

## Understanding Design Patent Protection and the Revised Patent Law of the PRC from 1 June 2021

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When it comes to **IPR Protection in China**, it is well-known that China has gained a bad reputation for large-scale IP infringements including copying of foreign company brands and production of counterfeit goods.

But this no longer gives a fully accurate picture of the current situation and the ongoing measures taken by China to strengthen its IP laws, regulations, and courts to decisively crack down on IP infringement.

The revised **Patent Law of the PRC** took effect on **1 June 2021** which follows the revised **Trademark Law of the PRC** from **1 November 2019** and together with the revised **Copyright Law of the PRC** from **1 June 2021**.

### Revised Patent Law

In light of sustained criticism over the years from foreign companies and governments about insufficient patent protection and enforcement in China with both low fines and compensation amounts, the first draft of the revised Patent Law was published on 2 December 2015.

However, it was not until **17 October 2020**, following several amendments, that the 4<sup>th</sup> draft of the revised Patent Law of the PRC was finally approved that took effect on **1 June 2021**.

The revised Patent Law consists of **eight chapters and 82 articles** that establish the fundamental rules for the filing, examination, granting, validity, and protection of invention patents, utility models and **design patents** in China. The Implementing Regulations of the revised Patent Law are still pending publication.

## Design Patent Protection

Whereas in Europe it is possible to get original design-work protected as either Registered Community Design (25 years protection) and Unregistered Community Design (3 years protection), designs must be registered in China to be protected.

According to **Article 2** of the revised Patent Law, *“A design shall mean a new design of the whole or partial shape or pattern of a product or a combination thereof as well as a combination of colour with shape or pattern, which creates an aesthetic feeling and is fit for industrial application.”*

Moreover, **Article 23** states that *“A design for which patent rights are granted, when compared to the existing designs or a combination of characteristics of the existing designs, shall possess a clear distinction.”*

## Design Patent Application

Design patent applications can either be filed directly through the **China National Intellectual Property Administration** (CNIPA) or via a contracting member state of the Paris Convention for the Protection of Industrial Property or the Patent Cooperation Treaty both of which China has signed.

China uses the **“First-to-file”** system. If two or more applicants apply for a design patent for the same design separately, the patent right shall be granted to the first applicant.

The design must be considered an **Absolute Novelty**, whereby it cannot have been disclosed, published, or commercialized anywhere in the world prior to the filing of the application in China.

Within **six (6) months** from the application date for a design patent overseas, it is possible to **Claim Priority** by filing a design patent application directly in China for the same design. The design protection in China only starts from the registration date in China.

## Design Patent Registration

After the design patent application has been filed and accepted by CNIPA, it will only go through a **Preliminary Examination** to ensure the filed application meets the official requirements.

Unless rejected, Chinese design patents are normally granted by CNIPA within **six (6) months** and published in the weekly Patent Gazette. A Design Patent Registration Certificate will then be issued in Chinese.

The design registration gives the patent owner the exclusive rights for a maximum of **fifteen (15) years** from the application date and cannot be extended.

Design patent protection is subject to the payment of annuity fees from the date the patent right is granted.

## Design Patent Enforcement

Before any official action can be taken to enforce your design patent rights in China, it is important to first gather and preserve evidence of the infringement such as screenshots, hyperlinks, photos and purchased products and get an **Evaluation Report** (Substantive Examination) issued by CNIPA.

However, only evidence collected and **notarized** by a Chinese public notary is accepted by the local patent authorities and admissible at the People's Court.

Where the design patent owner can prove that others are committing or will commit an act of infringement, it is possible prior to filing a lawsuit to apply to a People's Court for **property and evidence preservation measures** according to the **Civil Procedure Law of the PRC**.

## State Administration for Market Regulation (SAMR)

The easiest and quickest option is to file an **official complaint** with the local patent enforcement authority where the alleged infringement is taking place that based on the submitted evidence can do the following:

- Question the parties concerned and investigate circumstances for the alleged infringement.
- Conduct on-site inspections of the premises where the alleged infringement is taking place.
- Inspect and make copies of contracts, invoices, account books and other relevant materials related to the alleged infringement.
- Inspect the products relating to the alleged infringement.
- Seal up or seize all the products proven to be copied products.

In case of counterfeiting, all illegal income shall be confiscated and a fine of no more than **five times** the illegal income may be imposed. Where no illegal income is made or the amount of illegal income is below RMB 50,000, a fine of no more than **RMB 250,000** may be imposed. **Civil and criminal liability shall be pursued according to the law.**

## People's Court

To seek damages, the patent owner must file a lawsuit against the alleged infringer. This can be done via the special **IP Courts** in Beijing, Shanghai, or Guangzhou or one of the regional **IP Tribunals**. The **Supreme People's Court of the PRC** also established its own IP Tribunal on **1 January 2019**.

Awarded damages shall be based on the **actual losses** suffered by the patent owner due to the infringement or according to the **profits** made by the infringer from the infringement.

If such losses or profits are difficult to determine, the damages shall be determined according to a **reasonable multiplier amount of royalties** for each infringed patent.

If the patent infringement is ruled **intentional and serious** by the people's court, the awarded damages shall be **1-5 times** the determined amount following the standard method.

If the standard method is not feasible, the compensation amount may be from **RMB 30,000 - 5 million**. The damages shall also include **reasonable expenses** incurred by the patent owner to stop the infringement.

The **period of limitation** for action against patent right infringement is **three years** starting from the date when the patent right holder or relevant party knows or should have known of the infringement.

### **General Administration of Customs (GAC)**

To prevent an infringer from exporting any illegally copied products overseas, companies can get their China patented design products registered with GAC that operates an **IP Recordal System** to help Customs officers identify, confiscate, and destroy any infringing products for export.

After the required information and documents have been recorded online with GAC, the approval process takes about 30 days and valid for **10 years** or for the duration of the registered patent (whichever is shortest) but can be renewed if the design patent is still valid.

If any suspected infringed goods are stopped at a Chinese port, the patent owner must pay a **bond** of no less than the value of the products but **maximum RMB 100,000** to be used for storage fee and disposal fee with the remainder returned afterwards.

GAC shall within 30 working days after the detention of the alleged infringing products investigate and determine whether the products are infringing or not.

If the detained products are confirmed to be infringing, GAC can confiscate the products and impose administrative penalties on the exporter of the infringing goods.

If the detained goods cannot be determined to be infringing, GAC shall within three working days notify the patent holder to apply to the court for judicial detention of such goods.

### **Safeguarding Design Patents**

No matter if you consider, plan, or already sell offline and/or online in China, you are strongly advised to apply for and register your design patents as soon as possible to get protection or you risk loss of control to outsiders through (lawful) copying and counterfeiting which can harm your company revenue, reputation, and brand in China.

With the revised Patent Law of the PRC from 1 June 2021, China has taken a crucial step to improve and strengthen the fundamental rules for the filing, examination, granting, validity, and protection of design patent rights in China.

Moreover, the administrative fines and legal compensation amounts for design patent infringements have been raised significantly, and the burden of proof when awarding damages now also rests on the infringer.

These are all important steps needed to safeguard the legal rights and interests of both domestic and foreign design patent owners based on transparency and trust.

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