AFD China
INTELLECTUAL PROPERTY LAW OFFICE

Newsletter
February, 2009

Table of Contents

Third Revision of Chinese Patent Law

China's top legislature approved the third revision of Patent Law on December 27, 2008. The revised law will take effect on October 1, 2009. Highlights of the amendments are listed below:

The amended Patent Law raises the administrative penalty and maximum statutory damages in cases of patent infringement. Statutory damages are awarded when it is hard to prove actual damages, profits or a licensing fee. When actual losses can be determined, damages are awarded based on actual losses suffered by the patentee. If actual losses cannot be determined, damages are awarded based on profits earned by the infringer. If earned profits cannot be determined, damages are awarded based on a multiple of a licensing fee. If a licensing fee still cannot be determined, the statutory damages are awarded between 10,000 to 1,000,000 RMB. The amendment increases the administrative penalty for patent infringement to four times from three times of the illicit profits and raises the penalty from 50,000 yuan to 200,000 yuan if there was no profit from infringement.

The process of a patent lawsuit has a change, too. The revision permits preserving evidences before instituting legal proceedings, other than preliminary injunction. The preservation will be overseen by the court and applied by the patentee or interested party. The applicant may be requested to provide guarantee, and court should make the preservation decision within 48 hours. Previously, preservation of property is available before instituting a lawsuit.

The amended law has also been strengthened in that an offer for sale is now considered an infringement of a design. Previously, infringement of designs only included making, selling, or importing.

The New Patent Law amends exhaustion of patent rights and adds Bolar exemption. It provides that where a product is sold by the patentee or a party authorized by the patentee, using, offering for sale, selling or importing of such product is not an infringement of the patent rights. It also exempts from infringing liabilities the making, using and importing of a patented medicine or medical device for regulatory approval purposes by a party

intending to market such a product after expiration of the patent.

The amended law also provides that, where the infringement relates to a patent for utility model or a patent for design, the people's court or the administrative authority for patent affairs may ask the patentee to furnish a report of evaluation on the patent rights made by the State Intellectual Property Office (SIPO) as an evidence. Previously, a search report made by SIPO is necessary for enforcement of a patent for utility model.

The new law provides that where an alleged infringer in a patent infringement suit can provide evidences to prove that the technology or design it exploits was "existing technology" or “existing design” at the filing date of a patent at issue, no infringement should be decided. According to this amendment, there should be no need to wait for the result of a patent invalidation proceeding.

The New Patent Law amends compulsory licensing articles. It authorizes SIPO to grant a compulsory license if the patentee's exploitation of the patented technology is found either to be insufficient within three years from the grant date or four years from the filing date or to be eliminating or restricting competition (monopolizing). It also introduces circumstances under which SIPO may grant a compulsory license for making and exporting a patented medicine to certain countries and regions for the benefit of public health in accordance with international treaties. It also limits compulsory licensing the patents related to semiconductor technology only for public interest purpose or against monopolization. It adds that, except compulsory licensing against monopolization or for a patented medicine for the benefit of public health, the exploitation of a compulsory license should be mainly for supplying domestic market.

The amended Patent Law requires "absolute novelty" for invention patents, utility models and designs, which is applied internationally. Under this standard, patent examiners are required to consider public use evidences within China or abroad before the date of filing. Previously they only consider public use evidences within China.

Another important change is the removal of the requirement for all Chinese individuals and entities to first file applications in China for inventions made in China. The revision allowed Chinese individuals and entities to file their patents for the first time in other countries, not necessarily China. But the applicants must, before filing its patent applications in other countries, go through a secrecy review held by patent authorities of the State Council. If filing applications in other countries without undergoing the secrecy review, the applicant will not be granted patent rights for its corresponding Chinese filings, according to the new law.

The New Patent Law adds new requirements on patent filings for inventions made relying on genetic resources. It provides that for any invention made relying on *genetic resources*, the applicant must disclose the direct source and the original source of the genetic resources in the application. An explanation must be included if the applicant is unable to provide the source of the genetic resources. If the acquisition or use of genetic resources breaches any relevant laws and regulations in China, then no patent shall be granted for any invention made relying on such genetic resources.

The New Patent Law provides that the transfer of patent related rights to a foreign party shall comply with the applicable regulatory requirements, to remove the previous requirement inconsistent with the related regulations. The related Technology Import/Export Regulations provides that only the import/export of a "restricted" technology requires an administrative approval.

The New Patent Law adds a new provision which provides that where the patent rights to a patent or rights to apply for a patent are jointly owned, the exploitation of such rights shall be governed by the agreement between the joint owners. If the joint owners have not entered into any agreement regarding such an exploitation, each joint owner shall be able to exploit itself or to grant to a third party a general license of the patent, and distribute the royalties therefrom between the joint owners.

The New Patent Law amends regulations on design patents. If a design is about patterns, colors or combination thereof on Ichnographic prints, mainly for identifying, it is unpatentable, pursuant to the new law. For example, beer labels, soft drink bottle labels, or wine labels can no longer be granted design patents. Obvious distinction between a design and the existing designs is newly required for granting patent rights to the design. Additionally, when determining the scope of a design patent, its specification can be used for explanation, pursuant to the new law. Two or more similar designs for the same product can be included in one application, which pursuant to the previous law has to be applied in two or more applications.

We are updating the third revision of Patent Law in our website now. Please visit our website for details.

Hermes Denied Pursuit to Register 3D Marks

Disgruntled with the ruling by the Trademark Review and Adjudication Board (TRAB) under the State Administration for Industry and Commerce (SAIC) over registration of its 3D marks, Birkin handbag and Kelly handbag, Hermes sought legal remedy to reverse it at the Beijing No. 1 Intermediate People's Court. The Court recently handed the French designer powerhouse another defeat.

Once requesting territorial extension for Birkin and Kelly, Hermes suffered the first denial by the Trademark Office, which was also under the SAIC. Then it took the case to TRAB for the aforementioned review.

The court held that the switch portion of the two 3D marks mostly represented the products' function, which made the marks devoid of distinctiveness as a whole. The ruling of the TRAB was upheld accordingly.
(Source: SIPO)

Chinese Company Paces PCT Filings

Chinese telecom company Huawei Technologies was the largest filer of PCT applications in 2008, according to statistics published by WIPO on January 27. The Shenzhen-based company filed 1,737 PCT applications during the year, followed by Panasonic (JP)'s 1,729 and Dutch company Philips' 1,551. Chinese company topped the PCT filing list for first time in history.

Huawei had been a promising comer during the past few years, filing 575 in 2006 (13th) and 1,365 in 2007 (4th). Another Chinese telecom company, ZTE charged into the top 50 for the first time with 329 filings at 38th.
(Source: SIPO)

LV Pattern on Denim Found Infringement

In a first instance decision rendered by Changzhou (Jiangsu) Intermediate People 爷 s Court, a local textile company printing Louis Vuitton (LV) Malletier's trademarks on its denim was ordered to cease infringement and indemnify LV 65,000 yuan in damages.

LV claimed the defendant, manufacturing denimfor a Guangzhou client at a bargain price of 15 yuan per meter, printed LV's trademarks on its products, which constituted unfair competition. The French company then sought injunction and monetary damages.

The Court held that the defendant's act infringed LV's trademark rights and the defendant also took advantage of the plaintiff products' reputation to harvest inequitable interests. Such acts ran counter to the principles of good faith and commonly accepted business ethics. Unfair competition was in place too.
(Source: SIPO)

Patent Applications Up

China had the world's sixth largest number of international patent applications in 2008, the Xinhua News Agency reported.

The country overtook the United Kingdom in the ratings, following the United States, Japan, Germany, South Korea and France, according to the State Intellectual Property Office (SIPO).

China filed 6,089 patent applications under the Patent Cooperation Treaty (PCT) in 2008, up 11.9 percent over previous year, according to SIPO statistics.

Chinese firms played an active role in domestic patent applications. Half of the

194,000 patent applications for inventions were handed in by local companies last year, said SIPO Director Tian Lipu.

About 40,500 companies submitted patent applications last year, up 23.9 percent over 2007.
(Source: China Daily)

Huawei Ranks First

Huawei Technologies, China's leading telecommunications equipment manufacturer, last year ranked No 1 in the world for the first time in terms of the number of its Patent Cooperation Treaty (PCT) patent applications, according to the World Intellectual Property Organization (WIPO). Huawei filed a total of 1,737 applications in 2008.

Huawei was followed by Panasonic, Philips Electronics, Toyota and Robert Bosch GMBH.

International PCT filings totaled 164,000 last year, an increase of 2.4 percent year-on-year, WIPO said.
(Source: China Daily)

Auto Dispute

German bus and coach manufacturer Neoplan Bus GmbH recently won an intellectual property lawsuit against a Chinese auto firm.

The Beijing No 1 Intermediate People's Court ordered automotive group Zonda and its subsidiary Yancheng Zhongwei Passenger Coach Co Ltd and Beijing Zhongtong Xinhua Automobile Sales Company to pay 21 million yuan to Neoplan Bus GmbH.

The German firm filed the lawsuit in 2006, accusing Zonda of copying Neoplan's "Starliner" coach to make its "A9" model.

The court ordered Zonda to stop manufacturing the pirated model and prohibited its sale.

"Zonda could not provide enough evidence to prove that the Zonda A9 was a result of its own research," according to a press release.

Neoplan applied for a patent for its Starliner coach in China in 2004, the company said.
(Source: China Daily)

Top 10 IPR Cases

The 2008 annual report on intellectual property rights in China was recently released by Peking University School of Journalism and Communication. The report was sponsored by Japanese electrical products company Epson.

The report listed the following top 10 IPR cases of 2008: Microsoft's black screen incident; the release of China's National Intellectual Property Strategy Outline; the "Tomato Garden" piracy case; Olympic intellectual property rights protection; karaoke copyright litigation; the "Cabernet" wine controversy; Baidu MP3 search disputes; the Wanfang infringement case; CeBIT

confiscations; and the Chinese Patent Law amendment.
(Source: China Daily)

Nine Provinces and Municipalities Have Local IPR Strategies

After the National IPR Strategy Outline promulgated and carried out by Chinese government, provinces and municipalities in China rushed to implement the Outline. Till now, nine provinces and municipalities have released local IPR strategies according to their own characteristics.

It is said that, as of the end of 2008, Liaoning, Henan, Shaanxi and other five provinces and municipalities had issued IPR strategies, and Jiangsu province unveiled IPR strategy this January. In addition, Hunan, Yunnan and Qinghai are planning to issue their own IPR strategies.

And Shanghai had organized mid-term appraisal on the implementation of IPR strategy, so as to make sure the good connection with National IPR Strategy.
(Source: IPR in China)