

Patent Points

NOW STARTING MY 14TH YEAR...

China Patents – Ready for Prime Time?

I recently traveled to Beijing to learn more about obtaining patents in China. I researched Patent law firms beforehand and selected two for my visit. Both were founded in 1984 and have an interesting history.

The CCPIT Patent and Trademark Law Office (CCPIT) was originally the only trademark agency in China, dating back to 1957 as part of the China Council for the Promotion of International Trade (CCPIT). The China Science Patent and Trademark Agent Ltd, (CSPTAL) was the patent agency for the Chinese Academy of Science (CAS). CCPIT is the largest Patent Agency in China and is roughly 2-3 times larger than CSPTAL.

While in Beijing I met with the patent-attorney directors of the electronics groups at both CCPIT and the smaller CSPTAL. I toured their offices and discussed patents in China. I also met about 20 patent attorneys in the electronics group while touring CCPIT. It was lunchtime when I toured the office at CSPTAL, so I was not able to meet more on the staff.

Both law firms seem capable and highly competent. Both are in very modern, glass-walled 20-story office buildings and are conveniently located close to China's Patent Office (the "State Intellectual Property Office", SIPO) and within a short walk of Beijing's Metro or light rail. Both had many offices along the windows, each being shared by two patent attorneys, with many desks for secretaries along the

inside hallways. Both offices were filled with folders of patents stacked several feet high, with more folders filed away in rooms filled with filing cabinets. They each looked very much like a law office in any American city, except for the Chinese characters on the folders and papers. These are both high-volume operations, with the smaller firm filing over 9,000 patent applications last year. That's about 2 patents per week per employee.

The electronics-group director at CCPIT, Densheng LI, had excellent English-Language skills. The electronics staff at CCPIT is very large, and they also have a fairly large enforcement group of 15 attorneys that specialize in patent and trademark infringement cases. Their large size allows them to have experts in many different technical specialties.

The smaller of the two firms, CSPTAL, seemed to have an especially technical focus. Half of their staff has Master's degrees in Engineering, and 9 are even professors at the nearby universities. Many on their staff have worked at overseas law offices. Their office is in the more suburban university district (Haidian) and overlooks Tsinghua University and the beautiful Summer Palace. CSPTAL was especially hospitable, sending a driver to my hotel to pick me up for the 40-minute drive through the horrific Beijing traffic jams, and hosting a lunch at the hotel across the street from their offices. Their hospitality bodes well for personal service, since they are likely to be equally responsive when problems arise. I would not hesitate to recommend either firm.

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Either firm should be much better than using general law firms in China to file patents. We can also reduce communication hiccups by working directly with these patent law firms, rather than going through an intermediary law firm. Since I have personally met the group directors at each firm, I can telephone or email them if any problems come up.

China Patents are "Great Bang for the Buck"

China is considered to be a "Great Bang for the Buck", because a China Patent covers a market of 1.2 Billion people, compared with 0.3 Billion for a US patent. Since China is a manufacturing center for many other countries, Patent litigation to stop a China manufacturer may effectively cover markets in many different countries, or force a manufacturer to move to a different country with higher costs.

I had each firm look over a stack of patents I've written. Both had technical experts in these technologies, and both considered the patents to be medium sized. They thought it would be relatively easy to obtain these patents in China. About 85% of applications successfully issue as patents in China.

The additional cost to file these medium-sized patents in China is estimated to be 3-5 K\$, including translation, SIPO, and attorney fees.



Patents Enforced in China

"Patents are now being successfully enforced in China" was the message from a conference I attended in Seattle on Patenting in China. The thinking 5 years ago was: "Why bother to file your patents in China - you could never enforce them there in China". However, Chinese courts are now enforcing patents.

One speaker said that foreign patent owners are successful 70% of time in patent litigation in

China. "You can win in Chinese courts. Written contracts are the key." "Don't surrender your weapons for Guanxi." Written contracts and patents are keys to winning in courts, and needed because of high employee turnover in China. Do background checks on your business partners in China.

Patent litigation costs are significantly less than in the US, since discovery and other legal maneuverings are limited in China. A typical patent case might cost 10 K\$, with another 10K\$ if an appeal is needed. About 5% of cases are appealed.

Deadlines Tighter

China is stricter than the US for grace periods. In the US, we have 1 year from a public disclosure or sale to file the application. In China, you must file before any sale within China, or within 6 months of exhibition at an international fair or conference. Sales outside of China are no problem under the current rules.

Missed Communications Can Lead to Invalidated US Patents

Communication between patent prosecutors in both China and the US is very important. Patents in both countries can be invalidated and lost if office actions from one country are not cited to the other country's patent office. Having a more direct line of communication could reduce the risk of such oversights. Since communications with China is still new and somewhat unreliable, my clients must assume all responsibility for missed or dropped communications between us and the law firms or SIPO in China.

Clients should give serious consideration to filing a copy of their US patents in China. It is best to file in English first, and then translate into Chinese, because English has more precise word forms (verb tenses, plural nouns, etc). Once the US patent is filed, a copy can be sent to China for filing at SIPO. A copy of the US application and the original assignment are needed, along with a simple power-of-attorney signed by the client to authorize the law firm in China. The law firm can bill the clients directly, although I will facilitate communications. I can

charge either my hourly rate or a fixed fee for this service. The fixed fee would be \$500 for helping to file the China patent and another \$500 if and when the China patent issues.

Was the Invention Made in China or the US ?

The location that the invention is made (conceived) is also important. Inventions that are made in China by inventors who reside in China should be filed in China first, before filing in the US. Although penalties have not been assessed to inventors who bypass the Chinese Foreign-filing-license requirements, such penalties may be enforced in the future.

It is usually best if the invention is made in the US. A citizen of China who temporarily resides in the US when the invention was made should be able to file in the US first. If the inventors resided in the US when making the invention, we can safely file in the US first.

If the invention is made in China, it may belong to the Chinese Subsidiary or partner, rather than to the parent company. This has caused problems for some companies. It is usually better to have the invention belong to the US parent company.

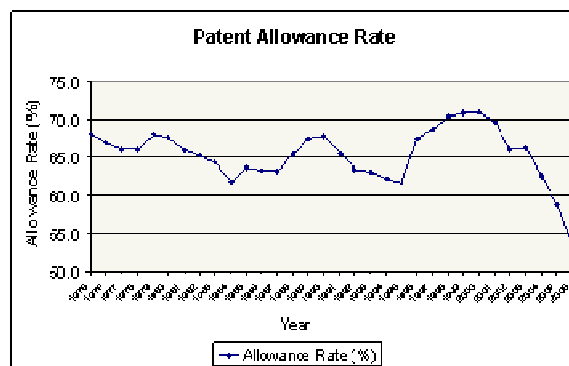
When the invention is made in the US, the invention can be assigned to the US parent company, and licensed to the Chinese Subsidiary or partner, allowing the patents to be controlled by the parent company.

China Passing US PTO

China's patent office, SIPO, has just passed the US PTO in the number of patent applications received in 2006. SIPO received over 573,000 patent applications in 2006, while the US Patent Office received only 440,000 patent applications in 2006. Patent applications in China are increasing at more than a 20% rate each year.

China's SIPO issued 268,002 patents in 2006, compared with about 180,000 issued in the US for 2006. However, only 50,000 of the China patents were for full-blown "invention patents", which are roughly the same as utility patents in the US.

Design patents accounted for 100,000 patents in China and only a few in the US, while another 100,000 were for "applied patents" which are mid-level patents similar to industrial model patents in Germany. Design and Applied/Model patents are much less desirable than Invention/Utility (US-style) patents since they have a narrower coverage.



PTO Allowance Rate Plunges

The US Patent office also reported that allowance rates have plunged from 70% in 2000 to 54% in 2006. By rejecting more cases, Examiners were able to process more applications and reduce the backlog. Also, electronic filing has finally caught on with new web-based software, with 1/3 of patents now being e-filed.

"Patent examiners completed 332,000 patent applications in 2006, the largest number ever, while achieving the lowest patent allowance error rate -- 3.5% -- in over 20 years. At 54%, the patent allowance rate was also the lowest on record. Patent allowance rate is the percentage of applications reviewed by examiners that are approved."

This means that there is roughly a 50-50 chance of allowance now, compared with a 70% chance a few years ago.

While I saw more rejections this year, my allowance rate in 2006 was 83%. This is quite a bit better than the 54% rate reported by the PTO.

My allowance rates have varied over the years. From 1994-97, my allowance rate was 84%, then it increased to 95% for the years 1994-2000, and has now dropped to 82% for the 14 years 1994-2006.

Easy-to-Remember Gmail Address:

Gpatent @ Gmail.com

310 Patents Issued

After 13 years of writing patents as a full-time Patent Agent, 310 applications that I've written have now issued as patents. Congratulations inventors!

You can view the 310 issued patents I've written at:

www.gpatent.com

Rates Set for 2007

My hourly rate for 2007 will be \$220 per hour, billed in quarter-hour increments. Fixed-price quotes are available for patent applications to facilitate budgeting and avoid expensive surprises.

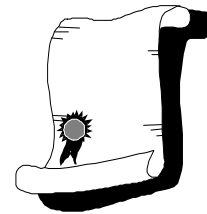
Prosecution work such as amendments and other paperwork is billed at the hourly rate. Litigation-support work is billed at a higher rate.

Patent searches are billed at a flat \$500 for U.S. abstract searches. Patents can be viewed on-line.

Stuart T. Auvinen
429 26th Ave.
Santa Cruz, CA 95062

(831) 476-5506
(831) 477-0703 (FAX)

Gpatent@Gmail.com
StuaPatent@aol.com
www.gpatent.com



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Stuart Auvinen is a Patent Agent registered with the U.S. Patent Office (Reg. No. 36,435). He is a former IC design engineer who writes patents for high-tech companies.

Stuart T. Auvinen
Patent Agent

429 26th Ave.
Santa Cruz, CA 95062-5319

Address Correction Requested