What a Foreign Applicant Should Know about Patent Procurement in China

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Abstract: Since China’s accession as a WTO member in 2001, the total foreign investment influx into China has made the country the largest foreign investment destination in the world. China has also become the fourth largest trade body in the world following the United States, European Union and Japan, as of 2002. Although China has amended their patent laws and regulations to meet the WTO rules, there are things that foreign applicants should know about in procuring their patent protection in China. This paper provides an introduction to the legal system in China and comments on the ownership of inventions made in China, the practice of foreign filing and assignment of inventions made in China, the remuneration to inventors under the China regulations, the preparation of patent specification, the strategy of filing both invention and utility model patent applications, and the patent prosecution, reexamination prosecution and invalidation procedures in China.
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WHAT A FOREIGN APPLICANT SHOULD KNOW ABOUT PATENT PROCUREMENT IN CHINA

I. Introduction to China Patent Law

A. China Court System

The China court system is divided into four levels, that is, the Supreme People's Court, the Higher People’s Courts, the Intermediate People’s Courts and the Basic People's Courts. However, only the Higher People’s Courts and Intermediate People’s Courts at the capital cities of designated provinces, autonomous regions, municipalities directly under the Central Government and the special economic zones can hear patent infringement cases.

The Supreme People's Court

The Supreme People's Court is the highest judicial organ in China, and consists of a criminal division, a civil division, and an economic division. The Supreme People's Court supervises the work of the local people's courts at various levels as well as the special courts. In addition, The Supreme People's Court gives “interpretation on questions concerning specific application of laws and decrees in judicial proceedings.”

The Higher Courts of the Municipality (Higher People’s Courts)

The Higher Courts are courts established at the levels of the provinces, autonomous regions and municipalities directly under the Central Government. A higher court hears cases of the first instance assigned by laws and decrees, cases of the first instance transferred from people’s courts at the next lower level, cases of appeals and of protests lodged against judgments and orders of people’s courts at the next lower level, and cases of protests lodged by people's procuratorates.

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1 The Standing Committee of the 5th NPC at its 19th session.
The Intermediate People’s Courts

The Intermediate People’s Courts are established at the levels of the capitals or prefectures in the provinces and autonomous regions, and the municipalities directly under the Central Government. An intermediate people’s court has jurisdiction over cases of first instance assigned by laws and decrees, cases of first instance transferred from the basic people's courts, and appealed and protested cases lodged against judgments and orders of people’s courts at the next lower level.

The Basic People's Courts and People’s Tribunals

The basic courts, as the lowest level, are normally located at the counties, municipal districts and autonomous counties. A basic people's court adjudicates all criminal and civil cases of the first instance, where otherwise provided for in the Law.

A people's tribunal is a part of the basic people's court. The judgments and orders rendered by a people’s tribunal are considered as judgments and orders of the basic people's court with the same legal effects. A people’s tribunal is usually established in a town with a concentrated population. The structure of China Court System is illustrated in Fig. 1:

![Figure 1: Structure of China Court System](image-url)
B. History of the China Patent Law

China’s historic refusal to protect intellectual property was due to two primary factors: communism discouraging individual and Chinese belief of copying being flattery. However, in the early 1980’s, China recognized that protection to intellectual property is essential in attracting foreign investment.

Patent Law of the People's Republic of China was first adopted at the 4th Meeting of the Standing Committee of the Sixth National People's Congress on March 12, 1984.

The China Patent Law was later amended on September 4, 1992, which entered into force on January 1, 1993. The first amendment aimed at the expansion of patentable subject matter to cover pharmaceutics, chemicals, food, beverages and condiments, extension of the patent terms of different patent categories, abolishment of pre-grant invalidation proceeding, and establishment of disciplinary provisions for patent infringement acts. Upon accession into Patent Corporation Treaty (PCT) on 1 January 1994, the tight relationship between the State Intellectual Property Office (SIPO) of China advocated a further amendment to follow the global patent prosecution standards.

The second amendment, however, did not realize until China’s accession to the World Trade Organization (WTO) in 2001, which aimed at expanding the patent rights to include exclusion of “offering for sale” as well as the use, offering for sale, or importation of the product directly obtained by patented processes, prescribing the reasonable remuneration for service-inventions, providing pre-litigation relief to the patentees and assessment of compensation for the damage caused by the infringement of the patent rights.

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4 *Id.*, Article 63.
5 *Id.*, Articles 6 and 16.
6 *Id.*, Article 61.
7 *Id.*, Article 60.
Other than the PCT and WTO, China is also a signatory of the Paris Convention, the Bern Convention, the Locarno Agreement, the Strasburg Agreement, the Budapest Treaty and many other intellectual property related conventions or agreements.

C. Categories of Patent Rights

The China Patent Law provides protection to three types of patent categories, namely, inventions, utility models and designs. "Invention" refers to any new technical solution relating to a product, a process or improvement thereof, "utility model" refers to any new technical solution relating to the shape, the structure, or their combination, of a product, which is fit for practical use, and “design" refers to any new design of the shape, the pattern or their combination, or the combination of the color with shape or pattern, of a product, which creates an aesthetic feeling and is fit for industrial application.8

Basically, utility model patents can only cover products, but not processes, with improvements in effectiveness. It is generally considered that an invention has higher standard of inventiveness than a utility model.

The primary differences among these three patent categories are summarized in Table 1.

<table>
<thead>
<tr>
<th>Subject Matter</th>
<th>Invention</th>
<th>Utility Model</th>
<th>Design</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patent Term</td>
<td>Any new technical solution relating to a product, a process, or improvement thereof</td>
<td>Any new technical solution relating the shape, the structure or combination, of a product</td>
<td>New design of the shape, the pattern or their combination, or the combination of the color with shape or pattern, of a product</td>
</tr>
<tr>
<td>(from date of filing)</td>
<td>20 years</td>
<td>10 years</td>
<td>10 years</td>
</tr>
<tr>
<td>Examination</td>
<td>Substance</td>
<td>Formality</td>
<td>Formality</td>
</tr>
</tbody>
</table>

Table 1 Comparison table for invention, utility model and design patents in China

II. Patent System within the Governmental Structure

A. The State Intellectual Property Office (SIPO)

The State Intellectual Property Office (SIPO) directly subordinated to the State Council is responsible for the patent work throughout the country, receives and examines patent applications and grants patent rights. Other than the responsibilities provided in the China Patent Law, the SIPO is further responsible for drafting the revision of the Chinese Patent Law and its implementation regulations, formulating the standards of the patent infringement and patent right discretion, conducting the examination of the patent agencies and qualification of the patent agents, and appointing the foreign-related patent agencies.

B. Local Administrative Authority for Patent Affairs

The administrative authority for patent affairs, as prescribed in Article 3 of the China Patent Law, refers to the department responsible for the administrative work concerning patent affairs established by the people's government of any province, autonomous region, or municipality directly under the Central Government, or by the people's government of any city which consists of districts, has a large amount of patent administration work to attend to and has the ability to deal with the matter. At the represent, a total of 97 local Intellectual Property Offices are established throughout China. Since such local Intellectual Property Offices also have jurisdiction over patent infringement matters, whereby an IP rights holder can file a compliant at such offices, they serve administrative management as well as enforcement function.

C. Relationship of the Courts to the SIPO

1. Patent Prosecution

If a patent application is found to be unacceptable by the SIPO, and the applicant has been given at least one opportunity to submit a response, a final rejection shall be issued by the SIPO. The final rejection issued by the SIPO can be appealed to the Patent Reexamination Board (PRB) within 3 months from the date of receiving the final rejection.

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9 Article 3 of the China Patent Law.
The PRB, which consists of experienced technical and legal experts as examiners, is established within the SIPO to reconsider the final rejection issued by the SIPO.\(^\text{10}\)

Decision made by the PRB on the patentability of patent application for invention, utility model and design, as well as on the validity of patent for invention, utility model and design can be appealed to First Intermediate People’s Court of the Municipality of Beijing, within 3 months from the date of receiving the notification from the PRB.\(^\text{11}\)

Judgments rendered by the First Intermediate People’s Court of the Municipality of Beijing can be appealed to the Higher People’s Court of the Municipality of Beijing, within 30 days from the date of receiving the judgments for foreign applicants.

The role that the China court system plays in patent prosecution is illustrated in Fig. 2.

![Fig. 2 Relationship of the Courts to the SIPO](image)

**2. Patent Litigation**

Protection of patent right in China follows a two-track system, namely the administrative track and the judicial track. For the administrative track, complaints are filed through the local intellectual property offices. However, in most cases, administrative agencies cannot award compensation to a rights holder, but only fine the infringer, seize goods or equipment used in manufacturing products, and/or obtain information about the

\(^{10}\) Paragraph 1, Article 41 of the China Patent Law.  
\(^{11}\) *Id.*, Paragraph 2.
source of goods being distributed. They can also serve to mediate a dispute before instituting legal actions. Appeals of administrative orders by the administrative agencies, such as fines, are generally made to the Administrative Divisions of the supervising Higher People’s Courts. Appeals of the mediation results by the administrative agencies, such as damages, are generally made to the Civil Divisions of the supervising Higher People’s Courts.

For the judicial track, complaints are filed through the local intermediate people’s courts. Since 1993, China has maintained Intellectual Property Tribunals in the Intermediate People’s Courts and Higher People’s Courts throughout the countries. Appeals of judicial judgments by the Intermediate People’s Courts are made to the Civil Divisions of the supervising Higher People’s Courts. At the present, only 46 intermediate courts, among the 352 courts, can hear patent infringement cases. Since 2000, the Supreme People’s Court, Higher People’s Courts and about 30 Intermediate People’s Courts jointly establish an IP Litigation Division (which is sometimes referred to No. 3 or No. 5 Civil Division depending on the establishing locus) that specializes in IP litigations, presided by judges who have IPR-related educations.

However, the total volume of civil patent litigation (i.e. through the judicial track) in China is considerably less than that through the administrative track because small companies may prefer to pursue the administrative track due to the higher cost involved in the judicial litigations. Foreign patentees, nevertheless, should seek protection in the judicial track due to the complete pre-litigation measures, such as preliminary injunctions, preservation of evidence and preliminary attachments offered by the judicial litigations.
The routes of the dual-track patent protection system in China are illustrated in Fig. 3.

**Administrative Track**

- Patent Infringement
  - Local IP Administrations
    - Assessing Infringement
    - Mediation of Damages
      - Appeal
        - Intermediate People’s Court Administrative Division
          - Appeal
            - Higher People’s Court Administrative Division

**Judicial Track**

- Patent Infringement
  - Intermediate People’s Court IP Litigation Division
    - Appeal
      - Higher People’s Court IP Litigation Division

**Fig. 3  Dual-track patent protection system in China**

III. **Patent Agency (Attorney) Selection**

A. **Qualifications of Patent Agents**

Under Article 15 of the Regulations on Patent Commissioning (hereinafter “Commissioning Regulations”), **Chinese citizens** who support Constitution of the People's Republic of China and meet the following conditions are qualified to become patent agents:

1. over the age of 18 with full capacity for civil behaviors;

2. graduates of college departments of sciences (or with equivalent education) in command of one foreign language;

3. well-versed in the Patent Law and related legal knowledge; and
4. scientists or lawyers with upwards of 2 years of work experience.

Presently, the SIPO holds a patent bar examination every other year, where the test subjects include patent law and regulations, patent specification drafting, prosecution procedures for the three patent categories, and reexamination and invalidation proceedings of patents.

B. Foreign-related Patent Agencies

According to Paragraph 2, Article 6 of the Commissioning Regulations, patent agencies applying to handle foreign-related patent affairs must go through procedures stipulated in the China Patent Law prior to being appointed by the SIPO. Such agencies, upon approval by the SIPO can also handle domestic patent affairs. Under Article 6 of the Commissioning Regulations, a patent agency shall employ at least three special staff members qualified as patent agents. A foreign-related agency in China must consist of three licenses, namely (1) Patent Agent (Attorney) Qualification License, (2) Patent Agent Practicing License, and (3) Foreign-related Patent Agency License.

C. Foreign Applicants Must Entrust a Local Patent Agency

According to Article 19 of the China Patent Law, a foreigner or foreign entity that has no habitual residence or business office in China shall appoint a foreign-related patent agency appointed by the SIPO to act as his or its agent to handle patent matters. Prior to December 30, 2002, there were only 23 patent agencies that were authorized to handle foreign-related patent affairs. Today, there are a total of 115 patent agencies that have been authorized to handle foreign-related patent affairs. The increasing number in the authorized agencies implies inconsistent qualities. Special cares should thus be taken by the foreign applicants in selecting appropriate agencies to handle their patent related affairs.

IV. Ownership of Invention

In principle, the inventor has the right to apply for a patent, unless he/she assigns the right, or the law otherwise provides.\(^\text{12}\) However, where the invention is a

\(^{12}\) *Id.*, Article 6.
"service invention," the right to apply for a patent belongs to the entity, and after the patent is approved, the entity is the patentee.\textsuperscript{13}

**A. Service Invention**

A service invention refers to an invention that is made by a person in execution of the tasks of the entity to which he/she belongs or made by the person mainly by using the material and technical means of the entity.\textsuperscript{14} The "service invention" includes those made in execution of the tasks of the entity inventions, such as any invention made:

1. in the course of performing the person's duty;
2. in execution of any task, other than the person's own duty, that is entrusted by the entity to which the person belongs; and
3. \textit{within one year from the person's resignation, retirement, or change of work, where the invention relates to the person's own duty or the task entrusted to him/her by the entity}.\textsuperscript{15}

The person who executes the task of the entity includes not only the regular employee, but also temporary staff member of such an entity.\textsuperscript{16}

It should be especially noted that, the China Patent extends the time duration in which the service-inventions made by the employee works for the entity, to one year from the employee's resignation, retirement, or change of work, if the invention relates to the person's own duty or the task entrusted to him/her by the entity.

**B. Non-service Invention**

For a non-service invention, the right to apply for a patent belongs to the inventor. After the patent is granted, the inventor is the patentee. No entity or individual shall prevent the inventor from filing an application for a patent for a non-service invention.\textsuperscript{17}

\textsuperscript{13} \textit{Id.}, Paragraph 1.
\textsuperscript{14} \textit{Id.}
\textsuperscript{15} Article 11 of the Implementing Regulations of the China Patent Law.
\textsuperscript{16} \textit{Id.}
\textsuperscript{17} \textit{Id.}, Article 7.
Under the China Patent Law, there are no employer’s shop rights over inventions made mainly by using the material and technical means of the entity, which are not made for performing the person's task or in executing any task that is entrusted by the entity to which the person belongs. When an invention is made mainly by using the material and technical means of the entity, which are not made for performing the person's task or in executing any task that is entrusted by the entity to which the person belongs, China Patent Law allows the entity and the inventor to have an agreement to stipulate the ownership of the right to apply for patent, as well as the patent right granted thereafter. The "material and technical means of the entity" referred hereto include the entity's money, equipment, spare parts, raw materials or technical materials that are not disclosed to the public.

C. Ownership of Joint-Invention

For an invention jointly made by two or more entities or individuals, the right to apply for a patent belongs to the entity or individual who jointly made the invention, unless otherwise agreed upon. When two or more entities or individuals intend to create an invention jointly, a written agreement shall be executed in accordance with the contract law. In general, the agreement shall stipulate the ownership of the invention. Unless the agreement is invalid, it shall govern. However, if the joint inventors did not enter an agreement with respect to the joint invention, according to Article 8 of Patent Law, the right to apply for a patent belongs to the entities or individuals who jointly made the invention.

It should be noted that the China Patent Law is silent with respect to the exercise of the joint invention. Under the general principle of the laws in China, joint ownership of patent rights shall mean that all of the joint owners shall exercise the patent rights together to fulfill the wills of all the owners. Publication No. 28 released by the SIPO in 1990 reflects the general rule. Publication No. 28 provides that any procedure involving joint ownership of a patent application right shall be exercised by all of the co-owners.

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18 Paragraph 3, Article 6 of the China Patent Law.
20 Article 8 of the China Patent Law.
V. Foreign Filing and Assignment of invention

In recent years, more and more multinational corporations establish R&D centers in China. The inventions created in such R&D centers by Chinese are subject to the regulations in China, which may impose extra liabilities for inventions to be used or transfer to foreign entities.

A. First Filing Requirement for Invention made in China

Article 20 of China Patent Law requires that, where a Chinese entity or individual intends to file a patent application in a foreign country for invention made in China, the applicant has to file a patent application in China first by a patent agency designated by the SIPO.21 There is no waiver for the first foreign filing requirement in China. This provision is applicable to any Chinese entity. However, a subsidiary of a foreign company is also considered as a Chinese entity. Any one or entity who fails to comply with this requirement and results in disclosure of national secrets shall be subject to disciplinary sanction by the entity to which he/she belongs or by the competent authority concerned at the higher level, or even applicable criminal liabilities.22

B. Selection of Patent Applicant

To comply with the regulations, a foreign entity may file patent applications for an invention made in China in any of the following ways:

(1) By Its Chinese Subsidiary:

If filed by its Chinese subsidiary, the applicant has to comply with Article 20 of China Patent law and file the patent application in China first, and then in other foreign countries.

(2) By Its Foreign Parent Company:

If the patent application is filed by the company's foreign parent company, the first file requirement is no longer applicable. However, when the Chinese inventor assigns its

21 Id., Paragraph 1, Article 20.
22 Id., Article 64.
right of the inventions to a foreign entity, the assignment is subject to review pursuant to the Technology Import and Export Administration Regulations.

C. Reviews of Assigning an Invention

In China, cross-border IP licensing to or from China is also subject to the "Technology Import and Export Administration Regulations" (hereinafter the "Regulations"). Technology transfer is referred to technology licensing and assignment, including assignment of patent right, patent application right and technical secret, patent licensing, technical service and other type of technology transfer. The regulations distinguish technology into the following three categories:

1. Technologies that are prohibited from transferring: No assignment to foreign entity is permitted.24

2. Technologies that are limited for transferring: Permission for assignment should be obtained from the Ministry of Commerce and the Ministry of Science and Technology.25

3. Technologies that are free for transferring: The assignment agreement should be recorded.

The assignment can be done by an individual agreement between the Chinese inventor and the foreign entity for each invention, or a general agreement between the Chinese inventor and the foreign entity for inventions within certain scope, i.e. the scope of the employment.

D. Ownership Disputes

In the event of patent ownership disputes, Rule 86 of the Implementing Regulations of the China Patent Law provides a mechanism for the righteous owner to prevent malicious intent to abandon the patent or patent application by the defendant. According to this provision, any party in the dispute of the right to apply for a patent or the

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23 Effective since January 1, 2002.
24 Article 2 of the China Technology Regulations.
25 Id., Articles 3 and 4.
patent right, which is pending before the SIPO or the court, may request the SIPO to suspend the relevant procedures by submitting a written request to the SIPO. If no decision on the dispute is made within one year from the date when the request for suspension is filed, extension may be requested, or the SIPO shall resume the procedure on its own initiative.

VI. Employee invention's Remuneration

From Olympus Optical case to Blue Light-Emitting Diode Case in Japan, a serial of rulings regarding reasonable remuneration to employees' inventions has raised concerns in all multinational corporations. We now take a glance at the regulations in China with respect to how the employees are compensated for inventions made for their employment.

A. Reasonable Remuneration under China Patent Law

Article 6 of China Patent Law provides that an invention that is made by a person in execution of the tasks of the entity to which he/she belongs or made by the person mainly by using the material and technical means of the entity, and the right to apply for the invention patent belongs to the employer.\(^{26}\) Article 16 of China Patent Law further provides that the employer shall award to the inventor of a service invention a reward, and, upon the exploitation of the patented invention, the employer shall award to the inventor an appropriate remuneration based on the extent of the application and the economic benefits acquired therefrom.\(^{27}\)

With respect to how much the reasonable remuneration is, Chapter 6 (Rules 74 to 77) of the Implementing Regulations of China Patent Law provides a standard of the reward system. The standard is mandatory for state-run (government-owned) enterprises but private business sector of entities may adopt the standard voluntarily.

The reward system is divided into three stages:

\(^{26}\) Article 6 of the China Patent Law.

\(^{27}\) Id., Article 16.
(1) **Issuance of Patent:** Within three (3) months after the patent is issued, the employer should reward the inventor at least RMB 2000 (about US$ 250) for each invention patent, or RMB 500 (about US$ 60) for each utility model patent\(^{28}\);

(2) **Practice of the Patent:** During the term of the patent, every year the employer has to set aside at least 2% of the after-tax profits generated by practicing the patent for rewards to be paid to the inventor. The reward may be made by a lump sum payment calculated by the aforesaid standard\(^ {29}\); and

(3) **Licensing of the Patent:** The employer should set aside at least 10% of the after-tax profit generated by licensing the patent for rewards to be paid to the inventor\(^ {30}\)

The remuneration to the inventor/creator should be paid to the individuals who made the invention, rather than the R&D team. Although private sector entities may adopt the reward system voluntarily, it is likely that the standard will be used for determining the minimum amount of the remuneration prescribed in Article 16 of China Patent Law.\(^ {31}\)

**B. Remuneration for Non-patented Invention**

The "Law to Promote the Transfer of Technology Results"\(^ {32}\) provides standards for reward to non-patented invention. As the Law covers "technology results" (inventions), it is believed that while the remuneration for patented inventions is governed by Patent Law, the inventions that are not patented shall be governed by the regulations. The rules are summarized as below:

(1) **Transfer of Invention:** The employer has to set aside at least 20% of the net profits generated by transferring the technology result (thereafter "invention"), for reward to be paid to the person(s) who provide material contribution to the invention.\(^ {33}\)

(2) **Exploitation:** After the invention is used for actual manufacturing, the employer has to, for 3 to 5 consecutive years, set aside at least 5% of the profits increased by

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\(^{28}\) Rule 74 of the Implementing Regulations of the China Patent Law.

\(^{29}\) Id., Rule 75.

\(^{30}\) Id., Rule 76.

\(^{31}\) Id., Rule 77.

\(^{32}\) Promulgated on May 15, 1996.

\(^{33}\) Article 29 of the Law to Promote the Transfer of Technology Results.
the invention, for award to be paid to the person(s) who provide material contribution to the invention.  

C. Reward of Hi-tech Related Technology Transfer

To encourage the development of emerging high-tech, the "Rules for Promoting Transfer of Technology Results" was promulgated in 1999, which governs science research institutes, advanced schools, and R&D staff in such institutes and schools. The rewards to inventions provided by the Rules are similar to that provided by the "Law to Promote the Transfer of Technology Results." However, the Rules allow the ceiling value of an intangible asset, such as an R&D result to be 35% (which is normally 20%) of the firm's registered capital. investment of corporations by the emerging hi-tech results.

VII. Patentability and Unpatentable Subject Matter

A. Patentable Requirements

Under Chapter II “Requirements for Grant of Patent Right” of the China Patent Law, Article 22 states, “any invention or utility model for which patent right may be granted must possess novelty, inventiveness and practical applicability.” Hence, a patent may only be granted when the invention in an application fulfils all three requirements.

1. Novelty

China adopts the “first-to-file” principle and takes the date of filing to determine novelty of an invention. In other words, any invention or utility model being publicly disclosed prior to the date of filing loses novelty. However, any invention or utility model being publicly disclosed on the same date as the date of filing is excluded. If a priority date is applicable, it will be taken to determine novelty of the invention or utility model in the application.

Paragraph 2 of the Article explains the meaning of novelty, from which the disclosure of any invention can fall into two standards. One is the absolute novelty standard

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34 Id., Article 30.
35 Rule 2 of the Rules for Promoting Transfer of Technology Results.
36 Id., Rule 1.
through publication either in China or abroad, and the other is the relative novelty standard through public use or make known to the public by any other means in China only.

“Publication” includes any publication that is available to the public in China or in another country. Publication in this context covers all the printed, typed or hand-written materials such as patent documents; academic publications, including thesis and dissertations; scientific periodicals, journals, and books; professional publications, technical manuals, samples, instruction booklets, and product catalogs; and publicized minutes or reports. Invention disclosed as graphics and pictures, and anything published via the means of microfiche, films, tapes, discs, or negatives are also included. The accessibility of the publication is not a concern, as long as the publication is disclosed publicly regardless of the language used, geographic or time limit, the novelty of such an invention is deemed lost thereafter.

Disclosure through public use or by any other means include all kinds of possible ways to publicly disclose the invention or utility in China, such as in exhibitions, conferences, seminars, television shows, lectures, and so on. Use or sale of an invention or a utility model in any other country will not be a novelty bar to claim patent rights in China.

Article 24 further indicates that if the following three circumstances occur within the grace period of six months before the date of filing, an invention does not lose its novelty:

(1) where it was first exhibited at an international exhibition sponsored or recognized by the Chinese government;

(2) where it was first made public at a prescribed academic or technological meeting;

(3) where it was disclosed by any person without the consent of the applicant.

The international exhibition as in Item 1, and the prescribed academic or technological meeting as in Item 2 only apply if they are organized, sponsored, and/or recognized by the State Council of a national academic or technological association. The
invention may be disclosed orally such as a presentation or a speech, or in prints that may be found in the official publication made by the authority that hosts the said events. The disclosure of the invention through official publication of the events organized, sponsored, and/or recognized by the Chinese government does not bar novelty to claim patent rights in China.

If a grace period of six months is applicable for a patent application, the applicant must provide the SIPO with sufficient evidences issued by the official host of the Chinese government recognized events within two months from the filing date. Failure to do so may result in the loss of novelty for the invention. The applicant is encouraged to file for patent rights as early as possible even if a grace period is applicable.

2. Inventiveness

Paragraph 3, Article 22 of the China Patent law describes the meaning of inventiveness, and separates the degree of inventiveness of an invention and a utility model by different statutory criteria. When compared with the technology that exists before the date of filing, an invention must have “prominent” substantive features and “notable” progress; whereas a utility model only needs to have substantive features and progress. Hence, it is generally considered that an invention has higher standard of inventiveness than a utility model. However, even if the proposed invention or utility model complies with the requirement set forth in Paragraph 3, Article 22 of the China Patent Law, if it can be easily accomplished by a person have ordinarily in the art based on prior art before the application for patent is filed, no invention patent should be granted for such invention.

3. Practical Applicability

According to Paragraph 4, Article 22 of the China Patent Law, practical applicability applies to any invention or utility model that can be made or used and produce effective results. If an invention is just an idea and cannot be implemented, or is against the natural laws, or can only be implement under unique natural conditions (i.e. a bridge designed and made for a specific river), or cannot produce effective results, it does not possess practical applicability, and thus no invention patent should be granted for such invention. To determine practical applicability of an invention, the invention will be
examined individually and will not be compared with an existing invention. In China, practical applicability will be the first to be examined in the examination procedure.

B. Unpatentable Subject Matters

Any invention or utility model that fails to comply with Article 22, Chapter II of the China Patent Law, will not be granted patent right. Moreover, Article 25 indicates that no patent right shall be granted for anything that falls in the following five categories:

1. Scientific discoveries

Any scientific discoveries are not patentable, but any invention created or invented by using the scientific discoveries is still patentable.

2. Rules and methods for mental activities

Mathematic formulas or calculations, linguistics, methods of learning and training, and cooking recipes all fall into this category and therefore cannot be patented. In short, if mental activities such as logistic thinking, analyzing, and reasoning is involved when reproducing or using an invention, the said invention cannot be patented.

3. Methods for diagnosis or for the treatment of diseases

Inventions that are considered methods for diagnosis or for the treatment of diseases are not patentable. However, machines, equipments, or substances used to implement such methods or treatment are still patentable.

4. Animal and plant varieties

Animals and plant varieties are not a patentable subject matter, but an invention that concerns a microorganism may be patented. When filing a microorganism, the applicant shall, no later than the filing date, deposit the biological material at a local deposit institute designated by the SIPO. Even though plant varieties are not protected by the Patent Law, new plant varieties may be protected under the Regulations on the Protection of New Plant Varieties enforced on October 1, 1997. Further, unbiological methods of reproducing animals, plants, or microorganic methods are still patentable.

5. Substances obtained by means of nuclear transformation
Machines, equipments, and devices used to obtain such substances are still patentable.

In addition to the five categories listed above, inventions “contrary to the laws of the State or social morality or that is detrimental to the public interest” are not patentable.

C. Software-related and Business Method Inventions

In China, computer software is protected under Copyright Law. However, patent protection may still be available for software-related inventions that are not merely computer programs designed to carry out or automate processes that were previously done mentally or manually. Rule 2, Paragraph 1 of the Implementing Regulations of the China Patent Law states that “invention” in the Patent Law means any new technical solution relating to a product, a process or improvement thereof. Thus, if the purpose of a software-related invention patent application is to solve “technical problems” by using “technical means” that reaches “technical results,” then the application may be protected by the Patent Law.

Nevertheless, inventions relevant to business methods are generally not acceptable because the Chinese government believes that granting of such patents would impact the economy activities, and is thus in contradiction to the public policies.

VIII. Patent Preparation and Applications

A. Filing Documents

The following documents are required to obtain a filing date for a patent application:

(1) Specification: including Descriptions of Invention, Claims and necessary drawings. It should be noted that the specification must be in Chinese for national patent applications. Reinstatement procedures are, on the other hand, available to PCT national filing within 2 months with surcharge.

(2) Particulars: including inventors’ names, address and citizenship.
(3) Foreign Filing Information: including country and filing date of the foreign corresponding application, if any.

(4) Priority Information: including country and filing date of the foreign corresponding application, if priority is claimed.

(5) Filing fee.

The following documents may be submitted later to complete the filing procedure:

(1) Certified Copy of Priority Document, if priority is claimed.

(2) Assignment: for applications originating from US, assignment by inventor(s) must be dated prior to the date of filing.

(3) Power of Attorney: if the power of attorney is not submitted at the time of filing, the date of execution must be earlier than the date of filing.

B. Prior Art Disclosure Requirement

Article 36 of the China Patent Law requires the applicant, at the time of requesting substantive examination to furnish pre-filing date reference materials concerning the invention. For an application for a patent for invention that has been already filed in a foreign country, the SIPO may even ask the applicant to furnish documents concerning any search made for the purpose of examining that application, or concerning the results of any examination made, in that country. If the documents are not furnished within the specified time period without any justified reason, the application shall be deemed to have been withdrawn.37

Under the current practice, since most of the foreign patent information can be located over the patent search database employed by the SIPO, the examiners generally do not request the applicants to furnish documents concerning any search made for the purpose of examining foreign patent applications, unless the examiners consider necessary.

37 Paragraph 2, Article 36 of the China Patent Law.
C. Claims

1. Relationship between Claims, Specification and Abstract

   The description shall set forth the invention or utility model in a manner sufficiently clear and complete so as to enable a person skilled in the relevant field of technology to carry it out; where necessary, drawings are required. The abstract shall state briefly the main technical points of the invention or utility model.38

   The extent of protection of the patent right for invention or utility model shall be determined by the terms of the claims. The description and the appended drawings may be used to interpret the claims.39

   Generally speaking, if an invention involves relatively simple technical features, claims are suggested to be drafted prior to drafting the description. On the other hand, if an invention involves a relatively complex technical features, it is suggested that the “best mode” in the description be drafted first, based on which “best mode” the claims may then be drafted.

2. Claim Drafting

   The claims shall be supported by the description 40 and define clearly and concisely the matter for which protection is sought in terms of the technical features of the invention or utility model.41 Negative descriptions should be avoided in drafting the claims. Omnibus claim is unacceptable.42

   The independent claim shall outline the technical solution of an invention or utility model and state the essential technical features necessary for the solution of its technical problem.43 In addition, Claims are preferred to be in "Jepson" format by reciting

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38 Id., Paragraph 3, Article 26.
39 Paragraph 1, Article 56 of the China Patent Law.
40 Id., Paragraph 4.
41 Paragraph 1, Rule 20 of the Implementing Regulations of the China Patent Law.
42 Id., Paragraph 3.
43 Id., Paragraph 2, Rule 21.
all old elements in the preamble and the novel elements in the body of the claim. An invention or utility model shall have only one independent claim, which shall precede all the dependent claims, relating to the same invention or utility model.45

3. Claim Amendments

After a patent application has been filed with the SIPO, amendments to the specification, claims and/or drawings can only be effected at specific timeframes. For invention patent applications, the amendments can only be effected (1) when requesting for substantive examination; (2) within the time period of 3 months after the receipt of the notification of the SIPO, the application has entered into substantive examination; and (3) as required by the notification of opinions of the substantive examination.46

For utility model and design patent applications, the amendments can only be effected (1) within 2 months from the date of filing; and (2) as required by the notification of opinions of the examination.47

To facilitate the examiners in understanding the patentable features of an invention patent application, such as the real meaning of the claims, the applicants may request interviews with the examiners. However, the request should be made after the examiner has issued a first Office notification, and after or on the day that the applicant submits a response to the first Office notification. The interviews, however, are granted at the discretion of the examiners.

IX. Utility Models and Designs

A. Utility Model System

1. Definition of Utility Model

According to the China Patent Law, a utility model (UM) patent protects the new technical solution relating to the shape, the structure, or their combination of a product,

44 Paragraph 1, Rule 22 of the Implementing Regulations of the China Patent Law.
45 Id., Paragraph 3.
46 Id., Paragraphs 1 and 3, Rule 51.
47 Id., Paragraphs 2 and 3.
which is fit for practical use. The primary differences to consider basic protection between invention and UM patent are that, (1) the patent term of an invention patent is 20 years from the filing date, and that of a UM patent is 10 years; and (2) a UM patent does not protect method, process and chemical compounds.

2. Examination of Utility Model

UM is subject to formality examination only. Any UM patent application that has met all formality requirements shall be granted a patent right. The patent right for a UM shall take effect as of the date of the announcement.  

The “first-to-file” principle is also adopted to UM patent applications. Accordingly, in the case that two or more applicants file applications for patent for the identical invention-creation, the patent right shall be granted to the applicant whose application was filed first.

3. Search Report

As UM patents are only to subject to formality examination prior to granting, significant uncertainty is experienced with respect to the enforceability of the UM patent right. Accordingly, where the infringement relates to a UM patent, the people's court or the administrative authority for patent affairs may ask the patentee to furnish a search report issued by the SIPO. The search report, however, can only be requested by the applicant after publication of the utility model patent.

B. Strategy to File Both UM and Invention Patent Applications

Since UM patent applications are subject to formality examination only, Patent applicants may consider the filing of an invention as well as a UM patent application directed to a common inventive concept because, without substantive examination, a UM patent might be registered/issued in a much more expeditious manner, namely within 8 months from the filing date. Under the China Patent Law and the practice adopted by the SIPO, the filing of an invention as well as a UM patent application directed to a common

48 Article 40 of the China Patent Law.
49 Id., Article 9.
inventive concept is permissible. However, the invention patent right and the UM patent right for the same invention should not co-exist simultaneously.

For most instances, the invention patent application will not be examined for the substance until the application for the substantive examination is filed within three (3) years from the filing date. Thus, if the invention and UM patent applications are filed on an even date, the UM patent will be issued first because it is only subject to the formality examination. Once the invention patent application is subject to substantive examination, according to the Patent Examination Guidelines formulated by the SIPO, when the examiners find no bases for rejecting the invention application other than the co-existence of the UM patent, the examiner should notify the applicant to elect one between the invention patent application and UM patent for further prosecution within a prescribed period. Failure to make such an election, the invention patent application shall be deemed withdrawn. If the applicant opts for withdrawing the UM patent, the applicant should submit a statement renouncing the UM patent in response to the notification. Accordingly, the renouncement of the UM patent will become effective on the date that the invention patent application is granted an invention patent. In the case that the SIPO failed to uncover the UM patent during the substantive examination, the applicant may then let the UM patent lapse upon grant of the invention patent.

However, in accordance with the reasoning given in a Judgment rendered by the Higher People’s Court of the Municipality of Beijing\textsuperscript{50}, it should be kept in mind that, prior to issuance of the invention patent, the applicant should maintain the validity of the UM patent by paying the prescribed annuity. Failure to do so will result in extinguishment of the UM patent, whereby the invention(s) covered by the UM patent will be considered being dedicated to the public domain. Under such circumstances, the SIPO should not grant an invention patent covering the invention(s) that has (have) been contributed to the public domain by the extinguishment of the UM patent, as doing so is to grant the applicant exclusive rights for technology within the public domain.

\textsuperscript{50} (2002) \textit{Kao-ming-chung-tzu} No 33, Higher People’s Court of the Municipality of Beijing.
C. Designs

Design patent applications are subject to formality examination only. Any design patent application that has met all formality requirements shall be granted a patent right. The patent right for a design shall take effect as of the date of the announcement.51

According to the Patent Examination Guidelines formulated by the SIPO, non-detachable products or parts are considered non-statutory subject matter for design patents. Accordingly, “designs-in-part” or “partial designs” that are considered statutory subject matter under In re Zahn, 617 F.2d 261, 268 (CCPA 1980), Article 3 of European Council (EC) Regulation No 6/2002 on Community Designs (RCD) and Article 2 of Japan Design Law, are considered non-statutory subject matter for design patents in China.

Neither does the SIPO allow a design patent application covering more than one embodiment, even if such embodiments involve a single inventive concept and are patentably indistinguishable. In other words, separate applications are required to cover individual embodiments.

Since partial designs are not allowed in China, for drawings that have been to submitted to the other patent offices allowing the use of dotted lines to represent the part not intended to be claimed, should be redrawn with solid lines to comply with the SIPO’s practice. It is also worthy to note that shadow lines are not permitted in the drawings of a design patent application.

In the case of urgent filing such that the drawings could not be timely redrawn at the time of fling, drawings may be amended after filing. However, it should be particularly noted that all components of the design as claimed must have been illustrated in the original drawings, or the amendments may possibly be considered introduction of new matter and subsequently rejected by the SIPO. Accordingly, it is recommended that the entire article embodying the design be illustrated in the basic design application, even if only part of the article is to be claimed, to ensure that the drawing amendments do not result in introduction of new matter.

51 Article 40 of the China Patent Law.
Under the US and RCD patent practice, the design must contain a sufficient number of views to constitute a complete disclosure of the appearance of the design. Accordingly, it is likely that the drawings for some design patent applications do not disclose the six-directional views of the design. On the other hand, according to the SIPO practice, unless a specific view is non-essential to the creative features of the claimed design, all views must be presented in a design patent application. Generally speaking, the bottom elevational view of the claimed design can usually be omitted according to the SIPO practice if the bottom elevational view of the design does not consist of any creative features of the design, where a statement stating so be provided in the specification.

X. Patent Reexamination and Invalidation

A. Patent Reexamination

1. Objects

According to Article 41 of the China Patent Law, Where a patent applicant is unsatisfied with the decision of the SIPO rejecting the application, the applicant may, within three months from the date of receiving the rejection, request the PRB to make a reexamination. The PRB shall, after reexamination, make a decision and notify the applicant for patent. When the applicant requests the PRB to make a reexamination, the applicant shall file a request for reexamination, state the reasons and, when necessary, attach the relevant supporting documents.\(^{52}\)

The primary object of reexamination proceeding is to provide the patent applicants with an administrative remedy with a simple process, to avoid exhaustion of judicial resources. The reexamination proceeding also serves a means of self-examination by the SIPO. The final decision of rejection may possibly be withdrawn upon amendments or supplemental explanations submitted by the patent applicants.\(^{53}\)

2. Differences Between Patent Examination and Reexamination Proceeding

\(^{52}\) Paragraph 1, Rule 59 of the Implementing Regulations of the China Patent Law

The patent examination and reexamination proceeding are directed to two legal proceedings prior to confirming a patent right and are distinguishable in the followings:

(1) In term of examination levels, the examination is a first instance proceeding, while the reexamination proceeding a second.

(2) In term of examination approach, the examination is handled by a single examiner, while the reexamination proceeding by a collegiate body.

(3) In term of examination principles, the reexamination proceeding applies the principle of avoiding loss of rights to tier-examination and the principle of economic procedures, in additional to the basic principles adopted in examination. The principle of avoiding loss of rights to tier-examination refers to that, for matters that have not been examined by the first instance examination, they should not be first examined by the second instance examination. The principle of economic procedures is to avoid repeated examination so as to conduct the examination in an efficient, time-conserving and cost-conserving manner.

(4) In term of scope of examination, the examination conducts an overall examination, while the reexamination proceeding is conducted based on the content of the rejection and the petitioner’s assertion.\[^{54}\]

Decision made by the PRB on the patentability of patent application for invention, utility model and design may be any of the followings:

(1) Withdrawal of the final rejection if the petition has merit and is based on sufficient evidence;

(2) Provisional withdrawal of the final rejection, if the amendments as submitted have overcome the defects of the original patent application; and

\[^{54}\] \textit{Id.}, p. 319.
(3) Sustaining the final rejecting if the petition is without merit or the amendments as submitted cannot overcome the defects of the original patent application.\textsuperscript{55}

Again, the reexamination shall be reviewed by a collegiate body prior to issuing a decision. A flowchart for the reexamination prosecution procedure in China is provided in Appendix III.

\textbf{B. Invalidation}

According to Article 45 of the China Patent Law, starting from the date of the announcement of the grant of the patent right by the SIPO, any entity or individual considering that the grant of the said patent right is not in conformity with the relevant provisions of this Law, may request the PRB to declare the patent right invalid.

1. \textbf{Conditions for Accepting Invalidation Proceeding}

An invalidation proceeding can only be requested against a patent right.

An invalidation proceeding that is not requested by all patentees of a joint ownership invention, and is not based on publicly available materials, shall not be accepted. An invalidation proceeding that is requested based on the same facts and evidence, for which an invalidation decision has been made shall not be accepted. An invalidation proceeding that is requested against a patent right that has been declared by the PRB to be invalid as a whole shall not be accepted. An invalidation proceeding, however, can still be requested against a part of a patent right that was previously declared by the PRB to be valid.\textsuperscript{56} The fee for requesting an invalidation proceeding shall be paid within one month from the date on which such request is filed, or the invalidation proceeding will not be accepted.\textsuperscript{57}

Anyone requesting invalidation or part invalidation of a patent right shall submit a request and the necessary evidence. The request for invalidation shall state in detail the grounds for filing the request, making reference to all the evidence as submitted, and

\textsuperscript{55} \textit{Id.}, p. 321.
\textsuperscript{56} Rule 65 of the Implementing Regulations of the China Patent Law.
\textsuperscript{57} \textit{Id.}, Rule 97.
indicate the piece of evidence on which each ground is based, or the invalidation proceeding will not be accepted.\textsuperscript{58}

After a request for invalidation is accepted by the PRB, the person making the request may submit additional reasons or supplemental evidence within one month from the date when the request for invalidation is filed. Additional reasons or evidence that are submitted after the specified timer period may be disregarded by the PRB.\textsuperscript{59}

2. Examination of Invalidation Proceeding

The examination of an invalidation proceeding adopts the following principles:

(1) The principle of on-request examination: the invalidation proceeding can only be initiated by a petitioner based on the reasons and evidence submitted by the petitioner;

(2) The principle of \textit{ex officio} investigation: in the course of an invalidation proceeding, the collegiate body of the PRB may, \textit{ex officio}, notify the petitioner to submit evidence based on the reasons as asserted within a specified time period, or request the local Intellectual Property Offices or relevant government departments to investigate the relevant evidence.

(3) The principle of \textit{nebis in idem}: an invalidation proceeding that is requested against a patent right that has been declared by the PRB to be invalid as a whole shall not be accepted.

(4) The principle of adversary proceeding: the petitioner may opt to abandon an invalidation proceeding that has been requested, to remove the reasons or evidence that has been submitted and to settle the case in private with the patentee. The patentee may also amend the claims to reduce the scope of protection in the proceeding. The scope that has been surrendered by the patentee shall be deemed to be non-existent \textit{ab initio}.

\textsuperscript{58} \textit{Id.}, Rule 65.
\textsuperscript{59} \textit{Id.}, Rule 66.
(5) The principle of merged examination: For plural invalidation proceedings that have been requested against a single patent right, the PRB may merge the plural proceedings, by naming all the requesting parties as the petitioner.

(6) The principle of confidentiality: To ensure confidentiality and impartialness, the members of the collegiate body generally do not meet with either parties alone.  

After examination, decision made by the PRB may be any of the followings:

(1) Declaring the patent right to be invalid as a whole;

(2) Declaring of a part of the patent right to be invalid; and

(3) Sustaining the patent right if the evidence is without merit.  

3. Oral Hearings in an Invalidation Trial

Either party of an invalidation may request to have an oral hearing with the PRB when there is the need to:

(1) confront with the other party;

(2) explain facts to the collegiate body;

(3) display exhibits; or

(4) summon witnesses to testify.

The time and locus for conducting the oral hearing shall not be altered once they have been established. If the petitioner declines to participate the oral hearing, the invalidation is deemed withdrawn. If the patentee declines to participate the oral hearing, a decision in absence of the patentee will be issued by the SIPO.  

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60 Supra note 53, p. 326.
61 Id., p. 331.
62 Id., p. 337.
4. Effects of an Invalidation Decision

Any patent right that has been declared invalid shall be deemed to be non-existent \textit{ab initio}. The decision declaring the patent right invalid shall have no retroactive effect on any judgment or ruling of patent infringement which has been pronounced and enforced by the people's court, on any decision concerning the handling of a dispute over patent infringement which has been complied with or compulsorily executed, or on any contract of patent licensing or of assignment of patent right which has been performed prior to the declaration of the patent right invalid. \(^{63}\)

If the patentee or the assignor of the patent right has been invalidated, makes no repayment to the licensee or the assignee of the patent right of the fee for the exploitation of the patent or of the price for the assignment of the patent right, which is obviously contrary to the principle of equity, the patentee or the assignor of the patent right shall repay the whole or part of the fee for the exploitation of the patent or of the price for the assignment of the patent right to the licensee or the assignee of the patent right. \(^{64}\)

A flowchart for the invalidation proceeding in China is provided in Appendix IV.

XI. Conclusion

It has been a long way since the day that Chinese generally considered “copying is flattery” to the present day that IP protection is offered by various IP laws and regulations. Many people still consider the changes to China’s intellectual property protection slow and ineffective. However, a lot more people believe it is worth a wait. Bill Gates is one of them, who said in 1998, “Although about 3 millions computers get sold every year in China, people don’t pay for the software. Someday they will. And as long as they’re going to steal it, we want them to steal ours. They’ll get sort of addicted, and then we’ll somehow figure out how to collect sometime in the next decade,” despite the fact that about 98% of all Chinese software bearing Microsoft’s name is counterfeit.

\(^{63}\) Paragraph 1, Article 47 of the China Patent Law.
\(^{64}\) \textit{Id.}, Paragraph 2.
China began to set up IP system since early eighties of the twentieth century; in the period of twenty years, it has successfully established a scientific and complete IP legal system. No doubt, patent protection in China is continuing to take its shape. Patience may be the key to gain profits over intellectual property in China. As what you may have heard for so many times, “All good things will come to those who wait!”