Foreign-filing licences for patents in China

China introduced requirements for foreign-filing licences for inventions in 2010 (when the third revision of the Patent Law came into force). It has become increasingly common for an invention to involve research teams in China and at least one foreign country. Multinational companies need to be aware that compliance with the foreign-filing licence requirements may become an issue – potentially affecting the validity of a corresponding Chinese patent. **Toby Mak** (Overseas Member) discusses various practical aspects of fulfilling this requirement.

Like the US, China has its foreign-filing licence requirement for inventions. This was introduced in 2010 when the third revision of the Chinese Patent Law came into force. In my view, this was reasonable, as China has more and more inventions, and some of these could be related to national security. Various other countries have similar measures (according to *www.wipo.int/pct/en/texts/nat_sec.html*, in addition to the US, there are 28 countries with domestic law requirements similar to the US foreign filing licence, including China, India, France, Germany, Spain, Malaysia, Vietnam). So China having the same should be expected.

The correct term for this requirement in China is the "secrecy [of] examination requirement". However, for the ease of discussion, the requirement will be called China's foreign filing licence (FFL) requirement below. (My personal comments are in red text and square brackets.)

Practical points to note regarding China's FFL requirement

- The requirement **only** covers invention patents and utility models. *A design patent does not require an FFL.*

- The requirement must be complied with **before** ["before" is the exact word in the Chinese Patent Law] filing a patent application outside China, *including* a US provisional application.

- The requirement is invoked when an invention is "completed in China" ["Completed" is the exact word in the Chinese Patent Law], and the nationality of the inventors has no relevance. That is, an FFL is still required in China even for a US inventor who has "completed" an invention within China. On the other hand, if the invention was completed by a Chinese inventor while working in the US, then an FFL from China should not be necessary. [The definition of "an invention completed in China" will be discussed later.]

- A request for an FFL in China can be filed in any of the following three ways:

  1. Filed as a separate request without filing a patent application. In such a case, the request must be filed with a detailed description of the invention in Chinese. The detailed description from a patent specification would be sufficient for this purpose.

  2. Filing a request for an FFL simultaneously when filing a Chinese patent application with the CNIPA. The request for an FFL must be indicated in the application form by ticking a suitable box. Such a patent application, naturally, has to be filed in Chinese.

  3. Filing a PCT application with the CNIPA as the receiving office (RO); this can be filed in either Chinese or English (thanks to Hong Kong). In such a case, a request for an

FFL is considered to be filed automatically with the PCT application.

[From a practical point of view, (2) or (3) is to be preferred, as an earlier priority date could be established at the same time.]

- If an invention is changed after the approval of an already granted FFL, for example due to modifications, and such modifications amount to something to be claimed as a separate invention, then a separate request for a new FFL should be filed.

- An FFL is granted by the CNIPA in the following ways [in accordance with article 9 of the Implementation Rules of the Chinese Patent Law]:

  a. An FFL granted by the CNIPA in the form of an individual notice. [Typically taking between two and four weeks; could be up to three months].

  b. An FFL is considered to be automatically granted if one of the following occurs:
     - ✓ the CNIPA does not issue any notice that further examination is required within four months; or
     - ✓ if a notice is issued that further examination is required, but the examination result is not issued within six months.

  The above timings are from the date when the request for the FFL is filed. [As with many people, I proposed (b) above to the CNIPA (SIPO back then) while CNIPA was soliciting public opinions for the third revision of the Chinese Patent Law. The aim was to prevent the CNIPA from indefinitely preventing foreign applications from being filed by not issuing the FFL results.]

- One typical scenario is an invention involving research teams in the US and China. Typically, the USPTO issues an FFL much quicker than the CNIPA. The USPTO can usually issue an FFL within a week under request for expedition, while my experiences with the CNIPA vary from two weeks to three months. [See (a) above. There is no formal way to expedite this at the CNIPA.] Judging from these, USPTO is a better choice than the CNIPA as the turnaround time of the USPTO is faster. Again, as the wordings of the Chinese Patent Law only governs filing of a patent application outside China, and the filing of a request for the FFL from the USPTO is not filing a patent application outside of China, there is no violation of the FFL requirement in China.

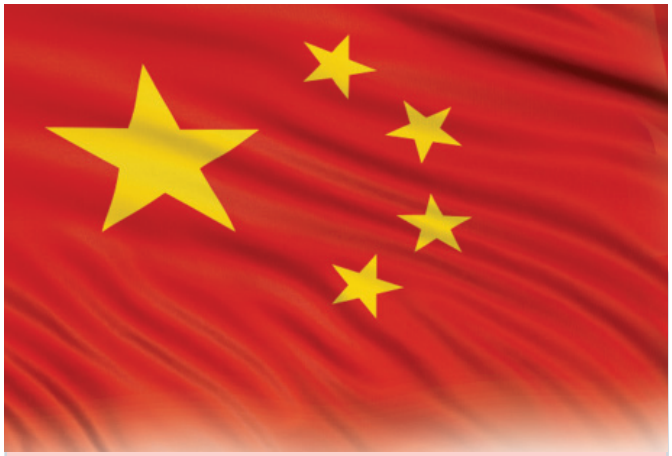
- Considering the above, for a foreign entity preferring to have a patent specification in English, a PCT application with the CNIPA as the RO is recommended as the form of request for an FFL in China with an English specification. This avoids translation of the patent specification into Chinese, which can save a lot of trouble [mainly translation errors] and time [mainly required for the translation from English to Chinese]. There are no substantial cost differences if translation costs are also considered. [In fact, for a lengthy specification (25 pages or above), it would be cheaper to file a PCT application in English to avoid translation into Chinese]. Further, doing so can avoid the chance of the request for FFL being inadvertently not filed if a Chinese patent application is filed to secure an earlier priority date, as filing a Chinese national application does not come with the automatic filing of a request for an FFL. The automatic filing of the request for FFL in China is only triggered by filing a PCT application with the CNIPA as the RO. Further, for some reason, the CNIPA does not carry out an FFL examination for such PCT applications. [I asked a CNIPA official handling PCT filings during a visit by an AIPLA delegation, and this was confirmed.] As such, the applicant can file patent applications claiming priority from this PCT application outside China after four months from the PCT application date.[1]

- In the case above, the foreign entity typically would be named as the PCT applicant. However, in order for the CNIPA to act as the RO, it is necessary to name a Chinese entity, for example one of the Chinese inventors or the Chinese branch of the foreign entity, to be an applicant for a PCT member state commercially unimportant to the foreign entity, for example Barbados (BB). PCT Rule 19 – *www.wipo.int/pct/en/texts/rules/r19.htm* – stipulates that the national office which can act as the RO is the one for which the applicant or one of the applicants (*not* the inventor) is a national or resident. The reason why it is advisable to name the Chinese entity only to be an applicant for a PCT member state commercially unimportant to the foreign entity is that back assignment to the foreign entity could be avoided. For example, as the Chinese entity is not an applicant for the US or EP, when entering the US or EP national phase, it is not necessary to record an assignment

Notes

1. Editor: Also, naming a different commercial entity (for important jurisdictions) has the potential to create priority problems unless care is taken, as there has to be an existing chain of assignments to justify the priority claim.

Special thanks to Darts-IP for providing invalidation decisions involving the use of violation of China's FFL requirement as a ground of invalidation.



PRACTICE POINTS

FOREIGN-FILING LICENCES

- China's FFL requirement is *not* applicable to design patents.
- China's FFL requirement should be complied with before filing any foreign application.
- An FFL is considered to have been granted after the first filed Chinese application is granted even if the request for FFL was not filed.
- Although it may not be easy to invalidate a Chinese patent on the ground of violation of China's FFL requirement, China's FFL requirement should be complied with to avoid exposure of the relevant parties to criminal prosecution.
- To establish an earlier priority date, it is advisable to file the FFL request in China together with a patent application at the CNIPA.
- For foreign entities preferring to work with English patent specification, filing a PCT application with the CNIPA as the RO is advisable due to various advantages mentioned above.
- For the CNIPA to act as the RO, in addition to the foreign entity being named an applicant, it is necessary to name a Chinese entity to be an applicant for a PCT member state commercially unimportant to the foreign entity. This could avoid back assignment to the foreign entity.

from the Chinese entity to the foreign entity such that the foreign entity is the only applicant in the US or EP.

Consequences of non-compliance with China's FFL requirement

Consequences of non-compliance with the FFL requirement include:

a. A patent application in China directed to the relevant invention could be rejected.
b. If somehow a Chinese patent is granted, the Chinese patent could be invalidated.
c. If national security is breached, criminal prosecution could be imposed.

I have searched for reports of (b), as reports of (a) and (c) are not readily available and searchable. Thanks to Darts-IP, I was provided with various invalidation decisions involving the use of violation of China's FFL requirement as a ground of invalidation. Until now, there is *no* success reported using violation of China's FFL requirement to invalidate a Chinese patent. Various invalidation decisions indicate that an invalidation petitioner is required to substantively prove that the invention is completed in China. Only stating or even proving the following did not result in a successful invalidation:

- The address of the inventor is in China, but without further substantive proof that the invention was actually completed in China (Chinese invalidation decision nos. 31927 and 37451), even with change from the inventor residing in China to an US inventor (Chinese invalidation decision nos. 36591 and 36667).
- A foreign application was filed first, and then another Chinese application was filed with different claims that could not claim priority from first filed foreign application (Chinese invalidation decision no. 39047).
- The Chinese application was filed without a request for an FFL and granted, and foreign applications were filed after the grant of the Chinese application (Chinese invalidation decision nos. 34808 and 35901).

As such, in order to invalidate a Chinese patent on the ground of violation of China's FFL requirement, it is necessary to substantively prove that the invention was completed in China. With the high evidence requirement in China (i.e. has to prove beyond reasonable doubt with verification from a neutral third party, for example a Chinese notary), this may not be easy.

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