On the Amendments to the Implementing Regulations of the Patent Law of the People's Republic of China

On December 30, 2009, the 95th State Council Executive Meeting considered and adopted the Decision of the State Council to Amend the Implementing Regulations of the Patent Law of the People's Republic of China (hereinafter referred to as the "Decision"). Premier Wen Jiabao signed Decree No. 569 of the State Council on January 9, 2010 which promulgated the Decision to enter into effect on February 1, 2010.

Provided below is relevant information on the amendments to the Implementing Regulations of the Patent Law of the People's Republic of China (hereinafter referred to as the "Implementing Regulations").

1. Background and Process of the Amendments to the Implementing Regulations.

On December 27, 2008, the sixth session of the Standing Committee of the 11th National People's Congress considered and adopted the Decision on Amending the Patent Law of the People's Republic of China. The Implementing Regulations is an important supporting legal document for the Patent Law, for the successful implementation of the amended version of which, corresponding amendments to the Implementing Regulations are necessary.

The State Intellectual Property Office (SIPO) built upon its successful experience in amending the Patent Law and finished the Draft Amendments to the Implementing Regulations (for approval) which was submitted to the State Council for consideration on February 27, 2009 after themed researches by multiple taskforces and extensive solicitation of opinions from all sides. In the course of consideration, the Legislative Affairs Office of the State Council again extensively collected opinions from relevant central government agencies, governments of provinces, autonomous regions and municipalities, relevant local-level courts, enterprises and public institutions, experts, scholars, patent agencies, and relevant trade associations as well as from the public over the Internet. It also sent joint research taskforces with the SIPO to Chengdu, Xi'an, Shenyang, Guangzhou, Nanjing and Luoyang; held discussions and consultations with the Supreme People's Court, the Ministry of Finance, the Ministry of Commerce, the Ministry of Science and Technology and the State Commission Office for Public Sector Reform. On top of all these efforts, the Legislative Affairs Office performed repeated studies and revisions on the draft amendments submitted for approval and worked out the Decision of the State Council to Amend the Implementing Regulations of the Patent Law of the People's Republic of China (Draft).

2. Amendments to the Implementing Regulations

The amended Implementing Regulations has 9 new rules added, 5 old rules removed and 47 rules substantively amended, making these amendments a comprehensive overhaul of the original Implementing Regulations. It is of important significance to improve China's patent regime.

The amended Implementing Regulations provides more detailed stipulations on the added and amended contents of the Patent Law for better implementation, and, on top of that, makes many improvements on the Implementing Regulations itself.

A brief introduction to the major amendments of the Implementing Regulations is provided below.

A. Security Examination for Filing for Patent in Foreign Countries

According to the amended Patent Law, inventions made in China should be submitted to the patent administration department under the State Council for security examination before filing for foreign patents. For the purpose of its implementation, the Decision provides that: 1. With the growing number of transnational cooperation in research and development in mind, in order to correctly define the scope of security examination, the Patent Law provision of "inventions or utility models made in China" is defined as "substantive content of the technical solutions made in China"; 2. Detailed stipulations are given for the procedures of the security examination to ensure both the progress of the security examination an timely feedback of the results to the applicants to enable their foreign filing as early as possible.

B. Information Disclosure of Genetic Resources

The Patent Law after amending has new stipulations on genetic resources. For the sake of better implementation, the Decision, in accordance with the Convention on Biodiversity, clearly defines genetic resources as: hereditary material with practical or potential values obtained from humans, animals, plants or microbes, etc. At the same time, taking into consideration the common scenarios in which inventions have made use of biological resources but not their hereditary functions and in keeping with the Convention on Biodiversity, the Decision defines “inventions dependent upon genetic resources” as “inventions utilizing the hereditary functions of genetic resources”. The Decision also contains provisions on information disclosure of the source of genetic resources, i.e. “For patent applications for inventions dependent upon genetic resources, the applicants should so indicate in the request and complete forms prepared by the State Council’s patent administration department.”

C. Patent Right Evaluation Report System

The amended Patent Law changed the utility model patent search report system for the evaluation report system for utility model and design patents. It establishes that petentee and other stakeholders could request patent right evaluation reports from the State Council’s patent administration department to serve as evidence in patent right trials and settlements of relevant disputes. To make access to patent right evaluation reports easier, the Decision contains specific stipulations for the format of requests for the reports by the applicants and the time limit within which the patent administration department of the State Council should produce the reports. To obtain a patent right evaluation report, the applicant should submit a letter of request for the report with the patent number provided in clarity. Each request should not cover more than one piece of patent right. The report is to be provided by the State Council’s patent administration department within two months after receiving the letter of request.

D. Compulsory License

In keeping with the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) of the WTO and provisions of relevant international agreements, the amended Patent Law adds new types of compulsory license and establishes their scope of application. To ensure successful implementation of relevant stipulations of the Patent Law, the Decision defines "not fully exploited patents" as "the method or scale of the exploitation of the patents by the patentee or the licensee could not satisfy domestic need for the patented products or processes". To make the compulsory license system compatible with the need to cope with public health crises, the Decision, in accordance with the WTO's Protocol Amending the TRIPS Agreement, defines "patented pharmaceuticals" as "any patented product or product directly obtained according to patented processes in the medical and pharmaceutical field to address public health issues, including patented active ingredients needed in the production of the product and diagnostic supplies necessary for the application of the product". The Protocol Amending the TRIPS Agreement contains detailed conditions and procedures on compulsory license of pharmaceutical patents. To harmonize the compulsory licensing of pharmaceutical patents of China with international agreements, the Decision stipulates that "Decisions by the patent administration department of the State Council to grant compulsory licenses according to Article 50 of the Patent Law should, except for cases of reservations, conform to provisions on compulsory licensing to address public health issues in relevant international agreements which China is a signatory of or a party to".

E. Administrative Penalties against Patent Pass-off

The amended Patent Law combines the acts of passing off patents that belong to others and passing non-patented products and processes off as patented products and processes into acts of patent pass-off and stipulates relevant administrative penalties. To ensure its successful implementation, the Decision defines patent pass-off as tagging non-patented products (or their packaging) as patented, or making unauthorized use of patent numbers that belong to others on products or their packaging. Selling the above-mentioned products, referring to non-patented technologies or designs as patented in user manuals or other materials, the unauthorized use of others' patent numbers, misleading the public into believing certain technology or design as patented, counterfeiting or alteration of patent certificates, documents or applications, constitute patent pass-off. The Decision also stipulates that, "Those who market such products without knowledge of their patent pass-off nature but able to prove the lawful origin of the products should be ordered to stop the sales of such products by the patent administration department but exempt from fines."

F. Provisions on Patent Application and Review Procedures

The Patent Law, after amendment, made adjustments to patent application and review procedures and conditions for licensing, on the basis of which, the Decision incorporates corresponding additions and details, including: there are now uniform requirements for the writing of patent requests for inventions, utility models and designs; for simultaneous applications for both utility model and invention patents for the same invention-creation by the same applicant on the same day, the applicant should indicate in both applications that the other patent is being applied, and the applicant must forfeit the already granted utility

model patent before being granted a patent for invention; there are clear provisions on items to be included in the brief explanation in an application for patent of design; multiple designs of the same product similar to one another in an application for design patent should be similar to the basic design of the product and should not exceed a maximum of 10 designs; if a request is withdrawn by applicant or could be deemed as withdrawn before any decision is made by the Patent Reexamination Board, provided that the Board deems it possible to invalidate or partially invalidate the patent in question on the basis of examination work already conducted, the review process shall not be terminated.

G. Other Amendments to Relevant Provisions

To encourage innovation and promote patent development, the Decision also includes measures in the following three areas:

1) Fewer charging items. To lessen the burden of parties involved, the Decision cancels four charging items including application maintenance fee, termination procedure request fee, compulsory license request fee and compulsory license exploitation fee.

2) Fewer restrictions on the right of priority. According to the Decision, errors in and omissions of one or two items among the application date, application number and the name of the original handling agency in the earlier application, which are redressed within the designated time limit, do not prejudice against its right of priority; where foreign priority of an design patent is claimed, the lack of a brief explanation of the design in the earlier application which is redressed by the submission of legally compliant brief explanation of the design in the following application, do not prejudice against its right of priority.

3) Improved incentive and remuneration system for service inventions. To allow for greater room for entities that are granted patent rights and service inventors and designers to agree on incentives and remunerations for service inventions and designs, the Decision stipulates that the entities that are granted patent rights could work out, with inventors and designers, the means and amount of incentives and remunerations as established by Article 16 of the Patent law, through negotiation or the entity's own rules and regulations formulated in compliance with the law. The Decision goes on to stipulate that, to further encourage innovation, in cases where parties involved have an absence of agreement or rules and regulations for service invention and design incentives and remunerations, the statutory standard for incentives and remunerations shall apply. The scope of application of the statutory standard has also been expanded from state owned enterprises and public institutions to all entities. At the same time, the Decision also raises the statutory incentives standard for service inventors and designers.