GENERAL MOTORS V. CHERY: A JUDICIAL LESSON FOR FOREIGN OPERATORS IN CHINA

Luigi Russi*, Oliver Mirsch§

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INTRODUCTION

Recent litigation involving car manufacturers General Motors and Chery should draw the attention of western companies interested

* LL.B. (2007), “Luigi Bocconi” Commercial University, Milan, Italy; Assistant Editor, International Journal of Communications Law and Policy. Mr. Mirsch is the author of section I(A) and contributed to the research of section II(B)(5); Mr. Russi is the author of all other sections. Both authors are greatly indebted to Attorney Marco dell’Antonia for his helpful suggestions and to Professors Laurent Mandereux, Maria Lillà Montagnani, and Maurizio Borghi for providing helpful criticism throughout the drafting process of this Note. Mr. Russi and Mr. Mirsch are solely responsible for the opinions expressed in this Note.

§ B.Sc. Candidate (2007), Faculty of Economics and Business Administration, Maastricht University, The Netherlands.
in operating within the People’s Republic of China to the problem of securing protection for their industrial designs.

In the last few years there has been a twofold phenomenon. First, China’s auto sector, which features the entry of many ambitious Chinese auto manufacturers, has exploded industrially. Second, the Chinese economy has continued to thrive, thus turning China from a “manufacturing-only country” to a market with enormous potential. In particular, the latter phenomenon is expected to continue into the future assuming China’s economy continues to grow consistently with expert predictions. As a result, more companies have decided to expand their business into China.

With the influx of foreign businesses into China, competition has become increasingly aggressive and some operators have not hesitated to use unorthodox business practices. These practices often affect Intellectual Property Rights (hereinafter “I.P.R.”). Additionally, entrepreneurs damaged by unfair conduct have often blamed Chinese legal authorities for being excessively “tolerant.” However, complaining operators should begin by blaming themselves for not resorting to the protection schemes presently available in China. This proposition for self-examination can be found in General Motors v. Chery.

Indeed, foreign entrepreneurs sometimes ignore the recent legal evolution in the People’s Republic of China (hereinafter “P.R.C.”) with particular reference to the protection schemes devised for industrial designs. These protection schemes have brought about compliance with international standards and, significantly, have brought particular attention to I.P.R. enforcement. Therefore, when doing business in the P.R.C., a safer strategy is to resort to the legal tools specifically designed to tackle I.P.R. infringement problems.

Under Chinese Patent Law, there are legal remedies for industrial design infringements. Whereas other jurisdictions protect

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other I.P.R.s under separate laws, the P.R.C. protects inventions, utility models, and designs under the patent paradigm. This Note seeks to provide an introduction to the regulation of industrial design patents in China to foster awareness of existing legal tools and the ability to increase safety for foreign operators. In Part I, after presenting an overview of the Chinese automobile market, the General Motors v. Chery case is presented in order to set out a clear scenario illustrating the dangers that may arise from the failure to register industrial designs. Part II examines the issue of Chinese industrial design protection in two respects: (1) its historical evolution and (2) its present configuration.

I. THE INCREASED NEED FOR INDUSTRIAL DESIGN PROTECTION IN CHINA

A. The Chinese Auto Market: A Growing Reality

China’s accession to the World Trade Organization (hereinafter “W.T.O.”)\(^3\) has brought about enormous pressure to change and supplement legislation in the economic field. There has been a shift toward expanding the open market through the reduction of trade barriers, tariffs, and quotas on both imports and exports. As a consequence, these changes enhance China’s prospects of engaging in the competitive global market economy.

Along with other industrial sectors, the Chinese automobile industry has displayed potential. Falling prices for vehicles and improved trade conditions, in terms of lower import tariffs, make vehicles more affordable than ever. For example, the price reduction for automobiles amounted to seven-percent and eight-percent for the years 2002 and 2003 respectively.\(^4\) As a result of these improved market conditions and the increased affordability of vehicles for Chinese citizens, more than 1 million cars were sold in 2002. Moreover, during the first three quarters of 2003 there was a sixty-nine-percent increase in sales or, in total figures, an increase of 1.45 million vehicles. Predictions indicate that the growth in the

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\(^3\) China has been a member of the World Trade Organization since December 11, 2001. WTO China – Member Information, http://www.wto.org/english/thewto_e/countries_e/china_e.htm (last visited Sept. 23, 2007).

automobile sector will continue. Specifically, private car sales are expected to rise throughout 2007 and should make up sixty-five percent of the total vehicle sales in China.

A few additional considerations may provide further evidence of the Chinese automobile market’s huge potential, which could soon become the largest market for imported and domestic cars. Such considerations include the possible future improvement of the leasing and financing systems. This would provide more opportunities for China’s citizens to invest in a vehicle and therefore “catch” a larger number of potential customers who would otherwise only be able to buy a car on credit. Additionally, further governmental interest in, and promotion of, the automobile industry could make this market more attractive for domestic producers. Conversely, increasing demand and special interest for imported foreign vehicles and related brands makes the Chinese market enticing for foreign companies. Finally, the importance of the automobile industry in China, and its growth in comparison to other economically strong nations, is significant. From 2001 to 2005, China experienced the largest compound annual growth rate of automobile sales, a 12.3 percent increase.\(^5\)

**B. The Case: General Motors v. Chery**

After having briefly outlined the potential of the Chinese auto market, the facts of the *General Motors v. Chery* case shall provide an example of the risks which may be faced by foreign companies operating in China. The best response to some of the risks would be, as we aim to explain throughout the paper, patenting one’s industrial designs. In particular, this could prevent aggressive competitors from taking unfair advantage of one’s designs, which are a crucial element in determining the consumer’s choice.

On December 16, 2004, General Motors Daewoo Auto & Technology Co. (hereinafter “GMDAT”), an Inchon, South Korea unit of Detroit-based General Motors Corp., filed a lawsuit before the Shanghai No. 2 Intermediate People’s Court\(^6\) against local auto maker Chery Automobile Co. Ltd. In their complaint GMDAT’s alleged extreme similarities between Chery's “QQ” model and the Daewoo

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\(^5\) See id. at 19.

\(^6\) After objections on jurisdictional grounds by the defendant, the Supreme People’s Court appointed the Beijing No. 1 Intermediate People’s Court in May 2005 to handle the case.
Matiz-based Chevrolet “Spark.” Both vehicles, the QQ and the Spark, were sold in China. Specifically, in May 2003 Chery’s first mini-car, model QQ, was launched on the market and, since learning of the strong resemblance between the two models in April 2003, GMDAT hired various organizations to analyze and investigate the vehicles' similarities. According to General Motor’s (hereinafter “GM”) Korea-based subsidiary, results of the investigations showed remarkably identical body structure, exterior design, interior design, and key components, as well as the inter-changeability of a vast majority of parts in the Matiz/Spark and QQ.

Because GM Daewoo had not secured a design patent under Chinese law for the Matiz/Spark, GM pursued a legal claim against Chery under China’s Unfair Competition Law.\(^7\) However, under Chinese Patent Law to assert market confusion a party must prove that its design was famous domestically before the infringing design first entered the Chinese market.\(^8\) Such a requirement was then impossible for GMDAT to meet, given that the Spark was introduced on the Chinese market some six months after the QQ.\(^9\) In their claim, GMDAT asked Chery to publicly apologize for its infringement, provide compensation for an estimated economic loss of RMB 75 million, and pay litigation and investigation expenses amounting to RMB 5 million – a total of RMB 80 million ($ 9.7 million).

Before initiating legal proceedings, GMDAT also submitted a request before the Patent Re-examination Board (hereinafter “P.R.B.”) to invalidate the design patents owned by Chery. Specifically, the South Korean auto maker contended that (1) Chery copied and used GMDAT’s trade secrets to create the QQ and that (2) Chery's patents copied features of the Matiz/Spark, which was launched prior to Chery registering the patents for the QQ.\(^10\) In other words, GM sought to

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\(^9\) In May 2003, when Chery started marketing the QQ, GMDAT had just signed a technology licensing agreement with its joint venture Shanghai Automotive Industry Corp., SAIC-Wuling Automobile Co. Ltd. of Guangxi, and authorized it to manufacture and sell the Spark model in China; the actual sale of the vehicle started several months later.

attack Chery’s patents claiming that (1) the designs did not originate from Chery and (2) that the designs lacked novelty.

In regards to the latter claim, due to the lack of official sources, it is not clear whether General Motors alleged that Chery’s design patent application was posterior to the marketing of the Spark, or if its argument referred to the granting of the design patent. As to the first possibility, it may be inferred that had the application been filed after the marketing of the Spark it would have also been posterior to the QQ (which preceeded the Spark by about six months). If the former is true, the lack of novelty due to previous disclosure by Chery itself would then have been obvious. Therefore, the second possibility seems more plausible, although it does not embody a very strong claim, given that the Chinese P.L. requires that novelty be evaluated as of the date of filing rather than on the date of its grant.

At any rate, due to the Matiz model also being known abroad (it went on the South Korean market in 1998), at a time when it was reasonable to believe that Chery had not yet filed any design patent application, the decision to uphold the validity of Chery’s patents brings about several interesting legal consequences. As could be anticipated, the complaint before the P.R.B. was dismissed on the grounds that General Motors did not have any registered right over the design of the model. Court litigation eventually came to an end after the parties reached a settlement agreement in November 2005. The details of the settlement were not disclosed. Embodied in statements such as “China is a culture known for rampant, enterprising knockoffs and lax enforcement of intellectual property rights,”\(^{11}\) this episode brought criticism from market operators regarding China’s attitude towards IP protection.

In the following paragraphs we will attempt to show that, despite such opinions, China’s struggle for modernity has brought about a different attitude regarding IP protection, and that had GMDAT’s designs been registered, the outcome may have been different.

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\(^{11}\) Patricia Vowinkel, Plaintiff, Start Your Engines! U.S. Automakers Believe It Is Better to Do Battle with the Pirates of Intellectual Property and Cope with all the Other Risks Involved in an Emerging Market like China to Win a Share of an Important New Growth Market, 16 RISK AND INSURANCE, No. 6, May 1, 2005; at 46 available at http://findarticles.com/p/articles/mi_m0BJK/is_6_16/ai_n13726610.
II. REGULATION OF INDUSTRIAL DESIGN PROTECTION IN THE PEOPLE’S REPUBLIC OF CHINA

Much of the criticism which arose after the General Motors v. Chery case is rooted in China’s stereotypical image as a country substantially disrespectful towards I.P.R.s. In the following paragraphs we shall try to argue how such a negative image likely lacks factual support in light of the efforts undertaken by China to establish higher standards of protection, and that the outcome of General Motors v. Chery is essentially attributable to the non registration of the Matiz/Spark designs. Essentially, the observation that unpatented designs do not enjoy strong protection does not necessarily imply that design protection is generally scarce.

Our position is better understood after considering the cultural background in which the Chinese government’s policy of strengthening I.P.R. protections was implemented. A brief analysis of the historical evolution of patent protection in China may prove helpful in providing a basic frame of reference against which to measure the actual depth and effectiveness of legal improvements.

A. The Evolution of Chinese Patent Law

Throughout Imperial China (221 B.C.-A.D. 1911) Intellectual Property was never granted any serious form of protection. Specifically, the period of time spanning from the first Imperial dynasty, the Qin dynasty (221-206 B.C.), to the beginning of the twentieth century, the notion of Intellectual Property did not appear. Economic, technological, and cultural factors indicate the reasons for such a phenomenon.

As for the economic and technological factors, the pre-industrial nature of the Chinese economy excluded countries like China from the process of large-scale commercial innovation. For western countries, these innovations likely served as an incentive for the establishment of intellectual property law.

With regards to the cultural factor, specific emphasis has been tied to the role of the “dominant Confucian vision of the nature of civilization and of the constitutive role played therein by a shared and still vital past.” In particular:

12 WILLIAM P. ALFORD, TO STEAL A BOOK IS AN ELEGANT OFFENCE: INTELLECTUAL PROPERTY LAW IN CHINESE CIVILIZATION 19 (Stanford University Press 1995) (hereinafter ALFORD).
that vision saw civilization as defined by a paradigmatic set of relationships, each bearing reciprocal, although not necessarily equal, responsibilities and expectations, which the parties were morally bound to fulfil . . . . Only through encountering the past – which provided unique insight into the essence of one’s own character, relationships with other human beings, and interaction with nature – could individuals, guided by nurturing leaders, understand how properly to adhere to those relationships of which they were a part.\textsuperscript{13}

The first consequence of such a vision was that, “under any circumstance, the appropriate conduct had to be determined according to the hierarchical position of the different subjects, in keeping with ritual rules and ancient customs (the \textit{li}).\textsuperscript{14} Of course, this implied a “preference for the rule of man . . . over that of law.”\textsuperscript{15} This preference was based on the assumption that the law was a less appropriate instrument for preserving the hierarchical structure of society. Provisions embodied in the law would be obeyed only in consideration of the sanctions supporting them, and not because of spontaneous adherence to the social order, which could instead only be achieved by instilling ritual rules and ancient customs in the individual’s conscience. Since Confucius, (A.D. 551-479) such attitudes have rooted themselves deeply in Chinese culture. This has caused hostility towards formal rules and judicial methods of conflict resolution which historically originated from the practice of applying the \textit{li} for the solution of disputes.

The second consequence of the Confucian hierarchical vision of society – based on the belief that “[t]he essence of human understanding had long since been discerned by those who had gone before and, in particular, by the sage rulers collectively referred to as the Ancients, who lived in a distant, idealized ‘golden age’”\textsuperscript{16} – was that “[t]o avail themselves of that understanding in order to guide their

\textsuperscript{13} Id. at 19-20.
\textsuperscript{15} Id.
\textsuperscript{16} Alfard, \textit{supra} note 12, at 25.
own behaviour, subsequent generations had to interact with the past in a sufficiently thorough manner so as to be able to transmit it.”\textsuperscript{17} This interaction with the past also implied using other people’s creative endeavours to \textit{replicate} them. Thus, allowing “the user’s comprehension of and devotion to the core of civilization itself, while offering individuals the possibility of demonstrating originality within the context of those forms and so distinguishing their present from the past.”\textsuperscript{18} Clearly, this focus on the past and its creative replication has directly affected the developing concept of intellectual property in China.

In this context, the intervention of external forces produced the appearance of formal rules protecting I.P.R.s. Specifically, the semi-colonial status China acquired,\textsuperscript{19} and the consequent expansion of foreign economic involvement, forced the Chinese government to address issues like invention, trademark, and copyright protection.\textsuperscript{20} Yet, the situation did not yield effective or formal protection of I.P.R.s.

The Nationalist party, the Guomindang, ascended into power after the tumultuous period that followed the Qing Dynasty’s end in 1911. The Guomindang promoted a more pronounced policy of modernizing existing institutions, a policy which also comprised “[t]he development of laws regulating creative and inventive endeavour.”\textsuperscript{21} As a matter of fact, such promulgated laws protected not only inventions, but also utility models and designs – though they reportedly had little application.

The failure has been blamed on the reliance such laws cast upon a legal structure and consciousness that did not represent the real Chinese situation:

\begin{quote}
there appears to have been scant recognition in these laws, and scant acknowledgement in their application, that the overwhelming majority of their fellow Chinese citizens were unfamiliar not only with the niceties of “modern” intellectual property but with the very idea of vindicating rights through
\end{quote}

\begin{footnotes}
\item[17] Id.\textsuperscript{17}
\item[18] Id. at 29.\textsuperscript{18}
\item[19] China acquired a pseudo-colonial status after struggling with foreign powers, which began with the Opium War (1839-42) and eventually ended after the Boxer Uprising of 1900.\textsuperscript{19}
\item[20] During this period, China entered into several treaties, including the Mackay Treaty of 1902 with Great Britain and the Treaty of 1903 with the United States, which obligated China to grant protection to foreigners’ intellectual property.\textsuperscript{20}
\item[21] ALFORD, supra note 12, at 50.\textsuperscript{21}
\end{footnotes}
active involvement in a formal legal process meant to be adversarial in nature.\textsuperscript{22}

Formal rules protecting I.P.R.s came into existence with the birth of the People’s Republic in 1949. In particular, a dual-track system for inventions was adopted for patent protection.\textsuperscript{23} The scheme consisted of: (1) certificates of invention, which entitled the inventors to select benefits, including monetary ones, although the State actually held the right to exploit and disseminate those inventions, and (2) patents, which endowed inventors with full ownership and control over their creation. However, few inventors ever received patents during this early regime. In the years immediately preceding the Cultural Revolution, general state-ownership of inventions supplanted this system.\textsuperscript{24} It was only after the long parenthesis of “lawlessness,” represented by the Cultural Revolution (1966-1976), that China’s struggle for modernity in the attempt to make up for time lost during the previous years led to a new favourable governmental attitude regarding the protection of I.P.R.s. In 1978, the 1963 regulations were amended to include both monetary and honorific rewards for inventors. Then, in 1984 China issued its first patent laws.

In its original version, the P.L. contained the essential patent elements: (1) the adoption of the first-to-file rule, and (2) the inclusion of utility models and designs. Nonetheless, several flaws were present:

\textsuperscript{22} \textit{Id.} at 54. Traditional Chinese thought ranked the various instruments that administered state functions and maintained the hierarchal social harmony; rules and ancient customs (\textit{li}) prevailed over the formal written law of the state. “Public, positive law was meant to buttress, rather than supersede, the more desirable means of guiding society and was to be resorted to only when these other means failed to elicit appropriate behavior.” \textit{Id.} at 10. This supplemented the traditional perspective, which viewed the Chinese people as a family and the ruler as a parent, whose task, rather than regulating people’s behaviours through laws and punishment, was to lead them by the higher principles embodied in the \textit{li} so as to instil in them the correct perception of their position within society. The presence of “unwritten norms” along with the parent-ruler ideology are important elements to understand when contrasting the heterogeneity of the Guamindong IP regulations, which was inspired by Western legal traditions, to the Chinese legal and cultural framework.


\textsuperscript{24} \textit{SURVEY OF THE CHINA MAINLAND PRESS No. 3117}, at 6 (Dec. 11, 1963) (discussing how the change was enacted by the Regulations on Awards for Inventions, which was promulgated by the St. Council, Nov. 3, 1963).
1. The duration (twenty years for inventions and ten years for utility models and industrial designs)\textsuperscript{25} and scope of the rights conferred by patents were considerably inferior to international standards;

2. “[A]fter millennia of bureaucratic control a judicial system of People’s Courts still had to be established. In the meantime, law enforcement, including the enforcement of patent rules, was mainly a matter of administrative prosecution at local level.”\textsuperscript{26} Therefore, the Chinese P.L. was primarily aimed toward administrative conflict resolution;

3. “[T]he Patent Law largely limit[ed] itself to administrative or criminal remedies, each of which left principal remedial powers in the hands of officialdom. Little [was] provided in the way of civil remedies, which, presumably, would [have] vest[ed] more discretion with patentees.”\textsuperscript{27}

As to the last two issues, there is a profound link to the historical preference for informal means of conflict resolution over judicial remedies.\textsuperscript{28} As a result of this preference, parties bringing their controversies before “courts”\textsuperscript{29} would receive – in the past – hostile treatment from the officials to whom the claim was addressed for not privately resolving the matter.

\textsuperscript{25} P. L., \textit{supra} note 2, art. 42.
\textsuperscript{26} \textsc{Peter Ganea \\ Thomas Pattloch, Intellectual Property Law in China} 7 (Christopher Heath ed., Kluwer Law International 2005) [hereinafter \textsc{Ganea et al.}].
\textsuperscript{27} \textsc{Alford, supra note 12, at 73-74.}
\textsuperscript{28} This was the general circumstance during Imperial China. To this end, the famous statement proffered by Emperor Qing Kang Xi in the eighteenth century should be recalled: “Therefore, I wish that those addressing themselves to courts be treated without mercy and in such a way that they will feel aversion towards the law and shake at the thought of appearing before a magistrate.” \textsc{E. Dell’Aquila, Il diritto cinese - Introduzione e principi generali [Chinese Law - Introduction and General Principles]} at 7 n. 8 (1981).
\textsuperscript{29} The principle of separation of powers never found application in the Chinese context. In particular, during Imperial China, [A]lthough the central government and, to a certain extent, also the governments of the provinces were organized according to a functional division of offices (“legislative”, administrative and judicial ones) \ldots such division responded exclusively to organizational necessities within the administration and did not exclude various overlapping \ldots Furthermore, it did not extend to local officials, who instead kept on concentrating in themselves all of the statute powers.

\textsc{Cavalieri, supra note 14, at 84.}
Proceeding to the analysis of contemporary protection for Industrial Designs, two factors should serve as parameters to measure the effective progress resulting from the 1992 and 2000 Amendments to the P.L:

1. The increase in the scope of protection from a substantive point of view (e.g. protection term), and

2. The larger role acquired by courts over administrative authorities and, consequently, the increased availability of discretionally actionable civil remedies to the patentee. 30

B. The Present Situation

1. Requirements of Design Protection

The definition of design adopted by the Implementing Regulations of the Patent Law 31 (hereinafter “I.R.P.L.”) is “any new design of the shape, the pattern or their combination, or the combination of the colour with shape or pattern, of a product, which creates an aesthetic feeling and is fit for industrial application.” 32 This definition is clearly affected by the scheme of protection provided for designs under the patent paradigm. For instance, in order to refer to the embodiment in a utilitarian article, a common feature of most industrial design laws, the term “industrial applicability” is used. Additionally, an originality requirement is conspicuously absent from this definition. Other jurisdictions, including the United States, 33 often require differing amounts of originality, 34 which typically entails

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30 In force since July 1, 2001.
33 See 35 U.S.C. § 171. In particular, such requirement is construed in the U.S. as prescribing that “a design which simulates an existing object or person is not original as required by the statute.” [U.S. Patent and Trademark Office, MANUAL OF PATENT EXAMINING PROCEDURE § 1504.01(d) (Aug. 2006)].
34 For instance, Article 3.2 of Directive 98/71/EC on the legal protection of designs speak of “individual character” as a separate requirement from novelty. (Council
exercising creativity\textsuperscript{35} in addition to novelty. This discrepancy, however, does not hinder compliance with Article 25.1 of the Agreement on Trade-Related Aspects of Intellectual Property Rights\textsuperscript{36} (hereinafter “T.R.I.P.”), which merely requires protection of designs that are “new or original.”

Additional analysis of the definition of “design” adopted by the I.R.P.L. shows that the definition highlights most of the criteria the design has to meet in order to be eligible for patent protection. These criteria include that the design must:

1. Consist of patentable subject matter;
2. Be new;
3. Create aesthetic feeling; and
4. Be industrially applicable.

In order to complete the preceding list, one must also add:

5. The absence of conflict with prior rights – a criterion specifically introduced by Article 23 of the P.L.\textsuperscript{37}

Designs for which a patent may be granted also must consist of: (1) shapes (i.e. “the form in which an article is made or, in other words,

\begin{quote}
Directive 98/71, art. 3, 1998 O.J. (L 289) 28 (EC). Furthermore, Article 5 of Directive 98/71/EC states that “a design shall be considered to have individual character if the overall impression it produces on the informed user differs from the overall impression produced on such a user by any design which has been made available to the public before the date of filing...” (Council Directive 98/71, art. 5, 1998 O.J. (L 289) 28 (EC).
\end{quote}

\textsuperscript{35}See Bennage v. Phillippi, 1876 C.D. 135, 137, 9 O.G. 1159 (Comm’r Pat. 1876), which states that “[t]he arbitrary chance selection of a form of a now well known and celebrated building, to be applied to toys, inkstands, paper-weights, etc. does not [...] evince the slightest exercise of invention...” (emphasis added).


\textsuperscript{37}Any design for which a patent right may be granted must not be identical with and similar [sic] to any design which, before the date of filing, has been publicly disclosed in publications in the country or abroad or has been publicly used in the country, and must not be in conflict with any prior right of any other person.

P.L., supra note 2, art. 23.
something three-dimensional”\textsuperscript{38}, (2) patterns (i.e. “something embossed, engraved or placed upon an article for the purpose of its decoration or, in other words, [...] to something essentially two-dimensional”\textsuperscript{39}), (3) combinations of shapes and patterns, (4) the combination of a shape, pattern, or both with a colour. Regarding the last category, it is important to notice that the I.R.P.L. 2000 Amendment excluded colours alone, without combination with either a shape or pattern, from the relevant subject matter. Under the previous wording of Rule 2(3) I.R.P.L., “designs could consist of shapes, patterns as well as colours (or combinations thereof).”\textsuperscript{40}

Additionally, as of the date the application is filed, “a protected design shall not be identical or similar to any other design which is published anywhere in the world, or which is used domestically.”\textsuperscript{41} Specifically, this requirement focuses on the absence of anticipation of the aesthetical solution by a previous one.\textsuperscript{42} However, it must be acknowledged that the P.R.B.’s decision to uphold the validity of Chery’s patents strongly restricts the possibility to destroy a design’s novelty, thus orienting the Chinese Industrial Design Protection System towards a territorially qualified.\textsuperscript{43}

In order to explain this proposition, it is relevant to notice that, in its invalidation request, General Motors contended that the Spark had been launched prior to Chery registering the patents for the QQ. Indeed, we have already observed (see Part I.B., supra) how such an allegation probably did not reference Chery’s application that had been filed after the marketing of the Spark (and, therefore, also of the QQ), in which case the lack of novelty would have been obvious. However, the alternative interpretation of GM’s contention does not


\textsuperscript{39} Id.

\textsuperscript{40} M.D. PENDLETON, INTELLECTUAL PROPERTY LAW IN THE PEOPLE’S REPUBLIC OF CHINA 20 (1986).

\textsuperscript{41} See GANEVA ET AL., supra note 26, at 20.

\textsuperscript{42} P.L., supra note 2, art. 24. (provides for a grace period, which can be relied upon in case (1) the invention-creation was presented at an exhibition sponsored or recognized by the Chinese Government, (2) it was first made public at a prescribed academic or technological meeting or (3) it was disclosed by any person without the consent of the applicant. In the event one of the above situations occurred, the disclosed invention-creation would not be deemed to have lost its novelty, provided that the application was filed within six months).

\textsuperscript{43} See W.I.P.O., supra note 38, § 2.656.
prove any more satisfactory. If it were the patent right which had been granted after the marketing of the Spark, this would not have been enough to destroy novelty, which must instead exist as of the date of filing. However, what is relevant is that the Matiz/Spark had been sold abroad before the QQ (in 1998), at a time when it was reasonable to believe that Chery had not submitted an application. In light of this last point, those designs embodied in the QQ which were identical or similar to those embodied in the Matiz should have been deemed as having been disclosed. Nonetheless, the design patents for the QQ were upheld, thus considering the novelty requirement not to have been destroyed by such disclosure – contrary to the literal wording of Article 23 P.L.

This episode should serve as an incentive for foreign producers to patent their designs, given that the P.R.B. could never deny the destruction of novelty after publication in China of a design patent, since this would go beyond even a restrictive interpretation of Article 23 P.L.

Nonetheless, it does not necessarily follow from such a qualified standard of novelty that a person may obtain valid rights within the Chinese jurisdiction simply by registering a design which she has seen overseas and copied. This is because Article 6 of the P.L. stipulates, in regards to non-service “invention-creations”\(^{44}\) (but a similar reasoning may be carried out with respect to service “invention-creations”\(^{45}\), that “the right to apply for a patent belongs to the inventor or creator.”\(^{46}\) In light of the foregoing, the actual author of the design could file a request for invalidation before the P.R.B. which should include the “necessary evidence”\(^{47}\) to establish to whom the patent right has been granted was not entitled to apply for it.

As illustrated in General Motors – provided that General Motors in its invalidation request before the P.R.B. unsuccessfully accused Chery of stealing its designs – gathering the required evidence might prove to be a difficult task. It follows that it would be a better choice to patent one’s designs as soon as possible, so as to reduce the time span in which the designs may be copied and patented by somebody other than the person entitled to file an application.

Concluding the examination of the novelty requirement, it should be observed that in order for two designs to be identical, they not only have to look exactly alike but they have to be intended for identical or similar uses. Consistently, similar designs must display

\(^{44}\) P.L., supra note 2, art. 6.

\(^{45}\) Id.

\(^{46}\) Id.

\(^{47}\) I.R.P.L., supra note 31, R. 64.
common features as well as being intended for identical or similar purposes. In other words, the analysis must not only take into consideration the external appearance of the designs, but also the uses for which the products are capabl.

The requirement of eliciting aesthetic feelings differs from the novelty requirement because it serves a different function. In fact, novelty aims to discriminate between new and non-new designs in order to accord protection only to the former, whereas the aesthetic relevance of a design – as opposed to the functional relevance – should simply be thought of as an excluder. An industrial design is primarily aesthetic in nature and does not protect any technical features of the article to which it is applied. It follows that innovations relating to the functional profile of a certain product should be protected through other means, especially under utility model patents.

Given that industrial designs are protected under the P.L., the industrial applicability requirement may be construed, mutatis mutandis, according to the provision of Article 22 of the P.L. 48 In particular, given that a design should not, as we have just seen, have any functional features, it may not be “used” and it may not “produce effective results.” Therefore, it all comes down to the possibility of making the product into which the industrial design is incorporated. 49

Finally, we consider the requirement that there be an absence of conflict with prior rights. “The term ‘prior rights’ is mainly related to trade mark rights and copyrights. Whereas novelty can only be destroyed by a publicly disclosed prior design, a conflicting right may exist in undisclosed form; for example, as an unpublished copyrighted work.” 50 Furthermore, I.R.P.L. Rule 65 specifies that, in case of conflict with a prior right, the P.R.B. may not accept the design invalidation request unless backed by a final administrative or judicial decision confirming infringement. 51 The rationale for this provision is

48 P.L., supra note 2, art. 22 (“Practical applicability means that the invention or utility model can be made or used and can produce effective results.”).
49 The “industrial applicability” requirement displays several commonalities with the requirement, present in some jurisdictions (e.g. United Kingdom), that “the design be applied to a specific article, and it will be infringed only by use on that article, although, in assessing novelty, any article to which the design has been applied can be invoked as an anticipation” CHRISTINE FELLNER, INDUSTRIAL DESIGN LAW, § 2.003 at 16-17. (1995).
50 GANE A ET AL., supra note 26, at 22.
51 “Where a request for invalidation of a patent for design is based on the ground that the patent for design is in conflict with a prior right of another person, but no
found in the need to put an end to situations, frequent in practice, in which infringement cases brought before AICs were suspended pending an invalidation procedure – thus allowing the infringing behaviour to continue.  

In addition, the right of priority may also be considered a “prior right.” The priority right, has been introduced pursuant to Article four of the Paris Convention. It stipulates that not only will the later application have to “be treated as if it had been filed already at the time of the filing, in another member country, of the first application the priority of which is claimed.” It also stipulates that “another filing, the publication or exploitation of the invention, the putting on sale of copies of the design, or the use of the mark, . . . cannot give rise to any third–party right or any right of personal possession.” Therefore, if a design patent were granted to third parties on the same subject matter, the priority-enjoying applicant could file a request for invalidation of the infringing patent before the P.R.B..

effective ruling or judgment is submitted to prove such conflict of rights, the Patent Re-examination Board shall not accept it.” I.R.P.L., supra note 31, at R. 65.

[AICs] are the local bureaux of the State Administration of Industry and Commerce. The State Administration of Industry and Commerce (SAIC) is a government agency under the State Council responsible for the registration and general supervision of the business activities of industrial and commercial enterprises as well as the enforcement of rights. There are bureaux of SAIC on all administrative levels (so called AICs), including provinces, autonomous regions and municipalities directly under the central government. While SAIC has overall responsibility for the protection of trade marks and other IP rights through registration at the national level, the local AICs must enforce those rights in the regions where the infringement or unlawful act occurs.

Thomas Pattloch, China, in INTELLECTUAL PROPERTY LAW IN ASIA 44 (Christopher Heath ed., 2003). Incidentally, the administrative authority competent for handling patent affairs is, instead, the SIPO (State Intellectual Property Office) and its Patent Office.


55 Paris Convention for the Protection of Industrial Property, supra note 53, art. 4(B).

56 It is interesting to observe how a similar result, although arising from a different formulation, is obtained as regards invention and utility model patents. Namely, Article 22 of the Patent Law states that novelty will be destroyed by the previous filing, by any other person, of an application (application 1) which described an invention or utility model identical to that contained in another application.
Before closing the overview of the requirements for patentability, it is interesting to delve a little deeper into “aesthetic feeling.” Indeed, one commentator, upon observing that “vehicle exhaust systems, alternators, electrical components, and gear boxes” have been granted design patents and, given that “[t]hese ‘design inventions’ would not be good candidates for patent protection in most other countries,” seems to infer that the broad formulation adopted by Rule 2(3) I.R.P.L. – which speaks of “aesthetic feeling” – would not serve as an excluder. This is unlike Section 171 of Title 35 of the U.S. Code, which explicitly speaks of “ornamental designs,” thereby excluding from protection any functional features. It should be recognized that “eliciting an aesthetic feeling” may have a wider meaning than the expression “ornamental design,” and that there may be designs which, although not properly ornamental in their purpose, may display external features sufficient to elicit an aesthetic feeling.

Nonetheless, the overall scheme of protection seems tailored to protect only those features relating to the appearance of a certain article, and not functional features (including features that are important because they provide a solution to a specific practical or technical problem) which the product the design is applied to may display. In fact, pursuant to Article 11 of the P.L., only manufacture, import, and sale are mentioned as the exclusive rights granted to a design patent holder: use is not included in such scheme of protection (contrary to what Article 11 of the P.L. stipulates as to inventions and

(application 2) and was published after the date of filing of the latter (application 2). This being said, the application filed first will be determined by the date of filing which, according to Patent Law Article 10, shall be the priority date if a priority right is claimed. In other words, novelty will be destroyed by the subsequent publication of an application which, since enjoying a right of priority, has to be treated as having been filed on the date of the first application, the priority of which is claimed. P.L., supra note 2, arts. 10, 22. A similar mechanism to enact a priority right can also be found in Articles 89 and 54(3) of the European Patent Convention. The pertinent sections state that “since the EPC - according to its Preamble - constitutes a special agreement within the meaning of Article 19 of the Paris Convention, … is clearly intended not to contravene the basic principles concerning priority laid down in the Paris Convention.” Enlarged Board of Appeal of the European Patent Office, Decision G-3/93 of August 16, 1994, Official Journal of the European Patent Office 18, 22 (1995).

58 Id.
utility models). Additionally, usage may be a way of exploiting intellectual creations separate from manufacture, sale, and import only if such creations could serve a practical purpose. In other words, if the creation solved a specific technical problem, thereby displaying functional features.

Furthermore, Article 56 of the P.L. states that the scope of protection may only be determined by the designs or photographs submitted in the application. Therefore, no specific claims may be put forward regarding functional innovations. Accordingly, although a wider range of aesthetic creations may be patented as designs compared to other jurisdictions, such as the United States, this does not mean that features different from those pertaining to the appearance of the product may be protected under a design patent. Indeed, for the latter, other schemes of protection, such as that of utility model patents, may be more appropriate.

2. Application Procedure

Applications by foreigners have to be made through officially appointed patent agents, as stated by Article 19 of the P.L. The 2000 Amendment to the P.L. has strengthened the reliability and independence of such agencies by:

1. Introducing a third paragraph to Article 19, which introduces a duty of confidentiality upon the patent agent on the information obtained during the course of the agency relationship until the application is published or granted, and;
2. Imposing a specific duty on the patent agent to comply with instructions obtained from the applicant.

Applications must be in Chinese. The application for a design patent, according to P.L. Article 27, must consist of:

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60 P.L., supra note 2, art. 11.
61 Id. art. 56.
62 Such as the Patent Agency of the China Council for the Promotion of International Trade (CCPIT) and the NTD Patent and Trade Mark Agency in Hong Kong. See ALFORD, supra note 12, at 72.
63 P.L., supra note 2, art. 19.
64 See ALFORD, supra note 12, at 72.
65 P.L., supra note 2, art. 19.
1. A request containing the name of the product incorporating the design; 67
2. Drawings or photographs of the design, which must “clearly show the subject matter for which protection is sought,” 68 since, as specified by P.L. Article 56, the extent of protection of the patent right for design shall be determined by the product incorporating the patented design as shown in the drawings or photographs;
3. The indication of the product incorporating the design and the class to which that product belongs. 69 These requirements are important in assessing industrial applicability;
4. When necessary, a brief explanation specifying the essential portion of the design, the colours for which protection is sought and the omission of the view of the product incorporating the design. 70 The indication of the essential part is important in order to judge similarity or identity, since the examiner shall limit his comparative observations to the essential parts that attract the attention of the observer. The non-essential parts are not considered, although “[t]his does not mean . . . that so-called ‘partial’ designs (i.e. designs which seek protection of a part of a certain product and explicitly excluded other parts from protection) are protected. This is because P.A. [§] 56(2) stipulates that the scope of protection ‘shall be determined by the product incorporating the patented design as shown in the drawings or photographs.’” 71
5. When required by the Patent Office, a sample model of the product incorporating the design must also be supplied. 72

Regarding the possibility of filing international applications, it is important to recall that although China joined the Patent Cooperation Treaty (PCT), 73 a PCT international application must be

68 I.R.P.L., supra note 31, R. 27 (specifying that “[w]here an application for a patent for design seeking concurrent protection of colours is filed, a drawing or photograph in colour shall be submitted in two copies.”).
69 P.L., supra note 2, art. 27.
71 GANEA ET AL., supra note 26, at 21 (footnotes omitted).
for the protection of an invention. Importantly, the PCT encompasses the filing of applications for patents covering inventions, inventors’ certificates, utility certificates, utility models, and various kinds of patents and certificates of addition. An international application thus cannot validly be filed for certain other forms of industrial property rights which fall outside the scope of “inventions,” such as designs. Nonetheless, under the Hague Agreement Concerning the International Registration of Industrial Designs, a WIPO-administered treaty, a procedure for an international registration exists. However, China is not presently a Member State.

Additionally, a six-month international priority is recognized, starting from the previous date of filing for an application for the same design in a foreign country. Such a right of priority is subject to the existence of an international treaty to which both countries are a party. An alternative basis for the recognition of this right are bilateral agreements between a foreign country and China, or the principle of reciprocity; “[t]he last two methods will no doubt rarely be of importance given the well-subscribed membership of the Paris Convention.” A declaration stating that an application has been filed in a convention country must be filed with the initial application. A certified copy of the earlier application must also be filed within three months of the application in China. Otherwise, lacking the declaration or the submission of a copy of the previous foreign application, “the claim to the right of priority shall be deemed not to have been made.” Furthermore, if foreign priority is claimed, the filing date

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74 See id. art. 2(i).
75 See id. art. 2(i-ii).
77 See id. art 5. An applicant can file a single international deposit either with the WIPO or the national office of a country which is party to the treaty. See id. art. 4(1). The design will then be protected in as many member countries of the treaty as the applicant wishes. See id. art. 5(1)(v), art. 1(xviii-xix).
79 GANEA ET AL., supra note 26, at 14 n.36 (“Meaning the Paris Convention, the complicated term was introduced because at the date of enacting the [Patent Act] (March 12, 1984) China was not yet a party to the Paris Convention”).
80 PENDLETON, supra note 40, at 24.
81 P.L., supra note 2, art. 30; accord I.R.P.L., supra note 31, R. 32(1) (specifying that the declaration must mention the date and number of the first application, as well as the country in which it was filed).
against which to measure novelty will be the priority date, rather than the date of filing in China.\footnote{See P.L., \textit{supra} note 2, art. 10.} \footnote{P.L., \textit{supra} note 2, art. 40.} \footnote{I.R.P.L., \textit{supra} note 31, R. 44(1).} \footnote{P.L., \textit{supra} note 2, art. 18 (stipulates that design protection in China may be sought only under the condition that the country, to which the foreign applicant belongs, recognizes that Chinese applicants are, under the same conditions as those applied to its nationals, entitled to the patent right, the right of priority and other related rights in that country. Such requirement of equal treatment may be satisfied by either the existence of international or bilateral agreements to which the two countries are members or, lacking such an agreement, by the principle of reciprocity).} \footnote{Id. art. 19.} \footnote{I.R.P.L., \textit{supra} note 31, R. 2.}

Once the application is filed pursuant to Article 40 of the P.L.,\footnote{P.L., \textit{supra} note 2, art. 40.} only a preliminary examination will take place. The content of the preliminary examination is further specified by Rule 44(1) of the I.R.P.L..\footnote{I.R.P.L., \textit{supra} note 31, R. 44(1).} Such control verifies whether:

\begin{enumerate}
\item The design is contrary to the laws of the State or social morality, or detrimental to public interest;
\item The foreign applicant without habitual residence or business office in China is allowed to apply for design protection according to Article 18 of the P.L.;\footnote{Id. art. 19.}
\item The foreign applicant operates through a patent agency, as prescribed by Article 19(1) of the P.L.;\footnote{I.R.P.L., \textit{supra} note 31, R. 2.}
\item Two or more designs under one application obviously do not belong to the same aesthetic concept;
\item Amendments to the application for a design patent go beyond the scope of the disclosure as shown in the initial drawings or photographs;
\item The design \textit{obviously} does not meet the requirements contained in the definition of “design” contained in Rule 2 of the I.R.P.L.;\footnote{I.R.P.L., \textit{supra} note 31, R. 2.} for instance, in obvious cases the examiner might establish lack of novelty if he finds that a similar or identical design has been previously filed and already published in the \textit{Patent Gazette};
\item The design for which protection is sought has already been granted a patent; however, in this respect, “[t]he examiner may refrain from preliminary examination if, at the date of entry into examination, neither an application of identical subject
8. The division of the application has obviously extended the original scope of disclosure, contrary to what is provided by Rule 43 of the I.R.P.L.;  
9. Given the filing by two or more applicants for patent for identical designs, the application under examination was filed after the other duplicate application for the design.

To summarize, the preliminary examination actually represents an incomplete substantial examination which is limited to the surface. The examination process accounts for a dialogue between the applicant and the examiner. In fact, within two months from the date of filing, the applicant may amend the application on his own initiative and, after the preliminary examination, if such examination revealed weaknesses in the application, the applicant shall be notified thereof and provided a specific time limit to amend the application.

Where the preliminary examination presents no cause for rejection, the Patent Office issues a decision to grant the patent right for design. Once the applicant receives notification of this decision, he has two months to go through the formalities of registration. If the applicant completes the formalities of registration within the time limit, the Patent Office shall grant the patent right, issue the patent certificate, and announce the patent through publication in the Patent Gazette.

3. The Role of the Patent Re-examination Board

In order to provide a complete picture of the application procedure, one has to understand the role of the Patent Re-examination Board. The P.R.B. hears appeals of patent rejections by the Patent Office. Specifically, pursuant to Article 41 of the P.L., where a patent applicant is not satisfied with a rejection decision he may, within three months of receipt of the notification of rejection,
amend the application to correct the defects noted in the rejection and request that the P.R.B. review the amended application.95

Once the P.R.B. receives the re-examination request, it remits the request for re-examination to the department of the Patent Office that made the original decision.96 Where the department upholds its rejection, despite any amendments the applicant made upon filing the re-examination request, the P.R.B. shall honour the department’s decision and notify the requesting person.97

Re-examination only takes place in the event that the first examination does not prove successful.98 If, after re-examination, the P.R.B. is in favour of upholding the rejection decision because the application fails to comply with the relevant regulations, it will request that the applicant submit his observations within a specified time limit.99 If the P.R.B. still finds that the request does not comply with the various provisions of the P.L. and the Implementing Regulations, it will maintain the earlier decision.100 On the other hand, when the P.R.B. finds the decision rejecting the application does not comply with the provisions of the P.L. and related Implementing Regulations, or the amended application has removed the defects as pointed out by the decision rejecting the application, the P.R.B. will issue a decision revoking the previous rejection and will notify the examination department that the examination procedure should continue.101

The P.R.B.’s role does not end with the application procedure; it can also get involved after a patent is granted. Moreover, it also has the authority to rule on invalidation requests.102 Invalidation procedures can only be initiated upon a party’s initiative, not ex officio.103 Furthermore, invalidation may be sought on grounds of non-conformity to the regulations relevant to the grant of the contested patent.104 Specifically, Rule 64(2) of the I.R.P.L. specifies that the opponent in a design patent invalidation procedure may claim:

95 P.L., supra note 2, art. 41.
97 P.L., supra note 2, art. 38.
98 Id. art. 41.
100 Id.
101 Id.
103 Id. R. 64. Article 45 of the P.L. entitles “any entity or individual” to request invalidation of a patent right. P.L., supra note 2, art. 45.
104 I.R.P.L., supra note 31, R. 64.
1. The design is identical with or similar to a design which, before the date of filing, has been publicly disclosed in publications in the country or abroad or has been publicly used in the country, or is in conflict with a prior right of the opponent himself;105

2. The amendments to the application carried out in the course of the granting procedure go beyond the scope of the disclosure as shown in the initial drawings or photographs;106

3. The subject matter of the patent grant is not a “design” pursuant to I.R.P.L. Rule 2(3);107

4. A patent has already been granted for the same design;

5. The design patent does not comply with the national laws or the order public;

6. The patent grant did not respect the first-to-file principle.

Incidentally, it must be noted this list is not exclusive. Indeed, from a formal point of view, the I.R.P.L. are administrative regulations which the State Council has the power to enact according to Article 89(1) of the Constitution of the People’s Republic of China (hereinafter “Constitution”), provided they are “in accordance with the Constitution and the statutes.”108 Thus, the P.L. has to be considered the hierarchically109 superior source of law. Therefore, it may be

105 Id.; P.L., supra note 2, art. 23. According to Rule 65(3) of the I.R.P.L., where a request for invalidation of a patent for design is based on the ground that the patent for design is in conflict with a prior right of another person, but no effective infringement ruling or judgment is submitted to prove such conflict of rights, the P.R.B. shall not accept it. As we have previously seen, this measure has been adopted in order to prevent the situation where trademark or infringement proceedings had to be suspended after the filing of an invalidation request, thus allowing the infringing behavior to continue.

106 I.R.P.L., supra note 31, R. 64; P.L., supra note 2, art. 33.


109 Such hierarchy of sources originates from the Constitution, which establishes that “administrative rules and regulations, decisions, or orders of the State Council that contravene the Constitution or the statutes” may be annulled by the Standing Committee of the National People’s Congress, that is the permanent body of the National People’s Congress, since the latter normally, according to Article 61 of the Constitution, only meets once a year. XIAN FA art. 61, art. 67, § 7 (2004) (P.R.C.). All in all, “China's legislative body is divided into three different levels. The first level is the National People's Congress and Standing Committee. The laws and rules published at this level overrule legislation published at other levels if the latter conflicts with the former. The second level is the State Council. The State Council...
inferred that, with respect to situations not included in the list of
grounds contained in Rule 64(2) of the I.R.P.L., the broad provision
contained in the P.L., which accords invalidation as a remedy when
the “grant of the . . . patent right is not in conformity with the relevant
provisions of [the P.L.],” may still apply. Indeed, there are other
situations which do not fit any of the previously listed grounds, but
which would nonetheless lead to the granting of a patent in violation
of the relevant provisions of the P.L. For example, such a situation
would arise if a patent were granted to a person who copied the design
from its author and who, therefore, was not entitled to file an
application for it pursuant to P.L. Article 6(2).

After a request for invalidation is submitted to the P.R.B., the
person making the request may add reasons or supplement evidence
within one month from the date when the request for invalidation was
filed. Then, the P.R.B. examines the request for invalidation. In
the course of the examination, the challenged patentee may not amend
its drawings, photographs, or the brief explanation of the design.

publishes what are called ‘administrative statutes.’ The Chinese courts decide cases
relying only on the legislation published by these two levels. The third level consists
of departments under the State Council. These departments may also publish rules,
orders, regulations, and circulations from time to time. The local administrative
authorities apply these rules to enforce intellectual property rights in addition to their
other responsibilities. The courts may also make reference to these rules as
necessary, but courts will not rely on them when deciding cases.” Zheng Chengsi,
The TRIPs Agreement and Intellectual Property Protection in China, 9 DUKE J. OF
Chinese legal order see also Zhu Guobin, Constitutional Law, in INTRODUCTION TO
CHINESE LAW 44 (Wang Chenguang & Zhang Xianchu eds., 1997).

110 P.L., supra note 2, art. 45.
111 Such a situation is not comprised within the cases of “conflict with prior rights”
or “conflict with the national laws,” given that what breaches Article 6(2) of the P.L.
and infringes the design author’s right to apply for a patent is not the design (as
required by Rule 64(2) of the I.R.P.L.), but the patent which has been granted upon
it. See id. art. 6(2); I.R.P.L., supra note 31, R. 64(2). To put it differently, Rule 64(2)
of the I.R.P.L. requires that the subject matter be in conflict with prior rights or the
national laws, whereas Article 6(2) of the P.L. is breached by the entitlement of the exclusive rights - connected to a patent - to the wrong person. See P.L., supra note 2,
art. 6(2); I.R.P.L., supra note 31, R. 64(2).
113 Pursuant to I.R.P.L. Rule 64(1), the invalidation request should state in detail the
grounds for filing the request, make reference to all the evidence submitted, and
specify to which of the invalidation grounds each piece of evidence pertains.
114 I.R.P.L., supra note 31, R. 68. This provision illustrates a disparity of treatment
with respect to holders of invention or utility model patents, whose rights to amend
Furthermore, the P.R.B. may, at the request of the parties concerned or in accordance with the needs of the case, decide to hold an oral hearing.

The examination stage is then followed by (a) the issuing of a decision on the request, (b) the notification to the parties, (c) the registration of the invalidation decision, and (d) its announcement by the State Intellectual Property Office. Where the patentee or the person who made the request for invalidation is not satisfied with the decision of the P.R.B. declaring the patent right invalid or, instead, upholding it, that party may institute legal proceedings in the People's Court. After a decision on any request for invalidation of the patent right is made no further requests may be filed to the P.R.B. if based on the same facts and evidence.

The consequence of the invalidation decision is that the invalidated patent right shall be deemed to have been non-existent from the beginning. However, the retroactive effect of the decision declaring the patent right invalid has been limited in the following situations in which the final effects are already manifest: judicially enforced administrative rulings or court judgements on infringement, executed decisions concerning the handling of infringement disputes, and performed license or assignment contracts. Nonetheless, despite the occurrence of one of the foregoing situations, whenever damage has been caused to other persons in bad faith on the part of the patentee, compensation is due regardless. Furthermore, even in the absence of bad faith, license or assignment agreements already performed may nonetheless be affected by invalidation where the P.B.R.'s decision has inflicted unduly high damage upon the licensee or assignee. In this case, partial or full reimbursement of the

the patents are limited to the claims. The rationale behind the disparity in treatment lies in the need to keep the invalidation proceedings simple. Allowing the holder of a design patent to amend the drawings would, for all intents and purposes, be akin to allowing invention or utility model patent holders to amend not only their claims, but the very technical contents of their creations (e.g., the description). Such a situation, however, by affecting the subject matter of the exclusive rights, rather than the latter alone, would have the dreadful side effect of making room for potential (and perhaps more numerous) grounds for invalidation. Instead, the idea is that of prohibiting changes which affect the subject matter, and allowing the patentee to intervene only as to the extension of his right. In designs, however, since the scope of protection sought is only defined by drawings, photographs and, when necessary, a brief explanation, but not by actual claims, the proposed solution is not practicable.

115 P.L., supra note 2, art. 55.
117 P.L., supra note 2, art. 47.
118 Id.
119 Id.
120 Id.
licensing or transfer fee is provided for. Of course, all relationships that have come into existence before the invalidation of the patent right, but that have not yet completed the performance stage, will also be retroactively affected by invalidation decisions.


Once the application procedure has been successfully completed, and assuming that no invalidation requests are filed, the next step is to understand which rights are granted to the patent holder. In particular, P.L. Article 11(2) establishes that, if conducted for commercial purposes, the following acts require the permission of the design patent owner:

1. Manufacture;
2. Sale; and
3. Import of products incorporating the patented design.

The extent of protection of the patent right for design shall be determined by the product incorporating the patented design as shown in drawings or photographs. “This means that only design elements on the surface of the designed product which are visibly perceivable fall under the scope of protection. Not included in the protection scope are designs which are dictated by the product function to an extent that does not allow any alternative design.” Conversely, the patentee will be responsible for timely submitting the prescribed annual fee, whose non-payment shall lead to the cessation of the right.

In order to correctly determine the extension of the exclusive right which the patent owner is entitled to, it is also crucial to examine those situations which, by statutory provision, do not constitute infringement, despite being unauthorized manufacture, sale, or import of products incorporating the patented design. These are set forth by P.L. Article 63:

121 Id.
122 Id.
123 GANEAS, supra note 26, at 77.
124 P.L., supra note 2, arts. 43 & 44.
1. If after the sale of an article, which the design is applied to or in which it is embodied, that was made or imported by the patentee or with the authorization of the patentee, any other person offers to sell or sells that article (regardless of the consent of the patentee), such person will not be deemed to have infringed the patentee’s exclusive right. This is clearly an application of the principle of exhaustion;

2. Any person who has already made - or made the necessary preparations for making - the article which the design is applied to, or in which it is embodied before the filing of the patent application, may continue to make or exploit it regardless of the patentee’s consent, within the original scope only;

3. Whenever a foreign means of transport temporarily passes through the territory, territorial waters, or territorial airspace of China using the patent concerned for its own needs, in its devices and installations, in accordance with any agreement concluded between the country to which the foreign means of transport belongs and China, or in accordance with any international treaty to which both countries are party, or on the basis of the principle of reciprocity, the usage of the patented product will not be regarded as an infringing act;

4. The conclusion is the same, in case a person uses the patent concerned solely for the purposes of scientific research and experimentation.

Incidentally, it is relevant to acknowledge how the last two situations may only come into existence with respect to invention or utility model patents. This is because they both deal with unauthorized use of the patent which is only relevant to inventions and utility models according to P.L. Article 11(1).

5. Any person who, for production and business purposes, sells the product which the design is applied to, or in which it is embodied, without knowing that it was made and sold without the authorization of the patentee, shall not be liable to compensate for the damage of the patentee if he can prove that he obtained the product from a legitimate source.

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125 In fact, in regards to utility models and inventions, it is possible to think of usage of the patented utility model or invention as a different form of exploitation from manufacture, sale or import (it is sufficient to think of a patented process). Quite distinctively, a design may instead only be exploited through the manufacture, sale or import of articles to which the design has been applied or in which it has been incorporated; given the absence of functional features, it may not be used as such.
This last situation has been modified by the 2000 Amendment, since under the previous P.L. – ignorance was sufficient to exempt a seller from prosecution for an infringement, which had the effect of severely crippling the enforcement of patent rights. “The amended provision now puts the onus on the seller of an infringing product to prove that the product is not infringing or face prosecution. This allows the patent owner to control the market more efficiently and stop infringing sales.”

Also included in the scope of patent protection is the patentee’s right to affix a patent marking and to indicate the patent number on the product or on the packing of that product. In particular, regarding industrial designs, such right shall apply to the article which the design is applied to or in which it is embodied. Civil remedies are consequently made available to the patentee when somebody else “passes off” the patent holder’s patent as his own. The specificity of this situation concerns the public’s interest in not being misled. Therefore, P.L. Article 58 enables the local Patent Administration Authorities to proceed *ex officio*.

We have previously said that had General Motors registered the designs of the “Spark,” the outcome of the controversy could have been different. In fact, the scope of protection accorded to unregistered industrial designs under the Law Against Unfair Competition is clearly much more limited. Specifically, Article 5(2) states that an operator may not exploit, without authorization, the name, packaging or *decoration* peculiar to well-known goods or similar to that of well-known goods, so that his goods are confused with the well-known goods of another person, causing buyers to mistake them for the well-known goods of the other person.

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127 P.L. *supra* note 2, art. 15.
128 *Id.* art. 58.
129 See *GANE A ET AL.*, *supra* note 26, at xiv. The same, pursuant to P.L. Article 59, is possible whenever somebody passes any non-patented product off as patented product.
Additionally, it has been established that where an operator, by undertaking acts of unfair competition, causes damage to the injured operator, the latter shall have an action for damages before a People’s Court. Furthermore, the infringer will also have to refund to the injured operator all reasonable costs borne in investigating the acts of unfair competition committed by the suspected infringer.

The statute also provides for administrative remedies which, in the case of unauthorized exploitation of the name, packaging, or decoration peculiar to or similar to that of well-known goods, may consist of (a) an order to cease the offence, (b) the confiscation of the illegal income, (c) the imposition of a fine of more than twice and less than three times the amount of illegal income and, in serious circumstances, or (d) the revocation of the infringer’s business license.

Despite these intimidating sanctions, it cannot be left unnoticed how much more narrow the scope of protection is here, compared to the protection granted to a design patent holder. Whereas the patent holder is protected against any unauthorized manufacture, sale, or import of the product incorporating the patented design, the same design, under the provisions of the Law Against Unfair Competition, may only be protected against unauthorized exploitation provided that:

1. The goods which the design is incorporated in are well-known (and, consequently, have been put on the market before those of the infringer, which did not happen in General Motors v. Chery);
2. The goods of the two operators confuse buyers.

Thus, a patent holder has a better chance to prevail than does the owner of an unregistered design, which is merely protected, under much stricter conditions, by the Laws Against Unfair Competition.

5. Enforcement of Right

If someone trespasses the rights granted to the patent holder, which we examined in the previous paragraph, the problem then becomes one of enforcement. In this respect, China has adopted a

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131 In case damages were difficult to determine, they shall be considered equal to the profits gained by the infringer during the period of infringement.
132 Law Against Unfair Competition, supra note 127, art. 20.
133 Provided that such unauthorized exploitation leads to confusion between the infringer’s goods and the well-known goods of the injured person, causing buyers to mistake the former for the latter.
134 Law Against Unfair Competition, supra note 127, art. 21(2).
system of dual enforcement of patent rights. Namely, relief against patent infringement may be obtained through both administrative and judicial channels. Regarding the administrative “path,” it should first be established what is meant by P.L. Article 57 with the expression “Administrative Authority for Patent Affairs” in indicating the competent authority for receiving enforcement requests.

The State Intellectual Property Office (hereinafter “S.I.P.O.”), which is directly independent from the State Council, is responsible for “formulating general patent policies, enacting administrative rules on patent protection, and participating in patent legislation.”135 Within the S.I.P.O., the Patent Office, through its departments, is responsible for directing and coordinating patent activities, receiving applications, granting patent rights as well as compulsory licenses, administering, mediating and handling patent disputes, and investigating and punishing passing-off offences. All of this is at the central level. There are also local authorities, Patent Administrative Authorities ("P.A.A.s"), which are independent from the central S.I.P.O. However, in keeping with the principle of “double dependence,”136 they are also subordinate to the local governments at the county level which are responsible for their establishment and supervision.137 P.A.A.s are competent to handle patent infringement, mediation in patent disputes, investigation of passing off, and counterfeiting.138

If in the course of handling a patent infringement dispute the defendant requests invalidation of the patent right, and his request is accepted by the P.R.B., he may request the P.A.A. to suspend the handling of the matter. However, the latter may refuse to suspend the handling of the matter if it deems the reasons set forth by the defendant for suspension as obviously untenable.

If infringement is established, the possible remedies P.A.A.s may provide for are:

1. Ordering the infringer to stop the infringing act immediately; and

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135 T. Pattloch, supra note 52.
136 “According to which all administrative and judicial organs depend horizontally from the representative assembly that designated them (whereas the legislative ones, that in the assemblies themselves, from electors) and vertically from the hierarchically superior administrative or judicial organ” (CAVALIERI, supra note 14, at 138 n.17).
138 Id.
2. Granting monetary compensation (this may only occur in the course of mediation at the request of the parties).

Incidentally, the present set of administrative remedies has been greatly reduced by the 2000 Amendment to the P.L. Previously, injunctive relief and monetary compensation (even if not in the course of mediation) could be accorded directly by the Administrative Authority. This decrease in the powers of the P.A.A.s has been compensated by a correlative increase in judicially available remedies.

Patent infringement cases may be brought before a People’s Court either directly or after administrative proceedings if the order to stop infringement has not proven satisfactory to the patentee.\textsuperscript{139} The start of a law suit before a court precludes the effective initiation of administrative proceedings.\textsuperscript{140} As a rule, monetary compensation may only be obtained through the courts. This has led court to play a much more important role than they had in the past. Currently, courts are also the only authorities enabled to impose injunctions and measures to preserve evidence in case of imminent or actual infringement.\textsuperscript{141} If the alleged infringer claims patent invalidity, the question whether the patent is valid or not will be decided initially by the P.R.B., usually with the suspension of the lawsuit.\textsuperscript{142}

The increased importance of judicial remedies and, consequently, the role of courts in patent disputes is evidenced by the

\textsuperscript{139} In this latter instance, the deadline for bringing the case before a court is fifteen days from the receipt of the notification of the order. Furthermore, Article 62 PL stipulates that prescription for instituting legal proceedings concerning the infringement of a patent right is two years counted from the date on which the patentee, or any interested party, obtained or should have obtained knowledge of the infringing act. P.L., supra note 2, art. 62.


\textsuperscript{141} P.L., \textit{supra} note 2, art. 61.

\textsuperscript{142} There exist exceptions to suspension, such as, when the proof or basis upon which the defendant has furnished for requesting invalidation is obviously insufficient (See \textit{Zui gao ren min fa yuan guan yu shen li zhuai li jiu fen an jian shi yong fa lu: wen ti di ruo gan gui ding} [Several Provisions of the Supreme People's Court on Issues Relating to Application of Law to Adjudication of Cases of Patent Disputes] art. 9 (adopted by the Adjudication Committee of the Sup. People’s Ct., June 19, 2001) 2001 \textsc{Sup. People’s Ct. Gaz.} No. 4 (72), 138, \textit{translated in} http://www.chinantd.com/news.php?language=en&channel=65&id=85 (last visited Oct. 10, 2007). Nonetheless, when the court suspends a dispute, it may, upon application by the plaintiff, decide to impose a provisional injunction for the defendant to cease and desist, as well as other measures to preclude additional damages.
data presented in Picture 1. The data displayed therein includes all I.P.R. disputes, including trademark and copyright litigation. Nonetheless, further evidence as to the judiciary’s new stronger position within the Chinese IP legal order may be derived from combining the information shown in Tables 1 and 2.

Table 1 shows a general increase in IP disputes. However, Table 2 shows that the growth rate of administrative proceedings handling Patent disputes is much smaller than the growth rate of all IP disputes considered in Table 1. Thus, if it is assumed that patent litigation has grown consistently with litigation concerning other I.P.R.s, such as trademarks or copyrights, then an inference may be made that a shift from administrative to judicial remedies regarding patent disputes has occurred.

<table>
<thead>
<tr>
<th>Year</th>
<th>Cases Accepted</th>
<th>Cases concluded</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>6983</td>
<td>6860</td>
</tr>
<tr>
<td>2002</td>
<td>6201</td>
<td>5649</td>
</tr>
<tr>
<td>2001</td>
<td>1749</td>
<td>1664</td>
</tr>
<tr>
<td>2000</td>
<td>1496</td>
<td>1534</td>
</tr>
<tr>
<td>1999</td>
<td>1247</td>
<td>1098</td>
</tr>
<tr>
<td>1998</td>
<td>1048</td>
<td>1074</td>
</tr>
<tr>
<td>1997</td>
<td>1237</td>
<td>1332</td>
</tr>
<tr>
<td>1996</td>
<td>1036</td>
<td>979</td>
</tr>
<tr>
<td>1995</td>
<td>882</td>
<td>883</td>
</tr>
<tr>
<td>1994</td>
<td>625</td>
<td>516</td>
</tr>
<tr>
<td>1993</td>
<td>543</td>
<td>548</td>
</tr>
<tr>
<td>1992</td>
<td>612</td>
<td>578</td>
</tr>
<tr>
<td>1991</td>
<td>435</td>
<td>421</td>
</tr>
<tr>
<td>1990</td>
<td>301</td>
<td>275</td>
</tr>
<tr>
<td>1989</td>
<td>376</td>
<td>289</td>
</tr>
</tbody>
</table>

Figure 1. The number of I.P.R.s cases (ownership, infringement and others) accepted and concluded by the first instance courts in China (1989-2003).

Table 1. Comparison of the number of IP cases decided by China’s IP administrative authorities to that of People’s Courts (2000 – 2003).\textsuperscript{144}

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Accepted</td>
<td>Concluded</td>
<td>Accepted</td>
<td>Concluded</td>
</tr>
<tr>
<td>Courts</td>
<td>6983</td>
<td>6860</td>
<td>6201</td>
<td>5649</td>
</tr>
<tr>
<td>SAIC (TMs)</td>
<td>26488</td>
<td>26023</td>
<td>26488</td>
<td>26023</td>
</tr>
<tr>
<td>National</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Copyright</td>
<td>23013</td>
<td>22429</td>
<td>6107</td>
<td>4420</td>
</tr>
<tr>
<td>Administratio</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>n (NCA)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SIPO (passing</td>
<td>1517</td>
<td>1237</td>
<td>1291</td>
<td>977</td>
</tr>
<tr>
<td>off prosecutions excluded)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total cases</td>
<td>58001</td>
<td>56549</td>
<td>40539</td>
<td>29959</td>
</tr>
<tr>
<td>Cases dealt by</td>
<td>12.04%</td>
<td>12.13%</td>
<td>15.30%</td>
<td>14.46%</td>
</tr>
<tr>
<td>Courts%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall</td>
<td>43.07%</td>
<td>35.31%</td>
<td>11.97%</td>
<td>/</td>
</tr>
<tr>
<td>Dispute Growth% from previous year</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
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<td></td>
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</tbody>
</table>

Table 2. The number of Patent disputes accepted and concluded by the local Patent Administration Authorities (1998-2005).\textsuperscript{145}

\textsuperscript{144} Id.

\textsuperscript{145} Id.
<table>
<thead>
<tr>
<th>Year</th>
<th>Patent disputes</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Received</td>
<td>Ratio (%) of increase over the previous year</td>
<td>Concluded</td>
<td></td>
</tr>
<tr>
<td>2005(^{146})</td>
<td>1597</td>
<td>9.76</td>
<td>Not Available-</td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>1455</td>
<td>-4.09</td>
<td>1215</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>1517</td>
<td>5.20</td>
<td>1237</td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>1442</td>
<td>47.59</td>
<td>1291</td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>977</td>
<td>21.82((5.62))</td>
<td>888</td>
<td></td>
</tr>
<tr>
<td>2000(^{147})</td>
<td>802((925))</td>
<td>1.39((16.94))</td>
<td>718((825))</td>
<td></td>
</tr>
<tr>
<td>1999</td>
<td>791</td>
<td>29.25</td>
<td>641</td>
<td></td>
</tr>
<tr>
<td>1998(^{148})</td>
<td>612</td>
<td>/</td>
<td>465</td>
<td></td>
</tr>
</tbody>
</table>

While the Tables speak for themselves, it must be noted that despite judicial proceedings being more formally structured and administered than proceedings before P.A.A.s,\(^{149}\) the independence of China’s courts is still an open issue. For example, according to Articles 127 and 128 of the Constitution, and in keeping with the

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\(^{149}\) This is also due to the need to comply with “the requirements of T.R.I.P.s which asks for a predictable and impartial judiciary.” GANEA ET AL., supra note 26, at 291. See T.R.I.P.s, supra note 36, art. 42.
principle of “double dependence,” “within the judicial branch, the higher level courts supervise the work of the lower courts and the courts at various levels are responsible to the respective people’s congresses [which are the representative assemblies that are present at any level] that created them.” 150  Of course, this problem touches the broader issue concerning the extent of political control on State institutions. Moreover, it exemplifies China’s controversial attitude towards modernization which fosters economic and legal development. Nonetheless, China is cautious about modifications in its political structure and, as is most relevant to our problem, about the principle of the separation of State powers. All of these political problems, however, lay beyond the scope of this paper.

Regardless, in the minds of economic operators, such problems did not outweigh the legal improvements introduced by the recent amendments to the P.L. and I.R.P.L. Figure 2 shows a steady increase in the number of foreign applications since the amendments were passed in 2000. Indeed, as illustrated by Figure 3, the average annual growth of filed foreign applications almost doubled, increasing from twelve percent during 1997-2000 to twenty percent from 2001-2006. Figure 3 also shows how the average annual growth rate for design applications has overcome that of invention patent applications. This suggests that foreign enterprises have started relying more on design patents as a tool for protecting ornamental features of their articles.

Figure 2. Foreign applications filed in China from 1996 to 2006. 151

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150 Wang Chenguang, supra note 85, at 23.
The upward trend of foreign design applications opposes the trend of the same applications filed by Chinese nationals. As seen in Figure 4, Chinese nationals have traditionally filed a larger number of utility model and design patent applications compared to invention patent applications. Nonetheless, the gap has narrowed. The number of invention patent applications has more than quadrupled since 2000 (106,964 applications in 2006, against a mere 25,346 in 2000), while design patents have only trebled in the same period (151,528 applications in 2006, against 46,532 in 2000). This is shown in Figure 5 which confirms the development. Figure 5 shows a larger increase in the average growth rate of invention patent applications than that of design patent applications.
This trend might be a consequence of the heavy investments carried out in China in basic research, which has eventually led to a larger number of inventions. In particular, the real increase in R&D expenditure from 1999-2004 is greater than that of the US (14.26%) and Germany (10.04%), and the same ratio for the period 1999-2003 \(^{155}\) surpasses the United Kingdom (11.80%), Japan (12.32%), and even Korea (45.21%).

\(^{153}\) Id.

\(^{154}\) Id.

\(^{155}\) No data on R&D expenditure/GDP were available for UK, Japan and Korea for the year 2004.
Table 3. Real research and development expenditure.\textsuperscript{156}

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>A GDP index in real terms</td>
<td>100</td>
<td>107,996</td>
<td>116,095</td>
<td>125,728</td>
<td>137,671</td>
<td>150,754</td>
<td>50,75%</td>
<td></td>
</tr>
<tr>
<td>B Real R&amp;D expenditure (A*C)</td>
<td>0.57</td>
<td>1.08</td>
<td>1.24</td>
<td>1.54</td>
<td>1.81</td>
<td>2.17</td>
<td>278.26%</td>
<td>214.75%</td>
</tr>
<tr>
<td>C R&amp;D expenditure/GDP</td>
<td>0.57%</td>
<td>1.00%</td>
<td>1.07%</td>
<td>1.22%</td>
<td>1.31%</td>
<td>1.44%</td>
<td></td>
<td>50.91%</td>
</tr>
<tr>
<td>D Real GDP growth</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>E Size of GDP\textsuperscript{157} in Billion $ (purchasing power parity)\textsuperscript{158}</td>
<td>N/A</td>
<td>N/A</td>
<td>5933.4</td>
<td>6586.4</td>
<td>7392.2</td>
<td>8352.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F Nominal R&amp;D Expenditure (E*C)</td>
<td>N/A</td>
<td>N/A</td>
<td>63,5467</td>
<td>80,6175</td>
<td>97,0596</td>
<td>120,36</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

With the foregoing in mind, invention patents might become the next hot spot of I.P. litigation given the growing tendency of Chinese enterprises and individuals to resort to the invention patent protection scheme for their creative endeavours. If, on the one hand, this increased interest in invention patents can be explained in terms of economic investments, credit must also be given to the amendments to the P.L. Specifically, a significant role has been played by the changes that occurred with respect to the issue of compulsory licensing – a long-lived weakness of Chinese patent regulations – by ensuring compliance with Article 31 of the T.R.I.P.s. For instance, strict conditions have been laid out for the grant of compulsory licenses to the owners of dependent patents.\textsuperscript{159} Interestingly, such conditions had originally been devised in order to protect foreign enterprises against extensive licensing, eventually leading to the depreciation of their assets. For the moment, however, this topic shall be left to future research since it is beyond the scope of the present work to analyze, in depth, how compliance with Article 31 of the T.R.I.P.s might affect Chinese inventors.

\textsuperscript{158} A nation’s GDP at purchasing power parity exchange rates is the sum value of all goods and services produced in the country valued at prices prevailing in the United States.
\textsuperscript{159} P.L., supra note 2, art. 50. Article 50 of the P.L. introduces the criterion of “considerable economic significance” as laid out in Article 31(l)(i) of the T.R.I.P.s.
CONCLUSION

At the outset of our analysis of contemporary Industrial Design Protection in China, we indicated two parameters against which to measure the improvements of the Chinese system:

1. The increase in the scope of protection from a substantial point of view (e.g. protection term), and
2. The greater role acquired by courts over administrative authorities, and, consequently, the larger room for discretionally actionable civil remedies vested directly in the patentee.

There have been sensible advancements in both respects. The scope of protection has been increased not only in a positive sense, through recognized increase in rights to longer terms for protection, but also in a negative sense, through the removal of previous limitations to already existing rights. Let us think of the different attitudes towards the “ignorance” exception to infringement, which is now only admitted after evidence is provided that the goods incorporating the patented design were obtained from a legitimate source.

As to the second parameter, the Chinese I.P. system is tending to keep up with the other sectors of Chinese Law. Indeed, despite traditional hostility towards the “rule of law” in favour of the “rule of man,” the pendulum is now swinging towards acceptance of formal remedies and their effective implementation.

[W]ith the passing of years, positive law, with its laws, tribunals and lawyers, has become an important presence in Chinese society at all levels. And the construction of legality has accrued the citizens’ confidence towards the law and rendered them more incline to disputes and less eager to accept social hierarchies... and the omnipotence of the administration; it has furthermore created new, strong categories of professionals and engendered a widespread debate, high expectations (in China and abroad) and embarrassing contradictions in the political system.160

160 CAVALIERI, supra note 14, at 215.
It is still too soon to forecast the effects which may result from these changes, however, it may be inferred that the Chinese legal system is going to follow the path already opened by other Eastern countries towards the rationalization and professionalization of the law and to precise adherence to the international normative standards.

All in all, the registration of Industrial Designs seems the safest choice when aiming to operate in China. Moreover, enterprises operating in China should “monitor both competing products for violations of their patents [and] issued design patents in the event that such patents were granted improperly.”\textsuperscript{161} This option, in our opinion, would pay not only in light of the changes we have tried to highlight in our brief exposition, but of the general tendency which is affirming itself in China. This tendency points to the goal of achieving even higher standards. These standards are exemplified by the rapid evolution of patent regulations in order to regulate, in further and further detail, patent-related matters to the benefit of legal certainty and accountability.\textsuperscript{162}

\textsuperscript{161} T. T. Moga, \textit{supra} note 58, at 15.

\textsuperscript{162} \textit{See, e.g.}, Liu, Shen & Associates, China Revises the Guidelines for Patent Examination, June, 2006, http://www.bustpatents.com/chinacon.pdf (summarizing the most important revisions, which the present paper does not specifically deal with). For instance, the SIPO Examination Guidelines had been last revised on July 2006.