a Priority Claim**

A person who has filed an application for an invention or utility model patent in any country that is a member of the Paris Convention may, within one year after that filing, file subsequent patent applications in other countries claiming the filing date of the first application. The corresponding grace period for design patents in China is six months. Priority filing dates allow an inventor to avoid the possibility that a patent in one country could be granted to someone else in a foreign country, or that disclosure in one country subsequent to application could render an invention part of the prior art and

thus unpatentable in other countries. Within these limitations, patent protection in the PRC is generally based on the “first to file” principle, in contrast to the “first to invent” system employed in the United States.

- **Step 3: Select a Reputable PRC Patent Agent**

Foreign applicants without a business office in China are required to submit patent applications through [officially designated agents](#). Chinese businesses do not face this same requirement. PRC patent agents should be able to advise you on the intricacies of filing in China and may form part of a worldwide patent prosecution team for a particular invention. Ideally such a patent agent should be familiar with the subject area of the patent.

- **Step 4: Prepare the Required Paperwork**

Chinese patent applications, like those in other countries, are complicated and require substantial documentation. Applications must be in Chinese and include any relevant drawings, details of any priority claim, and a specification.

A specification must set forth the claims of the patent, including the:

- Title;
- Designation of relevant technical field;
- Prior Art;
- Purpose of the invention;
- Enabling requirement;
- Best mode; and
- Other administrative and ancillary information.

Design patent applications require drawings or photographs of the design. If an applicant has filed an international patent application under the PCT that designates China, the applicant must provide a Chinese translation within thirty months of the priority date.

- **Step 5: Submit the Application**

Patents are filed with the [State Intellectual Property Office \(SIPO\) in Beijing](#). SIPO offices at the provincial and municipal levels are responsible for administrative enforcement, not examination, and thus have no role in the prosecution process.

- **Step 6: Preliminary Examination**

Once the application is submitted it will undergo a preliminary examination to ensure it meets the statutory filing requirements. If there is “no cause for rejection” patents for utility models or designs will issue. Applications for invention patents that survive preliminary examination will continue to a substantive examination following a request by the applicant.

- **Step 7: Publication (for Inventions)**

SIPO will normally publish applications for invention patents eighteen months after filing unless the applicant requests an earlier publication or withdraws the application. After publication, the contents of an application are considered part of the prior art.

- **Step 8: Substantive Examination (for Inventions)**

Applicants for invention patents have up to three years from the date of application to request a substantive examination. Applicants must provide relevant prior art. At the discretion of the examiner, the results of any prior art search conducted by foreign patent authorities may also need to be disclosed. SIPO may request amendment of any part of the application found not to conform to the Patent Law.

- **Step 9: Granting of Patent Right**

If after the relevant examination (preliminary for utility models and designs, substantive for inventions) SIPO concludes that the application is in conformity with the Patent Law, it will issue a certificate of invention, register the patent, and publish its decision. Patent rights are effective as of the date of publication.

- **Step 10: Reexamination**

An applicant dissatisfied with SIPO's examination of a patent application may, within three months of receiving notification of the rejection, seek reexamination by the semi-independent Patent Reexamination Board ("PRB"). If the applicant is dissatisfied with the PRB's decision, legal proceedings may be instituted within three months in the People's Court, generally the Administrative Division of the Beijing No. 1 Intermediate Court.

In addition, any entity or individual may request the PRB to invalidate any patent at any time. Appeals from PRB decisions may be heard by the Civil Division of the People's Court. Individuals seeking to contest or defend the validity of a patent may want to carefully evaluate the expertise of the court that would be hearing the case, as well as its record and experience in patent decisions.

Market Entry Planning

It is essential that any U.S. company considering introducing intellectual property into China assume that the technology will eventually be compromised. In order to delay the unauthorized use of the intellectual property as long as possible, rights holders should begin working with lawyers and security experts well in advance of market entry. Indeed, once use without authorization has begun, the available remedies may not be sufficient to stop it from continuing or offer adequate redress.

Companies considering doing business in China or with Chinese entities should consider making an inventory of their intellectual property, proprietary and other sensitive information (including that owned by affiliated companies) and developing scenarios for the protection of each type. In addition to applying for patents, assigning any patent rights, and licensing technology as appropriate, companies should evaluate the risks posed by contractual relationships. A significant number of intellectual property disputes in China arise between companies doing business together. As a result, companies should utilize non-disclosure agreements in negotiations and

contracts, identify and restrict disclosure of all technical data only to those who have a “need to know” and compartmentalize knowledge. Simply keeping in a secure location or leaving only with the most reliable employees may also safeguard some forms of proprietary information such as tools, dies, or formulae. Confidentiality obligations may also need to be extended to board members, employees, agents, and the like who have actual or potential access to marketing plans.

U.S. companies should also conduct intellectual property “due diligence”, scouring the Chinese market for extant infringements of their rights and studying the experiences of similar companies in China. Moreover, companies should ensure that they are familiar with the relevant Chinese rules and regulations, especially those that may contrast with their U.S. analogues. For example, licenses to work patents in China must be recorded with the relevant authorities within three months of coming into existence. Such recordation requirements for technology transfer agreements or patent assignments may pose unique challenges. Licensors should consult qualified counsel to determine how much of a license must be recorded to ensure the licensor’s rights are not compromised.

Enforcement Approaches – How to Address Infringement?

What Constitutes Infringement?

Patent infringement refers to patent exploitation without the authorization of the patentee, including:

- Manufacturing patented products;
- Using patented processes;
- Offering to sell or selling patented products;
- Using products directly acquired by the patented processes for production or business purposes; and
- Importing or exporting patented products or products directly acquired through patented processes.

The Patent Law provides that parties should first attempt to resolve infringement allegations through negotiation and then, failing an agreement, legal or administrative processes. Some lawyers profess tactical advantages in the use of the administrative route to establish infringement noting its speed and usefulness in gathering evidence for later use in a legal proceeding. (The Chinese legal system does not provide for a formal “discovery” process as in the United States, which includes the pre-trial exchange of information and increases the likelihood of settlement prior to adjudication). The administrative enforcement system, however, suffers from its own shortcomings including a lack of compensatory damages for the rights holder and generally low fines for the infringer. Patent disputes remain the most likely of intellectual property right disputes to be adjudicated, due in large part to their relative complexity.

Three Types of Actions Against Infringers:

Article 57 of the Patent Law allows a patent holder to seek redress for patent infringement through the People's Court or administrative processes. Egregious cases may be referred for criminal prosecution.

The majority of all patent actions are brought under the rubric of administrative enforcement. Instances of civil and criminal litigation have been growing, however, and may eventually be better able to deter infringement.

1. Administrative Adjudication

Advantages. Administrative adjudication of patent infringement is preferred by many rights holders because the investigations may occur soon after filing the complaint, the rights holder may be able to participate in the investigation, and the time required for determining whether infringement has occurred can be shorter than in a court of law.

Disadvantages. According to many foreign companies, the disadvantages of the administrative process include the lack of compensation to the rights holder, fines too small to deter future infringement or put the offender out of business, and the possibility that an investigation may not be instigated as a result of local protectionism, corruption, or a lack of resources. A lack of coordination between administrative offices may also make uniform protection of patent rights difficult. If an administrative enforcement case is initiated, the validity of the patent may be appealed to the local court having jurisdiction over that administrative agency.

Initiation of Investigation. Requests for an administrative investigation of potentially infringing behavior start at the local SIPO office where the infringing activity is believed to be taking place. SIPO has an office in each of China's administrative regions and was established with the intention that it would coordinate China's IP enforcement efforts by merging the patent, trademark, and copyright offices into one authority. Today, SIPO is responsible for granting and enforcing patents and semiconductor layout designs, and also retains a coordinating role for certain crosscutting intellectual property policy issues.

Possible administrative remedies include:

- Injunctions;
- Mediation upon the request of the parties;
- Cease and desist orders;
- Confiscation of illegal earnings; and
- Fines of up to 50,000 RMB (about \$6,000).

In serious cases, SIPO may also refer a matter for criminal prosecution. Fines and other administrative actions imposed by SIPO may be appealed to the People's Intermediate Courts. Commentators frequently lament SIPO's lack of written or published decisions, the corresponding unavailability of information

for non-parties, and the fact that decisions or findings of fact made by one SIPO office may not carry any weight in others.

[The State Intellectual Property Office \(SIPO\)](#) As noted above, SIPO handles administrative enforcement in addition to its role in patent registration and administrative recognition of patent rights.

CHINA CUSTOMS

In addition to SIPO, the Regulation of the People's Republic of China on the Customs Protection of Intellectual Property Rights and the Implementing Measures of Customs for the Protection of Intellectual Property Rights (Customs Measures) may also provide relief for companies that are victims of patent infringement. The Customs Measures contain general rules and guidelines for Customs' role in IPR enforcement. Customs will provide protection for all categories of IPR, including prohibiting the import and export of suspected goods. China Customs has indicated in discussions with U.S. government officials that it is reticent to invoke these powers with regard to invention patents because of the inherent difficulty of determining whether the goods at issue actually infringe on a patent. However, a complainant is more likely to get customs protection on design patents.

Regardless, rights holders must first record their intellectual property with the Customs Service and file an allegation that somebody is going to import or export a product in violation of those rights in order for China Customs to begin investigating and possibly to detain suspected goods. A recordation certificate issued by Customs is valid for ten years and renewable. When a rights holder suspects infringing goods are about to enter or exit China, that person may submit a written application to the Chinese Customs service at the affected port in order to stop the import or export of the goods at issue.

[Section 337 is applicable when pirated goods are entering the U.S. market.](#)

[U.S. Customs Protection](#)

[Filing a complaint with the TCC](#)

2. Civil Litigation

While many in the Chinese public and foreign business community express relatively low confidence in the ability and integrity of China's courts in general, intellectual property is at the forefront of Chinese jurisprudence and there have been substantial efforts to train judges in the intricacies of intellectual property disputes. In patent infringement cases, the trial court is the Intermediate People's Court in the relevant municipality, province, or special economic zone, which together with the appellate Higher People's Courts, have maintained special Intellectual Property Tribunals since 1993.

Patent right holders have two years from the date they become aware of infringing activity (or should have become aware) in which to bring suit. The Patent Law also provides that a preliminary injunction may be obtained upon “reasonable evidence” of infringement or imminent infringement, and that a delay in stopping such infringement is likely to cause irreparable harm. Damages are determined “according to the losses suffered by the patentee or the profits gained by the infringer out of the infringement”. When damages are difficult to quantify using either of these methods, an acceptable alternative measure can be an appropriate multiple of a (reasonable) royalty for the said patent.

Initiating Civil Litigation. To commence a civil suit, a written complaint must be submitted to a People's Court specifying the following:

- The complainant's name and address;
- The name and position of its legal representative (if applicable);
- The nature of the claim and the facts upon which the claim is based;
- Evidence and sources of the evidence; and
- The names and addresses of witnesses.

Evidentiary Requirements and Burden of Proof. There is no Chinese counterpart to the U.S. concept of discovery. In China, each party is responsible for presenting evidence to support its claims. In the event that a party is unable to obtain evidence due to “objective circumstances” or if the People's Court considers certain evidence to be relevant to a case, the court can, on its own initiative, collect the evidence itself. All evidence must be presented in court and is subject to cross-examination. The right to determine the authenticity and validity of evidence rests solely with the court.

Available Remedies. Possible civil remedies include the following:

- An order to cease infringing activities;
- Elimination of the effects of the infringement;
- Issuance of a public apology, confiscation of unlawful gain or infringing products and assets used in furtherance of the infringement;
- Compensation for damages suffered; or
- Any combination of the above.

Civil litigation in China is gradually moving towards playing a larger role in preventing patent and IPR infringement. As Chinese legal personnel become more educated in the importance of patent regulations, litigation may offer a strong alternative to adjudication. However, at the present, civil litigation is quite costly and damage awards are low.

3. Criminal Prosecution

China's laws and regulations stipulate that administrative authorities and the Customs Service may transfer egregious intellectual property infringement cases for criminal investigation. Criminal investigations start with the Public Security Bureau, which then may refer the matter to the Supreme People's Procuratorate for prosecution.

Many foreign rights holders complain that the criteria for referral of criminal cases are too vague, permit too much discretion, and that the minimum evidentiary threshold for prosecution is too high. Criminal liability for patent infringement can include up to seven years' imprisonment, fines, and damages. Despite the existence of these criminal provisions, most infringement cases continue to be handled through the administrative system.

Other Sources of Protection

In October 2003, China launched the China Patent Protection Association. The association, controlled by China's patent authority, the State Intellectual Property Office (SIPO), will "provide legal aid services" to its members when they are involved in major patent disputes, and play a role different from that of judiciary authorities and administrative law enforcement authorities. The association will provide education, training, legal consulting, patent information searches, patent strategy studies and patent "early warning" services so as to enhance the Chinese patent protection awareness and capabilities.

Ask the Experts

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[Amendments to the Patent Law.](#)

[Enforcement Approaches.](#)

[Licensing](#)

Patent-Related Legislation

Patent Law of the People's Republic of China

Adopted at the 4th Meeting of the Standing Committee of the Sixth National People's Congress on March 12, 1984. Amended on August 25, 2000.

Implementing Regulations of the Patent Law of the PRC

Amended by the Order of the Commissioner of the State Intellectual Property Office (No. 26) 2000 Revision.

Several Provisions of the Supreme People's Court on Issues Relating to the Application of Law to Adjudicate of Cases of Patent Disputes

Adopted at the 1180th Meeting of the Adjudication Committee of the Supreme People's Court on June 19, 2001.

Decision of the State Council on Revising the Implementing Regulations of the Patent Law

Promulgated in Order No. 358 of the State Council of the PRC on December 28, 2002, and entering into force on February 1, 2003.

Standards for Patent Application Numbers

As issued by the State Intellectual Property Office on July 14, 2003, and entering into force on October 1, 2003.

Provisions for the Investigation and Handling of Acts of Passing off Patents by Administrative Authority for Patent Affairs

As issued by the State Intellectual Property Office in 1999.

Several Provisions of the Supreme People's Court for the Application of Law to Pre-trial Cessation of Infringement of Patent Rights

Adopted at the 1179th Meeting of the Adjudication Committee of the Supreme People's Court on June 5, 2001.

General Principles of the Civil Law of the People's Republic of China

As amended by the People's Congress on January 1, 1997. Chapter V, Paragraph III, Articles 94-97.

Civil Procedure Code of the People's Republic of China

Adopted by the People's Congress on April 4, 1989, and entering into force on October 1, 1990.

Criminal Code of the People's Republic of China

As amended by the National People's Congress on March 14, 1997. Chapter VII, Articles 217 and 218.

Criminal Procedure Code of the People's Republic of China

As amended by the National People's Congress on March 17, 1996.

The Supreme People's Court: Comments on Several Issues of Application of the Civil Procedure Code of the PRC

Adopted by the Judicial Committee of the Supreme People's Court on July 14, 1992.

The Supreme People's Court: Interpretation of Several Issues in the Enforcement of the Criminal Procedure Law of the PRC

Adopted by the 989th Adjudication Meeting of the Supreme People's Court on June 29, 1998 and entering into force on September 8, 1998.

FREQUENTLY ASKED QUESTIONS

Q: What types of patents are available under the current Chinese Patent Law?

There are three types of "patents" under China's Patent Law:

- Invention: Valid for 20 years from the date of application in China, subject to the payment of annual fees, no extension.
- Utility Model: Valid for 10 years from the date of application in China, subject to the payment of annual fees, no extension.
- Design: Valid for 10 years from the date of application in China, subject to the payment of annual fees, no extension.

Q: What is the Patent Cooperation Treaty?

The Patent Cooperation Treaty (the "PCT") is a simplified procedure for an applicant to apply for and eventually obtain patents in multiple countries. In essence, it allows applicants to file a single patent application in one country and, for up to thirty months, retain the option of filing corresponding applications in a large number of other countries. In addition, the applicant is allowed 18 months more than ordinary applicants to test the market and/or product to determine whether to proceed with additional patent applications in other countries, and to raise capital to fund the filing of national phase applications.

Q: What are the requirements for filing a patent application in China?

- A Chinese patent agent for foreign entities;
- A letter indicating the type of application, the name, address and nationality of the applicant and inventor; the filing date, country and serial number of the convention patent application or patent on which any the priority right is claimed;
- A description, claims and an abstract;
- Drawings (if necessary for describing the invention);
- A power of attorney executed by the applicant (which may be furnished after filing within the time limit prescribed by the Patent Office);
- If applicable a certified Priority Document, which shall be submitted to the Patent Office within three months from the Chinese filing date; and
- Any assignment of a priority right, if the applicant for the Chinese application differs from the priority document.

Q: What can be done after a patent application is rejected?

If an application is rejected after examination, the applicant may within three months request a reexamination of the application with the Patent Reexamination Board. The reexamination request must include reasons therefore and be accompanied by relevant supporting documents. When filing a request for reexamination, the applicant may amend the application, however, such amendment must be limited to only that part of the application to which the rejection decision relates.

After reexamination, the Patent Reexamination Board will make a decision and notify the applicant. If the applicant is not satisfied with the decision regarding an invention patent, he may, within three months from the date of receipt of the notification, institute legal proceedings in the People's Court. Decisions of the PRB relating to utility models and design patents are final.

Q: Is it possible to apply both for an invention and utility model patent for the same subject matter?

It is possible to apply both for invention and a utility model patents for the same subject matter. However, the same invention cannot be protected by both a patent for invention and a patent for a utility model. As a result, the applicant will eventually be required to choose between the two types of protection.

Q: How can I request the invalidation of a Chinese patent?

Beginning from the date of announcement of the grant of the patent right by the Patent Office, any entity or individual who considers that the grant of a patent right is not in conformity with the relevant provisions of the Patent Law may request the Patent Reexamination Board declare the patent invalid.

The request for invalidation shall state in detail the grounds for filing the request and indicate the evidence on which the grounds are based.