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Executive Summary

The 3rd Amendment to the PRC Patent Law

The Standing Committee of the National People's Congress recently passed the third amendment to the PRC Patent Law, which will come into effect on October 1st 2009. Following on our October 2008 article concerning Amendments to the patent law, senior Patent Agent Peng Kai highlights the most salient changes. The most notable changes include; Prior Art as a Defense, Patent Evaluation Reports, Evidence Preservation, Jointly Owned Patent Rights, and the Unification of Patent Agencies.

by Maarten Roos and Peng Kai

Protection of Well-known Trademarks in China

Many businesses are interested in breaking into the Chinese market but for those with brands with long histories they may be surprised to find out that there exist several similar brands already with similar products. One of the only ways to protect your trademark once another party has successfully registered a similar mark is to prove that your mark is well-known. While this process is not easy this article attempts to make clear the standards that must be met and the process by which well known status may be acheived.

by Zach Wortham and Peng Kai

NEWS

WTO issues final ruling on US complaint of PRC IP Enforcement

The World Trade Organization approved the panel report of the China- Measures Affecting the Protection and Enforcement of IPR, which brought to an end more than two years of disagreements between the US and China regarding IPR enforcement in China. On April 10th of 2007, The US requested consultations with China pursuant to the DSU and TRIPs accords particularly with respect to thresholds for criminal procedures and penalties, disposal of confiscated infringing goods, denial of copyrights and enforcement against copies that have not been authorized for distribution in China. The Panel rejected most of the complaints from the US and confirmed China's IP regime.

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The 3rd Amendment to the PRC Patent Law

The 3rd Amendment to the PRC Patent Law

The Standing Committee of the National People's Congress recently passed the third amendment of the PRC Patent Law, which will come into effect on October 1st 2009. Besides confirming certain practices into law for the first time, the amendment law also raises the standards of patentability and strengthens patent protection. Our IP Bulletin has introduced some of these revisions before, including improvements of the novelty standard (in October 2008). This article will continue to introduce some of the other key revisions and their impact on the PRC patent regime.

Defense of using existing technology in patent infringement cases

Existing technology refers to technology known to the public before the patent filling date. If an alleged infringer can prove existing technology, then there cannot be a patent infringement. The current patent law does not allow for such defense, even though in practice it has been successfully adopted in some cases.

Whether or not, and if so how to apply prior art in patent defense has been widely debated among different courts and administrative authorities for many years. It has been argued, for example, that such defense shall not be accepted in case of literal infringement (the infringing product is identical with the patent). Another contention is that prior art defense can only be used in case of free technology (i.e. excluded patented technologies). These arguments have lead to an inconsistent application in judicial and administrative practices.

The new PRC Patent Law will end the above controversy and confusion: In a dispute over patent infringement, if the accused infringer has evidence to prove that the technology or design it or he exploits is an existing technology or design, no patent infringement is constituted. (Article 62 of New Patent Law) The defendant can use this defense without limitation, and will help to prevent patentees from abusing their patent rights.

Patent Evaluation Report

Under the current patent regime, substantial examination is not required for granting a utility model or design patent. Moreover different authorities are in charge of patent infringement cases and invalidation cases. Many defendants therefore use an invalidation suit as a shield in utility model or design infringement cases, by applying for suspension of the infringement case until a decision on invalidation has been settled – during which time the infringement can continue. Therefore, often inexperienced judges are left with the extremely important decision on whether or not to suspend the trial.

The second amendment to the Patent Law of 2001 established a new system for search reports of utility models, and a subsequent judicial interpretation provides that "if the search report submitted by the plaintiff does not include any prior art which will lead to the loss of novelty or creativity of the utility model patent, the court may not suspend the trial". However, in practice this has not worked well; the search report cannot be subjected to judicial review, and therefore generally used for reference, without any legal force.

The third amendment establishes a new patent evaluation system: Where any dispute over patent infringement involves a patent for utility model or design, the people's court or the patent administrative department may require the patentee or the interested parties to present a patent evaluation report issued by in this case the State Intellectual Property Office (SIPO); the SIPO at the request of the patentee, will search, analyze, evaluate the patentability of the utility model or design, and conduct the evaluation report, which will serve as the evidence in infringement cases. (Article 61 (2) of New Patent Law)

Compared to the existing system, this is a big step forward. Firstly, the evaluation report system applies to designs as well as utility models. Furthermore, it consists not only of a search result but also of an analysis and evaluation of the search result. On the other hand, the legal status of evaluation report as evidence in patent infringement cases, and whether it can be the basis for a decision on the suspension of trial, remains to be confirmed.

Preservation of Evidence before Litigation

As per the second amendment of PRC Patent Law in 2001, patentee can apply for preliminary injunction before the litigation, and apply to the court to preserve the evidence of infringement at the same time according to the relevant judicial interpretation. Where a preliminary injunction applies, some strict conditions shall be met and guarantee has to be provided. As a result, preliminary injunction is seldom applied and limits the patentee's right of evidence preservation.

China IPR News

US Supreme Court rejects battery infringement case against Chinese manufacturers

The Supreme Court of the United States rejected the battery maker; Energizer's infringement accusation against 9 Chinese enterprises and upheld the ruling of the International Trade Center which found Energizer's zero-mercury-added alkaline battery patent to be invalid. This decision finalized the six year long 337 investigation. In another 337 investigation case, the ITC released its final decision on April 6th 2009, holding that 4 Chinese sucralose manufacturers including Guangdong Food Industry Institute, did not infringe any of the 5 patents owned by Tate & Lyle Corporation. Further, the ITC will suggest that the President of the US issue an in rem exclusion order against the remaining 21 Chinese sucralose manufacturers also involved in the case.

China copyright registration system goes online

The Copyright Registration System of China Copyright Protection Center was put into operation officially from March 2, 2009. Via this system, all copyright registrations applied for with the China Copyright Protection Center shall be filed online at www.copyright.com.cn. After online application is submitted, the Center will issue a billing notice and once the payment is made a certificate will be used for the copyright.

The 3rd Amendment to the PRC Patent Law cont.

The new Patent Law recognizes the right of evidence preservation as an independent right of patentee: For stopping patent infringement, patent owner could apply for evidence preservation to court before the litigation if the evidence probably be destroyed or hardly to be obtained in times to come; The court shall make the decision within 48 hours after receiving the application; if the court approves the application, the decision should be executed immediately and the court may require the applicant to provide guarantee; the application shall be rejected if the applicant refuse to provide the guarantee; the preservation shall be released if the applicant does not file a law suit within 15 days after the date of preservation. (Article 67 of New Patent Law)

Jointly-owned Patent Rights

Patent rights are a kind of property right. However existing law fails to stipulate whether and how a patent co-owner can individually exploit co-owned patent(s). It is generally believed that a patent co-owner is entitled to use the patent rights, but that a decision on licensing or transfer cannot be made unilaterally.

The Third Amendment is very clear about how joint ownership of patent rights can be exercised: Where there is any agreement between the joint applicants or patent owners regarding the exercise of the relevant right, the agreement shall be followed. If there is no such agreement, any of the joint owners may exploit the patent independently or license a third party to exploit the patent by means of ordinary license. In the case of licensing a third party to exploit the patent, royalties shall be distributed among the joint owners. Except the above, other exercise of the rights shall be based on the consensus of all joint owners. (Article 15 of New Patent Law)

Unification of Patent Agencies

The National Patent Attorney Examination has been held in China since 1992. Only qualified patent attorneys may provide patent agency services. So far, China has licensed some 10,000 patent attorneys with over a half of them working for patent agencies.

Where any foreign individual or entity applies for a PRC patent, or has other patent matters to attend to, he or it must entrust a Chinese patent agency. However, patent agencies must reach certain thresholds to be permitted to deal with foreign-related patent issues, and so far only 188 of the 690 patent agencies in China have been licensed to do so.

Under the Third Amendment, foreign individuals and companies are still required to entrust a Chinese patent agency to handle their patent issues in China, but this market has been opened to all patent agencies. This expands the choice of foreign parties, and may also lead to fiercer competition and more reasonable fees for relatively valuable foreign-related work. On the other hand, many Chinese patent agencies are not used to dealing with foreign parties, and so foreign parties are urged to make a wise choice in selecting their representation in China!

By Maarten Roos and Peng Kai

Protection of Well-known Trademarks in China

Protection of Well-known Trademarks in China

A well-known trademark under Chinese law is defined as a trademark widely known to the relevant public and with a high reputation in China. Under the PRC Trademark Law originally published in 1982, only registered trademarks gave their owners the exclusive right to use the trademark on certain products/services. The second amendment of the PRC Trademark Law in 2001 established a special legal status and more comprehensive for trademarks that are well-known.

Special Protections for Registered Well-known Trademarks

The owner of a registered trademark has the right to prohibit others from registering for and using the trademark on identical or similar products/services for which the trademark has been registered. The protection of a registered well-known trademark, on the other hand, is not restricted to identical or similar products/services: If a trademark covering different products or services is a copy, imitation or translation of a well-known trademark registered in China, and misleads the public and could result in damages to the interests of the owner of that well-known trademark, then such a trademark shall neither be used nor registered in China.

Special Protections for Unregistered Well-known Trademarks

In China, only the owner of a registered trademark can enjoy the exclusive rights to use the trademark. This principle is all the more important as China implements a “first to file” system, giving the person the right of the trademark to the person that files the application for registration first.

An exception is made for unregistered well-known trademarks: If a trademark covering the same or similar products or services is a copy, imitation or translation of a well-known trademark of others which has not been registered in China, and misleads the public and could result in damages to the interests of the owner of that well-known trademark, it shall neither be used nor registered in China. In other words, an unregistered well-known trademark enjoys similar protection to that of a common, registered trademark.

Recognition of Well-known Trademarks

1. Criteria of Recognition

The Chinese system has not established a set of clear criteria for the recognition of a well-known trademark. Rather, the owner of the trademark must prove that his/her trademark is well-known to the relevant public and highly reputable in China, with reference to public knowledge of the trademark, the

Protection of Well-known Trademarks in China cont.

period it has been in use, the duration, extent and scope of publicity, any records of its protection as a well-known trademark in China and elsewhere, etc.

2. Means of Recognition

Following international practices, well-known trademark in China are recognized on a case by case basis. When an infringement occurs or a dispute arises, competent authorities have the right to determine whether the subject trademark is well-known or not, and thus whether special protection can be provided. Note that the recognition is only relevant for the case that the administrative or judicial authority was dealing with, but in subsequent assessments such recognition will be extremely helpful.

3. Competent Authorities

In each individual case, the State Trademark Office (STO) or a court, at the request of the claimant, has the authority to determine whether or not the trademark is well-known. For example, the STO may do this when dealing with a trademark opposition case (an application objecting to the registration of a certain trademark) or a trademark cancellation (an application for cancelling an existing registered trademark); a court may recognize a trademark as well-known when dealing with a trademark infringement or domain name dispute.

Issues that must be taken into Consideration

Many foreign companies have found that to have their trademarks recognized as well-known in China is difficult, despite that these trademarks have often been used for many years. Judges and STO officials tend to focus in particular on the extent which a trademark is well-known in China, for which evidences are sometimes difficult to gather – especially if from some years ago.

Timing is a crucial part of the argument. A basic principle of the protection of prior rights in intellectual property applies to the special protection of well-known trademark as well In many cases, it is relatively easy to show that a trademark is currently well-known, but much more difficult to prove that this was also the case prior to the application date of the opposing trademark, which is likely to be several years back.

Conclusions

The special status of well-known trademarks is increasingly becoming a useful tool in China for owners of trademarks, domain names, trade names and other intellectual property as well. In a landmark ruling on 22 December 2006, the Beijing First Intermediate People's Court confirmed that Mengniu Winery Co., Ltd, who used the well-known trademark "Mengniu" as its trade name, was guilt of trademark infringement and unfair competition, should cease to use this trade name and indemnify Mengniu Dairy Co., Ltd, the holder of the well-known trademark, for RMB 4 million.

With the world financial crisis having a major impact on business around the world, China' s environment is still offering excellent opportunities to foreign companies that want to exploring new business opportunities. Foreign company that wants to sell products on the Chinese market should devise an effective IP strategy, of which special protection for well-known trademark may be a key component. To this end, registering a trademark as early as possible is important, but may not be sufficient. Keeping relevant information and documents on the use and marketing of trademarks in China may at some point become crucial to broadening the protection scope for a registered trademark, or cancelling similar trademarks that have been registered by third parties.

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China IPR News

IP Court Statistics break down for 2008

24,406 – the number of new cases reported to have been filed in the courts in 2008.
23,518 – the number of first instance, civil, IP cases the courts managed to close in 2008.
16.6% – the percentage of new cases filed involving patents trademark cases
25.5% – the percentage of new cases filed involving trademarks.
44.9% – the percentage of new cases filed involving copyrights.
3,326 – the number of criminal cases closed in 2008.
5,386 – the number of criminals implicated in those cases
71 – the number of intermediate courts that have jurisdiction over patent cases
66 – the number of local courts that have jurisdiction over general IP civil cases
9 and 14 – the number of intermediate and local courts, respectively, which authorize IP Tribunals to handle all IP cases, including criminal, civil, and administrative.

The number of investigations against trademark infringers on the rise

China investigated 56,634 administrative trademark infringement cases in 2008. Statistics released by the State Administration for Industry and Commerce (SAIC) revealed that these numbers include 45,492 domestic cases, and 11,142 foreign-related ones.