

STRATEGIC CONSIDERATION OF PATENT PROTECTION IN CHINA

USPTO CHINA IP ROAD SHOW

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Major Concerns & Considerations

- Why patenting in China?
- How to proceed with patenting?
- Applicable Rules & Practical tips
- Why utility model patents?
- Issues for patent drafting and prosecution, for computer-related, and pharmaceutical or chemical inventions, in China

Why patenting in China?

- **Big Market**: 3,697,845 filed in 2017;
1,381,594 inventions (9.8% foreign),
1,687,593 utility models (0.46% F),
628,658 designs (2.83% foreign)
- **Stages**: 1. counterfeit; 2. imitation;
3. improvement; 4. innovation
- **Situations**: foreign parties **A**; Chinese
parties **B**; Chinese Research **C**;
WFOE-**D**; JV-**E**



Patent issues among the followings

[Worldwide patenting considerations]

Foreign (parent) company (A)

Chinese Co. (B)

Chinese R&D (C)

WFOE (D) or JV (E)

(Registered as Chinese entities)

[International market vs. Chinese market]

Scenario and cases study 1 & 2

- **Scenario 1:** Foreign Party **A**, not thought patent in China; Chinese Party **B** got patent
- Case: Dyson's bladeless fan got copied and patented (utility model) by a Chinese **B** before Dyson entered China. Fortunately, Dyson had a PCT application designating China and claimed the earlier priority.
- **Scenario 2:** (OEM) Foreign Party **A** had US patent, or a design, and gave Chinese Party **B** for prototype/supplier, but **B** improved it and got Chinese patent! Hockey bag case; trampoline case; utility knife case

Scenario and case study 3, 4, & 5

- **Scenario 3:** Foreign Party **A** engaged a Chinese R&D **C** to get a project done without clear clause of “ownership,” & **C** got patent
- **Scenario 4:** Foreign Party **A** had improved formula in its own WFOE **D** without patent, while a key staff left with it to another entity
- **Scenario 5:** Foreign Party **A** had JV **E**, and someone else got their earlier designs patented in China even before **A**’s US filing

Any lesson? Patenting in China!



How to proceed with patenting?

- First to file in China? Just need “foreign filing license” for inventions substantially completed in China, “**secrecy examination**”
- Paris Convention: within 12 months from priority date; maybe US provisional filing
- National phase of PCT application: 30 m. or within extra 2 m. from the earliest priority
- PCT filing at China Receiving Office may be in English, with an address in China
- **Double filing** of invention & utility model **on the same day**—quick patent protection

Applicable Rules & Regulations

- Art. 8: For an invention made jointly by parties (entities/individuals) or by a party entrusted by another, **right to apply for patent** belongs to the party/parties jointly who made the invention, unless there is an agreement to contrary (*unofficial translation*)
- Art. 10: An **assignment** of patent application/patent shall be in writing, and **effective upon approval**; and an assignment of patent application/patent from a Chinese entity/individual to a foreigner shall be subject to relevant regulations, i.e., technology import & export regulations (*unofficial translation + note*)
- Art. 16: An entity being granted patent shall **award** inventors of “**service**” invention, & **remunerate** them upon exploitation (or license) of the patent



Practical Tips-patenting in China

- Divisional: can be filed voluntarily at any time before termination (granted/rejected) of the parent application; & any further divisional can be filed only if a unity objection is raised by the examiner
- China adopted “absolute novelty” in 2009; limited “lost novelty exceptions” –6 months for disclosure at Chinese government organized shows or recognized international conferences, or unauthorized disclosure
- Expedite? Early publication & exam request



Why Utility Model Patent?

- Quick: granted in 6-9 months from filing, without substantive patentability exam, but formality examination only
- Valid until declared “invalid” and limit to 2 references due to lower inventive-step
- Limited claims for structural features – elements plus connections, & any functional phrases to be used as “adjective”
- Double filing vs. double patenting (Art. 9) for same subject matter, & abandonment of utility model upon allowance of invention



Issues for Drafting & Prosecution 1

- Enabling disclosure: sufficient support—literary & substantive enough embodiments to support broad claims; & examples for chemical/pharmaceutical inventions, i.e., qualitative & quantitative data, **post filing data or affidavit [2017]**
- **3T**: Technical problem, Technical Solution, and Technical effect



Issues for Drafting & Prosecution 2

- Computer related invention: still 3T!
- Claims: functional features must be found in description or equivalent on the basis of original disclosure
- Patentability exam first to identify “distinctive/inventive” feature(s), & if such feature(s) still non-technical, then, it is still non-patentable subject
- Computer readable medium with flow-chart steps, [2017 Exam Guide]



Trade Secret Protection in China?

Anti-Unfair Competition Law 2018

- Article 9: Trade Secret refers to any technology or business information which is unknown to the public and can benefit to the owner, and is safe-guarded through protective measure by the owner
- Elements: (1) obtained via unfair means-stealing, luring, intimidating; (2) disclosing, using, allowing others to use; (3) violating promises not to disclose, use, & allow others to use; (4) 3rd party knows or should know the violation, still acquire, use, or disclose

THANK YOU!

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