

## **CHINESE PATENT LAW 2000**

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# **CHINESE PATENT LAW 2000**

Including the Draft Implementing Regulations 2001 and Transitional Provisions  
*Summary of Major Changes*

## **1. Background**

China's first Patent Law came into force in 1984 when a European style patent system and Patent Office (now called the State Intellectual Property Office – SIPO) were established in China. The Patent Law was then amended in 1993 and a number of significant improvements were made, most notably the inclusion of chemical compounds as patentable subject matter.

The most recent amendments to the Patent Law were issued on 25 August 2000 and came into force on 1 July 2001. The amended Implementing Regulations and the Transitional Provisions issued only days before their enactment dates of 1 July 2001.

The Chinese Patent Office Handbook has also been revised.

## **2. Transitional Provisions**

The second paragraph of the Transitional Provisions reads as follows (unofficial translation):

The amended Patent Law and its Implementing Regulations apply to patent applications, and patents issued pursuant to those applications, filed on or after 1 July 2001. The amended Patent Law and its Implementing Regulations also apply, as of 1 July 2001, to all applications filed before 1 July 2001 and patents issued pursuant to those applications, unless additional rules provide otherwise.

This is followed by 10 Transitional Rules providing exceptions to the above statement under certain circumstances. These rules are discussed under the below headings, as appropriate.

## **3. Novelty**

The definition of novelty has not changed for inventions or utility model patents, but has been clarified for design patents. The amended definition of novelty for design patents reads:

“Any design for which patent right may be granted must not be identical with or similar to any design which, before the date of filing, has been publicly disclosed in publications in the country or abroad or has been publicly used in the country, and must not conflict with any other previously existing legal rights”<sup>1</sup>

The addition of “and must not conflict with any other previously existing legal rights” is a clarification of the fact that if a design is already covered by copyright or by a trade mark registration, for example, that design cannot form the basis of a valid design patent registration.

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<sup>1</sup> Amended Chinese Patent Law, Art. 23

## **4. Ownership of Patents**

Article 6 of the old Chinese Patent Law stipulates that where an invention was created whilst carrying out the tasks of the entity to which the inventors belong or by which they are employed, the invention is owned by that entity. This includes inventions created within one year of the resignation of an employee from the entity concerned<sup>2</sup>. Amended Article 6 of the Patent Law provides an exception to this rule, however. If the inventor and the employer agree, by way of signed contract, that the inventor will reimburse or pay the employer for the use of the employer's facilities in developing the invention, the invention can be owned by the inventor, notwithstanding the fact that the invention was developed whilst carrying out the tasks of the entity to which the inventor belongs or by which he is employed. Where the invention was created independently without use of the entity's materials and not in accordance with the inventors' duties in the entity, then the invention still belongs to the inventor.

Investors need to be aware of these provisions when purchasing technology from Chinese inventors. Investors must be careful to ensure that the inventors do indeed legally own the existing or future patent rights to the technology concerned. In the past, if it transpired that the inventors did not own the rights to the invention, coming to some agreement with the entity (often State owned) concerned sometimes rectified this, and most entities were willing to negotiate if there is some prospect of remuneration. This business reality has been confirmed in the new Law.

Investors should also be aware that under both the old and amended Law, any assignment of a Chinese entity's (not State owned) or individual's patent rights to a foreign individual or entity must be approved by the relevant department of the State Council<sup>3</sup>. A welcome clarification of exactly which are the "relevant departments" has been included in Rule 14 of the amended Implementing Regulations. Whether or not such approval is forthcoming depends a lot on the technology and the entity/individual concerned.

Previously, assignments of patents owned by State Owned Enterprises, whether to foreign or to local parties also had to be approved<sup>4</sup>, but this provision has been repealed in Article 10 of the amended Patent Law.

## **5. Specification Format & Language**

Rule 3 of the old Implementing Regulations required application documents to be in writing, but the amendment to Rule 3 (and other related Rules) allows for electronic filing of application documents, which is now available only for applicants of Chinese nationality.

Unfortunately, the patent specification must still be filed in Chinese<sup>5</sup> and the Chinese translation must be filed with the application in order for the application to be valid (but for PCT applications, there is still the possibility of late filing the application within 22 (Chapter I) or 32 (Chapter II) months of the earliest priority date, which allows extra time for translation). It is therefore very important to allow time for translation of the specification before the due date for filing. If too little time is allocated for translation, the translation will possibly not be as good as it otherwise might have been and will certainly be much more expensive.

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<sup>2</sup> Amended Implementing Regulations of the Chinese Patent Law, Rule 11; Corresponding to Old Rule 10

<sup>3</sup> Old and Amended Chinese Patent Law, Art. 10; and Rule 14 of the Amended Implementing Regulations

<sup>4</sup> Old Chinese Patent Law, Art. 10

<sup>5</sup> Old and Amended Implementing Regulations of the Chinese Patent Law, Rule 4

## **6. Claims**

Multiple claim dependencies are allowed in China, but a multiply dependent claim may not depend upon a multiply dependent claim<sup>6</sup>. The amended Implementing Regulations (Rule 23) further require that multiply dependent claims may be referred to in the alternative only, but as this is standard claim drafting practice, this appears to have been included for clarity only.

## **7. Biological Material**

As in other countries, samples of new biological material which is the subject of Chinese patent applications must be deposited, in accordance with the Budapest Treaty, at an International Depository Authority<sup>7</sup>. In the amendments to the Implementing Regulations (Rule 25), this provision has been supplemented to clarify that deposit of biological material is only required where the biological material is not publicly available and it is not possible to describe it in such a way that other technically skilled people could carry out the invention.

Evidence of deposit was previously required within three months of filing a patent application in China<sup>8</sup>, but this has been extended to four months in the amended Implementing Regulations<sup>9</sup>.

## **8. Preliminary Examination**

### **Invention Patents**

Rule 44(1) of the old and amended Implementing Regulations specifies the features of an application that should be investigated during preliminary examination:

1. Does the application include a request, description, claims and a title (Article 26 of the old and amended Patent Law)?
2. Is there “obviously” only one invention included in the patent application (Article 31 of the old and amended Patent Law)?
3. Has an amendment been made to the description or claims that “obviously” goes beyond the scope of the invention as originally filed (Article 33 of the old and amended Patent Law)?
4. Is the invention “obviously” not a “new technical solution relating to a product, a process or improvement thereof” (Rule 2 of the old and amended Implementing Regulations)?
5. Does the invention “obviously” include excluded subject matter (Article 25 of the old and amended Patent Law)?
6. Is the invention “obviously” contrary to the laws of the State or social morality or detrimental to public interest (Article 5 of the old and amended Patent Law)?
7. Does the country to which the applicant belongs “obviously” not afford the same rights to Chinese applicants filing in that country as China affords to their applicants filing in China either by way of direct agreement or by signatory to a Treaty (Article 18 of the old and amended Patent Law)?
8. Has the applicant “obviously” appointed an approved Patent Agency to handle the application (Article 19 of the old and amended Patent Law)?

In addition, Rule 44(1) of the amended Implementing Regulations includes a further two requirements:

9. Has the description “obviously” been presented in the required manner (Rule 18 of the old and amended Implementing Regulations)?
10. Do the claims “obviously” clearly and concisely define the matter for which protection is sought (Rule 20 of the old and amended Implementing Regulations)?

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<sup>6</sup> Old and Amended Implementing Regulations of the Chinese Patent Law, Rule 23

<sup>7</sup> Old and Amended Implementing Regulations of the Chinese Patent Law, Rule 25

<sup>8</sup> Old Implementing Regulations of the Chinese Patent Law, Rule 25

<sup>9</sup> Amended Implementing Regulations of the Chinese Patent Law, Rule 25

Note the use of the word “obviously” in the above requirements. This means that the examiner need not conduct any research or read the application documents in detail. If a defect jumps out at an examiner, it should be commented on in the preliminary examination report.

It seems to be that the SIPO was seeking to reduce the burden on substantive examiners by requiring preliminary examiners to do more weeding out of clearly problematic specifications.

### **Utility Model Patents**

Rule 44(2) of both the old and the amended Implementing Regulations lists the features of an application that should be investigated during preliminary examination. These are much more exhaustive than for invention patents as utility models are not subject to any substantive examination:

1. Does the application include an application request form (completed with full details); a title, a description; claims; and an abstract (old and amended Article 26 of the Patent Law)?
2. Is the invention “obviously” contrary to the laws of the State or social morality or detrimental to public interest (old and amended Article 5 of the Patent Law)?
3. Does the country to which the applicant belongs “obviously” not afford the same rights to Chinese applicants filing in that country as China affords to their applicants filing in China either by way of direct agreement or by signatory to a Treaty (old and amended Article 18 of the Patent Law)?
4. Has the applicant “obviously” not appointed an approved Patent Agency to handle the application (old and amended Article 19 of the Patent Law)?
5. Is there “obviously” more than one invention included in the patent application (old and amended Article 31 of the Patent Law)?
6. Has an amendment been made to the description or claims that “obviously” goes beyond the scope of the invention as originally filed (old and amended Article 33 of the Patent Law)?
7. Is the utility model “obviously” not a “new technical solution relating to the shape, structure, or their combination of a product, which is fit for practical use” (old and amended Rule 2 of the Implementing Regulations)?
8. Does the invention “obviously” include excluded subject matter (old and amended Article 25 of the patent Law)?
9. Are there “obviously” two identical utility model applications that have been filed on the same day (old and amended Rule 12 of the Implementing Regulations)?
10. Is the application “obviously” not the first application to be filed in China for the utility model (old and amended Article 9 of the Patent Law)?
11. Does the description “obviously” not contain a title; background; objects; details of the technical solutions to existing problems provided by the utility model (described so that those skilled in the field concerned would understand it); advantages of the utility model over the existing technology; a description of the drawings; and a description of the best mode for carrying out the utility model, with examples and reference to drawings (old and amended Rule 18 of the Implementing Regulations)?
12. Are the drawings “obviously” not numbered consecutively, the numbers having the word “Figure” preceding them; of a size and clarity that would allow a 2/3 reduction; provided with drawing reference numerals consistent with the description and with no explanatory notes (old and amended Rule 19 of the Implementing Regulations)?
13. Do the claims “obviously” not clearly and concisely define the matter for which protection is sought; are they “obviously” not numbered consecutively in Arabic numerals; do they “obviously” not use terminology consistent with the description; and do they “obviously” contain drawings (not permitted unless they are chemical formulae or mathematical formulae) (old and amended Rule 20 of the Implementing Regulations)?
14. Do the independent claims “obviously” not outline the technical solution provided by the utility model and describe the essential features of the utility model necessary to fulfil its

- purpose; do the dependent claims “obviously” not further define the claim to which they refer by outlining additional features of the utility model (old and amended Rule 21 of the Implementing Regulations)?
15. Do the independent claims “obviously” not have a preamble and a characterising portion; and is there “obviously” only one independent claim per utility model (the utility models in a single application belonging to a single general inventive concept) (old and amended Rule 22 of the Implementing Regulations)?
  16. Do the dependent claims “obviously” contain a reference portion and a characterising portion; do they “obviously” they refer only to preceding claims; and are multiply dependent claims “obviously” not dependent on other multiply dependent claims (old and amended Rule 23 of the Implementing Regulations)?

In addition, the amendments to Rule 44(2) add a further three requirements:

17. Is the description of the utility model “obviously” sufficiently clear and complete (old and amended Article 26, paragraph 3, of the Patent Law)?
18. Are the claims “obviously” supported by the description (old and amended Article 26, paragraph 4, of the Patent Law)?
19. If the application is a divisional application, does the disclosure “obviously” not go beyond the scope of the disclosure in the parent application (old and amended Rule 43, paragraph 1, of the Implementing Regulations)?

Note the use of the word “obviously” in the above requirements. This means that the examiner need not conduct any research or read the application documents in detail. If a defect jumps out at an examiner, it should be commented on in the preliminary examination report but, in the past, objections other than those to the form of the filing documents (missing pages, documents or information) were rare.

However, prior to the new law coming into force, we had already seen a worrying increase in objections to utility model specifications and with the amendments to the requirements for preliminary examination, we are continuing to see more thorough "preliminary" examination of utility model patent specifications. Preliminary examination reports can now include objections to the format and clarity of the claims and description, but sometimes do in fact include novelty searches or inventiveness objections.

### **Design Patents**

Rule 44(3) of both the old and the amended Implementing Regulations lists the features of a design application that should be investigated during preliminary examination. Again, this is more exhaustive than for invention patents as design patent applications are not subject to any substantive examination:

1. Does the application include an application request form (completed with full details); drawings or photographs; and an indication as to the Locarno classification class to which the product belongs (old and amended Article 27 of the Patent Law)?
2. Is there “obviously” only one design included in the patent application (old and amended Article 31 of the Patent Law)?
3. Has an amendment been made to the drawings or statement of design that “obviously” goes beyond the scope of the design as originally filed (old and amended Article 33 of the Patent Law)?
4. Is the design “obviously” not a “new design of the shape, pattern, colour, or their combination, of a product, which creates an aesthetic feeling and is fit for industrial application” (old and amended Rule 2 of the Implementing Regulations)?
5. Is the design “obviously” contrary to the laws of the State or social morality or detrimental to public interest (old and amended Article 5 of the Patent Law)?
6. Does the country to which the applicant belongs “obviously” not afford the same rights to Chinese applicants filing in that country as China affords to their applicants filing in China either by way of direct agreement or by signatory to a Treaty (old and amended Article 18 of the Patent Law)?
7. Has the applicant “obviously” appointed an approved Patent Agency to handle the application (old and amended Article 19 of the Patent Law)?

8. Are there “obviously” not two identical designs applications that have been filed on the same day (old and amended Rule 12 of the Implementing Regulations)?
9. Is the design “obviously” not the first filed application in China for the design (old and amended Article 9 of the Patent Law)?

In addition, the amendments to Rule 44(2) add a further three requirements:

10. In a divisional application, does the design include design features which were not included in the parent application (amended Rule 43(1) of the Implementing Regulations)?

Again, note the use of the word “obviously” in the above requirements. This means that the examiner need not examine the application in detail. Examiners will not actively seek to determine whether or not a design is novel or functional, for example. If a defect jumps out at an examiner, it should be commented on in the preliminary examination report, but in reality, the only objections will be those to the format of the drawings; to the fact that more than one design has been included in an application; to the title and/or supporting statement (for example, that the statement contains a description of the design’s function, which is not permissible); or to the fact that the drawings do not match those filed in the priority application.

## **9. Examination Request**

For invention patents, a request for substantive examination must be filed within three years of the filing date of the earliest priority application. Previously, a request for examination had to be accompanied by a list of prior art relevant to the invention<sup>10</sup> and any search and/or examination reports that had issued on corresponding applications in other countries before the request for examination was made in China. Unlike in the US, there was and still is no continuing obligation to provide the SIPO with such information.

However, according to amended Article 36 of the Law, it is now no longer necessary to provide search or examination reports unless the SIPO specifically requests them<sup>11</sup> though it is still necessary to provide a list of relevant prior art not already disclosed in the specification.

## **10. Rejection and Re-examination**

For invention patents, should the response to a second examination report be considered unsatisfactory, the application will be formally rejected<sup>12</sup>. Rejections may be appealed to the Patent Re-Examination Board and then to the People’s Courts.

The grounds upon which a formal rejection may be made by the SIPO are as follows<sup>13</sup>:

1. The invention is not novel, inventive or has no practical applicability (Article 22 of the old and amended Patent Law)
2. The application includes more than one invention (Article 31 of the old and amended Patent Law)
3. The description of the invention is not sufficiently clear and complete for a person skilled in the relevant field of technology to be able to carry it out; the abstract does not identify the main features of the invention; or the claims are not supported by the description (there are features of the invention listed in the claims not described in the description) (Article 26 of the old and amended Patent Law)
4. An amendment was made to the description or claims that went beyond the scope of the invention as originally filed (Article 33 of the old and amended Patent Law)

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<sup>10</sup> Old Chinese Patent Law, Art. 36

<sup>11</sup> Amended Chinese Patent Law, Art. 36

<sup>12</sup> Old and Amended Chinese Patent Law, Art. 38

<sup>13</sup> Old and Amended Implementing Regulations of the Chinese Patent Law, Rule 53

5. The invention is not “any new technical solution relating to a product, a process or improvement thereof” (Rule 2 of the old and amended Implementing Regulations)
6. The invention includes excluded subject matter (Article 25 of the old and amended Patent Law)
7. More than one application has been made for the same invention (Rule 12 of the old and amended Implementing Regulations)
8. The application is not the first application filed in China for the invention (Article 9 of the old and amended Patent Law)
9. The invention is contrary to the laws of the State or social morality or detrimental to public interest (Article 5 of the old and amended Patent Law)

In addition, Rule 53 of the amended Implementing Regulations includes a further two requirements:

10. The claims do not clearly and concisely define the matter for which protection is sought in terms of the technical features of the invention (paragraph 1 of Rule 20 of the old and amended Implementing Regulations)
11. The independent claims do not outline the technical solution provided by the invention or do not describe the indispensable technical features necessary for fulfilling the purpose of the invention (paragraph 2 of Rule 21 of the old amended Implementing Regulations)

These new requirements are a codification of current examination practice.

Transitional Rules 3, 4 and 5 identify the situations in which requests for review on refusal filed before 1 July 2001 will continue to be considered under the old Law and where they will be considered under the amended Law. These are rather complex and we can advise you as necessary.

For utility model and design patents, since there is no substantive examination, the grounds for rejection are the same as those for preliminary examination (see above). For utility model and design patents, an appeal to the Patent Re-Examination Board may be made on rejection. The Patent Re-Examination Board’s decision was previously final, and may still be in some situations in respect of requests for review on refusal filed before 1 July 2001<sup>14</sup>. For requests for review on refusal filed after 1 July 2001, an appeal to the People’s Courts is provided for.

A new Rule 60 has been included in the amended Implementing Regulations which codifies the current practice of the Patent Re-Examination Board of accepting the submission of proposed amendments to the specification when review on refusal is requested. Amendments are also accepted when responding to the report issued by the Patent Re-Examination Board. All such amendments must, however, be in response to the objections raised by the SIPO or the Patent Re-Examination Board.

## **11. Unity of Invention and Divisional Applications**

The definition of unity of invention has not changed, but unfortunately the six helpful examples of combinations of independent claims that had been deemed acceptable have been removed. This may make it more difficult to deal with unity objections in future.

If it is determined that an invention, utility model or design patent application contains two inventions or designs, the applicant is given the opportunity to file a divisional application before the grant of the parent application<sup>15</sup>. The amended Implementing Regulations further clarify the issue by requiring divisionals to be filed before the end of the 2 month period given for paying grant fees when an application is accepted for grant.

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<sup>14</sup> Transitional Provisions of the Amended Chinese Patent Law, Rules 3-5

<sup>15</sup> Old and Amended Implementing Regulations of the Chinese Patent Law, Rule 42

The amendment to Rule 42 of the Implementing Regulations further stipulates that a divisional application may not be filed after an application has been refused or deemed refused. This means that divisional applications should be filed as soon as possible in response to any unity objection as if a subsequent refusal is received before the divisionals have been filed, it would appear that the divisionals would not be allowed.

## **12. Amendment**

Amendments to Chinese patent applications may be made in response to examination reports or on the applicant's own initiative<sup>16</sup>. Under the old Implementing Regulations, Rule 51, voluntary amendments could be submitted for consideration by the examiner at the time examination was requested or, in practice, any time up until the application was examined, though it was not possible to determine exactly when examination would take place. Alternatively, voluntary amendments could be submitted when responding to the first examination report.

The amendments to Rule 51 have changed the situation somewhat. Voluntary amendments will now be accepted only when the examination request is made or within 3 months of receipt of confirmation from the SIPO that examination has been requested (or, for PCT National Phase applications, on entry into the Chinese National Phase). It will no longer be possible to submit voluntary amendments in response to the first examination report. It remains to be seen whether amendments will still be accepted up to the date on which the first examination report issues. It may be that amendments which pre-empt objections will be accepted whereas those that are merely, for example, to ensure consistency in claim language across countries, may not.

## **13. Maintenance Fees**

Invention patent application maintenance fees were previously payable beginning from the date 25 months from the Chinese filing date, and continuing annually thereafter on the anniversary of the Chinese filing date<sup>17</sup>.

If maintenance fees were not paid on time or within the six month extension period (with payment of a penalty fee)<sup>18</sup>, the application lapsed irrevocably. Restoration was provided for only in the case of force majeure<sup>19</sup>.

The amended Implementing Regulations paint quite a different picture, however. Rules 94 and 95 (corresponding to old Rules 86 and 87) require maintenance fees to be aggregated and paid, in arrears, on grant of the patent. Rule 96 (corresponding to old Rule 88) gives a six month extension period for paying the aggregated maintenance fees, providing a penalty fee is also paid.

If the maintenance fee is not paid within the extension period, the application will lapse but will no longer lapse irrevocably, and it may be restored on application to the SIPO within two months of receipt of notice that the application has lapsed (amended Rule 7).

These new rules apply to all pending applications, including those filed before 1 July 2001. Rule 9 of the Transitional Provisions stipulates that maintenance fees paid before 1 July 2001 will not be refunded if the application does not proceed to grant (but will be deducted from the aggregated total on grant). Maintenance fees that are inadvertently paid on an annual basis after 1 July 2001 will be refunded.

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<sup>16</sup> Old and Amended Implementing Regulations of the Chinese Patent Law, Rule 51

<sup>17</sup> Old Implementing Regulations of the Chinese Patent Law, Rule 86

<sup>18</sup> Old Implementing Regulations of the Chinese Patent Law, Rule 88

<sup>19</sup> Old Implementing Regulations of the Chinese Patent Law, Rule 7

If a maintenance fee should have been paid before 1 July 2001 but was not and no notice has been received from the SIPO, if the fee is not paid and notice of non-payment is received after 1 July 2001, the application may be restored in accordance with the new provisions.

#### **14. Grant and Issue Fees**

When an application is accepted for grant of an invention patent, a notice is issued setting a time limit within which an issue fee, the first renewal fee and now the aggregated remaining maintenance fees must be paid. Once these fees have been paid, the patent certificate will issue<sup>20</sup>. The registration of the patent is announced in the SIPO Patent Journal where the abstract and one drawing is published.

Note that a patent registration now comes into force upon announcement in the Journal<sup>21</sup>, rather than on grant, as was the case previously. According to Rule 6 of the Transitional Provisions those patents granted before but announced after 1 July 2001 will also take effect on announcement.

Under the old law, if the maintenance fee for the year concerned had already been paid it was not necessary to pay the first renewal fee<sup>22</sup>. Under the amended Implementing Regulations, calculation of the maintenance fees due on grant will not include the year in which the patent is granted<sup>23</sup>.

#### **15. Renewal Fees**

Renewal fees are payable annually after grant on the anniversary of the Chinese filing date for invention, utility model and design patents. A six month extension of time for payment of the renewal fee is available upon payment of a penalty fee<sup>24</sup>. Under the old law, if the renewal fee was not paid, the patent lapsed and could be restored only in the case of force majeure<sup>25</sup>. Under the amended Implementing Regulations, if the renewal fee is not paid within the extension period, the patent will lapse but will no longer lapse irrevocably, and it may be restored on application to the SIPO within two months of receipt of notice that the patent has lapsed (amended Rule 7).

There are no Transitional Provisions corresponding to those in Rule 9 (for maintenance fees, see above) to cover renewal fees not paid before 1 July 2001.

#### **16. Revocation**

Under the old law, within six months of the date of grant of a patent, a request for revocation of the patent right could be made to the SIPO<sup>26</sup>. The revocation procedure has been repealed, however, in the amendments to the Patent Law. The invalidation procedure (see below) may now be utilised at any time after grant until the expiry of the patent right in question.

The usual SIPO examiners considered revocation requests and issued decisions. They will continue to do so for revocation requests filed before 1 July 2001. If the applicant was not

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<sup>20</sup> Old and Amended Chinese Patent Law, Art. 39

<sup>21</sup> Amended Chinese Patent Law, Art. 39

<sup>22</sup> Old Implementing Regulations of the Chinese Patent Law, Rule 87

<sup>23</sup> Amended Implementing Regulations of the Chinese Patent Law, Rule 99

<sup>24</sup> Amended Implementing Regulations of the Chinese Patent Law, Rule 100; Corresponding to Old Implementing Regulations of the Chinese Patent Law, Rule 88

<sup>25</sup> Old Implementing Regulations of the Chinese Patent Law, Rule 7

<sup>26</sup> Old Chinese Patent Law, Art. 41, Deleted in the Amended Law

satisfied with the decision, for invention patents an appeal could (and still can) be made to the Patent Re-Examination Board and then to the People's Courts<sup>27</sup>. For utility model and design patents, an appeal could be made to the Patent Re-Examination board but the decision of the Patent Re-Examination Board was final<sup>28</sup>, and still is in respect of revocation actions filed before 1 July 2001 even if the decision is issued after 1 July 2001<sup>29</sup>.

The only ground upon which an invention or utility model patent may be revoked is<sup>30</sup>:

1. That the invention for which the patent right has been granted is not novel, not inventive and/or has no practical applicability (old and amended Article 22 of the Patent Law).

And the only ground upon which a design patent may be revoked is<sup>31</sup>:

1. That the design for which the patent right has been granted is not novel (old and amended Article 23 of the Patent Law).

Revocation actions which are still pending after 1 July 2001 may be converted to invalidation actions<sup>32</sup>, which has the advantage of allowing many more grounds on which to attack the patent right in question.

## **17. Invalidation**

A request for invalidation of an invention, utility model or design patent right may now be made to the Patent Re-Examination Board of the SIPO any time after the date of grant of the patent, up until it expires<sup>33</sup>. Previously invalidation could only be requested after 6 months from grant, ie. after the revocation period (see above) had expired. Unlike revocation actions, invalidation actions are not first considered by the usual SIPO examiners, but go directly to the Patent Re-Examination Board. For invention patents, decisions of the Patent Re-Examination Board may be appealed to Court. Decisions of the Patent Re-Examination Board concerning utility model and design patents used to be final and remain final in respect of decisions on invalidation actions issued before 1 July 2001 but received after 1 July 2001<sup>34</sup>. For invalidation actions filed after 1 July 2001 or where a decision was issued after 1 July 2001, an appeal to Court will be provided for these types of patents also.

In the amended Patent Law, where a decision on invalidation is appealed to Court by a patentee, the person requesting invalidation will be asked by the Court to join the proceedings as a third party. Similarly, where the person requesting invalidation appeals to Court, the patentee will be asked to join the proceedings<sup>35</sup>.

The grounds upon which an invention or utility model patent right may be invalidated are<sup>36</sup>:

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<sup>27</sup> Old Chinese Patent Law, Art. 43

<sup>28</sup> Old Chinese Patent Law, Art. 43

<sup>29</sup> Transitional Provisions of the Amended Chinese Patent Law, Rule 2

<sup>30</sup> Old Implementing Regulations of the Chinese Patent Law, Rule 55, Deleted in the Amended Implementing Regulations

<sup>31</sup> Old Implementing Regulations of the Chinese Patent Law, Rule 55, Deleted in the Amended Implementing Regulations

<sup>32</sup> Transitional Provisions of the Amended Chinese Patent Law, Rule 2

<sup>33</sup> Amended Chinese Patent Law, Art. 45, Corresponding to Art. 48 of the Old Law

<sup>34</sup> Transitional Provisions of the Amended Chinese Patent Law, Rule 2

<sup>35</sup> Amended Chinese Patent Law, Art. 46

<sup>36</sup> Amended Implementing Regulations of the Chinese Patent Law, Rule 64; Corresponding to Old Implementing Regulations, Rule 66

1. That the invention for which the patent right has been granted is not novel, not inventive and/or has no practical applicability (old and amended Article 22 of the Patent Law)
2. That the description of the invention is insufficiently clear and complete and it would not be possible for a person skilled in the relevant field of technology to carry out the invention on the basis of the description (old and amended Article 26 of the Patent Law)
3. That the claims are not fully supported by the description, that is, there are features of the invention listed in the claims which are not described in the description (old and amended Article 26 of the Patent Law)
4. That an amendment was made to the patent specification which expanded the scope of the description and claims beyond the scope of the description and claims as originally filed (old and amended Article 33 of the Patent Law)
5. For invention patents, that the invention is not a new technical solution relating to a product, a process or any improvement therein; or, for utility model patents, that the invention is not a new and technical solution relating to the shape and/or structure of a product fit for practical use (old and amended Rule 2 of the Implementing Regulations)
6. That more than one patent right has been granted for the same invention (old and amended Rule 12 of the Implementing Regulations)
7. That the invention is “contrary to the laws of the State or social morality or is detrimental to public interest” (old and amended Article 5 of the Patent Law)
8. That the invention does not constitute patentable subject matter (old and amended Article 25 of the Patent Law)
9. That the patent was not granted to the first person to file an application for protection of the invention (old and amended Article 9 of the Patent Law)

The amended Implementing Regulations, Rule 64, also include a further two grounds, which will apply after 1 July 2001:

10. That the claims do not clearly and concisely define the matter for which protection is sought in terms of the technical features of the invention (Rule 20, paragraph 1 of the old and amended Implementing Regulations)
11. That the independent claim(s) do not outline the technical solution provided by the utility model and do not describe the indispensable technical features of the utility model which allow the utility model to overcome existing technical difficulties (Rule 21, paragraph 2, of the old and amended Implementing Regulations)

For design patents, the grounds of invalidation are<sup>37</sup>:

1. That the design for which the patent right has been granted is not novel (old and amended Article 23 of the Patent Law) *or the design for which the patent right has been granted conflicts with other previously-existing legal rights* (amended Article 23 of the Patent Law - this is the only new ground available for design patents)
2. That an amendment was made to the drawings, title or statement of design which expanded the scope of the application beyond the scope of the application as originally filed (old and amended Article 33 of the Patent Law)
3. That the design is not a “new design of the shape, pattern, colour, or their combination, of a product, which creates an aesthetic feeling and is fit for industrial application” (old and amended Rule 2 of the Implementing Regulations)
4. That more than one patent right has been granted for the same design (old and amended Rule 12 of the Implementing Regulations)
5. That the design is “contrary to the laws of the State or social morality” or is “detrimental to public interest” (old and amended Article 5 of the Patent Law)
6. That the patent was not granted to the first person to file an application for protection of the design (old and amended Article 9 of the Patent Law)

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<sup>37</sup> Amended Implementing Regulations of the Chinese Patent Law, Rule 64; Corresponding to Old Implementing Regulations, Rule 66

Several amendments have been made to the rules governing invalidation procedure. The most important of these is new Rule 69, which allows either the SIPO, the patentee or the person requesting invalidation to request an oral hearing to discuss relevant issues. A further interesting rule is Rule 66 which allows invalidation applicants to late file supporting evidence and to add further grounds within one month of filing the relevant invalidation request.

## **18. License Agreements**

Licence agreements concerning all types of Chinese patent rights must be in writing and involve payment of fees in return for the right to exploit a patent<sup>38</sup>. Further, under the old law, they must be recorded in the SIPO within three months of the date the agreement enters into force<sup>39</sup>. This is for public information purposes and there is no specific penalty for not recording a licence agreement. The draft Implementing Regulations suggested more strict recordal provisions, but these have not been adopted in the final amended Implementing Regulations.

## **19. Assignment Agreements**

Under Article 10 of the amended patent law, invention, utility model and design patent assignment agreements must be recorded with the SIPO and are deemed to take effect in China on recordal. Previously, recorded agreements took effect only on announcement which can occur several months after recordal.

## **20. Marking and "Passing Off"**

Invention patentees have the right to affix a mark indicating the number of their granted patent to any product covered by the patent or its packaging<sup>40</sup>. False application of fictitious patent numbers is not permitted and will be dealt with by the Administrative Authority for Patent Affairs. Passing a product or process off as the patented product or process of others (ie. falsely marking articles and packaging with a real patent number) was previously a Criminal Offence<sup>41</sup> as it is considered to be much more serious than merely marking with a fictitious number. In the amended law (Article 59), however, such activities are no longer criminal offences, but are subject to a fine of no more than RMB¥50,000 (approx. US\$6,000).

The amended law adds a further new passing off provision in Article 58. If a person passes himself off as the owner of another's patent, in addition to his civil liabilities, he will be liable for a fine of three times the value of any benefit derived from his actions or, if no benefit was derived, a fine of no more than RMB¥50,000 (approx. US\$6,000). Article 58 also states that criminal liability must be borne if the acts concerned are sufficiently serious as to constitute criminal acts, as determined by new provisions concerning intellectual property crimes in the Criminal Law.

## **21. Rights Conferred by Grant of a Patent**

Article 11 of the amended Patent Law defines Chinese invention and utility model patent rights:

“After the grant of the patent right for an invention or utility model, except as otherwise provided for in the law, no entity or individual may, without the authorisation of the patentee, make, use, sell or offer for sale the patented product, or use the patented

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<sup>38</sup> Old and Amended Chinese Patent Law, Art.12

<sup>39</sup> Old and Amended Implementing Regulations of the Chinese Patent Law, Rule 13

<sup>40</sup> Old and Amended Chinese Patent Law, Art. 15

<sup>41</sup> Old Chinese Patent Law, Art. 63; Chinese Criminal Law, Art. 127

process and use or sell the product directly obtained by the patented process, for production or business purposes.”

“After the grant of the patent rights, except as otherwise provided for in the law, the patentee has the right to prevent any other person from importing, without its or his authorisation, the patented product, or the product directly obtained by its or his patented process, for the uses mentioned in the preceding paragraph”<sup>42</sup>

“Offering for sale” has been specifically included in addition to “making, using or selling”, but only for invention and utility model patents, not for design patents.

Thus, an invention or utility patentee may prevent others from making, using, selling, offering for sale or importing their product or products of their processes, subject to the exceptions outlined in "exceptions to infringement" below. The Patent Law sadly continues to make no reference to contributory or indirect infringement despite active lobbying for this by the patent profession.

## **22. Exceptions to Infringement**

Article 62 of the official English translation of the old Patent Law deems the following activities to be exceptions to infringement of all types of patents:

- “1. Where, after the sale of a patented product that was made by the patentee or with the authorisation of the patentee, any other person uses or sells that product;
2. Where any person uses or sells a patented product not knowing that it was made and sold without the authorisation of the patentee (repealed in the new Law, see below);
3. Where, before the date of filing of the application for patent, any person who has already made the identical product, used the identical process, or made necessary preparations for its making or using, continues to make or use it within the original scope only;
4. Where any foreign means of transport which temporarily passes through the territory, territorial waters or territorial airspace of China uses the patent concerned, in accordance with any agreement concluded between the country to which the foreign means of transport belongs and China, or in accordance with any international treaty to which both countries are party, or on the basis of the principle of reciprocity, for its own needs, in its devices and installations;
5. Where any person uses the patent concerned solely for the purposes of scientific research and experimentation.”

The second provision has, however, been repealed in the amended to the Patent Law<sup>43</sup> and replaced by a provision having the effect that where any person uses or sells a patented product without knowing that it was made and sold without the authorisation of the patentee, they do in fact infringe the patent right concerned, but if they can provide proof of the source of the relevant products, they will not be liable for any damages.

## **23. Burden of Proof**

In infringement cases the burden is on the patentee to demonstrate infringement unless the patent concerned relates to a process in which case Article 60 of the old Patent Law required the entity or individual manufacturing the product to furnish details of the process used in the manufacture of the products concerned. This has been modified slightly in the amended law (now in Article 57) to conform to the requirements of the TRIPS agreement (Article 34). From 1

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<sup>42</sup> Official English translation of the old Chinese Patent Law, Art. 11; Corresponds to Amended Patent Law, Art. 11

<sup>43</sup> Amended Chinese Patent Law, Art. 62

July 2001, the entity or individual manufacturing the products need not necessarily provide details of their own manufacturing process, but must demonstrate only that they are not using the patented process.

## **24. Special Provisions for Granted Utility Models**

Article 57 of the amended law includes a new provision with respect to utility model patents. In an infringement action, the Court or the Administrative Authority for Patent Affairs may ask the patentee to provide a search report, prepared by the SIPO, as evidence of the validity or otherwise of the utility model patent. This is because utility model patents are not examined by the SIPO. There is no mention of the defendant being provided with a copy of the search report, however.

As a consequence, new Rule 55 of the Implementing Regulations allows utility model patentees to request, after grant, a search report from the SIPO. Rule 56 goes on to say that once the search has been completed, if the SIPO believes the utility model to be lacking in novelty or inventiveness, this should be noted, with full explanation, in an addendum to the search report.

## **25. Statutory Limitations and Damages for Infringement Between Publication and Grant of an Invention Patent**

Infringement actions must be taken within two years of the date on which the patentee becomes aware, or should have become aware, of the infringing activities<sup>44</sup>. A further paragraph has been added to this section in the amended Patent Law<sup>45</sup>. Where an invention was used without payment of a royalty to the patentee in the time between publication of an invention patent application and grant of the patent, the patentee may sue for an equivalent royalty providing the case is taken within two years of the date on which the patentee became aware, or should have become aware of the infringing activities. However, if the patentee became aware of the infringing activities before grant of the patent, the two year period will begin only on grant of the patent.

## **26. Powers of the Administrative Authority for Patent Affairs**

The patentee or “any concerned party” may take an infringement action against alleged infringers<sup>46</sup> either to the Administrative Authorities or to the People’s Courts. Decisions of the Administrative Authorities may be appealed to the Courts. Under the old Law, where the Administrative Authority for Patent Affairs was used, the Authority was able to issue a decision on infringement which included directions for the infringer to pay damages. Subsequent applications could then be made to Court for collection of damages if the infringers refused to pay, or for a re-assessment of damages.

However, in the amended law (Article 57), the power of the Administrative Authority for Patent Affairs to award damages has been removed. This Authority may now only mediate between the parties concerned on the issue of damages. Only the Courts now have the power to award damages.

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<sup>44</sup> Amended Patent Law, Art. 62; Corresponding to Old Chinese Patent Law, Art. 61

<sup>45</sup> Amended Patent Law, Art. 62

<sup>46</sup> Amended Chinese Patent Law, Art. 57; Old Chinese Patent Law, Art. 60

Rule 79 of the amended Implementing Regulations has clarified and codified the types of issues which may be dealt with by the Administrative Authority for Patent Affairs and these are (in addition to infringement cases):

1. Disputes concerning the right to file a patent application and to whom patent rights should belong;
2. Disputes concerning the rights of inventors and designers;
3. Disputes concerning remuneration and rewards awarded to inventors/designers who are employees of the patentee;
4. Disputes concerning notional royalties payable for use of an invention in the period between publication and grant of an invention patent (such cases may only be taken after grant of the patent).

New Rule 81 codifies the current practice of requiring infringement actions to be taken to the Administrative Authority either in the county where the alleged infringer is situated or in the county where the alleged infringing activities are occurring.

## **27. The People's Courts**

The amended Patent Law also provides statutory guidelines for the calculation of damages by the Courts in Article 60. Damages must be no more than three times either the losses suffered by the patentee or the profits gained by the infringer by way of the infringing activities. If either of these prove difficult to quantify, then the Court may refer to the royalties that might have been earned by the patentee, had the use of the patent been licensed to the infringer.

The amended law (Article 61) has codified the practice of obtaining what is in effect a preliminary injunction prior to going to trial in the People's Courts.

## **28. Counterclaim for Revocation or Invalidation**

Previously, defendants in infringement actions could counterclaim for revocation or invalidation of the patent in question, as appropriate. However, only the invalidation procedure may now be used since the revocation procedure has been repealed.

Unlike a court in, for example, the US or the UK, where questions of validity and infringement are normally heard together, the two issues are divided in China. If in an infringement action defendants plead invalidity of the patent as part of their defence, and if this defence is pleaded at the outset, the infringement action may be suspended in accordance with the Chinese Civil Procedure Law, Article 36(5)<sup>47</sup> whilst the validity or otherwise of the patent is determined by the SIPO. It can take the SIPO up to two years to issue a decision on validity, though the procedure can sometimes be accelerated if a Court case is pending. In the meantime, upon application by the patentee and upon the patentee giving suitable undertakings including, usually, the payment of a bond, the Court may order the defendant to stop the allegedly infringing activities.

Unfortunately, the amended Law has not provided any means by which to speed up the invalidation process or for invalidation to be considered by the Courts instead of the SIPO, despite requests for this from the patent profession.

## **29. PCT Applications**

The provisions concerning PCT applications and PCT National Phase applications filed with the SIPO were previously in a separate document and have now been incorporated into the amended

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<sup>47</sup> Promulgated 9 April 1991, entered into force on 9 April 1999

Patent Law. The provisions themselves have not changed, except to allow voluntary amendment of the specification on entry into the Chinese National Phase.

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