

THE AMERICAN CHAMBER OF COMMERCE IN HONG KONG

Intellectual Property Committee

Position Paper

CHALLENGES IN OBTAINING PATENT PROTECTION IN CHINA

The Issue

With effect from July 1, 2001, China amended the *Patent Law of the People's Republic of China* and the *Detailed Implementing Rules for the Patent Law of the People's Republic of China* to address various issues, including patent infringement in China, and pursuant to its obligations under the Agreement on Trade-Related Aspects of Intellectual Property Rights administered by the World Trade Organization. While there has been improvement with the recent amendments and China appears to be signaling its intention to meet its TRIPS commitments, the United States business community remains concerned by various problems in enforcement and other aspects of implementation of the new regime.

Position

GIVEN CHINA'S COMMITMENTS TO ENHANCE PATENT PROTECTION, IT SHOULD AGGRESSIVELY ENFORCE THE PATENT LAWS, PROTECTING BOTH CHINESE AND FOREIGN PATENTEES.

Specific Points

- **Laws are sufficient but enforcement is weak.** It has been the experience of both US and domestic Chinese companies that the enforcement of the Patent Law and execution of court decisions in patent infringement cases have been uneven. The current administrative enforcement measures and civil remedies do not provide adequate deterrence to patent infringement, in particular willful infringement.
- **Enforcement is inconsistent across regions of China.** Local protectionism remains a critical concern. The influence of protectionism on patent enforcement is almost certainly discouraging parties from filing patent applications in China. There is also a perception that protectionism impacts on the independent evaluation of patent applications in China.
- **Prosecution of China Patents is delayed.** We understand the State Intellectual Property Office (SIPO) handling patents are understaffed and that conflicts of interest often lead to serious delays. Prompt and independent examination of patent applications is fundamental to a patentee's rights, and China should ensure that the process is administered quickly, efficiently and without permitting the appearance of impropriety.

China should also take measures to adopt mechanisms to expedite prosecution in appropriate cases and, in accordance with international practice, to provide protection of provisional patent rights, and correction post grant.

- **Patent invalidations.** Under the revised Patent law, a party applying to the Patent Review Board (“PRB”) to invalidate a patent on the basis of pre-existing rights, such as trademarks and copyrights, must first obtain an order from a court or administrative authority demonstrating the conflict between the patent and the pre-existing right.
- **All are beneficiaries of patent protection.** China can best ensure its own economic prosperity by providing effective and reliable protection for all patents. Domestic inventors and industries would be the main beneficiaries of improved enforcement. But strengthened protection would also lead to increased foreign investment, R&D and technology licensing into China.

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