# Newsletter

中国专利代理（香港）有限公司
China Patent Agent (H.K.) Ltd.

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## 25th Anniversary of China Patent Agent (H.K.) Ltd.

On March 27, 1984, China Patent Agent (H.K.) Ltd. (CPA) was founded following the enactment of the Chinese Patent Law. The year 2009 happens to be the 25th anniversary of China Patent Agent (H.K.) Ltd.. We would like to take this opportunity to thank all our esteemed clients and associates for your valuable trust and support for all these years.

Twenty-five years ago, our firm was founded and designated by the Chinese government as one of the first three IP firms to handle foreign-related IP matters. Currently we have grown into the biggest IP firm in China. We have offices in Hong Kong, Beijing, Shenzhen, Shanghai, New York, Tokyo and Munich, and the total number of staff members reaches 503, including 163 patent attorneys, 65 patent engineers, 36 lawyers and 25 trademark attorneys. This excellent team of patent attorneys, trademark attorneys and lawyers are highly proficient in their respective scientific, technological and engineering fields and well versed in law. We are more than pleased to provide you with our excellent, efficient and comprehensive services in protection of your IP rights in China.

## Removal Notice of CPA Shenzhen Office and Shanghai Office

Thanks to your long-standing support and trust, our firm's businesses in China's Shenzhen and Shanghai areas are growing steadily. The previous scales of our offices in these two cities obviously do not suit the business growth any longer. Under such circumstances, our Shenzhen office and Shanghai office have moved into new sites to accommodate more staff members, in order to adapt to the needs of our clients in these two areas and to provide more client-tailored and professional IP services in China.

Starting from January 1, 2009, our Shenzhen office has moved into the Phoenix Tower of Shenzhen, the office area enlarged from the original 930 $m^2$ to the current 1400 $m^2$.

Starting from March 16, 2009, our Shanghai office has moved into Westgate Mall of Shanghai, the office area enlarged from the original 250 $m^2$ to the current 600 $m^2$.

Our Shenzhen office was founded in 1985, having 65 staff members now, and our Shanghai office was founded in 2005, having 23 staff members now. Shenzhen and Shanghai are two energetic industrial cities with the most active intellectual property markets. With the enlarging of our Shenzhen and Shanghai offices, we believe we will be able to provide clients in these areas with more satisfactory IP services.

## Latest Trends on the Revision of the Implementing Regulations of the Chinese Patent Law

On February 27, 2009, the Amendment Draft of the Implementing Regulations of the Patent Law of the People's Republic of China (version for approval) (briefed as "Version for Approval") was submitted to the State Council of PRC for review. Legislative Affairs Office of the State Council has publicized the full text of the "Version for Approval" and its explanatory notes to widely solicit opinions from the public. It is expected that the final text of the Implementing Regulations will come into effect on October 1, 2009, simultaneously with the Patent Law revised on December 27, 2008 (briefed as the Patent Law).

The Implementing Regulations are auxiliary administrative rules of the Patent Law. In this "Version for Approval" submitted to the State Council, some legislative trends are worth noting. The following brief comments are made on the key points of this amendment.

**1. Intensifying Administrative Enforcement**

County-level patent administration departments will be set up. The current law provides that, patent administration departments can only be established by the governments of provinces, autonomous regions and municipalities, and some selected cities with districts, whereas the "Version for Approval" lowers this restriction to governments at or above county level, and endows them with jurisdictions for dealing with cases of patent infringements, investigating and punishing patent passing off activities, and mediating patent disputes. Since China currently has nearly 3,000 county-level administrative divisions, such an astonishing change of establishing so many patent administration departments may further decentralize the handling of patent disputes. Meanwhile, following the intensification of administrative enforcement, the number of patent disputes seeking resolution in administrative routes is very likely to increase.

SIPO is endowed with rights for handling some major patent disputes. Before that, SIPO can only direct local patent administration department's handling and mediating patent disputes, rather than directly handling any. The "Version for Approval" provides that patent administration departments of provinces, autonomous regions and municipalities can request SIPO to handle or investigate patent infringements or passing off activities which have nationwide influences. The longstanding role of a "watcher" which SIPO plays in patent administrative enforcement in the past will be changed. It will become a government organ with functions in both prosecution and enforcement.

The activities of passing off other patents and counterfeiting other patents are combined as passing off activities in the Patent Law. To correspond with that, the scope of patent passing off activities is further clarified in the "Version for Approval".

Details for administrative enforcement of local patent administration departments are also specified therein.

**2. Reduction of Fees and Simplification of Procedural Requirements**

Following the trend of "Establishing a Government of Service", the "Version for Approval" waives or simplifies some procedural requirements, and cancels some items of fees, which benefits the applicants a lot. For example, four items of fees are canceled, such as, fees for requesting to suspend a procedure, the application maintenance fee, etc.. In this way, for a PCT application which enters the national phase in China within the 30-month period as stipulated under PCT Chapter 1 and is granted a patent right four years later, it is expected to save the applicant about RMB1,200 (about USD175). The refunding time limit for overcharge or mischarge is prolonged from 1 year to 3 years; the burden of furnishing priority documents is reduced by SIPO's acknowledgment of priority documents transmitted electronically with foreign patent offices; amendments can be made if one or two items of the priority claim in the request are wrong, whereas in the past such mistakes are irreparable if the country or filing date of the earlier application is wrongly filled in; for PCT international applications entering into the Chinese national stage, if the application documents are submitted via mail, the mailing date, instead of the receiving date, will be considered as the effective date of filing for time calculation purposes, just like regular Chinese national applications.

**3. Refinement and Improvement of Compulsory License System**

The concrete meaning of "insufficient utilization of patent right" as stipulated under Article 48 of the Patent Law is clarified. According to the TRIPS Agreement Amendment Protocol, the procedural and substantial obligations which correspond to the issuance of a compulsory license for exporting the patented drug are introduced.

**4. Encouraging Utilization of Patent Rights and Reinforcing Protection to Inventors**

The minimum reward to inventors is elevated. The "Version for Approval" expressly encourages and supports patentees' utilization of patent rights by various means such as practicing, assigning or licensing, thus realizing the market value of patent rights. Provisions regarding reward and remuneration to inventors will be applied to all Chinese entities, replacing previous practice that state-owned enterprises are treated differently from other entities. In addition, such rewards and remunerations may enjoy a favorable tax rate. Another notable change is that, according to the "Version for Approval", enterprises are endowed with rights to conclude agreements with their employees on reward and remuneration issues at its discretion in advance, which enables an enterprise to avoid financial risks caused by the application of the legal standards of the minimum reward and remuneration.

**5. A Series of New Provisions Regarding Designs**

As "Brief Description" has become an essential part of the application documents for a design patent, the "Version for Approval" provides specifically what contents shall be included in a "Brief Description". More specifically it is provided that, when multiple similar designs for the same product are included in a single application, the applicant shall designate one of the designs as the basic design and the total number of similar designs to be included in one application shall not exceed 10. The minimum requirements for accepting a new request of invalidating a design patent, which is based on the ground that the design patent is conflicting with a lawful right obtained earlier, are reduced. It is merely required that the requester shall be the owner or an interested party of the earlier right. In the past, however, such request shall not be accepted by the Patent Reexamination Board unless the requester provides an effective decision or judgment which can prove the rights confliction.

**6. Clarifying the Practice of "Filing Applications for an Invention and a Utility Model on the Same Date"**

It is provided that the applicant shall, on the date of filing, make a declaration in the two applications respectively, and shall abandon the previously obtained patent right for utility model on the date when the patent right for invention is granted.

**7. Detailed Provisions Regarding Security Examination**

Article 20 of the Patent Law provides that: where any entity or individual intends to file in a foreign country an application for patent for an invention-creation completed in China, it or he shall request a security examination by SIPO to obtain an approval to file abroad. The "Version for Approval" indicates three ways to raise such a request and the duration to reach a decision of examination. It is noteworthy that, compared to the examination duration of "two months plus two months" in the previous version of the revision to the Implementing Regulations, the duration for security examination given in the "Version for Approval" has been extended to "three months plus two months". That is, for any suspicious application that might involve secrets, the applicant shall be informed within three months

as from receipt of the request, and a final decision as to whether the application needs to be kept secret shall be reached within five months as from receipt of the request.

**8. "Source Disclosure" Obligations for Inventions Whose Completion Relies on Genetic Resources**

The "Version for Approval" expressly defines the terms "genetic resources" and "invention-creations whose completion relies on genetic resources" which appear in Article 5 and Article 26 of the Patent Law, and specifically provides that the source of such genetic resources shall be indicated in the application documents. Failing to fulfill the source-disclosure obligation shall constitute a reason for rejection of the patent application, but shall not be a reason to invalidate a granted patent right.

**9. Patentability Evaluation Report System for Utility Model and Design Patents**

The "Version for Approval" gives details for practicing evaluation of utility model and design patents. Where search results are unfavorable to the patentee, he/she will be given a chance to present his/her observations.

**10. Enlarging the Scope of Preliminary Examination of Utility Model and Design Patent Applications**

The newly added contents in the preliminary examination include: whether a patent application for utility model obviously lacks novelty or practical applicability; whether a patent application for design obviously belongs to a prior design, whether it is obviously conflicting with other's prior rights, or whether it obviously pertains to a design serving as marks for printing.

## Patent Filings Hit 5 Million

As of March 16, patent applications filed in China surpassed the 5 million mark, registering at 5,002,143 and leaving the 4 million mark behind after only a year and four months. Invention applications contributed 1,681,464.

Compared with the first four one millions, on top of still keeping the fast-growing momentum, the road to the fifth may be summarized as follows.

Firstly, it takes much less time to finish a million. Since the Chinese Patent Law came into force, it took 15 years to hit the first million; the second million takes 4 years and two months; third, 2 years and 3 months; fourth, 1 year and 6 months; and fifth, 1 year and 4 months.

Secondly, domestic users ate up bigger share of the pie for invention. Domestic invention applications represented 47.8%, 50.7%, 53.4% and 60.8% of the total respectively in the first four one millions. In the run for the fifth, domestic robbed another 7% to mount to 67%. Domestic invention applications increase significantly faster than foreign applications. Among the patent applications accepted in 2008, there is a 27.1% increase in domestic applications, over 20% higher than foreign application at the same duration.

Thirdly, service applications maintained steady growth. The proportion of that are 41.8%, 49.5%, 52.4% and 53.9% in the first four one millions respectively. In the fifth, it reached 58.1%, 4.2% higher than the previous proportion. The main force of this change comes from the increase of domestic service applications. In the first four million patent applications, the proportions of service applications are 31.3%, 39.0%, 41.2% and 45.6% respectively, while in the fifth, the proportion reaches 51.9%. The proportion of domestic service applications surmounts that of

non-service applications for the first time. (Source: China Intellectual Property News)

## IPR Arbitration Grows in Number and Size in 2008

Revealed by the China International Economic and Trade Arbitration Commission on February 25, the total size of disputes received by the Commission registered at 20.918 billion yuan along with drastic growth of IPR cases.

The Commission and its branches received 1,230 cases for arbitration in 2008 and conclude 1,097 involving parties from 45 countries and regions. Average monetary size of dispute soared 70% year-on-year while the number of cases skyrocketed 27.74%. In parallel, IPR cases grew in both number and size. The highly diversified cases were very complex and all involved foreign parties. An increasing number of them were resolved with settlement. Besides, all disputed parties being foreign enterprises and more cases involving natural person, especially with a sharp growth in English or bilingual arbitrations, the complexity of cases has been upgraded. Moreover, litigant-agreed arbitration procedures and formation of the arbitration tribunals keep growing, as well as reconciliations upon negotiations.

It is said that the total export value of China's hi-tech product in 2008 is over USD450 billion. Relevant people say that with the development of international trading, IP-related disputes will keep increasing. As a main solution for disputes, arbitration also applies to resolving infringements on IP matters as well as disputes regarding assigning and licensing agreements. (Source: SIPO website)

## The Number of IP Cases Tried in China Increased Greatly

In 2008, local courts nationwide totally accept and conclude 24,406 and 23,518 IP cases of the first instance, up 36.52% and 35.2%t year on year respectively, making great progress in this regard; a total of 3,326 criminal cases of IPR infringement are concluded; they also accept 1,074 IP administrative cases of the first instance, with 1,032 cases being concluded.

In 2008, the number of IP civil cases tried by the Supreme People's Court maintains stable growing impetus. That year, local courts newly accept 4,074 cases of patent, a year-on-year growth of 0.82%, 6,233 cases of trademark, up 61.69%, and 10,951 cases of copyrights, rising 50.78%. Local courts also conclude 1,139 IP civil cases of the first instance, up 70.51%, and 225 IP civil cases involving Hong Kong, Macao and Taiwan, down 30.34% year on year. A total of 4,759 and 4,699 IP civil cases of the second instance are accepted and concluded, up 66.11% and 63.73% respectively. The numbers of retried cases accepted and concluded reach 102 and 71, up 161.54% and 57.78% respectively. The conclusion rate of IP civil cases of the first instance of the courts nationwide increases from 80.01% in 2007 to 81.73% in 2008.

In 2008, local courts nationwide totally conclude 3,326 criminal cases of IP infringement with judgments of legal effect involving 5,388 people, of which, 5,386 are sentenced guilty.

By the end of 2008, a total of nine intermediate courts and 14 grassroots courts initiate the pilot project of trying various IP cases in one tribunal. Currently, the number of intermediate courts with jurisdiction of trying patent cases hits 71, and a total of 66 grassroots courts are authorized to try general IP civil cases. (Source: SIPO website)