

Main Amendments to the Patent Law of China and its Impact on Practice

— Comparison with the Patent Act, the Utility Model Act and the Design Act of Japan —*

by Akihiro Oda**

1. Introduction

The 4th revision to the Patent Law of China came into force on June 1, 2021. According to the 4th revision, the Patent Law of China was further introduced with various rules such as rules concerning partial design, application of design based on domestic priority, compensation for duration of patent rights due to unreasonable delay in examination, extension of duration of new drug-related patents, punitive compensation for damages, open-licensed patent right, and patent linkage. In addition, according to the 4th revision, the Patent Law of China was further introduced with rules concerning exception to the loss of novelty and expansion of requesting party for a technical evaluation report of utility model and design. In this paper, we will explain the main amendments of particular interest to Japanese companies by comparing those amendments with the Patent Act, the Utility Model Act and the Design Act of Japan. Since the revision to the Implementation Regulations of the Patent Law of China (hereinafter referred to as "Implementation Regulations' revision drafts") is still pending at the time when this paper was written, the description will be carried out based on the revision drafts published on November 27, 2020.

* This article was originally carried in *Fukami Patent Office, p.c. News Letter vol. 20, July 2021*; and is reprinted with permission.

** Patent Attorney, *Fukami Patent Office*

2. Design

(1) Partial design

According to the 4th revision, it is defined that "design means any new design of the shape of the whole or a part of a product, the pattern thereof, or a combination of the shape and the pattern, or a combination of the color with the shape or pattern, which creates an aesthetic feeling and is fit for industrial application", which makes it possible to claim the shape of a part of a product as the subject of protection of a design. In the Implementation Regulations' revision drafts, it is defined that "when a partial design is filed, the drawings of the entire product shall be submitted, and any portion which is claimed for protection shall be illustrated by solid lines in combination with broken lines or by the other ways". Thus, the drawing of a partial design is substantially similar to that in Japan.

(2) Application of design based on domestic priority

Self-conflict is defined in the Patent Law of China, and thereby, if the application of a later design similar to an earlier design is filed after the application of the earlier design, the later design will be rejected or invalidated by the earlier design. Such problem may be avoided by utilizing the newly established rule concerning the application of design based on domestic priority to claim a domestic priority for the later design.

There is no such rule concerning the application of design based on domestic priority in Japan, however, the same benefit may be achieved by utilizing the rule concerning related design. In China, it is required to file an application based on domestic priority within 6 months from the filing date of an earlier design; while in Japan, a related design could be filed within 10 years from the filing date of the basic design.

The domestic priority of design allows the applicants to enjoy the priority on the same subject of a patent firstly filed in China, and thereby it is commonly utilized by Chinese applicants. The same domestic priority of design may be utilized by Japanese companies when the application of a design is firstly filed in China by Japanese companies.

3. Patents

(1) Compensation for duration of patent rights due to unreasonable delay in examination

According to the 4th revision, it is defined that “where the patent right was granted for an invention after four years from the date of filing the application of the invention and after three years from the date of requesting the substantive examination of the invention, the patentee may request a compensation period for the effective duration of the patent right for the unreasonable delay during the granting process of the invention patent, except when the unreasonable delay was caused by the applicant”.

As specific examples in the Implementation Regulations' revision drafts, it is defined that unreasonable delays caused by the applicant include “(1) not responding to the notifications issued by the patent administration department under the State Council within the specified time limit; (2) requesting to defer the examination” or the like.

In Japan, where a patent right has been registered after the latest date (hereinafter referred to as the “reference date”) of a date after 5 years from the date of filing the patent application or a date after 3 years from the date of requesting examination of the patent application, the duration of the patent

right may be extended upon the filing of a written request. The extendable period is calculated by subtracting “the duration obtained by adding up the periods listed in each item of Article 67, Paragraph 3 of the Patent Act” from “the duration from the reference date to the date of registration of the patent right”. For example, the period due to a trial against a decision of refusal shall be deducted.

(2) Extension of duration of new drug-related patents

In order to compensate for the time occupied by marketing review and approval of new drugs, for the invention patents of new drugs which have obtained marketing authorization in China, the patent administration department under the State Council may, upon the request of the patentee, grant a compensation period for the duration of patent right. The compensation period shall not exceed five years, and the total effective duration of the patent right after the marketing of the new drug shall not exceed 14 years.

In Japan, where there is a period during which the patented invention is unable to be worked because of approvals prescribed by relevant Acts that are intended to ensure the safety, etc. or any other disposition designated by Cabinet Order as requiring considerable time for the proper execution of the disposition in light of the purpose, procedures, etc., if obtaining such a disposition is necessary for the working of the patented invention, the duration of the patent right may be extended, upon the filing of a request for the registration of extension of the duration, by a period not exceeding 5 years. In Japan, however, there is no such a rule to define that the total duration of a patent right of a new drug after the marketing of the new drug shall not exceed 14 years.

(3) Exception to the loss of novelty

According to the 4th revision, it is newly defined that “an invention for which a patent is applied does not lose its novelty if it was firstly disclosed for the purpose of public interest when a national emergency or an extraordinary state of

affairs occurs". Nevertheless, the application of exception to the loss of novelty is extremely restricted in China.

In Japan, it is possible to enjoy the exception to the loss of novelty by performing a certain application procedure even if a person who has the right to obtain a patent has disclosed an invention or the like to the public through publication, exhibition, or sales. In order to enjoy the exception to the loss of novelty, a patent application may be filed within one year from the date at which an invention or the like is disclosed, while in China, the patent application must be filed within six months from the date at which an invention or the like is disclosed.

As mentioned above, even in a case where the exception to the loss of novelty may be enjoyed in Japan, the exception to the loss of novelty may not be enjoyed in China. Therefore, when a patent application is scheduled to be filed in China, it is necessary to carefully carry out the application procedure in accordance with the rule concerning exception to the loss of novelty in China but NOT in Japan.

4. Compensation for damages

(1) Introduction of rule concerning punitive compensation for damages

According to the 4th revision, punitive compensation for damages has been newly introduced. Specifically, it is defined that "where the infringement of a patent right is intentional and serious, the compensation amount of damages may be determined as from no less than one time and no more than five times the amount determined according to the aforementioned methods". One requirement to apply the punitive compensation for damages is that "the infringement of the patent right is intentional". In the interpretation on the application of punitive compensation in the trial of civil cases concerning the infringement of intellectual property rights by the Supreme People's Court, in determining whether or not the infringement of intellectual property rights is intentional, the court must comprehensively consider factors such as the

subject type of the infringed intellectual property right, the state of the intellectual property right and the notability of related products, and the relationship between the defendant and the plaintiff or an interested party. For example, it is determined that the infringement of intellectual property rights is intentional if "(1) the defendant continues the act of infringement even after receiving a notification or a warning from the plaintiff" or "(2) a business relationship is present or a contract has been negotiated between the defendant and the plaintiff or an interested party, and the defendant has engaged in the infringed intellectual property right".

Another requirement to apply the punitive compensation for damages is that "the infringement of the patent right is serious". According to the interpretation as mentioned above, in determining whether or not the infringement of an intellectual property right is serious, the court must comprehensively consider factors such as the means and the number of times of the infringement, the duration, the regional scope, the scale and the consequence of the act of infringement, and the behavior of the infringer in litigation. For example, it is determined that the infringement of an intellectual property right is serious if "(1) the infringer carries out the same or similar act of infringement again after being subjected to administrative punishment or after being judged responsible by the court for infringement", or "(2) the infringer takes the infringement of intellectual property rights as a business", or "(3) the infringer forges, damages or conceals evidence of infringement".

In Japan, it is normal that the compensation beyond actual damages is not permitted. The Supreme Court expressed such opinion in a judicial decision on July 11, 1997 (No. 1762 (o), 1993) that "the compensation for damages caused by illegal actions is intended to monetarily evaluate actual damages suffered by the victim and make the infringer to compensate for the actual damages so as to compensate for the lost profits suffered by the victim and restore the victim to the state such that no such illegal action happened, ... it is not intended to punish the infringer and is not intended to deter similar actions in the future; in other words, it is not intended for general prevention", which substantially denies the application of the punitive

compensation for damages.

(2) Presumption of the compensation amount of damages

According to the 4th revision, it is defined that the compensation amount of the damage caused by the infringement of the patent right shall be presumed on the basis of (a) the actual loss suffered by the patentee because of the infringement, or (b) the profits that the infringer has earned because of the infringement, or (c) where it is difficult to presume the loss that the patentee has suffered or the profits that the infringer has earned, the amount may be presumed as an appropriate multiple of the amount of the exploitation fee of that patent under a contractual license.

In Japan, the compensation amount of damages is calculated on the basis of the amount of lost profits.

Further, the amount of profits earned by the infringer from the act of infringement shall be presumed to be the amount of damage sustained by the patentee. Furthermore, the amount that the patentee would have been entitled to receive for the implementation of the patent right or exclusive license shall be claimed as the amount of damage against the infringer.

(3) Increase in amount of statutory damages

In China, where it is difficult to determine the losses suffered by the patentee, the profits earned by the infringer and the exploitation fee of that patent under a contractual license, the People's Court may presume the amount of damages in light of such factors as the type of the patent right, and the nature and the circumstances of the infringement action. According to the 4th revision, it is defined that the amount of damages shall be not less than RMB 30,000 Yuan and not more than RMB 5,000,000 Yuan. Before the 4th revision, the amount of damages was defined to be RMB 10,000 Yuan or more and RMB 1,000,000 Yuan or less, which means that the lower limit and the upper limit of the amount of damages have been significantly increased

5. Expansion of requesting party for technical evaluation report

According to the Implementation Regulations' revision drafts, it is defined that "after the announcement of the decision to grant a patent for utility model or a patent for design, any entity or individual may request the patent administration department under the State Council to make a technical evaluation report of patent right". Prior to the revision, only the patentee or an interested party could request a technical evaluation report of patent right. Accordingly, even after a utility model or a design of another company was found in a clearance survey, it is practically difficult to request a technical evaluation report of patent right and verify its validity. According to the Implementation Regulations' revision drafts, in the future, any individual shall be able to request a technical evaluation report of a patent right, whereby the accessibility of a technical evaluation report of patent right is increased.

In Japan, only a technical evaluation report of utility model right may be requested, and any individual may request a technical evaluation report of a utility model right. In addition, the patentee of a utility model right may not exercise the utility model right against an infringer unless the patentee has presented the technical evaluation report of utility model right and a warning to the infringer. In such case, however, if the utility model right is invalidated after the patentee exercised the utility model right against the infringer, the patentee shall be held liable to compensate the damages sustained by the infringer unless the technical evaluation report of utility model right was positive or the utility model right was exercised with reasonable care.

6. Open-license patent right

An open-license patent right (i.e., License of Right) was introduced in China. Where a patentee states in writing to the patent administration department under the State Council that he/she is willing to license any entity or individual to exploit his/her patent, and clearly indicates the payment

methods and standards of the license fee, the patent administration department under the State Council shall publish an announcement for open license. Any entity or individual who is willing to exploit an open-licensed patent, may obtain the license to exploit the patent by notifying the patentee with a written notification and paying the license fee in accordance with the payment methods and standards of the license fee as announced. During the period of exploitation of the open license, the annuity fee to be paid by the patentee shall be reduced or exempted. The introduction of such rule has been discussed in Japan, but at the present time such rule has not been adopted.

7. Conclusion

With the introduction of partial design and the application of design based on domestic priority, the scope of protection of design has been expanded. In addition, with the introduction of punitive compensation for damages and the increase in the amount of damages, there is a risk that a large amount of damages would be approved at trial. The punitive compensation for damages has already been adopted in the Trademark Act and the Unfair Competition Prevention Act. In a litigation case concerning the infringement of trade secrets “(2019) Supreme People's Court No. 562”, the Supreme People's Court of China approved punitive compensation for 5 times damages, which is the upper limit.

In order to avoid such risk, it is very important to conduct a clearance survey on intellectual property rights of other companies. With the introduction of compensation for the effective duration of patent right due to unreasonable delay in examination, and the introduction of compensation for the effective duration of new drug-related patents, attention should be paid to the extended duration when conducting a clearance survey. In addition, with the expansion of the possible requesting party for technical evaluation reports, it should be more convenient to verify the validity of a utility model right and design right of other companies, which makes it possible to conduct clearance surveys more accurately.