October 8, 2008

To:

Legislative Affairs Commission of the Standing Committee of the National People's Congress of China

Japan Intellectual Property Association
Hirohiko Usui, President

Opinions on the Amendment Bill for the Chinese Patent Law (Draft)

We, the Japan Intellectual Property Association (JIPA), are a private user organization established in Japan in 1938 for the purpose of promoting intellectual property protection, with about 900 major Japanese companies as members. One of the important activities of the JIPA is to study the intellectual property systems of other countries and send the relevant authorities our opinions and requests with regard to the introduction and implementation of those systems. We are grateful for the opportunity to study your draft amendment bill for the Chinese Patent Law.

Since this draft addresses many issues on which we have requested consideration from relevant Indian authorities and reflects the principle of international harmonization, foreign applicants and right holders will strongly support the draft. However, we would like to request partial modifications of the draft.

Your kind consideration of our opinions attached hereto would be very much appreciated.

Please do not hesitate to contact us if you would like to have further information on the basis of our opinions.

Attached document:

Opinions on the Amendment Bill for the Chinese Patent Law (Draft)

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Opinions on the Amendment Bill for the Chinese Patent Law (Draft)

1. Section 2

Section 2 of the amendment bill adds the provision that "No patent right shall be granted for an invention-creation of which the completion depends on genetic resources, if the acquisition or exploitation of said genetic resources violates the relevant laws and administrative regulations of the State." as Article 5, paragraph (2) of the revised Patent law.

This provision should not be applied casually. The application of this provision should be strictly restricted by clarifying the scope of inventions subject to this provision.

There is no established definition for the term "genetic resources" used in this provision. Since the meaning of this term could change over time, we are concerned that the phrase "an invention-creation of which the completion depends on genetic resources" is unclear in terms of the scope of inventions subject to the provision. Similarly, the phrase "the acquisition or exploitation of said genetic resources" is unclear as to what kind of act falls under "acquisition or exploitation." Furthermore, the ambiguity of the phrase "the relevant laws and administrative regulations" could cause confusion in applying the provision.

Therefore, it would be desirable to define the terms, "genetic resources," "acquisition or exploitation," and "the relevant laws and administrative regulations," in the Patent law, Patent Regulations, Examination guideline, etc., in order to clarify the scope of application of this provision. This would greatly contribute to preventing confusion in implementing the revised Law.

In order to prevent the use of this provision as a convenient means to invalidate a patent right, the application of this provision should be strictly restricted.

2. Article 5

Article 5 of the amendment bill modifies Article11, paragraph (2) of the current Patent Law by adding "offer to sell (许诺销售)" as an act of design infringement.

We support this modification from the perspective of international harmonization.

3. Article 7

Article 7 of the amendment bill adds the following provision as Article 15 of the revised Patent Law: "Where the patent application right or patent right is co-owned by two or more entities or individuals, if the co-owners have agreed upon how to exploit the patent, such agreement shall be followed; otherwise, any co-owner may exploit the patent alone or grant others a non-exclusive license to exploit the patent and the exploitation fee received shall be allocated among all co-owners. Except as provided above in the preceding paragraph, exploitation of any co-owned patent application right or patent right may not be made without the consent of all co-owners."

It would be desirable to modify the phrase "otherwise, any co-owner may exploit the patent alone or grant others a non-exclusive license to exploit the patent" to "otherwise, any co-owner may exploit the patent alone" so that the consent of all of the co-owners is required for any of them to grant a non-exclusive license to a third party even if they have not concluded an agreement on how to exploit the patent.

In some cases, a co-owner's act of licensing a jointly owned patent to a third party without the consent of the rest of the co-owners causes great damage to the rest of the co-owners. This can be said not only about exclusive licenses but also about non-exclusive licenses. For example, in a case where Company X and Company Y jointly own a patent, if Company X licenses the patent to Company Z, a rival company of Company Y, such act of licensing would be unacceptable for Company Y even if the license is non-exclusive. This is because Company X's act of licensing the jointly owned patent to Company Z without Company Y's consent could deprive Company Y of its privilege as a co-owner of the patent. This is particularly true if Company Y is inferior to Company Z in terms of capital size and competitiveness. Deprivation of such a privilege would be extremely damaging to Company Y even if Company Y can continue its business.

This is why we think it necessary to modify the provision in such a way that requires the consent of all of the co-owners as described above before a license, even if a non-exclusive one, is granted to a third party.

On the other hand, if the consent of all of the co-owners is required before filing a lawsuit against infringement or for revocation of a decision of invalidation, nonconcurrence of some of the co-owners who want to license the jointly-owned patent to a third party would cause damage to the rest of the co-owners as seen in the aforementioned case. In order to prevent such damage, it would be desirable to clearly state in the Patent Regulations or in a judicial interpretation that, while the amendment bill requires the consent of all of the co-owners before exercising any co-owned "patent application right or patent right," such exercise of right does not include the filing of a lawsuit against infringement or for revocation of a decision of invalidation.

4. Article 9

Article 9 of the amendment bill transfers Article 20 of the current Patent Law to Article 21 of the revised Law and modifies paragraph (1) to "Any entity or individual may file an application in a foreign country for an invention-creation completed in China, subject to a prior security examination by the Patent Administration Department under the State Council."

The "security examination" specified in this provision should be conducted efficiently with minimal procedural burden on applicants.

It is understood that China needs to prevent leakage of its national secrets to other countries by those who make inventions-creations in China and file patent applications for them with foreign

patent authorities. However, if the security examination specified in the revised law imposes a substantial procedural burden or takes a long time to complete, the filing of patent applications in other countries would be delayed as a consequence. Such a delay would deprive a patent applicant of an opportunity to become the first applicant for the invention in many countries that have adopted the first-to-file principle. The PCT requires patent authorities to use the filing date of an international application as the filing date in other countries. The amendment bill requires security examination even if an applicant does not choose China as the first country to file an application for an invention or creation made in China but chooses the State Intellectual Property Office (SIPO) as the authorities to submit an international application for the invention. Until the security examination is completed, the applicant is unable to file the international application. This is very disadvantageous not only for us, foreign applicants, but also for Chinese applicants who want to file international applications. To prevent such disadvantage, security examination should be conducted efficiently with minimal procedural burden on applicants.

For instance, it would be beneficial to take the following measures. Minimize the materials that must be submitted with an application for security examination in order to avoid imposing excessive burdens on applicants. Oblige the Patent Administration Department under the State Council to shorten the security examination period to such an extent that allows applicants to obtain the prior application right. Conduct security examination on every patent application filed with the SIPO and every international application submitted to the SIPO and let the applicant deem that he or she has obtained SIPO's approval for filing the patent application with foreign patent authorities or for making the national phase entry of the international application as long as he or she does not receive, within a certain period (for example, within six months in the case of a patent for an invention or a utility model and within a shorter period in the case of a patent for a design), SIPO's decision to prohibit the filing of the patent application with foreign patent authorities..

As described above, detailed procedural rules need to be established for efficient security examination. It would be desirable to establish such rules upon revision of the Patent Law.

5. Article 10

Article 10 of the amendment bill transfers Article 21 of the current Patent Law to Article 22 of the revised Law and adds the following provision as paragraph (2): "The Patent Administration Department under the State Council shall disseminate the patent related information completely, accurately, and timely, and publish the Patent Gazette periodically."

We support this modification because it would promote the distribution and use of patent information.

6. Article 11

Article 11 of the amendment bill transfers Article 22 of the current Patent Law to Article 23 of the revised Law and modifies paragraph (2) to “Novelty means that the invention or utility model shall neither belong to the prior art nor has any other person filed before the date of filing with the Patent Administrative Department under the State Council an application which described the identical invention or utility model and was published in patent application documents or announced in patent documents after said date of filing” and also modifies paragraph (3) as “Inventiveness means that, as compared with the prior art, the invention has prominent substantive features and represents notable progress and that the utility model has substantive features and represents progress” and adds paragraph (5) stating that “The prior art referred to in this Law means any technology known to the public in this country or abroad before the date of filing.”

We support these modifications made to adopt the so-called principle of absolute novelty for the purpose of promoting international harmonization of the criteria for registration of patents and utility models.

In order to prevent confusion in implementing this provision, it would be desirable to clearly define the term “known to the public” in the Patent Regulations, the Examination Guidelines, etc.

7. Article 12

Article 12 of the amendment bill transfers Article 23 of the current Patent Law to Article 24 of the revised Law and modifies paragraph (1) to “Any design for which a patent right may be granted shall neither belong to the prior design, nor have any other person to have filed before the date of filing with the Patent Administrative Department Under the State Council an application which described the identical design and was announced in patent documents after said date of filing” and modifies paragraph (2) to “Any design for which a patent right may be granted shall be obviously differentiable from the prior design or a combination of features of the prior design” and modifies paragraph (4) to “The prior design referred to in this Law means any design known to the public in this country or abroad before the date of filing.”

We support these modifications made to adopt the so-called principle of absolute novelty and the principle of refusing applications for easily-made designs for the purpose of promoting international harmonization of the criteria for registration of designs.

In order to prevent confusion in implementing this provision, it would be desirable to clearly define the term “known to the public” in the Patent Regulations, the Examination Guidelines, etc.

8. Article 13

Article 13 of the amendment bill transfers Article 25 of the current Patent Law to Article 26 of the revised Law and adds item (6) stating as follows to paragraph (1): “Two-dimensional designs made of patterns, colors or their combination, mainly for the purpose of indication.”

In a case where an application is filed for the design of a container, package, etc. whose form has novel characteristics, we consider it desirable not to apply this provision even if the form contains two-dimensional printed material made solely for the purpose of indication.

An application for the design of a product often carries a photograph instead of a drawing. As a result, there are many cases where a novel form contains two-dimensional printed material made solely for the purpose of indication. If such a case were subject to this provision, proper protection would not be given to the forms of new containers, packages, etc.

Therefore, it would be desirable to separately specify that this provision shall not apply to a case where an application is filed for the design of a container, package, etc. whose form has novel characteristics even if the form contains two-dimensional printed material made solely for the purpose of indication.

9. Article 14

Article 14 of the amendment bill transfers Article 26 of the current Patent Law to Article 27 of the revised Law and adds paragraph (6) stating that “For an invention-creation, the completion of which depends on genetic resources, the applicant shall indicate the direct source and original source of said genetic resources in the application documents; The applicant shall state reasons if the original source of said genetic resources can not be indicated.”

It would be desirable to modify the phrase of this provision that “the applicant shall indicate the direct source and original source of said genetic resources in the application documents” to “the applicant shall indicate the direct source of said genetic resources in the application documents” and to delete the phrase “The applicant shall state reasons if the original source of said genetic resources can not be indicated” in order not to require the indication of the original source of genetic resources in application documents. If these modifications are not made to this provision, we would like to request you to separately specify the criteria for justifiable reasons for refusing to indicate the original source because such criteria would prevent excessive burdens from being imposed on applicants.

In most cases, the direct source of genetic resources is obvious to the applicant. Therefore, the requirement for the indication of direct source in application documents would not impose excessive burdens on applicants. However, since the original source of genetic resources is often unknown to applicants, it is extremely difficult to indicate it in application documents in some cases. As well, the provision specifies that the indication of the original source of genetic resources is unnecessary if an applicant states the reasons for not being able to state them. However, it is not clear what reasons are considered to be legitimate for not indicating the original source of genetic resources. This lack of clarity could impose excessive burdens on applicants.

For these reasons, regarding the sources of generic resources based on which an

invention-creation is completed, applicants should be required to indicate only the direct source of genetic resources in application documents and should be allowed to decide whether to indicate the original source.

If the original source of genetic resources is required to be indicated in application documents, it would be absolutely necessary to specify in the Patent Regulations that any applicant who claims that "the original source is not known to the applicant" should be regarded to have a legitimate reason for not indicating the original source. Furthermore, since it is unclear who is in a position to determine whether the reason given by an applicant for not indicating the original source is legitimate or not and what criteria will be used by that person, the Patent Regulations, or the Examination Guidelines, etc. should clarify these points. It would be desirable to design and implement a system in such a way that offers a remedy to applicants whose reasons are considered illegitimate so as not to subject them to such excessive punishment as patent invalidation.

10. Article 15

Article 15 of the amendment bill transfers Article 31 of the current Patent Law to Article 32 of the revised Law and modifies paragraph 2 to "An application for a patent for design shall be limited to one design. Two or more similar designs for the same product or two or more designs which are incorporated in products belonging to the same class and are sold or used in sets may be filed as one application."

We support this modification because it allows similar designs to be filed as one application and contributes to strengthening protection for right holders by effectively eliminating from the market such design counterfeits that have been created by slightly changing prior designs.

Currently, design applications are not subject to substantive examination. Furthermore, at the stage of preliminary examination, examiners do not make a judgment of similarity. As a result, even if an application contains designs that are not similar to each other, the applicant is unable to receive a remedy such as an opportunity to file a divisional application. Therefore, in the case of an application containing more than one design, it would be desirable to make a judgment of similarity at the stage of preliminary examination. If the application is judged to violate this provision, the applicant should be notified to that effect and given a remedy such as an opportunity to file a divisional application. After the registration of a design right, even if the design application is found to have been filed in violation of this provision, the design right should not be invalidated.

11. Article 17

Article 17 of the amendment bill adds the following provision as Article 51 of the revised Patent Law:

For the purpose of public health, the Patent Administration Department under the State Council may

grant a compulsory license to manufacture and export a medication which has been granted patent rights in China to following countries or regions:

(1) least developed countries;

(2) a WTO member that has completed the relevant procedure required by relevant treaties of which China is a member, and who has no or insufficient capability to manufacture said medication.

In order to prevent inappropriate granting of a compulsory license to a medication for the purpose of public health, it would be desirable to clarify the criteria for the grant of such a license.

Understanding that a compulsory license is sometimes necessary for provision of a new medication at a low price in order to effectively deal with a medical urgency caused by HIV/AIDS, tuberculosis, malaria, etc. in least developed countries, we consider it important to protect the interests of patentees. In particular, research and development activities for medications require a great deal of investments. Unless the patent protection period is long enough for drug makers to recover their product development investments, they would not be able to continue their research and development activities for new medications. This would be of critical consequence to many patients who need those new medications to survive. From this viewpoint, a compulsory license for a medication should be granted only in national emergency or a crisis of equivalent magnitude.

This provision specifies that a compulsory license may be granted only "For the purpose of public health." This provision is so vague that all diseases could be subject to this provision. In order to prevent inappropriate application of this provision, the Patent Law or the Patent Regulations should specify that this provision is applicable only to highly infectious or contagious diseases such as HIV, tuberculosis, and malaria or to a national emergency.

12. Article 21

Article 21 of the amendment bill transfers Article 57, paragraph (2) of the current Patent Law to Article 62 of the revised Law and modifies the provision to "Where the patent infringement relates to a patent for utility model or design**,** the people's court or the administrative authority for patent affairs may ask the patentee or an interested party to furnish an evaluation report of patent right made by the Patent Administration Department Under the State Council.

The Patent Administrative Department under the State Council shall, upon request from a patentee or an interested party, conduct a search, analysis and evaluation for the relevant patent for utility model or design to make an evaluation report of the patent right. The evaluation report of patent right is preliminary evidence for people's court or administrative authority for patent affairs to judge the validity of the patent right."

It would be desirable to modify the phrase "upon the request from patentee or interested party" to "upon request" and add paragraph (3) stating that "any entity or individual may file a request specified in the preceding paragraph on and from the date on which the grant of a patent right is

publicized.

We support the introduction of a search report system for design rights in addition to utility model rights. The “search report” system provides right holders with the basis for claiming the validity of utility model rights and design rights and helps people’ courts and patent management departments make prompt judgment. Furthermore, said system is expected to prevent abuse of rights.

Under the amendment bill, only patentees and interested parties involved in patent infringement lawsuits are permitted to request the preparation of a search report. Any party against whom a patentee has exercised a right or is likely to exercise a right extra-judicially is not permitted to request the preparation of a search report. To prevent such inconvenience, it would be desirable to revise this provision in such a way that permits any person to request a search report at any time.

The use of a search report should not be limited to patent infringement lawsuits. Request for the preparation of a search report for extra-judicial use should be permitted more widely in order to prevent abusive exercise of utility model right and design right. For instance, any person who receives a warning from another party should be permitted to request the warning party to present a relevant search report. Any patentee who applies for registration with the Customs General Administration should also be required to submit a search report (Article 7 of the Regulations of the People’s Republic of China on Customs Protection of Intellectual Property Rights.)

Article 21 of the amendment bill deletes the following part of paragraph (2) of Article 57 of the current Patent Law: “For any infringement dispute involving the patent for invention concerning a process for the manufacture of a new product, the entity or individual that produces the same product shall furnish proof showing that its or his process is different from the patented one.”

We oppose the deletion of this part of paragraph (2) of Article 57 of the current Patent Law and hope to see said part maintained in the revised law.

In the case of a patent infringement lawsuit, unless otherwise stipulated, the patentee bears the burden of proof. If the patented invention in question is related to the production method, it would be extremely difficult for the patentee to grasp the production process of the product that is suspected of infringing his or her patent. On the other hand, it would be relatively easy for the alleged infringer to prove that his or her production method is different from the patented method. The aforementioned part of paragraph (2) of Article 57 of the current Patent Law takes this point into consideration and plays an important role in ensuring protection for the patents on the production methods of new products by reducing the burden of proof imposed on the patentees. For these reasons, we consider that the deletion of the aforementioned part of this provision proposed in the amendment bill would weaken patent protection.

13. Article 25

Article 25 of the amendment bill transfers Article 60 of the current Patent Law to Article 66 of

the revised Law and adds the provision that “If it is difficult to determine the losses which the patentee has suffered, the profits which the infringer has earned and the royalties of that patent, people’s court shall decide the compensation as the range from RMB 10,000 to 1,000,000 yuan based on type of patent, and nature and circumstances of the infringement.”

The phrase “people’s court shall decide the compensation as the range from RMB 10,000 to 1,000,000 yuan” should be modified to “people’s court shall decide a reasonable amount of compensation” in order to eliminate the limits on the amount of compensation determined by people’s court.

It is our understanding that the amount of compensation ranging from “RMB 10,000 to 1,000,000 yuan” specified in Article 25 of the amendment bill was set by reinforcing the amount of compensation (RMB 5,000 to 500,000 yuan) specified in Article 21 of the judicial interpretation of the Supreme People’s Court (Judicial Interpretation (2001) 21, Several Provisions of the Supreme People's Court on Issues Relating to Application of Law to Adjudication of Cases of Patent Disputes (关于审理专利纠纷案件适用法律问题的若干规定)). In reality, the reasonable amount of damages greatly varies from on patent infringement case to another. There were some cases where people’s court granted damages much higher than 1,000,000 yuan in consideration of the losses suffered by the patentee and the profits gained by the infringer. Furthermore, the reasonable amount of damages greatly differs depending on the economic situation such as the commodity prices at the time when the infringement in question occurs. It would be inappropriate to stipulate the upper and lower limits of damages because legal revision cannot be made frequently enough to appropriately modify the limits in accordance with the trend in patent infringement cases and the economic situation of the time.

14. Others

In addition to all of the requests made above, we would like to make the following requests. We would appreciate your kind consideration of incorporating these points into the revised Patent Law:

- Establishment of a provision concerning indirect infringement;
- Introduction of substantive examination to the design examination procedure and establishment of a partial design system;
- Acceptance of patent applications written in foreign languages;
- Patent protection for computer programs;
- Introduction of an accelerated examination program that will be applied upon request of an applicant;
- Extension of the protection period for designs;
- Clarification of the definition of the “date on which the patentee becomes aware of the

infringement" from which a patent is considered to have been infringed in infringement proceedings;

- Creation of a system that allows patentees to voluntarily correct their specifications after the registration of patents;
- Clarification that an application may be refused or invalidated on the grounds that it is a usurped application;
- Application of the provision concerning exception to the loss of novelty to a case where the person who has the right to receive a patent for an invention has conducted a test on the invention or has publicized the invention through a journal;
- Wider application of criminal punishment to an act of patent infringement; and
- Adoption of a system to extend the patent protection period to set off the period necessary to obtain governmental approval for drugs.