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IP NEWS ALERT

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3rd Amendment to the Chinese Patent Law

On December 27, 2008, the Standing Committee of the People's Congress approved the latest amendments to the Patent Law of the People's Republic of China, which will come into force on 1 October 2009. The following are the major amendments.

First filing rule to be replaced by confidential examination

Under the current Patent Law, a Chinese entity or a Chinese individual who intends to file an application for a patent for invention or utility model which is completed in China, has to file the first application in China, prior to any overseas filing. To get around this rule, it was common practice for Chinese entities and individuals to complete inventions overseas.

Under the new Patent Law, filing in a foreign country is possible. However, the applicant, whether Chinese or non Chinese, who intends to file in a foreign country an application for invention or utility model which is completed in China, has to apply for confidential examination with the State Intellectual Property Office (SIPO). Non-compliance will result in rejection of the relevant Chinese application, if later filed in China.

The implementing rules setting forth the time limit and the extent of disclosure for such examination have not yet been finalized. In many ways, it is expected these administrative procedures will determine whether such confidential examination may deter potential applicants in having their R&D centres in China where the invention will be completed.

In the discussion draft, national security was given as the purpose of the confidential examination of inventions completed in China had. In any event, it is worth noting that disclosure of information to SIPO for confidential examination will not destroy the novelty of the invention or utility model. Once approved by SIPO, the applicant can proceed to file the first application in other countries.

Principle of absolute novelty adopted

Under the current Patent Law, prior art includes an identical invention, utility model or design publicly disclosed in a publication inside or outside China or has been publicly used or made known to the public by other means in China alone.

Under the new Patent Law, prior art has a broader connotation to also include public use or other means of disclosure of an invention, a utility model or a design outside China. Therefore, foreign applicants should guard against any form of disclosure of inventions or utility models before the filing date or priority date of the patent application in China.

Amendments concerning design patents

There are amendments effected to different aspects of design protection regime. These include raising the threshold for qualifying for design protection, e.g:

- obvious individuality as compared with prior designs or any combination of elements of prior designs.
- a design patent will not be granted for a pattern, colour or a combination of the two in two dimensional prints which only serve the purpose of marking.

A brief explanation of the design, in addition to drawings or photographs must also accompany the application.

It is however now possible under the new law for multiple similar designs incorporated in one application.

Strategy of simultaneous filing of patent for invention and utility model

In order to obtain registration at a quicker pace, it is common for applicants to simultaneously apply for both patent for invention and for utility model. Subsequently, when the patent for invention is granted, the patent for utility model will be abandoned. The new Patent Law recognizes such strategy in providing that if an application for both invention and utility model is filed on the same day, the applicant may abandon the granted utility model in favour of the grant of a patent for invention.

Disclosure of the source of genetic resources – newly introduced

The new Patent Law addresses the issue of genetic resources for the first time in the history of Chinese Patent Law. The direct source and the original source of the genetic resource must be disclosed in the specification, if the completion of the invention depends on the acquisition and use of genetic resources. If such source cannot be disclosed, the new law states that the applicant should provide reasons for such non-disclosure.

The new Patent Law further requires patents to be rejected if the acquisition and use of genetic resources is in violation of relevant laws and regulations. The impact of this provision on the Chinese patent practice depends greatly upon how the term “genetic resource” will be defined and what will constitute illegal acquisition and use.

Compulsory licenses – further elaboration

Under the current Patent Law, if an entity qualified to exploit an invention or utility model has been unsuccessful in obtaining a license from the patentee within a reasonable period of time on reasonable terms, such entity can apply to SIPO for grant of compulsory license. The new Patent Law further elaborates circumstances under which compulsory licenses should be granted:

- the patentee has failed to exploit or sufficiently exploit the invention within three years from the date of the grant of the patent and four year after the filing date of patent, without a reasonable ground.
- the patentee’s exploitation of the patent amounts to act of antitrust according to the laws; and the SIPO determines that it is essential to counter its effects on competition.

The new law also addresses compulsory licenses for the purpose of public health, whereby patented medicine could be exploited for making and exporting to countries that are members of international treaties to which China is also a member. Where the invention involved is a semi-conductor technology, grant of compulsory license will be limited to serve public interest or to counter anti-trust conditions as stated above.

The new law also states that an entity that has been granted compulsory license has to pay the patentee an exploitation fee or deal with the issue of fees in accordance with the international treaties to which China is a member.

Except when a compulsory license is granted to counter anti-trust conditions or in the interest of public health, the compulsory license extends mainly to the domestic market.

Statutory fines, damages and other reliefs

The current Patent Law caps the maximum fine that may be imposed on infringers at three times the illegal income or RMB50,000 in the absence of illegal income. The new Patent Law raises the statutory limit to four times the illegal income or RMB200,000 in the absence of illegal income.

In case of infringement, the new law equips patent administrative authorities with powers of investigation, examination of location of infringement, review and copy accounts and other materials, and to seal and detain products that are proved to be infringing products.

The current Patent Law calculates damages based on the patentee’s losses, or if the losses are hard to determine, then based on royalties. However, it does not stipulate statutory damages if no actual loss or royalties can be determined. Under current practice, statutory damages can be up to RMB500,000, at the discretion of the Supreme Court’s, as per the judicial interpretation. The new Patent Law incorporates a provision specifying various ways the damages may be calculated in the order of preference:

- Basic principle is to start with actual losses;
- The next is to look for profit made by the infringer should be the basis;
- The next is to refer a reasonable multiple of the royalties paid;
- If all fail, then the court may award damages up to RMB 1,000,000.

The new law also clarifies that the damages include reasonable costs incurred by the patentee in stopping the infringement.

The current Patent Law provides for certain pre-action reliefs, such as an order for stopping infringing activity and for

preservation of property to be available before any legal action is initiated. The new law provides similar pre-action reliefs for stopping infringing activity and for preservation of evidence. The new law also requires that the patentee must provide a guarantee, which will be used if the order was wrongfully granted. The court will issue such order within 48 hours if the circumstances exist. If the patentee does not initiate a legal action within 15 days, then the court will strike out the order.

New exception to infringement – Bolar exception

Under the new Patent Law, any act done for providing information for administrative approval to make, use or import a patented medicine or medical equipment does not amount to infringement. This exception does not exist in the current law.

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