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New Patent Marking Rules in China

Summary

Following the new PRC Patent Law and the PRC Patent Implementation Rules which came into effect on 1 October 2009 and 1 February 2010 respectively, the PRC State Intellectual Property Office recently released the "Measures for Patent Label Marking" ("New Patent Marking Rules") which will supersede the old rules - "Measures for Patent Mark and Patent Number Marking" ("Old Rules") and become effective on 1 May 2012.

What have been changed under the New Patent Marking Rules?

The Old Rules have been implemented in China since 1 July 2003. The key changes under the New Patent Marking Rules are summarized below:

REMOVING THE REFERENCES TO THE OLD PATENT NUMBER FORMAT

Before October 2003, the PRC patent numbers follow the format starting with the characters "ZL" (the acronym of the English transliteration of the term "patent" in Chinese), followed by the first two digits representing the year of application, the third digit representing the type of patent, the four to eight digits representing the serial number of applications of that particular type of patent in that particular year, and the ninth digit for the parity bit which can be a number or a character "X". Since 1 October 2003 after the Patent Application Number Standard was implemented, the patent number format has been changed to a 12-digit number with the first four digits representing the year of application, the fifth digit representing the type of patent and the sixth to twelfth digits representing the serial number of applications of that particular type of patent in that particular year, and a patent owner can (but is not mandated to) mark the China

country code "CN" in front of the patent number to denote that it is a PRC patent. Hence, two different formats of patent numbers have long been used in China and the Old Rules, which refer only to the old patent number format, are undesirable. The New Patent Marking Rules now only stipulate the essential requirements of a patent marking without making reference to any specific format of a patent number.

IMPOSING PATENT MARKING RESTRICTIONS ON PATENT APPLICANTS, NOT JUST PATENT OWNERS

The Old Rules only cover the way how a patent mark and a patent number should be marked after the patent is granted. As there have been no specific guidelines and restrictions on marking of pending patent applications in the Old Rules, this has led to a considerable instances of improper markings. For example, some applicants do not specify that their patents are pending applications only whilst some do not clearly identify the patent application numbers. These markings may sometimes be deliberately done by the patent applicants to mislead the public that patents have already been granted, hence resulting in undesirable influences to the market competition order and doubts about the accuracy and reliability of the public search. The marking restrictions are now extended to cover patent applications in the New Patent Marking Rules (please see below for details).

Interestingly, some specific prohibitions against the use of (i) false overseas patent marking, (ii) "International Patent" and "Worldwide Patent" markings; and (iii) patent marking after the patent is invalidated or expires, proposed in the original draft New Patent Marking Rules (which were released for public consultation on 21 October 2011), are taken out from the final version. This is probably because

these aspects are considered to be covered by the prohibition against marking of invalid and expired patents and the catch-all provision against any other acts which may mislead the public that an unpatented technology or design is patented under Article 84 of the PRC Patent Implementation Rules.

Is patent marking compulsory in China?

The answer is NO - patent marking is not mandatory. Article 17 of the PRC Patent Law stipulates that a patent owner "has the right to" apply patent marking on its patented products or the packaging thereof. No adverse consequence is stipulated under the law if a patent owner does not do so.

In some jurisdictions such as Hong Kong and the United States, patent owners are required to mark their patent numbers on the products, otherwise damages or accounts for profits may not be awarded by the court in infringement lawsuits. There is no such requirement under the PRC patent regime.

However, if a patent owner chooses to make known its patent right to the public by way of patent marking, it must duly observe the provisions in the New Patent Marking Rules.

How to mark?

The New Patent Marking Rules expressly stipulate that a patent owner (or its authorised licensee(s)), who marks a patent label on its products, packaging or instruction manuals, is required to:

- state clearly <u>in Chinese</u> which type of patent it is (i.e. whether it is an invention patent, a utility model or a design patent);
- state the PRC patent number in full; and
- ensure that any other similar wordings or symbols used for the patent label should not mislead the public.

If a patent is not yet granted and the patent applicant wishes to do patent marking, it must not only specify in Chinese the patent type and the patent application number but also mark the words "Patent application, Not yet granted" in Chinese.

What are the consequences of improper markings?

(I) IMPROPER MARKING BY THE PATENT APPLICANT/OWNER

In this context, improper markings include

inaccurate marking of patent label, applying a patent label on non-patented products, continued use of a patent label after expiry of the relevant patent, etc. Under the New Patent Marking Rules, the patent administrative authority is expressly empowered to order for rectification of any marking which does not duly comply with the relevant provisions. An improper patent label may constitute an act of patent passing off, which is punishable by the patent administrative authority pursuant to Article 63 of the PRC Patent Law - the authority may order for rectification, publicise the case, confiscate the illegal profits and impose a fine of no more than four times of the illegal profits made by the infringer or not more than RMB 200,000 (around USD 31,500) if there is no illegal enrichment.

(II) FALSE PATENT MARKING - MARKING OF THE OTHER'S PATENT WITHOUT AUTHORISATION

If another's patent number is marked on one's products without authorisation (whether by mistake or not), in addition to the filing of an administrative complaint, the relevant patent owner will be entitled to commence a civil action for an injunction and damages on the ground that the false patent marking has infringed his exclusive right to mark his patent. Alike typical patent infringement cases, the amount of damages awarded by the Chinese court is to be assessed based on the actual loss of the patent owner or the profit gained by the infringer; or in their absence, on a notional royalty fee basis. According to Article 65 of the PRC Patent Law, if it is difficult to ascertain the amounts based on the aforesaid bases, the Chinese court may take into account factors such as the patent type, the infringement nature and other circumstances, and award damages within the range of RMB 10,000 (around USD 1,575) -RMB 1,000,000 (around USD 157,500) at its discretion.

The damages may also include the patent owner's reasonable expenses incurred in stopping the infringement. In practice, the total amount of damages awarded is usually below RMB 500,000 (around USD 78,750) unless there is overwhelming evidence to support a higher amount of claim.

Apart from the above civil remedies and

administrative penalties, pursuant to the "Interpretation of the Supreme People's Court and the Supreme People's Procuratorate of the Issues concerning the Specific Application of Law in Handling Criminal Cases of Infringement of Intellectual Property Rights", false marking of the other's patent may also attract criminal liabilities under Article 216 of the PRC Criminal Law if:

- the illegal profit or illegal turnover is substantial (more than RMB 100,000 (around USD 15,750) illegal profit / more than RMB 200,000 (around USD 31,500) illegal turnover);
- a direct economic loss (more than RMB 500,000 (around USD 78,750)) is caused to the patent owner;
- a person is alleged to be involved in two or more counts of a patent passing off offence, having an illegal profit more than RMB 50,000 (around USD 7,875) or an illegal turnover more than RMB 100,000 (around USD 15,750); or
- there are any other serious circumstances (e.g. hazardous to the social stability, prejudicial to the Government's image, etc.).

The sanctions can be a fixed-term imprisonment or criminal detention up to three years and/or a fine. The person(s)-in-charge and any personnel of the infringing entity who is directly responsible for the act of patent passing off may also be criminally liable.

(III) AN UNFAIR COMPETITION?

Someone may argue that if it is a deliberate attempt to pass off one's patent application as a granted patent or to pass off as the other's patent without authorisation, the act should be classified as an act of unfair competition because this would afford an unfair competitive edge to the improper or false patent marker and deceive the consumers. Currently, the PRC Anti-Unfair Competition Law covers only the act of passing off another's trade mark and has not yet been expanded to cover patent passing-off cases. Business competitors who are not the owners of the relevant patents being misused or consumers whose interests are damaged by the improper or false patent marking, they can complain to the patent administrative authority or ask the public

security bureau to take action if the case meets the criminal thresholds, although they will not be entitled to any financial redress.

To mark or not to mark?

A patent label can be a powerful marketing tool - it may give the consumers an impression that the product so marked is new, technologically advanced and more superior than the others, hence enhancing the brand image and creating a competitive edge for the brand owner. Further, marking your patent number on products is always the simplest way to enable you to establish the infringer's knowledge of your patent (whether actual or constructive knowledge) in an infringement lawsuit though it is not essential to prove such knowledge in a patent infringement case in China.

Yet, when doing patent marking in China, you should be cautious and follow strictly the New Patent Marking Rules. It would be a good practice for you to check if the relevant patents have expired or not before marking and ensure that the patent particulars (including patent type and number) are accurately marked in Chinese and avoid using any ambiguous or misleading language in the patent label. If your patent is still pending, you should make it clear on the patent label. More importantly, you should not mark other's patent number on your products, by mistake or otherwise.

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