

A hot air balloon with a colorful, multi-colored pattern (yellow, green, blue, purple) is shown in the upper right corner of the page, partially cut off by the edge. The balloon is inflated and appears to be floating.

China issues its fourth draft patent law, after over three years of deliberation.

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On 4 January 2019, China's National People's Congress (NPC) released [draft amendments](#) to the Chinese patent law for public comments (English translation available upon request), proposing, inter alia, higher damages for patent infringement, more options for rewarding inventors under an employee invention remuneration scheme, and patent term extensions for design patents and pharmaceutical patents. The current version of the law, which dates back to 2008, is generally seen as outdated and in need of significant amendment. The fact that this newest draft has been issued after over three years of deliberation, and that it is the fourth iteration of the draft submitted to the NPC, reflects the hotly debated nature of the new provisions of the Patent Law, and the many interests at stake.

What does it mean?

We summarize the highlights of the new draft as follows:

- a) **Higher damages for infringement and burden shifting provision.** Damages for patent infringement (which, on average, are often considered low by international standards) receive noteworthy attention under the draft. There are three main changes. Firstly, the amount of statutory damages (i.e. lump sum damages granted by a court if the claimant cannot provide sufficient evidence of their actual damages) are significantly raised from a current range of RMB10 000- 1 million to the proposed range of RMB100 000 – 5 million. Secondly, the concept of punitive damages for "serious" wilful infringement is introduced. Under the draft, such severe infringements would be punishable with up to five times the determined amount of damages. Finally, the draft contains a provision allowing for the shifting of the burden of proof for damages in some cases. If the evidence needed to calculate the damages (e.g. accounting books and other materials) is held by the infringer, and the infringer refuses to submit them to the court when ordered to do so, or submits fabricated evidence, the court can determine the amount of damages based on the initial evidence and calculations of the patent owner and the failure of the infringer to satisfy their burden of supplying contrary evidence. Both the proposed maximum amount of statutory damages (RMB5 million), and the maximum multiplier (5X) for punitive damages are higher than what is currently available under other intellectual property (IP) laws (e.g. RMB3 million and 3X under the trademark law, which was last amended in 2013). Interestingly, even the proposed minimum statutory damages (i.e. RMB100 000) exceeds the average amount of IP damages

awarded by Chinese courts in recent years, as reflected in some unofficial data¹. These changes would be a significant improvement of the current law.

- b) **Patent term extension for pharma patents and design patents.** Similar to the legal regimes already existing in the European Union and United States of America, the draft would allow patentees of innovative pharmaceuticals to apply for a patent term extension of up to five years, to make up for the time spent waiting for regulatory marketing approval. However, an important limitation is that this regime is only available to invention patents for "innovative drugs", for which marketing approval is simultaneously applied for in China and abroad. Moreover, the total effective term of the patent, after being placed onto the market, cannot exceed 14 years. Also, the new draft makes no mention of the previously proposed patent linkage system, which may be left to be regulated by administrative regulations (see our previous alert on draft measures regarding, inter alia, a proposed patent linkage system [here](#)). Finally, the term of design patents would be extended to 15 years from its filing date, up from 10 years under the current law, and in line with the Hague Agreement Concerning Industrial Designs.
- c) **Inventor compensation.** Under the draft, employee inventors or designers may be rewarded in the form of stocks, options, dividends etc. as part of a company policy for promoting employee inventions. The draft remains relatively vague on inventor remuneration and details pertaining to a reasonable invention-creation policy, so it is presumed detailed rules may be left for future implementing regulations.
- d) **E-infringement and network service providers.** A new provision in the draft provides that network service providers must comply with infringement notice-and-takedown requests from patent owners or interested parties, when such requests are based on effective court decisions or administrative authority orders, otherwise the network provider will bear joint liability for the online patent infringement.
- e) **Good faith and anti-patent abuse provision.** A new article under the draft provides an explicit duty of good faith for both patent applicants and patentees in enforcing their rights. The article moreover unambiguously states that patentees cannot use their patents to exclude or restrict competition. It is possible that this article may form a general legal foundation for the various related standard essential patents (SEP) guidelines issued by the Chinese courts (see for instance [here](#)).
- f) **Centralization of administrative enforcement possible:** under the draft, the central, national patent administration department may, at the request of the patentee, handle patent infringement disputes that have "significant influence" throughout the country. Moreover, cases in which the same patent is infringed throughout a region can be combined.
- g) **Attempt to increase patent utilization rate through new open license system.** Under the draft, a patentee can register a declaration with the Chinese patent office, stating that it is willing to grant an "open license" to any entity or person that accepts a license under certain specified licensing fees. The Chinese patent office may then decide to publically announce the declaration. During the "open licensing period", any candidate-licensee could obtain a license under the patent by sending a written notice to the patentee and paying the specified fees, with the caveat that the patentee isn't allowed to grant a sole or exclusive license under the patent during the term of validity of the open license.

¹ See for instance [知识产权损害赔偿认定难，怎么解？](#) and [97%专利侵权案判决采取法定赔偿](#)

What happens now?

The draft, if passed, would significantly change China's current patent law. The NPC has announced a public comment period, which runs through 3 February 2019. This offers all stakeholders an opportunity to voice support and/or suggest revisions to enhance the current draft.

Next steps

Should you have further questions about the draft, or should you wish to submit comments on the draft through our China offices, please get in touch with our contacts listed below as soon as possible.

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