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Developments in Trademark Practice

The Standing Committee of the National People's Congress passed a proposal to amend China's trademark law.

The proposal outlined that the amount of compensation for malicious infringement of trademarks should be up to five times the amount of actual losses, compared with three times before the amendment.

It also said the statutory compensation for trademark infringement will be raised from 3 million yuan (US\$450,000) to 5 million yuan (US\$750,000). Similarly, that for trade secret infringement under the anti-unfair competition law will be raised to 5 million yuan too.

These revisions will take effect Nov 1, 2019.

<http://english.cnipa.gov.cn/news/officialinformation/1138487.htm>

In addition, according to the State Council, China will implement measures to reduce government fees and service charges, including enlarging the scope of entitlement for patent fee deductions (to-be-specified), and reducing the fee for trademark renewal from 1,000 yuan to 500 yuan, taking effect as of July 1, 2019.

<http://english.cnipa.gov.cn/news/officialinformation/1138164.htm>

China's Top Market Regulator to Strengthen Crackdown on IPR Infringements

China's State Administration for Market Regulation (SAMR) has taken measures to

enhance supervision on online shopping and infringements of intellectual property rights (IPR) in imports and exports.

These measures fall into six aspects, including strengthening oversight on law enforcement, broadening sources of infringement clues, promoting the connectivity of administrative and criminal law enforcement, enhancing cooperation between government departments and firms, and improving the regulatory system.

<http://english.ipraction.gov.cn/article/News/201904/20190400217130.shtml>

China Boasts World's Most Applications for New Agricultural Plant Varieties Rights

China had the largest number of applications for new agricultural plant varieties rights in the world for the second consecutive year in 2018.

The number of applications exceeded 4,800 last year, almost equal to the total in the previous 10 years, according to a symposium jointly held by the Ministry of Agriculture and Rural Affairs, National Forestry and Grassland Administration and National Intellectual Property Administration.

Since joining the International Union for the Protection of New Varieties of Plants (UPOV) 20 years ago, China has approved nearly 12,000 applications.

<http://english.ipraction.gov.cn/article/News/201904/20190400217495.shtml>

CNIPA Enhances Protection of Integrated Circuit Layout Design

The National Intellectual Property Administration of China (CNIPA) has released the Guideline on Examination and Law Enforcement of Integrated Circuit Layout Design (tentative).

The Guideline of 88,000 words consists four parts: registration examination, reexamination and cancellation, administrative law enforcement, and licensing and pledge. Comments solicited based on the previous draft have been considered in the Guideline.

The Regulations on Protection of Integrated Circuit Layout Design came into force in 2001 in China. Applications of IC layout design keep rapid increase. In the meantime, registrations for pledge contracts, involving 50 items of IC layout designs, are handled. The first administrative case of infringement concerning the IC layout design was concluded in 2018.

<http://english.ipraction.gov.cn/article/News/201904/20190400217003.shtml>

China Spends Big on IPR Royalties, Values Innovation More

China has been lavishing money on IPR royalties with a 20-year streak of double-digit growth amid efforts to close a longstanding gap in technology and innovation.

China's external payments of IPR royalties rose 24% year on year in 2018 to 35.8 billion U.S. dollars, resulting in a deficit of 30.2 billion dollars, the latest data from the State Administration of Foreign Exchange (SAFE) showed.

This marked an average annual growth of 22% from 1997 to 2018 in the IPR royalty payments.

The payments mainly came in the computer, telecommunication, electronics, auto manufacturing, ship-building and aviation

sectors, which accounted for more than 40% of the total. The United States, Germany and Japan were the top three exporters.

<http://english.ipraction.gov.cn/article/News/201904/20190400216847.shtml>

Huawei Tops WIPO Patent Applications

China's tech giant Huawei topped the list in corporate patent applications at the World Intellectual Property Organization in 2018, according to WIPO. Other remarkable Chinese applicants are ZTE ranked the 5th with 2,080 PCT filings; BOE Technology Group ranked the 7th with 1,813 PCT filings, becoming the third company in the top 10 applicants; OPPO saw a rise from 474 in 2017 to 1,042 in 2018, and jumped 23 places in the ranking to become the 17th. Tecton, DJI, CSOT also headed the list of top 50.

The United States last year contributed the highest number of PCT filings at 56,142, followed by China at 53,345 and Japan at 49,702. For the first time filers in Asia contributed more than half (50.5%) of all international patent applications, then Europe (24.5%) and North America (23.1%).

For educational institution applications, the University of California ranked first with 501 patent applications, while Chinese universities for the first time reached the top 10 ranking, including Shenzhen University (third with 201 applications), South China University of Technology (fourth with 170 applications), Tsinghua University (seventh with 137 applications) and China University of Mining and Technology (10th with 114 applications).

Digital communication had the largest share (8.6%) of published PCT applications, and computer technology (8.1%) and electrical machinery (7%) took the second and third spot, respectively. Transport recorded the highest growth rate (11.3%) among top 10 technologies in terms of application shares, WIPO said.

<http://english.cnipa.gov.cn/news/iprspecial/1136665.htm>

SUPPLEMENT ISSUE

Beijing Higher Court: Trademark Use on Export Products Passes Test of Actual Use

Does it fall into the scope of trade-mark use required in the Chinese Trademark Law when the trademark is marked on export products? Centering on the question, a German firm called Aldi GmbH & Co. KG had a rift with Yijia Import and Export Trade Co.Ltd. from Zhangjiagang, Jiangsu Province.

No.6261353 trademark "CRESTON" (trademark in dispute) was filed for registration by Yijia Company on September, 2007 and would be approved on March, 2010, certified to be used on Class 9 products such as gauges.

In March2015, Aldi filed for cancellation of the trademark in dispute to the former Trademark Office (TMO) on the ground that the trademark was not in actual use for three consecutive years from March, 2012 to March, 2015 (the designated period). After examination, TMO rejected Aldi's request.

In January2016, Aldi took the issue to the former Trademark Review and Adjudication Board (TRAB). In response, Yijia furnished evidence of trade transactions, supplier contracts, customs declaration documents and exhibition attendance documents to prove actual use of the trademark in dispute in the designated period. TRAB held that the materials submitted by Yijia have formed a chain of evidence, which can prove that it has used the trademark in dispute on the approved products in the designated period. In November 2016, TRAB decided to uphold the trademark in dispute.

The disgruntled Aldi then brought the case to Beijing IP Court and got rejected later. The company then appealed to Beijing Higher People's Court, claiming that the materials submitted by Yijia Company could only prove it produced products with "CRESTON" trademark outsourced for manufacturing by foreign clients and could not prove the products marked with the trademark in dispute were sold at home. After hearing, Beijing Higher People's Court held that, although the documented evidences reveal the products marked with the trademark in dispute were for export, Yijia had true intent to use the trademark in dispute and it made the trademark known by the public through advertisement, meeting the requirement of trademark use for publicity. Meanwhile, setting up the system of cancellation of the trademark not used for three consecutive years is to activate trademark resources and refresh idle trademarks. The ultimate purpose is to push the owners to actively use trademarks instead of punishing the trademark owners. Based on nature of export trade, Yijia's relevant products cannot be exported if the trademark in dispute is revoked, which will make the trademark in dispute fail to be maintained though the company's real use of the trademark. The result will run counter to the policy of trade encouragement and the purpose

of setting up the system of revocation of the trademark not used for three consecutive years. In this connection, Beijing High rejected Aldi's appeal and affirmed the IP court judgment.

<http://english.cnipa.gov.cn/docs/2019-04/20190424090522937283.pdf>

Latest Draft of the Fourth Amendments to the Patent Law

China has started to amend the current Patent Law since 2014 in order to meet the growing needs of patent protection and to better improve the patent system. The latest version of the amendments was published in January 2019 after receiving deliberations from the Standing Committee of the National People's Congress (the country's legislature). Further news indicated that the amendments are expected to be completed within the year.

To help you understand the updates in the proposed amendments, we summarized and explained the key revisions here.

Service invention (Amended Article 6)

The amendments propose that the employer entity (e.g., enterprises, institutions, organizations) is entitled to dispose the right of applying for a patent for and the patent right of a service invention; and property right incentives, such as equity, option, and dividend, can be of use to let the employee inventor or designer reasonably share the proceeds of the innovation and promote the implementation and application of the relevant invention.

Unlike the previous version which seemed giving the right of filing a patent application to the employee when the invention is made by him or her mainly by using the material and technical means of the employer, the current proposal deletes such indications and instead providing enriched ways of rewarding employer who made a service invention.

Principle of good faith (Newly-added Article 20)

The amendments provide that the principle of good faith should be followed in applying for and exercising patent right. It is not allowed to abuse patent right to harm public interests and the lawful rights and interests of others or to exclude or restrict competition.

Although similar to property right, patent right, as an intangible property right, does not grant the patentee a "monopoly" position. The protection of patent is granted to encourage innovation and promote social development, rather than harming the normal market economic order or the legitimate rights and interests of others. Therefore, exercising of patent right must abide by the basic principle of good faith according to civil laws and be of honesty and sincere intention.

The administration's responsibilities for public information service

The amendments clarify that the patent administration department shall build and maintain public service systems for complete, accurate and timely disclosure of patent-related information. Moreover, in addition to basic data, the administration shall promote the patent information spreading and utilization. (Amended and renumbered Article 21)

The amendments also provide that the administration and its relevant subordinate authorities shall take measures to strengthen the public service for patent and promote the implementation and utilization of patent. (Newly-added Article 48)

It is great to see that the authorities will take more responsibilities in information disclosure and processing and providing convenience and facilitation for public inquiries. That will not only benefit the right holders, business incubators, accelerators, but also investors and interested parties in promoting implementation and transformation of patents. Such promotions will further the country's the development of science and technology, and growth of the economics.

Unpatentable subject matters (Amended and renumbered Article 25)

In addition to “substances obtained by means of nuclear transformation”, the amendments add “means of nuclear transformation” to the list of subject matters for which no patent right shall be granted.

The addition is made because the subject matter may concern national security and national interests.

Domestic priority claiming to patent applications for designs (Amended and renumbered Article 30)

The amendments provide that where within six months from the date on which any applicant first filed in China a patent application for an industrial design, the applicant files a patent application for the same, they may enjoy the priority right.

Currently, domestic priority claiming is only available for invention and utility model patent applications. It is reasonable to give design the same “status” without causing double-patenting. Applicants for design patents would have the option to overcome certain defects in the first filed application without losing the protection of novelty brought by the priority date.

Extended time limit for submitting priority documents (Amended and renumbered Article 31)

The amendments propose to extend the time limit for submitting a copy of the patent application document which was first filed and used for priority claiming for the present patent application. Except that design patent applications still have to file the documents within three months from the date of application, invention and utility model patent applications are expected to enjoy the

adjustments so as to file the documents within 16 months from the date of the first filed application for a patent for invention or utility model. (If priority exists, the date of application will refer to the date of priority filing.)

In viewing of the increase of cross-border patent applications, it is common for an application to claim priority to a first filed application made in other jurisdictions with the submission of the certified copy of the priority documents. Many IP Offices have provided convenient and efficient ways, such as Digital Access Service or Electronic Priority Documents Exchange Program, for the transmission of priority documents. Still there are some jurisdictions only provide such documents in paper copy, which apparently needs more processing time. The amendments will benefit patent applicants and bring China's approach in line with other major jurisdictions.

Adjustments to patent terms (Amended and renumbered Article 43)

The amendments propose to extend the patent terms for design patent to 15 years from the date of filing, to bring China into compliance with the Hague Agreement concerning International Registration of Industrial Designs.

The amendments also introduce a special patent term compensation system to extend the term of the innovative pharmaceutical patents that are synchronously applied for market launch in China and abroad by no more than five years. The patent term also shall not exceed 14 years after market launches of the patented innovative pharmaceutical.

The patent term compensation system was designed to make up the time used for drug approval, where during the period the patentee cannot launch the patented innovative pharmaceutical or obtain economic value from it. Appropriate extension of the patent term would help patentees overcome the problem, encourage R&D of innovative pharmaceuticals, and eventually benefit the people. In the meantime, putting a limit to the extension will prevent abuse of right in this regard.

Types of patent license (Newly-added Articles 50, 51 and 52)

The amendments redefine the license system for exploitation of patent: "compulsory license" is renamed to "special license"; furthermore, "open license" is introduced.

Under the regime of "open license", a patentee shall declare in writing that he is willing to license any party to exploit his patent, and specifies the payment methods and standards of the license fees; where an open license is declared for a utility model or design patent, the patentee shall provide the patent evaluation report. The patent administration department will make a public announcement and implement an open license where the patentee's declaration meets the requirements. No exclusive or sole license shall be granted by the patentee for the same patent during the effective period of an open license.

Any party who is willing to exploit a patent with open license shall notify the patentee in writing; pay the license fee in accordance with the published payment method and standard for license fee.

In case where the patentee would like to withdraw the open license, he shall make a withdrawal declaration in writing with the patent administration department. The administration will make a public announcement. The validity of such open license before the withdrawal shall not be affected.

Where dispute occurs over an open license, the parties of interest may request the administration to mediate.

The open license regime fully reflects the concept of “autonomy of will” in civil laws, where the administration plays as a platform to facilitate the transactions between patentees and licensees.

Patent infringement

1. The amendments propose that in a dispute over infringement of a patent for utility model or design, an evaluation report of patent may be issued by both parties on their own initiative, rather than in the current practice the defendant party has to ask courts or the patent administration departments to request of report. (Amended and renumbered Article 66)

2. According to the amendments, not only the patent administration departments but also the administrative authorities for patent enforcement are entitled to handle, investigate and dispose the alleged act of patent right infringement and passing off the patent. (Amended and renumbered Article 69)

3. The amendments propose to increase fines and compensations for damages and introduce punitive damages. (Amended and renumbered Article 72)

Amended and renumbered	Patent Passing-off	Current fine	Proposed fine
Article 68	Having illegal earnings	Not more than four times the illegal earnings	Not more than five times the illegal earnings
	No illegal earnings	Not more than RMB 200,000 Yuan	Not more than RMB 250,000 Yuan
	Illegal earnings is not more than 50,000 yuan (newly added)		Not more than RMB 250,000 Yuan

Amended and renumbered	Patent Infringement	Current compensation	Proposed compensation
Article 72	Where the damage can be calculated	1. to assess on the basis of the losses suffered by the patentee; the profits which the infringer has earned through the infringement, or by referencing to the appropriate multiple royalties of that patent under contractual license. 2. to include a reasonable expense the patentee has incurred in order to stop the infringing act.	1 & 2 (newly-added) Ranging from one to five times of the amount of compensation determined by the preceding methods for willful patent infringement with serious circumstances
	Where the damage is hard to be calculated (statutory damage)	Not less than RMB 10,000 Yuan and not more than RMB 1,000,000 Yuan	Not less than RMB 100,000 Yuan and not more than RMB 5,000,000 Yuan

4. With respect to the burden of proof in patent infringement, the amendments stipulate that the court may order the accused infringer to provide account books and materials relating to the infringing conduct; if the accused infringer does not provide or provides false account books or materials, the court may determine the damages by referencing to the plaintiff's claims and evidence. (Amended and renumbered Article 72)

Similar rules are adopted by the trademark law. The reversed burden of proof and the increase of penalties will provide better protection to the patent right holders.

5. The amendments clarify the jurisdiction of different-level patent administration authorities (Newly-added Article 70):

The national patent administration department may, at the request of the patentee or interested parties, handle patent infringement disputes that have nationwide significance.

The local administrative authorities for patent affairs may handle patent infringement disputes at the request of the patentee or interested parties, and may conduct consolidated handling on cases that relate to the same patent and occur within its jurisdiction; where cases are about infringement of the same patent but the infringement acts occur in cross-jurisdictions, the local administrative authorities for patent affairs may requested for handling at the higher level authorities.

6. The amendments provide stipulations on online patent infringement and the liability of network service providers (Newly-added Article 71):

The patentee or interested party may notify the network service provider to take necessary measures such as deleting, blocking, and disconnecting the links of infringing products according to the judgments, rulings, or mediation decisions and administrative orders that have entered into force. If the network service provider fails to take necessary measures in time after receiving the notice, it shall bear joint and several liabilities for the expanded damages with the infringing network users.

The network service provider shall also respond in a timely manner to the order against patent passing-off from patent law enforcement departments to take necessary measures such as deleting, blocking and disconnecting the links of counterfeit patent products.

With the fast growth of internet, infringement has spread to virtual world since a long time ago. The influence and the spreading speed of information on the internet may escalate the infringement to any magnitude. If the amendments are put in force, the patentees can directly request the network service provider to compensate for the expanded damage. It is interesting to note that in the previous version of the amendments, network service providers were held liable for damage without such limitation. Anyway, the newly-added provisions will help urge the network service providers to actively examine information and undertake necessary measure to better protect the right of patentees.

7. The statute of limitations for patent right infringement and for patentees to claim the payment of royalties in provisional protection are specified to “three years”, in order to be in line with the civil law. (Amended and renumbered Article 75)

Reading through the amendments of the articles, we can feel that the legislators are trying to “keeping pace with the times” to reflect the current social and economic development and needs of the people.

Hopefully, our summarization of the amendments will be helpful to you to understand the revision and thus to better protect your legitimate rights and interests under the patent law.

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<http://afdip.com/index.php?ac=article&at=read&did=3356>