

PIPLA NEWS

The official newsletter of the Pittsburgh Intellectual Property Law Association

JANUARY LUNCH MEETING & CLE

Wednesday, January 21, 2015

The Duquesne Club – Walnut Room, 4th Floor
323 Sixth Avenue
Pittsburgh, PA 15222
Phone: 412-391-1500

Time: Noon

Choose From Pre-Selected Menu Options:

#1 Broiled Fillets of Virginia Spots, English Style

#2 Broiled Tenderloin Steak, Bernaise Sauce

A vegetarian plate is available; request with payment.

Payment Required - \$40-Lunch / \$20-CLE. Check payable to PIPLA. Mail to:

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OR Paypal via website: www.piplaonline.org. Please RSVP by January 16; late RSVPs contingent upon seating/meal availability with an additional \$20 fee.

Speaker: Donald R. Dunner of Finnegan, Henderson, Farabow, Garrett & Dunner, LLP, Washington, D.C.

The title of Mr. Dunner's talk will be "*What Has Been Happening at the Supreme Court and the Federal Circuit on the IP Front – The Year in Review.*"

Donald Dunner has worked in all phases of patent law, including prosecution, licensing, litigation, validity and infringement studies, and counseling. He has vast technical experience in chemical engineering, chemistry, biotechnology, and pharmaceuticals.



Mr. Dunner has litigated numerous cases in the federal district courts and is best known for appellate practice before the U.S. Court of Appeals for the Federal Circuit and its predecessor court, the U.S. Court of Customs and Patent Appeals. He has had significant success overturning jury and other verdicts handed down by lower district courts, and has earned the reputation of being one of the finest litigators in the country. The New York Times reported that he has argued more Federal Circuit cases than any other litigator in the United States.

Mr. Dunner served as chairman of the Advisory Committee to the U.S. Court of Appeals for the Federal Circuit for the first ten years of the Court's existence and participated in the drafting of the Court's rules (1982-1992).

Highlights

- Argued more than 165 appeals before the Federal Circuit.
- Most notable cases include the complete reversal of \$80 million jury verdict for Mattel's Hot Wheels™ toys and the successful argument of the second largest (\$290 million) patent verdict sustained on appeal in *i4i v. Microsoft*.

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U.S. BAR/EPO LIAISON COUNCIL MEETING

In late October 2014, representatives from the EPO and US patent associations, including PIPLA, met in Washington D.C. to discuss topics of common interest. An overview of these topics was presented by the EPO President Benoît Battistelli. The slides for that presentation are attached to this newsletter.

Jim Porcelli attended the meeting on behalf of PIPLA.

UNDERSTAND THE PATENT SYSTEM IN CHINA

Reking Chen, Chinese Attorney

China is a late developer in the intellectual property field. The first Patent Law of the People's Republic of China (the "Patent Law"), which paved the way for a national patent system in China, was enacted by the Standing Committee of the National People's Congress on March 12, 1984, and became effective on April 1, 1985. Since then, the Chinese patent law has powered ahead. According to the statistics released by World Intellectual Property Organization, the number of patents filed in China reached 526,412 in 2011, causing China to overtake the United States and for the first time become the world's largest patent filing country¹.

In the past 30 years, China has made three amendments to the Patent Law. The current Patent Law was last amended by the Standing Committee of the National People's Congress on December 27, 2008, and became effective on October 1, 2009. Along with the amendments of other IP laws, the Patent Law is now pending the fourth amendment.

On the other hand, as an emergent market, China has also become an important battleground for multinational corporations for many years. Numerous patent infringement disputes, such as the global patent dispute between Nokia and Qualcomm which ended in 2008, and ZTE and Ericsson lawsuits relating to patent infringement

and GSM, 4G, and WCDMA technologies in 2011, were decided in China. To prevail in this unique market, it is very important to understand the Chinese patent system and further obtain effective protection from the system.

I. **Outline of National Patent Procedure**

A. Filing

All Chinese patent applications must be filed with the State Intellectual Property Office ("SIPO") in Beijing, as SIPO is the sole governmental agency authorized to accept patent applications in China. Moreover, all patent applications owned by non-Chinese entity or individual must be filed through a Chinese registered patent agent as required by Article 19 of the Patent Law.

B. Types of Patent Rights and Filing Procedures

Under the current Patent Law, the following three types of patents are accepted in China: inventions, utility models, and designs². Article 22 of the Patent Law sets further conditions that the inventions and utility models shall be of novelty, creativity and practical applicability. Designs are only required to be of novelty and creativity. Practical applicability is not a prerequisite for designs.

1. Invention

Inventions refer to new technical solution proposed for a product, a process or the improvement thereof. According to the Patent Law, an invention patent shall be novel, creative, and of practical applicability. As examples, the Patent Law provides the following items as not patentable³:

- a. Scientific discoveries;
- b. Rules and methods for mental activities;
- c. Methods for the diagnosis or treatment of disease;

¹ *World Intellectual Property Indicators 2012*, World Intellectual Property Organization (December 2012), http://www.wipo.int/export/sites/www/freepublications/en/intproperty/941/wipo_pub_941_2012.pdf

² The Patent Law, art. 2.

³ *Id.*, art. 25.

- d. Animal and plant varieties (processes used in producing animal and plant varieties are patentable);
- e. Substances obtained by means of nuclear transformation; and
- f. A design that is used primarily for the identification of pattern, color, or the combination of the two on flat printed works.

If an invention patent application successfully passes the preliminary examination, SIPO will publish the application in 18 months from the application date. It is possible to expedite the publication by submitting a written request⁴. The applicant is then required to apply for a substantial examination with SIPO within three years of the application date. Failure to file such application within the prescribed time limit, without a legitimate ground, is regarded as withdrawal of the application. At its discretion, SIPO can also conduct a substantial examination *ex officio*⁵, in which case SIPO will notify the applicant in accordance with Article 50 of the Implementation Rules of the Patent Law of the PRC (“Implementation Rules”)⁶.

An invention patent application can be rejected after the substantial examination based on any of the following grounds⁷:

- a. It is in violation of any law or social ethic, or hinders public interest;
- b. It is accomplished by relying on the genetic resources that are obtained or utilized in violation of any law;
- c. It does not qualify as a patentable invention as described above;
- d. It falls within any of the non-patentable subject matters as described above;

- e. The applicant applied for a utility model patent for the same invention on the same date, and such utility model patent has been granted, and it is still valid (this ground can be overcome by declaring renunciation of the utility model patent);
- f. With respect to inventions accomplished in China, the applicant has filed the same invention in a foreign country without undergoing the confidentiality examination with the State Council of the PRC;
- g. There is deficiency in the Description or Claim of the invention;
- h. With respect to inventions accomplished by relying on genetic resources, the applicant fails to state the direct source and original source of such genetic resources, and no legitimate reason is provided for not making the statement;
- i. It violates the unity requirement of the invention;
- j. The amendment or the divisional application exceeds the scope specified in the Description or the Claim.

If no ground for rejection is found during the substantial examination, SIPO will grant the patent, issue a patent certificate, and publish the invention in the Patent Gazette⁸.

The time for grant varies from 2-4 years, depending upon the time taken to request substantive examination. It could take 7 or 8 years or even longer, if appeals are required to overcome an official rejection.

2. Utility Models

In addition to invention patents, the Patent Law also provides for utility model protection. Article 2 of the Patent Law states that: “Utility model” shall mean, with respect to a product, new technical solutions proposed for the shape, structure, or combination thereof, which are fit for practical application. It

⁴ *Id.*, art. 34.

⁵ *Id.*, art. 35.

⁶ Issued by the State Council of the PRC on June 15, 2001, and last amended January 9, 2010.

⁷ The Implementation Rules, art. 53.

⁸ The Patent Law, art. 39.

does not protect methods of production or chemical compounds. Similar to an invention patent, a utility model patent is required to be novel, creative, and of practical applicability⁹.

In contrast to invention patents, SIPO does not conduct substantial examination of utility model applications. If no reason for rejection is found during the preliminary examination, SIPO will grant the utility model, issue the patent certificate, and arrange for publication in around 1 year from the filing date. Protection takes effect from the date of publication.

After grant, utility models are enforced in the same way as invention patents. However, its duration is only ten years. In addition, as an unexamined right, a utility model is more likely to be challenged for not being novel and or inventive.

3. Design Patent

Design patent is another type of patent provided for under the current Patent Law. Article 2 of the Patent Law states that: "Design" shall mean, with respect to a product, new designs for the shape, pattern, combination thereof, or combination of color with shape and pattern, which create an aesthetic feeling and are fit for industrial application. In contrast to invention patents and utility models which are required to be novel, creative, and of practical applicability, a design patent is required only to be novel and creative.

SIPO does not conduct substantial examinations of design patent applications. If no ground for rejection is found during the preliminary examination, SIPO will grant the design patent, issue the patent certificate, and arrange for publication in around 6-12 months from the filing date. Protection of a design patent takes effect from the date of publication.

C. Rejection and Re-examination

SIPO may reject a utility model or design patent application based on procedural issues, and reject an invention patent application either for procedural issues or any substantial ground listed above. In

⁹ *Id.*, art. 22.

any case, SIPO shall notify the applicant to submit arguments on the intended ground of rejection or to rectify the application wherever deemed necessary. Failure to respond within the prescribed time shall be deemed as withdrawal of application. If SIPO considers that the submission/s or amendment/s made by the applicant does/do not satisfy the statutory requirements for granting a patent, it will reject the application¹⁰.

Within three months of receiving the rejection, the applicant is entitled to apply for a re-examination by the Patent Review and Adjudication Board ("PRAB")¹¹. If the request meets the formal requirements for a re-examination request, PRAB will send a copy of the request to SIPO for it to reconsider its original rejection. If SIPO agrees with the request, PRAB will issue a decision revoking SIPO's rejection, and order SIPO to resume examination of the patent application¹². Otherwise, PRAB will proceed with the re-examination.

During the re-examination, if PRAB intends to uphold SIPO's rejection, PRAB would notify the applicant and ask the applicant to submit arguments. Failure to file arguments within the prescribed time would be deemed as withdrawal of the re-examination request¹³. Upon reviewing the applicant's arguments, if PRAB believes the grounds for rejection remain, it will reject the patent application. The applicant is then entitled to file a court appeal within three months from receiving the rejection decision¹⁴.

II. Enforcement

A. Acts of Infringement

Article 11 of the Patent Law serves as a general provision for acts of infringement. Under this article, the following acts, for production or business purposes, are considered infringements to inventions and utility models:

¹⁰ *Id.*, art. 38.

¹¹ *Id.*, art. 41.

¹² The Implementation Rules, art. 62.

¹³ *Id.*, art. 63.

¹⁴ The Patent Law, art. 41.

1. To produce, use, offer to sell, sell, or import the patented product;
2. To use the patented process; or
3. To use, offer to sell, sell, or import the product directly obtained from the patented process.

Regarding design patents, to make, offer to sell, sell, or import the product incorporating other's patented design, for production or business purposes, would be considered as infringing acts¹⁵.

Article 63 of the Patent Law further provides that patent counterfeiting shall be subject to civil liabilities, administrative penalties, and criminal charges. The following actions are defined as counterfeiting of patents¹⁶:

1. To label a patent mark on a product which has not been granted a patent or on the package thereof, continuing to label the patent mark on a product or its package after the patent right is invalidated or terminated, or using the patent number of another party on a product or on the package thereof without permission;
2. To sell any product described in Item 1;
3. To refer to a technology or design which has not been granted a patent right as a patented one in the product specification or any other document, to refer to a patent application as a granted patent, or to use the patent number of another party without permission, which results in misleading the general public into taking the said technology or design as patented;
4. To forge or alter any patent certificate, patent document or patent application document;
5. Any other act which misleads the general public into taking a non-patented technology or design as patented.

¹⁵ *Id.*, art. 11 (2).

¹⁶ The Implementation Rules, art. 84.

B. Contributory Infringement

China does not have an established system of indirect patent infringement. Contributory infringement would be considered as a type of joint infringement in China¹⁷, which provides that if the alleged infringers co-operate with each other with a clear division of work when performing the infringing activity, the infringers shall be held liable for joint infringement¹⁸.

C. Cross-Border Issues

For cases involving cross-border infringements, the Chinese laws do not confer jurisdiction by evaluating what percentage of the infringing activity is in China, but by determining whether the place of infringement was in China or whether the defendant resides in China¹⁹. If the answer is yes, the local people's court at the place of infringement or residence of the defendant will have jurisdiction over the case.

D. Legal Actions Available

Under Chinese laws, there are three types of actions available to offset patent counterfeiting and infringements, i.e. through administrative action, civil enforcement, or criminal prosecution, each with their own benefits. Depending on the result the rights owner is seeking, different actions may be employed. In some circumstances, it is possible to take these actions concurrently.

1. Administrative Action

Upon discovering the counterfeit or infringing goods, the patent owner may file a complaint with the Patent Management Department ("PMD") within the provincial, autonomous region, or municipal

¹⁷ According to Article 130 of the General Principles of the Civil Law of the PRC (last amended by the Standing Comm. Nat'l People's Cong., August 27, 2009) (Lawinfochina) (China), "joint infringement" refers to the situation when two or more persons jointly infringe upon another person's rights and cause harm to him/her.

¹⁸ The Interpretation of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Patent Infringement Dispute Cases (issued by the Supreme People's Court, December 28, 2009, effective January 1, 2010) (Lawinfochina) (China), art. 12.

¹⁹ The Civil Procedure Law of the PRC (last amended by the Nat'l People's Cong., March 14, 2012) (Lawinfochina) (China), art. 21 & 28.

people's government²⁰. Once the PMD has determined that there is infringement, it will order the infringer to cease the infringing activity immediately. If the infringer continues to engage in the activity, the PMD may apply to the Court for compulsory enforcement²¹. Given the technical complexity of the patent infringement claims and a short of experts at the local PMDs, the local PMD is usually more inclined to accept cases where it is very straightforward to determine the infringement.

For counterfeiting claims, the PMD is authorized to issue, in addition to corrections of the counterfeiting activity, confiscation of the illegal gains and a fine up to 4 times of the illegal gains or RMB200,000 (about US\$32,258) if there is no illegal gains²². However, such fine is payable to the administrative authority, other than the rights owner.

The rights owner cannot be awarded any damages in the administrative actions either for patent infringement or counterfeiting. That said, upon request by the rights owner, the administrative authority may initiate mediation for damages.

Any party unsatisfied with the administrative order may appeal to the court²³.

2. Criminal Prosecution

In China, counterfeiting of patents may constitute a crime, and may be punished with a fine and/or imprisonment for up to three years²⁴. The criminal proceedings may trigger under any of the following circumstances:

- a. The counterfeiter's illegal sales volume exceeds RMB200,000 (around US\$32,258)²⁵, or its illegal gains exceed RMB100,000 (around US\$16,129);

- b. The loss caused to the patentee is over RMB500,000 (around US\$80,645); or
- c. The counterfeiter counterfeits two or more of other's patents, with the illegal sales volume exceeding RMB100,000 (around US\$16,129) or illegal gains exceeding RMB50,000 (around US\$8,065).

The criminal charges are generally prosecuted by the local People's Procuratorate. However, for patent counterfeiting, in case the local People's Procuratorate rejects to take on the prosecution, the rights owner may also initiate the criminal proceedings on its own²⁶.

The rights owner may also attach a civil complaint for damages to the criminal prosecution against the infringer²⁷.

3. Civil Litigation

Albeit generally more time-consuming and costly than administrative action, civil litigation is often the preferred option for patent enforcement, because of the complexity of the issues involved in patent infringement and the damages award available.

According to the General Principles of the Civil Law, the following remedies are available for civil cases: "(1) Injunctions; (2) removal of obstacles; (3) elimination of dangers; (4) return of property; (5) restoration of original conditions; (6) repair, reworking or replacement; (7) damages; (8) payment of breach of contract damages; (9) elimination of ill effects and rehabilitation of reputation; and (10) apology."²⁸

(continued...)

period. If the products have already been sold, the value is calculated according to the actual selling price, whereas the value of products manufactured, stored, transported, or not yet sold is calculated according to the tag price or the average selling price of the infringing products. The value of infringing products without a tag price or an actual selling price cannot be confirmed, so the mean price of the infringed product on the market is used to calculate the value.

²⁰ The Patent Law, art. 60.

²¹ *Id.*

²² *Id.*, art. 63.

²³ *Id.*

²⁴ The Criminal Law of the PRC (last amended by the Standing Comm. Nat'l People's Cong., February 25, 2011) (Lawinfochina) (China), art. 216.

²⁵ According to Article 12 of the Criminal Law Interpretation 2004, "illegal sales volume" means the value of products that the infringer manufactured, stored, transported, or sold during the infringing

²⁶ The Criminal Procedure Law of the PRC (last amended by the Nat'l People's Cong., March 14, 2012) (Lawinfochina) (China), art. 204(3).

²⁷ *Id.*, art. 99.

²⁸ The General Principles of the Civil Law, art. 134, para. 1.

For patent infringement cases, the following interim relief and remedies are generally available to the injured party²⁹:

a. Remedies

(1) Permanent injunction

In patent infringement cases, permanent injunction is usually granted when the plaintiff succeeds in proving its case against the defendant³⁰.

There have been discussions as to whether injunctions can be denied when acquiescence is found (i.e., the patentee had not taken action for five years despite its knowledge of the infringement, and the defendant was willing to pay a reasonable royalty), or if it is in the public interest to do so. The issue was not addressed or stipulated in the last amendments of the Patent Law. However, according to the Supreme People's Court's opinion in April 2009³¹, the Court may decide whether to award monetary damages instead of an injunction, if 1) the cessation of the infringing acts may cause any significant imbalance of interests between the parties concerned, is contrary to the public interest, or cannot be enforced eventually; or 2) if the rights holder has acquiesced in the infringement for a long time and if such an injunction may result in a significant imbalance of interests between the parties concerned.

(2) Damages

A patent owner is entitled to claim compensation for the harm caused by an infringement. Compensation is based on the actual loss caused by the infringement, the illegal gains of the infringer, or an appropriate multiple of a reasonable royalty for the patent, plus the patentee's reasonable

expenses for contesting the infringement (including the attorney fees)³².

Alternatively, if the damages cannot be determined by any of the measures above, the court may apply statutory damages of RMB10,000 (about US\$1,600) to RMB1,000,000 (about US\$160,000)³³.

(3) Reasonable Fee for Pre-Grant Use

Articles 13 and 68(2) of the Patent Law grant an additional remedy for invention patent owners. After an invention is published and before the patent is granted, the patentee may demand that the entity or individual who is exploiting the patent pay an appropriate royalty. The patentee is entitled to claim royalty within two years of the date that it came to know or should have known the exploitation of the patent, or within two years of the date of the issuance of the patent if the patentee knew or should have known the exploitation prior to the patent's issuance.

(4) Other Civil Remedies

If the infringement had a negative effect on the goodwill or reputation of the patent owner or its products, the court may order the infringer to take actions to eliminate the negative effect and apologize for the infringement in public³⁴. In practice, the infringer usually apologizes to the patent owner by publishing a statement in a local newspaper or other traditional media.

If the infringement is very serious and blatant, the court may also order civil punitive measures, which may include confiscation of illegal profits or the property used in carrying out the infringing activities, imposition of a fine, or detention of the infringer³⁵.

The above remedies may be applied exclusively or concurrently³⁶.

²⁹ *Id.*, art. 118, para. 1.

³⁰ Douglas Clark, *Patent Litigation in China*, Oxford University Press (August 25, 2011), p. 152.

³¹ Notice of the Supreme People's Court on Issuing the Opinions on Several Issues concerning Intellectual Property Trials Serving the Overall Objective under the Current Economic Situation (issued by the Supreme People's Court, April 21, 2009) (Lawinfochina) (China), art. 15.

³² The Patent Law, art. 65, para. 1.

³³ *Id.*, art 65, para. 2.

³⁴ The General Principles of the Civil Law, art. 118.

³⁵ *Id.*, art 134.

³⁶ *Id.*

b. Availability of Interim Relief

Since a civil action can last for years, the rights owner may suffer significant market loss before a judgment is delivered. For prompt and effective protection of the rights owner's legitimate rights and interests, China offers patentees interim relief in patent infringement litigation, more specifically, pre-trial injunction, pre-trial asset preservation, and pre-trial evidence preservation.

(1) Pre-Trial Injunction

According to Article 66 of the Patent Law, "*where a patentee or interested party has evidence to prove that someone is committing, or is going to commit, an infringement upon its patent rights, and the patentee's lawful rights and interests will be damaged and will be difficult to remedy if the said infringement is not ceased in time, it may, prior to initiating a lawsuit, apply to the People's Court for taking such measures as ordering the cessation of the relevant act.*"

To apply for a pre-trial injunction, the petitioner has to establish that 1) it holds a valid patent or is an interested party to the patent (e.g. an exclusive licensee) in China, 2) an infringement upon the patent is being or will be committed; and 3) such infringement will likely cause irreparable damage to the petitioner.

In addition to the above, the petitioner is also required to provide the court with a bond³⁷, generally in monetary term, to cover any potential loss caused to the alleged infringer by the pre-trial injunction if the injunction is later found to have been wrongly granted³⁸.

The court shall make a decision on the pre-trial injunction request within 48 hours from acceptance of the request, which is extendable for another 48 hours under special circumstances. Once the court has granted the pre-trial injunction, it shall enforce the injunction immediately. Any party can request a

review of the decision, but the review would not suspend the enforcement of the injunction³⁹.

The petitioner must bring a patent infringement claim within 30 days from the issuance of the pre-trial injunction. Otherwise, the injunction will be released⁴⁰.

(2) Pre-Trial Asset Preservation

To ensure that the defendant will not transfer assets to evade potential damages ordered by the court, the petitioner may request the court to freeze the alleged infringer's assets before trial⁴¹. For this purpose, the petitioner shall provide a bond to the court, which is generally required to be equal to the value of the assets to be frozen. The court may request a less amount of guarantee under certain circumstances.

(3) Pre-Trial Evidence Preservation

The petitioner may also ask the court to preserve or seize documents or physical evidence, if the evidence is likely to be lost or will be difficult to obtain in the future; or if the petitioner is unable to collect such evidence.

Likewise, the petitioner is required to provide the court with a bond for preservation of the evidence. The court shall make a decision within 48 hours from receiving the petition.

Similar to the pre-trial injunction, the petitioner is required to bring an infringement suit within 30 days from issuance of the pre-trial evidence preservation. Otherwise, the preserved evidence will be released.

E. Obtaining Information

There is no oral or written discovery during litigation in China. The plaintiff is required to use its own resources to gather information on the infringement. The plaintiff usually relies on its own marketing team and sales network (including external

³⁹ *Id.*

⁴⁰ The Civil Procedure Law of the PRC (last amended by the Standing Comm. Nat'l People's Cong., December 24, 2012) (Chinalawinfo) (China), art. 101.

⁴¹ *Id.*, art. 93.

³⁷ The Patent Law, art. 66.

³⁸ *Id.*

distributors) as well as private investigation firms to gather information.

There are many private investigation firms in China. International companies such as HP generally engage external investigation firms, to track infringements and collect evidence⁴². Investigators usually employ a suitable pretext to obtain valuable intelligence, through normal and unsuspected business dealings. Once the infringer shows interest, the investigator typically requests a visit to the infringer's manufacturing/warehouse facilities or offices, where the investigator would obtain further intelligence and actionable evidence. If necessary, the investigator may also bring a notary public to anonymously record the collection of any available evidence during the visit and issue a notarization deed post the visit for use in court.

III. Ownership, Inventorship, and Compensation

According to the Patent Law, an "inventor" is a person who made a creative contribution to the substantive features of the invention⁴³. In general, ownership of an invention belongs to the inventor. An invention would be considered as a work-for-hire and thus belong to the employer, if it was invented while carrying out employment duties, or if it was completed by using primarily the material and technology resources of the employer⁴⁴. However, if the employer and the inventor have reached an agreement on the rights and ownership of the invention, such agreement shall prevail⁴⁵.

No matter whether the inventor owns the invention or not, the inventor shall have the right to inscribe his/her name on the patent document as the/an inventor⁴⁶.

Compensation for employee creation is addressed in the Patent Law as a reward to the inventor.

Article 16 of the Patent Law provides that after utilization of the invention, the inventor shall be given a reasonable compensation in accordance with the scope of application and economic effect of the invention⁴⁷. The Implementation Rule further states that the reward given to the inventor for the invention created under work-for-hire shall be no less than RMB3,000 (about US\$480)⁴⁸. Furthermore, after the invention patent has been exploited, the inventor should be awarded 2 percent of the after-tax profit, or a one-time bonus mimicking the aforementioned percentile⁴⁹.

IV. Pending Amendments to the Patent Law

Albeit the current Patent Law was recently amended in 2008, China is working on the fourth amendment, aiming to strengthen patent protection and to encourage creativity. The first draft amendment was published by SIPO on August 9, 2012⁵⁰. It is said that SIPO has submitted its draft to the State Council for review. The next step would be for the State Council to submit the draft amendment to the National People's Congress for approval. It may take at least another 2 years to complete the approval process.

Neither SIPO nor the State Council has published the current draft amendment. However, according to SIPO, the authority seeks to make the following five key changes in the fourth amendment:

1. To grant the court and the administrative enforcement agency the right to gather evidence upon request by the patentee;
2. To endow the PMDs with the right to award damages in administrative enforcement matters;
3. To introduce timeframe on the decision of patent invalidation application and post-decision procedures;

⁴² Doris Li, *HP: Focus on Result, Not Figures*, China Intellectual Property (April 2009)

<http://www.chinaipmagazine.com/en/journal-show.asp?id=486>.

⁴³ The Implementation Rules, art. 13.

⁴⁴ The Patent Law, art. 6.

⁴⁵ *Id.*

⁴⁶ The Patent Law, art. 17.

⁴⁷ *Id.*, art. 16.

⁴⁸ The Implementation Rules, art. 76.

⁴⁹ *Id.*, art. 77.

⁵⁰ *Notice on Collection of Opinions on the Draft Amendment to the Patent Law of the PRC*, State Intellectual Property Office of the PRC (August 9, 2012), http://www.sipo.gov.cn/yw/2012/201208/t20120809_736772.html.

4. To introduce punitive damages for intentional infringements; and
5. To endow the PMDs with the function to find and punish bad faith infringement.

FROM THE NEWSLETTER COMMITTEE

We hope you've enjoyed this issue of the 2014/2015 PIPLA News, an informative and hopefully entertaining look at the goings on in IP law. We invite our entire readership to contribute to this endeavor with articles, announcements, and job postings of your own. If you have something you would like included in PIPLA News or have questions about how you can contribute, please contact Ying Cao at 412-394-9575 or at ycao@jonesday.com.

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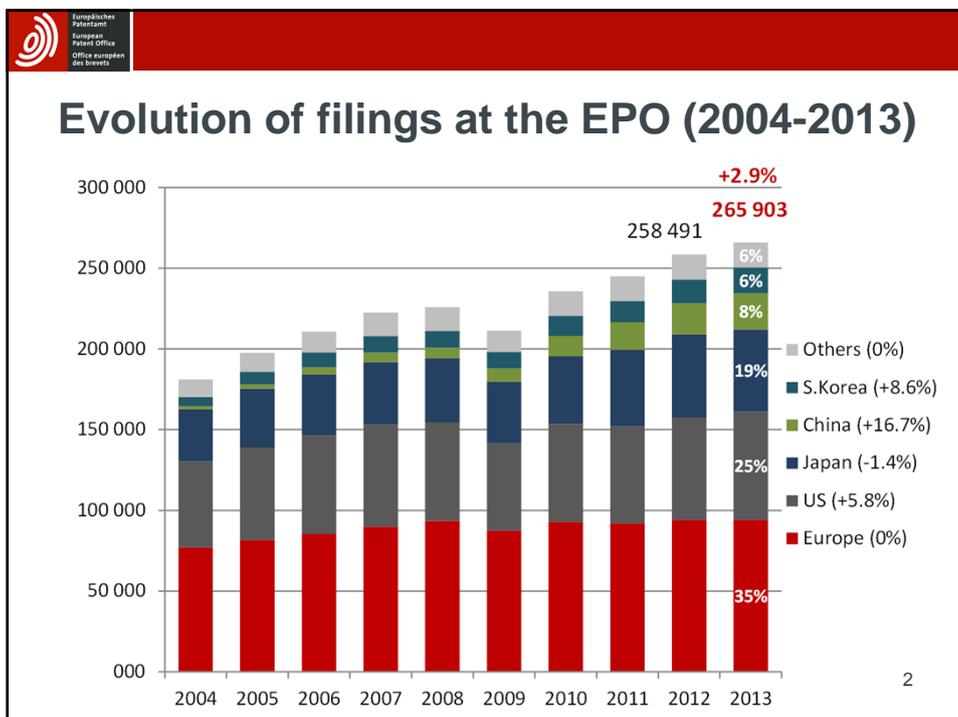
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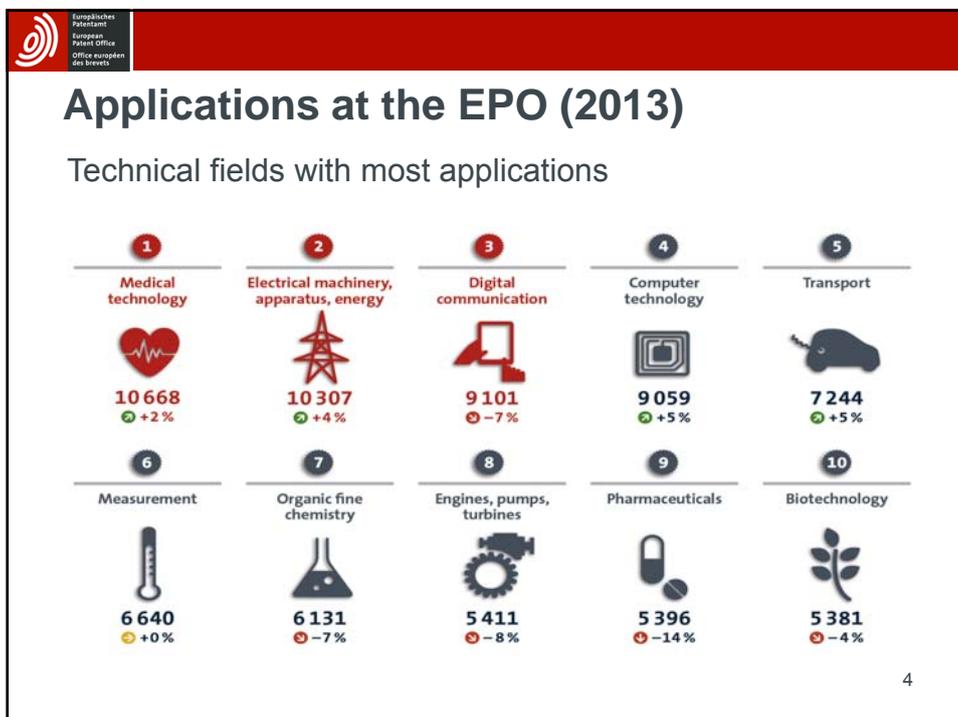
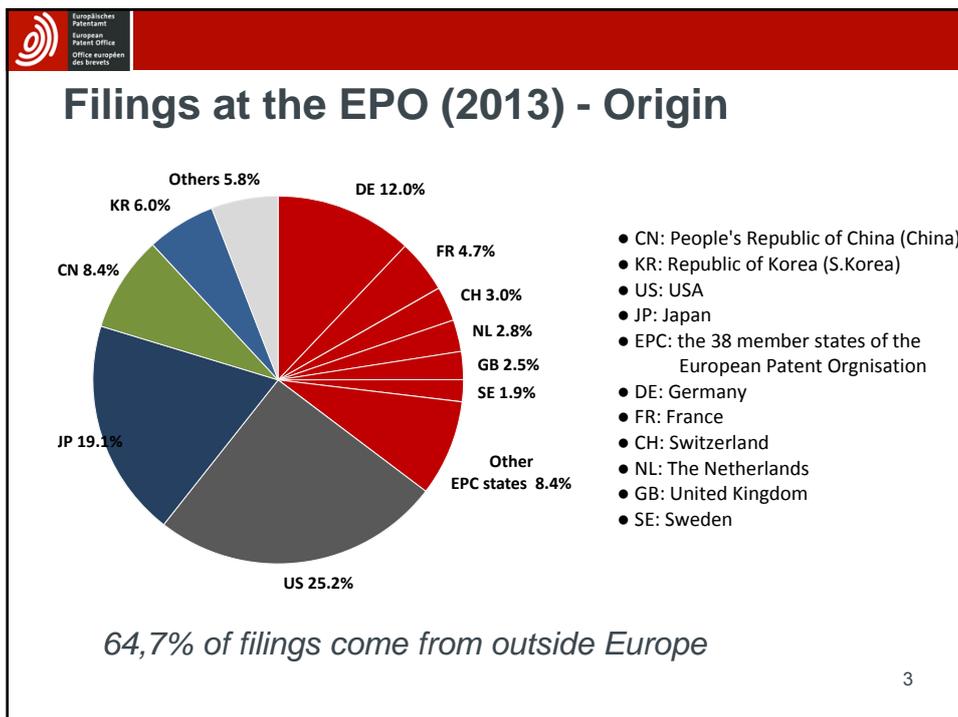
President's Report on recent developments at the EPO

US Bar – EPO Liaison Council meeting, Washington, D.C., 22 October 2014









Rank	Company	Origin of the applicant	Applications	2012	2013/2012	Rank 2012	Change
1.	SAMSUNG	KR	2833	2289	+24%	1	=
2.	SIEMENS	EP	1974	2193	-10%	2	=
3.	PHILIPS	EP	1839	1160	+59%	12	+ 9
4.	LG	KR	1648	1635	+1%	5	+ 1
5.	BASF	EP	1577	1713	-8%	3	- 2
6.	ROBERT BOSCH	EP	1574	1456	+8%	6	=
7.	MITSUBISHI	JP	1327	1344	-1%	8	+ 1
8.	GENERAL ELECTRIC	US	1257	1702	-26%	4	- 4
9.	QUALCOMM	US	1204	1381	-13%	7	- 2
10.	ERICSSON	EP	1184	1189	0%	9	- 1
11.	HUAWEI	CN	1077	830	+30%	17	+ 6
12.	PANASONIC	JP	1055	1169	-10%	11	- 1
13.	TOYOTA MOTOR	JP	894	714	+25%	22	+ 9
14.	HITACHI	JP	874	830	+5%	17	+ 3
15.	SONY	JP	855	1098	-22%	13	- 2
16.	BAYER	EP	850	884	-4%	15	- 1
17.	ALCATEL LUCENT	EP	806	872	-8%	16	- 1
18.	EADS	EP	783	818	-4%	19	+ 1
19.	NOKIA	EP	761	502	+52%	38	+ 19
20.	FUJITSU	JP	722	664	+9%	24	+ 4
21.	NEC	JP	699	601	+16%	27	+ 6
22.	CANON	JP	682	630	+8%	26	+ 4
23.	DSM	EP	659	414	+59%	44	+ 21
23.	JOHNSON & JOHNSON	US	659	590	+12%	30	+ 7
25.	SANOFI	EP	651	577	+13%	31	+ 6

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The Granting Procedure (2013)	
▪ Breakdown of applications in 2013:	
– 77% PCT filings	
– 23% Euro-direct	
▪ Patent grants: 66 712	
– 49 % of total filings	
– 22 % of applications abandoned after search report	
– 29 % of applications abandoned after examination	
▪ Pendency:	
– European searches completed on average within 9.2 months	
– EPO first filings: search completed within 5.1 months	
– Average time to grant: 42.8 months – trend: decreasing	
▪ PACE requested in 8.6 % of files – trend: rising	

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Oppositions and Appeals (2013)

- **Opposition**
 - Trend: stable rate is 4.5%,
 - remaining quite low.

- **Appeals**
 - Filed: 2515 - Trend: decreasing (-3.3% vs 2012)
 - Settled: 2137 – Trend: increasing (+5.3% vs 2012)
 - Gap between incoming and settled appeals **reduced by more than 50%** in 2013 compared to figures in 2011

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Challenges and opportunities

- **Growing workload for patent offices**
- **Rapidly growing volumes of prior art**
- **Increasing complexity of patent applications, especially in IT and biotechnology**
- **Growing awareness of importance of IP**
- **Development of a critical trend regarding the role of patents in supporting innovation**

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Meeting the challenges

The EPO's strategic priorities:

1. Maintaining a strong focus on quality
2. Improving efficiency
3. Harmonising the global patent system
4. Developing business oriented solutions

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Quality in search and examination

- High specialisation and intense training of EPO examiners
- State-of-the-art tools allowing efficient access by examiners
- Very comprehensive prior art coverage: over **90 million documents** available to examiners
- Regular “Quality” meetings with user organisations:
 - in Europe and the US since 2005
 - in Japan since 2012
 - meetings in China and Korea to take place in 2014

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Asian patent documentation at the EPO

- 21% of the patents cited in EPO search reports in 2013 had an Asian priority, up from 20% in 2012
- Documentation, tools, translation options, training and knowledge of Asian documentation is revolutionising the work of examiners
- For bibliographic and image patent data, the EPO has almost 100% coverage for the major Asian countries:

Origin	Number of documents	Time coverage
China	6.5 million	from 1985
Japan	22 million	from 1931
Korea	2.6 million	from 1978

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 **Patents and standards at the EPO**

- The EPO has a policy of co-operation with key standards development organisations
- Collection of documentation from **ETSI, 3GPP, MPEG, ITU, IEEE-SA**, and many more
- EPO examiners are trained in searching more than **1.6 million standards documents** incorporated in internal EPO databases
- Over 14 000 standards documents were cited as prior art in 2013

No. of standards citations in EPO search reports



Year	No. of standards citations
2004	~100
2005	~100
2006	~100
2007	~100
2008	~100
2009	~100
2010	~100
2011	~100
2012	~100
2013	~100



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 **Cooperative Patent Classification (CPC)**

- In force at **EPO** and **USPTO** since 1 January 2013
- **250 000 categories**, IPC - compatible
- Many offices have joined this endeavour, among them the offices of **China, South Korea, Russia, Brazil, UK**
- Full transparency: **626 CPC Definitions** containing 50 000 pages how to search and classify into the CPC
- CPC is an important element for the technical harmonisation of the patent system



www.cpcinfo.org

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 **Patent Translate**

- Launched in February 2012, finalised in December 2013
- In co-operation with **Google**
- All **28 official languages of EPO member states**, plus **Japanese, Chinese, Korean and Russian** available free-of-charge via **Espacenet**
- 15,000 to 20,000 requests for translation / day



Abstract of EP1693640 (A1)

Translate this text into [1]

German
Danish
Dutch
French
German
English
Italian
Japanese
Korean
Polish
Portuguese
Spanish
Swedish

patenttranslate powered by EPO and Google

portion and (f) arranged in a
area (5) that is arranged in an inner
boded with a coating made from
th a supporting structure by using
genewise to an impact direction,
ong a thickness of approximately

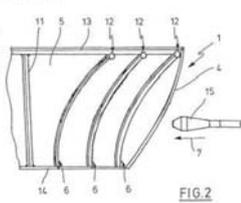


FIG.2

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 **Meeting the challenges**

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Quality and Efficiency strategy

- Maintaining staffing at current levels
- Controlling our costs
- Maintaining the level of the fees (just inflation adjusted)

 **Increased activities must be absorbed through improvements in efficiency and quality**

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Quality and Efficiency strategy

- EPO is implementing a wide portfolio of projects in five key areas (IT, HR, Buildings, Quality, Cooperation).
- Main outcomes for EPO global efficiency
 - **Office Wide Unit Cost:** 95.6 in 2009 – 88.9 in 2013 (base 100 in 2006)
 - **Paid man years, FTE:** 6,580 in 2009 – 6,436 in 2013
 - **Products/FTE:** 45.5 in 2009 – 49 in 2013
 - **Timeliness till grant:** 45 months in 2009 – 42.8 in 2014
 - **Patent examiners:** 500 newly recruited – 50% redeployment
 - **User satisfaction (search):** 73.5% “very good” in 2011, 77% in 2013
 - **User satisfaction (examination):** 71% “very good” in 2011, 74% in 2013

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Early Certainty from Search

- EPO already provides its comprehensive search reports with written opinion on patentability a few months after the filing date
 - First filings = 5.1 months + PCT filings = 15,1 months
 - = **9.2 months** on average
- Users need feedback from patent offices at the earliest stage
- **"Early Certainty from Search"** =
 - **6 months** to provide the search report **for all files**
 - third parties can fast-track examination (substantiated observations)
- Implemented as of 1 July 2014 following user consultation

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PCT – a top priority for the EPO

- PCT is the work-sharing vehicle of choice for the EPO
- In 2013 the EPO established:
 - **77 456** International Search Reports (38.3% of the total)
 - **7 307** International Preliminary Examination Reports (50%)
- Improving services for users:
 - **Top-up search in the IPER as of 1 April 2014**
 - **Further flexibility regarding non-unity cases in European phase (New R. 164 EPC)**
 - **Freezing of the international search fee until April 2016**
 - **EPO to join WIPO ePCT on 1 November 2014 and WIPO DAS in 2015-2016**

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EPO as a PCT-ISA - Scoop !

- Withdrawal by the EPO of the Limitation of Competence regarding searches containing claims on **business methods** as of 1 January 2015
- **Caveat ! NO CHANGE OF PRACTICE AT THE EPO !**
 - Business methods *per se* remain unpatentable
- Result of:
 - Some recent **changes** in law and practice **in the US**
 - Observed changes in applicant filing practices

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Work-sharing - USPTO unpublished files

- Agreement with USPTO in November 2010:
 - Exemption for US applicants under Rule 141(2) EPC from filing a copy of the search results if applicants opt-in
 - First exemption granted to applicants from a non-EPC Contracting State
 - USPTO transfers information to EPO electronically
- Federal Register Notice in July 2014 regarding electronic file sharing with other patent offices
- USPTO preparing legal framework for an “opt-out” system
- Advantage: with processing times becoming shorter, applicants will benefit from exchange of results in the unpublished phase

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Patent Prosecution Highway (PPH)

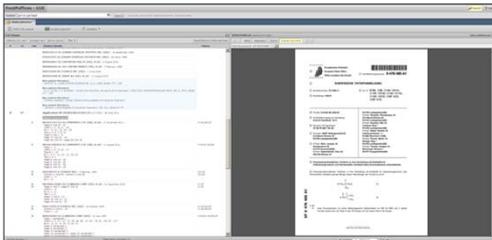
- Comprehensive **IP5 PPH** – launched in January 2014
 - Including PCT and
 - National work products
 - Integration of JPO, USPTO and Trilateral PCT PPH pilot programmes into this scheme
- New bilateral PPH pilot programmes with patent offices of **Canada, Mexico and Singapore** to be launched in January 2015
- Principles of PPH implementation at the EPO
 - Acceleration of procedure through utilisation of work results
 - Discretionary approach as to the extent of reliance

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Common Citation Document (CCD)

- Launched in 2011
- Access to the consolidated view of search reports from ca. 20 patent authorities including the IP5
- Recent developments: increased coverage of Asian citations in particular Chinese (140 000 records with citations today and increasing)
- EPO expects “enriched” citation format from SIPO (2015) and USPTO (2016)



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Global Dossier

- IP5 file wrapper portal
- Access to EPO and Chinese family information
- On-the-fly machine translation from Chinese to English
- Free of charge
- Via the European Register
- Since June 2014

Example from Chinese file wrapper:
First Office Action in the original Chinese language and the translation into English



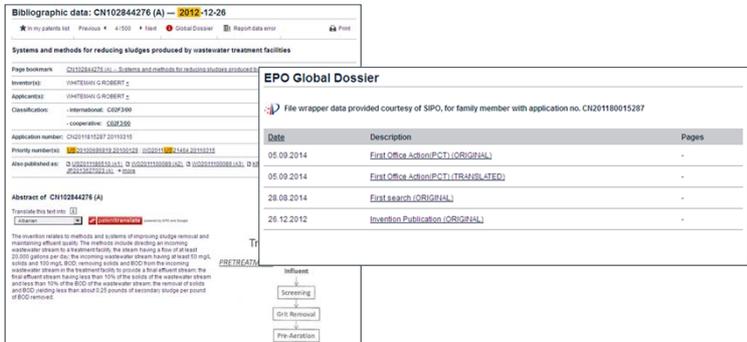
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Global Dossier: Sneak Preview!

- TO BE LAUNCHED TOMORROW: Global Dossier via Espacenet
- Allows access also to Global Dossier documents which are not part of an EP family



Date	Description	Pages
05.09.2014	First Office Action (PCT) (ORIGINAL)	-
05.09.2014	First Office Action (PCT) (TRANSLATED)	-
28.08.2014	First search (ORIGINAL)	-
26.12.2012	Insertion Publication (ORIGINAL)	-

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Harmonising the patent system in Europe

The Patent Package

- Unitary patent protection (UPP)
- Unified Patent Court (UPC)



- Preparations on-going in the Select Committee (rules, fees) and in the Preparatory Committee (establishment of UPC)
- First UPC ratifications: **Austria, France, Sweden, Belgium, Denmark**
- Entry into force of UPC Agreement will trigger start of operations of the new Court and start of unitary patent system

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Harmonising the patent system in Europe

- **Advantages of UPP**
 - Further option beside national patents and “classic” European patents
 - Unitary effect for territory of 25 participating states
 - Simplified, centralised post-grant patent administration at EPO
 - Reduction in administration and translation costs
- **Advantages of UPC**
 - No need for costly multiple patent litigation in different member states
 - Harmonisation of case law
 - Enhanced legal certainty

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Harmonising the patent system in Europe

Concerns about the UPC favouring "patent trolls"?

Several arguments against this rumour:

- UPC = No punitive damages*
- UPC = No automatic preliminary injunction*
- UPC = Litigation costs may have to be borne by the losing party*
- UPC = Specialised patent judges, no jury*

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Substantive patent law harmonisation

- **Tegernsee Process** - Fact-finding studies on key SPLH issues:
 - *grace period, 18-months publication, conflicting applications and prior user rights*

- **5th meeting of Tegernsee Group in Trieste, Italy, April 2014** - Final report on the user consultation approved, published and forwarded to Group B+

- **Group B+ Plenary Meeting 2014:** agreement to proceed on a **package** of SPLH issues within a **multilateral** forum
 - “Sub-Group” to assist the Chair to be established- ca 10 experts geographically diverse + representative
 - Work programme/issues to be determined once “Sub-Group” formed

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Harmonising patent procedures (IP5)

- Of the ~ 2.2 million applications at the IP5 offices an estimated 300 000 are cross-filed to two or more offices
- Harmonised patent procedures among the IP5 would mean huge savings for applicants

- IP5 offices decided in June 2014 to move forward in the following areas within PHEP:
 - **Unity of invention** (lead: EPO + SIPO)
 - **Citation of prior art** (lead: KIPO + USPTO)
 - **Written description/sufficiency of disclosure** (lead: JPO)

- *EPO supports harmonisation efforts leading to a real simplification of the system and increasing overall quality*

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Meeting the challenges

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Interactions between the Office and the users

- **New tools and services - information directly accessible, free of charge, single point entry**
 - * Global Dossier, CCD, Patent Translate, new Online filing (October 2014)
 - * *Future*: “**Search For Life**” (access to all the information about your portfolio of applications before the EPO)
- **Open dialogue in relation with the patent examination process**
 - * Favours the use of electronic means, vi-co, for the communications between examiner and applicant (599 in 2014 = +78% / 2012)
 - * Praktika programme: 43 examiners in 2014
- **Consultation of users on proposals, projects or global issues**
 - * Regular meetings with user associations, at all levels
 - * Web based surveys (e.g. Divisional, PCT, SPLH, Unity of invention, ...)

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Inputs of the users in international discussions

- In 2012, the IP5 offices gathering in Europe expressed their common conviction that future IP5 initiatives should have a strong focus on user needs
- Focus on the user guides IP5 endeavours to enhance quality and efficiency and foster the harmonisation of the global patent system
- Industry IP5 (industry associations from the IP5 regions) prepared a “**wish list**” with patent harmonisation topics leading to the prioritised items addressed within the PHEP
- IP5 Heads and Industry IP5 meet regularly to take stock of progress and discuss next step



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EPO – To conclude

- **Quality of our products and services as a top priority**
- **Efficiency as main driver**
- **Dedicated to contribute to a more attractive global patent system for the users**
 - **Improvement of the European Patent System (UPP and UPC)**
 - **Constructive approach to technical, procedural and substantive harmonization**

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Thank you for your attention!