ALL CHANGE: A BIG YEAR FOR IP LEGISLATION

The regulatory environment of IP in China is undergoing great improvement—a welcome change, according to Eric Su and Zhang Xu.

Following the deepening of theoretical research about IP and the accumulation of related practical experience, the Chinese government, the legislative body and industry are looking forward to the amendment and completion of IP laws. By the end of 2012, the drafts of amendments to several laws had been published and the related reviews and comments by the public have been collected. This article gives a brief introduction to the laws and regulations to be modified.

Among the laws to be possibly modified is the Trademark Law, which was last reviewed 12 years ago. The draft of the amendment has been submitted to the standing committee of the National People's Congress to be examined and passed for the first time. The amendments aim to adapt and be consistent with the continuous changes in the practice of IP in China. For instance, in the draft, sounds and single colours will be allowed to be registered.

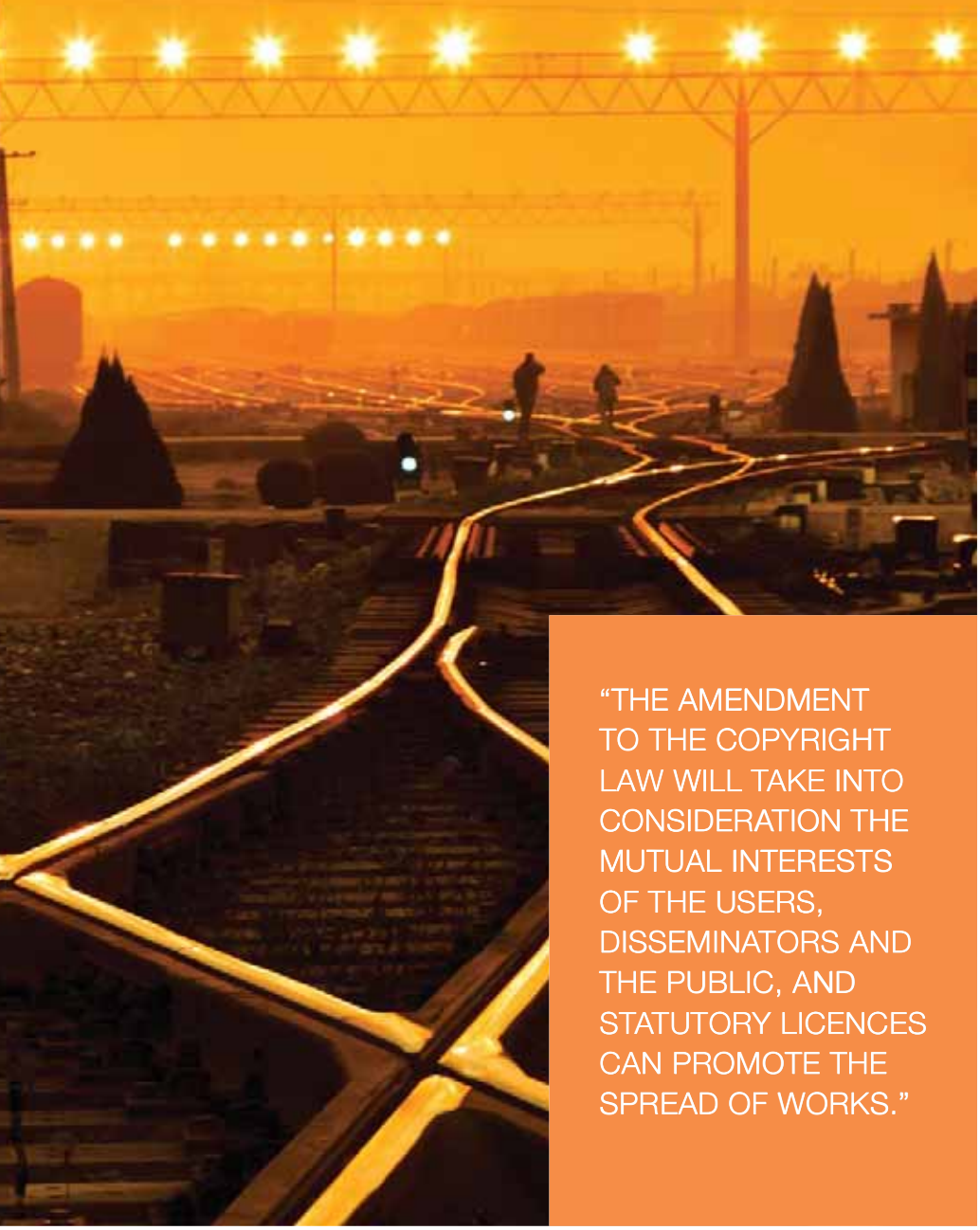
Text reading "The application and use of a trademark shall be made in good faith" is introduced to discourage the phenomenon of trademark squatting. The opposition procedure is modified to shorten the whole process of trademark registration, approval and dispute. The statutory damage threshold is raised from RMB500,000 ($80,000) to RMB1,000,000 ($160,000) to increase the cost for the infringers.

With reference to patent law, the State IP Office issued the Draft Amendment to the Patent Law of the PRC in August 2012. This amendment, together with the amendment to the Copyright Law and the third amendment to the Trademark Law, demonstrates the upsurge of specific legislation for IP in present China. The amendments this time mainly focus on strengthening administrative enforcement for patent and judicial protection, which can be summarised as follows.

First, they enhance the power of the patent administrative department to punish patent infringements which are suspected of disturbing the market order. Of course, now it needs to determine such patent infringements more explicitly. Second, the patent administrative department is now authorised to determine the compensation for patent infringements.

In the current patent law, the patent administrative department can mediate on the amount of compensation claimed by the party, but cannot directly order the infringer to pay the damages. To solve this problem, the new draft states that during a patent infringement dispute, the patent administrative department can order the defendant to pay damages. This regulation is aimed at promptly protecting the legal rights and interests of patentees, avoiding vexatious suits, and coordinating with the 'three-in-one' trial (three trials combined into one) which is being trialled in some People's Courts.

Third, there are new obligations to coordinate with the patent administrative department about persons who are investigated for patent infringement. In other words, the patent administrative department can give a warning or submit a request for giving an administrative penalty when the infringer refuses or blocks the investigation.



"THE AMENDMENT TO THE COPYRIGHT LAW WILL TAKE INTO CONSIDERATION THE MUTUAL INTERESTS OF THE USERS, DISSEMINATORS AND THE PUBLIC, AND STATUTORY LICENCES CAN PROMOTE THE SPREAD OF WORKS."

Another core of the amendment to the Patent Law is to strengthen judicial protection. It is notable that the draft introduces a system of punitive damages against deliberate patent infringements. Depending on the circumstances, scope and damages incurred by an infringement, the patent administrative departments or the people's courts can determine compensation at up to three times the calculable damages or the profits from the infringement.

Borrowed from legislation in the US and other countries, this system of punitive damages is intended to enlarge the awareness of and toughen measures against infringements, and to encourage patentees to exercise their rights. The introduction of this system is meaningful, but we are waiting for other laws and regulations such as the implementing regulations of the Patent Law to give more specific definitions. For example, the definition of deliberate patent infringements, generally speaking, based on the purpose of punitive damages, should be limited to especially malign infringing behaviours.

On copyright, by the end of 2012 the National Copyright Administration of the PRC (NCAC) had almost completed the draft of the fourth amendment to the Copyright Law and is now preparing to submit it to be examined and passed. In the draft, the scope of works has been enlarged: "works of applied art" will be protected by the law; the legal amount of compensation will be raised from RMB500,000 to RMB1,000,000; and a system of punitive damages will be introduced.

This amendment has caused controversy. For example, owners of rights protest against the new scope of mandatory licences, which they allege are too wide. However, legislative experts believe that the amendment to the Copyright Law will take into consideration the mutual interests of the users, disseminators and the public, and statutory licences can promote the spread of works, which would be favourable to the public.

Another example is that in order to discipline Internet service providers (ISPs), the 'safe harbour' principle and 'red flag' principle will be written into the law.

However, the draft fourth amendment to China's copyright law, which states that "ISPs who provide pure technical services are not liable to examine the content" weakens the right-defending effect when copyrighters face infringement committed by the network company. This regulation also hardly protects the fundamental interests of copyright holders because infringing Internet users are usually hard to identify.

In conclusion, the amendments mentioned above summarise the new problems and trends generally appearing in recent years, which enhance the protection of IP, and encourage brand development, technological innovation and creativity. Certainly, relevant implementing regulations need to be promulgated and combined with the practice to make the new amended laws more applicable. ■

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