

Article for the International Chamber of Commerce IP Commission Meeting



Update in China Patent Law (November 2008)

CHINA RELEASED NATIONAL IP STRATEGY ON 10 JUNE 2008

China's State Council approved on 10 June 2008 a long-awaited National IP Strategy (the Strategy) that, inter alia, commits the Government to consider developing specialised IP courts.

Section 4 of the Strategy deals with IP enforcement. Paragraph 45 states that the Government should "explore the possibility of establishing specialised IP courts to deal with IP-related civil, administrative and criminal cases". In particular, paragraph 45 raises the possibility of the setting up of a central IP appeal court in Beijing, stating that China's Government will study the need for an appropriately centralised jurisdiction to deal with IP cases that require highly technical knowledge, for example, patent cases, and explore the possibility of establishing an appellate court specialising in IP appeals.

Other aims set out in the Strategy include: improving existing judicial interpretations; refining litigation procedures including expert witness and technical investigations; improving policies relating to patent standards, and developing mechanisms for compulsory licensing.

The Strategy was described by an IP officer in the EU Delegation in Beijing as "a written endorsement of a real roadmap which all the agencies in China must follow".

CHINA PUBLISHED NEW PATENT LAW DRAFT

On 25 August 2008, China's State Council submitted draft amendments to the Patent Law to the National People's Congress Standing Committee (China's top legislative agency) (the "NPC Standing Committee") for their first reading. On 29 August 2008, the NPC Standing Committee in turn published the proposed amendments on its website and asked for public comments. These amendments are expected to be passed by the NPC Standing Committee after their third reading in early 2009. If passed, these amendments will be the third revision of the Patent Law, which was first promulgated in 1985.

The previous two revisions of the Patent Law were enacted in 1992 and 2000. The first revision added pharmaceutical compositions to the list of patentable subject matter and provided for China joining the Patent Cooperation Treaty (PCT). The second revision brought China's Patent Law in line with the TRIPS Agreement.

This third revision of the Patent Law would make important changes to the Patent Law's application and enforcement, some of which are highlighted as follows:

- One important change to the Patent Law is the evaluation of prior art. Under the current patent regime, prior art includes information in publications worldwide, public usage in China and other means of disclosure in China. The proposed amendments would create an "absolute novelty" standard, and prior art would then also include worldwide use and other means of disclosure worldwide. However, the proposed amendments do not state whether this absolute novelty test would be applied retrospectively to those applications submitted prior to the proposed amendments becoming law.
- Another important change is the proposed removal of the current statutory requirement for all Chinese individuals and entities (including foreign invested companies) to first file applications in China for inventions made in China. The proposed revision would allow Chinese individuals and entities to first apply for patents overseas before filing patent applications in China. However, applicants would be required to submit their inventions to examination by patent authorities of the State Council for the sake of state security.
- The proposed amendments also provide for the grant of "compulsory licenses" in certain situations, for example, the Government may grant a compulsory license to a party qualified to exploit the patent if the patentee, without justification, has not exploited or sufficiently exploited the patent 3 years after the patent was granted, or, where the patentee is found to have used its patent rights and precluded or restricted competition as determined by judicial or administrative authorities.

The Strategy was described by an IP officer in the EU Delegation in Beijing as "a written endorsement of a real roadmap which all the agencies in China must follow".



- The proposed amendments would increase the penalty for infringement from 3 to 4 times the illicit profits made and raise the penalty from RMB 50,000 to RMB 200,000 if no profit is made from the relevant infringement. The proposed amendments also provide that the People's Court may order an infringer to compensate the patentee up to RMB 1,000,000 when the damage cannot be specifically identified. Compensation will also include "reasonable expenses that the patentee has incurred in order to stop the infringement".

Overall, the proposed amendments to the Patent Law will improve patent protection in China and will provide for patent registration and enforcement terms that are generally on par with other international patent registration and enforcement procedures.

For more information about patent law developments in China, please refer to the following websites:

http://www.sipo.gov.cn/sipo_English/
<http://ipr.chinacourt.org/>
<http://english.ipr.gov.cn/en/index.shtml>
<http://www.managingip.com>

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