

E-ALERT | Patent

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CHINA RELEASES NEW DRAFT PATENT LAW FOR COMMENT

On August 9, 2012, China's State Intellectual Property Office ("SIPO") released a draft fourth amendment to China's Patent Law for public comment. This draft focuses on patent enforcement, and comes at a time of intense international scrutiny of China's patent regime. For example, in July, the United States Patent and Trademark Office released a report summarizing patent enforcement issues that U.S. businesses have faced in China.¹ In August, the European Union Chamber of Commerce in China released a detailed report concluding that China's drive to increase its number of patent filings has actually hampered true innovation in China.²

China's Patent Law has been in effect since 1985 and covers a wide range of subjects relating to patents, including patent applications, licenses, invalidations, and enforcement actions. The third amendment to the Patent Law, enacted in 2008, was quite extensive, taking nearly four years and numerous drafts to complete. In contrast, the proposed fourth amendment is relatively narrow, and according to a SIPO official, was prompted by a 2011 study by the State Council on the effectiveness of China's current intellectual property enforcement strategy. As a result of this study, the State Council recommended that intellectual property laws be revised to "expand" the "intensity of punishment" and "build law enforcement capacity."³

The draft amendment would strengthen patent enforcement by significantly increasing potential penalties for infringement and expanding the authority of courts and administrative officials to investigate and compel production of evidence. The proposed changes are summarized below:

Punitive Damages. Administrative officials and courts would be authorized to impose treble damages for willful infringement.

Expanded Administrative Authority:

- Ex Officio Action Authority. Administrative officials would have authority to act, on their own initiative, against patent infringement that is "suspected of disrupting market order." Administrative officials may enjoin infringement, confiscate illicit profits, seize and destroy the infringing goods, and/or impose a fine of up to RMB 200,000.

We note that the draft law does not provide any guidance as to what qualifies as "disrupting market order." Allowing administrative officials, in their discretion, to determine what is "suspected of disrupting market order" could potentially open the door to arbitrary and abusive action.

¹ U.S. Patent & Trademark Office, *Report on Patent Enforcement in China*, available at http://www.uspto.gov/ip/global/enforcement/Report_on_Patent_Enforcement_in_China.jsp.

² European Union Chamber of Commerce in China, *Dulling the Cutting-Edge: How Patent-Related Policies and Practices Hamper Innovation in China*, available at <http://www.euccc.com.cn/upload/media/media/27/patentstudy2012%5B766%5D.pdf>.

³ China State Council, *Opinions of the State Council on Further Intensifying Work Related to the Crackdown on Infringement of Intellectual Property Rights and the Manufacturing and Sales of Counterfeit and Shoddy Goods* (Nov. 13, 2011).

- Penalties for Noncooperation. Administrative officials investigating potential patent infringement would be able to impose penalties on those who refuse to cooperate.
- Damages in Administrative Actions. Administrative officials would be authorized to impose damages on an infringer in an administrative action. Under the current law, administrative officials are empowered to issue only injunctions.

Compulsion of Evidence. The proposed revisions would require, upon the request of the patent holder alleging infringement, that courts compel production of evidence from the defendant. This evidence may include the infringing products as well as books and records and other relevant materials.

Prompt Publication of Invalidity Determinations. The revisions would require the Patent Reexamination Board to promptly register and announce decisions on patent invalidity claims. The Patent Reexamination Board's decision would become effective immediately upon announcement.

SIPO received comments on the draft amendment from numerous interested parties, and is currently reviewing and considering those comments.

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