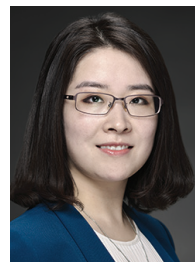




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# A look at Chinese Patent Legislative Trend from the perspective of patent law

Zhang Xu and Jessica Li, HongFangLaw, investigate the recent changes to patent legislation in China, and how these affect patent owners.

**T**he *Patent Law* amendment was included into the legislation program of the 2012 State Council. The revised draft of *Patent Law of the People's Republic of China* was subsequently submitted to State Council by January 2013. Between 2013 and 2014, Legislative Affairs Office of State Council solicited public comments on such draft. On the basis, *Revised Draft of PRC Patent Law* (the "Draft") took shape following the fourth full and thorough amendment.

This amendment placed emphasis on strengthening patent protection, boosting the implementation and use of patent, empowering administrative authorities, possibly perfecting the schemes of patent examination and patent agency. This article aims at an analysis of the Draft and patent legislative trend as reflected herein, from the following three aspects:

- 1) strengthened protection over design patent;
- 2) strengthened protection in administrative enforcement;

- 3) redefinition of "service invention" and improvement of award and remuneration system for service inventors.

## Strengthened protection over design patent right

Article 42 in the Draft provides the duration of the invention patent shall be 15 years, whereas design patent protection under *Patent Law* in force shall be 10 years. There is a 5-year increase between the two. In contrast to countries like Japan, U.K., U.S.A. and Germany, the protection period set forth by China is relatively short. The current situation is not in favor of giving protection to a patentee's design patent while not connected to international practice. In order to reinforce protection over the design patent, the Draft has extended the period to 15 years, compared with the *Patent Law* in effect. The extension serves to strengthen protection over design patent right, and paves the way for further entry into the *Hague Agreement*, which pronounces the protection period shall be no less than 15 years. Therefore, the amendment facilitates not only protection over design patents in China for patentees across the Globe, but also helps patentees in Chinese territory to seek boarder scope of protection for design patent by way of *Hague Agreement* in the near future.

## Résumés

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It remains uncertain whether the 15-year duration meets the need in practice. For some of the patentees, the period will be comparatively short, if a design patent of his/her product is a classic example apt for long-term usage. On the contrary, for another part of patentees, 15 years will be much too long, given frequent change of product design. Certainly, the patent in question will cease to have effect when the patentee stops paying an annual fee. In the light of trademark right protection, we may prescribe a benchmark duration, as well as a maximum duration. On the expiry of the benchmark period, the protection duration will be continually renewed at regular intervals, until the maximum limit. The advantage lies in that the period of time can better fit in with actual need of the patentee. In view of the 15-year duration under the Draft, the legislative body can lower the benchmark, while prolonging the maximum duration. As such, patentees can choose a protection period consistent with what they require at their discretion.

Without a doubt, whether the duration of 15 years under the newly amended *Patent Law* is seen as optimal choice at present or not, the extended period epitomizes Chinese legislative intent to strengthen protection over design patent right.

### Strengthened protection in administrative enforcement

Patent infringement is a regular occurrence in present-day China. Quite often, enforcing patent right accompanies high cost and not significant effect. To address such issue, effectively combat the infringement and safeguard patentee's legal interests, the Draft enhances protection of administrative enforcement, expands the competence of patent administration department, as described below:

1. The authoritative competence has expanded when a patentee or interested party requests for the involvement of patent administration department (Article 60 the Draft). According to the existing *Patent Law*, if an infringement establishes, the authority can cause the infringer to cease the infringement immediately. On such basis, the Draft now bestows the said department rights to confiscate and destroy the infringing products, parts, tools, molds and facilities utilizing infringing techniques or specifically used in manufacturing the infringing products. Such amendment links more closely the procedures from determining an infringement, follow-up seizure and destruction of the goods, thus reducing damages caused therefrom, boosting up

the efficiency of patent right enforcement and avoiding the high costs incurred to the patentee upon entry into legal proceedings.

2. In response to intentional infringements on patent rights, which disturbs market order, including class tort action and repeated infringement, the patent administration department can use its initiative to determine and subsequently act against a case (Article 60 the Draft). For intentional violations detrimental to market order, competent authority shall demand the infringer of immediate cessation of the infringing activity, confiscate and destroy the infringing products, parts, tools, molds and facilities utilizing infringing techniques or specifically used in manufacturing the infringing products. Moreover, the authority can impose a sum of fine on the infringer, depending on circumstances. Such amendment will inflict strong blows to patent infringement, deter infringing acts that disrupt market order and maintain a healthy order of patent market.

In addition to strengthening protection of administrative enforcement, Article 67 in the Draft provides the following statement:

*"the authority shall issue a warning, if responsible party refuses or obstructs the patent administration office in performing its duties; where it constitutes a violation of public security management administration, the public security organ shall give a penalty in accordance with law; persons engaging in criminal offence are liable for criminal penalties under the law."*

According to this provision, in the process of administrative enforcement, the party concerned shall coordinate with the patent administration department to exercise functions and powers, which is favorable to facilitate the implementation of strengthened protection in administrative enforcement, so that patentees' legal rights and interests can be protected more effectively.

Alongside the strengthened protection of administrative enforcement, expanded competence of the patent administration department brings benefits. In view of the complexity and specialization of identifying patent infringement, it is also important that the law enforcement agencies build capacity through training courses and projects, with the aim to avoid misjudgment that will lead to inconvenience of maintaining patentee's rights and interests, unnecessary losses incurred to the penalized party.

Protection of patent right in China has been composed of two parts, administrative protection and judicial protection. The strengthening

of administrative enforcement in the Draft is primarily meant for solving problems that emerged (high cost, disappointing outcome) during the course of enforcing one's patent right. However, the administrative enforcement shall work side by side with judicial protection, to achieve the ultimate goal, that is, to fully secure and protect the legitimate rights and interests of patentees.

### Redefinition of "service invention" & improvement of award and remuneration system for service inventors

Ownership of a service invention and distribution of interests will make direct impact on employee motivation, and scientific and technological innovation of an enterprise. It is particularly important to establish a system to define such ownership and sharing of relevant interests in a reasonable manner. According to Research Report on the *Protection Status of Service Inventor's Rights* (the "Report"), nearly 50% of enterprises have not formulated any system dedicated to managing Intellectual Property rights and service invention; in the process of drafting any such rules and regulations, the voice of inventor is not thoroughly heard<sup>[1]</sup>. Meanwhile, the Report indicates ownership of the 41% of inventions accomplished in the course of duty performance with employer unit<sup>[2]</sup>. Judging from the percentages, contrary to the employer unit, service inventor tends to be placed in a vulnerable position.

Furthermore, award and remuneration system functions an important incentive for scientific and technological talent to initiate technological innovation. On inquiry, 62% of inventors confirmed that their employer unit had already set up rules or regulations on award and remuneration for service invention, but in the process, no more than 36% employers heeded advice or opinions from inventors or designers. At the completion of service invention-creations, only 62% of the employers did reward and remunerate the employed inventors as previously agreed upon, which means that inventors in the other 38% of employer units are not remunerated accordingly<sup>[3]</sup>. The survey results show that the award and remuneration system has not been put in place in reality, and that rights and interests are not well protected. Without awareness of every service inventor's right to receive reward and remuneration, many employer units neither reward nor remunerate them, even to the extent of infringing on the inventor's authorship.

To address the aforesaid issues, the Draft makes a redefinition of the scope of service invention and further improves award and remuneration system for service inventor.

Article 6 of Patent Law specifies, "An invention-creation, made by a person in execution of the tasks of the entity to which he belongs, or made by him mainly by using the material and technical means of the entity is a service invention-creation". In the Draft, the Article has been modified to "An invention-creation, made by a person in execution of the tasks of the entity to which he belongs is a service invention-creation". In terms of "An invention-creation made by a person mainly by using the material and technical means of the entity which he belongs to", unless as otherwise provided in writing, inventor or creator shall have the right to apply for a patent. Judging

by this modification, the Draft has redefined the scope of service invention. Invention-creation made by a person mainly by using the material and technical means of the entity which he belongs to is no longer regarded as service invention. If eager to obtain the ownership, employer has to otherwise negotiate a contract with inventor or creator.

To coordinate the amendment of Article 6, Article 16 in the Draft was supplemented with new contents, "if the unit and inventor or creator have contracted that the right to apply for an invention-creation patent belongs to the unit, the unit shall comply with the preceding paragraph to reward and remunerate the inventor or creator", thus improving award and remuneration system for service invention, protecting inventor's legal rights and interests, to a further extent.

Aside from related modifications of service invention in the Draft, the draft of *Regulations on Service Invention* is presently under review and consideration. There is reason to believe that with the collaboration between the amended *Patent Law* and *Regulations on Service Invention*, the standard of award and remuneration system is clearly defined, while interests of service inventor can be more secure. The amendments above also prove that the legislative tendency has gradually shifted from enterprise to inventor.

### IV. Concluding remarks

The Draft has strengthened protection over design patent and, in respect of administrative enforcement, further improved terms and conditions of service invention. The amendments reflect a legislative trend in protecting legal rights and interests of patentee, reinforcing patent protection, as well as in securing legitimate rights and interests of service inventor or creator. It is yet

to be put to the test, after enactment of the Draft, whether any such written improvements can be fully implemented in practice, or primary goal of the legislation can be materialized.

“ The amendments reflect a legislative trend in protecting legal rights and interests of patentee. ”



<sup>[1]</sup> Inventors Association of China, Department of Treaty and Law under the State Intellectual Property Office. Research Report on the Protection Status of Service Inventor's Rights. 2013-09: 7.

<sup>[2]</sup> Inventors Association of China, Department of Treaty and Law under the State Intellectual Property Office. Research Report on the Protection Status of Service Inventor's Rights. 2013-09: 9.

<sup>[3]</sup> Inventors Association of China, Department of Treaty and Law under the State Intellectual Property Office. Research Report on the Protection Status of Service Inventor's Rights. 2013-09: 20-22.