

China offers helping hand to patent owners

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The Chinese government is introducing reforms to the country's patent system to better protect innovation. Zunxia Li and Ying Zhang of Chofn Intellectual Property discuss some of the changes.

China's State Intellectual Property Office (SIPO) submitted a draft amendment to the Patent Law to the State Council for approval in December 2015. The draft is the fourth amendment to the law, and is more comprehensive and in particular highlights patent protection more than any previous amendment.

SIPO took further action to publish the guidelines for determination of patent infringement in March 2016, seeking a public consultation. The guidance mainly provides detailed rules for the determination of patent infringement, with an aim of providing practical standard guidelines for patent enforcement authorities. The determination of the Chinese government in improving the patent protection environment to promote innovation can be clearly seen from the two documents.

The draft amendment

Currently, when enforcing patent rights in China, patentees generally face the following problems: high cost in asserting rights, low compensation, and difficulty in evidence collection. As a result, many patentees are unwilling or inactive in enforcing their rights, which poses much difficulty in encouraging people to innovate.

The draft amendment considerably extends and strengthens the patent protection from perspectives of patentable subject matter, term of protection, type of infringement, liability for infringement, law enforcement in statutory bodies, etc, thereby providing a powerful legal basis for protection of patent rights.

1. Protection of a partial design

The current law provides that only the entire design of a product is patentable, while the draft clearly adds that a “partial design of a product” is also patentable, so the subject matter that can be protected by design patents is extended.

2. Longer protection for design patents

The current law provides that “the term of protection of design patents shall be ten years, counted from the date of filing”, while the draft extends the duration to “fifteen years”, greatly extending the term of protection.

3. Contributory infringement and liability

There is no provision on contributory infringement and the relevant liability in the current law. Although the act of contributory infringement occurs and relevant judgment is already made in judicial practice, courts at different levels in different areas have varying practices and make different judgments, as no clear legal guidance is available.

In the draft, contributory infringement and relevant liability are defined. Specifically, it provides that “if a party knows that relevant products are raw materials, intermediate materials, parts or equipment specially used to exploit a patent, but still—without the authorisation of the patentee and for production or business purposes—provides such a product to another party that conducts patent infringing acts, the party shall be held liable for contributory infringement”.

It adds: “If a party knows relevant products or methods are patented products or methods but still, without the authorisation of the patentee and for production or business purposes, induces another party to conduct patent infringing acts, the party shall be held liable for abetting others to conduct infringement.”

According to this provision, those who do not perform acts of direct infringement but aid or induce other persons to perform such acts shall be liable for infringement jointly with the direct infringers. Thus, the patentee can fight against the above act based on this provision, and the patentees are protected more comprehensively.

4. Internet service providers' liability

Currently, many patent infringement disputes occur with the rapid development of transactions on internet platforms. In order to prevent online infringement, the draft adds the supervisory responsibility of internet service providers (ISPs) and the liability of ISPs after being notified of infringement.

Specifically, the draft provides that "any ISP, who knows or should know the existence of an internet service infringing a patent right but does not take necessary measures such as deletion, blocking, and removing the link to the infringement product to stop the infringement in time, shall be liable jointly with the internet user".

It adds that "if a patentee or interested party has evidence to prove/the patent administration department determines the existence of an internet service infringing a patent right and notifies an ISP of the infringement, but the ISP does not take necessary measures to stop the infringement in time, the ISP shall be liable jointly with the internet user for the extension of loss".

This provision further strengthens the patent protection from the point of view of internet transactions by further reinforcing the supervisory responsibility and liability of ISPs.

5. Better punishment for wilful infringement

The draft increases infringement costs, increases the burden of proof on an infringer, and increases the liability of and consequences for the infringer when it fails to provide evidence.

It adds punitive damages as compensation for wilful infringement and provides that "whoever wilfully infringes a patent right shall be fined one to three times of the amount of compensation determined by a method of calculation of infringement loss, infringement profit or times of patent royalty depending on the factors such as the circumstance, scale, and damage consequences of the infringement".

In addition, the draft increases the standard of statutory damages from RMB 10,000 (\$15,400) to RMB 1 million, stipulated in the current patent law, to RMB 100,000 to RMB 5 million. It thereby greatly increases the infringement cost for infringers, forming a strong deterrent against infringement. Moreover, under the current patent law system, it is very difficult for patentees to collect evidence, especially when the evidence is held by infringers.

So, the draft further increases the burden of proof on an infringer and provides that "where the court has considered an act of patent infringement to be constituted, the patentee has tried his best to cite evidence, but account books and materials relating to the infringement are mainly held by the infringer, the court may order the infringer to provide the account books and materials relating to the infringement".

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It adds that "if the infringer does not provide the account books and materials or provides false account books and materials, the court may determine the damage compensation with reference to

the statement and evidence provided by the patentee”. Therefore, the current situation that it is difficult for the patentee to provide evidence and low compensation may be solved.

6. Strengthening patent enforcement

As described above in part 4, the draft provides that the patent administration authorities have the responsibility of notifying the ISP when internet infringement has occurred.

In addition, under the current patent law system, the authorities have the right of investigation and evidence collection for passing off a patent, but not suspected patent infringement. The draft clearly provides that the authorities have the right of investigation and evidence collection for suspected patent infringement, including but not limited to, on-site inspection, review and copy of materials such as contracts, invoices and account books, and sealing up and distraintment of a product for intentional infringement that disturbs market order, etc.

Further, in the current system, the authorities have the ex-officio right to take administrative action only for passing off, and deal with the suspected patent infringement depending mainly on complaints from patentees. The draft clearly provides that the patent administration authorities have the exofficio right to take administrative action against wilful patent infringement that disturbs market order such as repeated infringement and group infringement.

The authorities can order the infringer to stop infringement immediately; confiscate the infringing products, elements, tools, moulds, devices, etc, that are applied specially for manufacturing the infringement product or using the infringement method; and also can impose a certain fine for the repeated infringement.

The draft further provides that “the patent administration department shall establish archives of credit information on patent protection and bring the same into the National Credit Information Share and Exchange Platform”. With the establishment of the archives of credit information, a strong data platform can be created for the patent administration department to determine repeated infringement, thereby providing strong support for reinforcement of patent protection.

Guidance

As compared to the draft, the guidance is a departmental document issued by SIPO. In view of the complexity of determining patent infringement cases, SIPO further issued the guidance on the basis of the draft for the main purpose of guiding the patent administration authorities at different levels.

The guidance mainly states and describes the determination of acts of patent infringement including making, using, selling, offering for sale, and importing from the point of view of the meaning of legislation, typical modes in practice, specific cases, etc. The draft provides specific and detailed standard guidelines and a reference for law enforcement in the patent administration department, and therefore provides strong support for the department to strengthen administrative law enforcement.

Only suitable protection can encourage innovation. With the rapid development of the Chinese economy, the government is attaching more and more importance to protection of intellectual property including patents while greatly encouraging innovation of industries.

The issuance of the draft and the guidance reflects that the Chinese government and functional departments are now strengthening patent protection step by step and attempting to create a good patent protection environment for innovators.

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