

More changes & some more of the same in amended PRC Patent Law

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Changes in the PRC Patent Law, through its third amendment that takes effect on October 1, 2009, which will affect PRC and foreign patent holders, applicants and infringers, can be summarised as follows:

- the requirement to file first in the PRC, for inventions completed in the PRC, will be extended to foreigners (but applicants may obtain PRC approval to file first outside the PRC);
- prior sale, commercial use, or public knowledge outside (as well as inside) the PRC, in addition to prior publication anywhere, will make an invention ineligible for a PRC patent;
- 'parallel importation' of patented products will be clearly permitted;
- unlicensed early importation, production and use of patented pharmaceuticals and medical devices, in order to obtain early regulatory approvals for post-expiry sales, will be allowed;
- pre-trial judicial orders, for preservation of infringement evidence, being available more easily than through the previous procedure of a preliminary injunction;
- infringement compensation amounts will be clearer and generally larger;
- the details and likelihood of compulsory licenses are increased, and will be of particular concern to holders of pharmaceutical patents, including those not related to treatment of contagious diseases; and
- applicants' ability to adopt a two-application strategy, in order to speed the start of 20-year term of patent protection for inventions, is now confirmed.

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This last change is connected to an important issue that is not addressed by the third amendment. A bad faith applicant still cannot be prevented from following recent examples and obtaining an obviously meritless utility model patent, and obtaining a judgment on its infringement, more quickly and

at much lower expense than a good faith defendant can cause it to be invalidated. This will continue to be one of the biggest risks to foreign patent holders, and to other persons producing or dealing in products that would normally not be patentable. This risk results

largely from the practice of the Patent Office not to make substantive examination before approving an application for a utility model patent.

The most cost-effective defensive tactic available, to those who are threatened by the above, continues to be pro-actively applying for at least one utility model patent relating to each product that has large potential sales in the PRC market, and relating to each new invention that has a utility model aspect. Filing such an application also can be a useful offensive tactic that enables earlier action against infringers, and can be a useful financial tactic that enables earlier remittance of royalties from PRC licensees. These tactics are available because protection can be started more quickly but only lasts for ten years under a utility model patent, while protection under an invention

patent takes much longer to start, but lasts for twenty years. (Both protection durations are calculated from the date of application). The amended law makes it clear that both the earlier start date and the later expiry date can be enjoyed for the same invention if separate applications for each of these two types of patent are submitted on the same day, and if the applicant formally abandons the earlier-issued utility model patent at the time of issuance of the invention patent.

The above risks and precautions highlight the increasing levels of attention and investment that are necessary in order to protect and exploit inventions and other intellectual property in the PRC.

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