

New Regulations in China for the Registration of Patent Licensing Contracts

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Chinese Patent Regulations require that all contracts for a license of patent rights must be registered with the State Intellectual Property Office (SIPO). Australians that are registered patent owners in China, and have, or intend to enter into, patent licences in China should ensure the contract is registered. Australian entities doing business in China are likely to find that it is a condition of access to the Chinese market that they work with a Chinese partner and that licences of intellectual property owned by either or both parties must be entered into. It is important to make sure that any such patent licences are registered.

In 2008 China promulgated the third major amending reform of the Patent Law of the Peoples Republic of China³ to take effect from 1st October 2009 and in 2009 promulgated an associated major reform of the Patent Regulations to take effect from 1st February 2010.⁴ As a continuation of that process of patent legislation reform, SIPO has released a series of amendments to patent legislation that included amendments to the “Measures for the Recording of Filing of Patent Licensing Contracts” (hereinafter the Measures). This amendment, comprising 22 Articles, was issued on the 27th June 2011 and took effect on the 1st August 2011⁵.

The Measures provide that where a contract for a license of rights under a patent registered in China is concluded, the parties shall make an application for the licensing contract to be registered with SIPO within three months, counted from the day when the licensing

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³ Patent Law of the People's Republic of China; Adopted at the 4th Meeting of the Standing Committee of the Sixth National People's Congress on March 12,1984 and promulgated by Order No.11 of the President of the People's Republic of China on March 12,1984; Amended for the first time in accordance with the Decision of the Standing Committee of the Seventh National People's Congress on Amending the Patent Law of the People's Republic of China at its 27th Meeting on September 4,1992; Amended again in accordance with the Decision of the Standing Committee of the Ninth National People's Congress on Amending the Patent Law of the People's Republic of China adopted at its 17th Meeting on August 25,2000; Amended for the third time in accordance with the Decision of the Standing Committee of the eleventh National People's Congress on Amending the Patent Law of the People's Republic of China adopted at its 6th Meeting on December 27, 2008.

⁴ Implementing Regulations of the Patent Law of the People's Republic of China, Promulgated by Decree No. 306 of the State Council of the People's Republic of China on June 15, 2001, and effective as of July 1, 2001. On the Amendments to the Implementing Regulations of the Patent Law of the People's Republic of China. On December 30, 2009, the 95th State Council Executive Meeting considered and adopted the Decision of the State Council to Amend the Implementing Regulations of the Patent Law of the People's Republic of China (hereinafter referred to as the "Decision"). Premier Wen Jiabao signed Decree No. 569 of the State Council on January 9, 2010 which promulgated the Decision to enter into effect on February 1, 2010.

⁵ <http://www.chinalawandpractice.com/Article/2891676/Measures-for-the-Record-Filing-of-Patent-Licensing-Contracts.html>

agreement takes effect.⁶ The licensing agreement must be in writing, but the form of the agreement can follow either the standard form of licensing agreement issued by SIPO or any other form of agreement as long as it is in conformity with the requirements of the Contract Law of PRC.⁷

The Measures provide that SIPO is the relevant authority for registration of licensing contracts,⁸ while the previous 2001 Measures for the Recording of Filing of Patent Licensing Contracts authorized either SIPO or a local provincial level administration for patent organization to provide the registration.⁹ Providing one central authority will make it easier to search the register for licenses, but may delay the application process.

Article 3 of the Measures requires that the licensor must be a lawful patent right holder or other right holder. This involves a change from the position under the previous 2001 Measures where the term “licensor” included not only owners of registered patents, but also patent applicants.¹⁰ This change indicates that SIPO will no longer register licensing contracts for future patents and the position of an owner of a future interest as a patent licensee is decreased.

Article 3 of the Measures, also provides that where the patent to be licensed is jointly owned either all of the joint owners must be parties to the contract, or where the licensor is only one joint owner, or not all of the joint owners are parties to the licensing contract, that all of the other joint owners have given their consent to the license.¹¹ This provides greater flexibility than the 2001 Measures that in the case of jointly owned patents required that all joint owners must be parties to the license.¹²

While Chinese nationals or organizations may undertake their own application for registration¹³ “a foreign national with no habitual residence or business place in China, or any foreign enterprises or organizations”¹⁴ must proceed through a recognised Chinese Patent Agency. This is also a relaxation of the 2001 Measures that required that such an application must proceed through the Patent Agency designated by SIPO.¹⁵ Applicants now have greater freedom of choice to select their own properly accredited Patent Agent firm rather than having to work with a firm allocated to them by SIPO.

The application should be submitted by the parties to the contract, and the regulations specify that the documents to be supplied must include¹⁶ (a) a formal application form for registration

⁶ Article 5 of the Measures. Also Article 5 of the 2001 Measures.

⁷ Article 4 of the Measures.

⁸ Article 2 of Measures.

⁹ Article 2 of 2001 Measures.

¹⁰ Article 3 of for the Recording of Filing of Patent Licensing Contracts (2011). Article 4 of the 2001 Measures defines the licensor as lawful patent owner and patent applicant or other right holder. Measures for the Recording of Filing of Patent Licensing Contracts (17 December 2001).

¹¹ Article 3 of the Measures.

¹² Article 4 of the 2001 Measures.

¹³ Art 6 of the Measures; also article 11 of the 2001 Measures

¹⁴ Art 6 of the Measures;

¹⁵ Article 11 of the 2001 Measures.

¹⁶ Article 8 of the Measures.

of the licensing contract signed or sealed by the licensor or its agent (b) a copy, or copies of, the patent licensing contract or contracts (c) proof of the identity of both parties (d) power of attorney with statement of the specific scope of the power in case of submission via a Patent Agency and (e) other necessary documents. The unspecified generality of (e) is intended to provide SIPO with flexibility to require documents as evidence in an “unexpected situation”. While this may assist SIPO satisfy itself this does constitute an area of uncertainty for applicants. The licensing agreement for the application must also include¹⁷ (a) the names and addresses of the parties, (b) details of the relevant patent or patents including the title of the patent, patent number, filing date and date of announcement of registration (c) the type of license and the term of the license.

All of these documents must be in the Chinese language except for the documents that relate to proof of identity, (which in the case of foreign parties will ordinarily be in some other language) where a translation in Chinese must be submitted with the copies of the original documents.¹⁸

SIPO will examine the application for registration, and upon being satisfied will register the licensing contract within seven days after the receipt of the application.¹⁹ The Measures do provide details of the grounds on which SIPO can refuse the registration. These are that:²⁰ (a) the patent right has expired or has been invalidated; (b) the Licensor is not the registered patent owner or other right holder; (c) the licensing agreement does not meet the requirements of Article 9;²¹ (d) the license is expressed to be for a term that is longer than the potential remaining patent duration; (e) in the case of jointly-owned patents, that a patent owner has violated any relevant laws or regulations or breached the agreement among the joint owners to enter into such licensing agreement (f) there is default in paying the annual renewal fee; (g) the patent right is under dispute, is the subject of court proceedings concerning validity or has been secured or attached by a court (g) there is duplication in that the same patent licensing agreement is being filed again; ; (h) the patent right is subject to a charge, although this ground can be overcome if the party, or parties holding the charge agree to the licensing contract; (i) there is conflict with other registered licensing agreement; or (j) such other ground as SIPO determines in a particular case. This is a longer list of reasons for refusal of registration of the license than those set out in the 2001 Measures.²²

If there is a dispute between the parties about the details of the registration of the license the parties should negotiate to reach a settlement. SIPO may, at the request of the parties, mediate the dispute.²³

¹⁷ Article 9 of the Measures.

¹⁸ Article 10 of the Measures.

¹⁹ Article 11 of the Measures.

²⁰ Article 12 of the Measures.

²¹ See above with footnote 17.

²² Article 15 of the 2001 Measures only provides, (a) patent right has been expired or invalidated; or a patent application has been refused or withdrawn (b) Joint-owner(s) does not have the consent from the other joint owners or applicants; (c) the same patent license agreement is filed again; (d) the term of license is longer than the patented duration; (e) others.

²³ Article 60 of the Patent Law (amended in 2009) and Article 85 of the Implementing Regulations of the Patent Law of the People's Republic of China (amended in 2010).

If a licensing contract is to come to an end, either through expiration of term, or through a decision of the parties to terminate the contract prior to the original date of expiration, the parties shall file for cancellation of the registration of the license with SIPO within 30 days of expiration or entering into a termination agreement.²⁴ The application for cancellation must include submission of the registration of the licensing agreement, any termination agreement and other relevant documents.

If the parties wish to extend the term of license, they should file an application to alter the registration two months prior to the expiration of the original licensing agreement.²⁵

If a registered patent is invalidated during the term of the license, SIPO will notify the licensee and the parties are required to cancel their registration accordingly.²⁶

The 2001 Measures provided that after registration of a patent licensing agreement, when the licensee had evidence to prove that the patent right was being infringed, or would be infringed, and such infringement would cause un-compensable loss, a licensee could apply to the court for an injunction.²⁷ The previous measures also provided that a licensee under an exclusive license could solely apply to the court, while a sole licensee could apply to the court when the patent holder would not do so.²⁸ This Article however has been deleted in the 2011 Measures, which are more closely focussed on the registration process. Matters relating directly to infringement are now dealt with under the Patent Law or Implementing Regulations.

The 2001 Measures provided that a licensee, after the registration of the patent licensing agreement, could apply to the court for an injunction when the licensee had evidence to prove that the patent right is being infringed or will be infringed and such infringement will cause un-compensable loss.²⁹ They also provided that a licensee under exclusive license could apply to the court solely, while sole licensee can apply to the court when the patent holder does not do so.³⁰ There is no corresponding provision in the 2011 Measures, which again reflects the fact that the Measures are now more focussed on the facilitation of the registration process while questions of infringement are dealt with in the Patent law or Implementing regulations.

While the Measures require application for registration and cancellation of registration of licensing contracts they do not include a provision setting out the consequences of failing to apply or to register. Nor does it seem that failure to apply or register is dealt with in the Implementing Regulations or the Patent Law itself. Presumably if the licensing contract is otherwise in conformity with the general requirements of the Contract Law of the Peoples Republic of China it will still be valid and enforceable under the civil law procedures

²⁴ Article 17 of the Measures. In the 2001 Measures only 10 days are allowed for such a cancellation.

²⁵ Article 16 of the Measures.

²⁶ Article 18 of the Measures.

²⁷ Article 6 of 2001 Measures.

²⁸ Article 6 of 2001 Measures.

²⁹ Article 6 of 2001 Measures.

³⁰ Article 6 of 2001 Measures.

available in China.

However where disputes arise in relation to the working of the license, or in relation to infringement of patent, particularly where the license appears to be the grant of an exclusive licence that authorises the exclusive licensee to initiate infringement actions in their own name, the registration of the license contract may be of significant importance.

Enforcement of IPR in China includes administrative enforcement, customs service enforcement at the border, criminal enforcement systems, and civil enforcement through the Courts³¹. The first, and prevalent, approach is through administrative enforcement where an IP rights holder files a complaint at the relevant local administrative office. The second, and lesser, approach is to apply for judicial enforcement by filing a complaint and claim through the Court system. (China has established specialized IP panels in its civil court system throughout the country.)

Administrative enforcement agencies can fine an infringer, seize goods or equipment used in manufacturing infringing products, and/or obtain information about the source of goods being distributed. However in most cases, administrative agencies cannot award compensation to a rights holder.

Enforcement agencies include the State Intellectual Property Office in relation to patents for inventions, utility models and design patents which are all covered by the notion of patent in the proposed amendments.

Where the licensing contract or the precise content of the terms is relevant to an action for administrative enforcement of a patent before SIPO the fact of registration with SIPO itself will allow a party to submit the registration and establish that the licensing contract does exist, the identity of the parties and prove the terms of the license. Equally it may be that a party wants to prove that a previously existing license has expired, where for instance a former licensee continues to work the patent beyond the agreed term, and a formal cancellation can be provided as proof.

It seems reasonable to believe that SIPO will afford full recognition of the registration, or cancellation of registration, of a licensing contract in the course of administrative enforcement

³¹ Articles 60, 61, 63, 64, 65 of the Patent Law (amended in 2009); Article 85 of the Implementing Regulations (amended in 2010); Regulations of Customs Protection of Intellectual Property Rights of PRC (Promulgated by Decree No. 395 of the State Council of the People's Republic of China on December 2, 2003, and effective as of March 1, 2004. On the Amendments to the Regulations of the Customs Protection of Intellectual Property Rights of PRC. On March 17, 2010, the 103 State Council Executive Meeting considered and adopted the Decision of the State Council to amend takings effect from April 1, 2010. China Customs Implementing Measures of Regulations of Customs Protection of Intellectual Property Rights of PRC (takes effect as of July 1, 2009). Section 7 Crimes of Infringing on Intellectual Property Rights of Chapter III of Part II of the Criminal Law of PRC (Adopted at the Second Session of the Fifth National People's Congress on July 1, 1979; revised at the Fifth Session of the Eighth National People's Congress on March 14, 1997 and promulgated by Order No.83 of the President of the People's Republic of China on March 14, 1997; amended in 2001 for the third time, 2002 for the fourth time, 2005 for the fifth time and 2006 for the sixth time and 2009 for the seventh time).

proceedings it conducts. Where the enforcement action or dispute is conducted before a civil court the existence of registration, or cancellation of registration, should be admissible and cogent evidence to prove certain facts to the court.