The Dragon Gets New IP Claws: The Latest Amendments to the Chinese Patent Law

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Introduction:

If intellectual property (“IP”) protection were an Olympic sport, it would probably be fair to say that most spectators would not expect to find the People’s Republic of China (“China” or “P.R.C.”) on the awards podium. In fact, many observers may still believe that China is a safe haven for IP counterfeiters and pirates and that it is useless to file for patents in China. Regardless of one’s opinion towards China’s ability to provide effective patent protection, it is undeniable that entities, Chinese or foreign, are actively seeking Chinese patents as a part of their global IP strategy. In particular, according to the State Intellectual Property Office (“SIPO”)¹, more than four million patent applications were filed in China from early 1985 to the end of 2007. Most noticeable, it took China 15 years to reach the first million patent applications, four years and two months to reach the second million, two years and three months to reach the third million and one year and six months to reach the fourth million.² In 2008 alone, more than 828,000 patent applications were filed in China.³ At this rate, China is likely to receive its five millionth patent application in early 2009. Because of China’s rising influence in the global economy and the potential size of the Chinese market, securing patent protection in China has become an increasingly important part of a company’s global IP strategy. As such, IP practitioners should pay special attention to the recent changes in China’s attitude toward IP protection and the newly amended Chinese Patent Law.
The year 2008 was an exciting and eventful year in China with respect to IP protection and patent law. In particular, on June 5, 2008, the State Council issued the “National Intellectual Property Strategy Outline” (“IP Strategy”) which identified an ultimate goal of establishing China into a country with a comparatively higher level of competency in terms of the creation, utilization, protection and administration of IP rights by 2020. Specifically, the IP Strategy identified “establishing a comprehensive IP system,” “promoting creation and utilization of IP,” “enhancing IP protection,” “preventing abuse of IP rights,” and “fostering a culture for IP rights” as China’s primary IP goals for the near future. On December 27, 2008, the Standing Committee of the Eleventh National People’s Congress passed various amendments to the Chinese Patent Law (“2008 Amendment”) to implement the goals set forth in the IP Strategy. The 2008 Amendment will effectively become Chinese Patent Law on October 1, 2009. This article will discuss the details of the 2008 Amendment and some of its implications.

A Brief History of Chinese Patent Law:

The scope and importance of the 2008 Amendment can best be understood and appreciated with a brief overview of the history of Chinese Patent Law. Relatively speaking, China is a late comer to adopt the concept of IP rights. In fact, it was not until the promulgation of the National “Open Door” Policy of 1979 when China began to realize that national IP laws are needed to attract foreign investors. As a result, China enacted a Trademark Law in 1982, a Patent Law in 1984 and a Copyright Law in 1992.

The Chinese Patent Law was enacted in 1984 prior to China’s accession to the Paris Convention. The Chinese Patent Law issues three kinds of patents: invention, utility model and design patents. The first amendment to the Chinese Patent Law took place in 1992 (“1992 Amendment”). The 1992 Amendment was made in accordance with the “Memorandum of
Understanding between the Government of the United States and the Government of the People’s Republic of China on the Protection of Intellectual Property.15  Noticeably, the 1992 Amendment expanded patentable subject matter under Chinese Patent Law to include chemical inventions, including pharmaceuticals.16  The 1992 Amendment also extended the patent terms for invention patents from 15 to 20 years and the patent terms for utility model and design patents from five to 10 years.17  Further, the 1992 Amendment narrowed the situations in which compulsory licenses may be granted.18

The second amendment to the Chinese Patent Law took place in 2000 (“2000 Amendment”).19  The 2000 Amendment was made in anticipation of China’s accession to the World Trade Organization (“WTO”).20  The 2000 Amendment became effective in July 2001; it is the current patent law of China.21

The 2000 Amendment incorporates various new provisions to strengthen protection and enforcement of patent rights in China.  For example, the 2000 Amendment prohibits the unauthorized offer for sale of patented products or products directly obtained from patented processes disclosed by invention or utility model patents.22  The same protection against unauthorized offer for sale, however, was not made available for products related to design patents.23  In addition, the 2000 Amendment sets forth a standard for determining compensatory damages for patent infringement based on the lost profit to the patentee, the illegal profit obtained by the infringer, or an appropriate multiple of the amount of the exploitation fee of that patent under contractual licenses.24  Also, the 2000 Amendment provides for a court ordered preliminary injunction measure against ongoing or potential infringing acts prior to the initiation of a patent infringement lawsuit by the patentee.25  Finally, the 2000 Amendment further limits conditions for granting compulsory licenses.26
Various provisions of the 2000 Amendment also aim to facilitate the patent application process for foreign entities in China and for Chinese entities abroad.\textsuperscript{27} For example, a foreign applicant is no longer required to submit documents and research reports obtained from another country in a prior foreign prosecution when applying for the same patent in China.\textsuperscript{28} The 2000 Amendment also eliminates the requirement that a Chinese entity or individual, who seeks to apply for a foreign patent for an invention made in China, must first obtain approval from competent administrative authorities.\textsuperscript{29} The 2000 Amendment, however, continues to require such Chinese entity and individual to first file a patent application at the patent administrative department under the State Council (“Patent Administrative Department”).\textsuperscript{30}

**The 2008 Amendment:**

The passage of the 2008 Amendment extends China’s unofficial tradition of amending its patent law every eight years. However, unlike its predecessors, the 2008 Amendment was motivated neither by external pressure nor made in an attempt to conform with an international treaty. In light of China’s new IP Strategy, it is clear that the 2008 Amendment was enacted with specific intent and purpose to further China’s own IP ambitions.

The 2008 Amendment contains many important changes. In particular, various amendments were made to: 1) promote patent application; 2) encourage patent exploitation; 3) heighten the requirement for patentability; 4) increase patent protection; 5) address compulsory licensing; and 6) establish protection of genetic resources. The scope of the 2008 Amendment is broad, thus it is important for Chinese and foreign entities doing business in China to understand and consider the potential impact of the 2008 Amendment in evaluating and formulating their IP strategies in China.

**The 2008 Amendment Aims to Promote Patent Application:**
The promotion of patent applications is a prominent theme in the 2008 Amendment. For example, the 2008 Amendment eliminates the requirement that foreign individuals or entities having no habitual residence or business office in China must appoint a patent agency designated by the Patent Administration Department as an agent to conduct patent-related matters in China. Under the 2008 Amendment, a foreign individual or entity is only required to appoint a legally established patent agency to act as an agent to conduct patent-related matters in China. As a result of this amendment, additional Chinese patent agencies and law firms will likely enter the market to represent foreign clients. Because of such an increase in patent representation in China, foreign clients would likely gain an increased access to such representations, and, perhaps, become more motivated to apply for patents in China. The 2008 Amendment will also introduce additional competition in China’s patent legal market. Such an increase in competition can potentially translate into an appreciable reduction in cost for foreign clients seeking patent representation in China.

The 2008 Amendment also appears to encourage Chinese entities and individuals to apply for patents abroad. Specifically, the 2008 Amendment removed the requirement that a Chinese individual or entity who made an invention in China must first apply for a patent in China. Under the 2008 Amendment, an individual or entity who made an invention in China may submit a foreign application prior to applying for a Chinese patent. That is, an applicant would have the freedom and opportunity to first apply for a patent in a more convenient and familiar jurisdiction. In fact, an applicant may even be able to utilize the provisional application available in the United States to secure an earlier priority day. The 2008 Amendment, however, provides that if an applicant wishes to first file for a patent abroad, the applicant must first request for a security examination by the Patent Administrative Department to ensure that the
foreign application does not contain state secrets. Also, if a foreign application is made without a security examination, no Chinese patents shall later be granted for that invention. Further, it is important to note that the security examination required prior to filing a foreign patent application applies to any invention made in China regardless of the nationality of the inventor. As such, foreign individuals and entities that conduct research and development in China should reevaluate their approach to filing patent applications for inventions made in China to ensure that the potential for obtaining patent protection in China will not be inadvertently lost. Finally, it is important to note that Article 20 does not outline the details of the security examination. As such, the procedures and duration of such examination remain unknown. It is possible that the security examination could take a long period of time and that any incentives for filing for a foreign application first could eventually be lost. It remains to be seen how China will balance its patent policy and its concern for national security when applying the amended Article 20. Additional details regarding Article 20 will likely become available when China unveils the implementing regulations for the 2008 Amendment.

Another aspect of the 2008 Amendment that could greatly promote patent application in China is the treatment of double patenting. Double patenting presents a special problem under Chinese Patent Law because China offers both invention and utility model patents. In fact, under current practice, some applicants prefer to file for an invention application and an utility model application at the same time in order to obtain protection for their technology at an earlier stage through the utility model patent before the invention patent is granted. This practice, however, often creates heated dispute during patent invalidation proceedings because under current laws and regulations, only one patent right shall be granted for any identical invention or creation. Thus, an alleged infringer often argues that by receiving both a utility model patent and an
invention patent, the patentee, in fact, violated patent laws and regulations and that the patents shall be invalidated. What is worse, the current administrative rulings regarding double patenting failed to reach an uniform interpretation of the law or provide any clear guidance. To resolve the highly disputed issue of double patenting during patent invaliding proceedings, the 2008 Amendment provides for an exception in situations where the same applicant files for both an invention application and an utility model application for the identical invention on the same day.\textsuperscript{40} Specifically, Article 9 provides that, if prior to the grant of an invention patent, the previously granted utility model patent has not expired, the patentee can elect to abandon the utility model patent right to render the granting of an invention patent permissible.\textsuperscript{41}

Article 9 is likely to be a beneficial relief to patent applicants in China. In particular, by specifically allowing an applicant to file for both an invention application and an utility model application on the same day, the applicant need not face the difficulty of choosing between longer patent rights protection under an invention patent and the earlier available patent protection provided by an utility model patent. As a result, Article 9 would allow an applicant to receive patent protection at an earlier stage under an utility model patent, at the same time allowing the applicant to continue to pursue an extended patent protection under an invention patent. It is, however, important to remember that Article 9 is only applicable where the same applicant files for both an invention application and an utility model application for the identical invention-creation on the same day. Such a benefit of Article 9 is not available if the applicant files for the invention and utility model patents on different days.

Finally, the 2008 Amendment requires the Patent Administrative Department to periodically publish a Patent Gazette.\textsuperscript{42} This would likely provide additional transparency during patent application and increase dissemination of patent-related information in China.
The 2008 Amendment Aims to Facilitate Patent Exploitation

An important purpose of the 2008 Amendment is to facilitate the exploitation of patented technologies in China. For example, the 2008 Amendment provides detailed rules regarding co-ownership and exploitation of a co-owned patent. Specifically, Article 15 provides that the exploitation of patent rights between co-owners should be determined by an agreement. Where an agreement is not available, any co-owner may exploit the patent alone or grant general licenses (i.e. non-exclusive licenses) to others to exploit the patent, and that any licensing fee received shall be shared between the co-owners. On the other hand, in other situations such as when a co-owner seeks to assign the right to patent or grant an exclusive license, he would need to obtain consent from the co-owners of the patent. Accordingly, Article 15 provides some added protection for companies that engage in joint research or joint venture in China.

In addition, as discussed below, the amended Article 48, section 1, which provides for a grant of compulsory license if a patentee fails to exploit a patent within a reasonable period of time, would also “encourage” patentees to timely exploit their patents.

The 2008 Amendment Aims to Create Heightened Standards for Patentability:

Perhaps the most noticeable and substantial changes introduced in the 2008 Amendment are the establishment of heightened patentability standards for invention, utility model and design patents in China. The decision to create a higher standard of patentability is likely driven by the fact that the Chinese patent system has been plagued by the so-called “garbage patents” under current law. As indicated by name, “garbage patents” are patents that do not warrant patent protections. In fact, when a “garbage patent” is asserted against an alleged infringer in a patent litigation in China, it will often be invalidated during the administrative patent reexamination procedure. As a result, the existence of “garbage patents” not only negatively
affects the quality of the patents granted in China, it also causes the waste of judicial and administrative resources.

In order to combat the problems posted by “garbage patents,” the 2008 Amendment raises the novelty requirement for patentability from a “relative novelty” standard to an “absolute novelty” standard. For example, under the current law, novelty only requires that no identical invention or utility model has been disclosed in publications in China or abroad or has been publicly used or made known to the public in China. This novelty requirement, however, allows publicly known inventions that have not been specifically disclosed in publications in a foreign country to be patentable in China if it is not publicly known or used in China. Under the 2008 Amendment, however, the novelty requirement can only be satisfied if the invention or utility model disclosed does not constitute a part of “currently available technology (i.e. prior art),” that is, it is not a technology publicly known in China or abroad prior to the date of patent application.

The 2008 Amendment, likewise, raises various patentability requirements for design patents in China. First, the 2008 Amendment expanded the definition of “currently available design” to include designs known to the public in China and abroad. The expansion of the scope of prior art mirrors that of the invention and utility model patents discussed above. Second, the degrees of difference between a new design and currently available design required for patentability is also raised. Specifically, the 2008 Amendment requires the differences between the current and prior designs to be obviously distinguishable rather than non-identical and dissimilar as required under current law. Finally, the 2008 Amendment eliminates the issuance of design patent to two-dimensional designs made with pattern, color or their combination that primarily serve as indications. The elimination of such designs as a patentable subject matter,
however, is likely to be motivated by the fact that these designs enjoy dual protection under both patent and trademark laws. As a result of the dual protection, judicial proceedings involving these designs are often prolonged due to confusion and conflicts between applicable laws. Therefore, the removal of these two-dimensional designs as a patentable subject matter does not constitute a reduction in IP protection in China, rather, it will promote judicial efficiency in enforcing IP protection for these designs under trademark law.

The 2008 Amendment Aims to Enhance Patent Protection:

Like all of its predecessors, the 2008 Amendment aims to enhance the protection of patent rights in China. In particular, the 2008 Amendment allows increased monetary damages against violators of patent law and provides additional administrative and judicial tools to further facilitate the enforcement of patent rights. The 2008 Amendment specifically provides for two types of patent law violations: 1) acts of passing off patents; and 2) patent infringement.

Acts of passing off patents occur when a person: 1) passes the patent of another person off as his own; or 2.) passes a non-patented product or process off as a patented product or process. Specifically, the acts of passing off patents may include: 1) without permission, affix on the product or on the package of the product a patent number registered under the name of another person; 2) without permission, use the patent number of another person in a commercial or other forms of advertising materials so as to confuse others into believing that the advertised technology is a patented technology; 3) without permission, use the patent number of another person in a contract so as to confuse others into believing that the contracted technology is a patented technology; 4) falsify or alter another person’s patent certificate, patent documents or patent application; 5) manufacture or sell a non-patented product marked as a patented product; 6) continue to manufacture or sell a product marked as a patented product after the patent was
invalidated; 7) advertise a non-patented technology as a patented technology in a commercial advertisement or any other advertising materials; 8) represent a non-patented technology as a patented technology in a contract; and 9) falsify or alter patent certificate, patent document or patent application. \(^{54}\) The 2008 Amendment dramatically increases the civil liability for committing acts of passing off patents. In particular, Article 63 provides that in addition to confiscating the illegal income obtained from acts of passing off patents, the Patent Administrative Department may further impose a fine of no more than four times the illegal earnings obtained by the violator. \(^{55}\) By contrast, the current law provides a fine of no more than three times the illegal earnings of the violator. \(^{56}\) Further, the 2008 Amendment provides that where there is no illegal earnings, the Patent Administrative Department may impose a fine of less than 200,000 Yuan (about $29,200), \(^{57}\) which is a significant increase in comparison to the current law that allows a fine of less than 50,000 Yuan (about $7,300). \(^{58}\)

In addition to providing an increase in fines, the 2008 Amendment also provides the Patent Administrative Department with additional tools to investigate acts of passing off patents. Specifically, where the Patent Administrative Department has received evidence with respect to acts of passing off patents, the department may: 1) question the parties involved with the suspected illegal act; 2) investigate the facts related to the suspected illegal act; 3) conduct an on-site inspection of the location where the suspected illegal act took place; 4) review and copy contracts, invoices, accounting books and other relevant documents related to the suspected illegal act; 5) inspect the products related to the suspected illegal act; and 6) seize or confiscate the products where such products are proven to be passing off products. \(^{59}\)

With regard to patent infringement, the 2008 Amendment provides certain guideline for calculating the amount of compensation for the damages caused by the infringing act based on a
hierarchy of methods. Specifically, Article 65 provides that compensation shall first be accessed based on the actual losses suffered by the patentee. If the actual losses cannot be determined, the compensation shall be assessed based on the profit generated by the infringer through the infringing act. Where the actual losses of the patentee and the profit of the infringer cannot be determined, the compensation may be assessed by reference to the appropriate multiple of the amount of the exploitation fee of that patent under contractual licenses. Article 65 further provides that the amount of compensation shall also include the reasonable expense paid by the patentee for stopping the infringement. Finally, where it is difficult to determine damages based on the above three methods, the people’s court may determine an amount for compensation between RMB 10,000 Yuan to RMB 1,000,000 Yuan (around $1,500.00 to around $146,200.00) depending on the type of patent infringed, and the nature and circumstances of the infringement. It is worth noting that the amount for the appropriate damages calculated based on people’s court’s determination under the 2008 Amendment is two times the amount allowed under current law.

To further enhance the enforcement of patent rights and to prevent an accused infringer from destroying relevant evidence when facing patent litigation, the 2008 Amendment provides a new form of judicial order designed to preserve evidence in patent infringement cases. Specifically, Article 67 provides that under circumstances where evidence might become extinct or hard to obtain afterward, the patentee or the interested party may request the people’s court to adopt a measure for preserving the evidence before instituting legal proceedings. The measure for preserving evidence provided by Article 67 should be extremely beneficial to the patentees because, in China, patentees often face difficulties in obtaining evidence in patent infringement lawsuits from the alleged infringers. In addition to the evidence preservation measure, it is
important to remember that Chinese patent law also provides for, in certain situations, a preliminary injunction measure prior to patentee’s filing of a lawsuit at the people’s court.\textsuperscript{68} As such, patentees in China can potentially utilize these measures as part of their patent litigation strategies against alleged infringers. However, it is important to note that a patentee or an interested party must initiate the patent infringement lawsuit at the people’s court within fifteen days after a preliminary injunction or a measure to preserve evidence has been adopted.\textsuperscript{69}

Another noticeable change in the 2008 Amendment with regard to patent enforcement is the broadening of the scope of protection for design patents. Specifically, Article 11 was amended to further prohibit an “offer for sale” once patent rights have been conferred upon a design.\textsuperscript{70} This protection, as noted above, was not available under current law. As such, legal action against infringers of design patents can be initiated at an earlier time under the 2008 Amendment.

Although the 2008 Amendment, in large part, expands and enhances the enforcement of patent rights, it also provides additional defenses for non-infringement. For example, Article 62 formally codifies the judicially-accepted doctrine of prior art defense.\textsuperscript{71} That is, during a patent infringement dispute, an alleged infringing act does not constitute patent infringement if the accused infringer can prove that the technology or design he exploited belongs to prior art or prior design.\textsuperscript{72} As such, Article 62 allows the people’s court the ability to adjudicate a patent dispute without having to stay the case pending the patent validity adjudication. In particular, because the validity of a Chinese patent is determined by the Patent Reexamination Board and not by the people’s court, an assertion of patent invalidity often results in a stay at the people’s court while the evaluation of validity of the patent is pending. As such, patent litigation in China
often drags on for many years. Adoption of Article 62 could potentially save time and greatly promote judicial efficiency in patent litigation cases in China.

Other conditions which constitute non-infringement under the 2008 Amendment include:

1) parallel import,\textsuperscript{73} that is, the importation of a non-counterfeit product from another country without the permission of the patent owner; 2) offer for sale by an innocent violator,\textsuperscript{74} that is, a person who offers to sell a patent infringing product without knowing that it was made and sold without the authorization of the patentee, shall not be liable to compensate the patentee if he can prove that he obtained the product from a legitimate source; and 3) a “regulatory” or “Bolar” exception which allows the manufacture, use, and importation of patented pharmaceutical products or medical devices for regulatory evaluation purposes.\textsuperscript{75}

**The 2008 Amendment Could Signal the Granting of Compulsory Licenses**

The 2008 Amendment contains a total of eleven articles which address compulsory licensing for patent exploitation.\textsuperscript{76} Although China has never granted any compulsory license before, the sheer number of compulsory licensing articles in the 2008 Amendment could signal a potential change in China’s policy regarding the granting of compulsory licenses.

Articles 48, 49, 50 and 51 of the 2008 Amendment address conditions under which a grant of compulsory license is allowed. Article 48 provides for two situations where any entity or individual may request the Patent Administrative Department to grant a compulsory license to exploit an invention or an utility model patent. First, a request for a compulsory license for a patent can be made when the patentee, after the expiration of three years from the date of patent and after the expiration of four years from the filing date of the patent application, has not exploited the patent or has not sufficiently exploited the patent without any justified reason.\textsuperscript{77} Second, a request for a compulsory license for a patent can be made where the act of the patentee,
in exercising the patent right, is confirmed through judicial proceedings as a monopoly act. In comparison to the current law, the amended Article 48 provides an ascertainable standard for determining whether a patentee has failed to exploit his patent within a reasonable period of time and hence providing ground for granting a compulsory license. In addition, the newly introduced Article 48, section 2, signals China’s determination to fight against the abuse of patent rights and monopolistic behaviors of certain patentees.

The enactment of Article 48 is likely to generate several foreseeable results. First, Article 48 will encourage patentees to timely exploit their patented inventions. As such, patented innovations may become commercially available to the general public sooner. Second, individuals and entities can request compulsory licenses for currently unexploited patents. As a result, previously unexploited innovations can be made commercially available to the public. Third, Article 48 may, in effect, reduce patent trolls in China because it discourages the holding of unexploited patents. As a result, passive patentees are likely to license early and make patented technologies commercially available to the public. Fourth, Article 48 will likely curb abuse of patent rights through monopolistic behavior.

Article 49 provides for a grant of compulsory license to exploit a patent under national emergency. Article 49 is not amended by the 2008 Amendment. The 2008 Amendment, however, introduces a new Article 50 to address granting of compulsory licenses for purposes related to public health. Article 50 was enacted according to paragraph six of the Doha Declaration on the TRIPS Agreement and public health.

Article 50 provides that the Patent Administrative Department may grant a compulsory license to manufacture a medication which has been patented in China, and to export such medication to counties or regions so long as it is done in conformity with the provisions of the
relevant international treaties in which China participates. The introduction of Article 50 is likely to be a mere attempt to clarify the current patent law. Specifically, the granting of compulsory licenses for health purposes has already been provided for in an order issued by the State Intellectual Property Office in 2005. Thus, the introduction of Article 50 does not introduce new matters into the Chinese Patent Law. Having said that, it remains unclear as to whether by specifically providing an article for granting compulsory licenses for public health purposes, China intends to begin granting compulsory licenses for the manufacture and export of patented pharmaceutical products. If China decides to do so, such a decision would likely have a negative impact upon pharmaceutical companies holding patents in China. This in turn could discourage pharmaceutical companies from obtaining additional patents in China. On the other hand, by granting compulsory licenses for public health purposes and allowing the manufacture and export of patented pharmaceutical products to countries having no such manufacturing capability, China could utilize Article 50 to generate significant goodwill among developing and undeveloped countries.

Article 51 provides for another condition for granting compulsory licenses. Specifically, Article 51 allows a patentee to request the Patent Administrative Department to grant a compulsory license for an earlier patented technology if the later invention involves an important technical advance of considerable economic significance and the practice of the later invention requires the use of the earlier patented invention. Under this situation, however, the earlier patentee may also request the Patent Administrative Department to grant a compulsory license for the later invention. Because Article 51 is not amended by the 2008 Amendment, changes with regard to its application are not expected.
Although the 2008 Amendment provides many grounds for granting compulsory licenses, it also introduces various limitations and conditions for granting compulsory licenses. For example, Article 52 provides that a grant of compulsory license for semi-conductor technology shall be available only for the purpose of public interest or when a patentee has been found to have engaged in monopoly acts as provided in Article 48, section 2.  

A possible explanation for this further limitation is that China intends to further attract semi-conductor related technology and industry into the country. Specifically, with this further limitation, patent applications for semi-conductor related technology in China may increase. Further, the limitation will also allow additional time for semi-conductor industries to establish manufacturing facilities in China.

The scope of compulsory license is, likewise, limited in the 2008 Amendment. Specifically, with the exception of compulsory licenses granted based on an established monopoly act on the part of the patentee and for public health purposes, exploitation of a compulsory license shall predominately be limited within China’s domestic market. In addition, where an individual or entity intents to request the Patent Administrative Department to grant a compulsory license based on patentee’s inaction or based on the fact that a prior patented technology is necessary for exploiting a later patented technology, the requesting party must demonstrate that requests for license from the patentee have been made with reasonable terms and such efforts have not been successful within a reasonable period of time.

It remains unclear as to whether China will start granting compulsory licenses when the 2008 Amendment becomes effective. Since, additional conditions for granting compulsory licenses have been specifically provided and clarified in the 2008 Amendment, it is possible that the 2008 Amendment may signal a shift in China’s national policy with regard to granting compulsory licenses.
The 2008 Amendment Aims to Protect Genetic Resources:

Another interesting theme which emerged from the 2008 Amendment is the protection of genetic resources. Specifically, the 2008 Amendment provides two articles, Articles 5 and 26, to protect genetic resources against biopiracy.\textsuperscript{91} Articles 5 and 26 were enacted in accordance with the Convention on Biological Diversity (CBD).\textsuperscript{92}

For many years, the Chinese media has raised public concern and outrage over the loss of China’s genetic resources due to biopiracy. Specifically, the Peking duck, Chinese gooseberry and wild soybeans have been cited as victims of biopiracy.\textsuperscript{93} For example, Peking ducks were first introduced to England over a century ago.\textsuperscript{94} Over the years, however, a British Company, Cherry Valley, through cross-breeding Peking ducks with other duck species, created their own version of the “Peking duck.”\textsuperscript{95} The Cherry Valley ducks grow at a faster rate comparing to the original Peking ducks, and thus are more profitable. Cherry Valley patented its product and introduced Cherry Valley ducks into the Chinese market.\textsuperscript{96} Reportedly, China now spends more than RMB 200 million Yuan (about $29.3 million) a year to import the Cherry Valley ducks.\textsuperscript{97} More and more Chinese poultry farms are turning to raising Cherry Valley ducks instead of the original Peking ducks.\textsuperscript{98} As such, introduction of the Cherry Valley ducks greatly threatens the value and existence of the original Peking ducks. Similarly, the Chinese gooseberry was first introduced to New Zealand in early 20\textsuperscript{th} century. Over the years, the Chinese gooseberry was developed into the Kiwi fruit which became a successful commercial product and a national symbol of New Zealand.\textsuperscript{99} According to Chinese commentators, these examples demonstrate that valuable genetic resources are often taken from China without permission, just compensation, or plans for profit sharing.
The 2008 Amendment provides new regulations under Articles 5 and 26 to prevent the unauthorized exploitation of genetic resources. Specifically, Article 5 prohibits the grant of a patent for any invention or creation, the completion of which depends on genetic resources where the acquisition and exploitation of such genetic resources are in violation of laws and administrative regulations of China. Further, Article 26 provides that when submitting an application for an invention or creation, the completion of which depends on genetic resources, the application shall indicate the direct source and original source of the genetic resources in the patent application. If the applicant is unable to indicate the original source, an explanation shall be provided.

It is likely that the 2008 Amendment will significantly impact pharmaceutical companies seeking to apply for patents in China. The extent of the impact of the 2008 Amendment can be even greater for companies that engage in research and development using genetic materials from China. Although the 2008 Amendment does not specifically define the term “genetic resources,” the term “genetic resources” is likely to mean genetic material, that is, any material of plant, animal, microbial or other origin containing functional units of heredity, of actual or potential value. Accordingly, companies must pay special attention to the upcoming laws and regulations in China to make sure that all genetic materials used in their research and development are acquired and exploited in accordance with Chinese law and regulations. Further, it is important for companies to keep track of the records for their acquired genetic resources, regardless of the origin, as failure to disclose such information may hinder future patent applications in China.

Conclusion:
It has been nearly a quarter century since the enactment of the Chinese Patent Law. Since then, China has made various amendments to its patent law to comply with internal treaties and external pressure. With the unveiling of a new IP Strategy and the passage of the 2008 Amendment, China aims to enhance its patent rights protection in order to encourage the patenting and dissemination of new innovations in China. At the same time, China also seeks to discourage abuse of patent rights and monopolistic behaviors of some patentees. Most importantly, China seeks to redefine its identity and responsibility in the worldwide IP community by: 1) providing stronger IP rights protection in China; 2) enhancing patent procurement and enforcement efficiency in China; 3) strengthening China’s worldwide patent portfolio by encouraging Chinese individuals and entities to apply for patents abroad; and 4) taking on a leadership position against biopiracy. Since China has not yet unveiled new implementing regulations for the 2008 Amendment, some of the details of the 2008 Amendment remain unclear. However, corporations currently conducting, or seeking to conduct, business in China must be aware of the potential impacts of the 2008 Amendment. This is particularly true for companies that conduct research and development in China and companies that work with genetic resources (i.e. pharmaceutical companies). Such companies should conduct a detailed review of their IP practices and reevaluate their IP strategies to ensure compliance with the new Chinese Patent Law. By taking early steps to implement measures to conform to the new Chinese Patent Law, companies should be able to effectively secure future patent protection in China and enjoy the benefits offered by the new law.

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1 State Intellectual Property Office of the P.R.C. is China’s patent office.


Patent Law (1992), supra at note 14, at art. 25 (removing food, beverage, seasoning, pharmaceutical drugs and matters derived from chemical methods, from a list of non-patentable subject matters).

Id. at art. 51; Patent Law (1984), supra note 11, at arts. 51 and 52 (Article 51 of Patent Law (1984) provides that a patentee has a duty to manufacture the patented product, to practice the patented method, or to permit others to manufacture the patented product or practice the patented method. Article 52 further provides that if, after three years from the date of patent grant, the patentee has not, without any justified reason, fulfill the duty set forth in Article 51, the patent office may grant a compulsory license for the patented invention. In the 1992 amendment, the strict “three years period” was replaced with a more relaxed “reasonable duration of time” standard).


Id. at art. 11.

Id.

Id. at art. 50; Patent Law (1992), supra at note 14, at art. 53 (Article 53 of Patent Law (1992) provides “[w]here the patented invention or utility model constitutes technical improvements in relation to an earlier patented invention or utility model and the exploitation of the later invention or utility model depends on the exploitation of the earlier invention or utility model, the Patent Office may, upon the request of the later patentee grant a compulsory license to exploit the earlier invention or utility model…” The 2000 Amendment replaces the phrase “technical improvements” with the phrase “important technical advance of considerable economic significance” to heighten the requirement for granting compulsory licenses).
28 Patent Law (2000), supra at note 19, at art. 36 (Under article 36 of Patent Law (1992), when an applicant files for an application for a patent in China where a patent application for the same invention has already been filed in a foreign country, the applicant is required to furnish documents concerning any search made for the purpose of examining that application, or concerning the results of any examination made, in that foreign country).
29 Id. at art. 20.
30 Id.
31 Id. at art. 19.
32 2008 Amendment, supra at note 6, at art. 19.
34 2008 Amendment, supra at note 6, at art. 20.
35 Id.
36 Id.
37 Id.
38 Id. (“The procedures, time limit, etc. of the security examination shall be implemented in accordance with the regulations of the State Council.”).
40 2008 Amendment, supra at note 6, at art. 9.
41 Id.
42 Id. at art. 21.
43 Id. at art. 15.
44 Id.
45 Id.
46 Id. at art. 48 sec. 1.
48 2008 Amendment, supra at note 6, at art. 22.
49 Id. at art. 23.
50 Id.
52 2008 Amendment, supra at note 6, at art. 25 sec. 6.
53 Patent Law (2000), supra at note 19, at arts. 58 and 59; see 2008 Amendment, supra at note 6, at art. 63; see also GUIZHOU PROVINCE INTELLECTUAL PROPERTY BUREAU, THE THIRD AMENDMENT TO PATENT LAW TO INCREASE THE STRENGTH OF PATENT PROTECTION ON SIX MEASURES (2009), available at http://www.gzsipo.gov.cn/ywdt/display.asp?id=784 (noting that the 2008 Amendment combines the two passing off articles under current law into Article 63 and that the amendment was made to eliminate the arbitrary differences between two acts that are materially similar and to facilitate patent law enforcement against violators) (last visited 2/19/2009).
55 2008 Amendment, supra at note 6, at art. 63.
57 2008 Amendment, supra at note 6, at art. 63.
59 2008 Amendment, supra at note 6, at art. 64.
60 Id. at art. 65.
61 Id.
62 Id.
63 Id.
64 Id.
65 Id.
67 2008 Amendment, supra at note 6, at art. 67.
68 Id. at art. 66; see also Patent Law (2000), supra at note 19, at art. 61.
69 2008 Amendment, supra at note 6, at arts. 66 and 67.
70 Id. at art. 11.
71 Id. at art. 62.
72 Id.
73 2008 Amendment, supra at note 6, at art. 69 sec. 1.
74 Id. at art. 70.
75 Id. at art. 69 sec. 5. (allowing the make, use or import of medication or patented medical equipment for purposes of providing the information needed for administrative approval).
76 Id. at arts. 48-58.
77 Id. at art. 48 sec. 1.
78 Id. at art. 48 sec. 2.
79 Id. at art. 49.
80 Id.; see also Patent Law (2000), supra at note 19, at art 49.
81 2008 Amendment, supra at note 6, at art. 50.
83 2008 Amendment, supra at note 6, at art. 51.
85 2008 Amendment, supra at note 6, at art. 52.
86 Id. at art. 53.
87 Id. at art. 54.
88 Kari Moyer-Henry, Patenting Neem and Hoodia: Conflicting Decisions Issued by the Opposition Board of the European Patent Office, 27 Biotechnology L. Rep. 1 (Feb. 2008) (Biopiracy is the commercial development of naturally occurring biological materials, such as plant substances or genetic cell lines by a technologically advanced country or organization without fair compensation to the people or nations in whose territory the materials were originally discovered); see also THE AMERICAN HERITAGE DICTIONARY OF THE ENGLISH LANGUAGE, (4th ed. 2006), available at http://dictionary.reference.com/browse/biopiracy (last visited on Feb. 18, 2009).
91 Id.
93 Id. at art. 5.
94 Id. at art. 26.
95 Id.
96 Convention on Biological Diversity, supra at note 90, at art. 2. (Definition of “genetic resources” and “genetic material” under the Convention on Biological Diversity can shed light on the meaning of “genetic resources” under 2008 Amendment as Articles 5 and 26 were enacted in accordance with the Convention).