

### Changes to China's Patent Laws

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On December 27, 2008, China approved the third amendment to its patent law. This amendment, set to take effect on October 1, 2009, includes provisions related to procurement and enforcement of patent rights.

Foreign entities doing business in China are probably, and rightfully so, concerned about the amendment's provision related to foreign filings. Under the current law, Chinese companies or individuals are required to file in China first to protect inventions made in China before corresponding applications can be filed in foreign countries. The current law does not impose the China-first filing requirement on foreign businesses. By contrast, the amendment requires that Chinese patent applications be first filed to cover all inventions made in China, either by a foreign company's China subsidiary, or a Chinese company or an individual. Failing to comply with this requirement can result in loss of rights to patent protection of such inventions in China.

Substantively, the amendment revises the novelty standard for patents on utility inventions. Under the current law, a public use can destroy the novelty of an invention only when the public use occurs within China. The amendment provides that any public use in China or abroad serves as a novelty-destroying event. In other words, the amendment replaces the current relative novelty standard for patentability with a new absolute novelty standard. The applicability of publications anywhere in the world to determine the novelty of an invention remains unchanged.

The amendment also changes the patentability standard for design patents. Currently, a large number of design patents have been issued to cover planar drawings, colors, or their combinations. Such subject matters will no longer be eligible for design patents under the amendment. The amendment further requires that a design patent applicant show an inventive step, which is not required under the current law. Additional requirements added by the amendment are that the applicant provide a brief description for drawings and that a patentability search be conducted.

In terms of enforcement, the amendment provides some good news to foreign companies doing business in China. For instance, it allows enhanced enforcement of patent rights by the administrative and judicial bodies. The administrative body governing the patent right enforcement is the Industry and Commerce Bureau (ICB). Under the amendment, the ICB will have greater power to investigate alleged patent infringements and impose greater fines on infringers. The amendment also grants courts more power in issuing evidence protection orders and allows increases in the upper limit of statutory damages for patent infringement.

On the other hand, the amendment allows parallel importation by a non-patentee (in the case of gray market) without imposing liability on the importer as long as the imported goods are obtained through a legitimate source in a foreign country. This provision is intended to bring down the prices of certain patented products that are sold in China at high prices due to the patentee's exclusive position. Finally, the amendment reduces the threshold that an applicant for a compulsory license needs to meet to obtain such a compulsory license.

## Alerts

For more information on the amendment or to discuss how this amendment affects your business in China, please contact Weisun Rao at 269.383.5888.