Comments on the Draft Patent Law

December 30, 2015

The members of the US-China Business Council (USCBC) and the Advanced Medical Technology Association (AdvaMed) appreciate the opportunity to engage with the State Council Legislative Affairs (SCLAO) on intellectual property (IP) issues. Our members are leaders in global innovation and IP with significant experience in China and around the world. These companies have invested considerable time and resources in research and development activities in China that have benefited foreign and domestic companies, as well as inventors and consumers.

USCBC and AdvaMed appreciate the opportunity to provide SCLAO with comments on the draft Patent Law ("the draft"). We are pleased to see positive changes in recent versions including provisions that strengthen efforts against online patent infringement. We recognize that this draft and the draft Service Invention Regulations (SIR) are moving toward consistent approaches on inventor remuneration issues. In order to improve these policies, we are pleased to suggest additional revisions on the draft. We appreciate SCLAO's willingness to consider these comments and would be happy to provide more detailed feedback.

Several concerning issues remain in the current draft. For example, the draft includes troublesome language regarding inventor compensation issues, including Article 16. Differences in language related to service inventor remuneration remain between the draft Patent Law and two other regulatory documents (the SIR and the draft Science & Technology Achievement Law) that could cause inconsistent implementation by local agencies. These three regulatory documents should be revised and aligned to ensure consistent language and implementation. Additionally, all three documents should explicitly state that employees and inventors can negotiate agreements governing inventor compensation and disposal of IP rights, and that those agreements would supersede related provisions in these regulatory documents.

We recognize efforts by Chinese government agencies to improve patent enforcement, an important shared goal. Several provisions in the latest draft—notably Article 3 and Articles 59 through 78—aim to achieve that goal by increasing the State Intellectual Property Office's (SIPO) authority to curb patent infringement, increasing investigative powers, boosting fines and penalties, and expanding the areas where SIPO should proactively investigate. Those areas include cases of "willful patent infringement [that] disrupts the market order," "group infringement," "repeated infringement," and cases that have a "significant impact." Many of these new terms are not clearly defined, leading to uncertainty about SIPO's expanded investigative and enforcement authority. In order to ensure that SIPO's responsibilities are properly outlined, additional language is necessary to clearly define these terms.

This language also appears to give considerable discretion to local patent enforcement authorities (such as local SIPO offices) to investigate patent infringement issues. Patent disputes, including patent infringement cases, can be complex, requiring considerable expertise, capacity, and time

to properly evaluate the technology used in each case. We believe that the courts remain the best avenue to handle patent disputes. Retaining that role for the courts would also avoid any potential conflicts of interest between SIPO's role as a patent issuer and a patent enforcer. As such, the language in Article 3 and Chapter VII regarding administrative patent protection should revert to the language included in the 2008 Patent Law, such as in Article 60.

Additionally, several additions to the latest draft add new, or expand current, limits on companies' rights to exercise IP rights, impeding their ability to bring their most advanced technologies and products to Chinese customers and to further innovate in China. For example, Article 14 states, "it is forbidden to abuse patent rights or damage public interests, or to exclude or restrict competition." This provision contains vague language and undefined terms, which increase the risk of inconsistent enforcement. Further, Article 85 states that patent holders participating in standard-setting processes must disclose and license their patents to those using the standard, with the patent administration department adjudicating any dispute over licensing fees. Global best practices for handling disputes over licensing fees generally place such authority with courts rather than administrative agencies. Chinese courts adjudicate most other commercial disputes between companies, and would be best equipped to handle these concerns. In addition, having such disputes handled by the courts would avoid conflicts of interest for SIPO in its dual role as a patent-granting agency and the agency handling royalty disputes over those same patents. Due to the level of concern raised with both provisions, they should be deleted.

Finally, we encourage SCLAO to consider changes to better promote the development of key industries. For example, SCLAO should revise provisions in Article 25 related to patentability of methods to diagnose and treat disease so that they are consistent with global best practices used in regions such as the United States, European Union, and Japan. Such revisions would help China foster an innovative industry that promotes development of life-saving, innovative medical products and technologies to diagnose and treat disease. We would be pleased to work with SCLAO to develop specific language to achieve that goal.

Our members would be happy to further discuss these recommendations at any point.

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