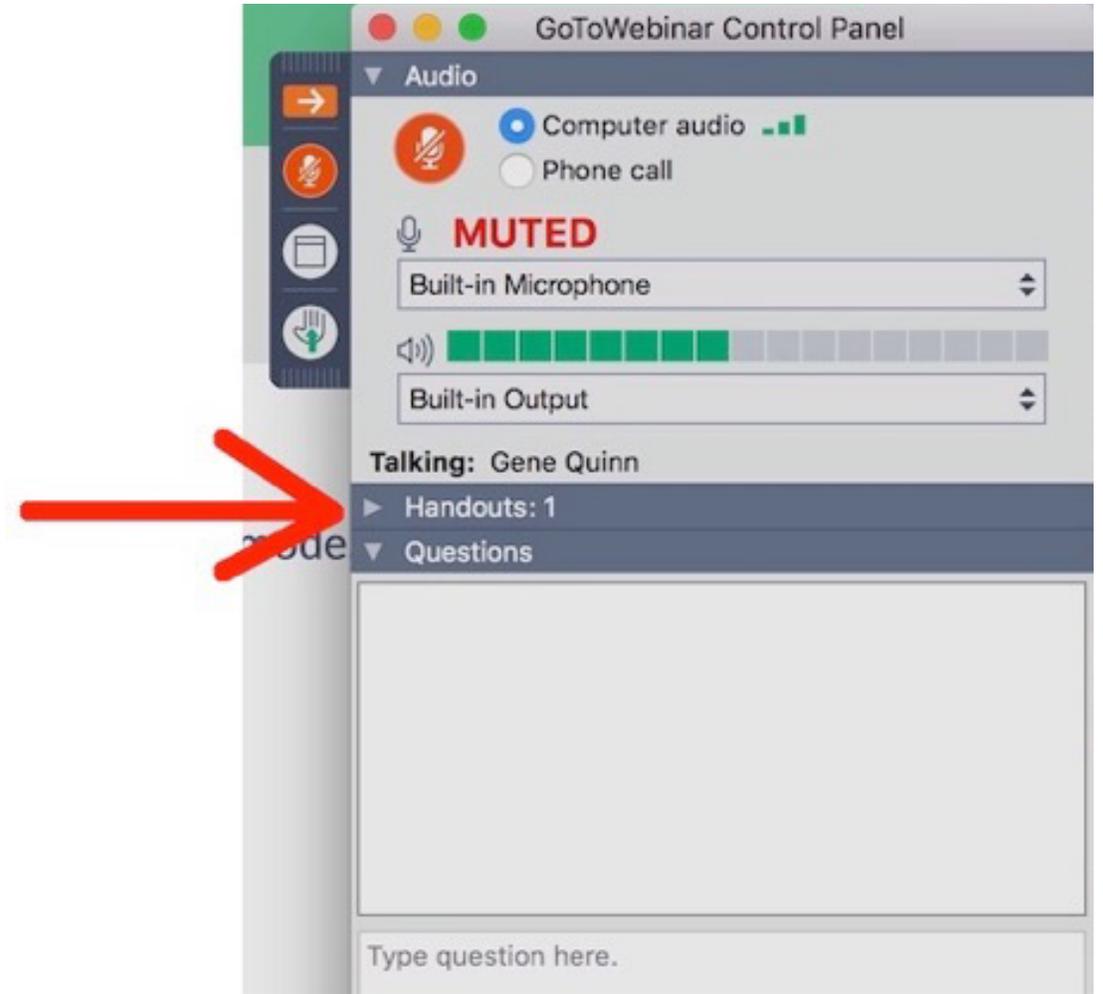
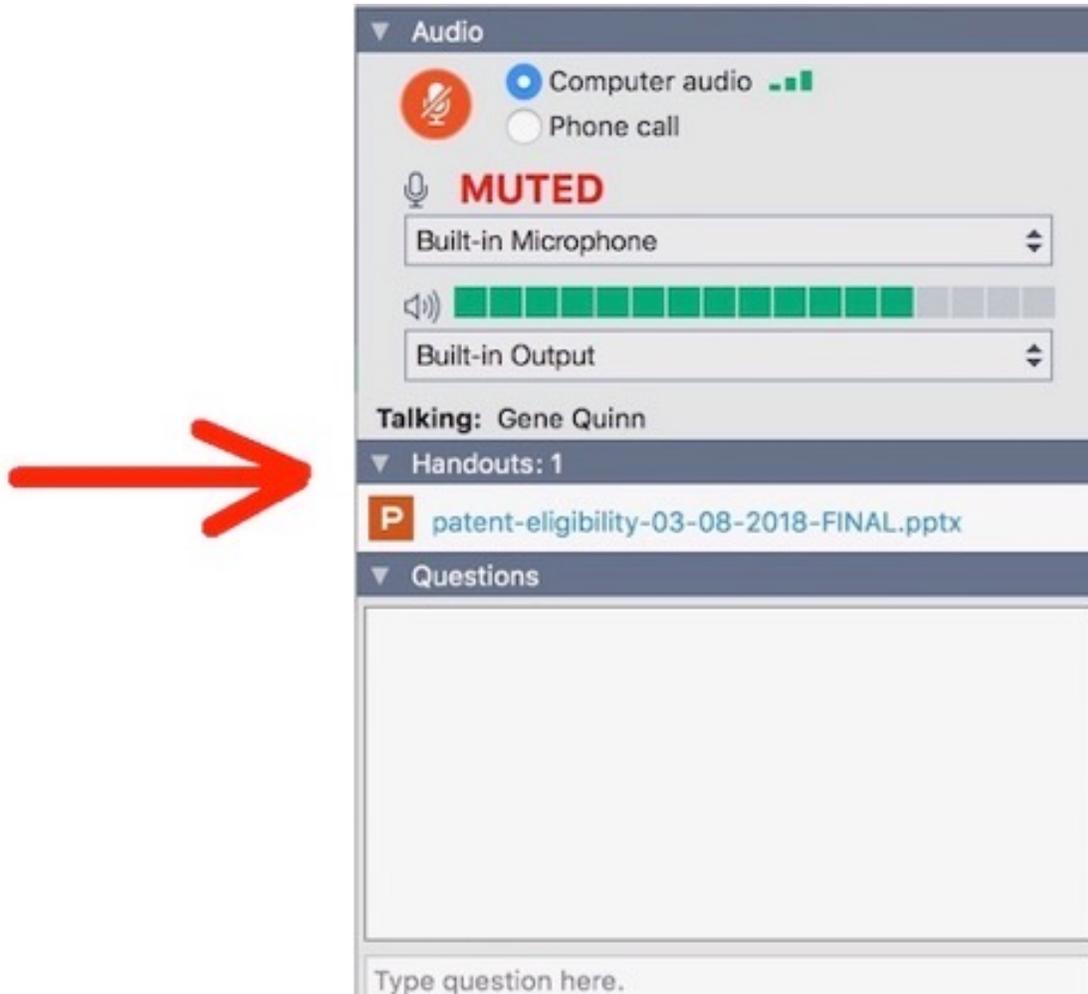


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OVERVIEW:
China's Patent Law – Fourth Amendments

30 September 2021

Accessing these Slides



Meet the Speakers

Xiaofan Chen

Partner and Patent Attorney at AWA Asia

Xiaofan Chen frequently provides clients with opinions on patent validity, patent infringement, and freedom-to-operate analysis matters. He also advises on agreements for transferring or licensing patents, non-disclosure agreements/ trade secret issues, and commercial aspects of patent rights. Xiaofan's experience and track record in contentious work bring a valuable dimension to the non-contentious patent prosecution and advisory work he undertakes for clients.

His technical fields include mechanical engineering and manufacturing, laser imaging and printing/ packaging technology, computer science, internet technology, e-commerce, and business methods. In addition to having extensive experience in filing applications and securing patents on behalf of international clients before the State Intellectual Property Office (the Chinese Patent Office), Xiaofan is experienced in assisting domestic applicants in securing their patent rights before major patent offices in other jurisdictions.

Gene Quinn

President, IPWatchdog, Inc.

Gene Quinn is a patent attorney and a leading commentator on patent law and innovation policy. Mr. Quinn has twice been named one of the top 50 most influential people in IP by [Managing IP Magazine](#), in both 2014 and 2019. From 2017-2020, Mr. Quinn has also been recognized by [IAM Magazine](#) as one of the top [300 IP strategists in the world](#), and in 2021 he was recognized by [IAM](#) in their inaugural [Strategy 300 Global Leaders](#) list. Mr. Quinn founded [IPWatchdog.com](#) in 1999, and he is currently President & CEO of IPWatchdog, Inc. According to [IAM Magazine](#), Mr. Quinn “has reshaped the IP debate in the United States in a way that has forced policy makers to carefully consider the macroeconomic effects of IP law and its potential to drive innovation and economic activity.”

Initial Thoughts

Insufficient patent protection and enforcement in China has been a long-standing frustration not just for international but also domestic rights holders. After several rounds of revisions and years in the making – the revised PRC Patent Law entered into force on June 1, 2021.

The fourth amendments bring substantial changes including the creation of a patent linkage system, introduces an open license system, improves protection for industrial designs as well as several new provisions directed towards pharmaceuticals, and overall strengthened patent enforcement.

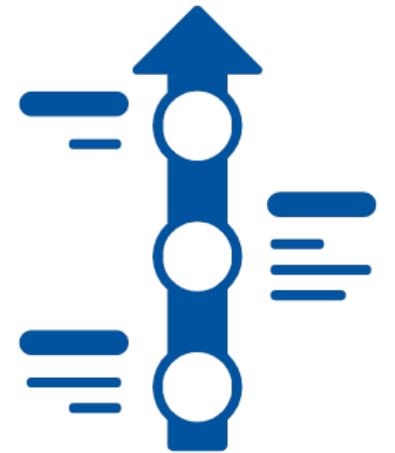
There are also many highlights that will be particularly important for foreign companies doing business in China or interested in the Chinese market like patent term extensions, employee service inventions, provisions against bad faith, and abuse of patent rights.



Snapshot – Patent Law of China

The Patent Law of China:

- Enacted in **1984** (Effective from 1 April 1985)
- First Amendments in **1992** (Effective from 1 January 1993)
- Second Amendments in **2000** (Effective from 1 July 2001)
- Third Amendments in **2008** (Effective from 1 October 2009)
- **Long-awaited Fourth Amendments** in **2020** (Effective from **1 June 2021**)



Highlights of the Fourth Amendments

Four Pillars:

- Strengthened **patent enforcement**
- Improved protection for **industrial designs**
- New provisions directed towards **pharmaceuticals**
- Measures to promote **utilization of patents**

Miscellaneous:

- **General patent term extension** for **invention** patents
- Changes to provisions regarding **employee (service) inventions**
- Provisions against **bad faith patenting activities** and **abuse** of patent rights



Four Pillars of the Amendments

Strengthened Patent Enforcement

- Increased statutory damages awarded by courts
 - RMB 30,000 – 5 Mil (previously RMB 10,000 – 1 Mil)
- Punitive damages is introduced
 - Up to **five times** the determined damages for **willful and significant infringement**
 - *Judicial interpretation on trials of IP civil cases involving punitive damages* (effective 3 March 2021)
 - Factors to determine “**willful infringement**”, e.g. continuing infringement after warning letters, business connection between the parties enabling defendant to have access to the disputed IP
 - Factors to determine “**significant infringement**”, e.g. repeated infringement after court or administrative decision, obstruction of court orders, enormous illegal gain from infringement...
 - Factors to calculate the multiple for punitive damage – a **mix of the above factors**



Four Pillars of the Amendments

Strengthened patent enforcement

- Pre-trial injunctions
 - Injunction order may be granted to **preserve property** of the defendant
 - Injunction may be granted to order the defendant to act in certain way
- Improved evidential procedure in patent infringement litigation
 - **Evidentiary burden-shifting** from plaintiff to defendant under some circumstances, especially for the court to decide damages
 - Plaintiff has performed due diligence to produce evidence for damages
 - Defendant possesses the key evidence such as account books
 - If defendant fails to submit the key evidence upon request of the court, the court can decide damages based on the evidence submitted by plaintiff and the calculation proposed by plaintiff
 - The rule of evidentiary burden-shifting is also reflected in the *Judicial interpretation on trials of IP civil cases involving punitive damages* (effective 3 March 2021)



Four Pillars of the Amendments

Strengthened Patent Enforcement

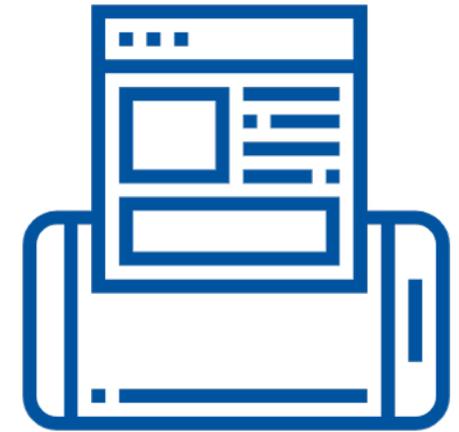
- Clarified and increased capability and power of **administrative authorities**
 - CNIPA's new administrative capacity to adjudicate patent infringement disputes of **national significance**
 - “Patent infringement disputes of national significance” – Defined in the draft *Implementing Regulations Rule 80.1* as those having an impact on public interest or technical field development and interregional important cases
 - Local branches of CNIPA's capability to **combine** and deal with **disputes related to a same patent** within its jurisdiction
 - The maximum fine for **patent passing off** than can be imposed by administrative authorities is increased to **five times** (from previously four times) the unlawful gain
 - Administrative authorities' power of **investigation** for patent enforcement
 - Questioning the involved party, examining sites and products of infringement etc.



Four Pillars of the Amendments

Improved Protection for Industrial Designs

- Patent term for designs is extended from 10 years to **15 years**
 - The extended term applies only to design applications filed on or after 1 June 2021
- **Partial design protection** is available for the first time
 - Important for offering protection for only a part of a product
 - Extremely useful for protecting the design of **graphical user interface (GUI)**
 - Previously design of GUI *per se* was not protectable. It had to be incorporated into a product for seeking protection
 - Establishment of infringement was **challenging** for same GUI in different products
 - A previous discouraging case: *Qihu v. Jiangmin* (the first GUI patent infringement case in China, decided in December 2017)



Four Pillars of the Amendments

Improved Protection for Industrial Designs

- **Partial design applications** - How?
 - Rule 27 of Draft Implementing Regulations of the Patent Law
 - A partial design shall be shown in relation to the entire product, using a **combination of dotted and solid lines** or other methods
 - Rule 28 of Draft Implementing Regulations of the Patent Law
 - A partial design can be indicated in the **Brief Description** of the application, if necessary
- **Domestic priority** is available for design patents
 - The new Patent Law allows a Chinese design application to claim priority from a previous Chinese application
 - Making it possible for domestic applications to be **adapted** in view of further developments of the design of product
 - Useful for international companies having local R&D facilities in China



Four Pillars of the Amendments

New Provisions Directed Towards Pharmaceuticals

- Patent term extension (PTE) for new drugs
 - To compensate the patent owner for the time consumed in obtaining market approval for the patented drug
 - PTE is up to 5 years with the proviso that the effective patent term does not go beyond 14 years after the grant of the market approval of the patented drug
 - Rule 85 of the draft Implementing Regulations:
 - PTE is available to product patents, process/method patents and medical use patents on chemical drugs, biological products and novel traditional Chinese medicine
 - Extended term = Date of marketing approval - Filing date - 5 years
 - PTE is available for only one patent (if a drug has multiple patents) and only one drug (if multiple drugs are covered by one patent)
 - Timing for requesting PTE: 3 months from market approval



Four Pillars of the Amendments

New Provisions Directed Towards Pharmaceuticals

- Pharmaceutical **patent linkage system**
 - An **early solution mechanism** for patent disputes between innovative drug companies and generic drug manufacturers
 - A system to link market approval of generic drugs and dispute proceeding between innovative drug companies and generic drug manufacturers
 - The dispute can be resolved through **judicial** or **administrative** procedure
 - **NMPA** and **CNIPA** issued the *Implementing Measures of Early Solution Mechanism for Drug Patent Disputes (Trial)* (effective 4 July 2021)
 - The **Supreme People's Court (SPC)** issued a **judicial interpretation** on trials of patent civil cases involving drug market approval (effective 5 July 2021)
 - **CNIPA** issued **administrative measures** for early resolution mechanism for drug patent disputes (effective 5 July 2021)



Four Pillars of the Amendments

New Provisions Directed Towards Pharmaceuticals

- *Implementing Measures of Early Solution Mechanism for Drug Patent Disputes (Trial)* (effective 4 July 2021)
 - [The Drug Patent Information Record Platform](#) for registration and information disclosure
 - [Patent declarations](#) of generic drug manufacturers – 4 categories
 - **I:** No relevant patent on the platform
 - **II:** The relevant patent has ceased or is no longer invalid or generic drug company has obtained patent license
 - **III:** Relevant patent is listed on the platform. Generic drug company promises not to put the drug on the market before expiration of the patent
 - **IV:** Relevant patent is challenged by generic drug applicant or generic drug applicant makes declaration of non-infringement



Four Pillars of the Amendments

New Provisions Directed Towards Pharmaceuticals

- *Implementing Measures of Early Solution Mechanism for Drug Patent Disputes (Trial) (effective 4 July 2021) (continued)*
 - The patentee or interested parties may object to declaration IV via judicial or administrative procedure, triggering a **9-month waiting period** for market approval for chemical generic drugs
 - Market approval decisions according to different categories of declaration
 - Categories I and II: Straightforward market approval
 - Category III: After approval, generic drug can be put on the market **only after expiration** of the relevant patent
 - Category IV: Decision is made based on effective court decision or administrative ruling
 - The **market exclusivity period** awarded to generic drug applicant if validity of the relevant patent is successfully challenged – **12 months**



Four Pillars of the Amendments of the Patent Law

Measures to Promote Utilization of Patents

- **Open licensing** mechanism
 - To promote technology transfer and utilization of patents
 - Upon request of the patentee, CNIPA announces open licence for patent, along with the **licensing fee** for the patent and the payment details of the royalty fee
 - A licensee-to-be can inform the patentee in written to practice the patent as per the licensing fee and the methods of payment specified in the CNIPA's announcement
 - **Annuities** of the patent can be **reduced** during open licensing period
 - An open license is a **general licence**, not a sole licence or exclusive licence
 - An open licence can be **revoked** by the patentee



Miscellaneous

- **General Patent Term Extension for **Invention** Patents**
 - It is possible to extend patent term for invention patents due to **unreasonable delay** by the CNIPA
 - if a patent is granted more than **four years** from its filing date and **three years** from the requesting of the substantive examination
 - Applicable only to **invention** patents, not utility models and designs
 - Unreasonable delay should be caused by CNIPA, delay caused by applicant does not count
 - Timing for requesting extension?
 - Within **three months** from the date of allowance (Rule 85 of the **draft** Implementing Regulations)



Miscellaneous

- **Changes to Provisions Regarding Employee (Service) Inventions**
 - Employer may **transfer** its rights in service invention to employee inventor
 - Previously the default position was a service invention always belong to the employer
 - Employer is encouraged to **share** financial gains from patents with employee inventor (e.g., stocks, options, and dividends)
 - Reward and remuneration to an inventor of a service invention are **compulsory**
 - The reward and remuneration can be in the form of stocks, options, or dividends
- **Provision against bad faith patenting activities and abuse of patent for excluding or limiting competition**
 - Bad faith: the “**irregular**” patent applications purely for obtaining government subsidies and financial support
 - Such abuse of patent may also be regulated by the **Anti-monopoly Law**



Outlook

Implementation of the new Patent Law

- Draft [Implementing Regulations](#) of the Patent Law
- A series of amendments of [Patent Examination Guidelines](#) since 2019
- Judicial interpretation on trials of IP civil cases involving [punitive damages](#) (SPC: effective 3 March 2021)
- *Implementing Measures of [Early Solution Mechanism for Drug Patent Disputes \(Trial\)](#)* (NMPA and CNIPA: effective 4 July 2021)
- Judicial interpretation on trials of [patent civil cases involving drug market approval](#) (SPC: effective 5 July 2021)
- Administrative measures for [early resolution mechanism for drug patent disputes](#) (CNIPA: effective 5 July 2021)
- More to come... Further amendments of Examination Guidelines, new judicial interpretations, administration rules and court guidelines



Takeaway Points

China IP landscape is increasingly pro patentee

Level of Patent protection has been further increased:

- Patent Term Extension (PTE) – general and specific
- Expansion of patentable subject matter – partial design, GUIs

Patent enforcement has been further strengthened:

- Increased statutory damage and introduction of punitive damage
- Improved evidential rules in favour of plaintiff in litigation
- Clarified and increased power for administrative authorities

Encouraging use of patents and improving patent quality

- Open licensing mechanism and Employee (service) inventions
- Cracking-down of bad faith patenting and abuse of patent rights

Thank You!



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