



# IP5 Global Patent Cooperation

## Pacific Rim Patent Leadership

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09.30.08



## IP5 Patent Cooperation



### Two Faces of Recent Patent Reform Initiatives

- An “open face” visible to all: domestic patent reform legislation.
- The “unseen face”: Global patent reform--collaboration among patent offices is deeper and more inclusive



## IP5 Patent Cooperation



### Open Face of Domestic Patent Reform Legislation

- The open face comprises the *domestic legislative* patent reform proposals introduced in each Congress starting in June 2005.
- Domestic patent reform legislation was gridlocked in the recent 109th and 110th Congress while another attempt is being proposed in the current 111th Congress that effectively runs until shortly before the November 2010 Congressional elections.

## IP5 Patent Cooperation



### The Unseen Face is Far More Important in the Long Run

- Patent-based innovations represent the key to a prosperous and healthy population and economy.
- Patent cooperation is necessary to undo the damaging flood of too many filings and duplicative work.

## IP5 Patent Cooperation



### Unseen Face of Pacific Patent Reform

- Patent harmonization and “patent worksharing” represent key areas for reform which have gone largely unnoticed, slipping underneath the patent radar screen.
- The general knowledge of the patent public about “harmonization” is focused upon the efforts in Geneva that have been stalled at even the simplest levels of patent reform.

## IP5 Patent Cooperation



### The Global Imbalance

- Patent policy debates that are gridlocked dominate the international patent agendas.
- There is an ever present sense that the *five largest offices* must cooperate at the technical and administrative levels to resolve challenges.

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### Global Imbalance: The Five Largest Offices

- China
- Japan
- Korea
- European Patent Office
- The United States

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### The Reality – Top Three Pacific Rim Leadership as Measured by 2007 National Applications

■ No. 1	China*	691,000
■ No. 2	Japan*	443,000
■ No. 3	United States	442,000

\*Regular, design and utility models

## IP5 Patent Cooperation

### “Big Five” = 94% of U.S. Patent Filings (2006)\*

Filings by Big Five Country or Region	U.S. Patent App'ns	% of Total U.S.
European Patent Convention**	61,300	18%
Asian Big Five Japan, China, Korea	102,700	23%
United States	236,000	56%
Other Countries	46,000	6%
<b>Total</b>	<b>446,000</b>	<b>100%</b>

## IP5 Patent Cooperation

### China Patent Applications (2008)

<b>Total Applications</b>	<b>828,000</b>	<b>13% Foreign</b>
<b>Regular</b>	<b>290,000</b>	<b>33% Foreign</b>
<b>Utility Model</b>	<b>226,000</b>	<b>&lt;1% Foreign</b>
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## IP5 Patent Cooperation

- United States *original* filings are now *under 400,000* per year (statistics, *here*, are artificially inflated by counting *continuing* filings):

### Summary of Patent Examining Activities

(FY 2004 – FY 2008)  
(PRELIMINARY FOR FY 2008)<sup>1</sup>

Patent Examining Activity	2004	2005	2006	2007	2008
Applications filed, total <sup>1,2</sup>	378,984	409,532	445,613	468,330	496,762
Utility <sup>3</sup>	353,319	381,797	417,453	439,578	466,147
Reissue	996	1,143	1,204	1,057	1,071
Plant	1,212	1,288	1,103	1,002	1,333
Design	23,457	25,304	25,853	26,693	28,211
Provisional Applications Filed <sup>2,4</sup>	102,268	111,753	121,471	132,459	143,030

## IP5 Patent Cooperation

### Utility Model Applications

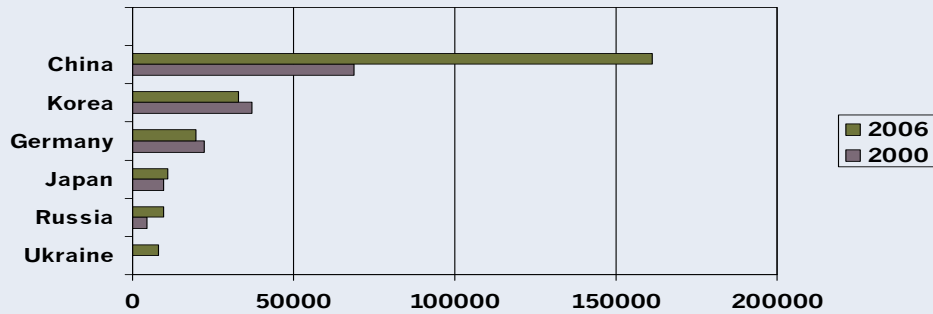
- China is the world leader in utility model filings, including a significant *increase* over the past two years:

#### China Utility Model Filings

- 2008 226,000
- 2006 161,000

## IP5 Patent Cooperation

### Utility Model Filings by Patent Office: Selected Offices (2006)



World Patent Report: A Statistical Review. p. 25 (WIPO 2008). Chart is modified to show only countries with more than 5000 filings per year.

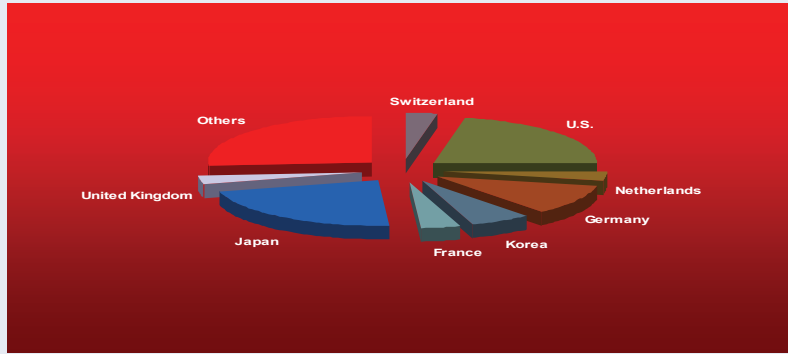
## IP5 Patent Cooperation

### Pacific Big Four *without* China account for 50 % of all Non-Resident Filings

- As China's *domestic* patent growth transitions into an *international* patent growth, the rate of Pacific leadership will swell even further.
- The Top Five European countries account for 24 % of non-resident filings

# IP5 Patent Cooperation

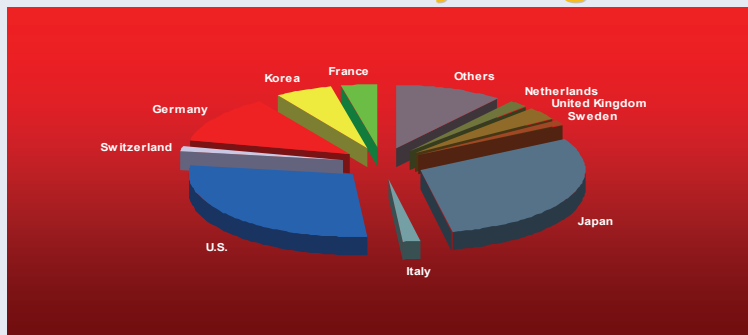
## Total Non-Resident Filings: Share by Country (2006)



World Patent Report: A Statistical Review. p. 32 (WIPO 2008)

# IP5 Patent Cooperation

## Patent Family Filings



A Patent Family Filing, here, means that there is at least one foreign counterpart application filed. *Source: World Patent Report: A Statistical Review. p. 17 (WIPO 2008), Share of countries in total foreign-oriented patent families, 2001-2005*



## IP5 Patent Cooperation



### The History of Patent Cooperation

- Global patent reform initiatives dating back to mid-nineteenth century efforts in Vienna, Berlin and Paris led to the 1883 Paris Convention.
- Pacific Rim implementation was much delayed.
- The United States first domestically introduced Paris in 1903

## IP5 Patent Cooperation



- Solutions to large patent office issues must involve the “Pacific Rim” including China and Korea
- In the last several years, the world has changed with the dramatic growth of patenting in China and Korea.
- As the third and fourth largest patent offices, and the fastest growing, China and Korea play an increasingly critical role on the world stage.

## IP5 Patent Cooperation



### May 2007 Hawaii Big Five Summit

- The United States in 2007 hosted a meeting of the leaders of the Patent Offices of China, Korea and the EPO, Japan and the United States.
- The objective of the Hawaii summit was to propose an IP5, a “Big Five” of the patent world that would for the first time include both China and Korea.

## IP5 Patent Cooperation



### The Jeju Island Summit

- On October 27-28, 2008, the Jeju Island Summit was held on this picturesque Korean island to formalize the creation of the IP5 and to formally establish its long-term working agenda.

## IP5 Patent Cooperation



The Commissioner of the State Intellectual Property Office of the People's Republic of China, the Hon. Mr Tian Lipu (center) is flanked by the Commissioner of the Japan Patent Office, Mr Takashi Suzuki and Ms Alison Brimelow, President of the European Patent Office (EPO), with the host of the May 2007 Hawaii summit, the United States Under Secretary of Commerce and Director of the Patent and Trademark Office, the Hon. Jon W. Dudas (far right), with the Conference Host Dr. Jung-Sik Koh, Commissioner of the Korean Intellectual Property Office.

## IP5 Patent Cooperation

### “Patent Worksharing”

**A Critical Tool to Combat the  
Global Backlog of Pending  
Applications**

## IP5 Patent Cooperation



- “Patent worksharing” represents one of the major opportunities for cooperation among the Pacific Rim offices, as more and more patent applications are filed in parallel in two or more Pacific Rim offices.
- “Patent worksharing” allows an examiner in one of the offices to provide its work for the benefit of *all* of the offices for one patent family to be used to the maximum extent another office chooses.

## IP5 Patent Cooperation



### What are the Essential Metrics for IP5 Success?

## IP5 Patent Cooperation



- IP5 success depends upon the commitment and leadership of the Big Five patent office leaders.
- IP5 success *also* depends on sharing IP5 sharing their strategies for patent development with other nations.

## IP5 Patent Cooperation



**Thank you for your attention!**

*Questions and Contacts:*

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## IP5 Patent Cooperation



### *About this presentation*

Sharon R. Barner, Jon W. Dudas, and Harold C. Wegner are all partners in the firm of Foley & Lardner LLP who jointly met for the first time in 2004 in Asia. Each has since had continuous involvement with the Pacific patent interface in patent policy or practice.

## IP5 Patent Cooperation



- Ms. Barner, Mr. Dudas and Mr. Wegner participated in a ceremony in November 2004 on the occasion of the opening of Foley's first Asian office in Tokyo.
- At the time, Ms. Barner and Mr. Wegner were partners while Mr. Dudas was the distinguished and honored guest as the Under Secretary of Commerce and Director of the United States Patent and Trademark Office, a position he held until January 20, 2009.



## New Trend of Intellectual Property Protection in China (2008-2009)

### An Eye on the Ground

Catherine Sun

09.30.09



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## IP Related Legislation in 08-09



- The Third Amendment of the Patent Law (October 1, 2009)
- The Anti-Monopoly Law (August 1, 2008)
- The Labor Contract Law and Its Implementing Regulations (Jan. 1 / Sept. 18, 2008 Respectively)
- Customs IP Protection Regulation (July 1, 2009)
- New Measures on Technology Import and Export (Effective in March 2009)
- Civil and Commercial Judgment Recognition and Enforcement Arrangement between Mainland and HK (August 1, 2008)



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## Major Revision to Patent Law

- Novelty Standard-worldwide disclosure serve as prior art
- National Security Review before filing
- Joint ownership-consensus to enforce or commercialize required
- Maximum statutory damages increased to RMB1 million
- Rewards to inventors remain unclear

## Other Major Legislative Changes

- IP Licensing may subject to monopoly challenge
- Non compete term is set at two years maximum with mandatory compensation fees vary
- Technology import and export contract needs to be registered within two months
- IP Customs recordation must be handled by a Chinese entity or agent
- Chinese IP judgment now can be recognized and enforced in Hong Kong, *vice versa*



## Landmark IP Cases 08-09



- Holley v. Samsung for invention patent infringement- Samsung was asked to pay RMB50 million about USD7.35 million
- German bus design case-highest award in design patent about USD3.11 million
- Italian chocolate maker won an unfair competition case after five years
- French firm jailed two ex-employees for trade secret misappropriation
- American kiwifruit business won a trademark infringement case
- Microsoft, Autodesk, Gucci and Pfizer all enjoyed copyright or trademark victories in 08-09

## Conclusion and Prediction



- Acquisitions: More to file in China by foreign right holders; more to file by Chinese in developed regions
- Commercialization: More within and outside China by Chinese
- Enforcement: Fewer administrative actions and perhaps more IP civil actions between Chinese and foreign parties

## Conclusion

**Thank you for your attention!**

*Questions and Contact Information:*

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6<sup>th</sup> Annual Asia-Pacific In-House Counsel Summit: Finding Opportunities in a Year of Change

## **China Patent Practice: The New Realities**

**Strategies for Success for  
the Multinational Enterprise**

**Sharon R. Barner**

**Harold C. Wegner**

09.5676

## China Patents, New Realities



- *Our presentation focuses upon several practical implications of the Third Amendment to the Patent Law from the perspective of patent protection for overseas' enterprises.*
- *We also consider the trend of larger numbers and the type of Chinese patent filings.*

## China Patents, New Realities



### “Absolute Novelty”

“The prior art referred to in the Patent Law means any technology known to the public in the country or abroad before the date of filing.”

Article 20

## China Patents, New Realities



### “Absolute Novelty” (*continued*)

Prior Art includes “knowledge” – not merely prior publications or patents:

“**[A]ny technology known to the public** in the country or abroad before the date of filing.”

## China Patents, New Realities



### “Absolute Novelty” (*continued*)

Prior Art includes knowledge *outside China* – in *any* country of the world:

“**[A]ny technology known to the public** in the country **or abroad** before the date of filing.”

## China Patents, New Realities

### “Absolute Novelty” (continued)

There is *no grace period* so applicant’s publication *one day* before filing destroys patentability:

“[A]ny technology known to the public in the country or abroad ***before the date of filing.***”

## China Patents, New Realities

### “Absolute Novelty” (continued)

- Foreign first filing should not be delayed if delay in obtaining government clearance for first filing will result in “public” knowledge in the interval before filing.
- Filing “immediately” in China as country of first filing avoids this absolute novelty problem.

## China Patents, New Realities

### “Absolute Novelty” (*continued*)

- If a first filing in China (or anywhere) is rushed without complete details of the invention, then “public” knowledge *after* the first filing but before Paris Convention filing may result in absolute novelty bar.
- Priority *must* be obtained in this scenario to avoid absolute novelty bar.

## China Patents, New Realities

### “Absolute Novelty” (*continued*)

#### Transition issue

What should be done for a *recently known-in-America* invention that is patentable in China under the “old” law but which will be unpatentable under the Third Amendment?

## China Patents, New Realities



### “Absolute Novelty” (*continued*)

#### Transition issue

Application should be **actually filed in China before the transition date**, *without* relying upon priority based upon foreign application filed before the transition date.

## China Patents, New Realities



### Commercialized Trade Secret Inventions

An invention that is a *commercialized trade secret* is part of the “prior art” under *United States* law if commercialization is in the United States for more than one year before the same applicant files for patent:

## China Patents, New Realities



### Commercialized Trade Secrets *(continued)*

“[I]t is a condition upon the inventor's right to a [U.S.] patent that he shall not exploit his discovery competitively after it is ready for patenting [even if the invention remains secret]; he must content himself with either secrecy or legal monopoly.”

*Metallizing Engineering Co. v. Kenyon Bearing & Auto Parts Co.*,  
153 F.2d 516, 520 (2d Cir. 1946) (L. Hand, J.)

## China Patents, New Realities



### Commercialized Trade Secrets *(continued)*

Many American trade secrets have therefore not been patented in the United States because corporate decision was made that trade secret protection is better under American law.



## China Patents, New Realities



### Commercialized Trade Secrets *(continued)*

- American companies just entering Chinese business world may have few patent rights if they have operated under American trade secret protection.

## China Patents, New Realities



### Commercialized Trade Secrets *(continued)*

- May American companies obtain *Chinese* patents for American trade secret methods that have remained secret but which are barred under American *Metallizing Engineering* case law?

## China Patents, New Realities



### Commercialized Trade Secrets *(continued)*

Yes – because the knowledge of the trade secret is just that, *secret*.

China's absolute novelty law does not impact *Metallizing Engineering*.

## China Patents, New Realities



### Foreign Filing Permission

- Foreign Filing for Chinese Inventions is Delayed if there is a First Filing outside China:

## China Patents, New Realities



“Where any entity ...intends to file an application in a foreign country for a patent ...made in China, it ...shall be subject to a prior secrecy examination by the Patent Administration Department under the State Council.”

Article 20

## China Patents, New Realities



- If a foreign enterprise does not want to file first in China, it must weigh whether it is of sufficient importance to maintain Chinese patent rights by complying with the new law *or* to waive Chinese patent rights in favor of a more prompt filing outside China.

## China Patents, New Realities



- Penalty for violating rule on permission to file abroad is only loss of right to a patent in China:

## China Patents, New Realities



For any [invention], for which an application is filed in a foreign country contrary to the [requirement for security clearance] of this Article, no patent right shall be granted [to such invention] if the patent is applied for in China.”

Article 20

## China Patents, New Realities

# The Changing Face of Patent Filings in China:

## Lessons to be Learned

## China Patents, New Realities

### China Patent Applications (2008)

<b>Total Applications</b>	<b>828,000</b>	<b>13% Foreign</b>
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<b>Utility Model</b>	<b>226,000</b>	<b>&lt;1% Foreign</b>
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## China Patents, New Realities



### Lesson One: Explosion of China Filings

The 828,000 Chinese patent, utility model and design patents represent – by far – the largest number of patent filings of any country in the world.

## China Patents, New Realities



### Lesson Two: Utility Model Protection is Important in China

226,000 utility model applications were filed in China in 2008.

# China Patents, New Realities

## Utility Model Applications

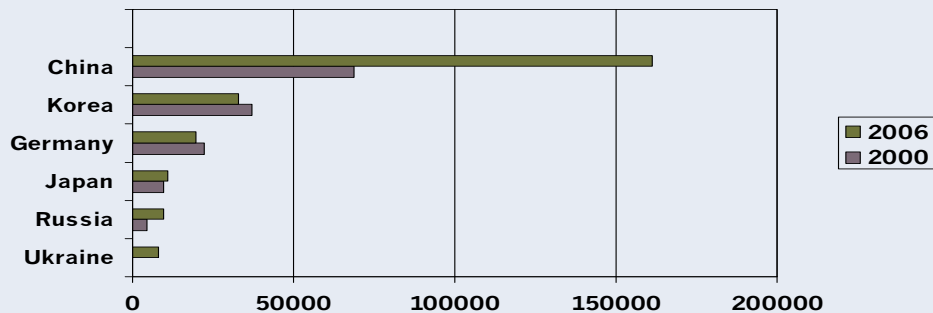
China is the world leader in utility model filings, including a significant *increase* over the past two years:

### China Utility Model Filings

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# China Patents, New Realities

## Utility Model Filings by Patent Office: Selected Offices (2006)



World Patent Report: A Statistical Review. p. 25 (WIPO 2008). Chart is modified to show only countries with more than 5000 filings per year.

## China Patents, New Realities



### Lesson Three: Foreign Enterprises do not properly understand Utility Model Protection:

- Less than one (1) percent of utility model applications are by foreign enterprises.
- Foreign enterprises therefore lack an appreciation as to why Chinese file for utility model protection.

## China Patents, New Realities



- “Utility model means any new technical solution relating to the shape, the structure, or their combination, of a product, which is fit for practical use.”



## China Patents, New Realities



**Lesson Four: Because of the very high number of *regular* patent filings in China the backlog of cases for *regular* patent protection will become greater.**

- Because *early* patent protection will not be possible, utility model protection should be considered as an alternative.

## China Patents, New Realities



- Utility model protection is *excellent* for prompt grant of the patent right.
- The patent is *registered* with a substantive examination deferred until enforcement.

## China Patents, New Realities



- Utility model protection is an excellent way to quickly boost the size of *granted* patent protection.
- Utility model protection has resulted in very high damages awards on a case by case basis.

## China Patents, New Realities



### Lesson Five: Design Protection is also Important

- Design filings (313,000) is greater than all patent applications for all countries of the world except Japan and the United States

## China Patents, New Realities



“Design means any new design of the shape, the pattern or their combination, or the combination of the color with shape or pattern, of a product, which creates an aesthetic feeling and is fit for industrial application.”

## China Patents, New Realities



### Design Protection – A Narrow Protection?

- Design protection *is* narrow, largely useful against copyists of a brand design.
- But, for many foreign enterprises, *protection against an exact copyist* is very important.

## China Patents, New Realities



### Lesson Six: Foreign Enterprises don't appreciate the importance of design protection.

- Less than five (5) percent of all design applications filed in China are on behalf of foreign enterprises (versus one-third of all *regular* patent filings are from foreign enterprises).

## China Patents, New Realities



### Thank you for your attention!

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## China Patents, New Realities



### *About this presentation*

Sharon R. Barner and Harold C. Wegner are partners in the firm of Foley & Lardner who have been collaborating on international and domestic patent strategies since the mid-1990's. They have both been involved with the opening of Foley's Asian offices.

## China Healthcare Challenges and Opportunities

### *An Industry Perspective*

Stephen A. Bent & Yan Zhao

## The Historical-Cultural Context

- From Mao to Now – Healthcare Takes a Back Seat to Economic Development
  - top social concern in 2007: “high medical expenses”
  - expenditure on high-tech medical equipment increases but quality of care drops
  - 700M rural Chinese pay out of pocket for most health care
- “Developing Nation” with Developed-Nation Public Health Problems
- Central Planners Look to Increase Regulation, Expand Health Insurance Coverage, and Reward Doctors Based On Quality of Care

## Commercial/Legal Framework (1)

- Influx of Foreign Investment to Upgrade Hospitals and Management
  - non-Chinese investor of  $\geq$ \$2.4M can hold up to 70% stake in private medical facility
  - estimated \$60B in public and private funding, encouraged by prospect of further liberalization
- Prime venue for clinical trials: multinational R&D, drug imports, domestic registration
- Increasingly Western-style oversight of manufacturers and distributors, but ...

## Commercial/Legal Framework (2)

- Complicated SFDA Registration Process Is Not Matched by Consistent GMP/QA
  - regulatory oversight varies across different regions
  - contractual obligations with a manufacturer or distributor in China can be difficult to monitor
- Trends in Reform of Medical Product Pricing and Reimbursement Are Still Undeveloped
- PRC Patenting System Meets International Standards, But Strategic Planning and Enforcement Present Ongoing Challenges

## Conclusion

**Thank you for your attention!**

*Questions and Contacts:*

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