



April 28, 2015

Commissioner Shen Changyu  
State Intellectual Property Office  
No. 6, Xi Tucheng Road, Haidian District, Beijing  
People's Republic of China  
Postcode 100088  
Via email to: [patentlaw@sipo.gov.cn](mailto:patentlaw@sipo.gov.cn)

**Re: Comments on Draft Revision of the Patent Law of the People's Republic of China (April 1, 2015)**

Dear Commissioner Shen:

Intellectual Property Owners Association ("IPO") respectfully submits comments to the State Intellectual Property Office ("SIPO") on the Draft Revision of the Patent Law of the People's Republic of China ("Draft Revision") published April 1, 2015.

Founded in 1972, IPO is a trade association representing companies and individuals in all industries and fields of technology who own, or are interested in, intellectual property rights. IPO's membership includes more than 200 companies and more than 12,000 individuals who are involved in the association either through their companies or as inventor, author, law firm, or attorney members.

IPO would like to thank SIPO for the opportunity to comment on the Draft Revision and commends the attention being paid to the practical concerns regarding enforcement of patent rights and development of effective remedies under the law for infringement of those rights. By protecting investments in innovation, patent law encourages parties to innovate. Fair and efficient mechanisms for resolving disputes relating to patent rights are important parts of any effective patent regime.

The Draft Revision prescribes, in part, a greater role for the patent administrative departments in investigating, adjudicating liability, enjoining infringing activities, confiscating or destroying infringing products or parts, tools, molds, and equipment dedicated to producing infringing products or to carrying out infringing methods. The increased responsibilities of the patent administrative departments, as proposed, may enhance the speed and efficiency in the resolution of such infringement matters. We believe, however, there will be far less uniformity, accuracy, and predictability, as well as fewer procedural protections than those afforded through judicial review. These judicial benefits should be enjoyed by foreign as well as domestic patent rights holders and others investing in innovation within China's borders.

The comments below address proposed revisions to Articles 14, 16, 46, 60, 64, 65, 71, and 82.

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I. Article 14

Revised Article 14 provides:

The exercise of patent rights shall abide by the good faith principle, shall not harm public interests, shall not improperly exclude or restrict competition, and shall not impede the advancement of technology.

According to the Explanatory Notes on Draft Revision of the Patent Law of the People's Republic of China ("Explanatory Notes"), acts of patent misuse that result in harming public interests or impeding technological advancement should be regulated by the Patent Law and other laws and regulations; Article 14 is intended to add a basic principle that generalizes the existing provisions regarding the limitations on the exercise of patent rights in order to provide sufficient legal basis for the courts to adjudicate cases and for the administrative agencies to make relevant lower-level regulations.

IPO respectfully recommends that Revised Article 14 not to be added.

First, the wording is too vague to constitute sufficiently clear, specific, or administrable standards to guide courts or administrative agencies, which may create significant uncertainty and impede the legal exploitation of the patents. This would violate Article 30 of Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), which provides that the exceptions to the exclusive rights conferred by a patent should not unreasonably conflict with a normal exploitation of the patent and unreasonably prejudice the legitimate interests of the patent owner, taking account of the legitimate interests of third parties.

Second, the concepts in Revised Article 14 have already been addressed by other laws or applied by the courts, and therefore do not need to be duplicated in the Patent Law. For example, Article 55 of the Anti-Monopoly Law of the People's Republic of China provides that the law is applicable to acts of misusing intellectual property rights to exclude or restrict competition. Additionally, the Regulations on Prohibiting Acts of Misusing Intellectual Property Rights to Exclude or Restrict Competition, promulgated by the State Administration for Industry and Commerce (SAIC) has defined abuse of patent rights in details.

II. Article 16

IPO respectfully recommends that Article 16 not be revised as proposed.

Under the existing Article 16, the party obligated to give reward and remuneration to the inventor is the employer entity that has been granted patent rights. Paragraph 1 of the revised Article 16 makes it ambiguous as to what "employer entity" must remunerate and potentially would extend that obligation to the employer entity even in the situation where the patent rights are granted to an assignee other than the employer entity. Revised Paragraph 1 also provides that the employer entity should give the inventor reasonable remuneration based on the scope of exploitation of the patent and the resulting economic benefits, which would cause undue administrative burden.

SIPO states in the Explanatory Notes that it would be unreasonable to require an assignee that has already paid a license fee (to a patent-owning employer entity) to give reward and remuneration to an inventor employed by the employer entity. We believe it is also unreasonable to mandate the employer entity to which the inventor belongs to pay reward and remuneration after the invention has been assigned. This would create an unnecessary and unfair ongoing administrative burden for an employer entity to track the grant and the exploitation of a patent. For example, when the employer entity is merely a commissioned researcher or developer, oftentimes it is under the obligation to assign all patent rights to the commissioning party and not involved at all in the application or the exploitation of any patent. In this

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case, the employer entity should not be obligated to keep track of the granted patent or to determine whether and how any patent has been exploited. More importantly, if the employer entity has not been given reward based on patent granting or remuneration based on patent exploitation by the assignee, then the employer entity should not be required to do the same to its inventor employee.

We believe the obligation under Article 16 to give inventors reward and remuneration shall be considered satisfied by compliance with an employer's invention reward and remuneration rules/regulations/plan or compliance with an agreement between employer and inventor regarding inventor reward and remuneration.

IPO respectfully recommends that draft Article 16 be revised as follows:

**After a patent right is granted on a service invention/creation, the employer entity shall reward the inventor or designer of service invention/creation. After the patent on the invention/creation is exploited, such employer entity shall give the inventor or designer a reasonable amount of remuneration according to the scope of application and the economic benefits obtained by the employer entity.**

**Where the employer entity and the inventor or designer have agreed, pursuant to Paragraph 4 in Article 6 of this Law, that the right to apply for a patent on the invention/creation belongs to the employer entity, the employer entity shall give reward and remuneration to the inventor or designer as stipulated in the preceding paragraph.**

### III. Article 46

IPO respectfully recommends that Paragraph 2 of Article 46 not be revised as proposed.

Specifically, we are concerned about the proposed addition of the language, "after the decision declaring a patent right invalid or affirming the patent right is made, the Patent Administration Department under the State Council shall promptly register and announce the decision." We recommend modifying the above to make it clear that "register and announce the decision" of the Patent Reexamination Board ("PRB") is intended for information disclosure purposes only and does not change the legal status of the patent, i.e., the patent right is not nonexistent as of the PRB invalidation decision.

### IV. Articles 60 and 64

IPO respectfully recommends that Paragraph 2 of Article 60 not be included and Paragraph 1 of Article 64 not be revised as proposed.

Under existing Article 60, the patent administrative departments may order the infringer to cease the infringing activity. Paragraph 1 of Article 60 in the Draft Revision would further allow the patent administrative departments, at the request of the patentee, to confiscate or destroy the infringing products as well as the parts, tools, molds, equipment, and other means dedicated to producing the infringing products or to carrying out infringing methods.

Paragraph 2 would additionally allow the patent administrative departments to take the aforementioned actions at its own initiative for willful infringements such as group and repetitive infringement under circumstances where "market order" has been disturbed. In addition, the power to impose a fine is proposed. Similarly, Paragraph 1 of Article 64 of the Draft Revision would expand the patent administrative departments' authority to investigate from patent passing-off acts (which may not involve a patentee whose right is infringed) to patent infringing acts.

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We respectfully submit that since Paragraph 1 of the Draft Amendment has already empowered the patent administrative departments to act at the request of the patentee, there is no need to incorporate the additional power in Paragraph 2 of Article 60 or Paragraph 1 of Article 64 for the patent administrative department to take action on its own volition.

We respectfully recommend that no action against patent infringement can be taken by patent administrative departments without a prior complaint filed by the patent holder alleging infringement. In addition, to determine whether to enjoin the acts of infringement, confiscate or destroy infringing products or equipment dedicated to implementing the acts of infringement, or impose fines, the patent administrative departments must first decide if “market order” has been disturbed. The Draft Revision, however, provides no explanation or guidance for defining or determining market order.

### V. Article 65

Draft Article 65 would retain the language from existing Article 65 that damages shall be determined according to the patent holder’s actual losses or the infringer’s profits. We propose that the patent holder should be allowed to elect between these, if the evidence allows such a determination.

Draft Article 65 would also add a paragraph on willful patent infringement. We are concerned that the draft does not specifically define this term, which leaves Article 65 open to different interpretations by the Administrative Authority and throughout the People’s Courts.

IPO respectfully recommends that draft Article 65 be revised as follows:

The amount of damage for patent right infringement shall be determined according to the patentee’s actual losses caused by the infringement. If the actual losses are hard to determine, **or if the patentee elects,** the amount may be determined according to the infringer’s profits through the infringement. If the patentee’s losses ~~or~~ **and** the infringer’s profits are hard to determine, the amount may be determined based on the reasonably multiplied amount of the royalties of the patent. The amount of damage shall include the reasonable expenses paid by the patentee for stop the infringement.

If the losses of the patentee, benefits of the infringer, or royalties of the patent are all hard to determine, the people’s court may, on the basis of the factors such as the type of patent right, nature of the infringement, and seriousness of the case, determine the amount of damage within the range of RMB 10,000 to 1,000,000.

**With respect to willful patent infringement for which it is established that the actor intended to infringe the patent, or had foreknowledge of the infringed patent and that the acts would infringe the patent, the people’s court may increase the aforesaid damage amount in the preceding two paragraphs by two to three folds on the basis of the factors such as the specific scenario, scale, and consequences of the infringing act.**

### VI. Article 71

IPO respectfully recommends deleting this proposed Article in its entirety.

Proposed Article 71 would impose joint and several liability on Internet Service Providers (“ISP”s) for infringement by third-party users where the ISP “know[s] or should have known that the Internet user infringes patent right by utilizing the Internet services provided, but failed to adopt necessary measures to stop [it], such as deleting, blocking or disconnecting the link to the infringing products.”

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In general, we believe that secondary liability for ISPs should be governed by the same rules and standards as secondary liability for any other type of business that provides a service or component that is potentially used by an infringing third party. It is unclear why, for example, a trucking or shipping company or a manufacturer that provides a component incorporated into an infringing product should be treated any differently than the provider of an internet service that happens to be used by a third-party infringer. We are unaware of any other major jurisdiction that has sought to adopt such a secondary liability rule for ISPs in the context of patent infringement.

Additionally, the “knew or should have known” standard is far too low and uncertain to be appropriate for the imposition of secondary liability for patent infringement. The scope and meaning of patent claims are far less clear and certain than the exclusionary scope of copyrights and trademarks, making it exceptionally difficult to determine prior to a formal adjudication by a court whether third-party conduct or products are infringing. As a result, imposing liability based on mere knowledge (or an after-the-fact assessment that an ISP “should have known”), combined with the ISP’s failure to “adopt necessary measures” to prevent infringement, would impose enormous – and unjustified – burdens and uncertainty on ISPs, requiring them to independently investigate and determine the validity of claims of infringement by third parties. Imposing such a burden on any commercial entity would be unwarranted and unwise, given the uncertainty surrounding patent claim construction and the inability to obtain detailed information regarding third-party products and manufacturing practices that would be necessary to make an accurate infringement determination.

### VII. Article 82

IPO respectfully recommends deleting this proposed Article.

Article 82 proposes a corrective remedy to the implied misbehavior of participants in standards development who do not disclose their patents. IPO respectfully suggests that SIPO instead rely upon the SAIC’s new Rules on Stopping the Abuse of Intellectual Property to Eliminate or Restrict Competitive Conduct. Deletion of Article 82 would avoid the possibility of any conflict that SIPO’s proposed amendments of the Patent Law may have with SAIC’s Rules or the specific disclosure policies of individual standards development organizations.

IPO thanks SIPO for the opportunity to provide these comments for consideration. We invite you to contact us if you have any questions, require additional clarification, or would otherwise wish to further discuss the foregoing.

Sincerely,



Herbert C. Wamsley  
Executive Director