

Strafford

---

*Presenting a live 90-minute webinar with interactive Q&A*

# Navigating the Chinese Patent System: What U.S. Patent Counsel Need to Know

Protecting IP Rights in China, Leveraging Recent Amendments,  
Understanding Current Litigation Trends and More

---

TUESDAY, NOVEMBER 13, 2018

1pm Eastern | 12pm Central | 11am Mountain | 10am Pacific

---

Today's faculty features:

Rui Luo, Counsel, **Han Kun Law Offices**, Beijing

Thomas T. Moga, Attorney, **LeClair Ryan**, Dearborn, Mich. & Washington D.C.

Dr. Letao Qin, Partner, **Rimon**, Research Triangle, N.C., & New York

---

The audio portion of the conference may be accessed via the telephone or by using your computer's speakers. Please refer to the instructions emailed to registrants for additional information. If you have any questions, please contact **Customer Service at 1-800-926-7926 ext. 1.**

## *Tips for Optimal Quality*

FOR LIVE EVENT ONLY

---

### Sound Quality

If you are listening via your computer speakers, please note that the quality of your sound will vary depending on the speed and quality of your internet connection.

If the sound quality is not satisfactory, you may listen via the phone: dial **1-866-570-7602** and enter your PIN when prompted. Otherwise, please send us a chat or e-mail [sound@straffordpub.com](mailto:sound@straffordpub.com) immediately so we can address the problem.

If you dialed in and have any difficulties during the call, press \*0 for assistance.

### Viewing Quality

To maximize your screen, press the F11 key on your keyboard. To exit full screen, press the F11 key again.

## *Continuing Education Credits*

FOR LIVE EVENT ONLY

---

In order for us to process your continuing education credit, you must confirm your participation in this webinar by completing and submitting the Attendance Affirmation/Evaluation after the webinar.

A link to the Attendance Affirmation/Evaluation will be in the thank you email that you will receive immediately following the program.

For additional information about continuing education, call us at 1-800-926-7926 ext. 2.

If you have not printed the conference materials for this program, please complete the following steps:

- Click on the ^ symbol next to “Conference Materials” in the middle of the left-hand column on your screen.
- Click on the tab labeled “Handouts” that appears, and there you will see a PDF of the slides for today's program.
- Double click on the PDF and a separate page will open.
- Print the slides by clicking on the printer icon.



LECLAIRRYAN

# Patents in China

**STRAFFORD WEBINAR – November 13, 2018**

Presented by:

*Thomas T. Moga*

202-230-1012 / [Thomas.Moga@LeClairRyan.com](mailto:Thomas.Moga@LeClairRyan.com)

# Patent Overview

## **Invention Patent (very similar to US Utility Patent)**

- 20 year life
- Substantive examination – interviewing helps

## **Utility Model Patent (no US parallel)**

- 10 year life
- No substantive examination

## **Design Patent (similar to but not the same as US Design Patent)**

- 10-year life (but will change to 15 years when China joins the Hague Agreement)
- No substantive examination – interviewing again helps

# Patent Overview

## **Chinese approach:**

- Utility model first, then invention, design patent last
- Experienced Chinese applicants know that utility model patents are easier to obtain in China than elsewhere and can be granted quickly for a broader variety of inventions

## **Foreign approach (particularly US):**

- Invention patent first, then design, then utility model
- Even experienced US applicants aren't aware of flexibility of design patents in China and are even less familiar with utility models (but, if aware, sometimes reluctant to file them or simply refuse to file them)

# Patent Overview

## By the numbers:

In **2017**, SIPO (now “CNIPA”) received **3,697,845** patent applications

- Invention patent applications: 1,381,594 (2016: 1,338,503)
- Utility model patent applications: 1,687,593 (2016: 1,475,977)
- Design patent applications: 628,658 (2016: 650,344)

In **2007**, SIPO received **694,153** patent applications

- Invention patent applications: 245,161
- Utility model patent applications: 181,324
- Design patent applications: 267,668

# Patent Overview

---

Trajectory? China's National IP Strategy sets a goal of doubling the number of patent filings between 2015 and 2020

Result: By 2020, **7 million patent applications filed annually** – that is 10 times the number filed with the USPTO

# Focus: Utility Model Patent

---

## Why file UM?

- Easy way to get a patent
- Relatively low cost
- Relatively prompt issuance
- Unlike Design patent, scope of protection defined by claims
- “Easy to get, tough to invalidate”

# Focus: Utility Model Patent

Why *not* file UM?

- 10 years vs. 20 years
- Invention patent stronger than UMP (no substantive exam)
- Need “Evaluation Report” before litigating

Tip: File *both* Invention Patent and Utility Model patent applications simultaneously (but ultimately can only have one)

See “**China’s Utility Model Patent System: Innovation Driver or Deterrent**” – U.S. Chamber of Commerce

([https://www.uschamber.com/sites/default/files/legacy/reports/1211\\_china\\_patent\\_paper.pdf](https://www.uschamber.com/sites/default/files/legacy/reports/1211_china_patent_paper.pdf) )

# Focus: Utility Model Patent - Examination

- Not subjected to substantive examination (not enough examiners)
- But every incoming UMP application is subjected to “Intelligent Patent Search System”
  - Claims only
  - Database comprises Chinese patents only
  - No plans to expand the data base as of now
  - The system may miss applications based on foreign-issued patents

# Focus: Utility Model Patent - Examination

- Also, if examiner has independent knowledge or has results (e.g. from a PCT search) can undertake substantive examination based on rule changes
- Looking for something “abnormal” – application is deemed to be of “inferior quality” and is subjected to examination

# Focus: Design Patent

---

- Experienced Chinese applicants file about ten times as many design patent applications in China compared with foreign applicants
- They know that design patent protection is typically easier to obtain in China than elsewhere (e.g., the U.S.) and can be granted for a broad variety of inventions
- Reliance is on post-grant invalidation to cure errors in the grant system
- Thus China's system for granting design patents is closer in practice to the system of copyright registration in the U.S.

# Focus: Design Patent

- So why don't foreigners file more design patent applications in China? Foreign applicants are constrained by their own experiences and, as a result, anticipate not only large prosecution bills but also *limitations on what can be protected*
- Thus, and continuing the example, design patent protection in the U.S. is limited to protecting an article having an ornamental appearance (that is, the design elements must be *ornamental* and not *functional*); Chinese design patents may cover functional products
- These "design inventions" would not be good candidates for patent protection in most other countries

# Patent Law Developments – Fourth Amendment to the Patent Law

- Said by the Legislative Affairs Office of the State Council of China to support China's technology innovation initiatives
- Most significant change is more power to administrative enforcement mechanism, including issuance of injunctions and the assessment of damages, changes which are not being widely embraced
- Another positive change - raising of the punitive damages ceiling
- A positive change **was** that partial designs were to be made patentable, this move expanding coverage for design patents from the current (and limiting) "whole design" view; now this change has been removed from Article 2 of the draft amendment

# China Patent Strategy - Summary

1. Finding the right mix of the right mix of invention, UM, design patents (present, future)
2. Understanding the value of each from a Chinese POV
3. Making the portfolio China-only
4. Follow up with Customs Office registration (design patents)
5. Related issue: Monitoring competitors' patents and applications
6. UMP/design applications – *file, file, file* – but tread carefully (Liaoning IPO disciplinary order)
7. Keep “hands on” – personally engage Chinese associate, examiners



LECLAIRRYAN

Thank you.

Thomas T. Moga

[Thomas.Moga@LeClairRyan.com](mailto:Thomas.Moga@LeClairRyan.com)

202-230-1012

# **PATENT PROTECTION IN CHINA: What US Counsel need to know**

**Letao Qin, Ph.D., J.D. | Rimon P. C.**

**letao.qin@rimonlaw.com**

# Statistics of Patent Filings in China

The number of applications filed by Chinese companies in China is astonishing.

- In 2015, more than the rest of the world combined
- The largest office in terms of patents granted since 2015

# Statistics of Patent Filings in China

Overall allowance rate > 70%

- Utility model patent applications are granted without substantive examination

SIPO has raised the standard during examination since last year

- Relatively lax/different standard on software

# Recent Patent Law Amendments

## Statutory Subject matter

- Added: invention using genetic materials obtained through unlawful means not patentable
- Added requirement: the application needs to state the source of the genetic materials used in the invention

# Recent Patent Law Amendments

One invention one patent

- Applicant can't hold an invention patent and a utility model patent for one single invention at the same time
- Can apply for both and abandon utility model patent when invention patent is issued

Not regarded as same invention if claims are different

# Recent Patent Law Amendments

Prior art: Patent publication + Existing technology

Existing technology:

- Before: publications both inside and outside China, already publicly used or known in other way by the public inside China, before the application date
- After: known by the public inside and outside China before the application date

# Recent Patent Law Amendments

## Limited Public Disclosure Grace Period

- 6 months
- Three scenarios:
  - international expo organized or recognized by Chinese gov.
  - academic or technology conf. (specified by gov.)
  - unauthorized disclosure by others

(what about disclosure by a third party who obtained the invention in one of the three authorized scenarios?)

# Recent Patent Law Amendments

## Compulsory License

- Old: if a reasonable request is denied, gov. can impose compulsory license upon petition.
- New: gov. can impose if (1) did not practice in 3 yrs from grant or 4 yrs from filing; (2) deemed to be monopoly by law  
drugs, semiconductor chips, blocking patents;  
royalty may be negotiated;
- Hasn't been implemented once.

# Recent Patent Law Amendments

Ownership of invention within the scope of employment (service invention)

- Default: owned by the employer (right to apply for application, and right in the issued patent)
- Can be negotiated

# Recent Patent Law Amendments

Assignment of patent rights to foreigners:

- Old: approval by state council/its agency
- New: lawful procedure for approval
- Always: written agreement, register at state council patent administrative agency, and publish

# Recent Patent Law Amendments

License of patent rights

- Before (written agreement)
- After ( ~~written~~ )

# Recent Patent Law Amendments

Patent co-ownership: permission and accounting

- Old: no provision
- New: absent an agreement,  
practice by owner or license without permission,  
all other situations:  
permission from all owners,  
share profits among all

# Fourth amendment to Patent Law (Draft 2018)

What is in it:

- Patentable subject matter: methods for diagnosis or treatment of disease for farmed animals
- Design patents: allow partial design
- Service inventions: narrower definition
- SEPs, License, Enforcement

# Patent Filing in China

## Timeline

- Publish at 18 month (early publication available)
- Request for substantive examination anytime within 3 years
- Priority Examination (invention patent within 1 year, no fees)
- Correcting errors in spec: with sub. req., within 3m of sub. exam., examiner's req.
- Priority document submission: within 3 months
- Voluntary amendment: with sub. req.; within 3m sub. exam., in resp.

# Patent Prosecution in China

Strict requirement on claim amendment

- “Within the content as filed”
- Directly and unambiguously derived from the original disclosure
- Literal and verbatim support

# Appeal of Examiner's Final Rejection

Request of Reexamination at Reexamination Board

- Request must be filed within 3 months
- Interlocutory
- Appeal Board's decision to Beijing IP court within 3 months

# Post Allowance Procedures

- Invalidation at Reexamination Board
- Correction by patentee only when validity is challenged

# Appeal Reexamination Board's Decision

Recent Supreme Court's proposed guidelines to courts on adjudicating such appeals

- Moving towards international norm
- An attempt to strengthen China's IP litigation system

# Thank You

**Letao Qin, Ph.D., J.D. | Rimon P. C.**

**letao.qin@rimonlaw.com**



漢坤律師事務所  
HAN KUN LAW OFFICES

# Patent Litigation and Anti-unfair Competition Law in China

Prepared by Mr. Rui LUO  
Han Kun Law Offices

*[rui.luo@hankunlaw.com](mailto:rui.luo@hankunlaw.com)*

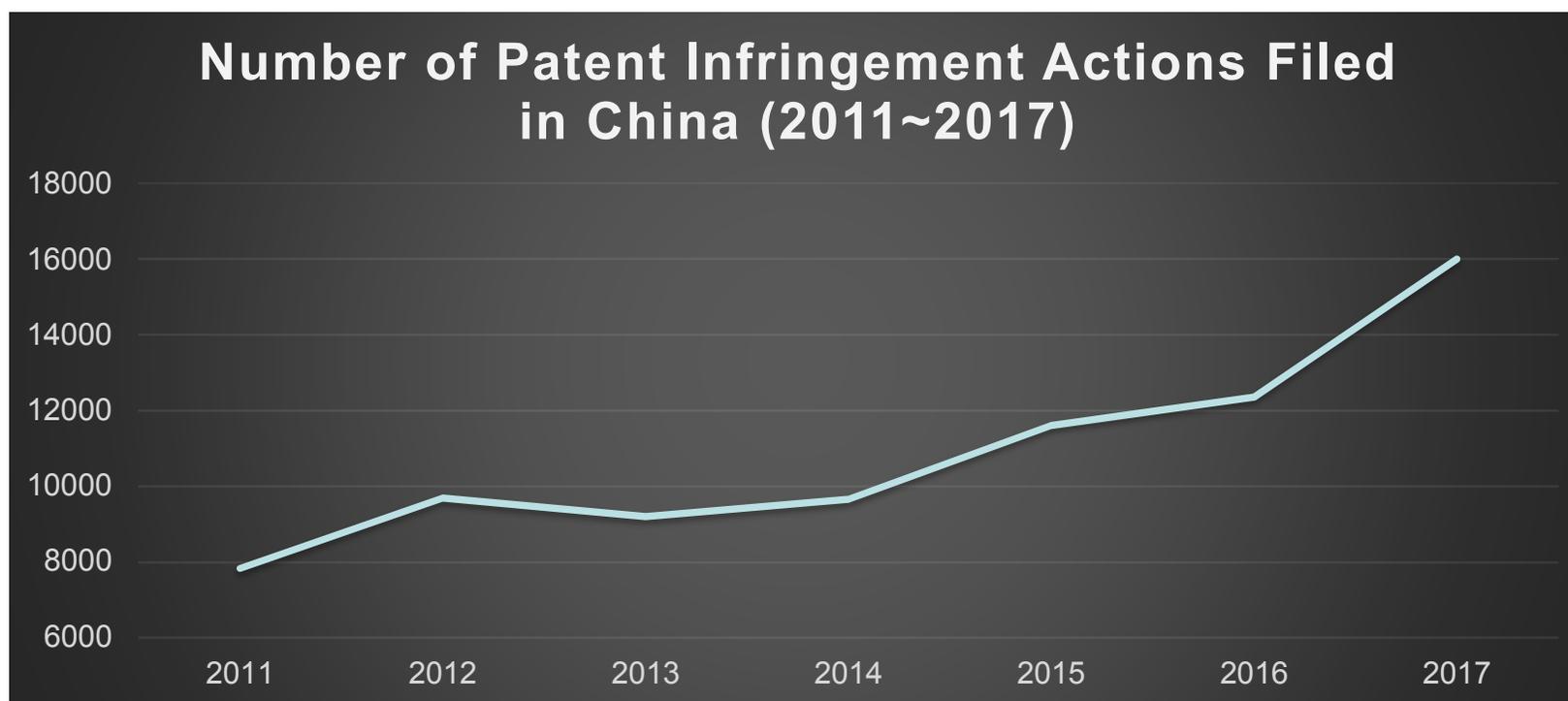
November 13, 2018

# INDEX

➤ **Patent Litigation in China**

➤ **Anti-unfair Competition Law of China**

## The World's Largest Battlefield for Patent Disputes



Source: *People's Court Daily*

## Separate Proceedings for Validity and Infringement Disputes

- **Patent validity and infringement disputes can only be resolved in separate legal proceedings**
  - Patent infringement disputes are resolved by civil litigation before courts
  - Patent validity disputes are resolved before the Patent Reexamination Board (“PRB”) of the China National Intellectual Property Administration (“CNIPA”), while the PRB’s decisions are subject to judicial review by courts
- **Chinese courts have discretion to stay infringement actions pending corresponding invalidation proceedings before the PRB**
- **Prior art defense is allowed in patent infringement actions**

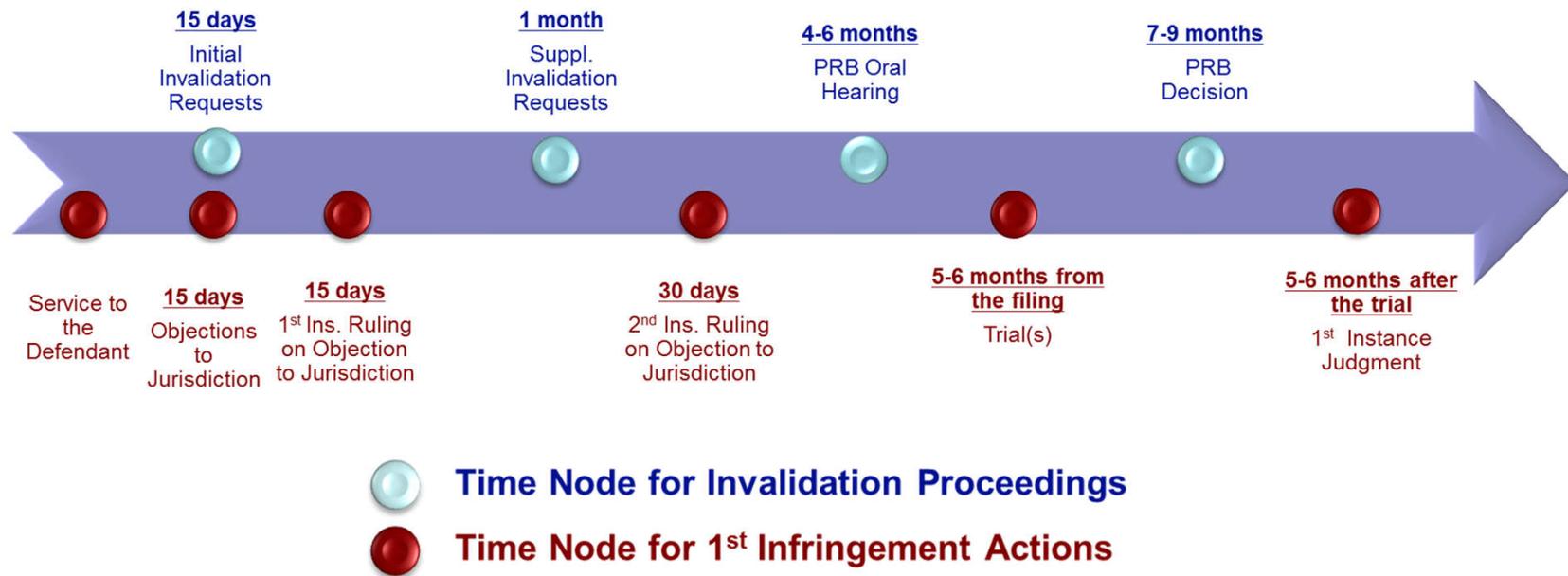
## Jurisdiction of Patent Infringement Actions

- **First instance court (trial court)**
  - Intermediate level people's courts
  - Specialized IP courts
    - Beijing IP Court
    - Shanghai IP Court
    - Guangzhou IP Court
  
- **Second instance court (appeal court)**
  - High level people's courts before Jan. 1, 2019
  - IP tribunal of Supreme People's Court after Jan. 1, 2019
  
- **Jurisdiction of first instance patent litigation with high damages claims may be elevated to high level people's court**

## Jurisdiction of Patent Invalidation Proceeding

- **PRB – administrative proceeding for invalidation petition**
  - **Petitioner:** any entity or individual, including the patentee
  - **Respondent:** patentee
  - **Filing time:** any time after grant of patent
  - **Decision:** invalidation of partial/all claims; or sustain the patent in its entirety
  
- **Beijing IP Court – first instance judicial review**
  - **Plaintiff:** patentee or/and petitioner unsatisfied with invalidation decision
  - **Defendant:** PRB
  - **Filing Time:** three months after receiving the Invalidation Decision
  - **Judgment:** uphold the invalidation decision; or revoke the decision and remand the case to the PRB
  
- **Beijing High People’s Court/Supreme People’s Court – second instance judicial review**
  - **Appellant:** Patentee or/and Petitioner or/and the PRB unsatisfied with Judgement
  - **Appealing time:** 15 days after receiving the Judgement

## Typical Timeline of a Patent Dispute



## Remedies Available for Patent Infringement Actions

### ● Damages

- Calculated based on (i) loss of patent right owner, (ii) illegal profit of infringer(s), or (iii) comparable license fees.
- Treble damages can be granted against willful infringers after the next round of amendment to the Patent Law
- Statutory damages up to RMB 1 million (USD 144k) can be granted at court's discretion

### ● Injunction

- Permanent injunction is available against manufacture, use, sale, offer to sale and importation of patented products or use of patented methods
- Preliminary injunction can be issued based on preliminary evidence of infringement
  - UMC v. Micron at Fuzhou Intermediate People's Court

## Unique Procedures in Patent Litigation in China

### ● Notarization of Evidence

- Must be performed by certified notary publics
- Standard means to preserve evidence for civil litigation
- Key evidence related to infringing acts must be notarized to guarantee admissibility
  - Selling activities of infringing products
  - Infringing samples
  - Webpages related to infringement

### ● Evidence Preservation Order

- Quasi discovery procedure backed by court order
- Effective means to collect evidence from defendants or third parties
- Can be applied for based on preliminary evidence
- Guarantees may be needed

### ● Judicial Appraisal

- Performed by certified judicial appraisal institutions designated by Ministry of Justice
- Highly valued in patent infringement actions involving complex technologies
- Court-led judicial appraisal and unilateral judicial appraisal

## Latest Trend of Patent Litigation (I) – Improved Enforceability

- **More sanctions are introduced against interference of judgment enforcement**
  - Those failing to fulfil obligations under court judgements are subject to detention or fines, even imprisonment (*Article 111, 313 of Civil Procedure Law*)
  - Bans on excessive spending, including bans on air travel, property purchase, high-end hotel stays, etc. (*Several Provisions of the SPC on Restricting Excessive Spending of Entities Subject to Enforcement (2015 Amendment)*)
  - Enlisted in “List of Bad Faith Entities Subject to Enforcement” for public awareness, marked with bad faith in China’s Social Credit System. (*Several Provisions of the SPC on Announcement of the List of Bad Faith Entities Subject to Enforcement*)
  - Likely to be determined as willful infringement should the Patentee file a new infringement action based on the same patent, up to three times damages to be awarded (*Draft Amendment to the Patent Law (2015)*)
  
- **Higher damages are awarded in patent infringement litigation**

## Latest Trend of Patent Litigation (II) – Ever More NPE Cases

- Continuous government support for stronger IP protection has created a pro-patentee environment
- China's role as “world factory” further strengthened the impact of patent litigation in China
- Advantages of China's patent litigation system
  - Short litigation period
  - Low cost of litigation
  - Specialize IP courts and judges
- Representative cases
  - WiLAN v. Sony
  - iPEL v. AsusTek

## Latest Trend of Patent Litigation (III) – Heated SEP Disputes

- **China is becoming a heated battlefield for SEP disputes between multinational companies**
  - *Apple v. Qualcomm*
  - *Samsung v. Huawei*
- **Chinese courts are taking a more pro-patentee/pro-licensor position in SEP disputes compared with their US or European counterparts**
  - Injunctions for SEPs
  - FRAND Rate
- **Judgment of Chinese courts in SEP cases will help shape the landscape of SEP rules around the world**

# INDEX

➤ Patent Litigation in China

➤ **Anti-unfair Competition Law of China**

## Amendments to the Anti-Unfair Competition Law

- **Legislation History of the Anti-Unfair Competition Law ( “AUCL” )**
  - Promulgated and implemented on September 2, 1993
  - Amended and adopted on November 4, 2017
  - Effective on January 1, 2018
  
- **The Amended AUCL specifically prohibits the following seven categories of unfair competition conduct:**
  - Acts of confusion which make people mistake one company’s product for another company’s product (Article 6)
  - Trade secret infringement (Article 9)
  - False or misleading statements during promotion ( Article 8)
  - Internet-related unfair competition conduct (Article 12)
  - Commercial bribery (Article 7)
  - Unfair sales involving prizes (Article 10)
  - Commercial deformation (Article 11)

## Role of AUCL in IP Enforcement in China

### ● Independent and Complementary Role in IP Enforcement

- **Independent:** The intellectual property that exists as a private right should be firstly and mainly protected by specialized IP laws.
- **Compensatory:** Due to its flexibility, the AUCL provides compensatory protection for IP, even though it is not the "backdoor law" of intellectual property.

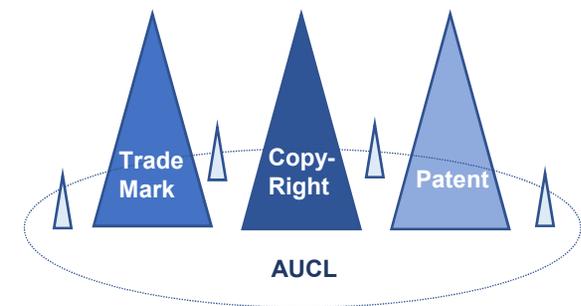


Fig. Three major "Icebergs" of IP with the AUCL in IP Enforcement

### ● IP Related Protection Provided by the AUCL

- Acts of confusion which make people mistake one company's product for another company's product
- Internet-related unfair competition conduct
- Trade secret infringement
- False or misleading statements during promotion

## Acts of Confusion

### ● Protection Scope

- A wide range of symbols/features, including name, translation name, abbreviation of recognized individual, association or company; packaging, appearance, decoration of recognized goods; recognized domain name, website, web page, and etc. (without trademark or certification mark)

### ● Determination of Acts of Confusion

- Not only confusion about the source of goods, but also confusion about possible association between different business operators. (Article 6)
- Zhongqing Publishing House v. Hunan Literature and Art Publishing House (2016) at Beijing Intellectual Property Court
  - “Confusion or misrecognition refers to the possibility of confusion or misunderstanding, without the need for actual confusion or misunderstanding. The possibility of such confusion or misrecognition includes the possibility of directly confusing the two commodities.”

## Acts of Confusion

### ● Legal Responsibility

- Fines no more than five times the amount of illegal operations; confiscation of illegal commodities; revoked business license and etc.
- If the name of the enterprise registered by the operator violates the provisions of Article 6 of this Law, the name shall promptly be changed; before the name is changed, the original enterprise registration authority shall replace its name with the unified social credit code. (Article 18)

### ● Take-aways:

- For intellectual property right holders, when the commercial identifiers are imitated and the trademark law or the copyright law is not able to provide protection or cannot protect within a reasonable time frame, the AUCL provides a very proactive and relatively fast remedy.

## Internet-Related Unfair Competition Conducts

- The following Internet-related conduct is prohibited

- Link to another company's online products/services, forcibly directing users to its own products/services without such company's consent;
- Mislead, deceive or compel users such that they modify, close or uninstall another company's online products/services;
- Make, in bad faith, one's own products/services incompatible with another company's online products/services; and
- Conduct which impedes or disrupts the provision of Internet-related products/services by other companies.

- Representative Cases

- Tmall v. Shanghai Zaihe (2017) at Shanghai IP Court

- *"The defendant inserts the corresponding logo on the plaintiff's page and guides the user to shop on his own website with the price reduction logo, which reduces the user's stickiness on the plaintiff's website, violates the principle of good faith and recognized business ethics, and is illegal."*

## Internet-Related Unfair Competition Conducts

### ● Representative Cases

#### ■ Baidu v. 360 at Beijing Higher People's Court

- *“360's behavior of revising the content that Baidu provides to web users on search engine, not only interferes with the normal use of Baidu search by network users, but also reduces the access of Baidu search results web pages to web search users using Baidu search box, violating the good-faith principle of the Anti-Unfair Competition Law.”*

### ● Take-aways

- Operators who provide online software services may claim this article when they suffer malicious interference with the products of others, and copyright protection is the weaker option.

## Trade Secret Infringements

- **The Amended AUCL has strengthened protection for Trade Secrets**
  - No longer requires trade secrets to have “practical value” in order to be protected;
  - Makes it clear that a third party would be held liable if it knows or should have known that the trade secrets it has received from a current or former employee of another company results from infringement, but nonetheless accepts or uses such trade secrets; (Article 9)
  - Expands the scope of administrative penalties and increased statutory compensation to the amount of 3 million RMB. (Article 21)
  
- **Take-aways**
  - Employers and employees still can be co-defendants accused of trade secret infringement.
  - Although certain businesses may not have obtained trade secrets directly from the employee, they could be punished according to this article if the employee or former employee discloses the trade secret unlawfully.

## False or Misleading Statements in Promotion

- **The following aspects are noteworthy**
  - Prohibited false or misleading statements can be in any commercial promotion context, but excludes false advertisements specifically regulated under the Law on Advertisements.
  - Not only false statements, but also misleading statements are prohibited.
  - Aiding or abetting the false or misleading statements by others, by way of, among others, organizing false transactions (e.g. click farm), would also amount to a contravention. ( Article 8)
- **Representative Cases**
  - Jinhua Jiseng Network Technology Co., Ltd was investigated and fined, pursuant to Article 21 of the AUCL, due to illegal aiding and abetting the false or misleading reputation and rank of a seller for a third-party online store in order to generate illegal income, whose money flow exceeded 320 million yuan.



漢坤律師事務所  
HAN KUN LAW OFFICES

# Thanks!

Prepared by Mr. Rui LUO  
Han Kun Law Offices

*[rui.luo@hankunlaw.com](mailto:rui.luo@hankunlaw.com)*

November 13, 2018