AFD China
INTELLECTUAL PROPERTY LAW OFFICE

Newsletter
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WIPO Released the 2018 PCT Yearly Review

The World Intellectual Property Organization (WIPO) released the 2018 PCT Yearly Review last month.

According to the Yearly Review, in 2017, the volume of international patent applications under PCT from China stood at 48,882, exceeding Japan for the first time and ranking the second worldwide.

Also, according to the Yearly Review, in 2017, 52,355 applicants in 126 countries (regions) around the world filed 243,000 international patent applications through PCT, up 4.5% from that in 2016. In terms of volume of PCT international patent applications, Huawei topped the global applicants with 4,024 such applications. ZTE and BOE of China ranked the second and the seventh respectively.

http://english.ipraction.gov.cn/article/News/201809/20180900201308.shtml

China Strives to Crack Down on Malicious Hoarding of Trademarks

China noticed that a small number of applicants tried to register trademarks beyond the normal business needs and transfer the hoarded trademarks to the actual users at a high price for seeking illegitimate benefits.

For example, Guangzhou 4399 Information Technology Co., Ltd. applied for more than 9,000 trademarks, 210 of which were opposed by different rights holders and the Trademark Office (TMO) handled 39 trademarks in question; Shanghai Wuyue Information Technology Co., Ltd. filed more than 500 trademark applications, 77 of which were opposed by different rights holders, and the TMO dealt with the 13 trademarks in question. In the above cases, the TMO rejected the challenged marks.

Both Fan Yali, deputy director of Division of Trademark Examination Administration of the TMO and Cai Qiongyan, director of the Comprehensive Division of the Trademark Review and Adjudication Board (TRAB), spoke publicly pointing out that malicious hoarding of trademarks is a key target of trademark administrative authorities.

The authorities have adopted intelligent analysis to classify acts of squatting with bad faith and would take hoarding trademark resources, frequently squatting well-known trademarks, damaging legitimate rights and interests of trademark right holders as reference to maliciousness determination.

Tao Kaiyuan, vice president of the Supreme People's Court, also noted at this year's National Court of Intellectual Property Trial Work Conference that the People's Court should curb malicious hoarding behavior of trademark registration based on the spirit of the intent of real use of trademark registration.

http://english.sipo.gov.cn/news/iprspecial/1133048.htm

CNIPA: China's AI Invention Patents Maintain Steady Growth

The National Intellectual Property Administration of China (CNIPA) released the 2017 Statistics and Report of Invention Patents in China's Artificial Intelligence (AI) Field.

According to the statistics, China publicized 46,284 applications of invention patents in AI and granted 17,477 ones in 2017. Among the 46,284 disclosed applications, foreign-bound totaled 4,577; among the 17,477 grants, 16595 were domestic and 882 were overseas.

Guangdong topped the domestic ranking of such grants, with 4,777 in 2017 and US topped the overseas ranking with 317 grants.

Analysis on applicants shows that universities and scientific institutions have leverage in the field of basic algorithm and basic hardware, while enterprises possess absolute predominance in the vertical application.

Statistics also indicated that there is still a gap between China and developed countries in the overall AI development, in particular the innovation investment in basic theory, core algorithm, basic hardware and key equipment, which requires further investment to make improvement in the new situation.

http://english.ipraction.gov.cn/article/News/201810/20181000202947.shtml

Alibaba Files Patent for Blockchain System That Allows "Administrative Intervention"

Chinese e-commerce conglomerate Alibaba has filed a patent application with the U.S. Patent and Trademark Office (USPTO) for a blockchain based system that allows a third party administrator to intervene in a smart contract in case of illegal activities. The USPTO published the patent application on October. 4, 2018.

A smart contract is a computer protocol designed to digitally verify or enforce the negotiation or performance of a contract. Smart contracts are self-executing, with the terms of the agreement between the parties being directly written into lines of code.

The patent document, which was initially filed in March, 2018, describes a blockchain powered transaction method that enables authorized parties to freeze or halt user accounts associated with illegal transactions, or intervene in a blockchain network.

The patent seeks to develop a system for effective administrative supervision of all accounts in a blockchain network, although the scope of supervision will be limited, which means it will not restrict normal transactions in the blockchain network.

http://www.chinaipmagazine.com/en/news-show.asp?id=10152

Draft Law Takes Aim at Fake Drugs

According to the draft amendment to the Drug Management Law, companies that produce or sell pharmaceuticals without a permit, or that produce or sell fake drugs, will face fines up to 30 times the value of the products involved. Existing law provides for fines of up to five times the value.

Producing or selling fake drugs will result in the suspension of business and revoked certificates, while the production or sale of substandard drugs will result in fines of up to 15 times the value of the products produced or sold, and may result in other penalties such as business suspension or revoked permits. Current law calls for maximum fines in such cases of three times the value of the products involved.

In addition to fines, perpetrators may also face criminal sentences. Officials in charge of drug supervision will also face heavier punishments in case of violations involving drugs, the amendment said.

In addition, drug producers must immediately recall drugs from the market if they have quality or safety risks, and information about the recall should be shared with the public and drug authorities.

http://english.ipraction.gov.cn/article/News/201810/20181000203318.shtml

SUPPLEMENT ISSUE

Determination of Trademark Infringement Damages in China

Foshan Intermediate People's Court in Guangdong Province recently made a ruling to award the luxury brand Alfred Dunhill 10 million yuan (US$1.5 million) for damages in trademark infringement and unfair competition.

Similar rulings were observed in 2016 where Beijing IP Court imposed 10 million yuan damages in the case Meichao Group v. Beijing Xiujie, in 2017 where the Supreme Court ordered 10 million yuan indemnity to Huiyuan, in 2018 where Suzhou Intermediate People's Court awarded New Balance 10 million in damage.

These cases reflected China's continued effort on crackdown IP infringement and provide us an opportunity to explore the judicial standards for determining damages and to understand the evidential rules.

Article 63 of the Chinese Trademark Law stipulates the legal basis for infringement compensation and the basis of punitive compensation for damages.

[A63: The amount of damage for infringement of the exclusive right to use a registered trademark shall be assessed on the basis of the actual losses suffered by the right holder because of the infringement; where it is difficult to determine the actual losses, the amount may be assessed on the basis of the profits the infringer has earned because of the infringement. Where it is difficult to determine the losses the right holder has suffered or the profits the infringer has earned, the amount may be assessed by reference to the appropriate multiple of the amount of using the registered trademark under a contractual license. Where the infringement of the exclusive right to use a registered trademark is committed in bad faith and the circumstance is serious, the amount of damage shall be more than one time but less than three times of the amount assessed by referring to the above calculation. The amount of the damage shall also include the reasonable expenses of the right holder incurred for stopping the infringing act.

… …

Where it is difficult to determine the losses suffered by the right holder, the profits the infringer has earned and the fees of licensing a registered trademark, the people's court shall grant a compensation not exceeding RMB 3,000,000 yuan, according to the circumstances of the act of infringement.]

According to the above, the amount of compensation is usually determined in the following order:

1. find actual loss suffered by the right holder as a result of the infringement;

2. where the actual loss is difficult to ascertain, determine it in accordance with the profits obtained by the infringer from the infringement;

3. where the above two are difficult to determine, reference to the appropriate multiple of the trademark license.

When determining the amount of compensation, the court(s) usually consider factors such as the nature and duration of the conduct, consequence, reputation of the trademark, the amount of royalty, the type, term, and scope of license, and the reasonable expenses on stopping the infringement.

In addition, in applying punitive compensation, the court(s) usually consider factors such as

1. renown of the trademark;

2. whether the infringer knew the trademark and/or the relevant rights; for example, whether the infringer is in the same industry, whether the infringer filed a trademark application which was rejected by the Trademark Office by citing the trademark of the plaintiff;

3. whether the amount of sold infringing goods was huge;

4. how long did the infringement take place

In summary, in order to obtain higher compensation, it is necessary to provide evidence in related to losses, especially those with willfulness.

http://afdip.com/index.php?ac=article&at=read&did=3288

Court Rules Local Electrical Firm's TM Similar to VOLVO

The dispute is between the Sweden-based VOLVO Trademark Holding AB and Volok Electrical Co,. Ltd in Zhejiang Province of China over the trademark VOLOK 沃尔科.

Recently, Beijing High People's court made a final judgment, held that No.9047759 trademark "VOLOK沃尔科 " (trademark in dispute) had constituted similarity with No.1981782 "VOLVO" (cited TM1) and No.4664260 "沃尔沃" (cited TM2) on the same or similar products. The judgment brought the 3- year- long dispute to an end and upheld the decision invalidating the trademark in dispute made by Trademark Review and Adjudication Board (TRAB).

The trademark in dispute was filed for registration by VOLOK in January 2011 and would later be certified for use on products including materials for electricity mains (wires, cables) and capacitors.

In July 2015, VOLVO filed an invalidation request to the TRAB. The cited TM1 and cited TM2 were filed by VOLVO in October 2001 and May 2005 respectively, and would be approved for registration in February 2003 and May 2008, certified for used on products including combustion instruments, wires, and capacitors.

In May 2016, the TRAB made a ruling that the registration and use of the trademark in dispute would not cause misunderstanding of the public in the quality and origin of the products, however, the trademark in dispute and the two cited TMs constituted similarity in the same or similar products. On this ground, TRAB decided to invalidate the trademark in dispute.

The disgruntled VOLOK then brought the case to Beijing IP Court.

After hearing, Beijing IP Court held that the trademark in dispute and the two cited TMs constituted similarity in the same or similar products. The court denied the request of VOLOK at the first stance.

Then VOLOK appealed to Beijing Higher People's Court. The Higher court held that the certified products of the trademark in dispute and the two cited TMs highly converged on function, use, distribution channel and customers, constituting similarity in the same or similar products.

The trademark in dispute and the two cited TMs were similar in overall design, words formation and calling, and it is hard to tell from the meaning. In addition, two cited TMs had enjoyed high popularity in vehicles and relevant instruments after long- time and wide use and promotion.

In this connection, Beijing High affirmed that the trademark in dispute and the two cited TMs constituted similarity in the same or similar products and rejected VOLOK.

http://english.sipo.gov.cn/docs/2018-09/20180926082719745116.pdf