

Monthly Newsletter

July 2022



Impact of the China Patent Law - One year after its enforcement (1)

The fourth amendment of the *China Patent Law* came into force on June 1, 2021, which took 12 years for the legislative bodies to complete the amendment. The key goal of this amendment is to safeguard the legitimate rights and interests of patentees, boost the confidence of innovators in patent protection, and build the culture of creativity and innovation.

One year after the implementation of the revised *Patent Law*, we concluded the measures and practical applications of the patentee oriented *Patent Law* that inventors can learn from to protect their patents.

Severe punishment to infringement to protect the rights of patentees

The *Patent Law* (Article 71) introduced punitive damages to intimidate infringers. The courts have discretion to award damages of 1) up to five times of the illegal earnings of the infringers or 2) in the case of intentional infringement, reasonable patent royalties to the right holders. The provision also inflicts a higher amount of statutory damages to the maximum of 5 million yuan and the minimum of 30,000 yuan. It significantly increases the violation costs, which is in line with the aim of the amendment of the *Patent Law*. In addition, the amount of compensation should include the reasonable expenses paid by the right holder to stop the infringement, e.g. attorney fees.

On April 21, 2022, the Supreme People's Court issued a report - "*Judicial Protection of Intellectual Property in Chinese Courts (2021)*", in which the Supreme People's court announced that in 2021, the infringers in 895 intellectual property cases were ordered to pay the punitive damages. We saw the courts have ordered infringers to pay enormous punitive damages to right holders. For example in 2019 (*although the amendment has not come to effect in 2019, the judges have considered the drafted amendment when delivered their judgement*), Wyeth has received a 30,000,000 yuan punitive damages (3 times of the economic losses suffered by Wyeth) from an infringer**. The courts are being more cautious on the losses that patentees suffer. This is also a significant signal that the country highly values the importance of intellectual property, and its determination in protecting right holders by severely punishes infringers.

Lower burden of proof for patentees

According to Article 71, if the right holder has tried his best to provide evidence, and the materials related to the patent infringement are at the hands of the infringer, the courts may order the infringer to provide such materials. If the infringer refuses to provide the materials, or provides false materials, the courts may determine the amount of compensation by reference to the right holder's claims and the evidence provided.

Regarding application of injunctions, the *Patent Law* lowers the thresholds for patentees to apply for injunctions. According to Article 72, pre-trial injunctions are available if a patentee or any interested party has evidence to prove that another person is infringing or is about to infringe his patent right or hinders the realization of the right, which, unless being stopped in time, may cause irreparable damage to his lawful rights and interests, before filing a lawsuit. In contrast, the previous version stipulated that patentees or any interested party need to provide a security when filing a petition for injunction. If it or he fails to provide the security, the application shall be rejected.

Article 73 also makes it easier for patentees to apply for evidence preservation in order to stop patent infringement. Under the circumstances where the evidence might be destroyed or where it would be difficult to obtain in the future, the patentee or the interested party may file a request for the people's court for evidence preservation before instituting a legal proceeding. While in the past, the law required the petitioner to provide a security for evidence preservation and if the petitioner fails to do so, the petition shall be rejected.

"Dual-track" scheme for patent dispute resolution in China

The *Patent Law* has also introduced a dual track scheme for patent dispute resolutions. That being said, both the courts (judicial track) and China National Intellectual Property Administration / regional / local IP offices (administrative track) have adjudicating power on patent-related disputes.

Article 70 of the *Patent Law* lays out the duties of CNIPA and its regional / local offices. The administrative departments have administrative capacity to adjudicate patent infringement disputes that have a major impact throughout the country. By operation of this article, local/regional Intellectual Property Offices may request the department in charge of patent-related work of the local people's government at a higher level to deal with cases infringing the same patent right **across administrative areas**.

Article 69 stated the power of enforcement administrative agencies (Administrative Offices for Market Regulation) and adjudicating administrative agencies (CNIPA and local/regional Intellectual Property Offices)^{***}. Enforcement administrative agencies have stronger administrative powers than adjudicating administrative agencies. For example, an adjudicating administrative agency has power to inquire the parties concerned, carry out on-the-spot inspection, and examine products related to the infringement; **an enforcement administrative agency has additional power to seize or detain counterfeit products and conduct evidence examination and reproduction**. Pursuant to Article 68, the maximum fine for patent counterfeiting allowed under the administrative track increases to five times the unlawful gain or to RMB 250,000 if there are no unlawful gain or the unlawful gain are less than RMB 50,000 Yuan.

Foreign right holders are recommended to utilize the administrative track to protect their rights. Firstly, the administrative track applies to foreign right holders. Secondly, foreign right holders may also find that the administrative track helpful for evidence collection and efficient in terms of time consumed. This track is particularly helpful to the protection of design patent and simple invention patents. Given that the enforcement agencies are entitled by the law to inspect premises and conduct evidence examination and reproduction, the inspection of the enforcement agencies can help right holders to collect evidence of patent infringement. Not to mention that the administrative track takes around a few months to conclude a case, it is less time consuming for right holders.

Furthermore, if a foreign patentee is not satisfied with the decisions made by the administrative agencies, he may file a lawsuit with the court. As mentioned earlier, courts have discretion in awarding large amount of punitive damages to patentees. It may be a favorable solution for right holders.

Since the implementation of the Fourth Amendment of the *Patent Law*, there are increasing awareness of IP protection across the country and patent owners are more likely to take action against infringements^{****}. Given that the *Patent Law* provides a comprehensive enforcement solution for patent right holders, the right holders should consider both administrative and judicial tracks for patent protection.

We will provide more example cases in the upcoming articles and share our insights on this topic with you.

*** The dispute concerned Wyeth, a US based pharmaceutical company and Wyeth Baby, a Guangzhou based baby products manufacturer. The court of first instance ordered Wyeth baby to pay a punitive damage of 30,000,000 yuan to Wyeth for malicious trademark registration. Wyeth Baby appealed the case in January 2021 but the appellate court upheld the judgment from the court of the first instance.*

**** Bearing in mind that CNIPA is an affiliate of Administrative Offices for Market Regulation (AMR)*

***** Based on the CNIPA's China Patent Research 2021, 76.4% of the patent owners said they would take action against infringements if they happen. More information can be found [here](#) (available in Chinese only)*

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Jinghuan is a qualified PRC with patent agent qualification. She has extensive experience in patent litigation, IP strategies and licensing in various industries. She had advised leading corporations including P&G, Pfizer, GSK, Schneider on their patent applications and IP strategies. She is also a frequent speaker at CNIPA and China Technology Exchange. Jinghuan was a Managing Partner at Liu Shen and Associates' Shanghai office prior to joining Purplevine.

Administrative measures relating to medical devices in China*

On October 1 2021, the Administrative Measures for Registration and Record-Filing of Medical Devices came into force. The Administrative Measures for Registration of Medical Devices, effective from October 1 2014, was terminated at the same time.

Under Chapter 4 of the new measures, *Section 1, Special Registration Procedures*, is closely related to IP rights. This section provides the registration procedures for innovative products under Articles 68 to 72. Below are the details of these articles.

Article 68

Article 68 of the measures regulates the scope of the innovative products that are eligible for registrations. Specifically, there are three requirements:

Core technology of the invention

The measures put forward requirements of novelty for the core technology of the products. The article stipulates that:

1. The applicant should have obtained the patent ownership in China;
2. The applicant should have obtained the right of use for the core technology of the invention in China, and the application for the core technology invention patent should have been made public; or
3. A retrieval report should be issued by the Patent Retrieval Consulting Centre of the China National Intellectual Property Administration (CNIPA) to indicate that the core technology applied to the product is novel.

Finalization of product

The measures specify the completeness of an innovative product and the authenticity of its research and development. The essence of the product should be finalised, the research process should be authentic and controlled, and the research data should be complete and traceable.

Pioneering in China and leading the globe

The measures define the advancement and clinical application value of an innovative product. These measures require that the working principle or mechanism of the product should be the first of its kind in China, and that the performance or safety of the product shows a fundamental improvement compared with similar products.

The technology applied to the product should also advance the existing technology globally, and the product should have significant clinical value.

Article 69

Article 69 of the measures regulates the time for applying the registration procedure for innovative products, instructing that the applicant should apply for the examination of innovative medical devices to the National Medical Products Administration (NMPA) after the product is substantially finalized.

Articles 70-72

Article 70 states that the NMPA and its relevant departments should assign a specific person to provide timely communication and guidance to the applicants for the registration.

Articles 71 and 72 respectively provide for the circumstances in which the procedure for the registration of innovative products can be terminated, and the circumstances in which the registration of innovative products is no longer applicable.

Advice for overseas applicants

The above innovative product registration procedures do not limit the eligibility of applicants. Both domestic and overseas applicants are eligible to submit corresponding technical data and supporting documents to register their products.

Overseas medical device enterprises should utilize this innovative product registration procedure to accelerate the registration process for their medical devices. According to the recently introduced measures, these procedures put a strong focus on the novelty of the products. The IP authorities determine the novelty of a product mainly on the grounds of whether the core technology has obtained an invention patent.

Therefore, if overseas enterprises consider utilizing these procedures, they should be mindful of the patent mapping relating to the core technologies of their pioneering products in China, and seek to apply for a Chinese patent as soon as possible.

If any medical enterprise applies for patents in China by taking advantage of the Paris Convention for the Protection of Industrial Property or the Patent Cooperation Treaty (PCT), they should try to expedite the process for the application to enter into China. If necessary, they may regard China as a priority country or CNIPA as the receiving agency for PCT applications.

During the application, overseas enterprises should entrust the Patent Retrieval Consulting Centre of CNIPA to issue a retrieval report to prove the novelty of their technologies, thus shortening the registration time. In addition, the process data and test data of the research and development should be properly kept for reviews during the registration process.

The innovative products registration procedures are recent introductions, replacing the Administrative Measures for Registration of Medical Devices. The implementation of this special approval procedure, and the appointment of a specific person at the NMPA to provide timely communication and guidance, fully shows the importance of these procedures.

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Xiaoyan is a senior patent attorney at Purplevine IP Group. As a former patent examiner in the Patent Examination Cooperation (Sichuan) Center of the Patent Office, CNIPA, she has experience in the substantive examination of over 500 invention patents. This included a large number of PCT applications with applicants including Ford, Toyota, Volkswagen, BYD, NIO, Contemporary Amperex Technology Co., Ltd., and more. Xiaoyan is a qualified patent attorney in China.

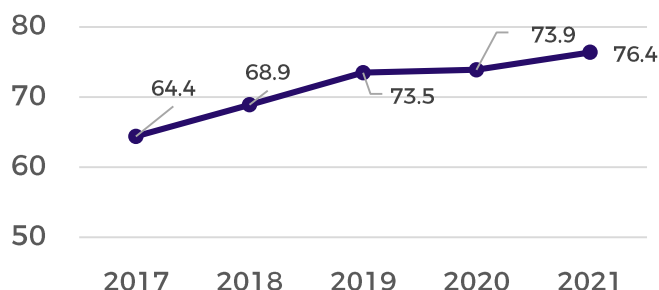
Highlights of the 2021 China Patent Research

China National Intellectual Property Administration has published its 2021 China Patent Research in Jun 2022. The research is based on more than 10,000 surveys CNIPA collected from patent owners in China in 2021. We have selected key results which may be relevant to you.

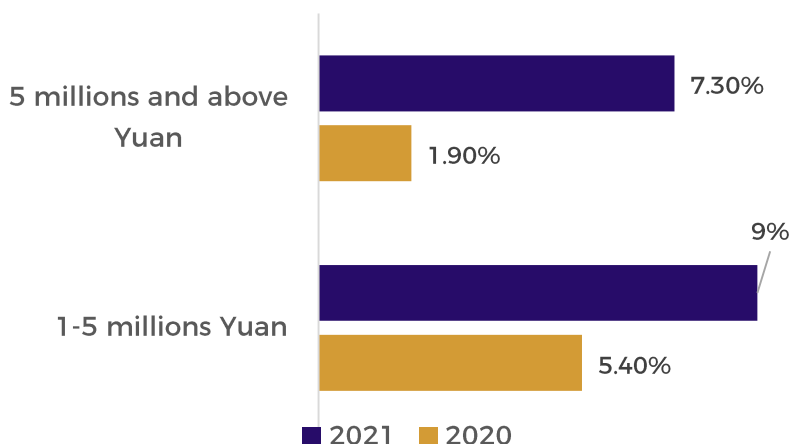
Patent owners become more cautious of infringements

While the proportion of patent owners experiencing patent infringements dropped to 7.2%, a record low since 2017, more patent owners proactively take action against infringements. Based on the research, 76.4% of patent owners said they take actions if infringements happen, a 2.5% increase from last year.

% of patent owners who take actions against infringements



% of patent owners who received more than 1 million Yuan of compensation from infringements

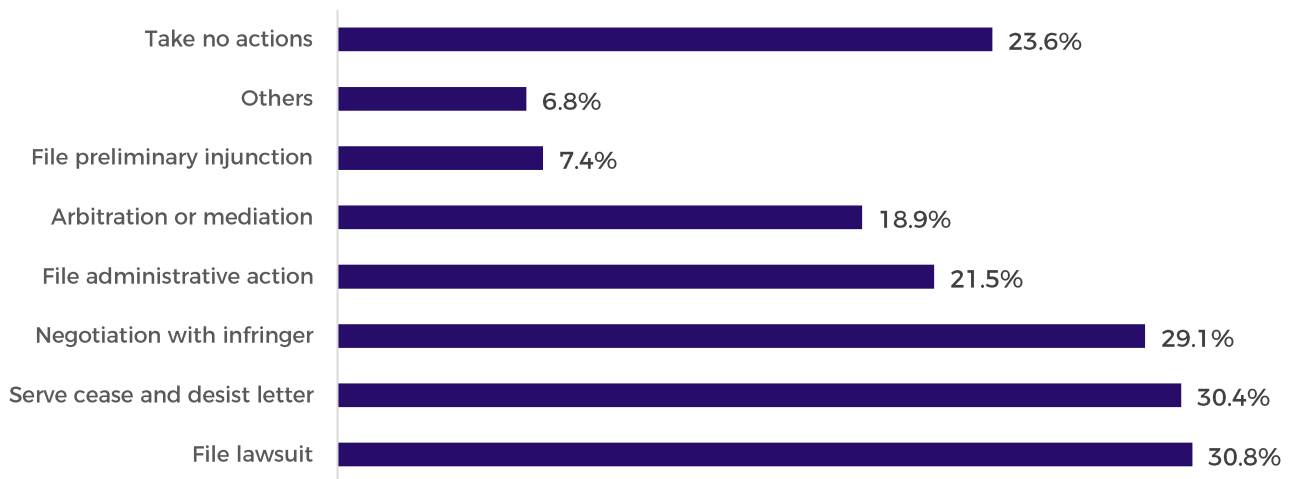


Compensation for infringement damages increased

Based on the research, 16.3% of patent owners were awarded more than 1 million Yuan in infringement disputes (incl mediation and settlement). It is a great example of how The Fourth Amendment of the Patent Law brings benefits to patent owners.

Filing lawsuits remain the most favorable approach for IP protection

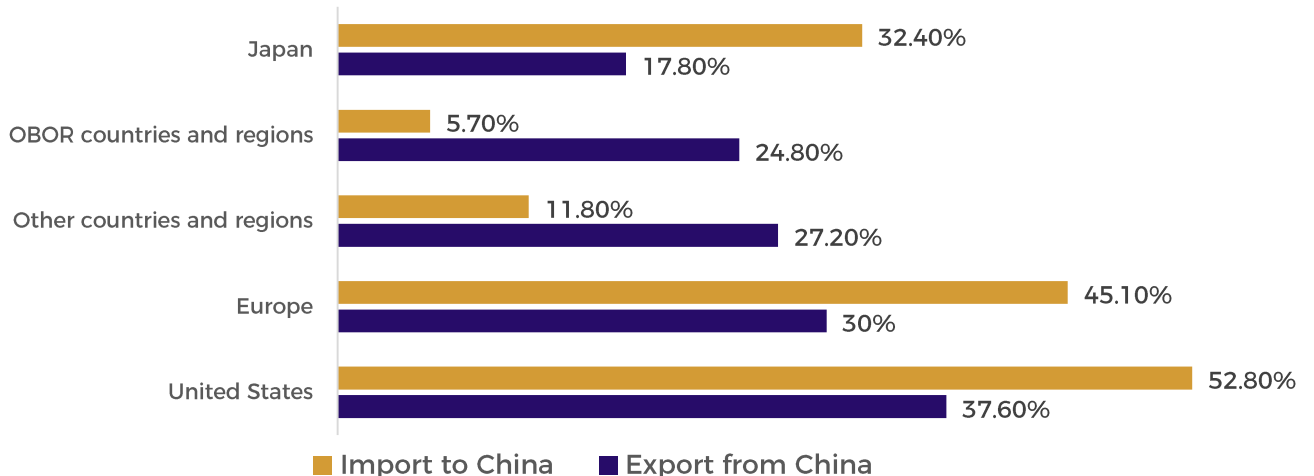
Patent owners prefer to file lawsuits, serve cease and desist letters and negotiate with infringers to protect their IP when encounter infringements. It is noteworthy that **48.3% of the patent owners would adopt more than 2 approaches** when they confront infringements.* It shows that patent owners in China become more sophisticated in dealing with infringements.



* The result is based on 1303 surveys received by CNIPA.

United States is the most popular country for technology transfers

Although there are constant political tensions between China and the United States, they do not weaken the technology transfers between the two countries.



* The export result is based on 278 surveys from corporates; the import result is based on 90 surveys from corporates received by CNIPA.

The full research is available in Chinese on CNIPA's website, click [here](#) for more information.

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