

## Significant Changes in European and Chinese Patent Law:

### What You Need to Know

*Written by Alexander Adam, Esq. and Deirdre E. Sanders, Esq.*

On September 18, 2009, the BPLA International and Foreign Practice Committee sponsored a seminar entitled, "Significant Changes in European and Chinese Patent Law: What you need to know." The first half of the seminar focused on understanding the current IP landscape in China, with emphasis on recent Chinese patent law developments and China's litigation landscape in the last 12 months. The second half focused on changes in European patent law, including an overview of recent developments in European patent law, significant rule changes and proposed changes to the patent litigation system in Europe. The seminar was particularly timely because the new Chinese patent law amendments have just taken effect and because further changes to the EPC are only a few months away.

After introductory remarks by BPLA president Mark Solomon, Committee co-chair Deirdre Sanders introduced the speakers, Luke Minford from Rouse Beijing, PRC, and David Barron, from Wragge & Co., LLP, UK. Also present and supporting Mr. Minford's presentation in questions of technical matters was Ling Jin along with other delegates from Rouse Beijing, PRC.

### Understanding the Current IP Landscape in China

#### *The path to innovation*

Mr. Minford commenced his presentation with a brief historical overview highlighting how the market liberalization of the 1980s, the domestic restructuring of the 1990s, and the central focus on innovation in China today have directly resulted in the government's consequent implementation of a five-year plan to promote innovation in China. As an example, he demonstrated a direct link between the recent increase in filing of PCT applications by Chinese entities and provincial government plans and local government subsidies for such filings. With regard to bringing technology into China, Mr. Minford informed the audience that widespread incentives exist, but always involve coordination with a government body. He pointed out the growing importance of one particular agency, the National Development and Reform Commission, because it has the ability to approve or deny such projects. Critical to any foreign company are, thus, the guidelines and options issued by various government bodies and agencies.

#### *The response from industry*

Mr. Minford showed that the industry response has been a dramatic increase in domestic utility model and design patent applications, as well as an increase in the number of PCT filings. The utility model is generally favored by domestic companies because it provides a quick way to protect a particular product. It offers 10 years of protection, a fast registration without substantive examination, and a presumption of validity in court.

According to Mr. Minford, foreign companies have not quite caught on and their patent applications are still largely for the traditional invention patent, which offers a 20-year term, and covers not only products but processes, but requires substantive examination that typically takes years.

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Mr. Minford predicts that foreign direct investment will see a shift of focus from cash investments to technology transfer, spurred directly by the Ministry of Commerce selection criteria that give great weight to the ability to innovate.

#### *Changes to the law*

According to Mr. Minford, the third Amendment to the Patent Law, which took effect October 1, 2009, supports China's drive for independent innovation. Among the many changes, the Amendments introduce an "absolute novelty" standard for patentability, meaning that prior art now includes publications and evidence of use or disclosure from anywhere in the world. Mr. Minford sees this as a clearly positive development for those foreign inventors that have disclosed inventions abroad and have seen these inventions patented by other persons in China.

Mr. Minford pointed out that a common strategy for applicants looking to secure earlier patent rights for their product inventions in China had been to apply for both an invention patent and a utility model patent directed towards the same invention. The Amendments now require that both applications be filed on the same day. To avoid double patenting issues, the regulations require the applicant to make an election, thereby abandoning the utility model, if the applicant wants to obtain an invention patent.

Another important change is the new confidentiality or security examination. This Amendment to the Patent Law requires that any applicant that wishes to file a patent application for an invention created in China in a foreign jurisdiction may do so only after completing a Security Review conducted by SIPO. Failure to file for Security Review will result in loss of patent right.

#### *Enforcement and the People's Courts*

Mr. Minford next characterized the dual system of enforcement of rights in China. The administrative remedies, according to him, are chosen in more than 90% of cases because of the lower burden of proof (e.g., showing a sample of the infringing product), but they only offer an injunction, not damages. With respect to the People's Courts, Mr. Minford lamented that, despite the high number of IP civil actions (e.g., 4,047 patent cases and 10,951 copyright cases in 2008) there is very little publicly available information in relation to court decisions in China. To change that, his firm, Rouse, created a free online database of judgments of the People's Courts ([www.ciela.cn](http://www.ciela.cn)). Analysis of the database, for example, revealed that most courts issue a judgment within 12 months. Mr. Minford noted, however, that many foreign rights owners are still reluctant to go to court because of the combination of the evidentiary burden on the plaintiff and the public nature of civil proceedings. Two new changes in patent litigation regard the change to an absolute novelty standard and the ability of a defendant to make a "plea of prior art."

Mr. Minford's concluding remarks emphasized that the IP landscape is changing because China's commitment to innovation is real and happening now. He cautioned that due diligence is critical when advising clients that want to enter the Chinese market or seek IP protection in China. In particular, Mr. Minford reminded the audience that the Chinese courts are becoming increasingly competent. Key for rights owners is, therefore, a robust civil litigation strategy in China.

## Significant Changes in European Patent Law

### *The EPC 2000*

Mr. Barron started out by introducing the European Patent Convention 2000 (EPC 2000). Contrary to its name, the EPC 2000 actually came into force in December 2007. The aim of the EPC 2000 was to align the EPC with the WTO TRIPS agreement and the Patent Law Treaty. In addition, the EPC 2000 sought to remedy some of the perceived defects in the existing system, such as inconsistency in claim interpretation and the absence of a central procedure to amend the claims of a granted patent for all designated states. A centralized amendment procedure is now available nine months after issue but the amendments must not add new subject matter or broaden claim scope.

According to Mr. Barron, two recent decisions by EPO's Administrative Council will result in significant changes to the implementing regulations to the EPC. The new rules, effective April 1, 2010, impose a non-extendable 24-month time limit on filing divisional applications after the first office action and new time limits for the response to the search report.

### *EU Enforcement Directive*

Next, Mr. Barron outlined the EU Enforcement Directive aimed at setting out harmonized minimum standards for IP enforcement, including preservation of evidence, preliminary restraints and cost awards. The effect of the Directive in the UK, a traditional common-law jurisdiction, is likely limited but more significant in, for example, Germany, a country which lacks a tradition of discovery. Other judicial decisions have limited the availability of cross-border injunctions, although a court can grant extraterritorial injunctions for urgent preliminary relief and, potentially, where the validity of a patent is not at issue.

### *EU patent litigation system*

Mr. Barron went on to give an update of the EU patent litigation system and the quest for a Europe-wide Community Patent. He voiced skepticism that the Community Patent will become a reality within the next 10-15 years. One major obstacle, according to him, is the simple fact that the EU member states currently have 23 official languages. He noted, however, that a reform of the EU litigation system is more likely in the short term.

Mr. Barron concluded by highlighting positive changes to national patent litigation systems in the UK and Germany that have resulted in less complex cases and new limits to the appeal process, respectively.

Overall, the event was a great success, thanks to the informative and vivid presentations of Mr. Minford and his colleagues and Mr. Barron, and due to enthusiastic audience participation and discussion following the presentations. For more information on the seminar, including materials, please contact Deirdre Sanders at [Deirdre.Sanders@hbsr.com](mailto:Deirdre.Sanders@hbsr.com).