

Key and Important Points of the Amendment of China's Patent Law

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China's patent system was established in 1984 and came into effect in 1985. Three comprehensive amendments have been made so far and the fourth amendment that is more comprehensive is in progress. This amendment amounts to 33 articles, adding a chapter of "Implementation and Application of Patents". The key points of amendment are to strengthen the protection of patents, promote the implementation and application of patents, and increase the liability of patent infringement. The important points of amendment are to improve the level of patent protection, raise the indemnification standard, transfer the burden of proof, and encourage the invention and tilt the interests of the patentee or inventor. These amendments will further promote the improvement and perfection of China's patent system and further promote the civilization and progress of China's society.

Keywords: Patent Law, amendment, key points, important points

Overview of the Amendment of China's Patent Law

China's patent system was established in 1984 and came into effect in 1985. Three comprehensive amendments have been made so far. "Patent Law of the People's Republic of China" adopted at the fourth session of the Standing Committee of the Sixth National People's Congress on March 12, 1984; amended for the first time by the Decision on Amending the Patent Law of the People's Republic of China adopted at the 27th session of the Standing Committee of the Seventh National People's Congress on September 4, 1992; amended for the second time by the Decision on Amending the Patent Law of the People's Republic of China adopted at the 17th session of the Standing Committee of the Ninth National People's Congress on August 25, 2000; and amended for the third time by the Decision of the Standing Committee of the National People's Congress on Amending the Patent Law of the People's Republic of China adopted at the sixth session of Standing Committee of the 11th National People's Congress of the People's Republic of China on December 27, 2008.

As we strengthen the building of a strong country for intellectual property and deeply implement the national intellectual property strategy, there are also some problems during the implementation of the Patent Law.

There are new contradictions and problems in the field of patent protection, which are mainly reflected in the protection and application of patents, as well as the improvement of our innovation subject capacity and government

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service capacity building. In particular, our innovation subjects face some difficulties in patent protection, namely, the long period of protection, difficult evidence collection, low indemnification and poor effect. These phenomena affect the initiative of enterprise innovation, so it is necessary to further regulate in the legal level.¹

The National Patent Administrative Department has launched a special campaign to “crack down on infringement of intellectual property rights and the production and sale of counterfeit and shoddy goods” and cracked down on the widespread patent infringement, especially the group infringement and repeated infringement of serious illegal and criminal acts. However, the difficulties to prove, long cycle, high cost, low indemnification, and poor effect of patent protection due to the intangible and concealed nature of patent rights and patent infringement make some innovative enterprises in China in a difficult situation. In recent years, e-commerce field has become a “severely afflicted area” of infringement. The acts that Internet service providers use the network services they provide to infringe patents or counterfeit patents also remain incessant. Weak patent protection severely dampens the initiative of Chinese enterprises to innovate and even causes some enterprises to lose confidence in patent protection².

Preparations for the amendment of China's Patent Law started in November 2011. In 2012, the amendment of China's Patent Law was included in the legislative work plan of the State Council. In January 2013, the State Intellectual Property Office submitted the Draft Amendment (Submitted for Review) of the Patent Law of the People's Republic of China to the State Council. In the first half of 2014, the Standing Committee of the National People's Congress carried out special enforcement inspection of the Patent Law and put forward specific opinions on the amendment of the Patent Law from aspects of patent quality, patent protection, patent application, public service, etc. On April 1, 2015, the State Intellectual Property Office published the Amended Draft of the Patent Law (Draft for Comment). On this basis, a new Draft Amendment (Submitted for Review) of the Patent Law of the People's Republic of China has been formed. In 2015, the State Intellectual Property Office submitted the proposed draft of the fourth amendment to the Patent Law to the Legislative Affairs Office of the State Council. The Legislative Affairs Office of the State Council sought public opinions on the Draft Amendment (Submitted for Review) of the Patent Law of the People's Republic of China on December 2, so as to submit it to the State Council for deliberation after further study and amendment.

The draft amendment involves substantial amendments to 33 articles and adds a chapter of “Implementation and Application of Patents”, in which amends 18 articles, adds 14 articles, and deletes one article. In addition, adaptive text modification or adjustment has been made for four articles (State Intellectual Property Office, 2015). Compared with the current law, the draft strengthens penalties for infringement.

Key Points of the Amendment of China's Patent Law

Strengthen Patent Protection

In view of the problems generally reflected by the patentee, such as the difficulties to prove, long cycle, high cost, low indemnification, and poor effect, the amendment of the law centers on perfecting corresponding measures, improving law enforcement efficiency, and reducing the cost of patent protection, perfects relevant

¹ Song Jianhua, Director of the Department of Treaty and Law of the State Intellectual Property Office. “Policy Interpretation on the Fourth Amendment of Patent Law”. <http://ip.people.com.cn/GB/147588/408853/index.html>, last see, 2018-10-29.

² Report of the enforcement inspection team of the Standing Committee of the National People's Congress on the implementation inspection of the Patent Law of the People's Republic of China in 2014.

evidence rules, improves the problem of “difficult to prove” for patent protection, clarifies the effectiveness of administrative mediation agreements, stipulates that the decision on review of the request for invalidation shall be made public without delay, and improves the problem of “long cycle” of patent protection. The punitive indemnification system for intentional infringement is added and the problem of “low indemnification” for patent protection is improved; administrative law enforcement methods are strengthened and the administrative penalties for group infringement and repeated infringement as well as the suppression of network infringement are regulated. Meanwhile, the term of protection for design patents is extended to 15 years.

For example, the draft amendment adds Paragraph 2 to Article 6 of the current Patent Law that, for intentional infringement of patent rights, such as group infringement, repeated infringement, etc., which disturb the market order, the Patent Administrative Department may investigate and deal with it according to law, order the infringer to immediately stop the infringement, and confiscate the infringing products, and the parts, tools, molds, and equipments specially used for manufacturing the infringing products or using the infringing methods. The Patent Administrative Department may impose a fine on repeated infringements of patent rights. Where the amount of illegal business is more than 50,000 yuan, the Patent Administrative Department may impose a fine of more than one times and less than five times the amount of illegal business, or a fine of not more than 250,000 yuan if there is no illegal business amount or no more than 50,000 yuan.

On this basis, an additional Article 61 provides that the Patent Administrative Department dealing with patent infringement disputes may, at the request of the parties, mediate the amount of compensation for patent infringement. If mediation fails, the parties may bring a suit in a People's Court in accordance with the Civil Procedure Law of the People's Republic of China. After the mediation agreement is reached, if either party refuses to perform or fails to perform in full, the other party may apply to the People's Court for confirmation and compulsory execution. The newly added Article 62 stipulates that those who, knowing full well that the relevant products are raw materials, intermediates, parts, and equipment specially used for the implementation of the patent, provide the products to others for the purpose of production and operation leading to the infringement of patent right without the permission of the patentee, shall bear joint and several liability with the infringer, and those who, knowing full well that the product or method concerned belongs to a patented product or method and has induced others to infringe the patent right for the purpose of production and operation without the permission of the patentee, shall also bear joint and several liability with the infringer. These regulations have significantly increased the unlawful cost, as well as increased and expanded the penalties for those who break the law.

Newly added Article in the draft amendment is designed for the increase in intellectual property needs and infringement of network, and explicitly stipulates that, where a network service provider knows or should know that a network user has used the network service provided by it to infringe the patent right or counterfeit patent and has not taken timely measures, such as deleting, shielding, or disconnecting the link of the infringing product, it shall bear joint and several liability with the network user. Where the patentee or interested party has evidence to prove that the network user has infringed the patent right or counterfeited the patent, it may notify the network service provider to take the necessary measures mentioned in the preceding paragraph to stop the infringement. Where the network service provider fails to take necessary measures in time after receiving qualified and effective notice, it shall be jointly and severally liable with the network user for the extended damage. Where the Patent Administrative Department deems that the network user infringes the patent right or counterfeits the patent,

it shall notify the network service provider to take the necessary measures mentioned in the first paragraph of this article to stop it. Where the network service provider fails to take necessary measures in time, it shall be jointly and severally liable with the network user for the extended damage. These new regulations clarify the rights, obligations, liabilities, and legal consequences of Internet service providers, patentees, and Patent Administrative Departments to deal with patent infringement in the Internet and their joint and several liabilities respectively.

Promote the Implementation and Application of Patents

In order to fully mobilize the initiative of the inventor and designer, the scope of service invention-creation is clarified specifically and the inventor or designer is allowed to implement the patented technology according to the agreement with its entity and obtain corresponding benefits. The draft amendment also introduces the automatic license system to solve the asymmetric information of the supply and demand of patent license and reduce the cost of patent license, stipulates the implied license system for the standard necessary patents, and adds the provisions of principle to prevent the abuse of patent rights. These regulations will effectively perfect the system of service invention, improve the market-oriented patent technology transformation mechanism, encourage innovation, and promote the implementation and application of patents.

The draft amendment specifies the legal definition of service invention in Article 6, that is, “an invention made by a person in the execution of the tasks of the entity for which he works shall be a service invention”. In addition, the draft amendment adds “where there is no such agreement, the right to apply for a patent belongs to the inventor or designer” behind Article 6, Paragraph 3 of the current Patent Law, that is,

for an invention made by a person by taking advantage of the material and technical means of the entity where he works, if there is a contract between the entity and the inventor or designer regarding the right to apply for patent and the ownership of the patent, the contractual stipulations shall prevail.

This new regulation clearly abides by the principle in favor of the inventor or designer, and will greatly mobilize the initiative of the inventor or designer and promote the development and progress of the society while perfecting the patent system.

Article 14 added to the draft amendment stipulates that

the application of a patent and the exercise of the patent right shall be subject to the principle of good faith, and shall not abuse the patent right to the detriment of the public interest or unreasonably exclude or restrict competition.

This is to introduce the principle of good faith in the civil law directly into the intellectual property legislation. As the basic principle of modern civil law, the principle of good faith is not only widely applied in the contract law, but also strengthened in the field of intellectual property rights. The application of patent claims based on authorization shall not damage the prior rights of others, which is mainly reflected in the requirement of patent novelty. Although it can determine whether the Patent Applicant's Commitment to novelty is true through patent search, dissent announcement, and other procedures, in some cases, the loss of novelty is caused by the improper use of the applicant, late application, or the inability to objectively exhaust the knowledge of the actual technical level, and the actor does not necessarily have subjective dishonesty. Therefore, the legislation emphasizes that patents should be obtained and exercised honestly. At the same time, “the principle of good faith is also a flexible rule and a mandatory, supplementary rule established to compensate for the deficiencies of written law”. This principle is clearly stipulated in the patent legislation, which helps to make full use of discretion to supplement

loopholes in the face of new problems and new situations not stipulated by law in judicial practice, so as to effectively protect the legitimate rights and interests of the patentee and promote the implementation and application of patents.

In Article 16 of the draft amendment, Paragraph 2

where the entity and the inventor or designer agree according to law that the right to apply for a patent for an invention belongs to the entity, the entity shall give to the inventor or designer a reward and remuneration according to the provisions of the preceding paragraph.

is added behind Paragraph 1 “the entity to whom a patent is granted shall give to the inventor or designer of the service invention a reward”. In this way, rewards and incentives for patent inventors or designers are effectively increased. Even if both parties clearly agree that “the right to apply for a patent for invention belongs to the entity”, rewards and rewards should be given to patent inventors or designers. This provision not only highlights the recognition of the patent inventor or designer, but also helps resolve long-standing disputes between the parties in these areas, promoting and expediting the implementation and application of the patent.

The newly added Chapter 8 in the draft amendment stipulates “the implementation and application of patents”. Newly added articles from Article 79 to Article 86 stipulates that the Patent Administrative Departments at all levels should promote the implementation and application of patents, and encourage and standardize the marketization services of patent information and patent operation activities. After a national research and development institution or university and colleges having obtained the patent right for a service invention, the inventor or designer may, without changing the ownership of the patent, negotiate with the entity independently to implement or permit others to implement the patent and shall enjoy the corresponding rights and interests in accordance with the agreement. Any person who wishes to exploit a patent of automatic license shall notify the patentee in writing and pay the royalty in order to obtain such automatic license. During the automatic license period, the patentee shall not grant a sole or exclusive license or request a pre-judgment provisional injunction over the patent. The legislative intent and positive significance of these amended and added regulations are self-evident.

Increased Liability for Patent Infringement

Legal liability is closely related to illegal behaviors. Only by punishing the law breaker, the law can be effectively implemented and the legitimate rights and interests of the counterpart can be protected. On the basis of the current law, China's Patent Law has significantly increased the legal liability for patent infringement and expanded the investigation of legal liability more comprehensively and deeply.

Article 63 of the Patent Law currently in force stipulates that whoever counterfeits the patent of anyone else, its or his illegal gains, if any, shall be confiscated, and it or he may be fined up to four times the illegal gains. If there is no illegal gain, it or he may be fined up to 200,000 yuan. The draft amendment changes it to that where an illegal business amount of more than 50,000 yuan, a fine of more than one times and less than five times the illegal business amount may be imposed; a fine of not more than 250,000 yuan may be imposed if there is no illegal business amount or not more than 50,000 yuan.

Article 65 of the current Patent Law stipulates that if it is difficult to determine the losses incurred to the patentee, the gains obtained by the infringer as well as the royalty obtained for the patent, the People's Court may,

by taking into account such factors as the type of patent, nature and particulars of the infringement, etc., decide a compensation in the sum of not less than 10,000 yuan but no more than one million yuan. The draft amendment changes it to that if it is difficult to determine the losses incurred to the patentee, the gains obtained by the infringer as well as the royalty obtained for the patent, the People's Court may, by taking into account such factors as the type of patent, nature and particulars of the infringement, etc., decide a compensation in the sum of no less than 100,000 yuan but not more than five million yuan, and adds

the People's Court, after it deems the infringement of patent right to be established, may order the infringer to provide the books and materials related to the infringement in order to determine the amount of indemnity when the patentee has done its best to provide evidence and the books and materials related to the infringement are mainly in the possession of the infringer. Where the infringer fails to provide or provides false books and materials, the People's Court may determine the amount of indemnity by reference to the claim of the patentee and the evidence provided.

In addition, Article 75 added in the draft amendment stipulates that the establishment of a patent agency or the qualification of a patent agent shall be approved by the Patent Administrative Department under the State Council. Without the permission of the Patent Administrative Department under the State Council, no entity or individual may engage in patent agency business for business purposes. Where a person violates the provisions of this paragraph, the Patent Administrative Department shall, depending on the circumstances, order him to stop the illegal act, confiscate his illegal gain, and may concurrently impose a fine, which obviously expands the scope of legal liability investigation and the intensity of punishment.

The strengthened legal effect of legal liability will be demonstrated after the new Patent Law comes into effect.

Important Points of Amendment of China's Patent Law

Improve the Level of Patent Protection

Scholars have their own views on whether the protection of patent rights is "appropriate":

Among the possible negative effects of intellectual property protection on the economic development of developing countries, the patent system has the greatest impact; How to establish an appropriate patent system which will minimize the possible negative impact should be given the highest attention by developing countries. (Luo, 2013, p. 5)

The reality of China's industrial development in recent years is that the Patent Law, on the whole, meets the actual needs of China's economic and technological development and has spawned a large number of enterprises with strong innovation capacity. However, in general, patent protection is still inadequate. Especially in recent years, with the rapid development of technology in China, technological autonomy has been further strengthened, and it is increasingly urgent to strengthen patent protection (Outline of National Intellectual Property Strategy, 2014)³. China has become the largest trading country in the world. However, Chinese enterprises generally lack intellectual property rights, and it is difficult for them to climb up the industrial chain in the international market, especially in the market of developed countries.

³ The level of scientific and technological development in China is about 68.4% of that in the United States. See: Guangming Daily, May 8, 2015. The number of Triadic Patent Families in China only accounted for 2.33% of the world, while that of Japan and that of United States accounted for 30% respectively.

Therefore, China's current and future amendment to the Patent Law must follow a principle, namely, to improve the level of patent protection. The socio-economic will be developed by raising the level of patent protection, and in particular, those who make innovative contributions to the social development will be given full legal recognition, protection, and encouragement. Similarly, in order to improve the level of patent protection, anti-abuse, anti-monopoly, and compulsory licensing mechanisms need to be perfected to make the transition of Patent Law to higher standards of protection (Outline of National Intellectual Property Strategy, 2014).

Raise the Indemnification Standard and Transfer the Burden of Proof

In order to stop patent infringement, the liability of the infringer must be increased, that is, the standard of indemnification should be raised. Forcing the patent infringer to indemnify the loss of the patentee by law is the concrete embodiment of the law's sanctions on the offender. Legal sanctions include recovery of right sanction and punitive sanction. The former focuses on the protection and restoration of existing rights and guarantees the fulfillment of existing obligations. The latter focuses on the investigation for the legal responsibility of the infringer, punishes them with legal costs, and restricts or eliminates the urge of the infringer and other members of society to damage the legal rights of others (Sun & Zhu, 2015). For the problems in light punishment of patent infringement and difficult to prove over the years, etc., the draft amendment not only raises the indemnification standard of infringer, namely, increases the legal costs of infringer, but also adds the provisions that "whoever intentionally infringes a patent, the People's Court may increase the indemnification amount determined according to the preceding two paragraphs to two to three times according to the circumstances, scale, and consequences of the infringement". At the same time, the previous legislation about "losses suffered by the patentee due to infringement" and "gains obtained by the infringer from infringement" is changed to that, on the basis of "actual losses suffered by the patentee due to infringement", it further gives the judicial organs greater discretion to determine damages so as to "fill in" the "actual losses" of the patentee. In the amendment of this law, the State Intellectual Property Office also pointed out that the application of the "fill-in principle" alone is not enough to cover the loss of the patentee and the cost of rights protection (State Intellectual Property Office, 2013). However, it was not clear that the amendment was an adjustment to the "fill-in principle" or whether the increase in indemnification to "two to three times" would be enough to indemnify the patentee. Therefore, it is necessary to emphasize that the principle of "punitive damages" should be more throughout the Patent Law.

The indemnification standard is inseparable from the "rules of evidence", or more directly, the sharing or distribution of the burden of proof. Patent right protection, like other civil rights, is based on the civil action principle of "burden of proof borne by claimant". In the rules of evidence for patent infringement litigation, it is difficult to determine the amount indemnified by the infringer to the patentee. The real difficulty lies in the fact that the patentee has difficulty in obtaining the relevant materials and books in the possession of the infringer to prove the actual losses suffered. The draft amendment of the Patent Law appropriately assigns the related burden of proof to the infringer, which will effectively solve this long-standing problem. At the same time, this is also an important point of long-term perseverance and unremitting efforts (Ricketson & Ginsburg, 2016)⁴.

⁴ To this, Article 14, Paragraph (2) of the World Intellectual Property Organization Copyright Treaty (WCT), in respect to "law enforcement", neatly expresses "general obligation" as "should ensure that law enforcement procedures can be provided according to other laws, so that the effective action to stop any infringement covered by this treaty can be taken, including rapid remedy to prevent infringement and the remedy to deter further infringement".

Incentivize Inventions and Tilt Interests

The ownership of patent rights and distribution of patent interests have an important impact on the development and exploitation of patents. For a long time, the ownership of "service invention" and the distribution of interests affect the generation of patents and the adjustment of Patent Law to different degrees, or the adjustment of Patent Law affects the generation and development of patents. This amendment of Patent Law focuses on solving the problem in an invention made using the material and technical conditions of the entity, and divides the scope of service invention provides and stipulates that "only invention completed by performing the task of the entity" shall be a service invention, no longer stipulates that "an invention made by him by taking advantage of the material and technical means of the entity shall be a service invention". Under the premise that the ownership of the invention completed by using the physical and technological conditions of the entity shall be subject to the agreed priority principle, the amendment also stipulates that, where the entity and the inventor or designer do not agree otherwise, not only the right to apply for a patent belongs to the inventor or creator, but also the inventor or designer shall be the patentee after the application is approved. Furthermore, the patent interests are further tilted to the inventor or designer, so as to stimulate the inventor's enthusiasm to implement his/her patent.

Even if the service invention for which the patent right is granted and the application for patent right for the invention is owned by the entity,

the entity to whom a patent is granted shall give to the inventor or designer of the service invention a reward and shall, after exploitation of the patented invention, pay the inventor or designer a reasonable remuneration on the basis of the scope of popularization and application as well as the economic benefits yielded.

This is to give service inventor more rights and interests without change in the patent ownership, which the legislative intention of directly tilting the interests of the inventor or designer has been further realized. Because "human is the most key factor of science and technology innovation", making full use of the property rights system to stimulate innovation enthusiasm of the inventor, fully mobilizing workers to complete invention by using the entity's material and technical conditions, and giving greater autonomy space between the entity and the inventor in terms of ownership, are undoubtedly to benefit the nation and the people and an act of kindness for entities and individuals.

If combining with the Opinions on the Opening of Major National Scientific Research Infrastructure and Large Scientific Research Instruments to the Society promulgated by the State Council in December 2014, which describes to accelerate the opening of major national scientific research infrastructure and large scientific research instruments to the public, further improve the efficiency of resource utilization of science and technology and create a better legal environment for inventors to make full use of the physical and technological conditions of research institutions for R & D activities, then the emphasis and significance of the amendment of the law are clearer and more significant.

Conclusion

This amendment of the Patent Law strengthens the protection of patents, improves the administrative law enforcement means, extends the patent protection period of appearance designs, clarifying the scope of service invention, improving the market-oriented patent technology transformation mechanism encourages innovation,

and promotes the implementation and application of patents. On the basis of the current law, the amendment increases the legal liability for patent infringement significantly, and expands the investigation of legal liability in a comprehensive and deep way. While stopping patent infringement, the amendment increases the liability of the infringer, adjusts the corresponding “rules of evidence”, and redistributes the burden of proof. Especially, it shows that the ownership of patent rights and the distribution of patent interests have an important influence on the development of the patent itself and the implementation of the patent. The amendment further tilts the patent rights to the inventor or designer so as to motivate the inventor to implement his patent. These amendments will further promote the improvement and perfection of China's patent system and further promote the civilization and progress of China's society.

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