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1. Introduction

A patent is an exclusive right granted for an invention, which is a product or a process that provides, in general, a new way of doing something, or offers a new technical solution to a problem. A patent provides protection for the invention to the owner of the patent and that protection means that the invention cannot be commercially made, used, distributed or sold without the patent owner's consent. These patent rights are usually enforced in a court, which, in most systems, holds the authority to stop patent infringement.

Every company owning patents and doing business with China, wishing to create long-term value and either finding an investor for their patent or licensing their patent in the future is strongly advised to use the Chinese patent system. It is absolutely crucial to apply for patent protection in China for each and every innovation, even if the launch of the respective product on the Chinese market is not yet on the horizon. It should also be noted that a European registered patent has no legal effect in China.

Protect your innovations: In order to obtain patent protection in China, the inventor or the owner of the invention has to file a Chinese patent application. The Chinese State Intellectual Property Office (SIPO) is the government authority that receives and examines patent applications.

IP protection measures should not be limited to filing patent applications. It is advisable to implement an overall IP strategy covering legal, technical, administrative, and political aspects.

One important requirement for an invention to be granted a patent is that it must be 'new', i.e., not known to the public before the date the patent application is filed. Therefore, before you start to market, sell or otherwise make the invention known to the public anywhere in the world, a patent application must first be filed.

2. Types of Patents, Terms of Protection, and the Registration Procedure in China

Chinese patent law covers three distinct areas:

a) Invention Patents

As in Europe, in China an invention patent is granted for new technical solutions or improvements to a product or process, provided that the technical solutions have a practical applicability.

An invention patent must not have been previously published overseas or in China, and must not have been used in China prior to the patent application.

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When compared to existing technology, the invention patent must have an advantage. 'Previously published' refers to whether it has been disclosed to the public through publications such as newspapers, magazines, journals, online publications etc. before the application date of the patent. If an identical invention has been published before the application date, this will destroy the 'novelty' (or 'newness') of the patent, which is a requirement for application.

b) Utility Model Patents

Utility Model Patents (UMs) are very similar to invention patents; however UMs only protect products with new shape or structural physical features.

UMs are not unique to China. In fact, there are more countries in the world that have a UM system than those that do not. European Union Member States with the UM system include Austria, Belgium, Denmark, Finland, Germany, Italy, and the Netherlands, among others. The USA and the UK do not have a UM system.

A common practice under the Chinese system is the parallel filing of a UM and an invention patent, followed by the abandonment of the UM once the invention patent is officially granted. This way, the applicant can benefit from the early patent protection granted by the UM, as well as the longer term protection granted by the invention patent (once eventually approved). Please note that these parallel applications must be filed on exactly the same day, and both applications must be accompanied by a declaration that a parallel filing was made. However, because the patentability requirements on invention patents and UMs are the same, if an invention patent is found to be invalid, then the corresponding UM (if it exists) will be invalid as well.

Invention Patent vs. Utility Model Patent

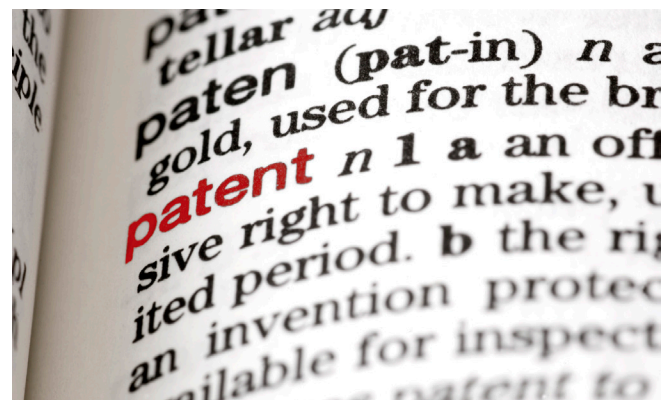
Common Features:

- Protection requirements:
 - o There are specific disclosure requirements (on sufficiency, support, and clarity).
 - o Novelty.
 - o Industrial applicability.
- Scope of protection:
 - o Interpretation of the protection scope of the patent.
 - o Grounds of invalidation.
- Enforcement possibilities:
 - o Compensation for infringement.

- o The right to forbid any other person from practicing the invention for operation or manufacturing purposes without the patentee's consent is granted.

Differences:

- 1) Subject matter – UMs only protect products with new shape/structural physical features. For example, methods of production or chemical compounds are not eligible as they do not have a shape or structure.
- 2) Inventiveness – although invention patents in literal terms require a higher 'inventiveness', in practice there is no difference.
- 3) Examination – UMs only require the 'formality examination' or 'preliminary examination', while invention patents require 'substantive examination', which takes longer and is much more detailed. Grounds for objections at preliminary examination are also different.
- 4) Term of protection – the maximum term of protection for a UM is 10 years from the filing date, while an invention patent lasts 20 years.
- 5) Cost – the official application fee for an invention patent is RMB 900 and for a UM it is RMB 500, although supplementary agent fees that may be required will vary. See the 'Related Links' section of this guide for more information about patent application fee rates.



c) Design Patents

A design patent must not have been published overseas or in China, and must not have been used in China. In addition, a design patent cannot conflict with the prior rights of another person. The phrase 'not have been used in China' means that the product has not been publically used in China. As a general rule, if a company sells their products in China before filing for registration, this will destroy the 'novelty' of the patent.

An application for a design patent includes any of the

following external features of a product:

- The shape of a product
- The pattern of a product
- The shape and pattern of a product
- The shape and colour of a product
- The shape, pattern and colour of a product

The colour of a product alone cannot constitute the design of a product unless the change of colour can be regarded as a pattern. Colour does not include the natural colour of the raw material of the product. It is recommended that a combination of the colour of the machine, together with either the shape and/or pattern, should be applied for, in order to prevent the patent being easily invalidated after it is granted patent rights.

The applicant should as far as possible show why the external design is a 'new design'. The preliminary examiner will only consider whether the design is 'new' according to the application documents and the common sense of the average consumer. However, a correctly drafted external design patent application highlighting why the design is 'new', how it can be used by industry, and that it can be manufactured in batches, will prevent the patent being easily invalidated. If a particular feature has a practical application, rather than being used merely because it looks good, applying for an invention patent or utility

model should be considered.

Once you have registered a design patent, no entity or individual can exploit your design. That means that they cannot make, offer to sell, or import a product that incorporates the patented design for production or business purposes.

Average Duration of Application/Registration Procedure, Terms & Annuity Fees

Patent rights commence from the date of publication of the grant in the Patent Gazette. The duration of the application procedure and term vary depending on the type of patent applied for.

Invention patent: Normally granted within 3 to 5 years and valid for 20 years from the date of filing (or the priority date if priority is claimed) subject to the payment of annuity fees.

Utility Model: Normally granted within 1 year and valid for ten years from the date of filing (or the priority date if priority is claimed) subject to the payment of annuity fees.

Design patent: Normally granted within 1 year and valid for ten years from the date of filing (or the priority date if priority is claimed) subject to the payment of annuity fees (see table below for details).

Application fees

	Application fee (RMB)	Examination fee (RMB)	Surcharge (RMB)
Invention Patent	900	2,500	Surcharge for claims in excess of 10 (per claim) 150 Surcharge for specification in excess of 30 pages (per page) 50 Surcharge for specification in excess of 300 pages (per page) 100
Utility Model	500	No	Surcharge for claims in excess of 10 (per claim) 150 Surcharge for specification in excess of 30 pages (per page) 50 Surcharge for specification in excess of 300 pages (per page) 100
Design Patent	500	No	Surcharge for claims in excess of 10 (per claim) 150 Surcharge for specification in excess of 30 pages (per page) 50 Surcharge for specification in excess of 300 pages (per page) 100

http://english.sipo.gov.cn/application/howtopct/200804/t20080416_380502.html

Annuity payments (annual fee paid to SIPO after patent is granted):

Annuity payments must be made to the SIPO within a month before the calendar year anniversary of the grant of the patent is reached. For invention patents, if they have not been granted in the second year since the application was filed then a maintenance fee must be paid in the third and subsequent years until the patent is granted. The following table provides a general guide to the amounts required (currency: RMB) for annuity payments for invention patents:

Year	1-3	4-6	7-9	10-12	13-15	16-20
Invention	900	1,200	2,000	4,000	6,000	8,000

The following table provides a general guide to the amounts required (currency: RMB) for annuity payments for utility models, and external design patents:

Year	1-3	4-5	6-8	9-10
Utility Model	600	900	1,200	2,000
External Design	600	900	1,200	2,000

For further information please consult the annuity fee tables on the official SIPO website: <http://www.sipo.gov.cn>

Practical Tips for Obtaining Effective Patent Protection in China

Translation:

Patent applications are processed in Chinese. If the patent documents are drafted in a foreign language, a precise Chinese translation of the documents is of the utmost importance. An inaccurate translation would render the patent, even if granted, vulnerable to invalidation action and difficult to enforce.

Translation accuracy is always a major issue for patent applications filed by foreign entities in China. It is common that a patent owner will discover that the invention, as defined in a Chinese application, deviates substantially from the original patent application as a result of an inaccurate translation. To avoid translation errors, especially if the invention is very important, it would be prudent to seek professional proofreading services for the patent documents including the claims and specifications in Chinese.

Amendments during prosecution:

China has a very stringent approach regarding

amendments being made to a patent during application proceedings. Extending the scope of the protection beyond that of the original claims is not allowed, and may result in a patent being invalidated even if it is granted.

Post-grant amendments:

Post-grant amendments are generally not allowed in China except for corrections of clerical errors such as a typo. However, the patentee may amend the patent in response to an invalidation action. Such amendments are limited to the deletion of claims, deletion of technical solutions or combining claims.

3. Application/Registration Options

There are three ways to file a patent:

- File a patent application in China directly. Foreign applicants must use a local patent agency to handle the filing of a patent. Foreign Invested Enterprises (FIE) however, can apply for patents in China without a licenced Patent Attorney.
- File a patent application first in a foreign country (must be a Member State of the Paris Convention, such as EU countries), and then file a patent application in China within 12 months (12 months for utility models and 6 months for designs), claiming the priority date of the first application.
- File an international patent application under the Patent Cooperation Treaty (PCT), selecting China as one of the designated states. A PCT application can be filed with the European Patent Office (EPO) or any national patent office within the EU. The applicant has to initiate the 'national phase', i.e., the procedure with SIPO, no later than 30 months from the priority date.

Important Note:

However, it should be noted that if a party wishes to file a patent application in a foreign country first for an invention that is made in China, it must apply to SIPO for a 'confidentiality examination'.

In China, as in Europe, if there are two patent applications filed on the same innovation, the patent is granted to the one who filed its patent application first.

Patent Application Filing

Patent applications are filed with the State Intellectual Property Office (SIPO). The applications must be filed in written form or electronic form in Chinese characters. The actual patent application will generally

contain a description, figures/drawings, 'claims' and an abstract. 'Claims' are the part of the patent application in which the inventor specifically states what their invention is and what it does. Claims define the legal scope of a patent and define what can be protected by patent law.

Utility model and external design patents will undergo only preliminary examination for administrative accuracy, while invention patents must undergo both preliminary and substantive examinations.

If the patent application is successfully examined then it will be granted patent rights and published in the relevant Patent Gazette. New issues of the Invention Patent Gazette, Utility Model Patent Gazette, and the External Design Patent Gazette are published once a week in the same publication. These are not available online but hard copies can be purchased from the SIPO.



4. Enforcement of Patent Rights in China

Before a patent is officially granted in China, patent rights for that patent application do not exist. Therefore in the case of infringement, the applicant must wait until the patent is granted in China before they can take enforcement action against an infringing party. This is the case for all three types of patents.

For invention patents, after the grant of a patent, the patent owner may request reasonable compensation from the infringer for any infringement that has occurred during the period from when the invention was initially published in the patent gazette, and the grant of the patent. Invention patents are published

in the patent gazette 18 months after the initial applications. However, there may be a significant time period before the invention patent is granted after substantive examination.

Once the patent is granted however, patent owners have two main options to enforce their patent rights - to take a civil action or an administrative action. In practice, judicial enforcement of patent rights is the most effective option. A patent infringement action can be either filed at the place where the infringer is located or where the infringing act (for example, manufacture and sale) occurs.

Administrative action for patent infringement is taken through the local Intellectual Property Office (IPO) of the location of the infringer. The IPO usually will be unwilling to act against an accused infringer if the case requires anything other than a straightforward interpretation of the law. Hence, administrative action may be an appropriate course of action if the patent in dispute does not involve complicated technologies. For example, the IPO is generally willing to take actions against design patent infringement at a trade fair.

Preparing a Patent Infringement Complaint

Filing a patent infringement complaint before the People's Court requires very careful planning and preparation for the case. If a company encounters patent infringement in China, as a first step, it is suggested that you hire an experienced patent lawyer to conduct an in-depth infringement analysis and review the validity of the patent at issue.

Generally speaking, it is recommendable to file lawsuits with the People's Court of Shanghai or Beijing because these courts have considerable experience in handling patent infringement disputes compared to other courts around the country. In order to bring a case to a preferred jurisdiction, the best option is to try to find out if the infringer has a business presence in any of these jurisdictions. The plaintiff can also make a request to the People's Court before or after lodging the lawsuit to stop infringing acts immediately, in order to prevent further losses during the lawsuit. This is called a 'preliminary injunction'.

Trial Procedures, Timeline and Outcome

The average duration of first instance proceedings involving a foreign party is approximately two years. The Civil Procedure Code requires a second-instance case to be completed within three months, but the courts can extend the time limits. For foreign-related cases, there is no definite time limit for rendering a final decision.

The court fees are calculated on the basis of the damages claimed, i.e., the higher the amount of damages claimed, the higher the court fees will be. For example, the plaintiff files a complaint and claims RMB 500,000 damages, the court fee is calculated as follows:

Damages claimed (RMB)	Court fees (RMB)
Up to 10,000	50
10,000 to 100,000	2,250 (2.5% of the damages claimed)
100,000 to 200,000	2,000 (2.0% of the damages claimed)
200,000 to 500,000	4,500 (1.5% of the damages claimed)

Remedies

The primary civil remedies available are damages and injunctive relief. Damages are calculated using the following methodologies in order:

- Losses suffered by the patent owner
- Profits which the infringer has earned due to the infringement
- Appropriate multiple of the amount of the licensing fees for the patent exploitation

Statutory damages of up to RMB 1,000,000 can be awarded.

SME Case Study: Invention patent and utility model infringement determination

Background

In 2007, the Shanghai No. 1 Intermediate People's Court determined whether patent infringement had occurred regarding a utility model patent. This case is particularly useful to understand how the court will actually make the comparison between the patent claims and the technical features of the product. In many cases, this comparison will be narrowed down to one specific claim in the patent and one specific technical feature of the product. In this case the utility model involved was for a pump. After the plaintiff had been granted patent rights, they discovered that two of the pumps on the defendant's website infringed their utility model patents. Consequently they filed a lawsuit which was publically heard by the court.

Action Taken

The determination of infringement for invention patents and utility models is conducted by using a three stage test, explained below. Patent rights holders must be aware of how invention patent and utility model infringement is determined by the court in order to protect their patent rights.

1. The court will first look at the scope of protection for the invention patent and utility model by examining and interpreting the patent claims. Generally the court will look at the 'essential claims' in the patent that can be found in the 'independent claims'. The 'essential claims' are the sections that are essential to the scope of the protection claims. The 'independent claims' are the claims which are not dependent on any other claims. If the patent claims are unclear, then the description and figures in the patent documents can be used to interpret the claims.
2. The second stage consists of the court identifying the technical features of the infringing product. The court will determine the technical solution to the problem solved by the product, and whether it has a technical effect.
3. Finally, the court will make a comparison between the claims of the patent and the technical features of the infringing product to determine whether an infringement exists. The comparison will look at whether the product is identical, as well as whether it is equivalent to the patent.

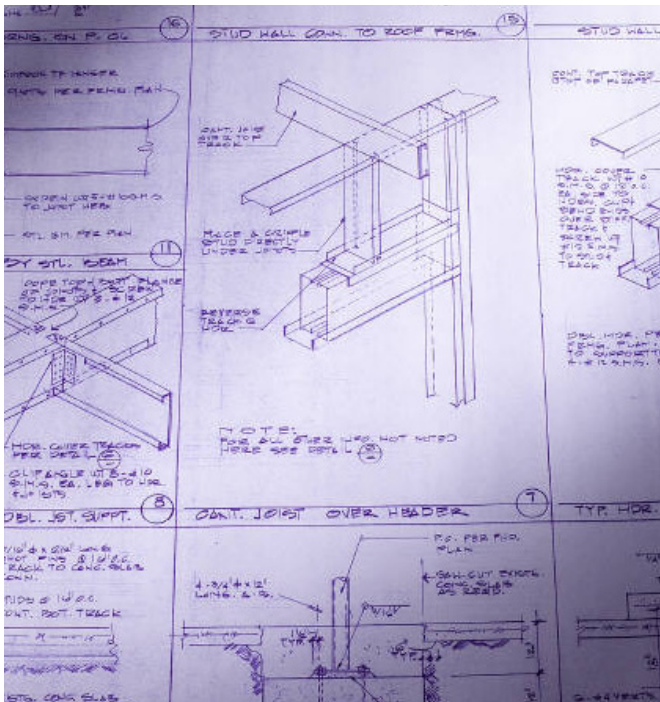
Outcome

The main issue identified by the court was if the corresponding technical features of the accused infringing products fell into the scope of protection of the plaintiff's patent rights. In their determination, the court considered whether the accused product was identical, or was equivalent to the plaintiff's utility model, and decided that the product was not identical. This was due to the defendant's assertion that a difference existed, in large part due to the product not possessing certain technical attributes.

Therefore, the court moved to determining whether equivalent infringement existed. For this, the Court analysed the essential technical characteristics described in the patent claims. A brief analysis determined that the technical features of the product, in this case the way the air entered and exited, and the technical solution and effect, had clear differences. As a result, the technical characteristics of the product and the plaintiff's patent were not considered to be equivalent.

IP Lessons

- Holders of patents should be aware of the 3 stage test for determining infringement and understand how it will be applied in a dispute.



Take-Away Messages

- Protecting your rights can be difficult, however in the long run it will save you a lot of time and money if you ensure you that you apply for the relevant patents before using your product in the China market.
- Tailor your intellectual property rights protection strategy to the specific needs of your company; prevention and effective monitoring are key components and should be fully assessed.
- Filing simultaneously for a Utility Model (UM) and invention patent provides a quicker way of securing your IP: UMs are often overlooked by foreign entities but can be a powerful tool when used effectively, often in conjunction with an invention patent.
- If you believe your rights have been infringed, hire an experienced patent lawyer to first conduct an in-depth infringement analysis to assess the validity of the patent, to avoid the risk of the defendant challenging the validity of your patent during court action. If there is a risk your patent may be invalidated during the court action, civil enforcement may present the best course of action.

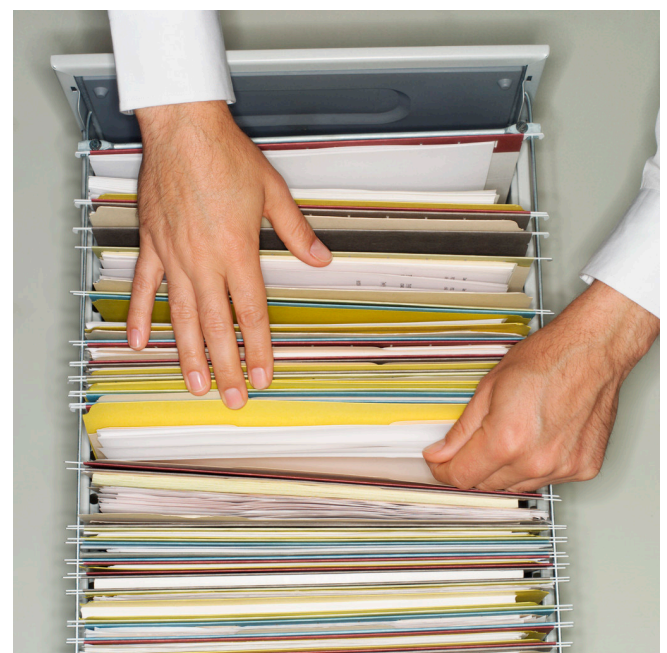
Related Links

Helpdesk Resources

- Helpdesk guide – Intellectual Property Systems China Europe Comparison: http://www.china-iprhelpdesk.eu/docs/publications/Intellectual_Property_Systems_China_Europe_Comparison.pdf
- Helpdesk Solutions Centre patents section: <http://www.china-iprhelpdesk.eu/en/solution-centre/patents>
- Helpdesk Case Study Catalogue patents section: <http://www.china-iprhelpdesk.eu/en/case-studies/patents>
- Helpdesk E-Learning Module on patents: <http://www.china-iprhelpdesk.eu/en/e-learning-modules>
- Helpdesk website – Getting Started: <http://www.china-iprhelpdesk.eu/en/getting-started/finding-your-way-around-ipr/patents>

External Resources

- List of patent application fees in Chinese, from the official State Intellectual Property Office (SIPO) website: http://english.sipo.gov.cn/application/howtopct/200804/t20080416_380502.html



The China IPR SME Helpdesk provides free, confidential, business-focused advice relating to China IPR to European Small and Medium Enterprises (SMEs).

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Training: *The Helpdesk arranges training on China IPR protection and enforcement across Europe and China, tailored to the needs of SMEs.*

Materials: *Helpdesk business-focused guides and training materials on China IPR issues are all downloadable from the online portal.*

Online Services: *Our multi-lingual online portal (www.china-iprhelpdesk.eu) provides easy access to Helpdesk guides, case studies, E-learning modules, event information and webinars.*



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