The Third Amendment to the Patent Law of China

On December 27, 2008, the Standing Committee of the National People's Congress adopted the third amendment to the Patent Law of the People's Republic of China, which shall enter into force as of October 1, 2009. This amendment complements and improves the current patent law from such aspects as further defining patent connotation, strengthening patent protection and raising the requirements for granting a patent. Highlights are summarized as follows:

1. Higher Patentability Criteria

One of the important amendments is to raise the requirement for granting the patent right. The current patent law adopts the criteria of “relative novelty”, i.e. the prior art means any disclosure in publications in the country or abroad and any disclosure by other means in the country before the date of filing, but does not include disclosure by other means abroad before the date of filing. The new patent law explicitly defines the prior art as “technology made known to the public in the country or abroad before the date of filing”, which includes disclosure by other means abroad before the date of filing. This means the criteria for novelty judgment has been upgraded from “relative novelty” to “absolute novelty”, which brings Chinese patent law in line with the international practice. Foreign applicants should bear in mind that under the new law, public use in their own countries also affects novelty of a Chinese patent application. According to the amended patent law, the conflicting applications that are prejudicial to the novelty of an application will no longer be restricted to the applications filed by other person, but includes applications filed by the applicant himself. In other words, where the same applicant files two patent applications for an identical invention-creation on different days, the earlier application will destroy the novelty of the later one.

2. Changing “First Filing in China” Requirement

The current patent law prescribes that where any Chinese entity or individual intends to file a patent application in a foreign country for an invention-creation made in China, it or he shall file first a patent application in China. Such requirement has been changed under the new law. It is prescribed that any entity or individual may file a patent application first in a foreign country for an invention-creation made in China, but a security examination conducted by the State Intellectual Property Office of China is required. The new provision applies to both Chinese entities and foreign enterprises. The consequence of not complying with this new requirement will be the loss of the right to obtain a patent in China.

3. Higher Amount of Statutory Damages

The new patent law further enhances the strength of punishment for the act of patent infringement. The current Patent Law lacks detailed stipulation of statutory damages. Judicial

interpretation has been prescribed a statutory damage of RMB 5,000 to RMB 50,000. Under the provisions of the new patent law the statutory damages for the act of patent infringement is increased to from RMB 10,000 to RMB 1,000,000. In addition, the amount of fine imposed on any person who passes off the patent of another person as his own has been increased, from the current three times to four times his illegal earnings; the amount of fine in the case there is no illegal earnings has been increased from RMB 50,000 to RMB 200,000; and, the amount of fine imposed on any person who passes any non-patent off as patent has been increased from RMB 50,000 to RMB 200,000. Furthermore, it is also prescribed explicitly in the new patent law that damages for infringement of patent right shall further include reasonable expenses the patentee has incurred in order to suppress the infringing act.

4. Pre-Litigation Evidence Preservation

Up to now, the legal basis about measures of pre-litigation evidence preservation only exists in relevant judicial interpretation. By bringing pre-litigation evidence preservation into the new patent law, the strength of patent protection has been further enhanced. The new patent law prescribes explicitly that where the evidence may be lost or it is difficult to obtain the evidence thereafter, the patentee or interested party, in order to suppress the act of patent infringement, may request the people's court for evidence preservation before litigation. The new patent law also makes provision of the acceptance, security and etc. of the request for evidence preservation.

5. Prior Art Defense

The current patent law lacks explicit provisions about the principle for judging patent infringement. By far, the judgment of patent infringement is mainly determined by judicial practice of the people's court. The new patent law, for the first time, introduces the principle of prior art defense in judgment of patent infringement, i.e. in the disputes of patent infringement, the implementation of technology or design shall not be deemed as an infringement of patent right if an accused infringer can prove that the technology or design to be implemented belongs to the prior art or prior design.

6. Exception to Patent Infringement

For the first time, "Parallel Importation" and "Bolar Exemption" are added into the Patent Law of China as non-patent infringement.

(a) Parallel Importation

According to the new patent law, after a patented product or a product directly obtained by using the patented process is sold by the patentee or the entity or individual with the authorization of the patentee, its importation into China shall not be deemed as infringement. It can be seen from this provision that an international exhaustion of patent rights is affirmed in the Patent Law of

China.

(b) Bolar Exemption

According to the new patent law, any entity or individual that manufactures, uses or imports a patented medication or a patented medical device solely for the purpose of providing the information needed for the administrative approval and any person who manufactures or imports a patented medication or a patented medical device specially for such entity or individual shall not be deemed as patent infringing. According to the provision of Bolar exemption, a generic drug company is allowed to conduct clinical trials to obtain the data required for getting the approval of SFDA.

7. Co-owned Patent

The current patent law lacks stipulation on the exercise of co-owned patent, while the new one clearly specifies that the exercise of the co-owned patent shall follow the principle of "agreement taking precedence". That is, if the co-owners have agreed upon how to exploit the patent, such agreement shall be followed; otherwise, any co-owner may exploit the patent alone or grant others a non-exclusive license to exploit the patent, and the exploitation fee received shall be allocated among all co-owners. Except provided above, exploitation of any co-owned patent shall obtain all co-owners' consent.

8. Compulsory License

Compared with the provision of compulsory license in the current patent law, the patent law after amendment makes further definition of the implementation of compulsory license and provides new grounds for the grant of compulsory license. Firstly, as to the circumstance in which the patentee fails to exploit or sufficiently exploit the patent due to his laches, the patent law after amendments clearly prescribes that, where the patentee, within three years from the date of granting and four years from the date of filing, fails to exploit or sufficiently exploit the patent without any justified reasons, the State Intellectual Property Office may grant a compulsory license to exploit the patent upon the request by the entity or individual which is qualified to exploit the patent. Secondly, the patent law after amendments prescribes that, when exercising a patent by a patentee is legally considered as a monopoly behavior, the State Intellectual Property Office may grant a compulsory license to exploit the patent so as to eliminate or reduce the adverse effect that said behavior brings to the competition. In addition, a new ground for compulsory license is further incorporated in the patent law after amendments. To be specific, the new patent law prescribes that the State Intellectual Property Office, for the purpose of public health, may grant a compulsory license to manufacture the patented pharmaceuticals and export them to countries or regions who comply with the provisions of the related international treaties in which China is involved. The new patent law further defines the restriction of

compulsory license. As to the compulsory license granted when the patentee fails to exploit or sufficiently exploit the patent due to his laches and under the circumstance of emergency, the exploitation shall be limited within the range of domestic market only. As to the compulsory license relating to semiconductor technologies, the exploitation shall be limited to public non-commercial use.

9. Genetic Resources

The protection of genetic resources has been recognized for the first time in the new Patent Law of China. According to Article 5(2), “no patent right shall be granted for any invention-creation depending on genetic resources whose acquisition or exploitation violates relevant laws and administrative regulations”. The new Patent Law also raises the standards for the sufficiency of the disclosure of the inventions concerning genetic resources. According to Article 26 (5), “for an invention-creation, the completion of which depends on genetic resources, the applicant shall describe the direct source and original source of said genetic resources in the application documents; the applicant shall state reasons if the original source of said genetic resources can not be described.” It is still unclear from the new Patent Law in which details the genetic resources shall be presented in the description. We expect that detailed stipulations will be provided in the revised Implementing Regulations and the revised Guidelines for Patent Examination.

10. Amendments Relating to Design Patent

The 3rd amendment to Patent Law involves comparatively more aspects concerning design patents, more specifically,

a). Subject matters of design patent is restricted by excluding the designs of two-dimensional pattern, color or their combination, mainly having a primary function of identifying the product.

b). Raising the patentability criteria for design patent by introducing an additional requirement similar to “inventive step” for patents and utility models, i.e. any patentable design should be distinguished from not only prior designs, but also any combination of features of the prior designs.

c). “Conflicting application” now also applies to design patent, i.e. an earlier filed but later published design application, filed either by others or by the same applicant, constitutes a conflicting application affecting the novelty of a design patent.

d). For a group of similar designs for the same product, the new law allows filing one design application covering all these designs.

e). The brief description, which is currently optional, will be necessary when filing the design application under the new law. It is stipulated under Article 59 (2) of the new law, that the function of the “brief description” is to interpret the design of the product shown in the drawings

or photographs.

f). With respect of design patent litigation, the new Patent Law adopts a "design patent evaluation report" mechanism similar to the same applied to the utility model patents. In addition, the amended law stipulates that unauthorized "offer to sell" of a product protected by design patent also constitutes design patent infringement. It is obvious that for design patent, the new law provides a higher threshold, and in the mean time, offers a more effective protection.

11. Double Patenting

The new patent law makes explicit prescription for double patenting, while there were some controversies on how to understand the double patenting as prohibited by the Patent Law before the amendment. The new patent law makes it clear that, where the same applicant has applied for both a patent and a utility model for an identical invention on the same day, and the earlier granted utility model patent has not expired and the applicant declares to abandon the utility model patent, the patent for invention may be granted. This provision is undoubtedly favorable for the situation that the applicant applies for patent and utility model for an identical invention-creation on the same day, but it is noteworthy that this provision is not applicable to applications for both patent and utility model for the identical invention filed by the applicant on different dates. If the same applicant filed two applications for the same invention, e.g. for both utility model and patent, as the amended Patent Law extends the scope of the conflicting applications, i.e. the conflicting applications include the earlier application filed by the same applicant, the later filed application may not be granted because of lacking novelty, with the exception that the later application has certain improvement over the previous application so that the later application possesses novelty.

12. More Power to AAPA (Administrative Authority for Patent Affairs)

The amended patent law prescribes that the administrative authority for patent affairs may enquire the relevant parties, investigate into the relating situations of the suspected illegal act, check the scene involved in the suspected illegal act, consult and copy the contracts, invoice, account book and other data relating to the suspected illegal act, check the products relating to the suspected illegal act, and close down or detain products to be proved as counterfeiting patents according to the obtained proofs when investigating and punishing the suspected patent imitation acts.

13. Unifying the Business Scope of Legally Instituted Chinese Patent Agencies

The amended patent law prescribes that foreigners may appoint any patent agency legally instituted in China to handle their patent applications or other patent related matters.