

# Fourth revision of the Patent Law of the People's Republic of China



The Patent Law of the Republic of China was introduced in 1985 and was revised three times, in 1992, 2000 and 2008, respectively. After eight years of discussions, the fourth revision was finally enacted on 17 October 2020 and will come into effect on 1 June 2021. The main changes brought about by this new version are set out below.

## ■ NEW PUNITIVE DAMAGES AND AN INCREASE IN STATUTORY DAMAGES

### • Calculation of Damages

For the first time, article 71, paragraph 1 of the new version of the law gives the holders of patents that have been subject to infringement the choice of calculating the amount of damages they may claim either on the basis of actual losses/harm suffered, or on the basis of the illegal profits/revenues generated by the infringers. Previously, damages had to be calculated on the basis of actual losses and only if these were difficult to determine could the calculation be based on the infringers' illegal profits/revenues. The application of the previous method could put right holders at a significant disadvantage, as they could not obtain reasonable compensation if they did not suffer significant losses, even if the infringers made significant profits.

In addition, for serious offences, judges may now decide to grant compensation representing up to five times the amount of the damages calculated in accordance with the method described above, which was not possible before.

### • Statutory Compensation Amount

When it is difficult to determine actual losses/harm suffered, illegal profits/revenues or the amount of patent licencing royalties that would have been charged by the right holder, the court may set a fixed compensation by taking into account various factors, such as the type of patent in question, the nature and circumstances of the infringement, etc. The fixed compensation has been increased, from a minimum of RMB 10,000 to RMB 30,000 and from a maximum of RMB 1 million to a maximum of RMB 5 million.

### • Reasonable Expenses

Furthermore, the new version of the law now clearly provides that, in addition to any damages that may be granted, right holders may also separately obtain reimbursement of any reasonable expenses they may have incurred for their defence, while until now the law had been unclear on this point.

### • Reversing the Burden of Proof

Lastly, in accordance with article 71, paragraph 4, when patent holders endeavour to provide evidence that their rights have been violated but are not able to obtain sufficient proof to calculate, in particular, the amount of compensation, the court has the right to order infringers to submit any necessary documents and information they may have in their possession, such as their accounts, for example. Until now, the burden of proof rested with the right holder. Furthermore, if the infringer refuses to submit the documents required by the court, then the court may base its ruling exclusively on the claims made by the patent holder.

The reversal in the burden of proof will certainly decrease the number of difficulties currently encountered by right holders in many patent infringement proceedings.

## ■ IMPROVED DESIGN PROTECTION

Design protection has been extended from 10 to 15 years from the date of filing, while the protection period for invention patents and utility models has remained unchanged, namely 20 and 10 years, respectively.

From now on, it will be possible to register a design patent for a specific part of an object, while until now only designs for the whole object could be approved. So, for example, in order to protect a cup with a handle that has a particular design, designers no longer have to register the design of the whole cup, but can simply register the design of the handle.

Furthermore, design applications are now eligible for domestic priority, similarly to utility models and invention patents. So, if within six months of filing a first design, an applicant files a new design that has a similar concept, then they can benefit from first application priority rights. This means that the filing date of the new design will be considered to be the same as the filing date of the first design.

## ■ AMENDMENTS TO THE PROVISIONS RELATED TO THE COMPENSATION AND REMUNERATION OF INVENTORS/DESIGNERS OF PROFESSIONAL INVENTIONS

In accordance with articles 76 to 78 of the decree implementing the Patent Law, employers must pay a remuneration and a bonus to employees who author professional inventions. If no specific agreement is entered into between the employer and its employees, then employees may claim the amounts indicated in the decree, namely a minimum of RMB 3,000 for filing an invention patent and RMB Yuan 1,000 for a utility model or design, as well as a minimum of 2% of operating profits for invention patents or utility designs and 0.2% for designs. Furthermore, when an operating licence is granted, the inventor or designer may be entitled to at least 10% of the royalties paid to the patent holder. For this reason, employers are advised to enter into specific prior agreements with their employees, in order to avoid having to pay significant sums.

Article 15 of the new version of the Law encourages the application of a variety of compensation and remuneration methods, such as granting shares, dividends or other methods that allow for a better allocation of invention profits between the company and the inventor/designer. The goal here is to reduce the burden on SMEs during the initial patent filing and exploitation period.

## ■ OPEN LICENCE REGIME FOR THE APPLICATION OF PATENTS

In accordance with the provisions of articles 50 to 52 of the new version of the Law, patent holders may voluntarily declare to the Patent Administration Department of the State Council their intention to grant a patent licence and specify the amount of royalties they wish to obtain. The authorities are then in charge of publishing this request, although the details of publication have not yet been specified.

Any companies or private persons interested in exploiting the patent must then simply notify the patent holder who submitted the voluntary licence declaration in writing and pay him the indicated royalties before beginning to exploit the patent. This new provision greatly simplifies patent licencing transactions while also significantly decreasing costs.

It is important to note that this type of open licence cannot under any circumstances be granted exclusively.

Lastly, the Chinese government is encouraging the granting of voluntary patent licences and has reduced or waived the annuities due by right holders during the entire open licence period.



## ■ EXTENSION OF THE PATENT PROTECTION PERIOD DUE TO UNREASONABLE DELAYS IN THE REVIEW PHASE

According to the provisions of Article 42, paragraph 2 of the new version of the Law, if, for reasons not related to the applicant, an invention patent is not issued within a period of four years from the date of application, nor within a period of three years from the date of request for substantive review, the Administrative Patent Department of the State Council must, if the patent holder submits an express request within three months from when the patent is approved, extend the patent's protection period by a period equal to the unreasonable delay.

In addition, Article 42, paragraph 2 of the new Patent Law provides that, in order to compensate for the extra time needed to obtain marketing approvals for new drugs that have been patented, the Administrative Patent Department of the State Council must, at the express request of the patent holder, extend the patent protection period. This additional protection period may not exceed five years and the effective patent protection period once the marketing approval is obtained may not exceed 14 years. This new system is significantly inspired by the system currently used in the United States.

## ■ CHANGE OF PRESCRIPTION PERIOD FOR BREACHES OF PATENT RIGHTS

The previous version of the law provided for a prescription period for a breach of patent rights of two years from the date when the breach became known or should have become known. In practice, however, since the new version of the General Civil Procedure Rules came into effect on 1 October 2017, the courts have been applying the three-year prescription period provided for by these Rules. There was therefore a discrepancy between the content of the specific patent law and the general principles of prescription. The new version of the law provides for a three-year time limit and thus puts an end to this discrepancy, while also complying with the provisions of the Chinese Civil Code, which came into effect on 1 January 2021.



*For any additional information  
please contact:*

**Sylvie SAVOIE**  
HEAD of Beijing office  
[savoie@dsavocats.com](mailto:savoie@dsavocats.com)

**Chen Xiaoyun**  
Legal Advisor - Beijing Office  
[chenxiaoyun@dsavocats.com](mailto:chenxiaoyun@dsavocats.com)