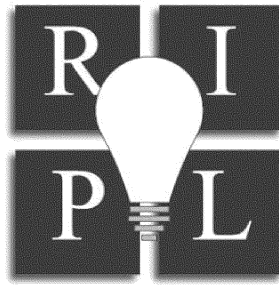


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RIGHTS OF JOINT PATENT OWNERS IN CHINA

YUNLING REN, PH. D. & YAN HONG

ABSTRACT

In the past decade, Chinese courts began to recognize joint patent owners' rights and obligations that are distinguishable from other proprietary property rights, but the law did not reflect these concerns. It was not until the Third Revision of the Chinese Patent Act in 2009 that the law recognized the existence of joint-ownership rights in patents. Part of the reason for this change was not only to conform to the standards of the international intellectual property community, but also to promote the commercialization of patented inventions and technology transfer. Article 15 of the Patent Act was added to allow joint-owners to use their invention independently and to grant non-exclusive licenses to third parties without the other joint-owners' consent, but only in the absence of an agreement among the joint owners to the contrary. All other acts require the consent of joint owners. Although this provision is a step forward in the positive direction for Chinese patent law, this article points out that there are still many lingering questions regarding the rights of joint-owners, and more issues are certain to arise as this new provision is applied in practice.

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YUNLING REN, PH. D. & YAN HONG*

INTRODUCTION

Prior to the Third Revision of the Chinese Patent Act,¹ issues relating to patent ownership were partly dealt with by the Chinese courts under the General Principles of Chinese Civil Law (“General Principles”),² Contract Law,³ and Property Law.⁴ Recognizing the special attributes of intellectual property, the Chinese legislature codified prior judicial practice and interpretations in the area of patent ownership by

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¹ The Chinese Patent Act was first adopted at the Fourth Session of the Study Committee of the Sixth National People’s Congress on March 12, 1984, and became effective on April 1, 1985. PETER GANEA, THOMAS PATTLICH, AND CHRISTOPHER HEATH, *INTELLECTUAL PROPERTY LAW IN CHINA*, § I.2 (2005). The law was thereafter amended in 1992, 2000, and 2008. Philipp Boeing, *The Chinese Patent System*, 2011 CHINA BUS. & RES. 1, 1–2. The third Amendment of the Chinese Patent Act was approved by the National People’s Congress on December 27, 2008 and took effect on October 1, 2009. *Id.*

² The General Principles of the Civil Law of the People’s Republic of China (“General Principles”) were implemented in 1986, which was the first Chinese civil legislation, where the basic legal principles and judicial process concerning civil disputes among citizens were described. *See* General Principles of the Civil Law of the People’s Republic of China (promulgated by the Nat’l People’s Ct., Apr. 12, 1986, effective Jan. 1, 1987), art. 118. It consists of three parts: The Civil Principles, The Civil Rights, and The Civil Responsibilities. *Id.* The Civil Rights include the property rights, the intellectual property rights, the debtors’ rights, and the inheritance rights, etc. The General Principles form the foundation for the later Civil Law legislation including the individualized legislations of Chinese Contract, Property Law, Patent, Trademark and Copyright Law. *Id.*

³ Adopted at the Second Session of the Ninth National People’s Congress on March 15, 1999. *See* Zhang Yuqing & Huang Danhan, *The New Contract Law in the People’s Republic of China and UNIDROIT Principles of International Commercial Contracts: A Brief Comparison*, 63 UNIF. L. REV. 429, 429 (2000).

⁴ Adopted at the Fifth Session of the Tenth National People’s Congress on March 16, 2007. *See* Brad Herrold, *An Overview of Property Development in China*, 1 S.G.L.A. L.J. 1, 1 (2008).

adding Article 15 to the Chinese Patent Act in response to the growing demands in technology innovation and transfer.⁵

Article 15 of the Patent Act introduces the concept of joint patent ownership into the law.⁶ More specifically, it defines the rights associated with such ownership.⁷ However, this provision has been criticized as resulting in more questions than answers to the patent ownership issue.⁸ A majority of the questions remain widely open as of today. This article is not meant to find solutions to those open questions. Rather, the authors wish to provide a glimpse into the development of the Chinese law in the area of patent ownership based on their observations.

I. AN OVERVIEW

Since the first legislation in 1984, Chinese patent law has been evolving mostly in parallel to China's economic reform, which began in the early 1980s and was notably accelerated in the early 1990s.⁹ In 1992, China and the United States ("U.S.") jointly signed a Sino-U.S. Memorandum for Protection of Intellectual Property,¹⁰ triggering the First Amendment of the Chinese Patent Act.¹¹ The 1992 Amendments made several important improvements, including: (i) expanding patent protection to the technological fields of pharmaceutical products, foods, beverages, flavorings, and substances obtained through chemical processes;¹² (ii) extending the patent term for inventions from fifteen to twenty years, and for utility models and designs from five to ten years;¹³ and (iii) narrowing the grounds under which a

⁵ EU-CHINA IPR2, EUROPEAN PATENT OFFICE, THIRD REVISION OF CHINA'S PATENT LAW: LEGAL TEXTS AND DOCUMENTS ON THE DRAFTING PROCESS 2006–2008, 4 (2009), available at http://www.ipr2.org/images/eu_patent_law-090805-7-final.pdf.

⁶ Maarten Roos & Peng Kai, *The 3rd Amendment to the PRC Patent Law*, CHINA IP BULL., Apr. 2009, at 1, 3.

⁷ Xiaoqing Feng, *The Interaction Between Enhancing the Capacity for Independent Innovation and Patent Protection: A Perspective on the Third Amendment to the Patent Law of the P.R. China*, 9 U. PITT. J. TECH. L. & POL'Y 1, 41 (2009).

⁸ *Id.*

⁹ Boeing, *supra* note 1, at 2.

¹⁰ See Laurence P. Harrington, *Recent Amendments to China's Patent Act: The Emperor's New Clothes?*, 17 B.C. INT'L L. & COMP. L. REV. 358, 337 n.8, 371–74 (1994).

¹¹ LEI FANG, CHINESE PATENT SYSTEM AND ITS ENFORCEMENT 2 nn.1–2 (Sutherland Asbill & Brennan LLP 2005).

¹² Patent Law of the People's Republic of China, (promulgated by the Standing Comm. Nat'l People's Cong., Mar. 12, 1984, amended Sept. 4, 1992) [hereinafter 1992 Chinese Patent Act]. The 1992 Amendments had been harmonized with international standards to remove the restriction and recognize the patentability of both chemical processes and chemical substances. *Id.*; FANG, *supra* note 11, at 1, 2 nn.1–2; Chinese Patent Act (2001), art. 11.

¹³ See FANG, *supra* note 11, at 2 nn.1–2; Patent Law of the People's Republic of China (promulgated by the Standing Comm. Nat'l People's Cong., Mar. 12, 1984, amended Aug. 25, 2001), art. 11 [hereinafter 2001 Chinese Patent Act]; Patent Law of the People's Republic of China (promulgated by the Standing Comm. Nat'l People's Cong., Mar. 12, 1984, amended Dec. 27, 2008, effective Oct. 1, 2009) [hereinafter 2009 Chinese Patent Act]. Chinese Utility Model patents, similar to the invention patents, have a shorter term and less stringent patentability requirements. The Chinese patent law provides that Utility Model patents, relating to improvements on shapes, structures, or a combination thereof, are merely granted without substantive examination once they

compulsory license may be granted.¹⁴ During the same period, the State initiated the process of privatization of the State owned properties.¹⁵ Although the concept of private property ownership appeared in the “General Principles” of 1987, which states that “a citizen’s personal property shall include the lawfully earned income, housing, savings, articles for daily use, objects of art, books, reference materials, trees, livestock, means for production permitted by law, and any other lawful property,” it was not until the 1990s that the private property ownership became meaningful.¹⁶ Yet, China’s Intellectual Property Law that began to address substantive proprietary rights was first passed by the Chinese People’s Congress in 2009, more than twenty years after the introduction of the private property ownership concept.¹⁷

Neither the General Principles, nor the Chinese Patent Act of 1984 and its 1992 Amendment made the connection between patents and proprietary rights and interests, leaving the patent ownership issue silent in the Chinese Patent Act. There was an assumption at the time that all patent rights resulting from any inventions belonged to the State.¹⁸ The individual inventor’s rights were limited to the right to apply for, and receive, certificates of honors, bonuses, or other awards” from the States.¹⁹ For example, the General Principles provide that “a discoverer shall have the “right to apply for and obtain a certificate of discovery, a bonus, or other commendation,” and citizens who make inventions or other achievements in scientific

are found to comply with formalities. While particular subject matter required for utility model protection, other patentability requirements regarding novelty, inventiveness, support and sufficient disclosure are applicable to Utility Model patents. The validity of Utility Model patents can be challenged after granting in invalidation proceedings before the Reexamination Board of State Intellectual Property Office. A principal disadvantage of Utility Model patents is their ten-year term from the filing date, rather than the twenty-year term enjoyed by the invention patents. But inventions relating to electronics or to those experienced a limited period of being fashionable or new are excellent Utility Model patent candidates.

Chinese Design patents provide protection for new designs that create aesthetic feelings and are fit for industrial application. Similar to Chinese Utility Model patents, Design patents have a ten-year term from the filing date and are granted without substantive examination. The validity of Design patents can be challenged after granting in invalidation proceedings.

¹⁴ It has been interpreted that compulsory license provisions, are commonly used in some other countries, especially developing countries, as a limit on the exclusive patent right to exploit an invention, while retaining the economic incentive for invention. See Harrington, *supra* note 10, at 337, 368.

¹⁵ See Harrington, *supra* note 10, at 344 n.44, 368, 368 n.221. This process is officially referred to as “ownership structural reform.” *Id.*

¹⁶ “A citizen’s personal property shall include the lawfully earned income, housing, savings, articles for daily use, objects of art, books, reference materials, trees, livestock, means for production permitted by law, and any other lawful property.” General Principle of the Chinese Civil Law, art. 75.

¹⁷ Kai Wang, *Whatever-ism with Chinese Characteristics: China’s Nascent Recognition of Private Property Rights and Its Political Ramifications*, 6 U. PA. E. ASIA L. REV. 43, 64 (2011).

¹⁸ In the prototype of the Chinese Patent Act, “Provisional Regulations on the Protection of the Invention Right and the Patent Right” (1950) and subsequent enabling rules promulgated in 1963, state ownership of novel inventions was mandated. See Harrington, *supra* note 10, at 342.

¹⁹ Whitmore Gray & Henry Ruiheng Zheng, *Principles of Civil Law of the People’s Republic of China*, in 52 LAW AND CONTEMPORARY PROBLEMS, THE EMERGING FRAMEWORK OF CHINESE CIVIL LAW 27 (1989); General Principles of the Civil Law, art. 97.

and technological research shall have the “right to apply for and obtain a certificate of honor, a bonus or other commendation.”²⁰

The second Amendment of the Chinese Patent Act was a product of China’s becoming a member of the World Trade Organization (“WTO”) in 2000.²¹ To meet the standards and requirements of the international community, China made many significant changes to its patent system to conform to the provisions of the TRIPS Agreement in 2001.²² Among the changes was a provision to grant individual inventors (patent owners) the right to prohibit a third party from unauthorized making, using, offering to sell, and selling patented inventions.²³ The 2001 Amendment of the Chinese Patent Act unambiguously set forth the legislature’s intent to promote the progress of technology and innovation,²⁴ but fell short on any other rights that inventors or patent owners may or should have. In any event, after this Amendment, the notion of patent co-ownership was born and slowly but surely matured.²⁵

The third Amendment of the Chinese Patent Act marked the maturation of the Chinese patent system, which is a very important step for China in playing a role in the international intellectual property community. Before this Amendment of the Chinese Patent Act, the State Council issued a document entitled *The Outline of the National Intellectual Property Strategy* (“The Outline”).²⁶ The Outline is a major strategic initiative by the State Council to focus on China’s technology innovation, manifested as the transformation from “made in China” to “invented in China.”²⁷ The Guideline sets the direction for the intellectual property related legal framework in China. It states:

by 2020, China will become a country with significant high levels of creation, utilization, protection and enforcement of intellectual property rights (IPRs). The legal environment for IPRs has been improving to enable

²⁰ *Id.*

²¹ See *Backgrounds and Major Reforms Associated with Two Amendments to the Patent Act*, ST. INTELL. PROP. OFF. OF THE P.R.C., http://www.sipo.gov.cn/zxft/zlfdscxg/bjzl/200804/t20080419_383845.html (last visited Apr. 16, 2012).

²² Several of the 1992 amendments were already made to reconcile the Patent Act with the Agreement on TRIPS. The 2000 amendment took a further step signifying its attention to meet the requirements of the TRIPS Agreement. See Y. Hu, *Three Amendments and TRIPS Agreement*, CHINA INTELL. PROP. RIGHTS NEWS (Apr. 2, 2007), <http://www.cipnews.com.cn/showArticle.asp?Articleid=4163>.

²³ See Feng, *supra* note 7, at 44.

²⁴ See 2001 Chinese Patent Act, art. 1 (stating that the purpose of the Patent Act to encourage the introduction and use of new inventions, to promote the progress of science and technology and to bolster the socialist economy).

²⁵ Joint patent ownership in the Chinese Patent Act includes the right to jointly apply for a patent and the joint right to own a patent. See 2001 Chinese Patent Act, art. 8 (indicating that the joint ownership of patent applications or patents may arise by operation of law or be created by express agreement).

²⁶ See generally ST. COUNCIL OF THE PEOPLE’S REPUBLIC OF CHINA, *OUTLINE OF THE NATIONAL INTELLECTUAL PROPERTY STRATEGY* (2008) [hereinafter *OUTLINE*], available at http://english.sipo.gov.cn/laws/developing/200906/t20090616_465239.html.

²⁷ See Thomas E. Volper, *TRIPS Enforcement in China: A Case for Judicial Transparency*, 33 BROOK. J. INT’L L. 309, 323-34 (2007).

the market forces to create, utilize, protect and enforce IPRs. As the public has become increasingly aware of IPRs and the quality and quantity of domestically created IPRs have been improved to make China an innovative country, the role of the intellectual property legal framework in promoting economic development, culture prosperity and social progress in China has become apparent.²⁸

The Outline also emphasizes the importance of improving intellectual property law by expressly pointing out:

[l]aws and regulations concerning IPRs need to be improved. Intellectual property laws in specific areas, such as patents, trademarks and copyrights, and related regulations need to be promptly revised. Legislation concerning genetic resources, traditional knowledge, folklores and geographical indications should be addressed as needed. The uniformity and coordination of intellectual property legislations need to be strengthened to improve the practicability of the laws and regulations. Intellectual property-related provisions contained in the statutes and regulations concerning unfair competition, foreign trade, science and technology and national security need to be amended.²⁹

The Chinese Patent Act (2009) is the first amended intellectual property law after the Outline was issued in 2008, demonstrating the Chinese government's good faith intent to carry out the National Intellectual Property Strategy.³⁰ In this Amendment, the Chinese legislature started to recognize that not only patent rights should be proprietary rights, but also patent owners could have certain economic interests derived from their rights in patents, as any other property owners.³¹ Such rights include the right to make, use, offer to sell, and sell the patented invention.³² Thus, a significant improvement of the Chinese patent law in 2009 was to add article 15 to the Chinese Patent Act.³³ The language of "co-owners" of the inventions or patents appeared for the first time in the 2009 Amendment:

[w]here co-owners of an invention have a preexisting agreement with respect to the rights in and to a patent or patent application, the agreement controls. Absent such agreement, each of the co-owners may have the right to practice or to grant a non-exclusive license to others, provided that any profits resulting from the non-exclusive license shall be distributed among the co-owners.

²⁸ See OUTLINE, *supra* note 26, at Part II.2 ¶ 6.

²⁹ See *id.* at Part III.1 ¶ 8.

³⁰ See Feng, *supra* note 7, at 49–50.

³¹ See *id.* at 38–39.

³² FANG, *supra* note 11, at 2 nn.1–2; 2001 Chinese Patent Act, art. 11.

³³ See *Backgrounds of the Third Amendment*, ST. INTELL. PROP. OFF. OF THE P.R.C., http://www.sipo.gov.cn/zxft/zlfdscxg/bjzl/200804/t20080419_383848.html (last visited Apr. 16, 2012).

Exercise of any rights relating to a patent or a patent application shall be agreed upon by all co-owners of such patent or patent application except for the provision provided above.³⁴

II. ARTICLE 15 OF THE CHINESE PATENT ACT (2009) AND SOME RECENT PRACTICE

As discussed above, article 15 of the Chinese Patent Act (2009) speaks for the first time about the issues relating to jointly owned patents. It sets forth the following principles with respect to the patent co-ownership. First, article 15 specifies that agreements among co-owners take precedence.³⁵ This principle encourages the co-owners of the patent to engage in arm's-length negotiations regarding their respective interests and responsibilities.³⁶ Each of the co-owners will have the opportunity to decide whether they want to be an owner by shares, a joint owner, a mixture of the two, or in any other forms of the ownership.³⁷

The courts normally treated the agreements between parties with deference. For example, in *Deng Xiandeng v. Chongqing Qianhong Elecs. Co.*,³⁸ two co-owners, Mr. Deng and Mr. Mao, of a patent on a magnetic engine had an agreement, which stipulated that neither of them could use the patented invention without the consent of the other.³⁹ They later licensed their patent to Chongqing Hengda Magnetic Materials Co., where Mr. Mao agreed in a Confidentiality Agreement that he would not manufacture any patented products anywhere other than Chongqing Hengda Magnetic Materials during the patent term.⁴⁰ Thereafter, Mr. Mao unilaterally licensed the patent to Chongqing Qianhong Electrics in violation of his agreement with Mr. Deng and the Confidentiality Agreement with Chongqing Hengda Magnetic Materials. Mr. Deng sued Chongqing Qianhong Electrics for patent infringement.⁴¹ Holding in favor of Deng, the court stated that Mr. Mao had no right to license the patent to Chongqing Qianhong Electrics because of his prior agreement with the co-owner of the patent.⁴²

³⁴ 2009 Chinese Patent Act, art. 15.

³⁵ *Id.* ("If there are agreements regarding the exercise of rights by the co-owners of the right to apply for the patent or of the patent right, the agreements shall prevail.")

³⁶ *Id.*

³⁷ See General Principles of Civil Law, art. 78.

Property may be owned jointly by two or more citizens or legal persons. There shall be two kinds of joint ownership, namely co-ownership by shares and common ownership. Each of the co-owners by shares shall enjoy the rights and assume the obligations respecting the joint property in proportion to his share. Each of the common owners shall enjoy the rights and assume the obligations respecting the joint property. Each co-owner by shares shall have the right to withdraw his own share of the joint property or transfer its ownership. However, when he offers to sell his share, the other co-owners shall have a right of preemption if all other conditions are equal.

Id.

³⁸ See Final Written Civil Judgment No. 154(2005), by Chongqing Higher People's Court

³⁹ *Id.*

⁴⁰ *Id.*

⁴¹ *Id.*

⁴² *Id.*

Second, article 15 makes patent co-ownership a joint ownership and sets up co-ownership-by-shares as an exception to joint ownership.⁴³ The concepts of patent ownership-by-shares and joint ownership in the patent law were derived from the General Principles of the Chinese Civil Law⁴⁴ and the Chinese Property Law,⁴⁵ where the General Principles provide that the property may be owned jointly by two or more citizens or legal persons, and sets forth two types of property co-ownership: co-ownership-by-shares;⁴⁶ and joint ownership.⁴⁷ Determination of which defines how the co-owned property is to be controlled, used, divided, or transferred, how the property right is to be enforced when infringement occurs, and what duty and responsibility each of co-owners is to take.⁴⁸ Each of the co-owners by shares shall have the right to enjoy the rights and assume the obligations concerning the joint property in proportion to his share.⁴⁹ Each of the joint owners shall have the right to enjoy the rights and assume the obligations respecting the joint property in its entirety.⁵⁰ Each of the co-owners by shares shall have the right to withdraw his own share of the co-owned property or transfer his share of the ownership. However, when he offers to sell his share, the other co-owners shall have a first refusal right if all other conditions are equal.⁵¹ The Property Law also provides that a home or chattel may be co-owned by two or more entities or individuals. Co-ownership includes co-ownership by shares and joint ownership.⁵²

⁴³ See 2009 Chinese Patent Act, art. 15 (“In the absence of such agreements, the co-owners may separately exploit the patent or may, in an ordinary manner, permit others to exploit the said patent.”); Feng, *supra* note 7, at 41–42 (noting that “co-owners can exploit separately or permit others to exploit the patent in the form of common license, excluding permitting others to exploit the patent exclusively.”).

⁴⁴ See The General Principles of Civil Law, art. 78.

Property may be owned jointly by two or more citizens or legal persons. There shall be two kinds of joint ownership, namely co-ownership by shares and common ownership. Each of the co-owners by shares shall enjoy the rights and assume the obligations respecting the joint property in proportion to his share. Each of the common owners shall enjoy the rights and assume the obligations respecting the joint property. Each co-owner by shares shall have the right to withdraw his own share of the joint property or transfer its ownership. However, when he offers to sell his share, the other co-owners shall have a right of preemption if all other conditions are equal.

Id.

⁴⁵ See Property Law of the People’s Republic of China (promulgated by the Nat’l People’s Cong., Mar. 16, 2007, effective Oct. 1, 2007), art. 93 [hereinafter Chinese Property Law] (“Immovables or moveables may be co-owned by two or more units or individuals. Co-ownership consists of shared ownership and joint ownership.”).

⁴⁶ General Principles of Civil Law, art. 78 (“Each of the owners by shares shall enjoy the rights and assume the responsibilities with respect to the co-owned property in proportion to his/her share.”).

⁴⁷ *Id.* (“Each of the joint owners shall jointly enjoy the rights and assume the responsibilities with respect to the co-owned property.”).

⁴⁸ Comparison between shared ownership and joint ownership is thoroughly explained in Chinese textbooks of civil law, which will not be discussed in this article.

⁴⁹ *Id.*

⁵⁰ *Id.*

⁵¹ *Id.*

⁵² See Chinese Property Law, art. 93.

However, the patent co-ownership issue was never mentioned anywhere in the Statutes prior to the third Amendment (2009),⁵³ even though it had become an issue of recurrence. To resolve disputes, the Chinese courts and the State Intellectual Property Office (“SIPO”) routinely relied on relevant provisions of the General Principles of the Chinese Civil Law, the Chinese Contract Law, and the Chinese Property Law to find solutions.⁵⁴

The General Principle of the Chinese Civil Law sets forth two types of property co-ownership: ownership-by-shares⁵⁵ and joint ownership,⁵⁶ determination of which defines how the co-owned property is to be controlled, used, divided, or transferred, how the property right is to be enforced when infringement occurs, and what duty and responsibility each co-owner is to take.⁵⁷

It has been debated among Chinese legal scholars whether the nature of patent co-ownership is an ownership-by-shares or a joint ownership absent an agreement.⁵⁸ Most of the scholars are reluctant to treat patents in the same way as to other conventional properties on the basis that intellectual property is “intangible” in nature.⁵⁹ Some even argue that since the intellectual property rights covered by statutory provisions separately from those covering other conventional properties in the General Principles of the Chinese Civil Law, it must be something different from the conventional properties.⁶⁰ Thus, the prevailing view favors the belief that the conventional notion of property ownership-by-shares⁶¹ cannot be applied to patent co-ownership due to difficulties in measurement of the rights in intangible properties.⁶²

⁵³ See Cui, Guobin, *中国专利共有制度述评(上)* (Study on Jointly-Owned Patents in China, Part I), 6 ELEC. INTELL. PROP. 12, 15–17 (2010); Xiangjun Si & Stephanie C. Wang, *Chinese Patent Law and Implementation Amendments Bring Key Changes, Interpretive Challenges*, 23 INTELL. PROP. & TECH. L.J. 17, 19 (2011) (noting “[c]o-owners’ rights to a patent were not covered in the 2000 Patent Law.”).

⁵⁴ Feng, *supra* note 7, at 116 n. 202 (explaining that in the context of invention-creation by an individual “using the material and technical means of the entity to which he belongs,” ownership under the 2001 Chinese Patent Act “seems to be unclear”).

⁵⁵ General Principles of Civil Law, art. 78 (“Each of the owners by shares shall enjoy the rights and assume the responsibilities with respect to the co-owned property in proportion to his/her share”).

⁵⁶ *Id.* (“Each of the joint owners shall jointly enjoy the rights and assume the responsibilities with respect to the co-owned property.”).

⁵⁷ Comparison between shared ownership and joint ownership is thoroughly explained in Chinese textbooks of civil law, which will not be discussed in this article.

⁵⁸ See Cui, Guobin, *supra* note 53, at 15–17.

⁵⁹ *Id.*

⁶⁰ *Id.*

⁶¹ Chinese Property Law, art. 103 (stating that if “co-owners fail to reach an agreement either on shared or on joint ownership of the immovables or movables, or the agreement reached is indefinite in this respect, the ownership shall be deemed to be shared ownership, unless the co-owners are of a family or have other relations.”).

⁶² See Contract Law of the People’s Republic of China (promulgated by the Nat’l People’s Cong., Mar. 15, 1999, effective Oct. 1, 1999), art. 341 [hereinafter Chinese Contract Law]; Interpretation of the Supreme People’s Court concerning Some Issues of Law for the Trial of Cases on Disputes over Technology Contracts (promulgated by the Sup. People’s Ct., Dec. 16, 2004, effective Jan. 1, 2005) (China), art. 21.

Not surprisingly, article 15 of the Patent Act sets co-ownership of a patent to be joint ownership⁶³ absent any agreement, contrary to the basic principle of Chinese Property Law, where ownership-by-shares according to each owner's contribution is presumed absent any agreements among co-owners.⁶⁴

Under the Chinese Property Law, joint property owners are not permitted to unilaterally license their rights to a third party without consent of other joint owners.⁶⁵ However, article 15 made an exception to the presumed patent joint ownership to the extent that a joint patent owner may practice the invention alone or grant non-exclusive license to a third party.⁶⁶ Why did the Chinese legislature make such an exception to the joint ownership in patents? The conventional property is usually not measured by terms and the property value does not change over the years.⁶⁷ A patent has a term of ten or twenty years from the filing date.⁶⁸ The term becomes even shorter if calculated from the date the patent is granted, and the value of the patent is inversely proportional to its term.⁶⁹ Significantly, a patent normally has no market value unless it is commercialized before its term expires.⁷⁰ In other words, a patented invention could quickly depreciate if it is not commercialized. Since any licensing activity that requires consent of all joint patent owners would inevitably slow down the process of commercialization, and it is sometimes even impossible for all joint patent owners to agree on certain transactions, the "consent"

⁶³ See 2009 Chinese Patent Act, art. 15; See also, CHENG, YONGSHUN, "中国专利诉讼"(Chinese Patent Litigation), 170 5th ed. (May 2005); see also Feng, Xiaoqing, "专利权共有若干问题之我见"(My View On Issues of Patent Right Co-ownership), J. CENT. LEADERSHIP INST. POL. & L., Feb. 1997, at 28.

⁶⁴ 2007 Chinese Property Law, art. 103.

The ways for protecting real right as prescribed in the present Law may apply either independently or jointly in light of the specific situation of an injury of real right. In addition to assuming civil liabilities, any entity or individual infringing upon a real right shall assume the administrative liabilities where it/he violates any provision on administrative regulation; in case any crime is established, it/he shall assume the criminal liabilities.

Id.

⁶⁵ *Id.* art. 97 ("Disposing of . . . co-owned immovables or movables shall be subject to agreement reached by the co-owners who possess two-thirds or more of the total shares or by all of the joint owners, except where the owners agree otherwise.").

⁶⁶ 2009 Chinese Patent Act, art. 15.

⁶⁷ See generally Chinese Property Law, art. 108 (stating that "[a]fter a bona fide transferee acquires a piece of movables, the rights previously attached to the said piece shall extinguish," from which it may reasonable inferred that the attached property rights would not automatically expire).

⁶⁸ 2009 Chinese Patent Act, art. 42. (stating that "[t]he duration of the invention patent right shall be twenty years and that of the utility model patent right and of the design patent right shall be ten years respectively, all commencing from the date of application.").

⁶⁹ See generally JANICE M. MUELLER, AN INTRODUCTION TO PATENT LAW 17 (2d ed. 2006) (explaining that "the term, or enforceable life, of a patent does not begin until the date the patent is issued (i.e., on the "issue date") . . .") (emphasis in original).

⁷⁰ See Jonathan A. Barney, *A Study of Patent Mortality Rates: Using Statistical Survival Analysis to Rate and Value Patent Assets*, 30 AIPLA Q.J. 317, 326–27 (2002) (noting that "[l]ike stocks, bonds, and other intangible assets, patents possess no inherent or intrinsic value," but instead are "valued based on what they can produce or provide to the holder of the asset in terms of a future return on investment.").

requirement would be counter-productive and would be contrary to the legislative intent of promoting technology and innovation.

Having recognized the need for commercialization of valuable technologies and innovations, the Supreme Court of China in 2004 made an exception to the general principles of the Chinese Property Law by permitting a joint patent owner to unilaterally grant a non-exclusive license to a third party without consent of other joint owners.⁷¹ This exception made by the Supreme Court of China was later codified into the third Amendment of the Chinese Patent Act (2009).⁷²

The law has been applied by the courts. For example, in *Jiangxi Yongxin Magnetic Tools v. Nanchang Yongwang Magnetics Co.*,⁷³ the parties' settlement agreement in a prior dispute specified only on the terms of assignment of the patent but was silent with respect to how to use the patent or to grant license to a third party.⁷⁴ Relying on article 15, the court held that Nanchang Yongwang Magnetics, a joint patent owner, may unilaterally practice the invention or grant a non-exclusive license to a third party without the consent of the other joint owner.⁷⁵

Third, article 15 clarifies the rights of a patent co-owner to the extent that a joint patent owner can do two things without the consent of other patent co-owners: (1) to make and use the patented invention by an individual patent co-owner; and (2) to grant a non-exclusive license to a third party, provided other patent co-owners have the right to accounting.⁷⁶ Any other acts require the consent of all patent co-owners.⁷⁷ Any other acts require the consent of all joint patent owners.⁷⁸ However, the law has not provided any guidance as to how an accounting should be performed in the event of a unilateral non-exclusive license of an invention.

Although article 15 of the Patent Act (2009) was implemented to fill the gaps in the Chinese patent law, it adds, but by no means ends, the ambiguities in the already murky area of the joint patent ownership discussion. Ownership-by-shares is likely a result of a contractual relationship among the co-owners in the patent law, where the co-owners acquire their portions of the respective interests in the patent, by an arm's-length negotiation.⁷⁹ The issues arise when the patent co-owners fail to negotiate a contract, thereby becoming, or sometimes forced to become, joint patent owners by operation of the law, whose rights and interests in the patent are not wholly defined by the statutes.⁸⁰

⁷¹ See Cui, Guobin *supra* note 53, at 43

⁷² 2009 Chinese Patent Act, art. 15 ("In the absence of [controlling agreements between co-owners], co-owners may separately exploit the patent or may, in an ordinary manner, permit others to exploit the said patent.").

⁷³ See Final Written Civil Judgment No. 35(2009), by Jiangxi Higher People's Court.

⁷⁴ *Id.*

⁷⁵ *Id.*

⁷⁶ 2009 Chinese Patent Act, art. 15.

⁷⁷ *Id.*

⁷⁸ *Id.*

⁷⁹ *Id.*

⁸⁰ *Id.*

III. THE RIGHTS OF JOINT PATENT OWNERS IN CHINA

Having ownership of a patent gives the owners the fundamental rights to exclude others from engaging in certain activities reserved exclusively to the owners of patents.⁸¹ In addition, the rights of a patent owner in China may also include the right to control, to practice and to license the patented invention.⁸² Nevertheless, execution of these rights by patent co-owners in China, absent any agreement, more or less depends on contributions made by each of patent co-owners and the relationship among them, even though the statute generally defines the nature of the patent co-ownership as a joint ownership.⁸³

In contrast, patents have the attributes of personal property in the U.S.⁸⁴ Each of the patent co-owners will have an undivided interest in the whole patent under the U.S. patent law absent an agreement, regardless of the contributions made by each owner.⁸⁵ Further, each of the patent co-owners may make, use, offer to sell or sell the patented invention without consent of and without accounting to the other owners.⁸⁶ However, patent co-owners' rights may be limited in the event of litigation in the U.S., which will be discussed below.⁸⁷

⁸¹ *Id.* at art. 11. After the patent right is granted for an invention or a utility model, unless otherwise provided for in this Law, no unit or individual may exploit the patent without permission of the patentee, i.e., it or he may not, for production or business purposes, manufacture, use, offer to sell, sell, or import the patented products, use the patented method, or use, offer to sell, sell or import the products that are developed directly through the use of the patented method. After a design patent right is granted, no unit or individual may exploit the patent without permission of the patentee, i.e., it or he may not, for production or business purposes, manufacture, offer to sell, sell or import the design patent products.

⁸² *Id.*; see also *id.*, art. 12 (“Any unit or individual that intends to exploit the patent of another unit or individual shall conclude a contract with the patentee for permitted exploitation and pay the royalties. The permittee shall not have the right to allow any unit or individual not specified in the contract to exploit the said patent.”); see also *id.* at art. 59 (“For the patent right of an invention or a utility model, the scope of protection shall be confined to what is claimed, and the written description and the pictures attached may be used to explain what is claimed. For the design patent right, the scope of protection shall be confined to the design of the product as shown in the drawings or pictures, and the brief description may be used to explain the said design as shown in the drawings or pictures.”).

⁸³ FANG, *supra* note 11, at 42.

⁸⁴ 35 U.S.C. § 261 (2006) (“Subject to the provisions of this title, patents shall have the attributes of personal property.”).

⁸⁵ *Id.* (“In the absence of any agreement to the contrary, each of the joint owners of a patent may make, use, offer to sell, or sell the patented invention within the United States, or import the patented invention into the United States, without the consent of and without accounting to the other owners.”).

⁸⁶ *Id.*

⁸⁷ See *Ethicon Inc. v. U.S. Surgical Corp.*, 135 F.3d 1456, 1468 (Fed. Cir. 1998) (stating that “as a matter of substantive law, all co-owners must ordinarily consent to join as plaintiffs in an infringement suit,” meaning that “one co-owner has the right to impede the other co-owner’s ability to sue infringers by refusing to voluntarily join in such a suit.”).

A. Inventorship versus Ownership

Before moving into discussions regarding the rights of patent co-owners, it is worth noting the relationship of inventorship versus patent ownership in China. The Chinese patent law generally does not differentiate between inventions and patented inventions, nor between patents and patent applications when dealing with patent ownership issues.⁸⁸ In comparison, joint inventorship and joint patent ownership are governed by separate statutory provisions in the United States.⁸⁹ A significant difference between inventorship and ownership in the United States is that the ownership of a patent can be transferred but the inventorship cannot.⁹⁰ There is no statute in China that is directed solely to patent inventors.⁹¹ In the United States, inventors have a presumption of patent ownership, and those patentees may transfer the ownership by assignment to any individuals or entities and may in fact be under a legal duty to do so by virtue of a contractual or other obligation.⁹² This presumption is not applicable in China.⁹³ Under the Chinese law, an employer is the presumed owner of the inventions, patent applications, and patents absent any agreements.⁹⁴ The employee-inventors do not own the rights to the inventions, patent applications, or patents, other than the rights of being rewarded,⁹⁵ remunerated,⁹⁶ and named.⁹⁷ Since a majority of inventions are service inventions in China, i.e., inventions made by inventors in the course of their employment, the employer automatically owns the invention, whether it is patentable or not.⁹⁸ In the case of a non-service invention, the individual inventor is the presumed owner of the invention absent any agreement.⁹⁹ Thus,

⁸⁸ Harrington, *supra* note 10, at 353.

⁸⁹ See 35 U.S.C. §§ 116, 261 (governing inventorship and ownership).

⁹⁰ See *Beech Aircraft Corp. v. EDO Corp.*, 990 F.2d 1237, 1248 (Fed. Cir. 1993); 35 U.S.C. § 116 (stating that inventorship cannot be transferred) *cf.* 35 U.S.C. § 261 (stating that ownership can be transferred).

⁹¹ See Justin McCabe, *Enforcing Intellectual Property Rights: A Methodology for Understanding the Enforcement Problem in China*, 8 PIERCE L. REV. 1, 8–9, 17–18 (2009).

⁹² See 35 U.S.C. § 261; 8 DONALD S. CHISUM, CHISUM ON PATENTS § 22.01 (2011).

⁹³ See Judith Evans & David Hill, *Chinese Patent Law: Recent Changes Align China More Closely with Modern International Practice*, 27 GEO. WASH. J. INT'L L. & ECON. 359, 366, 367 (1993-1994).

⁹⁴ See 2009 Chinese Patent Act, art. 6. An invention-creation, made by a person in execution of the tasks of the entity to which he belongs, or made by him mainly by using the material and technical means of the entity is a service invention-creation. For a service invention-creation, the right to apply for a patent belongs to the entity. After the application is approved, the entity shall be the patentee absent an agreement. *Id.*

⁹⁵ *Id.* art. 16 (“The entity that is granted a patent right shall award to the inventor or creator of a service invention-creation a reward . . .”).

⁹⁶ *Id.* (“[U]pon exploitation of the patented invention-creation, [the entity that is granted a patent] shall pay the inventor or creator a reasonable remuneration based on the extent of spreading and application and the economic benefits yielded.”).

⁹⁷ *Id.* art. 17. (“The inventor or creator has the right to be named as such in the patent document. The patentee has the right to affix a patent indication on the patented product or on the package of that product.”).

⁹⁸ *Id.* art. 6.

⁹⁹ *Id.*

inventorship and ownership of a patent are often mixed concepts in China.¹⁰⁰ While the law does not include any provisions on inventorship, the ownership of patents and patent applications are defined under article 6,¹⁰¹ and article 8 of the Chinese Patent Act (2009).¹⁰² Since inventorship is not the focus of this article, it will not be further discussed.

B. The Right to Control the Patented Invention

The rights for a patent owner to control the patented invention in China include the right to assign a patent to a third party, to take a mortgage on a patent, and to invalidate one or more claims or the entire patent through the invalidation proceeding.¹⁰³ Under article 15, all these activities require the consent from all joint patent owners.¹⁰⁴

This requirement is also reiterated in other legislations and regulations, such as article 4 of Measures for Recording Lien on Patents,¹⁰⁵ which states that mortgaging a jointly-owned patent shall obtain the consent from all patent co-owners unless there is a prior agreement otherwise.¹⁰⁶ Guidelines for Patent Examination,¹⁰⁷ section 6.7.2.2 of chapter 1, part 1, states that:

[w]here the right of the applicant (or patentee) has been transferred as a result of assignment or gift, and a request for a change in the bibliographic data is submitted, the contract for the assignment or gift shall be submitted. If such a contract is made by any entity, an official seal of the entity or a seal specially used for making contracts shall be affixed. If the contract is made by an individual, it shall be signed or sealed by the person who is the party for the contract. Where there are two or more applicants

¹⁰⁰ *Id.* arts. 6, 8.

¹⁰¹ *Id.* art. 6. An invention-creation, made by a person in execution of the tasks of the entity to which he belongs, or made by him mainly by using the material and technical means of the entity is a service invention-creation. For a service invention-creation, the right to apply for a patent belongs to the entity. After the application is approved, the entity shall be the patentee. For a non-service invention-creation, the right to apply for a patent belongs to the inventor or creator. After the application is approved, the inventor or creator shall be the patentee. In respect of an invention-creation made by a person using the material and technical means of an entity to which he belongs, where the entity and the inventor or creator have entered into a contract in which the right to apply for and own a patent is provided for, such provisions shall apply. *Id.*

¹⁰² *Id.* art. 8. For an invention-creation jointly made by two or more entities or individuals, or made by an entity or individual in execution of a commission given to it or him by another entity or individual, the right to apply for a patent belongs, unless otherwise agreed upon, to the entity or individual that made, or to the entities or individuals that jointly made, the invention-creation. After the application is approved, the entity or individual that applied for it shall be the patentee. *Id.*

¹⁰³ *Id.* arts. 10, 46, 47.

¹⁰⁴ *Id.* art. 15.

¹⁰⁵ Measures for Recording Mortgages on Patents (effective Oct. 1, 2010).

¹⁰⁶ *Id.*

¹⁰⁷ ST. INTELL. PROP. OFF. OF THE P.R.C., GUIDELINES FOR PATENT EXAMINATION 1 (2010) [hereinafter SIPO GUIDELINES].

(or patentees), a document certifying that all the right owners have agreed on the assignment or gift shall be submitted.¹⁰⁸

In the event that a patentee requests to abandon his right in a patent after grant of the patent right, the Guidelines for Patent Examination, section 2.3 of chapter 9, part 5 (“Patentee Abandons Patent Right”)¹⁰⁹ requires that the patentee “submit a declaration of abandonment of patent right with certifying materials of agreement of the abandonment of the patent right signed or sealed by all the patentees attached, or only submit a declaration of abandonment of patent right signed or sealed by all the patentees.”¹¹⁰

With respect to the patent invalidation proceeding, the courts normally were cautious in their determinations by balancing all patent co-owner’s interests due to the drastic outcome that may result from the proceeding, i.e., invalidity of the patent. In *Yang Fu v. Patent Reexamination Board of SIPO*,¹¹¹ which was an appeal from a prior invalidation proceeding in the Patent Reexamination Board of SIPO. Yang Fu, a patent co-owner, argued that the Patent Reexamination Board failed to serve on him the Oral Hearing Notification, resulting in his absence in the Patent Invalidation Oral Hearing, therefore, the proceeding was flawed.¹¹² In holding for the Reexamination Board, the court found that Yang Fu should have received the Oral Hearing Notification, which was sent by the Patent Reexamination Board, and he had actual knowledge that the Oral Hearing would be held at a specific time on a specific date based on the evidence of the Oral Hearing Notification of Invalidation Announcement Request issued by Patent Reexamination Board, the Recusal Request letter signed by Yang Fu and the other patent co-owner, and two reply letters signed by Yang Fu and the other patent co-owner in response to the Oral Hearing Notification of Invalidation Announcement Request issued by Patent Reexamination Board.¹¹³ Thus, the court determined that Yang Fu had voluntarily abandoned his right to attend the Oral Hearing because he should have known or had actual knowledge of the Hearing date and time.¹¹⁴

Some scholars believe that the patent co-owners’ right to control the patented invention should not include the right to invalidate one or more claims in the Invalidation Proceeding because validity of a patent is rather an issue of the public interest, which cannot be controlled by any patent owners.¹¹⁵ Indeed, the nature of a

¹⁰⁸ *Id.* at Part I ch. 1 § 6.7.2.2.

¹⁰⁹ *Id.* at ch. 8 pt. 5 § 2.3.

¹¹⁰ *Id.*

¹¹¹ See Final Written Administrative Judgment No. 542 (2007), by (Beijing High People’s Ct. 2007).

¹¹² *Id.*

¹¹³ *Id.*

¹¹⁴ *Id.*

¹¹⁵ See Yin, Xintian Yin, *Zhongguo zhuan li fa xiang jie* (“中国专利法详解”) [Introduction to the Patent Law of China] (Jan. 2011).

Does the patentee have the right to invalidate his own or a joint owned patent? As a matter of fact, the patent right is effective or can be deemed as a type of right only when the patent is valid. The goal for invalidation is to question whether the patent should be granted, but not the effectiveness of said patent right. Once the patent is invalidated, said patent right will no longer exist. Although the Chinese

patent is a contract between a patentee and the public, such that validity of the patent is not only the interest of patent owners but that of the public as well.¹¹⁶ Further, in light of the law that permits any person or entity to initiate an invalidation proceeding before the Patent Reexamination Board of the SIPO,¹¹⁷ except for a patent co-owner who fails to obtain consent from other co-owners, a patent co-owner rather lacks the right than having it to invalidate his own patent.

C. The Right to Make and Use the Patented Invention

A patent co-owner may have the right to make and use the patented invention on his own, i.e., a patent co-owner may unilaterally make and use the patented invention without the consent from any other joint owners.¹¹⁸ The Supreme Court of China stated in 2001 that a patent co-owner should be allowed to practice the patented invention if there was otherwise no conflicting agreement among patent co-owners, and that the patent co-owner who practiced the invention were permitted to keep the profit (without accounting to other patent co-owners).¹¹⁹ Article 15 of the Patent Act (2009), for that matter, is consistent with the historical judicial practice in China.¹²⁰

D. The Right to License the Patented Invention

As mentioned above, the license rights of patent co-owners in China are expressly stated in article 15 of the Patent Act (2009) to the extent that a patent co-owner may only make and use the patented invention on his own or grant a non-exclusive license to a third party absent any agreement, provided that he shares the profit generated from the license with other patent co-owners.¹²¹

In comparison, the U.S. law grants patent co-owners much broader rights to the extent that each of the patent co-owners will have an undivided interest in the whole patent absent any agreement, regardless the contributions made by each owner, and each of the patent co-owners “may make, use, offer to sell, or sell the patented

Patent Act (2009) states that ‘where, starting from the date of grant of the patent right by the SIPO, any entity or individual who believes that the grant of the said patent right is not in conformity with the relevant provisions of this Act, it or he may request the Patent Reexamination Board to declare invalidity of the patent, and the patentee himself is not barred from requesting an commencement of an invalidation proceeding.’

Id.

¹¹⁶ Matthew Goldberg, *The Viability of Stimulating Technology-Oriented Entrepreneurial Activity in China, Taiwan, Japan, and South Korea: How Regulations and Culture Encourage the Creation, Development, and Exploitation of Intellectual Property*, 1 INT’L L & MGMT. REV. 1, 6 (2005).

¹¹⁷ 2009 Chinese Patent Act, arts. 45–46.

¹¹⁸ *Id.* art. 15.

¹¹⁹ See Minutes of Issues on Examining Technical Contract Disputes In the Working Conference of Judging Intellectual Property By Nation Wide Courts, by The Supreme Court (2001).

¹²⁰ 2009 Chinese Patent Act, art. 15.

¹²¹ *Id.*

invention” without consent of and without accounting to the other co-owners.¹²² In other words, a patent co-owner in the U.S. may assign, or grant non-exclusive or exclusive license to a third party without permission or consent from any other patent co-owners.¹²³

At first glance, this seems to be unfair to a patent co-owner whose contributions are significantly larger than other co-owners. However, the policy underlying such equal-interest property rule was explained by the U.S. court in the case *Ethicon Inc. v. U.S. Surgical*,¹²⁴ where the court stated that joint inventorship (ownership) is a voluntary relationship and, therefore, any inequities resulting from the application of the equal-interest property rule must either be accepted by the inventors (owners) voluntarily, or be dealt with by express agreement among the parties claiming an ownership interest.¹²⁵ In balancing between the inequality and practicality, the U.S. legislature has chosen the easy way to deal with the issue, leaving the problems resulting from such co-ownership to the parties to resolve.¹²⁶

A fundamental difference between Chinese and U.S. property law is that the Chinese law does not allow, while the U.S. property law does allow, unilaterally licensing, exclusive or non-exclusive, the property interests by a joint owner of the property to a third party without consent from any other joint owners.¹²⁷ A rationale for the “consent” requirement in Chinese property law appears to be because jointly owned property is created jointly by the joint owners, it must be jointly controlled and transferred to maintain the integrity of the jointly owned property.¹²⁸ However, this appears to be more of a theoretical concern rather than a practical one. In reality, it is unlikely that any reasonable person would acquire a piece of property (or a patent for that matter) without an assurance that he would have the entire title, right and interest in such property. Thus, the concern that the integrity of the property would be destroyed absent the “consent” requirement seems unnecessary when an individual owner intends to transfer a jointly owned property.

Because the “consent” requirement of Chinese property law has become an impediment to the commercialization of technology and innovation, the Chinese Patent Act was amended to deviate from the General Principles of Chinese Property Law to the extent that the “consent” is not required in the situation where a non-exclusive license is granted as discussed above.¹²⁹

While a non-exclusive license may be permitted without consent of the other owners, the law further requires accounting to the other owners of the profit generated by licensing.¹³⁰ The reason for this profit sharing requirement may be out

¹²² 35 U.S.C. §§ 261, 262 (2006).

¹²³ See *Wis. Alumni Research Found. v. Xenon Pharm. Inc.*, 591 F.3d 876, 882 (7th Cir. 2010).

¹²⁴ *Ethicon, Inc. v. U.S. Surgical Corp.*, 135 F.3d 1456 (Fed. Cir. 1998).

¹²⁵ *Id.* at 1460, 1467–68.

¹²⁶ *Willingham v. Star Cutter Co.*, 555 F.2d 1340, 1344 (6th Cir. 1977).

¹²⁷ See 35 U.S.C. § 262; *c.f.* 2009 Chinese Patent Act, art. 15. (stating that Chinese Property law does not allow unilateral licensing the property interests by a joint owner of the property to a third party without the consent of other joint owners).

¹²⁸ See Cheng, Yongshun, (中国专利诉讼) [Chinese Patent Litigation (May 2006) p.70].

¹²⁹ See Yahong Li, *Pushing for Greater Protection: The Trend Towards Greater Protection of Intellectual Property in the Chinese Software Industry and the Implications for Rule of Law in China*, 23 U. PA. J. INTL ECON. L. 637, 658 (2002).

¹³⁰ 2009 Chinese Patent Act, art. 15.

of a fairness consideration for other patent co-owners.¹³¹ However, the Statute does not mention how the profit from the license should be shared among the patent co-owners.¹³² Should it be shared equally or proportional to each individual's contribution? What happens when the contribution of each of the co-owners cannot be measured? Nevertheless, if the purpose of granting a non-exclusive license without consent is to facilitate commercialization of the patented invention, a requirement of accounting seems to operate in the opposite direction.¹³³

Moreover, the Chinese legislature seems to feel uncomfortable with the idea that the patent co-owners may be treated unequally by their own choice.¹³⁴ Had the Chinese legislature taken one step further to consider the potential complication resulting from such accounting requirement, they would have appreciated the simplicity of the U.S. equal-interest property approach.¹³⁵ Indeed, the patent co-owners may be in a better position to weight and balance their own interests in the patented invention than any authorities.¹³⁶

E. The Right to Sue

Prior to the third Amendment of the Chinese Patent Act, the issue whether commencement of a patent infringement suit requires all patent co-owners to participate was unsettled.¹³⁷ Yet, the third Amendment is still silent on this issue, leaving the discretion to the Chinese courts.¹³⁸

In the current practice, the Chinese courts routinely allow cases to go forward in the absence of one or more patent co-owners.¹³⁹ Any patent co-owner may bring an infringement suit against an alleged infringer unilaterally without consent of the other co-owners.¹⁴⁰ The courts may name absent patent co-owners as joint plaintiffs

¹³¹ See Elizabeth Chien-Hale, *Intellectual Property Aspects of Doing Business in China*, in *DOING BUSINESS IN CHINA: RESOLVING THE CHALLENGES IN TODAY'S ENVIRONMENT 2007*, at 109, 127, 140–41 (PLI Corporate Law and Practice Course, Handbook Ser. No. 1626, 2007), available at WL, 1626 PLI/Corp 109.

¹³² 2009 Chinese Patent Act, art. 15.

¹³³ Cf. H.H. Henry, *Assignability of Licensee's Rights Under Patent Licensing Contract*, 66 A.L.R. 2d 606 § 9 (1959).

¹³⁴ See 2009 Chinese Patent Act, art. 15 (providing the owners the right to divide interests however they may choose).

¹³⁵ See 35 U.S.C. § 116; *Israel Bio-Engineering Project v. Amgen Inc.*, 475 F.3d 1256, 1263 (Fed. Cir. 2007).

¹³⁶ See *Monsanto Co. v. Kamp*, 269 F. Supp. 818, 824 (D.C. Cir. 1967).

¹³⁷ Fang, *supra* note 7, at 46; Rachel T. Wu, *Awaking the Sleeping Dragon: The Evolving Chinese Patent Law and Its Implication for Pharmaceutical Patents*, 34 *FORDHAM INT'L L. J.* 549, 571 (2011); William L. Warren, Lei Fang, & S. Alex Cao, *The Third Amendment to the Chinese Patent Law*, *SUTHERLAND* (Mar. 9, 2009), <http://www.sutherland.com/files/News/ddae6f2a-7502-4740-b58b-060ced14e4bb/Presentation/NewsAttachment/2dbe51c9-bb0a-48bc-bfd9-8f6d7e663b25/TheThirdAmendment.pdf>.

¹³⁸ See 2009 Chinese Patent Act, art. 15.

¹³⁹ See *Issues Applicable to Civil Procedure Law of P.R.C.*, art. 58, 31 *SUP. PEOPLE'S CT. GAZ.* 70 (Sup. People's Ct. 1992) (China).

¹⁴⁰ *Id.*

or require absent patent co-owners to waive their litigation rights.¹⁴¹ In general, the courts are unwilling to prevent patent co-owners from enforcing their rights only because a patent co-owner refuses to join the suit.¹⁴²

The Chinese courts also took the position that a jointly owned patent as a whole requires the co-owners to act as a whole.¹⁴³ This position is consistent with Section 56 of The Supreme Court of China's Judicial Interpretation on Civil Litigation, which sets forth procedural measures for property disputes.¹⁴⁴ A majority of the courts believe that a patent co-owner is a necessary party and must be joined with plaintiff-other patent co-owners in a patent infringement suit.¹⁴⁵ For example, in *Mao Shilun v. Chongqing Beipei Yongci Power Plant*,¹⁴⁶ the court allowed the case to go forward absent one of the patent co-owners Deng Xiandeng, on the basis that Deng had waived his right to sue, so that his necessary party status had been removed.¹⁴⁷ As such, he was not required to join the plaintiff.¹⁴⁸

Based on the "joint ownership" theory, most Chinese courts, after the commencement of the action by a joint patent owner, follow the procedure that was set forth in article 119 of Civil Procedure Law of the People's Republic of China, which states that "if a party who must participate in a joint lawsuit fails to participate in the proceedings, the courts shall notify the party to participate,"¹⁴⁹ and section 57 of the Supreme Court's Judicial Interpretation on Civil Litigation, which reads:

[w]hen courts add a party as a co-plaintiff, other parties should be notified. If a party who should be added as a plaintiff expresses unambiguously its intent to abandon its substantive right, courts may not add such a party as a plaintiff; if a party neither intends to join the litigation, nor wishes to abandon its substantive right, courts shall still add the party as a co-plaintiff, and its absence in litigation shall not have any effect on any outcomes of the suit.¹⁵⁰

¹⁴¹ *Id.*

¹⁴² *Id.*

¹⁴³ EU-CHINA IPR2, PATENT PROTECTION IN CHINA, ROADMAP FOR INTELLECTUAL PROPERTY PROTECTION IN CHINA 14 (2010), available at http://www.ipr2.org/index.php?option=com_content&view=article&id=1066:updated-ip-protection-roadmap-implementing-regulations-for-chinas-patent-law&catid=109:support-for-right-holders&Itemid=85; John Richards, *The Patent Law of the People's Republic of China*, LADAS & PARRY (Nov. 5, 2009), <http://www.ladas.com/Patents/PatentPractice/ChinaPatentLaw/index.html>.

¹⁴⁴ See Issues Applicable to Civil Procedure Law of P.R.C., *supra* note 139, art. 56, (holding that if the jointly owned property right is violated by a third party, and not all of the co-owners sue that third party, the other co-owners shall be listed as the co-litigators).

¹⁴⁵ Gary Moore, *Joint Ventures and Strategic Alliances: Ownership of Developed Intellectual Property—Issues and Approaches*, COOLEY CHINA (Apr. 4, 2008), <http://www.cooley.com/58741>.

¹⁴⁶ See The Written Civil Judgment No. 81(2005), by Chongqing No. 1 Intermediate People's Court (2005).

¹⁴⁷ *Id.*

¹⁴⁸ *Id.*

¹⁴⁹ See Civil Procedure Law of P.R.C., art. 119.

¹⁵⁰ See Issues Applicable to Civil Procedure Law of P.R.C., *supra* note 139, art. 58.

These procedural measures have been followed when absent patent co-owners were informed of relevant pending litigations.¹⁵¹ If the absent patent co-owners refuse to join, courts may require the absentees to sign a waiver stating that they will give up all their rights in the infringement suit at issue.¹⁵² Once courts receive such written waiver, they will determine whether or not plaintiff has established his standing as an independent plaintiff so as to allow the case going forward.¹⁵³ If plaintiff has proven to be an independent plaintiff, the case will proceed.¹⁵⁴ In *Luoyag Liming Machinery Co. v. Han Qihua*,¹⁵⁵ defendant moved to dismiss the complaint by raising the doubt on authenticity of the written waiver submitted by plaintiffs, who were two of the three patent co-owners.¹⁵⁶ The court initiated, *sua sponte*, an investigation to determine whether the absent third patent co-owner indeed waived his rights to sue.¹⁵⁷ Based on the results of the investigation, the court held that the plaintiffs had standing to sue because the absent third patent co-owner had unambiguously waived his rights.¹⁵⁸

Even if a plaintiff-patent co-owner failed to obtain a written waiver from the absent joint patent owners, courts normally still allowed plaintiff to litigate, relying on section 58 of the Supreme Court's Judicial Interpretation on Civil Litigation.¹⁵⁹ In *Bei Rugen v. Shangyu Northern Elec. Mfg. Co.*, plaintiff Bei Rugen jointly owned the patent right with another inventor Wang Qinghua to a Utility Model patent on a certain semiconductor device.¹⁶⁰ However, inventor Wang Qinghua did not join Bei Rugen in the suit. Nor could Bei Rugen provide any documents showing that Wang Qinghua had waived the right to sue or given Bei Rugen a power of attorney to represent him in the case.¹⁶¹ The court mailed a notice to Wang Qinghua according to the address printed on the issued patent. The notice was returned because Wang Qinghua had moved and the new address was unknown.¹⁶² Despite the fact that the absent patent co-owner Wang Qinghua could not be found, the court nevertheless allowed the plaintiff-joint patent owner Bei Rugen to sue.¹⁶³ In deciding the case, the court stated that protection to this patent was warranted because the patent had not expired and been challenged, and all requisite fees had been paid.¹⁶⁴

¹⁵¹ *Id.*; see Civil Procedure Law of P.R.C., art. 119.

¹⁵² See Issues Applicable to Civil Procedure Law of P.R.C., *supra* note 139, art. 58.

¹⁵³ *Id.*

¹⁵⁴ *Id.*

¹⁵⁵ See Final Written Civil Judgment No. 00078(2008), by Hebei Higher People's Court (2008).

¹⁵⁶ *Id.*

¹⁵⁷ *Id.*

¹⁵⁸ *Id.*

¹⁵⁹ When the court adds a co-owner as a party, other parties should be notified. See Issues Applicable to Civil Procedure Law of P.R.C., *supra* note 139, art. 58. If the party who should be added as the plaintiff declares clearly to abandon his substantive right, the court may not add him as a plaintiff; if a co-owner does not want to attend the litigation but will not abandon his substantive right, the court will still add him as a co-plaintiff, and his absence in litigation will not take any effect on judging the case. *Id.*

¹⁶⁰ *Ruigen Bei v. Shangyu North Elec. Mfg. Co.*, see No. 82 [Patent infringement litigation case], Written Civil Judgment by Hangzhou Intermediate People's Ct. (2007).

¹⁶¹ *Id.*

¹⁶² *Id.*

¹⁶³ *Id.*

¹⁶⁴ *Id.*

Once an absent patent co-owner waived his litigation rights, all duties and obligations resulting from the suit were allocated to plaintiff-patent co-owners.¹⁶⁵ In *Liang Xiangrong v. Artificial Leather Factory of Yulin Town of City of Yulin*, plaintiff Liang Xiangrong acquired the ownership of the patent on certain rubber composition by an agreement entered into with inventor Liu Guangjin.¹⁶⁶ The court held that plaintiff-patent co-owner Liang Xiangrong should bear all responsibilities and costs of the suit, because the other two patent co-owners had waived their respective litigation rights.¹⁶⁷

Notwithstanding, the Chinese courts typically required the patent co-owners, including those who did not join the suit, to share in any recovery.¹⁶⁸ Although this is a prevailing practice in China, some courts have expressed disagreement.¹⁶⁹

This practice drastically differs from that in the U.S., where a patent co-owner typically must be joined voluntarily by all other patent co-owners as a procedural requirement in U.S. law.¹⁷⁰ Moreover, a patent co-owner cannot compel other co-owners to join in an infringement suit; neither can a co-owner make another co-owner a party-defendant.¹⁷¹ There are three public policy reasons for the U.S. rule.¹⁷²

First, there is a public interest in ensuring that patent owners have an opportunity to protect their substantive rights; second, there is a public interest in protecting defendants from being exposed to multiple suits, simultaneously or sequentially for the same patent; and third, there is a public interest in protecting the interest of co-owners in being able to license their patents to a third party without harassing other co-owners.¹⁷³

These different approaches taken by Chinese and U.S. courts, may reflect the differences of the two countries in terms of their respective public policies and culture.¹⁷⁴ The U.S. courts focus more on the balance of rights and interests among all litigants as well as that of the public by requiring all patent co-owners to participate in the suit, while the Chinese courts focus more on protection of property by allowing a property owner to act alone when her property is facing imminent harm.¹⁷⁵

¹⁶⁵ *Id.*

¹⁶⁶ *Xiangrong Liang v. Yuli Leatheroid Factory*, see No. 191 [Patent infringement litigation case] 191(1997) (Written Civil Judgment by the Higher People's Ct. Court of Guangxi Zhuang Nationality Autonomous Region People's Court 2007) (noting that the agreement was entered into by Liang, Liu and another person Yang who acquired the ownership to a separate patent, which was not the issue in this case).

¹⁶⁷ *Id.*

¹⁶⁸ See Cui, Guobin *supra* note 53, at 44 n.13.

¹⁶⁹ *Id.* at 44 n.9.

¹⁷⁰ *Ethicon Inc., v. U.S. Surgical Corp.*, 135 F.3d 1456, 1468 (Fed. Cir. 1998) (“[A]s a matter of substantive law, all co-owners must ordinarily consent to join as plaintiffs in an infringement suit.”).

¹⁷¹ *Cilco, Inc. v. Precision-Cosmet, Inc.*, 624 F. Supp. 49, 51–52 (D. Minn. 1985).

¹⁷² Dale L. Carlson & James R. Barney, *The Division of Rights Among Joint Investors: Public Policy Concerns After Ethicon v. U.S. Surgical*, 39 J.L. & TECH. 251, 260 (1999).

¹⁷³ *Id.*

¹⁷⁴ See generally Chun-Hsien Chen, *Explaining Different Enforcement Rates of Intellectual Property Protection in the United States, Taiwan, and the People's Republic of China*, 10 TUL. J. TECH. & INTELL. PROP. 211, 215–24 (2007) (discussing the effect of cultural differences on Intellectual Property Policy in the United States).

¹⁷⁵ See Cheng, Yongshun, (中国专利诉讼) [(Chinese Patent Litigation) (May 2005) at 172]

IV. CONCLUSION

The Chinese Patent Act has been evolving in parallel to China's economic and technological development.¹⁷⁶ Although the concept of joint patent ownership under the Chinese Patent Act (2009) was derived from the General Principle of Chinese Civil Law and Chinese Property Law, it differs from conventional property joint ownership primarily because patents are considered a type of property that differs from other forms of proprietary property interests under the Chinese law.¹⁷⁷

Article 15 of the Chinese Patent Act (2009) defines the rights of patent co-owners.¹⁷⁸ Generally, a patent co-owner cannot act unilaterally with respect to the patented invention except for making and using the patented invention on his own or granting a non-exclusive license to a third party without consent from all patent co-owners.¹⁷⁹ However, any patent co-owners may bring an action in the courts to enforce their patent rights without consent from all patent co-owners.¹⁸⁰

The exception in article 15 of the Chinese Patent Act (2009), permitting a patent co-owner to grant a non-exclusive license to a third party without consent of the other joint owners reflects the legislative intent to promote innovation and technology transfer, although the accounting requirement in this provision seems to be inconsistent with such intent.

Unlike the patent law in the United States, which has been well established, the legislative history of Chinese patent law is relatively short, and many provisions of the Chinese Patent Act are still in their infancy and have yet to stand the test of time.¹⁸¹ More issues will surface when the rules of law are applied in practice. It will be interesting to see how Chinese patent law continues to evolve in the future.

¹⁷⁶ See Kong Qingjiang, *The Political Economy of the Intellectual Property Regime-Building in China: Evidence from the Evolution of the Chinese Patent Regime*, 21 PAC. MCGEORGE GLOBAL BUS. & DEV. L.J. 111, 112 (2008).

¹⁷⁷ See Feng, *supra* note 7, at 40–41.

¹⁷⁸ Chinese Patent Act at art. 15.

¹⁷⁹ Feng, *supra* note 7, at 42.

¹⁸⁰ *Id.*

¹⁸¹ See, e.g., 2009 Chinese Patent Act, art. 15.