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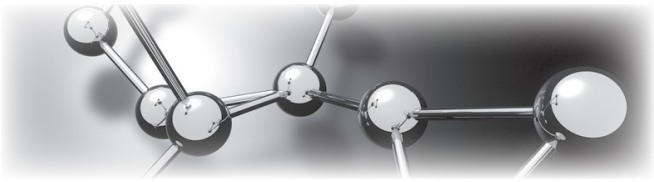

Chinese Patent Law Update
中国专利法

Editor: *Yunling Ren*

COMPARISON BETWEEN THE MOST RECENT AMENDMENTS OF THE CHINESE PATENT LAW ("NEW LAW") AND THE CHINESE PATENT LAW PRIOR TO THE NEW AMENDMENT ("OLD LAW")

The newly amended Chinese Patent Law has taken effect since October 1, 2009. In a nutshell, the New Law was implemented to include substantive changes in the subjects such as patentability, protection of patent rights, patent owners' rights, compulsory license, infringement defense and statutory damages, as well as procedural changes in the subjects such as foreign filing license, preliminary injunction and evidence preservation.

PATENTABILITY PROVISIONS

Absolute Novelty Required

Under the Old Law, an invention was considered to be "novel" if it had not been published in a literature anywhere in the world or publicly used or known in China prior to the filing date of a patent application. Thus, an invention was novel even if it had been shown to the public outside China. The New Law removes the geographic limitation for public use and knowledge such that any public use or knowledge anywhere in the world may become prior art that prevents one from obtaining a patent.

The new "absolute novelty" standard is also applicable to a design patent.

Restriction on Double Patenting

The Old Law permitted one to file an application on the same invention for an "invention patent" and an application for a "utility model patent", which has a 20-year term from the filing date or a 10-year term from the filing date, respectively. Since a utility model patent is not subject to a rigorous examination, it is normally granted shortly after filing of the application. In contrast, it may take three to five years to obtain a utility patent due to delays in examination. By filing both invention patent and utility model patent simultaneously, a patentee will be able to enforce its patent right as early as the utility model patent issues. This type of double patenting practice has been restricted by the New Law, which provides that only one patent shall be granted to an invention.

Disclosure of Genetic Resources

The Old Law did not require disclosure of genetic resources for inventions involving genetic materials. This requirement, however, has been added to the New Law, under which a patentee must disclose the direct source for the genetic materials in the patent application, and no patent shall be granted to inventions that rely on genetic resources where the acquisition or use of such genetic resources violated Chinese law or regulation.

PROTECTION OF PATENT RIGHT PROVISION

Offer for Sale as an Infringement Act

While "offer for sale" as an infringement act was not mentioned in the Old Law, the new legislation imposes liability on anyone who offers for sale a design patent. This provision thus allows patentee to pursue infringement claims based on activities that occur at trade shows or under other marketing circumstances.

COMPULSORY LICENSE PROVISION

The Chinese patent law did not impose any compulsory license under any patents prior to the new patent law legislation. A compulsory license provision is now introduced into the New Law, where SIPO may grant a compulsory license under an invention patent or utility model patent for manufacturing and exporting pharmaceuticals patented in China to designated places, such as WTO member countries or regions, which have no or insufficient capacity to manufacture the patented pharmaceuticals, if the public health interest so requires.

PATENT OWNERS' RIGHT PROVISION

A provision regarding joint patent owners' rights has been added into the New Law. It provides that a joint owner may exploit the patent individually or grant others a non-exclusive license to exploit the patent, absent an agreement. If the patent is licensed to others, the licensor must share royalties obtained from the licensee with other joint patent owners. Moreover, consent by all joint owners is required for any other means of exploiting the jointly owned patent.

INFRINGEMENT DEFENSE PROVISIONS

Prior Art Defense

"Prior art defense" refers to a patent invalidity claim raised in infringement suits. In China, patent infringement suits and invalidation proceedings are separately handled by the people's courts and the Patent Office, respectively. Because of such split jurisdictions, a 'prior art defense" was generally not permitted in infringement suits since the courts were not empowered to decide the validity issue. However, some courts had allowed the "prior art defense" to be used in infringement litigations. The New Law codifies such judicial practice to the extent that the courts, in addition to the Patent Office, will also have the power to invalidate a patent.

"Safe Harbor" Provision

The Old Law did not expressly exempt any activities that are subject to regulatory agency review or approval, e.g., research and testing of pharmaceutical products, from patent infringement, whereas the New Law states that it is not an act of infringement if a patented drug or medical device is manufactured, used, or imported solely for the purposes of obtaining and providing information for administrative approval.

No Infringement for Parallel Importation

The Old Law was not clear whether or not importation into China of a product sold by a patentee outside China is an infringement act. The New Law makes it clear that it is not patent infringement when anyone uses, offers to sell, sells or imports a patented product or a product directly obtained from a patented process, which has been sold by the patentee or by an entity or individual authorized by the patentee.

STATUTORY DAMAGE PROVISION

Prior to the implementation of the New Law, there was no codified language concerning statutory damages for patent infringement. Yet, the courts frequently awarded total damages up to 500,000 RMB. The New Law includes a statutory damage provision and sets the limit of damage award up to 1,000,000 RMB.

FOREIGN FILING LICENSE PROVISION

The Old Law required that a Chinese patent applicant must first file patent application in China if the invention was made in China. The New Law permits a patent application for an invention completed in China to be first filed in a foreign country without a Chinese filing first, provided that applicants shall obtain a foreign filing license by submitting the invention to SIPO for a security clearance. Violation of the requirement will result in loss of patent rights in China.

PRELIMINARY INJUNCTION PROVISION

Preliminary Injunctive was not a concept in the Old Law, despite the fact that the Old Law authorized a court to grant an injunctive relief before fling an infringement suit, which may be viewed as China's attempt to introduce preliminary injunction into the infringement litigation procedure. Nevertheless, the Chinese Supreme Court has issued a procedural guidance for parties seeking a preliminary injunctive relief. The current preliminary injunction provision in the New Law was codified based on the Old injunctive relief provision and the existing judicial practice. The New Law further requires the party seeking a preliminary injunction to post a bond.

EVIDENCE PRESERVATION PROVISION

Similar to the preliminary injunction provision, the New Law codifies the existing practice under the evidence rules, where a party may seek an ex parte court order to seize evidence before initiating a suit if there is a likelihood that the evidence at issue may be destroyed, lost or difficult to obtain in a future time. In conjunction with a request for preservation of evidence, the court may also require the requesting party to post a bond.

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