The Patent Revolution:
Proposed Reforms in Chinese Intellectual Property
Law, Policy, and Practice Are The Latest Step to
Bolster Patent Protection in China

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I. INTRODUCTION

In the current global economy, intellectual property plays an important role for individuals and businesses seeking to protect investments in ideas, brands, and innovations. Global trade concerns push developed economies and international businesses to pursue intellectual property rights (IPR) throughout the world to secure valuable return on those investments. However, because IPR are generally protected under domestic law, much depends on developing countries that lag behind developed countries in protecting IPR.

Developing countries have notoriously usurped IPR in order to secure cheaper products or their citizens or to stimulate their economies. As a result, investors tend to shy away from markets loath to protect their IPR. In order to gain the benefits of innovation and spur investment in developing nations, IPR must be protected. The People’s Republic of China recognizes the need to increase IPR protection and to specifically protect patents by strengthening current laws. The Chinese government issued China’s Action Plan on IPR Protection 2006 (Action Plan), “[t]o better protect the IPR, [and] resolutely punish and combat various infringement and other illegal activities.” The Action Plan includes revising laws, regulations, rules, and judicial interpretations relating to trademarks, copyright, patent, and customs protection. The Action Plan also focuses on raising domestic awareness of IPR protection.

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1 Amanda S. Reid, Comment, Enforcement of Intellectual Property Rights in Developing Countries: China as a Case Study, 13 DEPAUL-LCA J. ART & ENT. L. & POL’Y 63, 63 (2003).
3 Robert C. Bird, Defending Intellectual Property Rights in the BRIC Economies, 43 AM. BUS. L.J. 317, 317 (2006); see also Reid, supra note 1, at 64.
4 See Reid, supra note 1, at 64-65, 82-83.
5 For example, foreign investors risk piracy when transferring technology to China. When technology is made public from mandatory disclosure domestic enterprises may seize the opportunity to pirate and exploit it. Schiappacasse, supra note 2, at 182.
7 Id. at pmbl.
8 Id.
9 Id.
Action Plan calls for the third revision of the Patent Law, as well as a review of the proposed amendments, which were released to the public on July 31, 2006. This Note focuses on how the proposed amendments to Chinese intellectual property laws bring China closer to international standards of patent protection and enforcement. New policy initiatives further support the greater importance placed on IPR as China seeks to become a major economic power. However, due to certain deficiencies, the proposals may not completely eliminate international skepticism surrounding patent rights in China, especially in the enforcement of those rights.

This Note is divided into three substantive parts. Part I describes the historical underpinnings of intellectual property in China and how it encumbers the protection of current IPR. It then discusses the current state of Chinese Patent Law and describes how the current laws have changed in the past two decades due to various external and internal forces. Next, it focuses on why there is a need for patent reform in China and introduces the main goals of the Action Plan. Part IV analyzes the proposed amendments and suggests how they will improve the current patent system and how they are insufficient to correct some deficiencies. Because the weaknesses in the proposed patent law amendments and policy changes will invariably meet continued criticism, this Note then suggests potential improvements.


A. Intellectual Property Protection from Imperial to Communist China

The concept of intellectual property is historically alien to Chinese culture. The historical perceptions of IPR in China derive from the

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12 See generally Action Plan, supra note 6.

13 See, e.g., Joint Submission, supra note 11, at 1-13.

14 Evans, supra note 10, at 588.
philosophies of Confucianism and Taoism.\textsuperscript{15} Perfect imitation of old masters was held in high regard, while new innovations garnered suspicion.\textsuperscript{16} Emperors and scholars stressed the importance of communal success over individual learning.\textsuperscript{17}

Confucianism rejected personal reward as a negative expense to others.\textsuperscript{18} In fact, Confucian principles and the general absence of formal laws in Imperial China precipitated a lack of individual rights, especially in intellectual property.\textsuperscript{19} Innovation belonged not to the inventor, but to the community.\textsuperscript{20} Taoist principles stressed the harmony and balance in social order.\textsuperscript{21} As a result, dynastic and imperial rulers emphasized societal rights over the rights of individuals.\textsuperscript{22} The right to reproduce one’s own work or to exclude others from doing the same was not an accepted individual right.\textsuperscript{23}

With the end of imperialism and the birth of a republican China in the early twentieth century, inventions such as the gunboat and opium brought about the first bilateral commercial treaties in 1903\textsuperscript{24} and substantive national patent law in 1912. The laws did little to protect patent rights and offered foreigners very little security in the Chinese

\begin{itemize}
  \item \textsuperscript{15} Schiappacasse, supra note 2, at 176.
  \item \textsuperscript{18} See id.
  \item \textsuperscript{20} Id. at 18.
  \item \textsuperscript{21} See Chen, supra note 17, at 9-10.
  \item \textsuperscript{23} See Anna M. Han, Technology Licensing to China: The Influence of Culture, 19 Hastings Int'l & Comp. L. Rev. 629, 640 (1996).
  \item \textsuperscript{24} See Yu, supra note 19, at 6. The United States’ first attempt to coerce China to sign a commercial treaty was in 1903. This treaty aimed at building a Western intellectual property regime. The attempt to institute a U.S.-based model of intellectual property law ultimately failed; China was without a Western based regime at the turn of the twentieth century. Commentators have suggested that the attempt of the United States to force Western principles without fully considering the history and culture of China led to the failure. As a result, intellectual property languished in China for nearly eighty years. It was not until China became of member of the World Intellectual Property Organization that the modern intellectual property laws came into effect there. \emph{Id.} at 8.
\end{itemize}
market.\textsuperscript{25} The laws failed in large part due to a lack of domestic education in IPR and uniquely Chinese problems such as strong regional protectionism and high corruption.\textsuperscript{26} These problems continue to hamper the patent system.\textsuperscript{27}

After the Second World War, the rise of the Communist Party in 1949 created even greater obstacles for intellectual property rights.\textsuperscript{28} When the Communist regime took control, it reinforced the secondary role of individual rights against the prosperity of the community.\textsuperscript{29} Individual property rights were the antitheses of communist principles; thus, individual innovations belonged to the government and all of society in general.\textsuperscript{30} Few provisions protected the rights of individual inventors,\textsuperscript{31} and in 1963, property rights in patents were abolished altogether.\textsuperscript{32}

In 1966, the Cultural Revolution and the destruction of China’s legal system resulted in the complete halt of the development of intellectual property laws.\textsuperscript{33} Even before intellectual property rights were abandoned by the Cultural Revolution,\textsuperscript{34} the laws of China provided that all inventions were the property of the state and all people had equal rights to make use of them.\textsuperscript{35} These communist principles are clearly inimical to private patent protection and the ownership of intellectual property rights. The antipathy of individual intellectual property rights to

\textsuperscript{25}Id. at 6.

\textsuperscript{26}Id. “[U]niquely Chinese [problems], such as geographic difficulties, high corruption, and strong regional protectionism” prevented a national system due to the lack of unified national support among domestic inventors and citizens.”


\textsuperscript{28}Yu, supra note 19, at 7.


\textsuperscript{30}Willard, supra note 27, at 417.

\textsuperscript{31}GANEA & PATTLOCH, supra note 16, at 2-3. In 1950 the new leadership of China introduced the Grant of Rights over Inventions and Patent Rights. However, in most cases a patent was not available if the invention resulted either from duties at a state-owned organization or if it had significant public utility. As a result, only four patents and six inventor certificates were granted between 1950 and 1963.

\textsuperscript{32}Id.

\textsuperscript{33}Willard, supra note 27, at 417-18.

\textsuperscript{34}Id.

\textsuperscript{35}Wang, supra note 29, at 63.
community rights was illustrated, at its extreme, by the imprisonment of scientists, writers, artists, lawyers, and intellectuals during the Cultural Revolution.\(^{36}\)

Additionally, both traditional and communist Chinese scholars regarded legal formalism skeptically.\(^ {37}\) Formal laws were denounced during the Mao era, a practice that resulted in laws that implemented Party policy and changed with Party leadership.\(^ {38}\) Commentators suggest that this allowed the government latitude in drafting laws with protectionism and favoritism toward its citizens.\(^ {39}\) Moreover, local officials had, and continue to have, influence over the rule of law through the People’s Courts.\(^ {40}\) Without defined formal laws, inconsistent decisions appear in the different local courts.\(^ {41}\) It was not until the growth of formal legal institutions, organizations, and new leadership after Mao Zedong’s death in 1976 that resurgence in IPR began.\(^ {42}\)

B. The Effect of Globalization on IPR in China

When Deng Xiaoping resumed power as chairman in 1977, the Chinese government began an ambitious program of economic and legal reform.\(^ {43}\) Reopening Chinese markets in 1979 and allowing citizens to own limited private property\(^ {44}\) initialized the creation of a comprehensive intellectual property regime.\(^ {45}\) By deciding to participate in the global

\(^{36}\) Yu, supra note 19, at 19.

\(^{37}\) Id. at 24.

\(^{38}\) Id. at 25.


\(^{40}\) See Mapping the Future of IP in China, MANAGING INTELL. PROP., Sept. 2006, at 58, available at 2006 WLNR 16918699 (suggesting the current law does not have a clear standard for patent infringement) (hereinafter Mapping the Future); Bejesky, supra note 22, at 449.

\(^{41}\) Bejesky, supra note 22 at 449

\(^{42}\) Id. at 418.

\(^{43}\) Id. at 420.

\(^{44}\) Yu, supra note 19, at 7.

\(^{45}\) Willard, supra note 27, at 421.
economy, the government recognized that intellectual property rights would spur foreign investment.46 Businesses would be more likely to invest in China if they were secure in the knowledge that their investments would be protected.47

To implement these new, or rather old, ideas, the government established a Working Group of Experts on Drafting the Patent Act that included technology and foreign trade experts.48 The Chinese government undertook in a matter of a few years what other countries spent centuries doing.49 It was no small feat, and proponents successfully quieted critics who viewed patent law as incompatible with a socialist economy.50 The result, a comprehensive patent system with nationwide patent administration, came into effect on April 1, 1984.51

1. The 1984 Patent Law and Subsequent Amendments

The Constitution of the People’s Republic of China acknowledges the importance of ideas and inventions: “[t]he state promotes the development of the natural and social sciences, disseminates scientific and technical knowledge, andcommends and rewards achievements in scientific research as well as technological discoveries and inventions.”52 This Western concept was brought to China between 1980 and 1983, when Chinese envoys sent to the United States, Canada, and various European countries returned after studying those nations’ patent laws.53 Such Western ideas formed the basis of the 1984 Patent Act and underpin current intellectual property laws.54

46 Id.
47 Id.
48 GANEA & PATTLOCH, supra note 16, at 3.
49 For example, while efforts for the modern Chinese Patent Law began in 1979 and came into effect in 1984, the modern United States Patent Act was written in 1952, with more than 150 years of precedent and amendments after the original act of 1790. See Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141, 146-152 (1989); MARTIN ADELMAN ET AL., CASES AND MATERIALS ON PATENT LAW 1-7 (2d ed. 2003). The U.S. Patent System has undergone more than fifty major revisions since its implementation. Id.; see also Louis S. Sorell, A Comparative analysis of Selected Aspects of Patent Law in China and the United States, 11 PAC. RIM L. & POL’Y J. 319, 320 (2002).
51 Id.
53 Sorell, supra note 49, at 322.
54 See generally id.
China had the benefit of years of knowledge from foreign nations, and as such the 1984 Patent Act was based on information gathered from various countries.\(^{55}\) It contained the basic elements of patent law and included a first-to-file principle,\(^{56}\) the establishment of a national patent office with jurisdiction to oversee re-examination of patents,\(^{57}\) and protection of inventions, utility models and designs.\(^{58}\)

However, any praise that was given to new laws was overshadowed by the lack of essential features to adequately protect patents.\(^{59}\) The system was characterized by four major flaws that negated certain protections afforded to inventors in many other countries.\(^{60}\) First, the 1984 Act excluded patents for inventions concerning food, beverages, and pharmaceuticals over concern that patent protection would deprive Chinese citizens of low-cost, vital commodities.\(^{61}\) Second, the law adopted a work-for-hire principle that gave significant power to employers to prevent assignment of patent rights to inventors that worked for state owned entities.\(^{62}\) Third, the early patent act had a weak standard of protection.\(^{63}\) Finally, the 1984 Act was characterized by a broad scope for compulsory licenses.\(^{64}\)

\(^{55}\) Id.

\(^{56}\) Patent Law (P.R.C.) (2000 revision, Promulgated by the Standing Comm. Natn’l. People’s Cong., Aug. 25, 2000, effective July 1, 2001), available at http://www.lawinfochina.com/display.asp?db=1&ld=4983, art. 9. In a first to file system a patent is granted to the first applicant of an invention. GANE & PATTLOCH, supra note 16, at 5. This pattern is followed by most countries with the exception of the United States, which follows a first-to-invent system where a patent is granted to the first inventor. 35 U.S.C. § 102(a).

\(^{57}\) GANE & PATTLOCH, supra note 16, at 6. The Chinese Patent Office was established to examine patent applications and has since become a sub-department in the State Intellectual Property Office. Id. at 4

\(^{58}\) Id. at 6. A discussion of these concepts and how they currently play out in the Chinese system is included in Part II.B.3, infra.

\(^{59}\) Id. at 6.

\(^{60}\) Id. at 6-7


\(^{63}\) Id. at 7. Protection terms were characterized by short time frames with only fifteen years for invention patents, and five years for utility models and designs. According to article 11 of the Patent Act (1984), products obtained from a process patent did not receive protection. Article 62(2) of the Patent Act (1984) restricted enforcement and limited remuneration by excluding parties who sold or used a protected patent in good faith from legal liability.

\(^{64}\) Id. at 6. The Patent Act allowed “license according to the state plan” under article 14(1) of the Patent Act (1984). The State Council or local People’s Government
These weaknesses in the patent laws were recognized by foreign patent holders who complained that piracy and infringement continued through the 1980s.\textsuperscript{65} The expense and unavailability of foreign products in China’s emerging economy of the early 1990s resulted in rampant infringement.\textsuperscript{66} Threats of sanctions by the United States Trade Representative and a subsequent Memorandum of Understanding (1992 MOU) on the protection of intellectual property with the United States in 1992 resulted in the first revision to the patent law.\textsuperscript{67} The Chinese government implemented a new patent regime to curb infringement and comply with the 1992 MOU.\textsuperscript{68} This revision came into effect in 1993.\textsuperscript{69}

The 1992 amendments introduced reforms to correct the early problems with patent protection.\textsuperscript{70} The new patent laws expanded protection for food, pharmaceuticals and chemicals;\textsuperscript{71} extended the duration of a patent term from fifteen to twenty years, and the term for utility models and designs from five to ten years;\textsuperscript{72} narrowed the scope of compulsory licenses;\textsuperscript{73} and made the patent system more efficient by replacing the pre-grant opposition procedure with a post-grant revocation procedure\textsuperscript{74} limited to six months during which a patent’s validity could be challenged.\textsuperscript{75}

Overall, however, the reforms did little to secure adequate

\textsuperscript{65} Sorell, supra note 49, at 321.

\textsuperscript{66} See Chen, supra note 17, at 5.

\textsuperscript{67} Id. at 321-22.

\textsuperscript{68} Yu, supra note 19, at 9.

\textsuperscript{69} Id.

\textsuperscript{70} GANEA & PATTLOCH, supra note 16, at 7.


\textsuperscript{72} Sorell, supra note 49, at 322.

\textsuperscript{73} Id.

\textsuperscript{74} Id.

\textsuperscript{75} Chen, supra note 17, at 21.
protection for intellectual property.\textsuperscript{76} For instance, intellectual property piracy continued throughout China due to weak enforcement. Ultimately, China’s desire to join the World Trade Organization (WTO) sparked more changes in the patent laws.\textsuperscript{77}

2. The Effect of Ascension to the World Trade Organization

Before joining the WTO China promised to bring its existing IP laws into closer alignment with the Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement.\textsuperscript{78} This resulted in the most recent revisions of China’s patent law on August 25, 2000 aimed at harmonizing the law with international standards and treaties.\textsuperscript{79} The revisions fell into three categories: new judicial administrative protections, upgraded application procedures, and streamlined enforcement mechanisms.\textsuperscript{80} China’s involvement in international intellectual property matters grew, and the number of patent applications filed in 2005 was more than double those filed in 2001.\textsuperscript{81} With China’s membership in the Patent Cooperation Treaty, the State Intellectual Property Office (SIPO) became an international office for filing patent applications.\textsuperscript{82} China’s current patent regime follows the laws of this second revision.\textsuperscript{83}

\begin{flushright}
\footnotesize
\textsuperscript{76} Yu, \textit{supra} note 19, at 10. After the 1992 MOU and patent law amendments, U.S. businesses continued to assail intellectual property protection in China. The U.S. government again applied economic threats and pressure including an agreement in 1995 to exchange knowledge and promote market access, and reached an accord in 1996 which reaffirmed China’s commitment to protect IPR. \textit{Id.} at 13-16.

\textsuperscript{77} \textit{Id.} at 27.


\textsuperscript{79} Sorell, \textit{supra} note 49, at 323. The new amendments came into effect on July 1, 2001. \textit{See also} Yu, \textit{supra} note 19, at 27.

\textsuperscript{80} Evans, \textit{supra} note 10, at 604.


\textsuperscript{83} \textit{See GANEA & PATTOCH, supra} note 16, at 8.
\end{flushright}
3. The Current Patent Laws

SIPO oversees the administrative procedures of patent application and issuance. The Patent Act lays out the framework for basic procedural law regarding applications, examinations, re-examinations, and invalidation. These provisions are the cornerstone of patent protection for foreign and domestic patent holders.

The Patent Act protects three kinds of “invention-creations” for which a “patent” certificate may be granted: inventions, utility models, and designs. Further definitions are not found in the Patent Act, but in the Patent Act Implementing Rules (PAIR). The PAIR define an invention as “a new technical solution relating to a product, a process or an improvement thereof.” A utility model is “any technical solution relating to the shape, the structure, or their combination, of a product which is fit for practical use.” A design is “any new aesthetic and practically applicable design of shape, pattern or combination of shape or patter, or their combination with a [color], of a product.”

Inventions and utility models must meet three requirements to receive approval for patent protection in China: novelty, inventiveness,
and practical applicability. The novelty requirement restricts patents for inventions that have been filed previously in China, have been published globally, or have been publicly used or made known in China before the filing date. Inventiveness, for inventions, requires “prominent substantive features” and “notable progress” over the state of the art at the filing date: for utility models, it requires only “substantive features” and “progress.” Practical applicability requires that the invention-creation can be repeated and excludes inventions that are confined to the natural environment, natural laws, and non-technical subject matter.

Designs must be novel, such that they are not identical or similar to existing solutions. However, designs are not substantively examined at the application stage and the question of novelty only becomes relevant in an invalidation proceeding. Novelty also requires that designs not conflict with trademark rights or copyrights.

SIPO examines patent applications and issues patents. The holder is given the right to require others to request permission to “manufacture, use, offer for sale, [sell] and import patented products; use patented processes; use, offer for sale, [sell] and import products directly obtained from a patented process; and manufacture, [sell], and import products incorporating a patented design.” Patent holders may pursue alleged infringers of these rights through administrative or civil enforcement. Administrative proceedings take place at the SIPO and are generally less formal and simpler than court proceedings. The SIPO has authority in infringement matters, invalidation proceedings, and

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95 GANEA & PATTLOCH, supra note 16, at 10.

96 Id. at 17.

97 Id. at 19. For a more specific discussion of the current standards for invention creations see id. at 10-20.

98 Id. at 20.

99 Id.

100 Id. at 22. For a more specific discussion of the current standards for designs see id. at 20-22.

101 See id. at 39-68 for a detailed description of the examination procedures.

102 Id. at 69.

103 Id. at 289.

104 Id. at 323.

105 Id. at 324.
over certain matters of public interest, such as passing off another’s patent as one’s own.\textsuperscript{107}

Patent holders may also file infringement actions in civil courts, called Intermediate People’s Courts, that have territorial jurisdiction.\textsuperscript{108} Suits may be commenced in places where infringement has occurred, including places of manufacture, use, offering for sale, sale, or importation of a patented product or where a patented process takes place.\textsuperscript{109} Criminal liability for infringers further protects the rights of patent holders.\textsuperscript{110}

\textbf{C. The Need For Patent Law Reform}

It is within the general framework of this current patent system that enforcement and protection problems continue to arise.\textsuperscript{111} Commentators have long discussed the reasons for lax intellectual property rights in China.\textsuperscript{112} From its historic dynastic cultural traditions to the radical ideas of the Communist Cultural Revolution, the Chinese legal system lags behind Western legal protection of intangible property rights in innovations.\textsuperscript{113} However, it is apparent that both domestic and foreign influences are pushing the government toward patent reform.\textsuperscript{114}

\textsuperscript{106} The second revisions to the Patent Act in 2000 made invalidation decisions of the Patent Re-examination Board (PRB) subject to review by a People’s Court. Id. at 62. The Intermediate People’s Court of Beijing No. 1 is competent to review PRB decisions in the first instance. Id. at 63; see also Jiang Zhipei, Patent Litigation in China, 9 FED. CIR. B. J. 479, 481 n. 7 (2000) (discussing the location of the SIPO and PRB within geographical limitations of the the Intermediate People’s Court of Beijing No. 1). For a description of the Chinese court system see GANEA & PATTLOCH, supra note 16, at 292-96.

\textsuperscript{107} Id. at 324; see generally id. at 321-31.

\textsuperscript{108} Id. at 293. Specifically the courts can accept matters for disputes over ownership, assignment, infringement, service inventions, pre-litigation, compulsory licenses, and administrative decisions of the SIPO. Id. at 299.

\textsuperscript{109} Id. at 301.

\textsuperscript{110} Id. at 334. For a general description of criminal law enforcement under Chinese intellectual property law see id. at 331-37.

\textsuperscript{111} See generally Bird, supra note 3, at 318-319, 333 (discussing how the lack of IPR in China threatens international competitiveness and increases piracy of intellectual assets).

\textsuperscript{112} See, e.g., Evans, supra note 10; Yu, supra note 19; Chen, supra note 17.

\textsuperscript{113} See Yu, supra note 19, at 4-5, 7, 18.

\textsuperscript{114} Compare Michael Burr, China’s IP Protections are Improving, but Enforcement Remedies Remain Weak, INSIDE COUNS., Nov. 2006, at 52, 52. (stating that the commissioner of the State Intellectual Property Office, Tian Lipu, wants to increase innovation in China) with China Gets EU Threat on Piracy, INT’L HERALD TRIB., Oct. 6, 2006, at 18, available at 2006 WLNR 17317267 (discussing sanction threats from the European Union) and Richard McGregor, Beijing Asks for More Time to Combat Piracy, FIN. TIMES, Sept. 6, 2006, at 8, available at 2006 WLNR 15456794 (discussing sanction

Globalization’s effect on Chinese companies is evident in recent changes in the perception of IPR. For example, although foreign companies continue to pursue Chinese companies that infringe on protected rights in their country of origin,\textsuperscript{115} Chinese companies have begun to fight back against attackers.\textsuperscript{116} These Chinese companies are spurring a need to understand patent rights in order to form defensive and offensive strategies.\textsuperscript{117} On the offensive side, patent applications have been on the rise in significant numbers, especially among domestic innovators.\textsuperscript{118} Finally, domestic pressures to update the patent law are apparent as more domestic patent holders pursue civil litigation against domestic infringers.\textsuperscript{119}

Additionally, foreign pressures continue to mount against the current patent law. In the past, coercion by the United States has been used as a tool to force China to improve its laws.\textsuperscript{120} Recently, both the United States and the European Union have threatened to bring investigation proceedings at the WTO to crack down on the piracy of patents.\textsuperscript{121} As early as September, 2006, the United States was considering mounting a case in the WTO attacking China’s lax IPR enforcement.\textsuperscript{122} Additionally, in October, 2006, Peter Medelson, the European Union Trade Commissioner, challenged China to “crack down on the piracy of European patents and trademarks, or it will face legal threats from the United States).\textsuperscript{122}

\textsuperscript{115} A reported one-third of all U.S. Intellectual Trade Commission cases involved Chinese companies. Mapping the Future, supra note 40, at 58.


\textsuperscript{117} See id. (“China is becoming more aggressive in protecting its IP as Chinese industry becomes more sophisticated, moving away from copying foreign products and toward innovation.”).


\textsuperscript{119} Tim Johnson, China’s Companies Going to Court to Battle Piracy, KNIGHT RIDDER WASH. BUREAU, Aug. 24, 2006, available at 2006 WLNR 14695822.

\textsuperscript{120} See Yu, supra note 19, at 28-30; Bird, supra note 3, at 329-44.

\textsuperscript{121} See China Gets EU Threat on Piracy, supra note 114, at 18; McGregor, supra note 114, at 8.

\textsuperscript{122} McGregor, supra note 114, at 8.
challenge at the World Trade Organization.\textsuperscript{123} Clearly, China’s best interest will be served by avoiding these legal challenges.

The problems in China’s patent law and patent enforcement put foreign investors at risk of misappropriation of their intellectual property assets.\textsuperscript{124} The current laws do not afford adequate protection on a variety of grounds.\textsuperscript{125} China’s rules do not bar patents already filed in another country.\textsuperscript{126} This allows domestic companies to swoop in and claim the patent right before the original inventor.\textsuperscript{127} In most other countries, publication of an application or issuance of a patent in a foreign country will bar the grant of a patent.\textsuperscript{128} The Chinese government maintains control over patent holders, irrespective of private property principles.\textsuperscript{129} The legal system lacks consistency,\textsuperscript{130} and grounds for patent invalidation are broad.\textsuperscript{131} Furthermore, traditional and communist ideas contribute to systemic inefficiencies.\textsuperscript{132}

Under the current system, the State has significant control over patent holders.\textsuperscript{133} Compulsory licenses allow the State to appropriate inventions believed to be a benefit to the public.\textsuperscript{134} As such, patent holders may not receive reasonable licensing fees and may be forced to allow others to exploit their patents.\textsuperscript{135} Further complicating the matter for patent holders is the exclusion of general scientific research and

\textsuperscript{123} See China Gets EU Threat on Piracy, supra note 114, at 18.

\textsuperscript{124} See Schiappacasse, supra note 2, at 182.

\textsuperscript{125} See id.

\textsuperscript{126} Patent Law, art. 22.

\textsuperscript{127} Notably, it is also apparent that foreign applicants could capitalize on this loophole by filing for inventions patented by third parties in other countries. Protecting Intellectual Property in China: Part I, METRO. CORP. Couns., at 29, col. 1, May 2006.


\textsuperscript{129} See Goldberg, supra note 82, at 6.

\textsuperscript{130} Zhipei, supra note 106, at 483 n. 16.


\textsuperscript{132} See supra Part II.A.

\textsuperscript{133} See Goldberg, supra note 82, at 6.


\textsuperscript{135} Goldberg, supra note 83, at 6-7.
experimentation from infringing activities.\textsuperscript{136} Inventors also face hostile laws because under the “work-for-hire” principle a patent right automatically belongs to the employer of the invention.\textsuperscript{137} Furthermore, when Chinese companies embark on joint ventures with foreign companies, any assignment of a patent to a foreigner must be approved by the State.\textsuperscript{138} However, the law does not include criteria for these approvals.\textsuperscript{139}

Deficiencies in the patent law are also apparent in infringement and invalidity proceedings. First, the decisions of the People’s Court are not citable case law,\textsuperscript{140} which has led to different infringement standards in different localities.\textsuperscript{141} Second, infringement and invalidation proceedings are bifurcated, which unnecessarily prolongs suits.\textsuperscript{142} For example, litigation in the courts must be postponed until the Patent Re-examination Board (PRB) rules on an invalidation claim.\textsuperscript{143} The PRB decisions can take up to two years to complete, and the current law lacks a provision to accelerate invalidation proceedings when litigation is pending.\textsuperscript{144}

Any person who believes a patent should not have been granted can raise issues substantially similar to the issues raised during patent examination.\textsuperscript{145} In the United States, in contrast, reexamination may only


\textsuperscript{139} Goldberg, \textit{supra} note 82, at 7.

\textsuperscript{140} Zhipei, \textit{supra} note 106, at 483 n. 16.

\textsuperscript{141} \textit{Id.} at 483.

\textsuperscript{142} \textit{Id.} at 484.

\textsuperscript{143} \textit{Id.}

\textsuperscript{144} Sun, \textit{supra} note 131, at 324-35.

\textsuperscript{145} \textit{Id.} at 287 (“Such grounds include issues relating to, inter alia, (1) novelty, inventiveness, and practical applicability; (2) enablement and written descriptions; (3) amendments that go beyond the scope of the patent applicant’s original disclosure; (4) whether the subject matter is patentable; (5) double patenting; (6) formal matters.”) (citations omitted).
raise questions that have not been previously before the examiner and are substantially new questions of patentability.\textsuperscript{146} Because the grounds invalidation are broad when compared with the United States, alleged infringers have a significant chance of defending an infringement suit, but must wait many years before a decision can be rendered.\textsuperscript{147}

In terms of cultural barriers, science and technology were not respectable professions in China until the beginning of the twentieth century.\textsuperscript{148} While Western nations saw value in the protection of intellectual property rights, the Chinese did not view technological innovation as a necessary part of cultural development.\textsuperscript{149} Widespread respect for IPR in China will require a shift in the cultural climate to value individual innovation.

Finally, the lack of legal formalism and a system that includes concerns of bias\textsuperscript{150} are major contributors to inefficiencies in patent enforcement. The United State Trade Representative reported that ineffective enforcement was related to “lack of coordination among Chinese government ministries and agencies, local protectionism and corruption, high thresholds for criminal prosecution, lack of training, and weak punishments.”\textsuperscript{151} A significant contribution to the problem is the limited resources of the courts and SIPO leaving them unable to address the wide-spread infringement of IPR.\textsuperscript{152} Correcting these inefficiencies is another reason to reform the current patent system.

2. China’s Action Plan on IPR Protection 2006

As China moves into the modern economic era, it is perched on the edge of becoming one of the world’s largest economies.\textsuperscript{153} It is estimated to pass Germany by 2010 and Japan by 2016.\textsuperscript{154} Economic growth is already apparent in the number of patent disputes in China, which in 2005

\begin{itemize}
\item \textsuperscript{146} \textit{Id.} at 310.
\item \textsuperscript{147} \textit{Id.} at 287-88.
\item \textsuperscript{148} Wang, \textit{supra} note 29, at 29; \textit{see supra} Part. II.A.
\item \textsuperscript{149} Han, \textit{supra} note 23, at 639.
\item \textsuperscript{150} \textit{Mapping the Future, supra} note 40, at 58.
\item \textsuperscript{152} Philippa Maister, \textit{How to Succeed in China: Don’t Sweat the Small Knockoffs}, \textit{LEGAL TIMES IP MAG.}, Oct. 16, 2006, at S18.
\item \textsuperscript{153} Bird, \textit{supra} note 3, at 318.
\item \textsuperscript{154} \textit{Id.}
\end{itemize}
surpassed the United States. The Action Plan is China’s first step to better protect foreign investors and domestic inventors through improved patent laws and policy. This development in intellectual property law sets China apart from other developing economies.

*The Main Goals of the Action Plan*

The Chinese government’s main goals for the Action Plan are to revise laws, regulations, rules and policies related to IPR and to raise the general public’s awareness of IPR. The Action Plan clearly states the intent to undertake major changes in the areas of trademark, copyright, patent and import and export law: “Focusing on major issues in relation with China's IPR protection efforts, the Action Plan clearly defines the [sic] China's tasks in IPR protection in 2006. It is a comprehensive, scientific and highly workable action plan with priorities, and therefore plays an important role in guiding China's IPR protection endeavor.” The Action Plan is rigorous and ambitious:

In line with the Action Plan, in 2006 China will draft, formulate and revise 17 laws, regulations, rules and measures relating to trademark, copyright, patent and customs protection, and draft, improve and revise 6 judicial interpretations. The IPR law enforcement efforts will include 7 dedicated campaigns such as the "Mountain Eagle", "Sunshine" and "Blue Sky", 8 regular enforcement initiatives and 20 specific measures. The government is going to establish a long standing mechanism constituting 12 parts, including a service center for reporting and complaining IPR violations and publicizing law enforcement statistics, and 19 specific measures. 7 approaches and 39 measures will be adopted to raise the general public's awareness of IPR protection. 21 IPR training programs will be organized under the Project of Training Thousands of IPR Personnel. The focus of IPR related international exchanges and cooperation will be on legislation, trade mark, copyright, patent and customs protection, which will be facilitated through 19 exchange and cooperation activities,

155 See CHEN & CHENG, supra note 118 (noting patent cases in China numbered 2,947 compared to 2,812 in the United States in 2005).
156 See Action Plan, supra note 6, at pmbl (stating the overall goals of the Action Plan).
157 Id.
158 Id.
out of which 7 will be between China and the US. With a view to improving enterprises' consciousness and awareness of IPR protection, 3 initiatives will be launched, including the convening of a conference on enterprises' IPR protection and proprietary innovation. 12 specific measures covering 9 areas will be put in place to better serve the right holders. Besides, countermeasure oriented research will be conducted in 5 fields to strengthen IPR protection. 159

The Main Goals for Patent Reform

The initiatives in patent reform include legislation and enforcement plans as well as training and education to services for patent holders. 160 There are three main goals for patent law reform:

(III) To draft, formulate and revise a part of laws and regulations in relation to patent protection

1. To revise the Regulations on Patent Agency in order to standardize the conduct of patent agents, safeguard the normal order of the patent agency industry, and protect the legitimate rights and interests of interested parties.


3. To shape up the proposal on the third revision of the Patent Law by widely soliciting the opinions and suggestions from relevant departments of the State Council, the business community, public institutions, universities, academic research institutes and patent agents on the basis of completing the research on the third revision. 161

In addition to changes in the patent law (Draft Amendments), the government will step up efforts to increase enforcement by establishing complaint agencies 162 and training law enforcement teams. 163 Another

[159] Id.
[160] See generally id.
[161] Id. at Pt. I(III).
[162] Id. at Pt. III(II).
[163] Id. at Pt. V(III).
significant goal includes, “[seven] approaches and [thirty-nine] measures . . . to raise the general public’s awareness of IPR protection.”\footnote{164} Finally, the government hopes to foster international respect with plans to improve international exchange and cooperation.\footnote{165} These include plans to study the patent systems of Europe and the United States, as well as dispatching envoys to U.S. law schools.\footnote{166}

While these ambitious goals may take years to complete, some initiatives are already underway.\footnote{167} The most and least effective of these proposed changes are discussed in the proceeding Part, below.

III. CHINA’S PROPOSED REFORMS IN PATENT LAW AND POLICY

A. Effective Cures from the Action Plan

The Action Plan calls for sweeping changes with a positive overall impact on the current patent system.\footnote{168} The amended patent law would benefit both domestic and foreign patent holders in China.\footnote{169} These changes would cure deficiencies in several areas including the judicial system, domestic innovation, inventors’ rights, local protection, respect for IPR, and technology transfers.\footnote{170}

1. The Judicial System

The Action Plan calls for several changes in the judicial system\footnote{171} to increase transparency in patent infringement cases.\footnote{172} The net effect is a judicial system in which foreign and domestic court analysts can see the judicial trends in intellectual property.

First, IPR related opinions from the higher courts will be published in public databases through various sources including the internet.\footnote{173} The drafters of the Action Plan envision “promoting a fair and just IPR enforcement image,”\footnote{174} through publication of decisions. In addition, the

\footnote{164}{Id. at pmbl.}
\footnote{165}{Id. at Pt. VI.}
\footnote{166}{Id. at Pt. VI(IV).}
\footnote{167}{See, e.g., Joint Submission, supra note 11 (analyzing the Draft Amendments released in July 2006).}
\footnote{168}{See Joint Submission, supra note 11, at 1-13 (discussing the positive and negative changes in the Draft Amendments to the Patent Law).}
\footnote{169}{See generally id. at 1-32.}
\footnote{170}{See generally Action Plan, supra note 6.}
\footnote{171}{Id. at Pt. I(VIII).}
\footnote{172}{Id. at Pt. III(X).}
\footnote{173}{Id.}
\footnote{174}{Id. at Pt. III(X)(1).}
Supreme People’s Court will produce a more formal publication called “China Trial” to disseminate “court verdicts and trial information on IPR cases.”\textsuperscript{175} Publication of IP verdicts will provide public disclosure of court rulings.\textsuperscript{176} This benefits patent holders by providing access to the most current outcomes in patent infringement cases. Publication creates predictability in the law. It will allow similarly situated litigants to become knowledgeable about how judges interpret the patent laws and frame legal arguments tailored to a judge’s interpretation of the laws, thus maximizing success the potential for success in litigation.

The strategic aim to create and enforce uniform interpretation of patent law is reinforced by the Action Plan’s goal “[t]o strengthen research and study, improve judicial interpretation, and solve the problems concerning law application in trials.”\textsuperscript{177} Specifically the Supreme People’s Court will rapidly and effectively draft and revise the interpretation of “Issues Concerning the Law Applicable for Determination of Patent Infringement.”\textsuperscript{178} This updated interpretation will guide lower courts decisions, bolster consistency, and solve problems with the application of law at the trial level.\textsuperscript{179}

2. Local Protection

Closely related to the enhancements in the judicial system are changes within local jurisdictions.\textsuperscript{180} The Action plan calls for “adjudicating each and every civil case in a just manner”\textsuperscript{181} and creating complaint and service centers.\textsuperscript{182} With these local improvements the government will give foreign inventors more protection at the local level.

In the broadest sense, the local initiatives promote justice and efficiency in the patent system. For example, amended Article A10 grants the right of alleged infringers that are sued in bad faith to receive compensation from the accuser.\textsuperscript{183} This gives the local court some

\begin{footnotes}
\item[175] Id. at Pt. III(X)(3).
\item[176] Id. at Pt. III(X).
\item[177] Id. at Pt. I(VIII).
\item[178] Id. at Pt. I(VIII)(1)(1).
\item[179] See id. at Pt. I(VIII) (laying out the changes in legislation that will “solve outstanding problems of law application in trials”).
\item[180] See id. at Part III for a complete list of plans related to institutional building, advocacy, and training and education at the local level of government.
\item[181] Id. at Pt. II(II)(8)(2) (emphasis added).
\item[182] Id. at Pt. III(II).
\item[183] Joint Submission, supra note 11, at 10, 61.
\end{footnotes}
authority to recognize a defense of invalidation.\textsuperscript{184} Because the Chinese patent system is currently bifurcated\textsuperscript{185} only the PRB has authority to invalidate patents.\textsuperscript{186} As amended, the new law would allow the trial court to decide whether the alleged infringer is merely manufacturing what is in the public domain.\textsuperscript{187} The law creates disincentives for accusers to bring suit for a patent that they have reason to believe is invalid, or is in the public domain. Thus, plaintiffs will be less likely to opportunistically sue an accused infringer with the hope that the trial court will find infringement without the authority to find the patent invalid.\textsuperscript{188}

The Action Plan also directs the government to “set up complaint and service centers where people’s governments for the provinces, autonomous regions, and municipalities directly under central administration locate as well as other important cities, for better supervision of the proceedings of relevant cases.”\textsuperscript{189} These local reporting centers for foreign companies will help curb protectionism and favoritism.\textsuperscript{190} Local officials had established fifty centers by August, 2006,\textsuperscript{191} with praise from Chinese patent attorneys who claim the centers help foreign companies make clear complaints to officials.\textsuperscript{192}

These initiatives not only signal government oversight to prevent protectionism\textsuperscript{193} but also give foreign companies added strength to safeguard IPR and respond effectively to infringers.\textsuperscript{194} Local officials accountable for the complaints received through the centers cannot ignore IPR abuses. Indeed, Yao Guanghai, Deputy Secretary-General of the

\begin{itemize}
  \item \textsuperscript{184} See generally Joint Submission, supra note 11, at 61-62. In the United States a patent may be invalidated for a variety of reasons including lack of novelty, obviousness, and inequitable conduct on the patentee. 35 U.S.C. §§ 100 et seq. (2000 & Supp. IV 2004).
  \item \textsuperscript{185} Zhipei, supra note 106, at 483-84; see also Part IV(B), supra; Joint Submission, supra note 11, at 61.
  \item \textsuperscript{186} Joint Submission, supra note 11, at 61-62.
  \item \textsuperscript{187} Id.
  \item \textsuperscript{188} For a discussion on the trial court’s inability to find a patent invalid see Zhipei, supra note 106, at 483-84, and GANE & PATTLOCH, supra note 16, at 292-96.
  \item \textsuperscript{189} Action Plan, supra note 6, at Pt. III(II).
  \item \textsuperscript{191} Id.
  \item \textsuperscript{192} Id.
  \item \textsuperscript{193} See McGregor, supra note 39, at 6.
  \item \textsuperscript{194} Liu Li, supra note 190.
\end{itemize}
national IPR protection office, claimed, “[t]he centres will help law enforcement authorities strike hard against IPR violations.”

3. Inventors’ Rights

In addition to changes at the local level, national features of the Action Plan strengthen foreign and domestic inventors’ rights. To begin, the Draft Amendments outline a standard approach to infringement. Amended Articles 22-24 and added Articles A7-A9 define the doctrines of equivalents, estoppel, and prior art. Such codified definitions put inventors on notice of how they will fare in court by explicitly stating what a patent covers and what is patentable.

Moreover, with respect to prior art, public disclosure anywhere in the world is a complete bar to a patent application. The current patent law only bars patents for disclosure in China. Removal of this geographic restriction brings China in line with global practice. Neither domestic nor foreign opportunists will be able to take advantage of the law by pursuing applications for inventions patented in other countries but yet undisclosed in China.

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195 Id.

196 Mapping the Future, supra note 40, at 58 (noting that the Draft Amendments establish laws addressing the doctrine of equivalents, estoppel and prior art); see generally Joint Submission, supra note 11, 8-9, 24-25 (Draft Amendments to arts. 22-24, A7-A9).

197 See Joint Submission, supra note 11, at 24-25 (Draft Amendments arts. A7-A8 defining the doctrine of equivalents). The doctrine of equivalents allows a court to find infringement of a patented device when the accused device is outside of the exact language of the claims, sometimes called non-textual infringement. See also Warner-Jenkinson Company, Inc. v. Hilton Davis Chemical Co., 520 U.S. 17 (1997). For a complete discussion on the doctrine of equivalents and related cases in the United States see ADELMAN ET AL., supra note 49, at 776-842.


200 See Joint Submission, supra note 11, at 5, 27-29 (discussing amendments to art. 22).

201 Id. at 28.

202 Id.
Additionally, because the Draft Amendments cover the doctrine of equivalents, more products will potentially be considered infringing. Defendants will not easily escape liability for minor changes in inventions. Courts may find that an accused infringer who inserts a minor change into an existing patent infringes under the doctrine of equivalents, notwithstanding the textual patent claims. Furthermore, once a patentee surrenders the scope of protection by “written amendments or observations,” he cannot later claim infringement of the surrendered subject matter. Patentees accountable under this amendment cannot disclaim an intellectual property right to receive a patent and then later subsequently seek protection from others who seek to profit from the declaimed right.

4. Technology Transfers

The added protection to foreign inventors is likely to bolster technology transfers. First, foreign companies will be more apt to invest in a market knowing that their products are secure from piracy. As discussed above, these companies need not worry about Chinese firms pirating their inventions and filing patents because disclosure anywhere in the world bars patent applications under the Draft Amendments.

Additional support for technology transfers comes in the Draft Amendment to Article 10. Foreigners will no longer be required to get government approval to receive an assignment of a patent. Investors will more easily be able to secure patent protection and may more readily transfer technology to research and development centers in China. These technology transfers will stimulate economic development.

5. Domestic Innovation

In order to stimulate the domestic economy the Action Plan calls for “[a] step up [in] IPR protection and encourage[ment of] independent

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203 See id. at 10, 58-60 (discussing amendments to art. A7).
204 Id. at 59.
205 Id. at 25 (Draft Amendment to art. A9).
206 Burr, supra note 114, at 52, col. 1.
207 See Joint Submission, supra note 11, at 5, 27-29.
208 Joint Submission, supra note 11, at 3-4, 19-20 (discussing Draft Amendment to art. 10).
209 Id.
210 See id. at 20 (noting that both central and local Chinese governments offer tax incentives to foreign corporations to create research and development centers in China).
211 Schiappacasse, supra note 2, at 172 n. 62.
innovation through the patent regime, thereby serving the needs of economic restructuring and the transformation in the approach for economic growth."\textsuperscript{212} The economic benefits and protections flowing from the Draft Amendments and policies will stimulate Chinese companies to pursue patent rights.

First, domestic economic benefits will encourage innovation among Chinese inventors. The government currently retains all rights for projects it funds.\textsuperscript{213} The Draft Amendments allow inventors, companies or other entities funded by the government the right to file for a patent.\textsuperscript{214} Vesting patent rights in private firms or individuals encourages competition among them. In turn, competition motivates technological advances and patent enforcement.\textsuperscript{215}

Second, domestic patent holders will want to acquire strong rights to protect their innovations. The same rights that protect foreign inventors, discussed above will be available to domestic inventors. Chinese companies have already begun to defend their patent rights in the United States,\textsuperscript{216} and there is no indication that Chinese companies will not also protect their rights in China.\textsuperscript{217} Additionally, as Chinese companies capitalize on their patent rights they will have leverage in licensing and investment.\textsuperscript{218} Overall the increased protections afforded to domestic inventors improve Chinese companies’ ability to compete in U.S. and foreign markets.\textsuperscript{219}\textsuperscript{219}

Third, the Action Plan includes a patent data search system for information technology,\textsuperscript{220} and the National Intellectual Property Office Government Portal Website.\textsuperscript{221} The Action Plan defines the role of the

\begin{itemize}
\item \textsuperscript{212} \textit{Action Plan}, supra note 6, at Pt. II(II)(6).
\item \textsuperscript{214} \textit{Joint Submission, supra} note 11, at 4, 21-22 (discussing Draft Amendment to art. 14).
\item \textsuperscript{215} \textit{See Joint Submission, supra} note 11, at 22 (comparing Draft Amendment to art. 14 with the Bayh-Dole Act of the United States and suggesting that vesting patent rights in entities funded by the government will lead to commercially successful products).
\item \textsuperscript{216} \textit{Chinese Companies Taking Patent Battles to US Courts, STRAITS TIMES} (Sing.), Oct. 4, 2006, available at 2006 WLNR 18395789.
\item \textsuperscript{217} \textit{Mapping the Future, supra} note 40, at 58.
\item \textsuperscript{218} \textit{Id.}
\item \textsuperscript{219} \textit{Id.}
\item \textsuperscript{220} \textit{Action Plan, supra} note 6, at Pt. VIII(I).
\item \textsuperscript{221} \textit{Id.} at Pt. VIII(VI). 
\end{itemize}
website: “[b]y setting up such a portal website, to further improve the quality of information service provided by the Intellectual Property Offices for the general public, and to play a more positive role in strengthening the protection over patent application, and promoting the popularization of patented technologies.” A sufficient search system will provide inventors with the adequate information to prepare patent applications. The ease of the system will benefit those who seek to invent because they can see whether anyone else has patented the device with an online search.

6. Deference to IPR

Finally, the Action Plan introduces policy initiatives that will facilitate the spread of popular recognition of IPR. The initiatives come in the form of enforcement regulations and education. First, the local IPR reporting and complaint centers for domestic and foreign innovators will encourage Chinese inventors to report IPR violations to protect their own patents. Moreover, infringers will be discouraged by the transparent reporting mechanisms. Infringers may be more apt to secure their own rights by designing around a patent instead of infringing an existing device.

Second, government-focused education of judges, attorneys, business people, and local citizens will enable a change of attitude towards IPR within China. The success of these programs rests on widespread advocacy and education in IPR. Not only will those directly involved in IPR receive education, but education will trickle down into the communities and schools. The investment in all parts of the country will bolster deference to the new law and respond to critics who chide China for a lack of “fundamental development[s]” in education.

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222 Id. at Pt. VIII(VI)(3).
224 Id. at Pts. II, V.
225 Liu Li, supra note 190.
226 Action Plan, supra note 6, at Pt. V.
227 Id. at Pts. V(II), (III).
228 Id. at Pt. V(IV).
229 See Willard, supra note 27, at 412, 436 (suggesting that a major impediment to IPR in China is the lack of education on the need to protect IPR); Evans, supra note 10, at 616 (criticizing the lack of an educated judicial and patent professional workforce in China).
B. Deficiencies in the Draft Amendments to the Patent Law

The Draft Amendments and proposed policy changes significantly improve some areas of the current patent system. However, deficiencies remaining in the Draft Amendments must be addressed by the government for a strong and sufficient patent system to take hold. The sections below analyze the impact of major deficiencies and possible ways to correct them in the future.

1. Unnecessary Government Control

The government of China still retains a hand in many aspects of the law, which reveals the state’s unwillingness to completely recognize private property.\(^{230}\) The retention of government oversight in private property falls to both domestic and foreign inventors who do not receive the benefits of exclusive property rights.\(^{231}\) For example, both foreign and domestic inventors are subject to compulsory licenses. Additionally foreign applicants must use government approved patent agencies, and domestic employee-inventors must give ownership rights to their employers.

The Draft Amendments do not eliminate compulsory licenses,\(^{232}\) although amended Article 48 restricts the granting of compulsory licenses only “after the expiration of three years from the grant of the patent right, [and the patentee] has not exploited the patent or has not sufficiently exploited the patent without any justified reason.”\(^{233}\) Compulsory licenses run contrary to the idea of private property.\(^{234}\) It is not inconceivable that inventors may not have the means to exploit a patent in China for three years. It is also impracticable. A stark example is a foreign inventor who files a patent application in China at the same time he files a patent in his home country.\(^{235}\) Under this scenario, the inventor may not have the funding to exploit the patent in China because the invention may not become commercially successful in his home country before three years.

\(^{230}\) Cf. Yu, supra note 19, at 7 (discussing changes in the late 1980s that allowed Chinese citizens some private property rights, but retaining the overall concept of communal property).

\(^{231}\) See, e.g., Joint Submission, supra note 11, at 6, 8, 17-21 (Draft Amendments to arts. 16, 19, 22, 48-50, 55, A3).

\(^{232}\) Id. at 9, 51-56 (discussing Draft Amendments to arts. 48-50, 55, A3).

\(^{233}\) Id. at 17-18.

\(^{234}\) Id. at 54 (acknowledging that art. 48 is inimical to exclusive patent rights and suggesting that art. 48 should be eliminated altogether).

\(^{235}\) A foreign inventor would have to file in this sequence because a foreign disclosure, or patent application, would be a complete bar to a patent in China. See id. at 8 (Draft Amendment to art. 22); supra Part II.A.3.
Only the elimination of compulsory licenses would be fully consistent with the idea of private property rights in patents.\(^{236}\)

Foreign applicants are also at the will of the State when they choose to file a patent in China because they must appoint a government-approved patent agency.\(^{237}\) Article 3 of TRIPS requires national treatment, which means China cannot treat foreign applicants “less favourable than . . . its own nationals.”\(^{238}\) The patent agency requirement in Article 19 of the Draft Amendment treats foreign inventors less favourably because they have a burden to use approved patent agencies while domestic inventors do not.\(^{239}\) Therefore, Retaining this requirement is arguably inconsistent with Article 3 of TRIPS because domestic inventors do not have the same requirement.\(^{240}\) Moreover, eliminating the requirement for foreign applicants may encourage patent applications because foreign applicants directly filing applications themselves will reduce transaction costs. Eliminating the requirement for foreign applicants may encourage patent applications because foreign applicants directly filing applications themselves will reduce transaction costs.

The Draft Amendments leave domestic inventors in the same position with respect to service inventions.\(^{241}\) Any invention made by an employee while in the service of his employer is a service invention.\(^{242}\) Employers maintain the ownership right to these inventions.\(^{243}\) Left unchanged is the law that requires “reasonable” compensation for service inventions, but does not allow inventors to freely negotiate with the employers.\(^{244}\) Scholars doubt the productivity of this system because employee-inventors may not communicate with each other when the compensation must be shared.\(^{245}\) If the law were changed to allow employers and employees to negotiate, the individual contributions of the inventors could be considered for a justifiable compensation scheme.

\(^{236}\) It should also be noted that the Draft Amendments to arts. 49, 51, and A3 bring the Patent Law in line with arts. 30 and 31 of TRIPS. \textit{Id.} at 55.

\(^{237}\) \textit{Id.} at 4, 23-25 (discussing Draft Amendment to art. 19).

\(^{238}\) TRIPS, art. 3

\(^{239}\) \textit{Id.}

\(^{240}\) \textit{Id.} at 24.

\(^{241}\) \textit{Id.} at 4, 22-23 (discussing Draft Amendment to art. 16).

\(^{242}\) \textit{GANEA \\& PATTLOCH, supra} note 16, at 35-37.

\(^{243}\) \textit{Id.}

\(^{244}\) \textit{Id.} at 22-23.

\(^{245}\) \textit{Id.} at 23.
2. Lack of a Centralized Patent Appeals Court

Conspicuously absent from the Draft Amendments and Action Plan is the establishment of a single national court for patent appeals.\textsuperscript{246} Such a court would set precedent for lower courts on how to conduct infringement cases.\textsuperscript{247} Consistent rules that must be applied in patent cases of first instance in the local courts and in administrative proceedings in front of the PRB ensure uniform and predictable outcomes.\textsuperscript{248} The current judicial nature is unpredictable because judges are often influenced by local citizens.\textsuperscript{249} Additionally, local courts are less favorable to foreigners who assert their patent rights.\textsuperscript{250} A patent appeals court similar to the U.S. Court of Appeals for the Federal Circuit\textsuperscript{251} will enable foreigners to be protected by the standard application of the law, void of local favoritism.

3. Deficient Administrative Procedures

The Draft Amendments leave glaring gaps in administrative procedures as well.\textsuperscript{252} These gaps create deficiencies in IPR protections. For example, for inventions made in China, the applicant must first file the application in China.\textsuperscript{253} If the applicant files first in a foreign country, then a patent in China is automatically refused.\textsuperscript{254} The globalization of

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\textsuperscript{246} Id. at 12, 79-80 (discussing Researching Guide § 2.3.6 and the lack of an IPR Court of Appeals).


\textsuperscript{248} See Molly Mosely-Goren, Jurisdictional Gerrymandering? Responding to Holmes Group v. Vornado Air Circulation Systems, 36 J. MARSHALL L. REV. 31-34. (2002) Ms. Mosely-Goren argues that uniformity in the patent system, and hence predictability, will be lost when regional circuit courts of appeals and state courts decide patent disputes. In the United States, the Supreme Court limited the jurisdiction of the United States Court of Appeals for the Federal Circuit, the sole patent appeals court, in cases where patent infringement was raised as a counter-claim. Likewise, without a uniform patent appeals system predictability will be lost in the Chinese patent system.

\textsuperscript{249} Mapping the Future, supra note 40, at 58.

\textsuperscript{250} Id.

\textsuperscript{251} For an overview of the U.S. Court of Appeals for the Federal Circuit see http://fedcir.gov/index.html and related material therein.

\textsuperscript{252} See generally Joint Submission, supra note 11, at 4-5 (discussing concerns remaining in the administrative patent procedures).

\textsuperscript{253} Joint Submission, supra note 11, at 4, 25-27 (discussing Draft Amendment to arts. 20, 64); see also Mapping the Future, supra note 40, at 58.

\textsuperscript{254} Joint Submission, supra note 11, app. at 30 (Draft Amendment to art. 64).
research and development combined with multiple-inventor teams subject to laws of different countries creates an untenable situation.\textsuperscript{255} Such teams may be subject to the laws of two nations when the invention is partly made in China and partly made in another country.\textsuperscript{256} One possible solution to conflicts between legal system would be to eliminate the China-first requirement altogether for foreign applicants. However, a government working to protect state secrets may find this unwelcoming. A more moderate solution would allow applicants to file a waiver when compliance requirements are inconsistent with those of another country.\textsuperscript{257}

Further, the novelty bar for inventions is broad\textsuperscript{258} and may exclude viable innovations from being patented. As drafted, Article 22 defines prior art as “any technology known to the public by way of public disclosure in publications, public use or any other means in the country or abroad, before the date of filing.”\textsuperscript{259} The use of the term “any other means can be broadly interpreted to include a wide variety of prior art.\textsuperscript{260} Inventions that are otherwise novel under other countries’ patent laws may be excluded in China.\textsuperscript{261} For example, the United States expressly limits and defines prior art.\textsuperscript{262} Therefore, an invention may be novel in the United States, but not under the narrower standards in China. A simple solution would be to remove ambiguity in the definition of prior art by eliminating “any other means” and including specific means of disclosure.\textsuperscript{263}

4. Continuing Enforcement Issues

Finally, deficiencies in the Action Plan and Draft Amendments present continued enforcement issues that may stunt the full potential of the new patent laws. The idea of communal property is a part of Chinese

\textsuperscript{255} See id. at 26.
\textsuperscript{256} Id.
\textsuperscript{257} Id. at 26-27.
\textsuperscript{258} Id. at 5, 27-29 (discussing Draft Amendment to art. 22).
\textsuperscript{259} Id. at app. at 8 (Draft Amendment to art. 22).
\textsuperscript{260} Id. at 27-29 (discussingDraft Amendment to art. 22).
\textsuperscript{261} See id.
\textsuperscript{262} 35 U.S.C. § 102(b) (2000) (“A person shall be entitled to a patent unless…the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States.”).
\textsuperscript{263} See Joint Submission, supra note 11, at 28-29 (suggesting the drafters of the new patent law look to the European Union and the United States to improve the language of article 22).
culture that dates from the teachings of Confucianism and Taoism\textsuperscript{264} through the birth of Communism.\textsuperscript{265} Delegitimizing the idea of public property and instilling the protection of private property will take great resources and social will.\textsuperscript{266} Financial resources from the government for local education and enforcement procedures are limited.\textsuperscript{267} Therefore, education plans are likely to take great lengths of time to be fully realized, and it may well be years before Chinese citizens give full recognition to IPR.

Moreover, the Draft Amendments fall short of completely discouraging well-financed infringers. Maximum statutory damages only doubled to one million yuan ($130,000),\textsuperscript{268} and infringers often continue illegal operations even after assessment of damages.\textsuperscript{269} In addition the period for damages recovery is only two years\textsuperscript{270} compared to six years in the United States.\textsuperscript{271} Patent holders may also lose their right to sue and an implied license may be granted to infringers after five years if the patent holder acquiesces to the infringement.\textsuperscript{272}

Such harsh conditions may discourage patent holders from suing if the cost outweighs the benefits. A substantial increase in statutory damages would have the dual result of encouraging patent holders to enforce their rights and deterring potential infringers.\textsuperscript{273} On the one hand, the cost of litigation, especially for foreign patent holders, may be more than the current maximum statutory damages. A sharp rise in maximum recoverable damages may balance the litigation costs of protecting patent rights. On the other hand, even well-financed infringers may find that the

\textsuperscript{264} Schiappacasse, supra note 2, at 176; see also supra Part II.A n. 15.

\textsuperscript{265} Willard, supra note 27, at 417; see also supra Part II.A nn. 28-29.

\textsuperscript{266} See Mapping the Future, supra note 40, at 58.

\textsuperscript{267} Id.

\textsuperscript{268} Joint Submission, supra note 11, at 11, 64-65 (discussing Draft Amendment to art. 60).

\textsuperscript{269} Willard, supra note 27, at 430.

\textsuperscript{270} Joint Submission, supra note 11, at 11, 65-69 (discussing Draft Amendment to arts. 62, A13).


\textsuperscript{272} Joint Submission, supra note 11, at 11, 65-69 (discussing Draft Amendment to arts. 62, A13).

\textsuperscript{273} Cf. Maureen A. O’Rourke, Rethinking Remedies at the Intersection of Intellectual Property and Contract: Toward a Unified Body of Law, 82 IOWA L. REV. 1137, 1150 (1997) (suggesting that the statutory remedies available in U.S. intellectual property law encourage owners to enforce their rights by enhancing the value of intellectual property rights).
possibility of a high damages judgment would hurt the profitability of the pirating scheme.

One last enforcement issue focuses on defenses and exceptions for infringement. The Draft Amendments leave broad defenses and exceptions and may result in abuses by infringers. 274 First, the Draft Amendment to Article 63(1) states, “[w]here, after the sale of a patented product that was made or imported by the patentee or with the authorization of the patentee, or of a product that was directly obtained by using the patented process, any other person uses, offers to sell, sells or imports that product.” 275 This language creates the opportunity for a patent holder in China to illegally manufacturer a device outside of China then import it for sale in China. This would be legal under Article 63(1), 276 but may encourage piracy outside China. A possible solution would be to limit the amendment to exports from nations only where the product was legally produced. 277

Furthermore, Draft Amendment to Article 63(4) provides, “[w]here any person manufactures, uses or imports a patented product or uses a patented process solely for the purposes of scientific research and experimentation on the patent technology per se, and any person manufactures, imports or sells a patented product to the said person.” 278 This Article epitomizes the need to correct ambiguities in the Draft Amendments. The final clause is overbroad and may be subject to abuse. 279 A manufacturer could possibly make a business selling patented products to the scientific community or as a front for illegal sales. This provision should be eliminated, and in cases where a scientist needs a patented product for experimentation he should obtain it from an authorized manufacturer.

IV. CONCLUSION

Overall, the most effective portions of the Action Plan make many of China’s legal rules and policies consistent with the Western patent system. The government’s choice to educate citizens from top level

274 Joint Submission, supra note 11, at 11, 69-71 (discussing Draft Amendment to art. 63).

275 Id. at 29 (Draft Amendment to art. 63) (emphasis original in amended language).

276 Id. at 70.

277 Id.

278 Id. at 29 (Draft Amendment to art. 63) (the entire section (4) is added language).

279 Id. at 70.
officials to local school children signifies the growing deference to IPR because a wider range of society has begun to appreciate the need and benefit of strong IPR. However, many deficiencies will remain even if the Action Plan is fully realized. While both foreign and domestic inventors will be encouraged to seek and enforce patent rights, would-be infringers will not be completely deterred by the new laws.

The People’s Republic of China recognizes the need to improve its protection of intellectual property rights to move itself forward as a developed nation. Largely, the proposed amendments to the patent law bring China one step forward to becoming a major center of intellectual property growth. With a more unified and transparent legal system, both domestic and foreign patent holders will enjoy more security in IPR. Domestic and foreign inventors will have more rights and protections that will encourage domestic innovation and foreign investment. Foreign companies, from those based in the United States to Japan, have increasingly invested the time and money to secure patent rights in China. The lasting effect will fuel and sustain economic growth in China.

As China grows as an economic superpower future changes in patent law should enhance IPR protections and correct deficiencies in the proposed amendments. The solution does not need to be immediate. Given the limited time that China has fully participated in the modern global economy, the proposed patent amendments fall short of complete adequate protection, but continued improvements will bring more security to foreign and domestic applicants.

280 See Action Plan, supra note 6, at pmbl.

281 See Joint Submission, supra note 11, at 1-13.


283 See Mapping the Future, supra note 40, at 58.