

## **Amendment of PRC (China) PATENT LAW Passed**

Since Mainland China's Patent Law first took effect in 1985, it has been amended twice in 1992 and 2000 respectively. In response to the National Intellectual Property Strategy drawn up by the PRC State Council, and in compliance with the Declaration on the TRIPS Agreement and Public Health adopted in 2001 by the WTO Ministerial Conference in Doha as well as the amending protocol subsequently adopted by the WTO, the PRC is preparing further amendments to its Patent Law. On 27 December 2008 and at the sixth meeting of the 11th session of the National People's Congress Standing Committee ("Committee"), the Committee approved the amendments to the Patent Law. The amended Patent Law will come into effect on 1 October 2009. The main policies driving the amendment process are as follows:

- To raise the standard for the grant of patent rights by adopting a criterion of absolute novelty. That is, under the amended Patent Law, the scope of "public use" which may affect the novelty of an invention, new utility model or new design shall be changed from "public use made within China" to "public use made inside and outside of China". In addition, under the amended Patent Law, the scope of "conflicting application" shall be expanded to those filed not only by the same applicants but also by others." In order to further strengthen the quality of design patents, design patents will not be granted to designs with respect to two-dimensional printed matters, which are mainly for identification purposes.
- The provisions related to "first filing requirement" are to be repealed. Any entity or individual may apply for patent in any foreign jurisdiction in respect of its invention-creation completed within China. But, in consideration of the fact that some patent applications may have implications for national security or national interest, the draft amendments also provide that before applying for patent in a foreign jurisdiction, an invention-creation must first undergo confidentiality review by the patent administration agency of the State Council.
- To ensure the consistency with the patent rights granted to invention and new utility model patents, the holder of a design patent would have the right to offer for sale the products incorporating the design.
- Damages for patent infringement should include the cost for the patentee to enforce its rights. Penalties for violations of the Law are to be made more severe, and the level of statutory damages is to be increased.

- To prevent infringers from removing or destroying evidence prior to the filing of a suit by a patentee, the draft amendments provide that in order to halt patent-infringing activities, where there is a likelihood of evidence being destroyed or being difficult to obtain at a later time, before filing litigation a rights holder may petition the People's Court for preservation of evidence.
- In order to protect the lawful rights of co- patentees over jointly held patents, and to promote the exploitation of such patents, new provisions will state that a co- patentee may independently exploit the co-owned patent, or may grant a non-exclusive license to another party to exploit the co-owned patent.
- If the technology implemented is prior-art, the use of such technology does not constitute infringement of the patent. In a patent infringement dispute, if the accused party has evidence to show that the technology practiced thereby is prior art, such use shall not constitute patent infringement. On this basis, a party accused of patent infringement does not need to seek a re-examination decision from the Patent Reexamination Board, and the court can directly pass judgment finding that the alleged infringer does not infringe the patent.
- "Bolar exception" is to be introduced into the Patent Law. If an entity or individual intending to manufacture a pharmaceutical product or medical device manufactures a patented pharmaceutical drug or patented medical device in order to generate information required for seeking an approval of an administrative examination, such manufacture will not be regarded as patent infringement.
- A compulsory license may be granted for the manufacture and export of patented pharmaceutical drugs to specific countries or regions for public health purposes.
- Based on the provisions of the Convention on Biological Diversity, where the completion of an invention-creation relied on genetic resources, the applicant should declare in the patent application the direct source and the original source of such genetic resources, and that if the applicant is unable to declare the original source, it should state the reasons. Another new provision will be added to state that no patent will be granted if the acquisition or use of genetic resources violated laws or administrative regulations.

The major amendments of Patent Law approved on 27 December 2008 is outlined below:

- Where the completion of an invention-creation relied upon genetic resources, no patent shall be granted if the acquisition or use of such genetic resources violated the provisions of laws or administrative regulations. (New Article 5 Paragraph 2)
- Only one patent shall be granted in respect of the same invention-creation. However, where the same applicant applies on the same day for both a utility model patent and an invention patent in respect of the same invention-creation, an invention patent may be granted if the applicant declares its abandonment of a first-granted utility model patent while the utility model patent remains in force. (New Article 9 Paragraph 1)
- After a design patent is granted, no entity or individual may, without the prior authorization of the patentee, exploit the patent. That is to say, manufacture, offer for sale, sell, or import, for production or business purposes, products incorporating the patented design. (Amended Article 11 Paragraph 2)
- Where the right to apply for patent, or a patent right, is held jointly by two or more entities or individuals, and the co-owners have made an agreement regarding the exercise of their rights, then the provisions of such an agreement shall apply. In the absence of such an agreement, any co-owner may independently exploit such patent or may license the patent to a third party through a non-exclusive license. Where a third party is licensed to exploit the patent, the royalties collected shall be divided between/among the co-owners. Except in accordance with the above provisions, the exercise of a jointly owned patent application right or patent right shall require the consent of all the co-owners. (New Article 15)
- Any entity or individual may apply for patent in a foreign country in respect of its invention-creation completed in China. But such an invention-creation must first undergo confidentiality review by the patent administration agency of the State Council. (Article 21 Paragraph 1, amended from Article 20) It is likely that the SIPO will adopt a mechanism similar to the "foreign filing license" adopted under the U.S. patent system, when implementing the confidentiality review as stated above. In addition, where there is any technology export control issue caused by applying for patent protection abroad, this issue shall be continuously governed by other applicable PRC laws and regulations.
- "Novelty" means that an invention or utility model is not existing prior art, and that no patent application has been filed with the patent administration agency of the State Council before the filing date for the identical invention or utility model and has been disclosed in patent application documents or patent files published after the filing date (Article 23 Paragraph 2, amended from Article 22). "Inventiveness" means that as compared with the prior art, an invention has salient substantive features and represents significant advance, or a utility

model has substantive features and represents an advance (Article 23 Paragraph 3, amended from Article 22). "Prior art" means technology that has been known to the public inside or outside China prior to the patent filing date (new Article 23 Paragraph 5).

- A design in respect of which a patent is granted means that the design differs from any existing design, and that no design patent application has been filed with the patent administration agency of the State Council before the filing date for the same design, and has been disclosed in patent documents published after the filing date. A design in respect of which a patent is granted should be clearly distinct from existing designs and from combinations of features of existing designs. A design in respect of which a patent is granted shall not conflict with legitimate rights acquired by any other party prior to the grant of patent. (Article 24, amended from Article 23)
- Where the completion of an invention-creation must rely on genetic resources, the applicant should declare in the application document the direct source and the indirect source of such genetic resources. If the applicant is unable to declare the original source, it should state the reasons. (New Article 27 Paragraph 6)
- A design patent application should be limited to a single design. However, two or more similar designs applicable to the same product, or two or more designs intended for use on products of the same category that are sold or used as a set, can be covered in one single design patent application. (Article 32 Paragraph 2, amended from Article 31)
- In any of the following circumstances, the patent administration agency of the State Council may, upon application by an entity or individual possessing the capability to exploit the patent concerned, grant a compulsory license for the exploitation of an invention or utility model patent (Article 49, amended from Article 48):
  1. Where, upon an expiry of three years from the patent grant date of a patent and four years from the filing date of the same patent, the patentee has not exploited the patent, or has not fully exploited the patent, without legitimate grounds.
  2. Where acts committed by a patentee in enforcing its patent rights have been confirmed by judicial or administrative process as actions to exclude or restrain competition, such that it is necessary to grant the applicant a compulsory license.
- In the interests of public health, the patent administration agency of the State Council may grant a compulsory license for the manufacture of a pharmaceutical product for which a patent has been obtained in China, and for its exportation to the following countries or territories (new Article 51):

1. Least-developed countries.
  2. WTO members that lack the capability or adequate capability to manufacture the pharmaceutical product concerned, and that have completed the relevant formalities according to relevant WTO treaties of which the PRC is a signatory.
- Where a compulsory license is sought for a patent related to semiconductor technology, its exploitation shall be limited to the following circumstances (new Article 53):
    1. Public non-commercial use.
    2. Acts committed by the patentee in enforcing its patent rights have been confirmed by judicial or administrative process as actions to exclude or restrain competition, such that it is necessary to grant the applicant a compulsory license.
  - In a patent infringement dispute involving a utility model patent or a design patent, the court or the local administrative authority for patent affairs may require the patentee or an interested party to produce a patent evaluation report issued by the patent administration agency of the State Council, as prima-facie evidence for the court and the patent administrative authority to make a judgment as to the validity of the patent. (Article 62, amended from Article 57 Paragraph 2)
  - If the alleged infringer in a patent infringement dispute has evidence to show that the technology or design practiced by it is a prior-art technology or design, such practice does not constitute patent infringement. (New Article 63)
  - Where a party passes off another's patent as its own, in addition to such a party bearing civil and criminal liability, the patent administrative authority should issue an order requiring the party to cease the violation, and should confiscate the party's unlawful income. The authority may additionally impose a fine of up to four times the unlawful income. Where there is no unlawful income, the authority may impose a fine of up to RMB¥200,000. (Article 64, amended from Article 58)
  - Where a non-patented product is passed off as a patented product, or a non-patented process is passed off as a patented process, the patent administrative authority should issue an order requiring the violation to cease, and should confiscate the unlawful income. The authority may additionally impose a fine of up to RMB¥200,000. (Article 65, amended from Article 59)

- The amount of damages caused by patent infringement shall be determined by negotiation between the parties. Where negotiation is unsuccessful, the amount shall be determined according to the loss suffered by the rights holder through the infringement, or according to the profit gained by the infringer through the infringement; where the loss so suffered or the profit so gained cannot be determined, the amount shall be determined as a reasonable multiple of the royalties that could have been earned by the licensing of the patent concerned. Where the level of such royalties also cannot be determined, the People's Court may award damages of RMB¥10,000 up to RMB¥1 million, according to such factors as the type of patent, the nature of the infringing activity, and the circumstances of the infringement. Damages for patent infringement should include reasonable expenses incurred by the patentee in seeking to halt the infringement. (Article 66, amended from Article 60)
- Where a patentee or interested party has evidence to show that another person or entity is engaging in, or will imminently engage in, activities in infringement of its patent, and if such activities are not prevented in a timely manner the patentee's or interested party's legitimate interests will be irreparably harmed, the patentee or interested party may before or during litigation petition the People's Court to issue an injunction ordering the cessation of such activities. (Article 67, amended from Article 61)
- In order to halt patent-infringing activities, in circumstances where evidence may be destroyed or may be difficult to obtain at a later date, a patentee or interested party may, before filing litigation, petition the People's Court for an evidence preservation order. The court should make a ruling within 48 hours after receiving such a petition. The order should be enforced immediately. When making an evidence preservation order, the court may order the petitioner to deposit a bond. If the petitioner does not file litigation within 15 days after the date on which the court makes an evidence preservation order, the court should lift the preservation order. (New Article 68)
- Where a user or seller, being unaware that a product is a patent-infringing product that was manufactured and sold without the authorization of the patentee, purchases and for production or business purposes uses, offers for sale, or sells such a patent-infringing product, such a user or seller shall not be liable for damages if it can prove that the product was obtained from a legitimate source. (Article 71, amended from Article 63 Paragraph 2)