Amendments to Guidelines for Patent Examination in China

Subsequent to the amendment to the China Patent Law and the Implementing Regulations under the China Patent Law (as reported in previous issues of ReMarks), consequential amendments have also been made to the Guidelines for Patent Examination in China. Although the Guidelines have been revised and updated in many respects, this article focuses on some of the more important changes for patent practitioners.

1. Disallowed amendments to claims

The previous 2006 version of the Guidelines provided that even if the contents of the amendments do not go beyond the scope of disclosure in the original description and claims, the following amendments will not be allowed:

a. deletion of technical features in the main claim, such that the scope of protection as claimed is broadened;
b. change of technical features in the main claim, such that the scope of protection as claimed is broadened;
c. taking technical content only disclosed in the description and lacking unity with the initially claimed subject matter as the subject matter of the revised claim; and
d. adding a new independent claim, the technical solution defined by which being absent in the original claims.

The revised Guidelines add a further scenario of disallowed amendments to this list, namely, where a new dependent claim is added, the technical solution defined by which being absent in the original claims.

2. Brief explanation of design application

Under the revised China Patent Law, a brief explanation of the design has to be filed when filing a design application. The law stipulates that the extent of protection of a patent for design shall be determined by the design of the product as shown in the drawings or photographs. The brief explanation may be used for interpreting the design of the product as shown in the drawings or photographs.

The rule under the Implementing Regulations provides that the brief explanation shall include:

a. title of the product incorporating the design;
b. use of the product incorporating the design;
c. essential features of the design; and
d. designation of the drawing or photograph as best showing the essential features of the design.

According to the Guidelines, the following contents (where appropriate) should also be included in the brief explanation:

- claim for colour protection;
- mention of omission of a view and its reason;
- where a number of similar designs are covered in a single application, designation of one of the designs as the main design;
- for a two-dimensional product with repeated patterns, description/indication of the unit pattern;
- for a long and thin product, an indication that the length is omitted in the drawings or photographs; and
- indication that the product incorporating the design is made of transparent material or new material which creates special visual effects.

3. Similar design

Under the revised China Patent Law, from two to ten similar designs for the same product may be filed under a single design application. As already mentioned, the brief explanation filed with the design application has to identify a main design. The Implementing Regulations provide that the Examiner should compare other designs in the application with the main design to determine whether such constitute similar designs.

The Guidelines further state that if, through overall observation, the other designs and the main design have the same or similar design features, and if the difference between them lies in slight changes to some fine details, usual design of this category of products, the repeated and continuous arrangement of a design unit, or mere change of colour elements, such will be considered to be similar designs.

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In recent years filing in China has become a popular option for the national phase of a PCT application. Therefore the requirements of SIPO (the Chinese Patent Office) increasingly need to be taken into account when drafting a PCT application. We provide several suggestions on best practice and pitfalls to avoid when drafting for China.

Translation issues

An important, but often overlooked, consideration is that the application has to be translated into a different language and one which has a very different structure to English. It is the Chinese text, not the original English version, which will be considered by SIPO and by a court if the patent is litigated.

Certain steps can be taken at the drafting stage to minimise future translation problems. Long sentences with many clauses should be avoided as these are very difficult to translate into Chinese. Due to the nature of the Chinese language, the clauses can easily be mixed up in translation, which can alter the entire meaning and may render the patent unenforceable. Short and simple sentences are best. For the same reason, unusual or esoteric words should also be avoided. This is very important because translation errors are frequent and can cause lack of clarity which is a ground of revocation. Due to restrictions on post grant amendment, translation errors can be impossible to rectify after the patent has been granted.

Another point to bear in mind is that a very long specification will increase the translation cost and thus significantly increase the cost of filing the application in China.

Substantive issues

The requirements of SIPO are similar to other patent offices, but the following points in particular need to be considered.

Under a recent revision of the Chinese law functional features in the claims, such as “means for...”, are now interpreted ‘US style’ when considering infringement. As such the functional language only covers the actual embodiments expressly disclosed in the description and their equivalents, rather than any means capable of carrying out the function. Further, SIPO frequently objects that claims with scope which is broader than the specific embodiments of the detailed description, are unsupported because “a person skilled in the art could not anticipate that the invention would work across the entire scope as claimed”. For these reasons it is recommended to include lots of examples in the description; especially for chemical cases, but also for mechanical and electrical cases.

SIPO has a very restrictive attitude to claim amendments and often only allows amendments which have the exact same wording as in the original description. Therefore very general language should be included in the detailed description as well as specific examples. Examiners often object to amending a claim to add feature A only, but not features B and C, when the detailed description discloses feature A in combination with features B and C. Therefore the description should make it clear when any feature is optional or has an alternative.

Computer implemented inventions

For computer implemented and software inventions great effort must be made to include a lot of technical details. This is especially the case if the invention is a business method (non-technical business methods are not patentable in China). Furthermore, if apparatus claims are desired, then not only a flow chart (which supports the method), but also a detailed description and diagram of the apparatus must be included. The diagram of the apparatus should show the component parts and modules. A diagram of a standard computer system and a paragraph stating that software for performing the method may be provided on a computer or a programmable IC is not sufficient in most cases.

The description of the apparatus needs to be in general language and at the same level of detail as the steps of the method claims. For example, a claim to “an apparatus configured to perform steps x, y and z” will be rejected. A claim to “an apparatus having a module x for performing x1, a module y for performing y1 and a module z for performing z1” may be allowed, but only if it is supported by a detailed description and a diagram showing each of the modules. It must be made clear if any of the modules are optional or has alternative implementation and the narrow interpretation of “means for” claims should also to be taken into account. Finally, claims to a “computer program product comprising a set of instructions stored on a computer readable media” are not allowed in China.

Formal matters

Excess claim fees are payable for claims in excess of 10 when entering the Chinese national phase. However, unlike in Europe, the excess claim fees are calculated based on the number of claims in the PCT publication and therefore cannot be avoided by filing a reduced claim set on entry to the national phase. Therefore maximum use of multiple dependencies is recommended for the PCT application in order to minimise the excess claim fees.

While SIPO does not allow multiply dependent claims to be dependent from other multiply dependent claims; it is best to include these in the PCT application to minimise the number of claims and maximise the scope of protection. The dependencies can then be amended when entering the Chinese national phase or when responding to the first office action.

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IP Rights in China – the giant awakens

Intellectual property rights are, in many respects, commercial weapons. Among their uses, they may be used defensively to ward off “attackers”, used offensively to secure a financial or commercial advantage, or used to cement a partnership or joint venture. They are national in nature, but global in importance. A company with a global outlook must do more than protect its IP rights in its home country. It must have a strategy which allows it to exercise its rights on its competitors’ home turf and elsewhere.

Despite the financial crisis, the US is still the world’s major economic power and China, despite its impressive growth, is some way off challenging the US for that role. However, there are clear signs that a giant is awakening fast, not least in the IP arena. As the Chinese economy continues to grow and as its domestic firms begin to challenge established competitors, foreign companies need to re-evaluate their IP strategies in China.

A common misconception is that China’s legal system does not enable effective enforcement of IP rights. The easy access to counterfeit goods on any Chinese city high street is often quoted as an example of China not being serious about IP rights protection and enforcement.

However, this view is from the perspective of non-Chinese rights owners wishing to enforce IP rights in China. Its central theme is to question whether there is any value in investing in IP rights protection in China. Another misconception is that Chinese enterprises do not present a credible IP threat. This reinforces the view that non-Chinese IP rights owners need only worry about whether they should invest in IP rights protection in China so that, when it suits them, they may enforce those rights to their advantage. It ignores the possibility that they may need those rights merely to maintain their commercial position, i.e. to fend off challenges from Chinese or other IP rights owners.

A first point is that Chinese courts are now prepared to enforce IP rights. For example, in August 2009, a District Court handed down its judgment in a software piracy case. The ‘Tomato Garden’ case involved a company that enabled free downloads of pirated software such as Windows XP. The principal of the company, who planned the operation, was sentenced to three and a half years imprisonment and fined RMB1 million (about US$150,000). Others involved in the company were also imprisoned and the company’s income confiscated.

A second issue is that Chinese companies are now starting to flex their IP muscles both in China and abroad. For example, during 2009 France’s Schneider Electric agreed to pay a Chinese company, Chint Group, US$23m to settle a patent lawsuit – believed to be the largest recorded settlement to date in an intellectual property case in China. The case is said to be a “wake-up call” to foreign companies about the growing risk of lawsuits from China enterprises asserting their IP rights. Traditionally, damage awards in Chinese IP lawsuits have been small, and the plaintiffs have usually been foreign enterprises suing Chinese companies.

A third issue is that the number of patent applications being filed by Chinese residents in China is almost an order of magnitude greater than those filed by non-Chinese residents despite the fact that about one third of Chinese commerce involves foreign enterprises. For example, during 2009, Chinese residents filed 976,686 patent, utility model and design applications, rising by 16.6% over 2008 and taking up 88.6% of the total filings; whereas non-resident application filings totaled 99,075, decreasing by 13.6% and making up 10.1% of the total amounts. Furthermore, Chinese companies are now much more willing to seek IP rights abroad with Huawei 2008’s top PCT filer.

Many problems remain for China to confront in providing an effective IP rights system, but the development of IP law in China is now a core focus of the Chinese government with support for innovation and its protection a key theme of government policy. The IP litigation caseload in China is rising 35% year on year and the increasing use by Chinese enterprises of IP rights represents a growing threat to foreign enterprises which choose not to protect important IP assets in China.

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Dual protection by patent and utility model

The Third Amendment to the Chinese Patent Law clarified that, if certain conditions are met, it is possible to file both a regular patent application and a utility model for the same invention. The utility model will usually be granted first and must be withdrawn before the patent application is allowed to grant. However, the new law contains a subtlety which may be a trap for the unwary.

If the utility model is allowed to lapse before the patent application has been approved for grant, then the patent application may be prevented from proceeding to grant. Thus care needs to be taken when reviewing a portfolio and considering whether to renew any utility models.

According to Article 9 of the newly revised China Patent Law:-

“For any invention-creation, only one patent right shall be granted. However, with respect to applications for a utility model patent and for a patent for invention for the same invention-creation filed by the same applicant on the same day, a patent for invention may be granted if the utility model patent right has not yet terminated, and the applicant declares to abandon the utility model patent that has been granted.”

It can be seen that, in order to obtain protection of a certain invention by way of both a utility model and a patent for invention in China, the following conditions have to be fulfilled:

(a) both applications are filed on the same day by the same applicant;
(b) the utility model is kept in force until the patent application is allowed; and
(c) the applicant files a declaration to abandon the utility model when the patent application is allowed.

These conditions provide an exception to the general rule that only one patent right may (ever) be granted for the same invention. Condition (b) requires that the utility model must be kept in force. Thus, if the utility model is allowed to lapse (e.g. by not paying a renewal fee) before the corresponding patent application has been approved for grant, then the corresponding patent application may be prevented from proceeding to grant on the grounds of double patenting.

The reason SIPO gives for this rule is that if the granted utility model is allowed to lapse, this will convey the impression that the owner is no longer interested in protecting the relevant invention, and it would thus be unfair to the public if a patent was subsequently granted. A SIPO spokesman emphasized that there should be continuity, but no overlapping, in time of the granted protection for the invention.

Monopolising CABERNET – the challenges of Chinese character equivalents

The transliteration of Latin character words and trade marks into Chinese characters raises issues not only for foreign trade mark owners. A recent dispute between local Chinese wine producers highlights the differences between a translation and transliteration of a mark. While a translation is the term commonly used in China with the same meaning (eg TELEPHONE “电话”), a transliteration is created by putting together Chinese characters which make an approximate similar sound to the Latin word (eg TELEPHONE “特利风” [te li feng], “太来风” [tai lai feng], “他奈夫” [ta nai fu], and so on). Hundreds of transliterations are available for the same Latin word and the meaning of those Chinese characters does not correlate to the foreign meaning.

In 1931, Mr Xu Wangzhi, the then general manager of Chinese wine producer Changyu Winery Group transliterated the word “cabernet” as “解百纳”, pronounced as Xie Bai Na which sounds a little similar to “ca, ber, net”. The meaning of “解百纳” is “Solve, Hundred, Collect”. However, in China, “加本力”, “加本纳特” and “卡贝奈特” are also used to refer to cabernet.

Changyu first registered “解百纳” as a trade mark in 1937 and reapplied for registration in 2001. Other wine producers then challenged Changyu’s right to a monopoly in the name through registration. They argued that “解百纳” is now widely used in the Chinese wine industry as a generic term to refer to wine made with the Cabernet grape and that Changyu has taken no action to prevent this. The name also appeared on Changyu’s wine labels to describe the type of grape without any claim by Changyu that it functioned as a trade mark.

On 17 June 2010, following several decisions at a lower level, the Beijing High People’s Court issued its final decision in favour of Changyu, the creator and first user of the transliteration.

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Inventor compensation in China

One of the less well-known provisions of the Chinese Patent Law is the obligation that it places on a patentee to reward inventors. This is to be found in Article 16 of the recently amended patent law which requires that a patentee “shall award to the inventor… a reward and, upon exploitation of the patented invention… shall pay the inventor or creator a reasonable remuneration…”.

There are a couple of points to note here. This clause applies to all patented inventions (and includes designs) and is not limited – as is the case for example in similar provisions in the UK – to inventions of exceptional worth. Also note that the inventor is entitled to a reward simply for the patent being granted, but also in addition to “reasonable remuneration” in respect of any exploitation of the invention.

So what level of reward and remuneration would be appropriate? Well, in the absence of any agreement between an employer and inventors the amounts are set out in the Implementing Regulations. Rule 77 states that for a regular patent an inventor should be entitled to RMB3000 (about US$440) and for a utility model or design RMB1000 (about US$145). These sums might seem reasonable rewards that a company would be willing to pay to encourage innovation. However, Rule 78 then says that an inventor may receive as much as 2% of the profits from the exploitation of a patent, or even 10% of licensing revenue which could be a very significant sum.

Rules 77 and 78 apply in the absence of a prior agreement and so it is clearly in the interest of companies carrying out R&D in China to have some form of inventor reward scheme in place though if the amounts provided by any such scheme are significantly less than those set our in Rules 77 and 78 it may be uncertain as to whether the scheme would be sufficient. It is also worth noting that before the recent amendment to the patent law the equivalent of Rules 77 and 78 applied only to state-owned enterprises but that limitation has now gone and would cover all employers in China.

The bottom line is that all companies carrying out research and development in China should review their inventor reward schemes (or implement one!) to make sure that they are compliant with Article 16 without being an excessive cost to the business.

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Numbering system for granted Chinese patents

Chinese patent applications were previously given a first publication number ending with an ‘A’ at the publication stage and a new different publication number ending with a ‘C’ at the grant stage. Only the application number would remain the same on both documents. For example, a typical application could have an application number 200410103699.0 and be published as CN 1638312A, while the granted patent would still carry the same application number but be published as CN 100369392C.

Recently this system has been changed so that the grant publication number now ends with the letter “B”, rather than “C”, and the number itself is the same as in the earlier “A” publication. This brings the publication numbers of Chinese patents into line with the format used by the UK and European Patent Offices.

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