

Introduction to Intellectual Property Protection in China

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1. The intellectual property system and the national IPR strategy in China

1.1. The formation of Chinese IP system

The Chinese intellectual property (IP) system is relatively young. There had not been patent law until 1984 in China. Only in the late 1970s, did China introduce the political and economic reforms which brought radical reforms to its legal system. To attract foreign investment, Chinese government decided to introduce IP system.

Although the proposal to introduce patent system had raised severe criticism within the government, the patent law was passed in 1984 after 5 years debates. On April 1, 1985, the State Patent Office started to accept patent application, and on that day 3455 patent applications from both domestic and foreign applicants were filed.

The Chinese Trademark Act was passed in 1982 and came into effect on March 1, 1983. The General Principles of Civil Law in which very basic rules regarding copyrights, trademarks and patents were laid down, was passed in 1985. In 1990, the Chinese Copyright Act was passed and came into effect on June 1, 1991.

China's entry to a series of international treaties and the World Intellectual Property Organization (WIPO) has significantly improved its IP system. China joined WIPO in June 1980, and joined the Paris Convention on March 19, 1985. In order to be in compliance with international standards and catch up with the development of new technology, the IP laws have been amended several times.

The Amendments to the 1984 Patent Act was passed in 1992 and came into effect on January 1, 1993. The 1992 Amendments provided patent protection for medicine, chemical material, and food. The right to import patented embodiment was granted to patent holder and the protection to process patent was extended to the product attained through the process. The term of protection for invention patents was extended to 20 years, and the term of utility model and design patent was extended to 10 years. And the post-granted procedure also was improved. The 1983 Trademark Act was amended in 1993. The 1993 Amendment provided protection to service mark, and introduced the revocation procedures. The Copyrights Act was amended in 2001.

The entry to the World Trade Organization in 2001 has further improved IP protection level. In order to join the WTO, during August 2000 to October 2001, Patent Act, Trademark Act and Copyright Act had been amended to fulfill the requirements in the WTO Agreement on Trade-related Aspects of Intellectual Property Right (TRIPS). After these amendments, the Chinese IP legislations are largely alike to other members of WTO.

In June 2008, the Chinese government published the Outline of the National Intellectual Property Strategy, which provides a roadmap to how China plans to become one of the world's most innovative countries by 2020. In implementing the strategy, The Amendment to the Patent Act was

passed in December 2008. According to the plan, patent law, trademark law and copyright law are going to be revised soon with the aim of encouraging domestic innovation.

1.2. Legislation concerning intellectual property rights

In deciding cases, Chinese courts rely on legislations enacted by the National People's Congress (NPC), the State Council and Provincial congress. The laws made by the NPC are supreme in the whole legal system. The State Council is the second-tier legislative body, which make "administrative statutes". The administrative statutes specify the law made by the NPC or regulate some areas where there are no NPC legislations. In addition, the Supreme Court makes judicial interpretations on law, which are more like statutes than case decisions. The judicial interpretations are binding on all the courts throughout China.

The Chinese legal system is similar to the civil law system in Europe. At the NPC level, the General Principles of Civil Law (1986) govern the general issues regarding any civil activities, including contract, property, patent, trademark, copyrights, tort and so on. However with only 156 clauses, the provisions in the General Principles of Civil Law are very basic. Certain special civil legislative instruments were drafted to specify the rules in the General Principles of Civil Law, such as the Patent Act (1984), the Copyright Act (1990), the Trademark Act (1988), the Contract Act (1999), the Property Act (2005) and so on. Certainly, there are a few special issues covered by some other legislation, for example trade secrets are covered in the Law against Unfair Competition.

The important Chinese IP laws include:

- The Trademark Act(adopted 1982, amended 2001)
- The Patent Law (adopted 1984, amended 2008)
- The Copyright Act(adopted 1990, amended 2001)
- The Computer Software Protection Regulation (adopted 2002)
- The Regulations for the Protection of New Varieties of Plants (adopted 1997, amended 2013)
- The General Principles of Civil Law (adopted 1987)
- The Contract Law (adopted 1999)
- The Property Law (adopted 2007)
- The Regulation for the Protection of Integrated Circuits (adopted 2001)
- The Science and Technology Promotion Law (adopted 1993, amended 2007)
- The Promotion of Commercialization of Scientific and Technological Achievements (adopted 1996)

1.3. The IPR governmental departments

In China, the government plays a substantial role in the promoting and protecting intellectual property rights (IPRs). Several governmental departments are responsible to IPRs matters. The State Intellectual Property Office (SIPO) is responsible for the patent work throughout the country. It accepts and examines patent applications and grants patents for inventions-creations in accordance with law.

The Trademark Office of the State Administration for Industry and Commerce is responsible for the registration and administration of trademarks throughout the country. The Trademark Review and Adjudication Board, established under the State Administration for Industry and Commerce is responsible for handling matters of trademark disputes.

The IPRs and its responsible department in China

NO.	IPR	The responsible governmental department
1	Patent, integrated circuit layout	State Intellectual Property Office
2	Trademark	The Trademark Office of the State Administration for Industry and Commerce
3	Copyrights	State Copyright Office
4	Unfair competition	Antimonopoly and Anti-unfair Competition Enforcement Bureau of of the State Administration for Industry and Commerce
5	Geographical indications	general administration of quality supervision, inspection and quarantine
6	Agricultural Plant varieties	Ministry of Agriculture
7	Forestry Plant varieties	State Forestry Administration
8	IPR matters in the international trade	Ministry of Commerce
9	IPR cross border	General Administration of Custom

There are four levels of Local Government Units: 1) province, autonomous regions, direct-controlled municipalities; 2) municipality or prefecture; 3) county, city or district; 4) town. China has 22 provinces, five autonomous regions, four direct-controlled municipalities. At this level, each province, autonomous region and municipalities has its corresponding department that responsible for the administrative work concerning relevant IPRs in their respective administrative areas. At municipality or prefecture level, which is lower than provinces, autonomous regions, direct-controlled municipalities, usually there are corresponding departments that are responsible for the concrete works about relevant IPRs in their administrative areas. When the owner of IPR finds infringement of its IPR, he may petition the relevant department at the provincial or a lower level to stop the infringement and fine the infringer. This provides an alternative to bringing lawsuit to a court to stop infringement.

1.4. The judicial system

According to the Constitution (1982) and the Organic Law of the People's Courts (1980), the Chinese courts are divided into four levels:

At the highest level is the Supreme People's Court (SPC) in Beijing, which supervises the administration of all subordinate "local" and "special" people's courts. It is the court of last resort for the whole China except for Macao and Hong Kong.

Local people's courts, which make up the remaining three levels of the court system, consist of "high people's courts" at the level of the provinces, autonomous regions, and special municipalities; "intermediate people's courts" at the level of prefectures, and municipalities; and "basic people's courts" at the level of counties, cities, and municipal districts. In China, the decision of the second instance is the final except where the Supreme Court hears the first instance in very special circumstances.

When a party does not satisfy with the decision of SIPO or the State Trademark Office in dealing with patent or trademark issues, he can petition for review with the Patent Review Board or Trademark Review and Adjudication Board respectively. If he is dissatisfied with the decision of the review board, he can file a lawsuit against the review board to the Beijing First intermediate people's court, after 6 November 2014 to Beijing Intellectual Property Court.¹ If he still does not satisfy with the decision of the court, he can appeal to Beijing High People's Court, whose decision is final.²

In terms of cases of infringing IPR, the local court at the venue where the infringement occurs or the defendant resides has jurisdiction to hear the first instance, then the parties can appeal to the higher level court for second instance.

1.5. Deficiency of the Chinese IPR system

The 2008 National IPR strategy Outlines indicated there are several deficiencies with respect to the current IPR system to be improved.

First, the IPR regime is unsatisfied. The Chinese IP legislations still is very basic and simple, is insufficient to deal with some cases effectively. Since the IP law is transplanted, it may not entirely

¹ Beijing Intellectual Property Court was established on 6 November 2014, which has exclusive jurisdiction over the patent, trademark filing and revoking disputes.

² Beijing High People's Court, Opinion on the division of jurisdiction on patent, trademark cases, 2002/195. 北京市高级人民法院关于印发《关于执行〈最高人民法院关于专利法、商标法修改后专利、商标相关案件分工问题的批复〉及国际贸易行政案件分工的意见（试行）》的通知,京高法发[2002]195.

match the situation in China. Moreover, the legislation lags behind of development. Many infringement cases cannot be determined under current existing IP law.

Second, both quality and quantity of native IP are inadequate. Although the patent filing in China is increasing quick, but these statistics are often inflated by the inclusion of applications for utility model patents and design patent, which are not substantively examined before grant. In 2007, invention patents accounted for 85.7% of all foreign patent applications but only 26.1% of domestic ones. Moreover, Chinese applications have a lower acceptance rate than foreign ones. And Chinese companies are not filing patents in the crucial areas: most Chinese patent applications concern Chinese medicine, methods of inputting Chinese characters on computers, food and drink and ceramics; foreign inventions focus on telecommunications, wireless transmission, semiconductors and genetic engineering.

Third, IPR awareness in the public is weak. Most people still do not know much about the IP. Many Chinese don't think piracy is crime.

Fourth, the capability of domestic firms to utilize IPRs is very limited. Firms' ability to acquire patent, trademark, copyright and other IPRs and the ability to utilize these IP in business is very weak. 99% of Chinese companies have never filed a patent and about 60% of companies do not even own a trade mark.

Fifth, the phenomenon of infringing IPRs in China is still very prominent. This does not harm domestic firms' innovative ability, but also has incited strong criticism from international society. The infringement of IPR in China is very complicated, great efforts are needed to solve this problem.

Sixth, abuse of IPRs occurs frequently. One of the examples is some businesses are abusing the system of unexamined utility model patents to file applications with little or no inventive step and are then enforcing these so-called junk patents in court.

Seventh, IPR professionals and IPR service are insufficient. The IPR professionals and service cannot satisfy the development of IPRs. In some remote provinces it is difficult to find competent patent attorneys to file international patent applications.

Eighth, IPR is ineffective in promoting social and economic development. Currently, the growth in China is driven largely by the investment on infrastructure, cheap labor and export. Hi-technology is playing a very limited role in the economic development.

1.6. The National IPR strategy

In June 2008, the Chinese State Council published the Outline of the National IP Strategy, which provides a roadmap to how China plans to become one of the world's most innovative countries by 2020. The Strategy is the product of a National Working Group for IPR Protection set up in 2005 to coordinate IP policies. It is made up of 13 officials from 12 IP-related agencies and ministries, including the Ministry of Commerce, the State Intellectual Property Office, Customs, the Supreme

People's Court and the State Administration for Industry and Commerce. The motivation to implement the strategy is to transform its economic growth pattern from "made in China" to "invented in China", to secure sustainable development and to improve the state's core competitiveness in the international market.

The core of the strategy is to push forward system reform and improve the IP regime. The implementation of the strategy means better enforcement, but strong government financial and political involvement in the use of the IP system.

1.6.1. The objective of The National IPR strategy

The IPR Strategy set up two stages of objective. By 2013, China shall rank among the advanced countries of the world in terms of the annual number of invention patents granted to the domestic applicants, while the number of overseas patent applications filed by Chinese applicants shall greatly increase. A number of world-famous brands will emerge. The share in the GDP created by the copyright industries will greatly increase. The benefit of utilizing IPR shall be increased significantly and the share of IPR intensive products shall grow significantly. A number of outstanding companies shall own famous brands, core intellectual property and rich experience in utilizing the IP system. Piracy and counterfeiting should be significantly reduced, the expense of protecting IPR will decrease a great deal and abuse of IP should be effectively suppressed. The awareness of IPR shall be greatly enhanced, and a pro-IPR culture shall begin to take shape.

By 2020, China shall become a state of high level of IP creation, utilization, protection and administration.

To realize these objectives, the strategy specifically focuses on these 5 perspectives:

1) To improve the IP regime

The Strategy committed the government to amend the country's patent, trade mark and copyright laws, to strengthen the IP enforcement and administration system, to coordinate IP policy and the policies of industry, region, science and technology and trade, and among these policies the IP policy should playing a guiding role.

2) To promote the creation and utilization of IP

The government shall use policies related finance, investment, government procurement, industrial development, energy and environmental protection to induce firms to create and utilize IP. To improve the ownership and benefit-sharing mechanism of State-funded R&D to encourage innovation; to promote IPR included into industry standards.

3) To enhance the protection of IPRs

The strategy suggested revising laws to stipulate more severe punishment against infringement of IP, to lower the cost of enforcement, increase the cost of infringement.

- 4) To prevent abuses of IPRs
- 5) To foster a culture of pro-IPRs

The strategy proposes to create an atmosphere of being proud of innovation, and ashamed of plagiarism and counterfeiting.

1.6.2. The actions of carrying out the strategy

- 1) Revising IP law

The Amendment to the Patent Act was passed in December 2008 that was designed to encourage domestic innovation. According to plan, Patent Act again, Trademark Act and Copyright Act are to be revised soon.

- 2) Coordinating actions and assigning concredited tasks to specific ministry/department

The office of the Inter-Ministerial Joint Meeting (28 members) for Implementation of the Strategy was established in 2008. Each year the meeting assigns concrete tasks to responsible ministry to fulfill. Then each ministry made its own plan and policy to implement the specific task. - For example, The 2011 Promotion Plan contained 176 concrete measures and 13 key measures. SIPO helped to improve the mechanism of trans-departmental IPR enforcement through cooperation with police, courts and some other authorities.

- 3) Developing regional strategy and sectorial strategy

Local authorities were encouraged to promulgated local IP strategies following the instructions of the outline based on their practical situation. SIPO have signed agreements of cooperation with regional government, and agreed on what type of work the regional governments and SIPO shall do respectively to help improve the IP abilities of local companies with the aim of encouraging companies to put more resources on R&D and innovation.

- 4) Establishing model cities, model industrial parks in utilizing IP for others to follow

A model province in implementing IP strategy was promoted, with the aim to shape a model for others to implement their own strategies. In addition, SIPO has carried out a number of pilot or model projects, such as patent model cities, model industrial parks and model companies. Several technology exchanges have been established to provide services for IP owners and users, such as financing, assessment and consultancy, in order to facilitate the transformation of patents.

- 5) Simplifying administrative procedure relating to acquiring IPR

SIPO is improving examination and review quality and efficiency. It has set up over 70 IP protection help center around the country, and provide consultancy, support and help directly to local companies. IPR assistance hotline "12330" has been in operation

6) Financing

The Chinese government provides greater support for the export of patent products and use the country's tax and financial policies to encourage patent filing and commercialization. SIPO has negotiated with other ministries, mainly to help small and medium sized companies and universities in filing overseas patents. For example, in 2009, 52.85 million yuan funding was allocated to SMEs, public institutes and research institutes to support their 1,146 PCT applications.

7) Training and information exchanging, issuing guidelines

SIPO and other ministries have issued opinions and guidelines to help companies to establish their own IP Strategy. SIPO has cooperated with several universities to establish IP training program for enforcement officials, company IP staffs.

8) Incorporating IPR knowledge into school textbooks

2. Patent acquisition

2.1. Patentable inventions

The Chinese Patent Act protects inventions, utility models and designs. The act also uses the terminology invention-creation to indicate all these three categories of inventions, utility models and designs. The Chinese Patent Act defines that invention means new technical solutions proposed for a product, process or the improvement thereof.

2.2. Exclusion from patentability

If the subject of an application falls under one of the exclusions, it cannot be granted a patent.

According to Article 5 and 25, patent rights shall not be granted for any of the following:

- 1) scientific discoveries;

Scientific discoveries refer to the revelations of substances, phenomena transmission processes and their features and laws, which objectively exist in the nature. Because they are different from the technical solutions of reforming the objective world, they are not inventions creations in the meaning of the patent law and therefore cannot be granted a patent right.³

- 2) rules and methods for intellectual activities;

Rules and methods for mental activities are rules and methods governing people's thinking, expression, judgment, and memorization. Because they don't use technical means or apply the laws of nature, nor do they solve any technical problems or produce any technical effect, they do not constitute technical solutions.⁴

- 3) methods for the diagnosis or treatment of diseases;

Diagnostic methods referred to processes of identifying, studying, and determining the cause or focus of diseases on living human or animal bodies.⁵

Methods of treatment for diseases refer to the processes of intercepting, relieving, or eliminating the cause of focus of diseases so that living human or animal bodies may recover or gain health or relieve pain.⁶

³ SIPO, *Guideline for Patent Examination* (Beijing: Intellectual Property Publishing House, 2010), II. 4.1.

⁴ *Ibid.*, II. 4.2.

⁵ *Ibid.*, II. 4.3.1.

⁶ *Ibid.*, II. 4.3.2.

- 4) animal or plant varieties;

Animal or plant variety could be protected by other laws other than patent law. Animal or plant varieties as such cannot be granted a patent. But the patent rights may be granted for the production methods of animal or plant varieties.⁷

- 5) substances obtained by means of a nuclear transformation;

A substance, found in the nature and existing in its natural state, is merely an object of discovery in the sense of the scientific discoveries as provided for in article 25.1(1), therefore cannot be granted a patent right.⁸

- 6) designs of pictures, colors or the combinations thereof of two-dimensional printing goods that serve mainly as identifiers.
- 7) Inventions that violate the law or social ethics, or harm public interest

Article 5 stipulates that patent rights shall not be granted for invention-creations that violate the law or social ethics, or harm public interest. For example, gambling facilities, devices or instruments, drug-taking appliances, apparatus for counterfeiting banknotes, bills official documents, certificates, seals, and historic relics are all contravening the laws and are excluded from granting patent.⁹

These inventions creations are indicated as contrary to social morality, such as drawings or photographs of violence, murder and obscenity, and artificial sexual organ or its substitute not for medical use, or a method of mating a human being with an animal, a process for modifying the germ line genetic identity of human beings or a human being thus modified, the process for cloning human beings or a cloned human being, use of the human embryos for industrial or commercial purpose.¹⁰

Inventions detrimental to public interest also are excluded from granting patent right, for example, an invention creation employs a means of disabling of injury to person or damaging property, such as an anti-theft device of process by causing blindness to the thief,¹¹ the exploitation or use of an invention creation may seriously pollute the environment, seriously waste to energy or resources, disrupt ecological balance, or impair the health of the public.¹²

⁷ Ibid., II.C10.9.1.2.4.

⁸ Ibid., II.C10.2.1.

⁹ Ibid., chap. II.C1.3.1.1.

¹⁰ Ibid., chap. II.C1.3.1.2.

¹¹ Ibid., chap. II.C1.3.1.3.

¹² Ibid.

The human body, at the various stages of its formation and development, including the germ cell, an oosperm, and embryo and an entire human body cannot be granted a patent right in accordance with the provisions of article 5.1.¹³

Both an embryonic stem cell of human beings and a preparing method thereof cannot be granted the patent rights in accordance with the provisions of the article 5.1.¹⁴

According to Article 5.2, patent rights shall not be granted for the inventions that are accomplished by relying on genetic resources which are obtained or used in violation of the provisions of the laws and administrative regulations.

2.3. Patent eligibility of inventions and utility models

Article 22 of Patent Act states that any invention or utility model for which patent right may be granted must have novelty, inventiveness and practical applicability.

2.3.1. Novelty

Because the grant of patent provides the patentee with the monopoly for up to 20 years, the subject of the application should be new, in other words, it has never been done or made before.

Under Article 22.2, an invention is new if:

“the invention or utility model shall neither belong to the prior art, nor has any entity or individual previously filed before the date of filing with the patent administrative department under the State Council an application on an identical invention or utility model which was recorded in patent application documents or other patent documents published in official journal published after the said date of filing.”

This means that the subject matter should not have been available to the public before the date of the application.

To fulfill this requirement, an invention or utility model

- 1) must not belong to the prior art;

The means of a disclosure of prior art includes disclosure by publications, disclosure by use, and disclosure by other means, without limitation on territory. Means of disclosure by use include making, using, selling, importing, exchanging, presenting, demonstrating, exhibiting and the like that can make the technical content available to the public. Disclosure by other means mainly refers to oral disclosure etc. Examples include talking, reporting, speaking at a symposium, broadcasting, televising, and cinematographing that make the technical contents known to the public.¹⁵

¹³ Ibid., II.C10.9.1.1.1.

¹⁴ Ibid., II.C10.9.1.1.2.

¹⁵ Ibid., II.C3.2.1.2.

- 2) has not been filed by others with SIPO which was recorded in patent application documents or patent documents published in official journal after the filing date.

Nonetheless, in some special circumstances, even though the invention or utility model has been disclosed, it does not lose novelty. According to article 24, within six months before the date of application, an invention for which an application is filed for a patent does not lose its novelty under any of the following circumstances:

- 1) it is exhibited for the first time at an international exhibition sponsored or recognized by the Chinese government;
- 2) it is published for the first time at the specified academic or technological conference; and
- 3) its contents are divulged by others without the consent of the applicant.

2.3.2. Inventive step

Even after satisfying the test of novelty, the application must involve an inventive step. This means that the invention must not be merely something that will be obvious to anyone skilled in the art if they had put their mind to it.

According to article 22.3,

"Inventiveness means that, compared with the prior art the invention has prominent substantive features and indicates a remarkable advancement, or the utility model possesses substantive distinguishing features and indicates an advancement."

To evaluate the inventive step of an invention or utility model, the first question to answer is: to whom must the invention be obvious? Whether or not an invention involves an inventive step should be evaluated on the basis of the knowledge and capability of the person skilled in the art. The person skilled in the art refers to a fictional person who is presumed to be aware of all the common technical knowledge and have access to all the technologies existing before the filing date or the priority date in the technical field to which the invention pertains, and have capacity to apply all the routine experimental means before that date. However, he is not presumed to have creativity.¹⁶

The evaluation of inventive step usually follows three steps:

- 1) Identify the closest prior art, which is the most relevant technology in the prior art comparing to the invention or utility model that is seeking for patent protection.
- 2) Identify the distinguishing features of the invention or utility model by comparing the matter cited and the alleged invention, then to identify the technical problem that the invention or utility model aims to deal with.

¹⁶ Ibid., II.C4.2.4.

- 3) Decide whether the technical solution by which the invention or utility model aims to deal with a technical problem is obvious to the person skilled in the art.¹⁷

2.3.3. Practical applicability

Even if the invention satisfies the novelty and inventive step requirements, it will be patentable only if it has practical applicability.

According to Article 22.4, practical applicability means that the invention or utility model can be used for production or be utilized, and may produce positive results.

The subject matter of an invention or utility model application having practical applicability should be reproducible. Accordingly, the subject matter of an invention or utility model application unable to be reproduced does not have practical applicability.¹⁸

An invention or utility model application having practical applicability should comply with the law of nature. An invention or utility model application that violates the law of nature cannot be implemented, and thus does not have practical applicability.¹⁹

A unique product that is made by utilizing specific natural conditions and can never be moved, methods of surgery on human or animal body for non-treatment purposes, methods of measuring physiological parameters of human or animal body under extreme conditions, does not have practical applicability.²⁰ A dish which cannot be made industrially and implemented repeatedly does not have practical applicability.²¹

2.4. Patent granting procedure

In China, domestic applicants have two ways to apply for a patent. First, an applicant can directly submit patent application with SIPO or a representative office of SIPO. Second, an applicant can authorize qualified patent agent to file patent application with SIPO.

However, foreign patent applicants can not directly file patent application with SIPO by themselves. According to Article 19 of Patent Act, when a foreign applicant having no habitual residence or business office in China applies for a patent in China, he has to appoint a patent agent designated by SIPO to act as his or its agent.

¹⁷ Yin Xintian, *Introduction to the Patent Law of China* (Abridged), Intellectual Property Publishing House, 2012, p.197

¹⁸ SIPO, *Guideline for Patent Examination*, II.C5.3.2.1.

¹⁹ Ibid., II.C5.3.2.2.

²⁰ Ibid., II.C5.3.2.

²¹ Ibid., II.C5.3.2.6, II.C10.7.1.

In addition, China is a member of the Paris convention, which helps those who wish to obtain patent protection in more than one country. China also joined Patent Cooperation Treaty (PCT) in 1994. Foreign applicants can designate China when they file PCT application. With a PCT application, applicants can file for patent rights in all the member states.

2.4.1. Patent agent

It is a compulsory requirement for those foreigners that do not have habitual residence or business office in China to file patent application through a patent agency recognized by the SIPO.

According to Chinese Regulations on Patent Commissioning,

Patent agencies can deal with the following businesses:

- (1) providing patent-related consulting;
- (2) drafting patent application documents, filing patent application and handling re-examination and other related affairs;
- (3) requesting for reexamination, revocation of a patent right;
- (4) handling the assignment of right to apply for patents, patent right and licensing patent;
- (5) appointing patent agent to serve as a patent advisor for clients; and
- (6) Other related matters.

The Patent Act impose patent agencies the obligation to keep secret for clients. A patent agent needs to have technological education background and pass the bar examine. When applicants have commissioned a patent agency to submit patent application, all the communication between SIPO and the applicant will send to the patent agency. When a patent agency accepts the commission from a client, it is prohibited for the patent agency to accept commission from others that have interest in the commissioned patent.

2.4.2. Patent filing

To apply for invention patent, the application documents include:

- Request for grant,
- description of the invention (enclosed drawings if necessary),

The description should satisfy the requirements of clarity, completeness and enablement, i.e. the description contains a clear and comprehensive description of the invention or utility model so that a technician in the field of the relevant technology can carry it out; when necessary, pictures can be attached to it.

- claims,

The claims should satisfy the requirements of support in the description, clarity and conciseness, i.e. the written claim should, based on the written description, contain a clear and concise definition of the proposed scope of patent protection.

- abstract (enclosed drawings if necessary).

An application can be filed with the SIPO or the SIPO representative offices in 23 cities by post or direct submission. Applicants should submit all the documents mentioned above and pay the fee. The application can be only in written or electronic documents. The language is Chinese. Each foreign document should come with a translation.

At preliminary examination, SIPO will check whether all the necessary information and documentation has been provided, so that the application can be issued an application number and an acceptance notification. The filing date is accorded in the acceptance notification. The acceptance notification only means that SIPO has accepted the application, does not indicate the patent will be granted. The application number is unique for a specific application. In all the communication between applicants and SIPO, the number should be indicated. The application date is very important.

After the application is accepted, the applicants need to pay fee. If the applicants fail to pay fee before the deadline indicated in the acceptance notification, the application is presumed withdrawn.

Applicants can also file application online through the website:

<http://www.cponline.gov.cn/>

2.4.2.1. Domestic filling by foreigners

Those foreign applicants that have habitual residence in China or business office in China can file patent application with SIPO as same as the Chinese domestic applicants. However those that do not have habitual residence or business office can only commission a qualified patent agency to submit patent application.

2.4.2.2. Priority date

2.4.2.2.1. Right of foreign priority

When an applicant first file patent application in a foreign country, the right of foreign priority allows the applicant to file a subsequent application in China for the same invention, utility model or design effective as of the date of filing the first application in the foreign country. When filing the subsequent application, the applicant must claim the priority of the first application in order to make use of the right of priority.

The priority right exists 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. Within this period, the applicant file in China an application for a patent for the same subject matter, it may enjoy a right of priority. China is a party of Paris Convention and TRIPS Agreement. Any applicants from a member states can enjoy the priority right. When a priority is validly claimed,

the date of filing of the first application in foreign country, referred as the priority date, is considered to be the effective date of filing for the examination of novelty and inventive step for the subsequent application.

2.4.2.2.2. Right of domestic priority

Where, within twelve months from the date on which any applicant first filed in China an application for a patent for invention or utility model, he files with SIPO an application for a patent for the same subject matter, he or it may enjoy a right of priority.

Whatever foreign or domestic priority, any applicant who claims the right of priority has to make a written declaration when the application is filed, and submit, within three months, a copy of the patent application documents that was first filed; if the applicant fails to make the written declaration or fails to submit a copy of the patent application documents within the time limit, the claim to the right of priority is deemed not to have been made.

2.4.3. Confidentiality examination

When an applicant intends to apply for patent in a foreign country for an invention or utility model accomplished in China, it is required to submit the matter to SIPO for confidentiality examination.²²

2.4.4. Preliminary examination

According to Article 34 of Patent Act, “after receiving an application for an invention patent, SIPO, upon preliminary examination, finds the application to be in conformity with the requirements lay down in the law, it will publish the application after the expiration of 18 months from the date of filing.”

At the preliminary examination stage, SIPO examines whether the application include all the required documentations, whether formality of the application documentation fulfill the requirements. Besides of these formality examinations, it also examines some substantial issues, such as:

- whether the invention violates the law or social ethics, or harm public interest,
- whether the subject matter fall into the category that cannot be granted a patent,
- where the applicant is a foreigner, whether he is qualified to file patent application.

The SIPO will notify the applicant of its opinions after the preliminary examination and invite it to state its observations or to correct its application within the specified time limit. If the applicant fails to correct its application within the specified time limit, the application is deemed to have been withdrawn.

²² *Patent Act, 2008, Article 20.*

If the SIPO, after preliminary examination, confirms that the application meets the requirements in the patent law, it publishes the application within 18 full months from the date of application. And it may do so at an earlier date upon request of the applicant.

2.4.5. Substantive examination

Within three years from the date an invention patent application is filed, the SIPO may, upon request made by the applicant at any time, carry out substantive examination of the application. If the applicant, without legitimate reasons, fails to request substantive examination at the expiration of the time limit, such application is deemed to have been withdrawn.

The substantive examination examines the following matters:

- whether the application falls into the scope of subject matters excluded from patentability.²³
- to ensure that only one patent can be granted for the same invention.
- to examine novelty, inventive step and practicality.
- to examine whether description, abstract, claim fulfill the requirements such as clarity, completeness, enablement.
- when an invention-creation is accomplished by relying on genetic resources, to examine whether the application has indicated the direct and original source of the genetic resources.
- whether an application for an invention patent or utility model patent is limited to one invention or utility model.
- when an applicant has amended his patent application documents, to examine whether the amendment exceed the scope specified in the original written descriptions and claims, or whether the amendment to the design patent application documents exceed the scope shown in the original drawings or pictures.
- to examine whether a divisional application go beyond the scope of disclosure contained in the initial application.

After the SIPO has made the substantive examination of the invention patent application, if it finds that any of those requirements has not been fulfilled, it will notify the applicant and request to state its opinions within a specified time limit or to make amendment to the application. In the event of the applicant fail to do so without legitimate reasons, the application is deemed to be withdrawn.

2.4.6. Re-examination

The SIPO establishes a patent review board which is responsible to re-examine the decision made by the examiners during the preliminary examination and the substantive examination. If a patent applicant is dissatisfied with the decision made by SIPO on rejecting of the application, he may,

²³ Ibid., Article 5, 25.

within three months from the date of receipt of the notification, file a request with the patent review board for re-examination. After re-examination, the patent review board will make a decision and notify the patent applicant.

If the patent applicant is dissatisfied with the review decision made by the patent review board, he may appeal to Beijing first intermediate people's court within three months from the date of receipt of the notification.

2.4.7. Grant of patent

Upon substantive examination, if the SIPO find no reason to reject the application, it will make a decision on granting of the invention patent right, issue an invention patent certificate, and meanwhile publish it in official journal. The invention patent right becomes effective as of the date of publishing. The term of invention patent is 20 years from the date of filing or priority date.

2.4.8. Invalidation of a patent (post-grant procedure)

Beginning from the date when the SIPO publishes the grant of a patent right, anyone that believes that such grant does not conform to the relevant provisions of patent law, may request the patent review board to declare the patent invalid. Upon receiving such a request, the patent review board will examine the request and make a decision and notify the requesting party and the patentee of its decision. The party that is dissatisfied with the decision may take legal action to Beijing first intermediate people's court, within three months from the date of receipt of the notification.

Any patent that has been declared invalid is deemed to be non-existent from the beginning. Nonetheless, the decision on declaring a patent right invalid usually have no retroactive effect on any judgment on patent infringement that has been enforced, on any license or assignment contract that has been performed prior to the invalidation declaration of the patent right.

2.5. Invention patent or utility model patent

An inventor may face an option: to apply for an invention patent or an utility model patent. The Patent Act defines utility model as "a new technical solution for a product's form, structure, or the combination thereof." The requirements of patentability for utility models are lower than invention patents, and the granting procedure for utility models is simpler than invention patents. It is much quicker to get patent for utility model than invention. Nonetheless the exclusivity of utility model patents is as same as the invention patents. The main differences between invention and utility model include:

- 1) The inventive step for utility model is lower than invention

The inventive step for invention patents requires the invention compared with the prior art the invention has *prominent* substantive features and indicates a *remarkable* advancement, while the

requirements for utility model only are substantive distinguishing features and indicates an advancement.

2) The subject matters are different

Patent Act defines invention as new technical solutions proposed for a product, process or the improvement thereof. Invention patents cover both product patents and process patents. Utility model is defined as a new technical solution for a product's form, structure, or the combination thereof. Therefore, utility model patents only provide protect for product rather than process, furthermore utility mode patents only provide protect for product in term of specific forms or structure.

3) The grant procedure for utility model is much simpler

The application for invention patents is subject to the preliminary examination and the substantive examination which especially examine the novelty, inventive step and practical applicability. The application for utility model is only subject to the preliminary examination which mainly examines the formality of requirement documentation. When an application for utility model patent passes the preliminary examination, it will be granted a patent. As a result, it is much quick for utility model to receive a patent.

4) The protection term for utility model patents is shorter then invention patents

The protection term for a utility model patent is 10 years starting from the date of application, while the term for an invention patent is 20 years.

Some invention-creations may fulfill the requirements for both invention patent and utility model patent. The applicant has to decide which one to apply for. If he would like to have a patent quick, to apply for a utility model patent could be a good choice. If he would like to have a long monopoly over the technology, to apply for an invention patent would be better. It is possible to apply both utility model patents and invention patents. According to Article 9 of Patent Act, "For any identical invention-creation, only one patent right shall be granted. However, with respect to the application of a utility model patent and invention patent for the identical invention-creation filed by the same applicant on the same day, the invention patent may be granted if this utility model patent right obtained first is still in force, and the applicant declares to abandon the obtained utility model patent that has been granted."

2.6. Design patents

In addition to copyright protection, a design may be protected by patent. The protection for design patent could be more broad and powerful than copyright protection.

Article 2 of Patent Act defines design as "a new design of a product's shape, pattern or the combination thereof, or the combination of its color and shape and/or pattern, that is aesthetically pleasing and industrial applicable."

According to this definition, a design in the meaning of patent law is inseparable from the product to which it is applied and cannot exist alone. Furthermore, the combination of a design with a product must be capable to be manufactured at industry level. A specific design only for a unique product does not satisfy this requirement.

Article 23 of Patent Act lays down the substantive requirements for design patents. First, the design must have novelty. To fulfill this requirement, a design must not be available to the public, namely it has not been published or used overseas or in China, nor has any one previously filed an application on an identical design with SIPO before the filing date. If an applicant publishes his design or sell the product with the design before the filling date, this will destroy the novelty of the patent. Second, the design must be substantially different from prior designs or a combination of the features of prior designs. Third, the design must not be in conflict with any prior legal rights.

As same as utility model patents, an application for design patent only undergoes the preliminary examination. If the application is successfully examined, then it will be granted patent and published in official journals. Once the patent for design is granted, any activities that make, offer to dispose, dispose, import a product that embodies the patented design will constitute infringement.

2.7. Cost of a patent

The costs of a patent include two parts. First are the official fees that is stipulated and charged by the SIPO. Second are the attorney fees. If an applicant files patent application by himself, there is no attorney fee. The Association of All China Patent Agents has made a guideline to regulate the attorney fees. This tables show how much it cost for each item of official fees and attorney fees.

Item	Official Fees	Attorney Fees
	RMB	RMB
I Patents for Invention		
101. Filing an application (including publication fee)	950	4500
102. Filing a PCT application for national phase entry (including publication fee)	950	5000
103. Filing a divisional application (including publication fee)	950	4500
104. Additional charge for specification including drawings in excess of 30 pages, per page	50	-
in excess of 300 pages, per page	100	-

105. Additional charge for claims in excess of 10, per claim	150	50
106. Filing request for earlier publication	-	630
107. Filing request for substantive examination	2500	1300
108. Filing request for re-examination	1000	4500
109. Patent certificate fee (including printing fee and stamp tax)	255	700
110. Filing request for invalidation	3000	5800
111. Fee for deposit of microorganism for 30 years		
a) Microorganisms (per strain)	500\$	*
b) Cell lines, animal and plant viruses (per strain)	700\$	*
112. Fee for viability report		
a) Microorganisms (per strain)	50\$	*
b) Cell lines, animal and plant viruses (per strain)	70\$	*
113. Fee for providing samples of microorganisms		
a) Microorganisms (per strain)	30\$	*
b) Cell lines, animal and plant viruses (per strain)	50\$	*
114. Quarantine	50\$	*
115. Application maintenance fee (per annum)	300	270
116. Annuities (per annum)		
1 st to 3 rd year	900	450
4 th to 6 th year	1200	540
7 th to 9 th year	2000	630
10 th to 12 th year	4000	720
13 th to 15 th year	6000	810
16 th to 20 th year	8000	900
		450

117. Delayed payment of annuity or maintenance fee within six months	+25% sur-charge	2200
		2000
118. Late entering into national phase of PCT application	1000	
119. Restoring the unity of the invention for PCT application	900	

Remark*: It is charged by actual cost.

Item	Official Fees RMB	Attorney Fees RMB
II Patent for Utility Model		
201. Filing an application	500	3600
202. Filing a divisional application	500	3600
203. Filing a PCT application for national phase entry	500	4000
204. Additional charge for specification (including drawings) in excess of 30 pages, per page	50	-
in excess of 300 pages, per page	100	-
205. Additional charge for claims in excess of 10,per claim	150	50
206. Filing request for re-examination	300	4000
207. Patent certificate fee (including printing fee and stamp tax)	205	700
208. Filing request for invalidation	1500	4500
209. Annuities (per annum)		
1 st to 3 rd year	600	450

4 th to 5 th year	900	540
6 th to 8 th year	1200	630
9 th to 10 th year	2000	720
210. Delayed payment of annuity fee within six months	+25% sur-charge	450
211. Late entering into national phase of PCT application	1000	2200
212. Restoring the unity of the invention for PCT application	900	2000
213. Conducting the search of Utility Model	2400	900
III Patents for Design		
301. Filing an application	500	2800
302. Filing a divisional application	500	2800
303. Filing request for re-examination	300	3600
304. Patent certificate fee (including printing fee and stamp tax)	205	700
305. Filing request for invalidation	1500	4500
306. Annuities (per annum)		
1 st to 3 rd year	600	450
4 th to 5 th year	900	540
6 th to 8 th year	1200	630
9 th to 10 th year	2000	720
307. Delayed payment of annuity fee within six months	+25% sur-charge	450

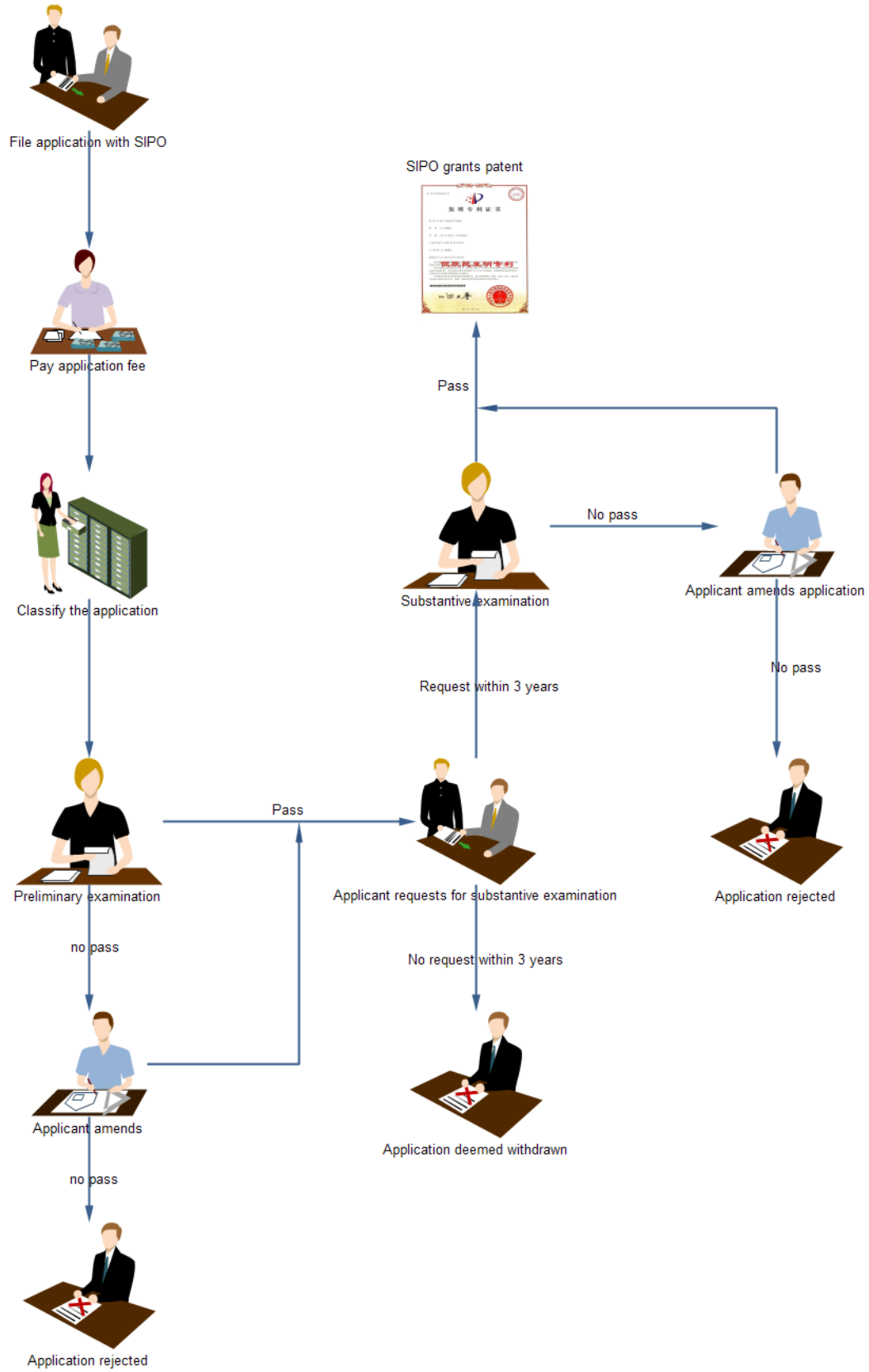
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Item	Official Fees	Attorney Fees
	RMB	RMB
IV Fees in General		
401. Late filing of documents and references	-	540
402. Receiving and forwarding official documents	-	450
403. Registration of change of bibliographic data for agency	50	700
404. Registration of change of bibliographic data for inventor, applicant, and patentee	200	700
405. Claiming priority		
a) Claiming single conventional priority	80	540
b) Additional charge for each additional priority	80	360
406. Filing a request for exception to loss of novelty	-	900
407. Interview with examiner	-	2700min.
408. Providing a certified copy of Chinese patent application	20	900
409. Filing request for extension of time limit (for the same notification or office action)		
The request for the first extension (per month)	300	700
The request for the second extension (per month)	2000	700
410. Recording a license contract	-	1300
411. Recording a transfer of a patent right	200	1200
412. Recording a transfer of a pending application	200	1200
413. Translation fee (per 100 original words or characters)		
a) From English into Chinese	-	140
b) From Japanese into Chinese	-	100
c) From German, Russian or French into Chinese	-	200
d) From Chinese into English	-	200

e) From Chinese into Japanese	-	200
f) From Chinese into German, Russian or French	-	220
414. Typewriting		
per page of English	-	70
per page of Chinese	-	100
415. Copying, per page	-	6
416. Making drawings (per piece)		
a) Drawing against a draft	-	450min.
b) Correcting a formal drawing	-	120min.
c) Preparing a drawing	-	50
417. Making photo (per piece)		450min.
418. Restoring right	1000	2200
419. Preparing observation on the office action	-	Hourly basis
420. Assuming representation during re-examination or invalidation	-	Hourly basis
421. Withdrawing a patent application	-	550

Source: the website of All China Patent Attorneys Association, http://www.acpaa.cn/list_info.asp?news_id=752

The Procedure of SIPO Grants Invention Patents



3. Ownership and management of patents

3.1. Rights to patents

An inventor is the person who has made a creative contribution to the substantial features of the invention. Persons who are responsible only for organizing, facilitating the utilization of material and technical resources or conducting ancillary works are not the inventor.²⁴ In China, the inventors can only be natural persons rather than a company or any other institutions.²⁵ Inventors have the right to be named as such in the patent document.²⁶

According to Patent Act, the patent owner does not have to be the inventor of the patented invention-creation. Where an invention-creation is the result of carrying out an employed job, or of commissioned agreement, ownership of the patent is determined by agreement between the inventor and his employer or by law.

3.2. Employment Invention

3.2.1. The ownership of employment invention

Under Article 6 of Patent Act, an employment invention is an invention made by the employee while carrying out the task assigned by the employer, or made by the employee *primarily* using the employer's facilities and technological resources such as funding, devices, spare parts, materials and undisclosed technical documents. In such a case, the right to apply for a patent belongs to the employer. If approved, the employer owns the patent right.

Therefore, the employee inventions include two categories: first, the inventions made by employees while they are carrying out the task designated by the employer; second, the inventions made by employee primarily using the employer's facilities and technological resources.

The employee inventions also include:

- the inventions that are completed in the course of performing his duties as an employee;
- the inventions that are completed while performing any task designated by the employer to an employee which is out of the scope of the employee's normal duty;
- the inventions that are completed within one year of the employee's resignation, retirement, or change of job, and that is relevant to the employee's duty or task with the previous employer.²⁷

²⁴ *Implementation Rules of the Patent Act, 2002, Article 12.*

²⁵ *Ibid.*

²⁶ *Patent Act, Article 18.*

²⁷ *Implementation Rules of the Patent Act, Article 11.*

The employer may include a temporary employer.

The Patent Act allows the employer and employee to negotiate the ownership of the invention while an invention is made by an employee using the employer's material and technological resources. In such a case, if an agreement between the employer and employee can be concluded, that agreement applies to determine who own the invention.

The Patent Act requires the patent owner of an employment invention to award the inventor, and, upon exploitation of the patented invention, to pay the inventor a reasonable remuneration based on the extent of and the economic benefits from exploitation of the patent.²⁸

3.2.2. The future of employment invention

SIPO With other 11 ministries jointly published "Opinions on Further Enhancing the Protection of Employment Inventors' Interests and Promoting the Exploitation of IPRs" on November 26, 2012. The opinions aim to implement the law, policies on employment inventions and to ensure the interest of employment inventors. Among many proposals, the opinions propose: the employer and employee can decide the ownership of employment invention by agreement; and the state owned enterprises and institutions should reward the inventors at least 3% of the profit generated from the invention; in the case of the invention is assigned, or licenses to others or invested in a company, the reward to inventors should be at least 20% of the assignment fee, license fee or the values of the share in the company; the reward is proposed to pay the inventors in three months from the date of the patent is granted or of the assignment fee or the license fee is received; the payment of the rewards enjoys tax preferential treatment.

SIPO has been proposing to make Statutes of Employment Inventions, the draft of which was published for comments in November 2012. The Statutes is to detail the provisions in the Patent Act on the employment inventions with the aim to encourage the employer and inventor to invest on innovation. The statutes take precedence of contract over the ownership and benefit sharing of the employment inventions while providing a minimum protection for the inventors.

The statute stipulates

- 1) the ownership of the employment inventions,

The statute restates the rules in the patent law. It especially provides that the ownership of employment inventions may be decided by the agreement between employer and inventors. Without valid agreement, then the statute will apply to.

- 2) the inventors' declaration of the inventions to the employer

²⁸ *Patent Act*, Article 16.

When inventors have finished an invention that is relevant to his employer's business, he has to declare the invention to the employer, and indicates whether the invention is employment invention or not. The invention is considered as non-employment invention if the employer fails to response to a declaration of non-employment invention in time. When the inventors declare an employment invention, the employer has to decide whether he will apply for IPR, or protect the invention as trade secret or disclose the invention within 6 months. If employer fails to response, the invention will be deemed as trade secret. Inventors may negotiate the ownership of employment invention with employer. Inventors have the duty of confidentiality.

3) Rewards and compensation to inventors

Inventors are entitled to receive rewards and compensation for employment inventions when the employer is granted IPR for employment invention and exploits it. The reward and compensation can be decided in an agreement between the employer and inventors or the internal rules of the employer. Any provisions in the agreement or the internal rules that abolish or restrict inventors rights provided in the statute will be void.

When the employment invention is granted patent or new plant variety right, the reward to all inventors at least is double of the average monthly salary of the total employees.

When the employer exploits an employment invention, it should pay all the inventors at least 5% of the profit or at least 0.5% of the turnover resulted from the invention patents or new plant variety each year during the valid term of the IPR. Nonetheless, the total rewards should not exceed 50% of profit resulted from exploiting the IPR.

When the employer assigns or license others the invention, the reward should be at least 20% of the revenue resulted from assigning or licensing the IPR.

In the case of IPR is invalid or revoked, the reward and compensation already paid to inventors should not be returned unless otherwise agreed by the employer and inventors or provided in the internal rules of the employer.

4) Promotion of exploiting IPRs of employment invention

When an employer would transfer an employment invention to others, the inventors have priority to be the transferee under the same conditions. To avoid an employment invention leaved unused, therefore inventor cannot receive any rewards, the inventors may exploit or license others to exploit the employment inventions according to an agreement with the employer, in the case of that the employer is a state-owned enterprise or institution, if the employer does no exploit or does not prepare to exploit the inventions within 3 years from the employment invention was granted IPRs. The government should provide tax preference to the rewards paid for the inventors. The government will establish fund to promote the exploitation of employment inventions.

The statute especially empowers the governmental IPR department at county level the right to investigate and punish those activities that infringe inventors' rights by the employer.

3.3. Joint invention and commissioned invention

Where an invention jointly created by two or more entities or individuals, or created by an entity or an individual in performing a commission by others, the right to apply for patent belongs, unless otherwise agreed upon, to the entity or the individual that created, or jointly created the invention. After the application is approved, the applicants are the patentees.²⁹

Regarding the exploitation of a joint patent, unless otherwise agreed, each owner a joint patent is entitled to use the patent respectively, or grant non-exclusive license to third party to exploit the patent. However, the royalties have to be allocated among all joint owners. Other activities involved in exploiting the joint patent have to be agreed by all joint patent owners.³⁰

3.4. Assignment of a patent/ of the right to apply for a patent

Patents and the right to apply for a patent are assignable. However any assignment of patents or the right to apply for a patent to a foreigner, by a Chinese entity or individual, has to follow procedures laid down in the relevant legislations.³¹

In the Administrative Regulations on Technologies Exportation and Importation (2001), in term of technology exportation, technologies are classified into three categories: export prohibited, export restricted and export free. To assign or license the export-restricted technologies beyond Chinese territory, approval is needed; to assign or license the export-free technologies, the assignment contract or the license contract should be registered with a competent authority.³²

According to Patent Act, if the owner of an invention which has been completed in China wants to first file patent application abroad, the owner should file an application for confidential review with the SIPO in advance. If the applicant fails to do so, the invention will be denied the granting of a patent in China.³³

Where the right to apply for a patent or the patent right is assigned, the parties need to conclude a written contract and register it with SIPO. The registration will be published in official journal. The assignment takes effect from the date of registration.

²⁹ Ibid., Article 8.

³⁰ Ibid., Article 15.

³¹ Ibid., Article 10.

³² *Administrative Regulations on Technologies Exportation and Importation*, 2001, Article 32, 33, 34. The competent authority is the Ministry of Commerce and local Department of Commerce, 2009 No.3 Ordinance of Ministry of Commerce.

³³ *Patent Act*, Article 20.

3.5. Patent license

Patent owners may license others to use their patents. Patent license may include exclusive, sole license. An exclusive license grants licensee the right to use the licensed IPR and exclude all others including the licensor from exploiting the licensed IPR within a specific geographic area. Contrast to exclusive license, a sole license does not prevent the licensor from using the IPR within the geographic area. An exclusive licensee has the right to initiate proceedings against infringers, but a sole licensee usually cannot initiate an infringement suit by him alone. Unless specified in the agreement, sublicensing is not allowed. To make a patent license successfully, the following matters must be looked at.

First, a strong and explicit license agreement is especially important in the case of IPR licensing. Patent licensor and licensee need to conclude into a license contract to define their rights and obligation in terms of exploitation of the patent and the royalty for the exploitation of the patent. In addition to Patent Law, Chapter 18 of Contract Act (1999) sets out the basic rules applicable to technology-related contracts. These rules apply to patent license contract as well. Generally contents of a licensing contract are determined by the licensor and licensee. However, the law does establish some obligations applying to license contracts.

Second, the contract law requires a licensor to provide the licensee a warranty of that he is the legitimate owner of the technology and the technology should be completeness, reliability, and effectiveness.³⁴

Third, there could be requirement for approval or registration of a license contract. To ensure a license contract is valid and enforceable, all the formality and approval procedures should be fulfilled. A patent licensing contract should be submitted to SIPO for record within 3 month from the date of the contract enters into force. Where a foreign licensor license his technology to China, the Administrative Regulations on Technologies Exportation and Importation (2001) created several approval and registration obligations. The regulation classifies all technology into three categories: import prohibited, import restricted and import free. To license an import-restricted technology into Chinese territory, approval is needed; to license an export-free technology, the license contract should be registered with a competent authority. The Ministry of Commerce publishes the catalogue of technologies prohibited or restricted to be imported into China. Therefore those foreign technology owners who would like to license technologies into China have to find out whether the technology falls into the category of import prohibited or import restricted. A license agreement for the import of restricted technologies has to be approved by the Ministry of Commerce before it becomes effective. A license agreement for the import of free technologies becomes effective when the agreement is established. The regulation requires the agreement for the import of free technologies to be registered with the Ministry of Commerce or regional de-

³⁴ *Contract Law*, 1999, Article 349.

partments of commerce even though the registration does not affect the legal force of the agreement. The registration could be useful when dealing with some procedures in terms of foreign currency, bank, tax, and custom matters.

Fourth, a licensing contract should not include restrictive terms, which may render the agreement invalid in whole or in part or trigger monopoly investigation. A technology-related contract that illegally monopolizes technology, impedes technological advancement or infringes others' technology is invalid. The rules on restrictive terms can be found in contract law, antimonopoly law, and Administrative Regulations on Technologies Exportation and Importation. For example, the contract law provides that it must not restrict competition of technology and development of technology.³⁵

Administrative Regulations on Technologies Exportation and Importation stipulates that a license agreement should not include the following restrictive provisions:

- 1) requiring the licensee to accept supplement conditions that are absolutely unnecessary for the import of the technology, including the purchase of technology, raw materials, products, equipment or services that are unnecessary;
- 2) requiring the licensee to pay royalties or to undertake relevant obligations for the technology when the valid term of the patent has already expired or the patent has been declared to be invalid;
- 3) restricting the licensee from making improvements to the licensed technology or restricting the licensee from using improved technology;
- 4) restricting the licensee from acquiring from other sources technology similar to, or competitive with, the licensed technology;
- 5) unreasonably restricting the channels or sources from which the licensee buys raw materials, parts and components, products or equipment;
- 6) unreasonably restricting the quantity, type or sale price of the products manufactured by the licensee; or
- 7) unreasonably restricting the export channels of the products manufactured by the licensee with the imported technology.

In addition, the contract law also stipulates that the ownership of improvements belong to the party making the improvement unless the contract specifies otherwise.³⁶

3.6. Compulsory license of patent

SIPO has issued detailed rules on measures for compulsory licensing of patents, which come into effect on May 1, 2012. These rules cover the procedure for granting compulsory license, for determining royalty rate, and for terminating compulsory license.

³⁵ Ibid., Article 329, 343.

³⁶ Ibid., Article 354; *Administrative Regulations on Technologies Exportation and Importation*, Article 27.

3.6.1. The grounds for granting compulsory license

The Patent Act enumerates 5 situations in which a compulsory license may be granted. Any one that wants to file a petition for granting compulsory license of patents must satisfy one of these five conditions.

1) Not exploit patents sufficiently

Any parties that have the ability to implement the patent are entitled to file a petition for granting a compulsory license of a patent where the patent holder has not exploited its patent at all or not exploited its patent sufficiently within 3 years from the date of granting the patent and within 4 years from the patent filing date without any legitimate reason.

2) Dependent patents

Where a patented invention is an important technical advancement over an early granted patent, and has prominent economic significance, where exploitation of the patent depends on implementation of the earlier granted patent, the patent holder can request a compulsory license of the earlier patent. If a compulsory license is granted, the holder of the early patent is entitled to request a compulsory license of the other patent.

3) Monopoly

Where the enforcement of a patent is held as a monopoly practice, to eliminate or reduce the negative effect on competition caused by the monopoly practice, any parties that are capable to implement the patent are entitled to file a petition for granting compulsory license of the patent.

4) State emergency

In the case of an emergency or other extreme urgency of the state, or for the purposes of public interest, a competent department under the State Council may request the SIPO to grant a compulsory license for implementing a patent to a designated qualified party.

5) Public health

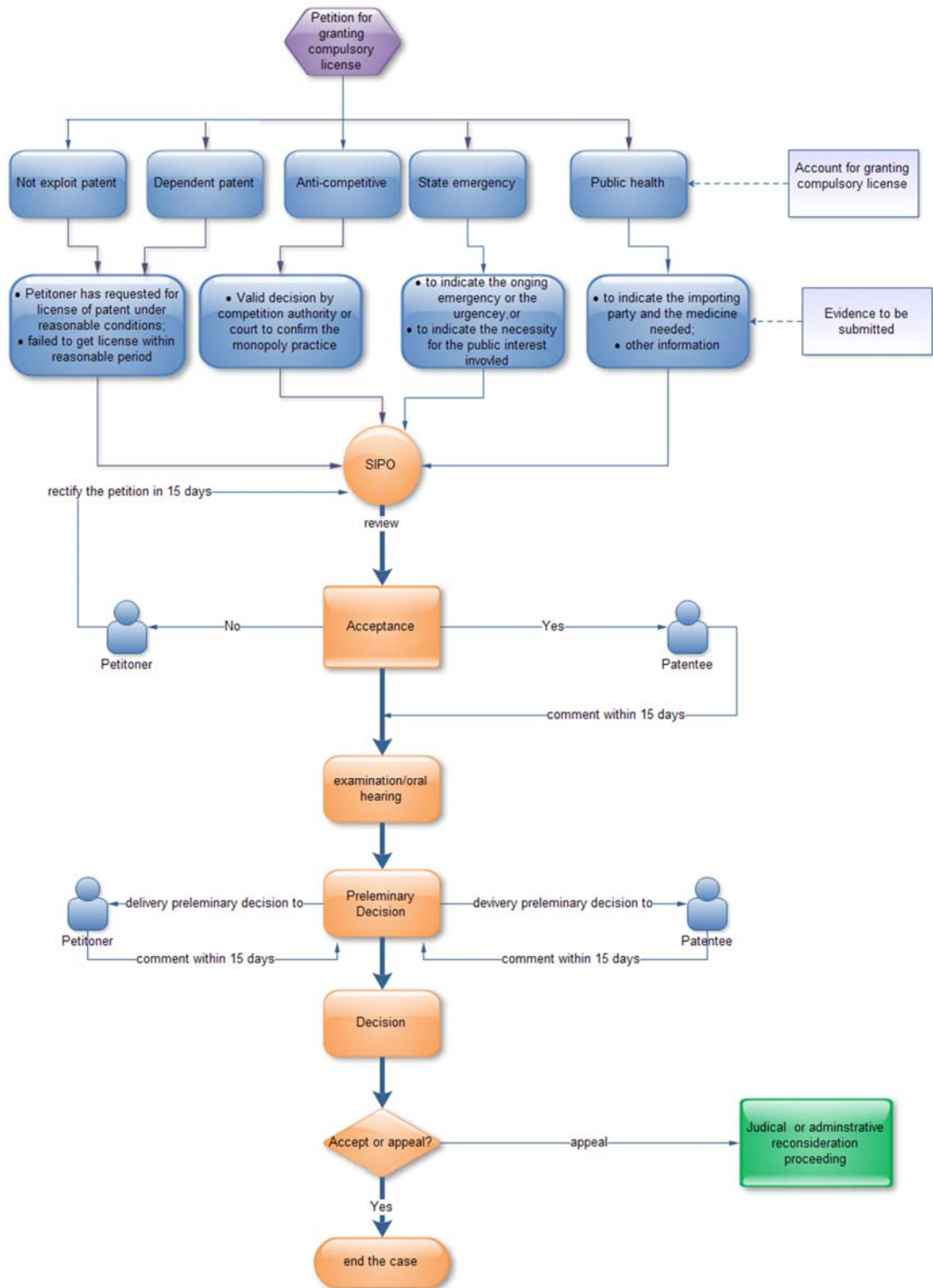
For the purpose of public health, any parties that are capable to implement the patent are entitled to file a petition for granting a compulsory license for manufacturing and exporting a patented medicine to a least developed country in accordance with international treaties that China has joined. Although the rules do not indicate a specific treaty, obviously Doha declaration in 2001 provided the possibility that the supplying country may issue a compulsory license to manufacture and export a generic copy of a patented medicine to a least developed country.

3.6.2. The procedure to apply a compulsory license in China

To petition for granting a compulsory license, a would-be licensee must file a petition in Chinese affiliated with required documents or evidences. If all the formality requirements are fulfilled, the SIPO would accept the petition. Then the SIPO forwards a copy of the petition to the patent holder in question. Then the patent holder has a chance to comment on the petition within 15 days. The SIPO will review the reasoning, information and relevant evidences submitted by the petitioner, and review the opinion of the patent holder. If necessary, the SIPO may dispatch two staffs to have an onsite check. If one party requests a hearing procedure, the SIPO should organize and conduct an oral hearing. In hearing proceeding, petitioner and patent holder and other relevant parties may defend themselves and cross-examine the evidences. Unless it involves state secrets, business secrets or personal privacy, hearing proceeding is open to the public. After examining all the relevant information, the SIPO delivers a preliminary decision to both parties for comments. After considering these comments, it will make the final decision of to grant or not grant compulsory license. Each party that does not satisfy with a decision is entitled to petition for administrative reconsideration or to appeal with a court.

The rules also include the procedure to determine royalty rate of a compulsory license, and the procedure to terminate a compulsory license, which are similar to the procedure to grant compulsory license highlighted above.

A graph below illustrates how the SIPO processes the petitions for compulsory licensing under the rules.



4. Enforcement of patents

Once a patent has been granted, the proprietor has the right to stop others from manufacturing, using, disposing or importing the subject of the patent for 20 years from the priority date. Exploitation of a patent without permission of the patentee constitutes infringement of patent.

Parties concerned may first resort dispute settled through consultation between the parties. If the parties are not willing to consult or if consultation fails, the patentee or interested party may take legal action before a people's court, and may also request the governmental department for patent affairs to handle with the dispute.

In the case of there are sufficient evidence for the infringement, the patent holder wish to stop the infringement quick and not to resort damage, it is good to choose the administrative actions against infringement. In the case of the infringement is very complicated, and patent holder aims for not only to stop infringing activity, but also looks to damage, judicial proceeding would be suitable choice.

4.1. Acts of infringement

After a patent is granted, a patented product is infringed by the following activities according to Article 11, making the product, using it, offering to dispose of it, disposing of it, importing it for business purpose, all without the patentee's permission. A patented process is infringed by its use, or using, offering to dispose of, disposing of, importing the products directly obtained by means of the patented process for business purposes.

4.2. Judicial proceedings

A patentee may protect his interest by suing infringer when infringement occurs. In addition to patentees, other relevant parties include licensees in an exclusive license agreement may take legal action against infringers.

4.2.1. Jurisdiction of courts in patent-related cases

The Chinese judicial system has 4 level courts: basic courts at county or municipal district level, intermediate courts at a municipality level, and high courts at provincial level, and the Supreme Court. Usually most of first instance of civil cases is heard at the basic courts. But the first instance of patent dispute is heard by intermediate courts that resides at a municipality where is the capital of the province or the intermediate courts that the Supreme Court designate for patent-related cases. By December 2009, there are 71 intermediate courts are entitled to hear patent dispute cases.

As to infringement cases, the court where the infringement activities occur and the court where the defendant resides have the jurisdiction to hear the cases. The plaintiff can chose one of the courts to sue infringer. When the defendant is the manufacturer of the infringed products, the

place where infringement occurs is the place of manufacturing the infringing products. When the defendant is the seller of the infringement product, the place where the infringement occurs is the place of selling the infringed products.

4.2.2. Evidence preservation

Under circumstances where it is very likely the evidence may be destroyed, lost or too difficult to obtain later on, the patentee or related party may before filing a law suit petition to the people's court for preservation of the evidence. The people's court may order the petitioner to provide a guarantee for evidence preservation. The people's court may also take initiative to preserve such evidence without petition. Upon accepting the petition, the people's court will make a ruling within 48 hours; if the court rules to preserve evidence, this ruling will be enforced immediately. If the applicant does not file a lawsuit within 15 days after the people's court issued an order to preserve evidence, the people's court then will withdraw the prior ruling.³⁷

4.2.3. Preliminary injunction

Patentees and other interested parties can apply for injunction and other property preservation measures against infringers before filing a lawsuit or arbitration. An application for preliminary injunction must fulfill the following conditions: first, the applicant proves he has the legitimate right to the patents in question; second, infringer is conducting or is about to conduct infringement activities; third, the infringement activity has resulted in or is about to result in irreparable harms to the petitioner, fourth, the petitioner provides a guarantee.

After receiving a party's petition for property preservation, the people's court will make a ruling within 48 hours; if property preservation is granted by a ruling, the preservation thereof will be enforced immediately. The party that is dissatisfied with the ruling may file once for review, and the enforcement is not suspended during the period of review.

If the petitioner fails to file a lawsuit or arbitration within 15 days after the people's court has adopted the preservation measures, the people's court will cancel the property preservation. If the application is wrong, the applicant has to compensate the losses suffered by respondent due to ceasing of the relevant activities.

4.2.4. Burden of proof

In a patent dispute case, a party has the responsibility of providing evidence in support of his own propositions. If a dispute involves a process patent for manufacturing a new product, the party manufacturing the same product has the responsibility of providing evidence to show that the manufacturing method of his own product is different from the process patent.³⁸

³⁷ *Civil Procedure Law*, 2012, Article 74; *Patent Act*, Article 67.

³⁸ *Patent Act*, Article 61.

4.2.5. Defense

When faced with an action for infringement, the alleged infringer has a number of options available.

If he has evidence to prove that the technology or design exploited is an existing technology or design, the exploitation does not constitute a patent right infringement.³⁹

The alleged infringer can argue the exhaustion of patent. If he can prove that the patented product or a product directly obtained by using the patented method is sold by the patentee or sold by any other with the permission of the patentee, the subsequent uses, offers to dispose, disposes or imports that product does not constitute a patent infringement.

Before the date of patent application, if the alleged infringer has already manufactured identical products, used identical method or has made necessary preparations for the manufacture or use and continues to manufacture the products or use the method within the original scope, the exploitation does not constitute a patent infringement.

The use of the relevant patent specifically for the purpose of scientific research and experimentation does not constitute infringement;

Where the alleged infringer produces, uses, or imports patented drugs or patented medical apparatus and instruments, for the purpose of providing information required for administrative examination and approval, this does not constitute infringement.⁴⁰

4.2.6. Damage

When an infringement is established, the court may order the defendant to stop infringing (injunction), to pay the damage and bear the lawsuit cost.

The amount of damage for infringement is determined according to

- 1) the patentee's actual losses caused by the infringement, or
- 2) the profit made by the infringer through the infringement, or
- 3) the reasonably multiplied amount of the royalties of that patent.

In addition, the damage should include the reasonable expenses paid by the patentee for preventing the infringement. If the losses of the patentee, profit of the infringer, or royalties of the patent are all hard to determine, the people's court may, on the basis of the factors such as the type of patent right, nature of the infringement, and seriousness of the case, determine the amount of compensation within the range from 10,000 yuan to 1,000,000 yuan.⁴¹

³⁹ Ibid., Article 62.

⁴⁰ Ibid., Article 69.

⁴¹ Ibid., Article 65.

4.2.7. Appeal

If a party disagrees with a judgment by a local people's court of first instance, the party can file an appeal with the people's court at the next higher level within 15 days from the date when the written judgment is received.

4.3. Administrative action

The Patent Act provides not only means of judicial procedures for patentees, but also administrative procedures against infringement. The law endows the governmental department for patent affairs the following power to deal with patent infringement cases:

First, upon the petition of the patent holders, it handles with the infringement cases, including to determine the existence of infringement, to order injunction.

Second, in the case of counterfeit of patented product, the governmental department has the power to order the party to correct his activity and announce the order publicly, to confiscate illegal revenue, to fine up to 4 times of the illegal revenue or up to 200,000 yuan in case no illegal revenue.

Third, the governmental department has the power to investigate the cases of counterfeit of patented product, interrogate the parties concerned, and investigate the circumstances related to the suspected illegal activity; it may conduct on-the-spot inspection of the places where the suspected illegal act is committed; consult and duplicate the relevant contracts, invoices, account books and other related materials; and check the products related to the suspected illegal activity and seal or detain the products of counterfeited patent.

Fourth, the department may mediate on the amount of damage in a patent infringement case.

When the parties are dissatisfied with the decision of the governmental department, they may file lawsuit before a court against the department.

The governmental department that are competent to handle with patent cases are those set up by a province, autonomous region, or municipality, or by a municipality which consists of districts, has a large amount of patent administration work.

The department at the infringer's venue or at the venue where the infringement take place has the jurisdiction over the patent infringement cases. Patentee may request one of these departments to handle with the case.

4.4. Arbitration

The invalidity of patent cannot be filed for arbitration. But other patent related issues resulted from enforcement of a contract can be filed for arbitration as long as the parties in question come into agreement to file the dispute to arbitration.

Arbitration Act was passed in 1994. Article 2 of the Arbitration Act provides that “disputes over contracts and disputes over property rights and interests between citizens, legal persons and other organizations as equal subjects of law may be submitted to arbitration.” Article 3 of the Act provides that “The following disputes shall not be submitted to arbitration:... administrative disputes falling within the jurisdiction of the relevant administrative organs according to law.”

Therefore it provides an alternative to settle IPR disputes, but not all IPR disputes are qualified for arbitration. There are two categories of IPR disputes: civil disputes and administrative disputes. Civil disputes may include the disputes over ownership of IPRs, disputes over IPR contracts, disputes over infringements. Administrative disputes are those disputes over the decisions made by the IPR administrative departments in the process of IPR application, and in the process of dealing with IPR infringements. According to Article 3 of the Arbitration Act, those administrative disputes are not qualified for arbitration. Nonetheless, many of IPR civil disputes may be qualified for arbitration. Disputes over IPR contracts, such as IPR license contracts, IPR investment and benefit sharing contracts, are qualified for arbitration. As to the disputes over IPR infringements, usually there no exist agreement between IPR owners and the infringers on the arbitration, arbitration agreement in which the parties agree they would bring dispute to arbitration is a precondition for arbitration. But after infringement dispute occurs, if the IPR owner and alleged infringer agree to bring their disputes over the alleged infringement to arbitration, the infringement case may be qualified for arbitration. As to dispute over the ownership of IPRs, since patent and trademark are granted by the government, arbitration institutions have no right to determine these matters.

Comparing to judicial procedures, arbitration has several advantages. First, IPR disputes may involve very specific knowledge; judges at a court may not have sufficient relevant knowledge. An arbitration institution that focuses on IPR issues may be more professional. Both parties can chose arbitrators who have strong relevant knowledge and expertise in specific area. Second, judicial procedure is open, anyone can go to the court hearing and access to decision. Arbitration is confidential. The procedure and decision will be kept secret. Arbitration would be a good choice for those parties who would keep their secret. Third, parties can choose an arbitration institution that they trust, and the arbitrators who are competent. Fourth, the decision of the arbitration institution is final. Court judgments in China can be appealed, only the decision of second instance is final. Therefore, arbitration may settle the dispute quick. Fifth, the decision of arbitration is enforceable. The parties can petition a court that has jurisdiction to enforce the decision of arbitration.

4.5. Criminal sanction

According to Article 216 of Criminal Act, a person who forges another person's patent shall be sentenced to fixed-term imprisonment of not more than three years or criminal detention and concurrently or independently, to a fine, if the circumstance is serious.

5. Other intellectual properties in business environments

5.1. Trademarks

5.1.1. Overview of history of Chinese trademark law

Current Trademark Law in China first was enacted in 1982 and came into effect on March 1, 1983. The 1982 Trademark law was very basic and simple, and many important issues were not covered. To fulfill the requirements laid down in international treaties and deal with some practical problems arising from the implementation of Trademark Law, the Trademark Law was amended twice in 1993 and in 2001, when China was preparing to access to the WTO. In 2008, the Chinese State Council published Outline of State IP Strategy, which set roadmap to improve the IP regime and IP protection. In this context, trademark law was amended again in 2013. Overall, this 2013 Amendment focuses on three perspectives, first the application and opposition procedure is improved to increase efficiency. Second, the 2013 Amendment added rules to prevent abuse of trademarks, such as well-known marks, conflict with prior rights. Third, the 2013 Amendment strengthens the protection and enforcement of trademarks by raising the damage and reducing the burden of proof for trademark holders.

5.1.2. What kinds of trademark are allowed to use and register in China

According to Trademark Law, the exclusive rights to use a trademark arise through registration. Prior use of a trademark is unnecessary to obtain an exclusive right to a trademark. Without registration, the actual user of a trademark cannot establish an exclusive right to the trademark. Even an actual user may lose its trademark once the trademark has already been registered by another for a same or similar goods or service.

The registration of trademark in China is voluntary, it is up the undertakings and individual to decide whether they register a trademark or not. However, as an exception using registered trademark on certain products is compulsory, such as tobacco products.⁴²

5.1.2.1. What signs can be registered as a trademark?

To be registrable, a trade mark must meet conditions spelt out in Article 8 of Trademark Law.

Registrable trademarks include all kinds of signs capable of distinguishing goods or services of one undertaking or individual from those of another. These signs include traditional marks such as words, characters, figurative marks, letter of the alphabet, numerals, but also three-dimensional

⁴² According to Article 6 of Trademark law, "for goods that must be used in connection with a registered trademark as prescribed by the laws and administrative regulations, a trademark registration must be applied for. Where no trademark registration has been granted, such goods cannot be sold on the market."

shapes and color combinations, and even non-visible signs such as sound, as well as the combination thereof. To be registered, those signs have to be distinctive and recognizable, should not be conflict with any rights obtained earlier of another.

A profound change in 2013 Amendment is that sound mark becomes registrable as long as it is capable to distinguish goods or services of one undertaking or individual from those of others. But The 2013 Amendment still does not permit a smell mark and a single color to be registered as trademark.

5.1.2.2. What signs cannot be used as a trademark?

Article 10 of Trademark Law enumerates the signs neither registrable nor be used as a trademark, such as those identical with or similar to the State name, national flag, national emblem, national anthem, military flag, army emblem, military song, as well as those in the nature of fraud and liable of confusing the public with the quality or other characteristics or the place of origin of the goods, etc.

5.1.2.3. What makes a mark unregiterable?

Registration is not available for marks that are devoid of distinctive character, including marks that bears only the generic name, design, or model number of the goods concerned and that directly indicate characteristics of the goods or services, such as the nature, quality, or principal raw materials, functions, weight, quantity or other features of the goods. However those marks may be registered when it has acquired distinctive features through use and becomes readily distinguishable.

In addition, a three-dimensional shape which merely results from the nature of the goods, or which is indispensable to obtain a technical effect or to give the goods substantive value is not allowed to register as trademark.

In addition to absolute refusal, there are also marks which may be subject to relative refusal. According to Article 30 of Trademark Law, any marks which are identical or similar to an existing registered mark or any marks that has been preliminary examined and approved for the same class of goods or services is subject to such refusal.⁴³

⁴³ According to Article 31 of Trademark Law, "Where two or more applicants apply to register identical or similar trademarks for use in connection with the same or similar goods, the Trademark Office shall first examine and approve for publication the mark with the earliest application date. Where the applications are filed on the same date, the Trademark Office shall first examine and approve for publication the mark with the earliest date of use. Other applications for registration shall be refused and shall not be published."

Article 32 of Trademark Law prohibits registration and use where the trademark is detrimental to another's prior rights.

Even though Chinese Trademark Law adheres to the first registration principle, Article 32 of Trademark Law also prohibits registration by an unjust mean of marks that had been already in use by another and have enjoyed substantial influence.

5.1.2.4. Certification marks and collective marks

According to Article 3 of Trademark Law, "a certification mark is a mark which is owned by an organization that exercises supervision over a particular product or service and which is used to indicate that third-party goods or services meet certain standards pertaining to place of origin, raw materials, and method of manufacture, quality, or other characteristics." Certification marks are not used by the mark's owner.

According to Article 3 of Trademark Law, "a collective mark is a mark registered in the name of a group, association, or any other organization and used by its members to indicate membership."

The most common used trademarks are product trademark and service trademark, certification marks and collective marks are used less common in China.

5.1.3. How to register a trademark in China

Any individual, legal person or other organization is entitled to file application for trademark registration in China. However there could be some limitation to foreign individuals or companies. China has joined Paris Convention, WTO and Madrid Agreement Concerning the International Registration of Marks. The foreign applicants from a member state of these conventions or organizations are treated as the same as the domestic applicants.

Those foreigner who has residence in China or foreign companies that have business office in China can directly fill trademark register application with State Trademark Office (TMO). Those foreign applicants that do not have residence or business office in China cannot file trademark application with TMO directly. There are two ways for foreigners to apply for trademark registration in China. First is to appoint a trademark agent to file application with the TMO. Second is to use the Madrid international registration system when they file trademark application in a member state of Madrid Agreement Concerning the International Registration of Marks.

According to Article 22, 23, 24 of Trademark Law, for registering a trademark, an applicant needs to file an application with the TMO by its own or through a trademark agent. In a trademark application for registration, the class and the names of goods which the mark is proposed to use for should be indicated according to the designated good classification. The applicant can apply for the same trademark for goods in different classes within an application. The application can be filed in written or through electronic mean of data transmission. In addition, an applicant needs to pay the fees for each class of goods or services for which it has made application.

Where a registered trademark holder would like to use its trademark for the class of goods or service beyond indicated in its registration, a new application is needed. When a trademark owner would like to alter its registered mark, it should file an application to do so.

The Trademark law provides for some responsibility to trademark agents, such as the responsibility of good faith, keeping secret for clients. It prohibits a trademark agent from registering other's mark under its own name, from filing applications that conflict with other's prior rights knowingly. In addition, it provides that the industrial association of trademark agents should discipline its members and disclose discipline information to the TMO and the Trademark Review and Adjudication Board (the Board).

5.1.3.1. The filing date and priority date

The filing date is the date when the TMO receives the application documentation.

A foreign applicant is entitled to claim for priority date where the home country of the applicant has joined the same international treaty that provides for the priority, for example the Paris Convention, WTO TRIPS Agreement.

Priority date may apply in two situations. First, where an applicant, within six months from the date of filing an application for the first time in a foreign country, again applies in China for registration of the same trademark for some or all of the same goods, it is entitled to claim priority. Second, where the applicant applies for registration of a trademark that has been used for the first time on goods displayed at an international exhibition organized or recognized by the Chinese government may, within six months from the date when the said goods were placed on exhibition, it is entitled to claim priority. When a priority is established, the first filing date in the foreign country is recognized as the filing date in China.

Where an applicant would claim priority date, it should state it in writing together with its trademark application and provide relevant evidences required within three months. Failure to do so will be regarded as no claiming priority.

5.1.3.2. Examination of TM application

Upon receiving a complete trademark application, the TMO needs to complete examination of the application within 9 months. During the examination, the TMO may request an applicant to clarify or correct the application if it considers necessary. If the applicant fails to do so, it does not affect the decision by the TMO. Upon the examination, if the TMO finds the application fulfill all the requirements laid down in the Trademark law, it will approve the application and publish the notification of the application in an official journal. Once a notification is published, any qualified parties are entitled to file an opposition to the application. If no opposition is filed against the application within three months period from the date of publication, the trademark registration will be approved, and then a trademark registration certificate is issued to the applicant, and the

notification of the registration is published in an official journal. The rights to a registered trademark last for 10 years, starting from the date when the registration is approved. It may be renewed for further periods of 10 years.

Those applications that do not fulfill the requirements or the mark has already been registered by others will be rejected. Where an applicant is dissatisfied with the decision of rejection, it may, within fifteen days from the date of receiving the decision, apply to the Board for review. The Board needs to make a decision within 9 months period which can be extended upon approval, and notify the applicant of its decision in writing. Where the applicant is still dissatisfied with the decision, it may, within 30 days from the date of receiving the decision, bring a lawsuit to Beijing Intellectual Property Court (Beijing IP Court).⁴⁴

5.1.3.3. Opposition

Only stakeholders and holder of a prior right that is considered infringed by a trademark application and are entitled to file an opposition, within three months from the date when an trademark application is published in official journal. Nonetheless, it still allows anyone to file opposition to a trademark application for those marks that are not allowed to use and register as a trademark laid down in Article 10, 11, 12 of Trademark Law. The reasons to file an opposition are limited to that a trademark may be detrimental to prior rights.

The TMO will hear and investigate each party's statement upon receiving an opposition request that matches all the legal requirements, and make a decision within 12 months which can be extended upon approval. If the opposition is rejected and the right to a trademark is granted, the right to the registered trademark starts from the expiration of 3 months from the date of publication of the trademark application. If the opposing party is dissatisfied with the decision, it can file request to revoke the trademark following the revocation procedure. If the decision rejects a trademark application, the applicant can file a request for review with the Board within 15 days from the date receiving the decision. The Board needs to make a decision within 12 months, which can be extended upon approval. Where the applicant still dissatisfied with the decision, it can file lawsuit to a court within 30 days from the date receiving the decision.

5.1.3.4. Renewal

If a registered trademark owner would continue to use its registered trademark after the period of expiration, an application for renewal should be made within twelve months before the expiration. If the owner fails to do so within that period, an extension period of six months is granted. If no application is filed after the extension period expires, the registered trademark is cancelled. The period of validity for each renewal of registration is 10 years. After 10 years, the trademark holder can renew it again.

⁴⁴ Beijing Intellectual Property Court was established on 6 November 2014, which has exclusive jurisdiction over the patent, trademark filing and revoking disputes.

5.1.4. How to revoke a registered trademark?

A registered trademark can be revoked. There are two categories of grounds on which a trademark can be revoked.

In the first category, the TMO can initiate a revocation procedure and make a decision and anyone can also request the Board to revoke the trademark, where

- 1) the registered trademark is in a category of which are not allowed to used or registered as a trademark in China.
- 2) the registered trademark of three-dimension design, the shape merely results from the inherent character of the goods, or is necessary for the technical effect of the goods, or confer a substantive value to the goods.
- 3) the registered trademark was registered by deceitful or other illegitimate means.

In the second category, the revocation procedure only can be initiated by a prior right holder or stakeholders with the Board within 5 years from the date of registration. However the 5 year limitation does not apply to a well-known mark owner in the case of the trademark concerned was registered in bad faith. Those includes:

- 1) Where a mark is a reproduction, imitation, or translation of a third-party's well-known mark which has not been registered in China and where the goods are identical or similar, which is liable to cause public confusion and injury to the interests of the registrant of the well-known mark.
- 2) Where a mark is a reproduction, imitation, or translation of a third-party's well-known mark which has been registered in China and where the goods are not identical or dissimilar, which may mislead the public and cause injury to the interests of the registrant of the well-known trademark.
- 3) Where a trademark agent, without permission of the principal, seeks to register the principal's trademark in its own name.
- 4) Where a trademark, which is identical or similar to a prior used unregistered trademark, is registered for identical or similar product, and the registrant has prior contractual relationship or business relationship with the prior trademark user and therefore had knowledge of the existence of the trademark.
- 5) Where a registered trademark has included a geographic indication but the products on which the mark is used do not originate from the region therefore leading to misleading, unless the registration is based on good faith.
- 6) Where a trademark application did not fulfil the requirement of the Trademark law or the trademark is identical with or similar to a registered trademark used for the same or similar goods.
- 7) The registration is detrimental to other's prior rights.
- 8) By an unjust mean the registrant has registered a mark that had been already in use by another party and enjoys substantial influence.

When a party is dissatisfied with the decision made by the TMO of revoking its registered trademark, it may, within 15 days from the date of the notification is received, appeal to the Board for a review. Where the party is dissatisfied with the decision of the Board, it may, within 30 days from the date of the notification is received, bring a lawsuit to Beijing IP Court.

The decision of revocation does not retrospectively apply to court decisions, rulings, mediations, and administrative decisions that have already been made, and the implementation of which has been finished, and any trademark licensing contract, assignment contract that have been fulfilled. Nonetheless, there are two exceptions to this rule. First, if the trademark registrant in bad faith has caused losses to others, it is still obliged to pay damage. Second, if no return of damage, licensing fee or assignment fee may violate the principle of fairness based on the revocation, fully or partially return of the damage or fee may be required.

5.1.5. Well-known marks

According to Article 13 of the Trademark Law, the protection for a well-known mark may extend to unregistered mark and dissimilar products and services.⁴⁵

Article 14 of Trademark Law provides for how to define a well-known mark. In China, the TMO, the Board, and Court are entitled to recognize a well-known mark. The TMO, in examining a trademark registration and in the course of investigating trademark cases handled by the Administration for Industry and Commerce may, upon a request filed by the parties involved, determine whether a trademark is well-known. The Board, in the process of handling a trademark dispute, upon a claim filed by the parties involved, may determine to recognize a well-known mark in accordance with the needs of a specific case. Those courts designated by the Supreme Court, in the course of hearing civil and administrative trademark cases, upon a claim filed by the parties involved, may determine to recognize a well-known mark, based on the needs of each case.

The following factors are considered in determining whether or not a trademark amounts to a well-known mark:

- 1) the degree of public recognition in its trading areas;
- 2) the duration in which the mark has been in use;
- 3) the duration and extent of its advertising, and the geographical areas where the advertising has covered;
- 4) the records of protection that the mark has gained as well-known mark;

⁴⁵ Where a mark is a reproduction, imitation, or translation of a third-party's well-known mark which has not been registered in China and where the goods are identical or similar, which may cause public confusion and be detrimental to the interests of the well-known mark holder, no registration will be granted and the use of the mark is prohibited. Where a mark is a reproduction, imitation, or translation of a third-party's well-known mark which has been registered in China and where the goods are not identical or dissimilar, which may mislead the public and be detrimental to the interests of the well-known mark holder, no registration is granted and the use of the mark is prohibited.

- 5) other factors serving to make the mark well known.

Because in China more and more trademark holders have used well-known mark as an honor to promote their products which are not compatible with the function of well-known marks. The 2013 Trademark Amendment clarified that a trademark holder may apply a competent authority to recognize its mark as a well-known mark only when it involves in dispute. To avoid abuse of well-known marks, the 2013 Trademark Amendment prohibits undertakings including well-known mark owners from indicating their marks are well-known mark in package, advertisement, exhibition and other commercial activities.

5.1.6. How to license or assign a trademark to others?

The Trademark Law provides that in the case of assignment of trademark, trademark holder should assign its other marks that are similar to the assigned mark registered for the same products, and the marks that are identical with or similar to the assigned marks registered for similar products together to assignee. Where the assignment may lead to likelihood of confusion or other adverse effect, the assignment is not permitted. After assignment of a registered trademark is approved, it will be published in an official journal. The assignee owns the exclusive right to the assigned trademark starting from the date of publication. The assignee bears the liability to maintain the quality of the products on which the assigned mark is used.

As to licensing trademark, the Trademark Law provides that parties should report the licensing to TMO for record. The TMO will publish the records in an official journal. The mark licensed without record cannot be used against any third parties in good faith. The licensor has the responsibility to supervise the quality of the goods on which the licensee uses its registered trademark.

5.1.7. How to enforce trademarks in China

The 2013 Amendment has made some changes to the enforcement of trademark that aim to facilitate the enforcement cracking down infringement. Secondary infringement liability was added in the Amendment. The amount of damage is raised, punitive damage can be awarded and trademark holder's burden of proof is reduced according to the 2013 Amendment.

5.1.7.1. What activities amount to infringement of trademark

Article 57 of the Trademark Law enumerates 7 categories of activities that may constitute infringement of trademark:

- 1) Using a trademark that is identical with a registered trademark for the same goods without the authorization of the trademark holder;
- 2) Using a trademark that is similar to a registered trademark for the same goods, or that is identical with or similar to a registered trademark for the same or similar goods, without the authorization of trademark holder, which may cause likelihood of confusion;

- 3) Selling goods that infringe a registered trademark;
- 4) Counterfeiting, or making, without authorization, labels of another party's registered trademark, or selling such labels;
- 5) Removing other's registered trademark on a product and replace it with other mark without permission, and put the goods into market again;
- 6) Intentionally facilitating infringement of trademark, assist any others to carry out the activities infringing trademark;
- 7) Any other activities that is detrimental to a registered trademark.

5.1.7.2. What means can resort to enforce a trademark?

There are three means for a trademark holder and relevant stakeholders to protect their trademarks in China. A trademark holder can seek remedies to a court to initiate a civil proceeding against infringer claiming for injunction and damage, it may also complain to a relevant administrative authority to initiate an administrative investigation against infringement and impose administrative penalty on infringer. As to trademark cases, the relevant administrative authority is the Administrative Department for Industry and Commerce, when it involves border measures, the relevant administrative authority is the Customs. Furth more, if the infringement is serious, a criminal proceeding may be initiated.

A. Administrative actions

The Administrative Department for Industry and Commerce is entitled to investigate any trademark infringing activities, to grant injunction against infringer, to confiscate and destroy the goods involved and the tools specially used for manufacturing infringing trademark, and may also impose a fine to punish infringer. But the Administrative Department for Industry and Commerce is not entitled to reward damage.

Trademark Law grants the Administrative Department for Industry and Commerce strong power in investigating infringing activities. It is entitled to interrogate relevant parties, examine relevant documents, on-site raid, and seize infringing goods. When the infringement is convicted, the Administrative Department for Industry and Commerce may grant injunction to prevent the infringement, confiscate and destroy infringing goods and the devices that specially are used for producing infringing goods and counterfeiting a registered mark. Where the illegal turnover in terms of infringing products is over 50000 Yuan, it may be imposed fine at most 5 time of the illegal turnover. In case there is no illegal turnover, or less than 5000 Yuan, a fine may be imposed up to 250000 Yuan. Where trademark infringement occurs more than 2 times within a period of 5 years or with other serious circumstances, a heavier punishment shall be given. Where a seller with no knowledge of its infringing goods can prove that it obtains the goods through legitimate mean and able to indicate the goods provider, the administrative authority may order the seller to cease selling its goods.

During investigating infringing activities, where there is dispute with respect to the ownership of the trademark concerned, or the right owner files lawsuits claiming infringement to a court, the administrative authority may suspend the investigation. It may resume or end the investigation after the causes of the suspension have been eliminated.

The administrative authority handling a dispute may, as requested by the party, mediate, but has no right to decide, the damage for the infringement.

Where the party is dissatisfied with the decision of an administrative authority, it may, within 15 days from the date the notification is received, bring a lawsuit to a court against the administrative authority.

B. Civil proceedings

A trademark holder or a relevant stakeholder may bring lawsuit to a court against infringers. The court that has jurisdiction over the case will hear the case with accordance to Civil Procedure Law.

According to Article 63 of the Trademark Law, damage for infringement of trademark can be determined according to:

- the actual losses that the trademark holder has suffered as a result of the infringement, including reasonable expenses the owner has paid in its effort to put an end to the infringement. In case the actual loss cannot be proved, or
- the profits that the infringer has made as a result of the infringement. In case the profits cannot be proved, or
- reasonable multiples of the royalty for licensing the trademark,

The 2013 Amendment reduces the burden of proof for claimant in proving damage. For the purpose of determining the amount of damages, where the account books and information related to the infringement are held by the infringer, and where the claimant has presented as much evidence as possible, the court may order the infringer to surrender such account books and information. If the infringer refuses to as ordered, or submit a false version thereof, the court may determine the amount of damages with reference to the claimant's claims and evidence. If the damage still cannot be proved by all means, the court may grant damage up to 3 million Yuan according to the circumstance of infringement.

The 2013 Amendment specially aggravates the damage for infringing in bad faith. If infringement is carried out in bad faith and with serious circumstances, the amount of damage can be more than one up to three times the aforesaid determined amount.

In addition, to prevent infringer from destroying evidence, moving or hiding property, a registered trademark holder or any stakeholder may, before filing a lawsuit, apply to a court for granting injunction and ordering preserve the evidence.

The 2013 Amendment also provides for an exception for damage as defense in civil proceeding. An alleged infringer may raise a counterplea that the claimant has never used the trademark in question in a civil proceeding. If the rights holder fails to provide evidence to prove its actual use within 3 years and any loss due to the infringement, the alleged infringer has no liability for damage. In addition, when a person unknowingly disposes goods which infringe upon another's trademark, if it can prove that it obtain the goods lawfully and can indicate the supplier, it is exempted from paying damage.

C. Criminal offences

In addition to the means of administrative procedures and civil procedures, the resort to criminal procedure against infringement of registered trademark is more powerful and effective. But the threshold for criminal liability in terms of infringing registered TM is high.

1) counterfeiting registered trademarks

Article 213 of the Criminal Code stipulates that "Where any person, without authorization of the owner of a registered trademark, uses a trademark which is identical with the registered trademark in respect of the same goods shall, if the circumstances are serious, be sentenced to fixed-term imprisonment of not more than three years or criminal detention and shall also, or shall only, be fined; if the circumstances are especially serious, he / she shall be sentenced to fixed-term imprisonment of not less than three years but not more than seven years and shall also be fined."

2) disposing goods bearing a counterfeited registered trademark

Article 214 of the Criminal Code provides that "Where any person knowingly disposes goods bearing a counterfeited registered trademark shall, if the amount of sales is relatively large, be sentenced to fixed-term imprisonment of not more than three years or criminal detention and shall also, or shall only be fined; if the amount of sales is huge, he shall be sentenced to a fixed-term imprisonment of not less than three years but not more than seven years and shall also be fined."

3) falsifying, or making tags of another person's registered trademarks without authorization, or disposing such tags

Article 215 of the Criminal Code provides that "Where any person falsifies or without authorization of another makes tags of the person's registered trademarks or disposes such tags shall, if the circumstances are serious, be sentenced to fixed-term imprisonment of not more than three years, criminal detention or public surveillance and shall also, or shall only, be fined; if the circumstances are particularly serious, he / she shall be sentenced to fixed-term imprisonment of not less than three years but not more than seven years and shall also be fined."

In addition to criminal liability, meanwhile the owner of a registered trademark may still demand for compensation for civil damages.

5.2. Software protection

Copyright protection is the most widely used legal protection model for software protection internationally. As a type of "works", copyright law offers a broad scope of protection to software. China is the member state of Berne Convention since 1992, a member state of WTO since 2001. According to the Article 10 of WTO Trips Agreement, Computer programs, whether in source or object code, shall be protected as literary works under the Berne Convention (1971).

To be in compliance with the international standard, the article 3 of Chinese Copyright Act stipulates that the computer software is the work protected by this Act. And China amended its Computer Software Protection Regulation (Software Regulation) as special rules of the Copyright Act. The Software Regulation has priority applying on the software matters that fall into its scope to the Copyright Act. Only if the issues that Software Regulation has no stipulation on, the Copyright Act will apply on.

According to the Article 2 (6) of Bern Convention, China is obliged to protect the software products under copyright originating from other member states. This has been stipulated into Chinese Copyright Act and Software Regulation.⁴⁶

According to Article 4 of Software Regulation, software must satisfy two requirements to get protection, the first is it must be developed independently; the second is that it must be fixed in a material form. According to Article 6 of Software Regulation, the protection of software copyrights does not extend to the ideas, processing, operating methods, mathematical concepts or the like used in software development.

5.2.1. The ownership of software

Under Software Regulation, a software developer enjoys copyrights in respect of the software which they have developed, whether published or not.⁴⁷ A software developer could be an organization that actually organizes or directly carries out the development of a piece of software and assumes responsibility for the accomplished software. It could also be a nature person who independently carries out, relying on his own facilities, the development of a piece of software and assumes responsibility for the accomplished software.⁴⁸

46 CHINESE COPYRIGHT ACT art. 2(PRC)

47 Art 5 of Software Regulation says, " Chinese citizens, legal entities or other bodies shall enjoy, in accordance with these Regulations, copyright in respect of software which they have developed, whether published or not. Software of foreigners or stateless persons first published on the territory of the People's Republic of China shall enjoy copyright in accordance with these Regulations. Software copyright of a foreigner or stateless person which he enjoys under an agreement concluded between China and the country to which its developer belongs or in which its developer has his habitual residence, or, under an international treaty to which China is a party, shall be protected in accordance with these Regulations."

48 REGULATIONS ON COMPUTER SOFTWARE PROTECTION art. 3(3) (PRC)

According to Art 11 of Copyright Act,⁴⁹ and Article 9 of Software Regulation⁵⁰, the one whose name is mentioned in connection with a work, in the absence of proof to the contrary, is deemed the author of the work.

5.2.2. The moral right of software

Article 9 of Software Regulation stipulates 2 moral right, an author has the right to determine whether to public his software, and the author has the right to determine whether to attach his name on the software.

5.2.3. The ownership of joint work

In China, regarding software, joint work means that the software is developed jointly by two or more natural persons, legal persons or other institutions⁵¹. If there is a written contract between the members, the members who join the development of the software will excise their right in accordance with the provisions in the contract. Without written contract, each co-developer is entitled to independent copyrights in the part that he has developed if the joint software can be separated into independent parts and exploited separately, provided that the exercise of such copyright does not extend to the copyright in the joint software as a whole. If the joint software cannot be separated into independent parts and exploited separately, its copyright are enjoyed jointly by those co-developers and exercised by consensus between them.⁵²

5.2.4. The ownership of employment work

Pursuant to the Article 13 of Software Regulation, in any of the following cases the copyright in a piece of software developed by a natural person during his employment by a legal entity or other body is enjoyed by the latter:

49 Art 11 of Chinese Copyright Act says, "The citizen, legal entity or other body whose name is mentioned in connection with a work shall, in the absence of proof to the contrary, be deemed to be the author of the work."

50 Article 9 of Regulation says, "Except where otherwise provided in these Regulations, the copyright in a piece of software shall belong to its developer. The natural person, legal entity or other body whose name is mentioned in connection with a piece of software shall, in the absence of proof to the contrary, be deemed to be its developer."

51 REGULATIONS ON COMPUTER SOFTWARE PROTECTION sec. 10(1) (PRC)

52 According to the Article 10 of Software Regulations on Computer Software Protection," Where a piece of software is developed jointly by two or more natural persons, legal persons or other institutions, the ownership of its copyright shall be agreed upon in a written contract between the co-developers. In the absence of a written contract or an explicit agreement in the contract, each co-developer shall be entitled to independent copyright in the part which he has developed if the joint software can be separated into independent parts and exploited separately, provided that the exercise of such copyright does not extend to the copyright in the joint software as a whole. If the joint software cannot be separated into independent parts and exploited separately, its copyright shall be enjoyed jointly by those co-developers and exercised by agreement. In the absence of such an agreement, any co-developer shall not prevent, without reasonable ground, the other(s) from exercising the copyright except the right of transfer; however, the profit received for exploiting the joint software shall be reasonably shared between all the co-developers."

- 1) The software is developed in connection with the development objective explicitly designated in the duty of the natural person;
- 2) The software is a foreseeable or ordinary result of fulfilling his duty by the natural person;
- 3) The software is developed mainly using the material and technical resources of the legal entity or other body, such as funds, special facilities or unpublished special information, and under its responsibility.

5.2.5. The ownership of commissioned work

According to the Article 11 of Software Regulation, where a piece of software is developed on commission, the ownership of its copyrights is agreed upon in a written contract between the commissioning and the commissioned parties. In the absence of a written contract or an explicit agreement in the contract, the copyrights are enjoyed by the commissioned party.

5.2.6. The registration of software

The Article 7 of Software Regulation stipulates the registration procedure. However the registration is not the precondition for copyright protection. When the work is finished, it gets the copyright protection automatically. The registration just is a preliminary proof for the registered items being true.

5.2.7. Software patent

Regarding the software patent, China follow European approach, excludes patents on programs for computers as such, software can be patentable only if there is a "technical effect"⁵³.

5.3. Trade secret

In China, trade secret is covered by the Law against Unfair Competition. Trade secret is defined as technical or commercial information that is not known to the public, and has economic potential, and has practical applicability and that has been maintained reasonable secrecy by the owner. To qualified as a protectable trade secret, it must satisfy three conditions, first, it is not generally known to the public; Second, it could confers some sort of economic benefit to its owner; third, the owner has taken measures to maintain its secrecy.

Trade secret is infringed under Article 10 by the following activities:

- 1) illegally obtain trade secret of others by stealing, cajole, threaten;
- 2) disclose, use or allow other to use illegally obtained trade secret;
- 3) breaking a confidential agreement to disclose, use or allow other to use a trade secret of others

The owner of trade secret can sue the infringer to a people's court for damage. The damage is determined based on the owner's losses resulted from the infringement, or the profit made by

⁵³ Chapter 9, Part II of Chinese Patent Examination Guideline (2010)

the infringer from the infringement. In addition the owner's reasonable expense to stop infringement should also be covered.

In addition, the owner can petition for the Administration for Industry and Commerce to stop and fine the infringer according to Article 25. The fine for infringing trade secret is between 10000-200000 yuan.

5.4. Plant variety

The Regulation for Protection of New Variety of Plant was enacted in 1997 in China and was amended in 2013. According to the Regulation, an organization or individual that cultivate the plant variety enjoy the exclusive right over it after the right is granted. To get the exclusive right, breeders should file application with the Office for the Protection of New Varieties of Plants at Ministry of Agriculture or State Forestry Administration. The variety should satisfy the requirements: new, distinct, uniform and stable. Assignment of right to plant variety to foreign assignee by Chinese party should get approval in advance.

5.5. Unfair competition and intellectual property protection

The Law against Unfair Competition was enacted in 1993. In term of IP, the law prohibits undertakings in the business from harming its competitors by using the following unfair means:

- 1) counterfeiting a registered trademark of others;
- 2) using a unique name, package, or decoration identical or similar to other's famous product, thereby confusing his product with that famous product and resulting in misleading among the consumers;
- 3) using the name of another undertaking, thereby resulting in confusion
- 4) forging or counterfeiting the marks of certification, of famous-and-excellent-product or other quality marks on their product, forging the origin of their products or making false indications as to the quality of their products.

The infringed party can bring lawsuit to a people's court against unfair competitors for injunction and claim damage. It can also petition the Administration for Industry and Commerce to stop and fine the unfair competitors.