

What You Should Know About China's Patent Law

Basic principles

The People's Republic of China ("PRC") is a member of several international treaties, including the Paris Convention for the Protection of Industrial Property ("Paris Convention"), the Patent Cooperation Treaty ("PCT"), and the Agreement on Trade Related Aspects of Intellectual Property Rights ("TRIPS"). Inventions, utility models and industrial designs can be registered and protected as patents in the PRC.

An invention is defined as any new technical solution relating to a product or a process or improvement thereof. A utility model is any new technical solution relating to the shape, the structure or their combination which is suitable for practical use. Industrial design is defined as any new design of shape, pattern, colour, or their combination which creates an aesthetic feeling and is fit for industrial application.

Any foreigner or foreign enterprise may apply for registration of a patent in the PRC under a bilateral agreement or international treaty or on the basis of the principles of reciprocity. For example, China and a number of European countries (such as France, United Kingdom, Germany, etc) are members of the Paris Conventions, therefore enterprises or individuals of most European countries are entitled to apply for patent registrations with the PRC State Intellectual Property Office (the "SIPO".)

The first-to-file rule is adopted in the registration of patents. Where two or more applicants file patent applications for an identical invention, the patent will be granted to the applicant who submitted the application first.

In order to be eligible for patent protection, an invention or a utility model must possess the characteristics of novelty, inventiveness (also referred to as "non-obviousness") and industrial applicability. However, the requirements for the patentability of utility models with regard to inventiveness are less stringent than for patentable inventions.

In order to be eligible for patent protection, an industrial design must be new and obviously different from any pre-existing design. Further, it should not conflict with any other person's previously acquired lawful rights.

An application for an invention patent will be published by the SIPO after the expiry of a period of eighteen months from the date of application. Upon the request of an applicant, the SIPO may publish the application earlier. After publication of the application for an invention patent, the applicant may require the company or individual exploiting the invention to pay an appropriate fee.

An application for an invention patent is subject to substantial examination. The SIPO will check whether the invention meets the patentability criteria, and in particular whether it has the properties of novelty, inventiveness and industrial applicability. Due to this detailed examination, registration of an invention patent can be time consuming and expensive.

An application for a utility model patent or an industrial design patent is only subject to a preliminary examination. The SIPO will merely check whether the filing documents are in compliance with the formalities stipulated in the PRC Patent Law. Therefore, registration of a utility model patent or an industrial design patent will typically be completed within one year from the date of application.

The term of protection of an invention patent in the PRC is 20 years and that of a utility model patent or an industrial design patent is 10 years. This term is calculated from the date of application and is non-extendable.

After the granting of an invention patent or a patent for utility model, the patentee is entitled to prohibit other companies or individuals from exploiting its patent. Typically, patent exploitation covers acts of manufacturing, using, offering for sale, sale or import of the patented product, or using the patented process, as well as using, offering for sale, sale or import of the products directly obtained through the patented process for the purpose of production or business.

After the granting of an industrial design patent, the patentee is entitled to prohibit other companies or individuals from exploiting its patent. Typically, patent exploitation covers acts of manufacturing, offering for sale, sale or import of the products embodying the patented industrial design for the purpose of production or business.

Licensing

Both licensing of patents and of items for which patent protection has been applied for is permitted in the PRC. Both the foreign licensor and licensee must apply for recordal of the license agreement with the SIPO within three months of execution of the agreement.

An official recordal certificate will be issued by the SIPO. Without submission of the official recordal certificate, no royalties can be transferred abroad. For recordal of a patent license agreement, the following documents are required:

- A duly completed standard application form for recordal;
- An executed power of attorney;
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- An original patent licensing agreement;
- An copy of the Certificate of Incorporation/the Business License of the licensor and the licensee;
- Documentation concerning the legal status of the licensor.

Assignment

In order to transfer ownership of a patent or a patent application, the assignor and the assignee must conclude an assignment agreement and jointly file an application for registration of the assignment with the SIPO. Upon approval, the assignment will be announced publicly by the SIPO. The assignment of the patent or the patent application becomes effective on the date of registration.



Enforcement

In accordance with the requirements of TRIPS, both administrative relief and judicial relief are available to patentees if they want to take action against patent infringement in the PRC. A patent owner may file a complaint with the local IPO against the infringer in the PRC. A patent owner may also start litigation at the competent People's Court against the infringer. In most cases the local IPO only has the power to order the infringer to cease the infringement. Courts are also entitled to seize the infringed products as well as to award damages. The amount of damages for patent infringement will be calculated according to the benefits gained by the infringer or the losses suffered by the patent owner due to the infringement. If neither of them can be determined, damages will be assessed by taking a multiple of the royalties of a patent license. If neither of them can be determined, courts may award damages of up to RMB 1,000,000 under the PRC Patent Law.

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"CMS, China" should be understood to mean the representative offices in Mainland China of CMS Bureau Francis Lefebvre, CMS Cameron McKenna LLP and CMS Hasche Sigle, working together.

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