

A BRIEF INTRODUCTION TO THE PATENT PRACTICE IN CHINA

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The Patent Law of the People's Republic of China was adopted in 1984 and entered into force on April 1, 1985. It was revised in 1992, and the revised law entered into force on January 1, 1993. Through this revision, the patent system in China has been improved and protection for patent rights has been strengthened in the following ways:

(1) The technological fields of patent protection have been broadened to cover pharmaceutical products, food, beverages, flavorings, and substances obtained by means of chemical processes.

(2) The duration of a patent right has been extended. The duration of patent rights for inventions has been extended from fifteen years to twenty years, and the duration of patent rights for utility models and design has been extended from five years to ten years.

(3) The exclusive right has been enhanced. The patent protection for a manufacturing process has been extended to the product directly obtained by the patented process and a patentee has the right to prevent any other person from importing, without his authorization, the patented product or products obtained directly by his patented process.

(4) The grounds for granting a compulsory license have been restricted. The situations in which a compulsory license may be granted only include those where (a) an entity qualified to utilize the invention or utility model made a request for authorization from the patentee to utilize the patent on reasonable terms and such efforts have not been successful within a reasonable period of time, and (b) a national emergency, an extraordinary state of affairs, or the public interest requires it.¹

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1. Article 51 of the old Patent Law stipulated that a patentee has the obligation to utilize or otherwise to authorize other persons to employ the patented invention or utility model in China, and Article 52 of the old Patent Law stipulated that the Patent Office may grant a compulsory license where the patentee fails, without a justified reason, to fulfill the obligation set

(5) The original pre-granting opposition procedure has been replaced by the post-granting revocation procedure. As a result, the entire approval procedure of a patent right has been shortened by an average time period of three to four months. The retroactive effect of a declaration of invalidation has been restricted.

(6) According to the former Patent Law, any patent right declared invalid was deemed to be non-existent from the beginning. The revised Chinese Patent Law keeps this provision, but at the same time stipulates the following:

The decision of invalidation shall have no retroactive effect on any judgment or order on patent infringement that has been pronounced and enforced by the People's Court, on any decision concerning the handling of patent infringement that has been made and enforced by the administrative authority for patent affairs, and on any contract of a patent license and of an assignment of a patent right which has been performed, prior to the decision of invalidation. However, the damage caused by other persons in bad faith on the part of the patentee shall be compensated. This new provision is helpful for maintaining a stable economic order.

The revised Chinese Patent Law is fully in line with the requirements of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement). Moreover, in light of experiences since the enforcement of the revised Chinese Patent Law, the preparation work for the second revision of the Chinese Patent Law is in progress. In addition, the drafting and approval of the Regulations on Protection of Plant Varieties and the Regulations on Protection of Layout Design of Integrated Circuits have been completed. These two regulations are independent legislation, as allowed by the TRIPS Agreement, and patent applications in these fields will be handled by governmental authorities separate from the Chinese Patent Office.

PATENT APPLICATION AND EXAMINATION

During the last ten years, the patent work in China has achieved remarkable progress. The most direct evidence of the progress is the rapid increase of patent applications received by the Chinese Patent Office. The total number of applications for the three kinds of pat-

forth in Article 51 within three years from the date of the grant of the patent right. Clearly, a grant of a compulsory license at present is limited. In fact, the Chinese Patent Office has never granted a compulsory license since its establishment.

ents² increased from 14,372 in 1985 to 109,750 in 1996, representing an average annual increase of eighteen percent. Over the same time period, the total number of patent applications for inventions increased from 8,558 to 31,061, representing an average annual increase of twelve and a half percent. It is worth noting that since the accession of China to the Patent Cooperation Treaty (PCT) in 1993, the number of patent applications for inventions filed by foreign applicants increased sharply. By the end of 1996, the number of patent applications filed by foreign applicants totaled 93,791. The ten leading countries ranked according to patent applications filed with the Chinese Patent Office are Japan, the United States, Germany, France, Korea, Switzerland, Britain, the Netherlands, Italy, and Sweden.

Since January 1, 1994, the Chinese Patent Office has served as the PCT international search authority and international preliminary examination authority. At present, the Chinese Patent Office has about 450 examiners, among them 240 substantive examiners.³ In 1996, 43,780 patent rights were granted, including 2,976 patents for inventions, 27,171 patents for utility models, and 13,633 patents for designs.

Along with the increase of patent applications, there is already a considerable backlog in the examination work of the Chinese Patent Office. In order to solve this problem, the Chinese Patent Office has begun to take various measures, which are concentrated in two areas. First, approximately seventy to eighty new examiners have been recruited annually since 1995, and the Office has a plan to double its team of examiners by the end of 2000. Second, an automated system will be established that will include a computer search system similar to EPOQUE (a full-text retrieval database utilized by the European Patent Office) and an automated administrative system. It is expected that the examination capability of the Chinese Patent Office will be improved after completing the above efforts.

2. The Chinese Patent Law simultaneously provides three kinds of patent rights: patents for inventions, patents for utility models, and patents for design. This is one of the distinct characteristics of the Chinese Patent Law.

3. According to a provision of Chinese Patent Law, substantive examinations should be carried out for patent applications for inventions, while patent applications for utility models and design only require a preliminary examination.

PATENT PROTECTION

Whenever a patent right is infringed in China, the patentee may either request the administrative authority for patent affairs to handle the matter or directly institute legal proceedings in court.

According to the Chinese Patent Law, an administrative authority for patent affairs is established in every province, autonomous region, and municipality. The authorities have the power to order an infringer to stop the infringement and to compensate the patent owner for the damage. Any party who is dissatisfied with the decision of the authority may institute legal proceedings in court. If such proceedings are not instituted within the time limit and if the order is not complied with, the authority may approach the court for compulsory execution. In addition to patent infringement cases, the authorities also take the responsibility of handling the "passing off" patent cases.⁴ According to statistical data, the administrative authority for patent affairs throughout China received a total of 546 cases in 1996, 396 of which were completed.

The Chinese Patent Law provides that any entity or individual may, after the expiration of six months from the date of the announcement of the grant of a patent right, request that the patent right be declared invalid. In many cases, an accused infringer will initiate an invalidation procedure as a counter action. Similar to the procedure in Germany, the infringement cases and invalidation cases are handled in different ways. The invalidation request is filed with the Re-examination Board of the Chinese Patent Office. The Board's decision with respect to a patent right for utility models and design is the final decision, while either party who is not satisfied with the decision of the Board concerning a patent right for invention may institute legal proceedings in the Intermediate Court and appeal to the High Court of Beijing.

In practice, the administrative authority for patent affairs or the courts may interrupt the infringement cases if the accused infringer initiates the invalidation action within the specified time limit, and then restore the proceedings if the patent right is maintained. It is problematic that it takes a considerably long period of time for a patentee to go through all of the established procedures. Since the pat-

4. Article 63, second paragraph, provides that "where any person passes any non-patented product off as a patented product or passes any non-patented process off as a patented process, such person shall be ordered by the administrative authority for patent affairs to stop the passing off, correct it publicly, and pay a fine."

ent right for inventions is granted after a substantive examination, such interruptions are relatively rarer in the case of inventions than in the case of utility models and design.