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Summary of Third Amendment of the *Patent Law of the People's Republic of China*

On December 27, 2008, the Sixth Conference of the Eleventh National People's Congress' Standing Committee (the "**Standing Committee**") passed and published the *Resolution to Amend the Patent Law of the People's Republic of China*, which makes further amendments to the *Patent Law of the People's Republic of China* as amended on August 25, 2000 (the "**Old Patent Law**"). The amended *Patent Law of the People's Republic* of China will be effective on October 1, 2009 (the "**New Patent Law**"). This memo is to highlight the provisions materially changed in the New Patent Law, as compared to the Old Patent Law, so as to give you some basic ideas of the major amendments in the New Patent Law.

1. One Invention, One Patent

Compared to the Old Patent Law, the New Patent Law adds a clause to Article 9, which reads, "One invention shall be entitled to only one patent; however, if an applicant simultaneously applied for a utility model patent and an invention patent on the same invention, the first granted utility model patent hasn't expired and the applicant declares to abandon the utility model patent, then the applicant may be granted an invention patent for such invention."

This amendment ends a currently popular phenomenon that the applicant concurrently applies for an invention patent and a utility model patent with respect to the same invention, and may be granted both the utility model patent and the invention patent.

2. Patent Co-Owners' Rights

Article 15 of the New Patent Law provides that patent co-owners may agree as to the exploitation of patent rights; if no agreement is reached, the co-owners may exploit the patent rights on their own or license others to exploit (by non-exclusive licenses) such patent; and if any of the co-owners licenses others to exploit the patent, the loyalties shall be distributed among all the co-owners. Except the above provision, the exploitation of joint patent application right or patent right shall be subject to the consents of all co-owners.

Compared to the Old Patent Law, this provision clarifies that when the patent co-owners have not reached agreement as to the exploitation of their rights, any of the co-owners is entitled to individually exploit the patent and to license others to exploit the patent by non-exclusive license, without obtaining other co-owners' consents. However, according to this provision, the assignment or the award of exclusive license of patents shall still be subject to the consents of all the patent co-owners. Such provision protects the legal rights of the co-owners of jointly owned patent, and also helps on exploitation of jointly owned patents.

3. Foreign Patent Filings, Assigning Patents to Foreigners and Patent Agents

3.1 Confidentiality Check Prior to Applications for Foreign Patents

Article 20(1) of the New Patent Law provides that, any entities or individuals who apply for foreign patents with inventions or utility models that are completed in China shall first apply with the patent administrative authority under the State Council for confidentiality check. The Old Patent Law requires Chinese entities or individuals to first apply for Chinese patents before filing foreign patents with respect to the inventions completed in China. The New Patent Law deletes such requirement. For the inventions completed in China, foreign patent applications will not be required to be based on the PRC applications, but the subject must be submitted to the patent administrative authority under the State Council for confidentiality check. The targets of confidentiality check not only include the inventions completed by Chinese entities or individuals within China, but also include any inventions or utility models completed within China by any entities or individuals. In case of a violation of the above provision, the Chinese patent will not be granted.

3.2 Requirements of Assignment of Patents to Foreigners

Article 10 of the New Patent Law provides that any Chinese entity or individual, who assigns a patent application or a patent to foreign individuals, enterprises or other entities, shall go through relevant procedures in accordance with applicable laws and regulations. The amendment changes the requirement of obtaining approval from competent authority under the State Council to going through relevant procedures in accordance with applicable laws and regulations, and makes it consistent with other laws and regulations. According to the *Administrative Regulation on the Technology Import and Export of the People's Republic of China* (the "**Technology Import and Export Regulation**"), if the technology is in the category of being prohibited from exportation, then it shall not be exported; if the technology is restricted to be exported, then the owner shall obtain a license for export from competent authority under the State Council; for technology that is free to export, the relevant parties only need to obtain a technology export contract registration certificate from the competent authority under the State Council. The requirement of "obtaining approval from competent authority under the State Council" under the Old Patent Law was inconsistent with the Technology Import and Export Regulation, and the amendment in the New Patent Law resolves this problem.

3.3 Open the Foreign-Related Patent Agency Business

Article 19 of the New Patent Law provides that, foreign individuals, enterprises or other entities that do not have habitual residence or place of business in China must entrust patent agency institutions duly established under the laws to file patent application or deal with other patent-related affairs. The New Patent Law changes "patent agencies designated by the patent authority under the State Council" to "patent agencies duly established under the laws", namely, rid of the restriction on the qualification to handle foreign-related patent agency business. Previously only patent agencies with the authorization to conduct foreign-related patent agency business may engage in such business. Under the New Patent Law, any patent agencies duly established under the laws may conduct foreign patent agency business.

4. Absolute Novelty Standard

Article 22 of the New Patent Law provides that “novelty” means the invention or utility model does not belong to any prior art, and no entities or individuals have applied for patent to the patent authority under the State Council before the application date with respect to the same invention or utility invention, which has been recorded in the patent application documents or patent announcements published after the application date.

Compared to the Old Patent Law, the condition for the grant of patent in the New Patent Law is change from “relative novelty standard” to “absolute novelty standard”. Before this amendment, some technology that has not been published, but has been publicly used in foreign countries or used on products that are sold in foreign countries can still be granted Chinese patent, as long as it hasn’t been publicly used in China or is used in products sold in China, i.e., has not been known to the domestic public. The previous threshold for the application of patents lowered the quality of patents, and interfered with the adoption of foreign existing technologies in China. Thus, the New Patent Law provides that the inventions or utility models to be granted a patent shall not belong to any prior arts, namely, not known to domestic and foreign public. This expands the geographic standard for novelty to worldwide, raises the threshold of patent applications on the novelty standards, and improves patent quality.

According to the explanation given by Zhao Chen, a patent examiner of the State Intellectual Property Office, in the interview by Science News, this provision may have little impact on the examination and grant of patents because examiners primarily consider information in documents in examination procedure, and it is difficult to confirm whether the technology has been used in foreign countries then; however, this new change may show its effect in the patent invalidation and litigation.

5. Defense of Prior Art

Article 62 of the New Patent Law provides that, in patent infringement disputes, if the alleged infringer has evidence to prove that the technology or design exploited by the infringer belongs to prior art or prior design, it will not constitute an infringement. Under the Old Patent Law, to defend in the patent infringement litigation, the defendant usually submits an invalidation application to the Patent Re-examination Board to invalidate the patent, and the court usually will wait for the ruling of the Patent Re-examination Board to make its judgment, which prolongs the litigation time. According to the New Patent Law, if the defendant believes what it exploited is an prior art, it does not need to submit an invalidation application to the Patent Re-examination Board; the court can directly judge whether the defendant’s technology is a prior art and whether it constitutes infringement.

6. Design Patent

6.1 Conditions for the Grant of Design Patent

The New Patent Law provides higher requirements for granting design patents. Compared to the Old Patent Law, the New Patent Law requires that the design applied for patent shall not belong to prior designs, and shall not have been applied for patent by other entities or individuals before the application date, which has been recorded in the patent documents published after the application date. The prior design mentioned above include any designs that has been known to the public

either inside or outside of China before the application date. The New Patent Law also provides that compared to the prior design or combination of features of prior designs, the design to be granted patent shall be apparently different.

6.2 Broadened Scope of Designs Which are not Entitled to Patent Protection

The New Patent Law explicitly excludes the designs whose main features are the patterns, colors or combination of patterns and colors on flat prints from the scope of design patents. This reflects the intention of China to get rid of "trash design patents" by applying the higher quality requirements for design patents.

6.3 "Offering for Sale" Added as Infringement to Design Patent

The New Patent Law adds in Article 11(2) "offering for sale" as infringement on design patents and enlarges the scope of design patents protection. After the grant of design patents, no entities or individuals may offer for sale the design patent products for commercial purposes, and the design patent owners are entitled to stop others from offering for sale their patented products, without the patentees' consents, either by display on shelf or by display in exhibitions.

7. Protection of Genetic Resources

The New Patent Law adds provisions regarding protection of genetic resources. Article 26 provides that, patent application documents for inventions completed relying on genetic resources shall include explanations regarding the direct source and original source of the genetic resources, and if the applicant cannot explain the original sources, he/she/it shall provide the reasons. Article 5 of the New Patent Law also provides that for inventions which are completed relying on genetic resources that are collected or used in violation of laws, no patents shall be granted.

8. Compulsory License

Compared to the Old Patent Law, the provisions regarding compulsory license in the New Patent Law are more detailed and clear. The New Patent Law provides that, in any of the following cases, based on the application of entities or individuals that have ready conditions to exploit a patent, the patent authority under the State Council can grant them compulsory license for the invention patent or utility model patent: (1) the patentee has not exploited or fully exploited the patent for three years from the date of grant of the patent, and for four years from the date of patent application without due causes; (2) the patentee's actions of exploitation are ruled as monopolization, and the compulsory license will eliminate or reduce the adverse impacts of such monopolization to competition. Compared to the Old Patent Law, the New Patent Law also adds compulsory license of patented drugs. For the purpose of public health, with respect to patented drugs, the patent authority under the State Council can grant compulsory licenses in order to produce and export the drugs to countries or districts that comply with the treaties participated by the People's Republic of China.

9. Bolar Exception of Non-Infringement

Article 69 of the New Patent Law adds the following to the situations that will not be deemed as infringements to patent rights: to produce, use and import patented drugs or medical equipment for provision of information necessary for administrative approvals, and to produce and import

patented drugs or medical equipment for the purpose of such approvals.

10. Punishment and Compensation for Patent Infringement

To effectively protect the legal rights of patentees, the New Patent Law strengthens the punishment to patent infringements. Article 63 raises the limits of fines for counterfeiting patents to “up to four times of the illegal gains” and “up to RMB 200,000” (the ceilings in the Old Patent Law are “up to three times of the illegal gains” and “up to RMB 50,000”); Article 65 raises the ceiling of statutory damages ruled by the court when the actual gains cannot be ascertained from RMB 500,000 to RMB 1,000,000.

The above is a preliminary analysis of the provisions that are materially changed compared to the Old Patent Law, for your reference. Should you have any inquiries, please feel free to contact us.

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