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- 1 Patent Protection in China**
 - Application/Registration
 - Types of Patents and Practical Tips
 - Enforcement of Patent Rights
 - 2 Trade Mark Protection in China**
 - Registration procedure
 - Options for Enforcement
- Links**

Patent Protection in China

Introduction

Every company owning patents and doing business with China is strongly advised to use the Chinese patent system. It is absolutely crucial to apply for patent protection in China for each and every innovation, even if the launch of the respective product on the Chinese market is not yet on the horizon. It should also be noted that a European registered patent has no legal effect in China.

IP protection measures should not be limited to filing patent applications. It is advisable to implement an overall IP strategy covering legal, technical, administrative, and political aspects.

Protect your innovations: In order to obtain patent protection in China, the inventor or the owner of the invention has to file a Chinese patent application. The Chinese State Intellectual Property Office (SIPO) is the government authority that receives and examines patent applications.

An invention will not be granted a patent if it is not new, i.e., known to the public before the date the patent application is filed. Therefore, before you start to market, sell or otherwise make the invention known to the public anywhere in the world, a patent application must first be filed.

1. Application/Registration

There are three ways to file a patent:

- Filing a patent application in China directly. Foreign applicants, however, must use a local patent agency to handle the filing of a patent.
- Filing a patent application first in a foreign country (must be a Member State of the Paris Convention, such as EU countries), and then file a patent application in China within 12 months (six months for designs), claiming the priority date of the first application.

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- Filing an international patent application under the Patent Cooperation Treaty (PCT), naming China as one of the designated states. A PCT application can be filed with the European Patent Office or any national patent office within the EU. The applicant has to initiate the 'national phase', i.e., the procedure with SIPO, no later than 30 months from the priority date.

However, it should be noted that if a party wishes to file first a patent application in a foreign country first for an invention that is made in China, it must apply to SIPO for a 'confidentiality examination'.

In China, if there are two patent applications filed on the same innovation, the patent is granted to the one who filed its patent application first.

2. Types of Patents, Terms of Protection and the Registration Procedure

Chinese patent law covers three distinct areas:

An invention patent is granted for new technical solutions for a product, process or the improvement thereof, provided that technical solutions have a practical applicability.

A utility model patent is granted for new and practical technical solutions relating to the shape and/or structure of a product. In general, the degree of invention required for a utility model patent is not as high as it is for invention patents.

A design patent is granted for new designs relating to the shape, pattern or their combinations, or the combination of colour, shape and/or pattern that are aesthetically pleasing and industrially applicable.

Patent rights commence from the date of publication of the grant in the Patent Gazette. The term varies depending on the type of patent.

Terms

Invention: 20 years from the date of filing (or the priority date if priority is claimed) subject to the payment of annuity fees.

Utility Model: Ten years from the date of filing (or the priority date if priority is claimed) subject to the payment of annuity fees.

Design: Ten years from the date of filing (or the priority date if priority is claimed) subject to the payment of annuity fees.

Average duration of application/registration procedure

Invention patents	Three to five years
Utility/design patents	One year

In order to obtain an enforceable patent as soon as possible, applicants can file for a utility model and invention patent at the same time. Upon receipt of the notice of grant for the invention patent, the applicant will abandon the utility model patent in favour of the invention patent. This approach is recognised in the third amendment to the Patent Law.

3. Practical Tips for Obtaining Effective Patent Protection in China

Translation:

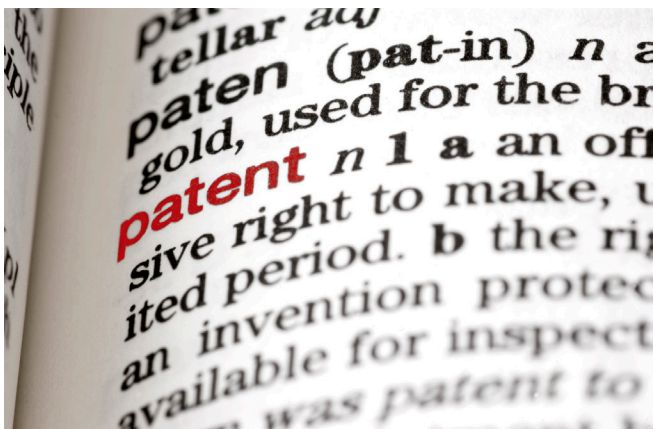
Patent applications are processed in Chinese. If the patent documents are drafted in a foreign language, a precise Chinese translation of the documents is of the utmost importance. An inaccurate translation would render the patent, even if granted, vulnerable to invalidation action and difficult to enforce.

Translation accuracy is always a major issue for patent applications filed by foreign entities in China. It

is common that a patent owner will discover that the invention, as defined in a Chinese application, deviates substantially from the original patent application as a result of an inaccurate translation. To avoid translation errors, especially if the invention is very important, it would be prudent to seek professional confirmation of the translation of the patent documents including the claims and specifications in Chinese.

Amendments during prosecution: China has a very stringent approach regarding amendments being made to a patent during application proceedings. Extending the scope of the protection beyond that of the original claims is not allowed and may result in a patent being invalidated even if it is granted.

Post-grant amendments: Post-grant amendments are generally not allowed in China except for corrections of clerical errors such as a typo. However, the patentee may amend the patent in response to an invalidation action. Such amendments are limited to the deletion of claims, deletion of technical solutions or combining claims.



4. Enforcement of Patent Rights in China

Patentees have two main options to enforce their patent rights, i.e., to take a civil action or an administrative action.

In practice, judicial enforcement of patent rights is the most important option. A patent infringement action

can be either filed at the place where the infringer is located or where the infringing act (for example, manufacture and sale) occurs.

Administrative action for patent infringement is taken through the local Intellectual Property Office (IPO). The IPO usually will be unwilling to act against an accused infringer if the case requires anything other than a straightforward interpretation of the law. Hence, administrative action may be an appropriate course of action if the patent in dispute does not involve complicated technologies. For example, the IPO is generally willing to take actions against design patent infringement at a trade fair.

5. Preparing a Patent Infringement Complaint

Filing a civil patent infringement complaint requires very careful planning and preparation for the case. If a company encounters patent infringement in China, as a first step, we suggest that you hire an experienced patent lawyer to conduct an in-depth infringement analysis and review the validity of the patent at issue.

Generally speaking, we recommend filing lawsuits in Shanghai or Beijing because these courts have considerable experience in handling patent infringement disputes compared to other courts around the nation. So as to bring a case to a preferred jurisdiction, the best option will be to try to find out if the infringer has a business presence in any of these jurisdictions. The plaintiff can also make a request to the People's Court before or after lodging the lawsuit to stop infringing acts immediately to prevent further losses during the lawsuit. This is called a 'preliminary injunction'.

6. Trial Procedures, Timeline and Outcome

The average duration of first instance proceedings involving a foreign party is approximately two years. The Civil Procedure Code requires a second-instance

case to be completed within three months, but the courts can extend the time limits. For foreign-related cases, there is no definite time limit for rendering a final decision.

The court fees are calculated on the basis of the damages claimed, i.e., the higher the amount of damages claimed, the higher the court fees will be. For example, the plaintiff files a complaint and claims RMB 500,000 damages, the court fee is calculated as follows:

Damages claimed (RMB)	Court fees (RMB)
Up to 10,000	50
10,000 to 100,000	2,250 (2.5% of the damages claimed)
100,000 to 200,000	2,000 (2.0% of the damages claimed)
200,000 to 500,000	4,500 (1.5% of the damages claimed)

7. Remedies

The primary civil remedies available are damages and injunctive relief. Damages are calculated using the following methodologies in order:

- Losses suffered by the patentee
- Profits which the infringer has earned
- Appropriate multiple of the amount of the licensing fees for the patent exploitation

Statutory damages up to RMB 1,000,000.

Trade mark Protection in China

Introduction

It is important to note that China adopts the 'first-to-file' system and generally does not recognise unregistered trade mark rights. It is very important to register your trade mark in China before entering into the market so as to diminish the risk of your trade mark being

hijacked. Even if your company only manufactures products in China for export, you should still register your trade mark.

The term of protection for trade mark registration is perpetual subject to the payment of renewal fees every ten years.

1. Trade marks

What is a trade mark?

A trade mark is a visible sign that indicates the source of goods or services, thus allowing the consumers to distinguish goods or services of one producer from those of another.

What can be registered as a trade mark?

A trade mark may be composed of words, devices, letters, numerals, three-dimensional signs (shapes), combinations of colours or any combinations of the above.

Trade marks in Chinese

Chinese consumers often find that a Chinese name of a foreign trade mark is much easier to pronounce and remember. A Chinese version of a foreign mark can be a transliteration or a translation, or the company can develop a distinctive Chinese mark. In addition, IP hijacking extends to Chinese language versions of others' marks. We therefore highly recommend companies register a Chinese version of their foreign language marks.

2. Registration Procedure

A trade mark can be registered through the 'national' or 'international' system and can only be protected in China once it has been registered.

National System

Foreign applicants without residency or place of

business in China are required to submit trade mark applications through a local Chinese trade mark agent who will deal directly with the China Trade Mark Office (CTMO). A list of the qualified trade mark agents can be found at the CTMO's official website – <http://www.ctmo.gov.cn/sbsq/dljg.asp>.

China uses the International Classification of Goods and Services under the Nice Agreement. A separate application must be filed for each trade mark class in which the applicant wishes to obtain protection.

The cost for registration is 1,000 RMB (excluding lawyer fees) for one class, and includes 10 items of goods/services. An extra 100 RMB is charged per additional item.



International Registration System

Trade marks registered in European countries are not protected in China unless they have also been registered in China. The international registration system is available under the Madrid Protocol through the World Intellectual Property Organization (WIPO).

China and all Member States of the European Union are party to the Madrid Protocol. (NB. Malta is not part of the Madrid Protocol, however they can extend the application through the Office for Harmonization in the Internal Markets (OHIM)). A full list of members of the Madrid Protocol can be found on WIPO's official website – http://www.wipo.int/export/sites/www/treaties/en/documents/pdf/madrid_marks.pdf.

Under the Madrid Protocol, the application for extension to China is based either on the trade mark application or registration. Your trade mark agent will file your applications with the national trade mark office in the home country of the applicant application or registration, which then passes the application to WIPO. The international application should be filed in English, French or Spanish. Upon receipt of the application, WIPO will conduct a formality examination and will notify all Madrid Protocol members in which the applicant wishes to obtain protection. If, within eighteen months from the notification made by WIPO to China, no objection is made; your trade mark is registered. But please note: if there are objections concerning the registration of your trade mark you will need to mandate a local Chinese trade mark agent to handle the case. Renewals and modifications will also be handled through the international system.

Duration of the protection

The national Chinese trade mark registration and the international trade mark registration are valid for ten years.

Comparisons

- If you use the international system, you can make your application in English, French or Spanish, however, if you follow the national system the application can only be made in Chinese. As a foreign company, you will have to use a Chinese trade mark attorney, and have a Chinese company name and address.

- The basic fee for the international system covers more than one country at the same time and up to three classes of goods or services. Under the Chinese national system a separate application must be filled per class.
- In theory there is no difference between the international and national trade mark registration, however, for practical reasons you may wish to apply through the national system in China. By doing so you will also obtain a Chinese language certificate which can be used when undertaking any enforcement action in China and will help speed up proceedings when dealing with local authorities. If you use the international system you will need to request a Chinese language certificate from the CTMO to certify an international trade mark, which can take up to three months.
- Both the Chinese and the European trade mark registration systems use the International Classification of Goods and Services under the Nice Agreement, however Chinese classes also include sub-classes which are not widely used in Europe.
- The CTMO applies different criteria for examining specifications of goods and services for national and international applications. Broader specifications are acceptable for international applications while for national applications, the specifications need to be clear and specific.

3. Trade mark Certificate

If an application is filed for a trade mark using the national system, the Trade mark Office will automatically issue a trade mark certificate upon the registration of the mark. The registrant of an international trade mark which extends to China can also request the Chinese Trade mark Office to issue a notice certifying the international registration.

The trade mark certificate is important evidence in infringement actions and therefore should be properly kept.



4. Lodging a Complaint: Administration of Industry and Commerce (AIC)

A complaint can be lodged with the local office of the Administration of Industry and Commerce (AIC) where the infringement has occurred (manufacture, sale, storage, etc.).

The complaint should normally include the following documents/information:

- a. A complaint letter
- b. A copy of the trade mark registration certificate
- c. Certification of the identity of the rights owner (such as a copy of the business license or the certificate of the incorporation)
- d. Evidence of the infringement (e.g., sample of the infringing product)

Normally, the local office of the AIC will be able to conduct a raid against the alleged infringer on the same day it receives a complaint. At the end of a raid, if the AIC is satisfied that an infringement has occurred, it can order the infringer to stop the infringing

acts, confiscate and destroy the infringing goods and the articles specially used for manufacturing the infringing goods or labels.

The AIC may also impose a fine in the amount of not more than three times of the total sales revenue as a result of the infringing activity, or a lump sum below RMB 100,000 if the sales revenue is unascertainable.

5. Administration of Quality Supervision Inspection and Quarantine (AQSIQ)

AQSIQ is a government agency in charge of product quality, national standards and raids against fake and poor quality products.

Therefore, a trade mark owner may choose to lodge a complaint with the AQSIQ if the infringing products have quality issues. AQSIQ can impose a fine and confiscate the inferior products.

6. Civil Procedure

Protection of trade mark

A rights owner can also file a civil action with the People's Courts. Upon receipt of the complaint, the court will send the complaint to the defendant within five days. The defendant must file its reply within 15 days of the receipt of the complaint. The court then sends the reply on to the plaintiff within five days of receipt. Parties to the lawsuit will be required to exchange their evidence in chief before the start of trial. The court will either set a time limit for the party to submit evidence or hold a hearing for evidence exchange. The case will then proceed to trial.

The court may also act as a mediator and try to have the parties settle the dispute. If the parties reach a settlement they will sign a settlement agreement. If a settlement is not reached, the court will decide the case.

Remedies as a result of civil procedure

The primary remedies available to the rights owners include:

- An injunction against the infringer
- Award of damages

7. Criminal Procedure

What acts constitute a trade mark crime?

Manufacturing or knowingly selling counterfeit products can be a criminal offence. An infringer can be sentenced up to seven years imprisonment depending on the scale of the infringement activities. A criminal action is likely to have the desired deterrent effect on sophisticated and repeated infringers. However, in practice, it is often difficult to convince the Public Security Bureau to conduct criminal investigations and to have the People's Procuratorate to initiate a criminal case. Therefore, careful planning and detailed investigations are required to collect as much information as possible to present the case to the PSB or the People's Procuratorate. In addition, it is also possible for the rights owner to initiate a private prosecution (as opposed to a public prosecution) against the infringer.

Links

State Administration for Industry and Commerce (SAIC)/ Trade mark Office (TMO)

www.saic.gov.cn

www.ctmo.gov.cn

General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ)

www.aqsiq.gov.cn

State Intellectual Property Office (SIPO)

www.sipo.gov.cn

The China IPR SME Helpdesk provides free, confidential, business-focused advice relating to China IPR to European Small and Medium Enterprises (SMEs).

Helpdesk Enquiry Service: Submit further questions to the Helpdesk via phone, email (question@china-iprhelpdesk.eu) or in person and receive free and confidential first-line advice within seven working days from a China IP expert.

Training: The Helpdesk arranges training on China IPR protection and enforcement across Europe and China, tailored to the needs of SMEs.

Materials: Helpdesk business-focused guides and training materials on China IPR issues are all downloadable from the online portal.

Online Services: Our multi-lingual online portal (www.china-iprhelpdesk.eu) provides easy access to Helpdesk guides, case studies, E-learning modules, event information and webinars.



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Project implemented by:

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European Chamber
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