



International Patent Protection for Your Products – Special Focus: China



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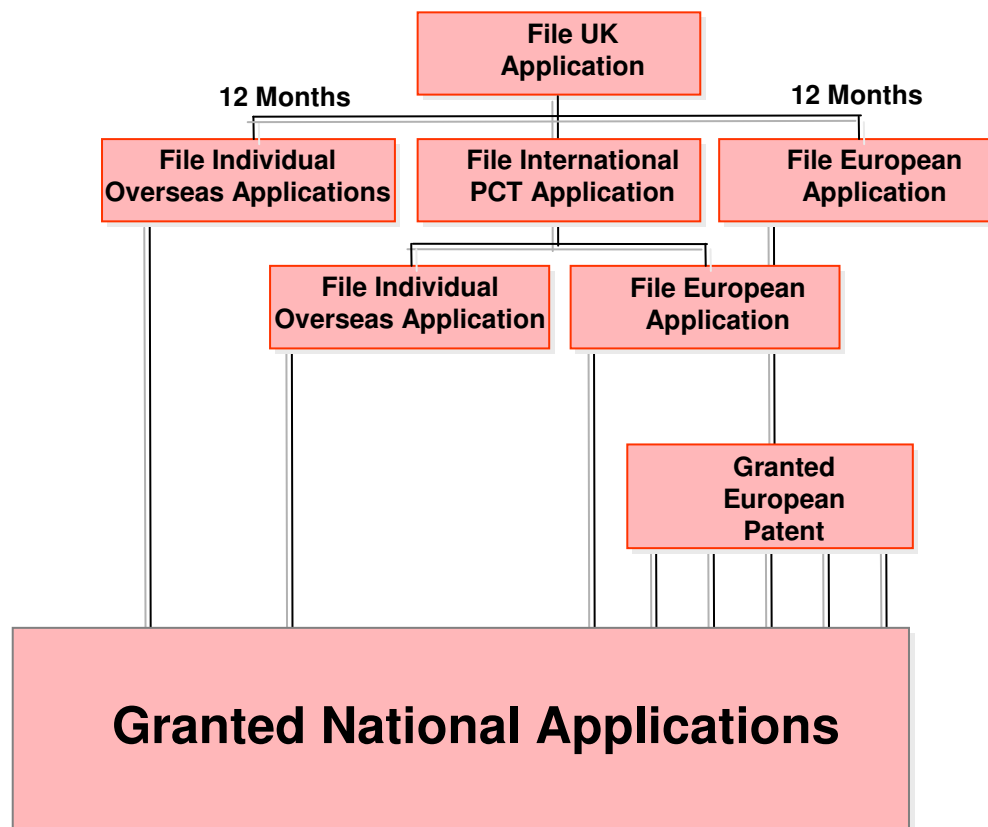


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- © General discussion of basic PCT procedure
- © A closer look at options for US, EP and GB applicants looking to limit costs and length of time to grant of a patent as much as possible
- © Additional things to consider if a CN collaboration is in progress

- © Back to Basics
- © Patent Cooperation Treaty – the “international patent”
- © Not an excuse to not fully consider where commercial markets, or robust protection from infringers is needed early on

Typical Patent Filing Life Cycle for UK Applicant



Albania (AL), Algeria (DZ), Angola (AO), Antigua and Barbuda (AG), Armenia (AM), Australia (AU), Austria (AT), Azerbaijan (AZ), Bahrain (BH), Barbados (BB), Belarus (BY), Belize (BZ), Bosnia & Herzegovina (BA), Botswana (BW), Brazil (BR), Bulgaria (BG), Canada (CA), Chile (CL), China (CN), Colombia (CO), The Comoros (KM), Costa Rica (CR), Croatia (HR), Cuba (CU), Czech Republic (CZ), Denmark (DK), Dominica (DM), Dominican Republic (DO), Ecuador (EC), Egypt (EG), Estonia (EE), Finland (FI), Gambia (GM), Georgia (GE), Germany (DE), Ghana (GH), Grenada (GD), Guatemala (GT), Honduras (HN), Hungary (HU), Iceland (IS), India (IN), Indonesia (ID), Israel (IL), Japan (JP), Kazakhstan (KZ), Kenya (KE), Kyrgyzstan (KG), Lao (LA), Lesotho (LS), Liberia (LR), Lithuania (LT), Luxembourg (LU), Libya (LY), Macedonia (MK), Madagascar (MG), Malaysia (MY), Malawi (MW), Mexico (MX), Moldova (MD), Mongolia (MN), Montenegro (ME), Morocco (MA), Mozambique (MZ), Namibia (NA), New Zealand (NZ), Nicaragua (NI), Nigeria (NG), North Korea (KP), Norway (NO), Oman (OM), Peru (PE), Papua New Guinea (PG), Philippines (PH), Poland (PL), Portugal (PT), Qatar (QA), Romania (RO), Russian Federation (RU), Rwanda (RW), Saint Kitts and Nevis (KN), El Salvador (SV), San Marino (SM), Sao Tome and Principe (ST), Serbia (RS), Seychelles (SC), Sierra Leone (SL), Singapore (SG), Slovakia (SK), South Africa (ZA), South Korea (KR), Spain (ES), Sri Lanka (LK), St Lucia (LC), St Vincent & The Grenadines (VC), Sudan (SD), Sweden (SE), Switzerland (CH), Liechtenstein (LI), Syrian Arab Republic (SY), Tajikistan (TJ), Tanzania (TZ), Thailand (TH), Trinidad and Tobago (TT), Tunisia (TN), Turkey (TR), Turkmenistan (TM), Uganda (UG), Ukraine (UA), United Arab Emirates (AE), United Kingdom (GB), United States of America (US), Uzbekistan (UZ), VietNam (VN), Zambia (ZM), Zimbabwe (ZW).

EUROPEAN PATENT OFFICE

Albania (AL), Austria (AT), Belgium (BE), Bulgaria (BG), Croatia (HR), Czech Republic (CZ), Cyprus (CY), Denmark (DK), Estonia (EE), Finland (FI), France (FR), Germany (DE), Greece (GR), Hungary (HU), Iceland (IS), Ireland (IE), Italy (IT), Latvia (LV), Lithuania (LT), Luxembourg (LU), Macedonia (MK), Malta (MT), Monaco (MC), Netherlands (NL), Norway (NO), Poland (PL), Portugal (PT), Romania (RO), San Marino (SM), Serbia (RS), Slovenia (SI), Slovakia (SK), Sweden (SE), Switzerland (CH), Liechtenstein (LI), Spain (ES), Turkey (TR), United Kingdom (GB)

OAPI (African Intellectual Property Organisation)

Benin (BJ), Burkina Faso (BF), Cameroon (CM), Central African Republic (CF), Chad (TD), Congo (CG), Cote d'Ivoire (CI), Equatorial Guinea (GQ), Gabon (GA), Guinea (GN), Guinea Bissau (GW), Mali (ML), Mauritania (MR), Niger (NE), Senegal (SN), Togo (TG)

ARIPO (African Regional Industrial Property Organisation)

Botswana (BW), Gambia (GM), Ghana (GH), Kenya (KE), Lesotho (LS), Liberia (LR), Malawi (MW), Mozambique (MZ), Namibia (NA), Rwanda (RW), Sierra Leone (SL), Sudan (SD), Swaziland (SZ), Uganda (UG), United Republic of Tanzania (TZ), Zambia (ZM), Zimbabwe (ZW)

EURASIAN PATENT OFFICE

Armenia (AM), Azerbaijan (AZ), Belarus (BY), Kazakhstan (KZ), Kyrgyzstan (KG), Moldova (MD), Russian Federation (RU), Tajikistan (TJ), Turkmenistan (TM)

- © Initial Filing
 - Choice of ISA
- © Publication
- © Search Report and Written Opinion
 - File a Demand
- © Issue of International Preliminary Report on Patentability
- © Enter National or Regional Phase
 - Local Patent Offices then decide on grant of patent

- © Multiple nationality/residency of applicant/inventors for US
- © What are you trying to achieve? Quick grant in some areas or patent “pending” status for as long as possible?
- © Where are your most commercially important areas, and is advantageous to have earlier or later indication of patentability

© CN Priority Filing

- CN PCT filed with SIPO
- Europe of particular interest

© US Priority Filing

- EPO Usually selected as ISA but not sure if Europe of interest

Costs	Euro	GBP	USD
EP as ISA	1875	1562	2426
EP as IPEA	1850	1541	2394
KR as ISA	878	731	1136
KR as IPEA	304	253	393
RU as ISA	338	282	437
RU as IPEA	133	111	172
US as ISA	1566	1305	2026
US as IPEA	464	387	600

Advantages of the PCT System

So, just what are the advantages of the PCT System for a UK/CN joint venture?

- © you have up to 18 months more than if you had not used the PCT to reflect on the desirability of seeking protection in foreign countries;
- © the international search report and written opinion contain important information about the potential patentability of your invention, providing a strong basis for you to make business decisions about how to proceed;
- © you have the possibility during the optional international preliminary examination to amend the international application, enter into dialogue with the examiner to fully argue your case and put the application in order before processing by the various national patent Offices;
- © the search and examination work of patent Offices in the national phase can be considerably reduced or eliminated thanks to the international search report, the written opinion and the international preliminary report on patentability that accompany the international application;
- © for you as an applicant, international publication online puts the world on notice of your application. You may also highlight your interest in concluding licensing agreements on [PATENTSCOPE](#), which can be an effective means of advertising and looking for potential licensees;
- © you also achieve savings in communications, postage and translations because the work done during the international processing is generally not repeated before each Office.

Western v Eastern business behaviours

West	East
Efficiency important	Patience crucial
Focus on transaction	Relationships
Not very sensitive to “face” 面子	Acutely sensitive to “face” 面子
Risk-taking	Avoid risks
Individualistic	Group-oriented
Linear, step-by-step	Holistic
Small meetings	Large meetings
Egalitarian	Hierarchical
Contract is binding	Contract is the beginning not the end of the negotiation

Never think you know it all

China can frustrate, confound and delight foreigners in equal measure. Never make assumptions about any situation or relationship. There is always something new to learn.

Watch and listen...

“You have two ears, two eyes and one mouth – use them in proportions”

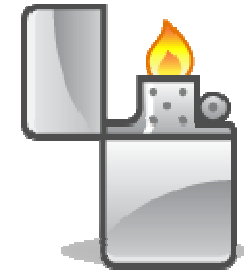
- © Potential & concerns
- © Types of IPRs that can be obtained in China
- © Enforcement
- © How to minimise the risks

(1/2) Why China?

- © 80% of the world's artificial Christmas trees are manufactured in Shenzhen

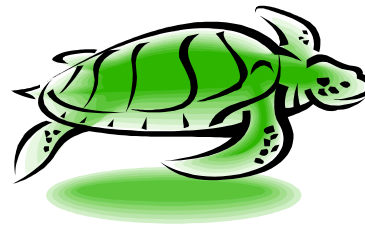


- © 90% of cigarette lighters are manufactured in Wenzhou



- © China has **\$1.3 billion** consumers!

- © 2005 to 2006 – 20% increase in graduates
 - © Total of 4.1 Million
- © Working party set up to encourage the return of 海龟 “sea-turtles” (海归 = overseas returnees)



- © Incentives for Western investment

© Principle Concerns:

- © “My technology will be stolen, copied and sold cheaply , possibly by my Chinese partner”.
- © Many companies in China are good at counterfeiting goods (**Correct**)
- © There is nothing you can do about it (**Wrong**)

- © Chinese IPRs are of reasonable quality, price and timeliness (relatively speaking!)
- © Chinese & European patent systems are more similar than you might think (more similar to EP than the US)
- © Influence of Germany on drawing up the CN patent systems.
- © In less than 30 years:
 - © 250 => 11,000 people passed CN patent exams
 - © 3 (authorised foreign conduct) => 800 IP firms
 - © 1 => 400,000 applications

Types of IPRs available in China

- © Invention patents & utility model patents
- © Designs
- © Trade Marks
- © Copyrights
- © Confidentiality & know-how

KEY DIFFERENCES:

- © Existence of utility models (UM)
- © No unregistered rights arise, except copyright (which exists automatically)

© Similar to UK/EU process:

- File application
- SIPO search for prior art
- Examination of application
- Patent granted if novel and inventive

- © Not available in the UK / US
- © Scope of protection similar to invention patents
- © Only protect products, not methods
- © Lifetime of 10 years only
- © Quick - No substantive examination
- © Uncertainty of the validity - Only examined if challenged/enforced
- © Patentability standard lower than that for invention patents
 - Only consider references in the same technical field
 - Difficult to be invalidated for obviousness

- © Possible to file both invention/UM patent applications on the same day
 - ✓ Either: both are first filings
 - ✓ Or: both filed in CN on the same day, claiming the same priority through Paris Convention
 - ✗ **Not:** when file a UM & file a PCT on the same day
 - ✗ **Not:** when file a UM & enter a PCT into CN on the same day

- © But can only have one (of the same scope) granted at any time
 - if same scope, abandon UM on the issue day of the invention patent
 - if not same scope, not considered double patenting, may keep both

- © Can be filed as national phase of a PCT application (on entering CN, choose either UM or invention, can't change the type later).

- © Not possible to branch out a UM from an invention patent.

- © For inventions substantively made in China, before filing an invention/UM patent application in a foreign country, need to file a security check in China, or the Chinese application shall not be granted.
- © Applies to any entity or individual, Chinese or foreign.
- © The 'substantial' requirement means "the substantive contents of the technical solution were made within the territory of China". According to CN practice, it can be understood that the substantive contents may be the technical features which are the essential technical features necessary for the solution of the technical problem that is solved by the invention.

- © For an invention involving a Chinese inventor, if the applicant wishes to have a Chinese invention or UM patent granted and make it more stable after grant, it is suggested to
 - © either
 - a) get a clearance before that application is filed abroad
 - © or
 - b) file an international PCT application with SIPO as the receiving office => no separate clearance request needed

© How long to get a clearance:

- Statutory time limitation: 4-10 months
- In reality: can be as fast as a couple weeks.

© If denied, no procedure for reconsideration or appeal.

- rare, but possible especially for technologies related to national security interests, or falling within the categories of export restrictions (list updated from time to time).

- © In China, trade secrets are defined and governed by several different laws:
 - © The Company law
 - © The Contract Law
 - © The Criminal Law

 - If (ex)employees involved:
 - © The Labour Law
 - © The Labour Contract Law
 - © The Anti-unfair Competition Law

- © CN: It is the responsibility of the IPR holder to collect evidence
- © EU: Courts can help to collect evidence by ordering the suspect infringer to provide relevant information & evidence.

- © CN: All evidence must be submitted to court upon filing legal action
 - All documents must be submitted in Chinese & notarized
 - Good housekeeping advisable (e.g. use document management systems)
- © EU: Evidence can be presented during the whole court proceedings
 - In the official language of the court & if requested, notarised.

- © CN: Can enforce trade secrets & other IPRs in court + with administrative authorities
- © EU: can only enforce trade secrets in court (protected under civil & criminal laws, not administrative laws)

Is Enforcement a Problem?

- © Problems remain concerning enforcement, but things are improving.
- © Much cheaper & faster than in most developed countries:
Typical Chinese patent litigation \$60,000 to \$120,000
(\$500,000 for UK; \$5 million for US)
- © 90% foreign companies litigating in China win their cases
(30-40% for foreign companies litigating in US)

- © Identify all relevant IPRs and ensure adequately protected in China before discussing partnering.
- © Consider freedom to operate
- © Due Diligence checks on potential partner
 - © Legal advice
 - © References
 - © National embassies in China or business organisations
- © Regular visits to partner

- © Ensure both parties understand the rewards & the needs of each other
- © Ensure your Chinese partner understands the importance of your IPRs, and the consequence of their infringement by others
- © Contracts covering:
 - © Confidentiality, non-compete & dispute resolution clauses
 - © Agreement on how to pursue infringers
 - © Ownership of IPRs (see next slide)

© **Ownership of IPR:**

© Determine exactly what you own and what the other side owns

© Get agreement, which states:

© Before

- Exactly what each side brings to the table
- Who owns the IP in existence at the time of the agreement

© During

- Ownership of any potential IPRs resulting from the collaboration

© Termination

- Termination clauses - require return of IPRs & related articles

- © There is value in Chinese IPRs
- © Lack of IPRs can hinder production in China and/or the exploitation of the Chinese market
- © Enforcement is improving
 - “90% foreign companies litigating in China win their cases (30-40% for foreign companies litigating in US)”
 - Avoid falling in the 10%
- © Prevention is better & cheaper than cure
 - © Perform due diligence checks
 - © Obtain written agreements

Thank you!

谢谢！

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© Questions?

© Prize Draw