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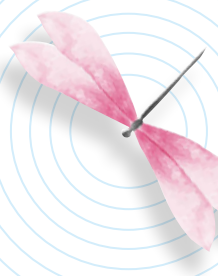
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Winner of 2021 China IP Awards - IP Firm of the Year by Asia IP

Recently, Asia IP's editorial team revealed the winners of the 2021 China IP Awards. CCPIT Patent and Trademark Law Office won the most influential award in the China IP Awards - China IP Law Firm of the Year. The firm also ranked top in the trademark prosecution, trademark litigation and patent prosecution at the same time.

Competition for the awards was extremely fierce, and the winners do represent the very best IP firms in China. In determining the winners, law firms were asked to submit details of cases they had worked on, which were combined with the research by Asia IP's editorial team. Corporate counsel from around the world then voted on the shortlist, which means that the firm awarded is one of the top choices for corporate counsels looking for IP advice in China.

According to Asia IP, "CCPIT Patent and Trademark Law Office is the oldest and one of the largest full-service IP law firms in China, and it continues to provide strong results in litigation and prosecution." "The firm has been on the cutting edge of technology". "The winner of our 2021 China IP Awards IP Firm of the Year firm comes as no surprise: Beijing-based CCPIT Patent and Trademark Law Office takes the award home for the second consecutive year".

(For more information about the ranking result: *https://www.asiaiplaw.com/article/asia-ips-editorial-team-reveals-chinas-top-ip-firms-practices)*

Recognized as Recommended Firm by Benchmark Litigation

On May 10th, Benchmark Litigation Asia-Pacific 2021 – The Guide to the region's leading dispute resolution law firms and lawyers is released. CCPIT Patent and Trademark Law Office is recognized as Recommended Firm in IP regime in China. According to Benchmark Litigation, CCPIT Patent and Trademark Law Office's legacy practice boasts nearly 300 patent and trademark attorneys and lawyers. The enforcement team provides litigation, administrative enforcement and mediation services for clients relating to patent, trademark, copyright, domain name as well as unfair competition matters. Its practitioners are well-versed in the pharmaceuticals,

chemicals and high-tech industries. The firm kept busy representing IT giant Baidu in the dispute against Sogou concerning pinyin input method patents; and acting for Exxon Mobil Corporation in several trademark protection cases before the Supreme People's Court of China. The firm also acted on various opposition and invalidation matters over the past year.

Honored China Business Law Awards Winner 2021 by the China Business Law Journal

The editorial team of China Business Law Journal released the law firms that stand out with their performance in the year of 2021 on May 18. CCPIT is once again a winner of the China Business Law Awards in the IP (patent) field.

The China Business Law Journal team had received votes and recommendations from corporate counsels, senior managers and legal professionals around the world. To determine the winning firms, the team evaluated each of their landmark deals, cases and other notable achievements in the past year, in addition to the recommendations and comments.

The award shows that CCPIT's outstanding service in the IP field, especially in the patent field, has been widely recognized by our clients. In the future, we will spare no efforts to provide high-quality service for all the clients.



Ranked as AAAAA Agency by Beijing Patent Attorneys Association

On May 12th, 2021, the Beijing Patent Attorneys Association (BPAA) announced the 2020 rankings of patent agencies in Beijing. Our firm was ranked the AAAAA Agency – the tier one agency, again, which reflects our consistent strength and leading position in the intellectual property area.

According to the Ranking and Accreditation for Patent Agencies (DB11/T 1182—2015), upon evaluation by experts, examination by the industry evaluation committee and approval by the Council of BPAA. 44 agencies were finally in the rankings, including 17 AAAAA Agencies, 10 AAAA Agencies, 10 AAA Agencies, 5 AA Agencies and 2 A-level ones.

IP Law Firm of the Year 2021 - China by ALB



On May 20th , the awarding ceremony of the 18th annual ALB China Law Awards 2021 was held in Park Hyatt Beijing Hotel, on which the final winners of the year were announced. 47 award categories were set by ALB to pay tribute to the excellent performance of the leading law firms and in-house teams, as well as the outstanding transaction cases in the past year. More than 200 law firms and in-house teams took part in the ceremony. CCPIT Patent and Trademark Law Office was selected as IP Law Firm of the Year in China. On behalf of the firm, Mr. Zhongqi Zhou, along with about 300 influential lawyers, in-house counsels and investment bankers, participated the awarding ceremony to witness the competence and spiritual outlook of the law firms and in-house teams that represent the leading position in the legal profession.

Our firm contributed to Thomson Reuters Practical Law IP Chapters in China

CCPIT Patent and Trademark Law Office was invited by Thomson Reuters Practical Law to contribute to the China chapters of IP in business transactions: China overview and Patents, trademarks, copyright and designs in China: overview. In these two contributed chapters, the firm's attorneys introduced the Chinese intellectual property protection framework, covering laws and practices, and provided a practical guidance for those who are seeking intellectual property protection in China.

Thomson Reuters Practical Law is committed to compiling professional and practical legal files through a large and practical database, and providing lawyers with legal practice knowledge all over the world.

These two chapters combine the extensive experience of the IP team of CCPIT, aiming to provide a comprehensive perspective for domestic and foreign businesses to understand the legal practice of intellectual property in China. The introductions don't constitute a legal advice. Should there be any questions, please feel free to contact and discuss with us.

Here are the links to the chapters:
IP in business transactions: China overview
https://uk.practicallaw.thomsonreuters.com/w-008-3900;

Patents, trademarks, copyright and designs in China overview
https://uk.practicallaw.thomsonreuters.com/2-522-3909.

Our firm contributed exclusively to the Chambers and Partners Global Practice Guides: Trade Marks 2021

CCPIT Patent and Trademark Law Office was invited by Chambers and Partners to contribute to the China chapter of the Chambers and Partners Global Practice Guides – Trade Marks 2021. In this contributed chapter, the firm's trademark attorneys introduced China's trademark protection framework, from trademark registration to enforcement, from laws to practices, providing a practical guidance for those who are seeking trademark protection in China.

Chambers and Partners is an independent research entity operating across 200 jurisdictions. Through in-depth research and rigorous evaluation system, it delivers detailed rankings and insights into the world's leading law firms and provides reliable reference for the customers.

The trademark chapter combines the extensive experience of the trademark team of CCPIT, aiming to provide a comprehensive perspective for domestic and foreign businesses to understand the legal practice of Chinese trademark. The introduction does not constitute a legal advice. Should there be any questions, please feel free to contact and discuss with us.

To download the PDF file, please refer to our firm website:
https://www.ccpit-patent.com.cn/node/12449

Typical cases on the application of punitive damages to civil cases of infringement of intellectual property rights



Interpretation of the Supreme People's Court on the Application of Punitive damages to the Trial of Civil Cases of Infringement of Intellectual Property Rights were promulgated on March 3rd. Typical Cases on the Application of Punitive Damages to Civil Cases of Infringement of Intellectual Property Rights are hereby published for the purpose of understanding and applying the Interpretation accurately, and ensuring correct implementation of the punitive damages system.

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I. Case of Technical Secret Infringement Dispute of Guangzhou TINCI Materials Technology Co., Ltd., etc. v. Anhui Newman Fine Chemicals Co., Ltd.

Case Brief

The Guangzhou TINCI company and







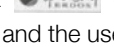
the Jiujiang TINIC company alleged that ZHANG Hua, LIU, Anhui Newman company, WU, HU, ZHU and PENG infringed their technical secret of "Kabo" manufacturing process, and filed a lawsuit in the Guangzhou Intellectual Property Court, requesting stopping infringing activities, compensating for losses and making an apology. The Guangzhou Intellectual Property Court found that the alleged act constituted an infringement of the technical secret involved in the case, and applied 2.5 times punitive damages, taking into account the intentional infringement and the circumstances of the infringement. The Guangzhou TINCI company and the Jiujiang TINIC company, Anhui Newman company, HUA and LIU were not satisfied with the judgment of first instance and appealed to the Supreme People's Court. In the second instance, the Supreme People's Court held that the alleged act constituted an infringement of the technical secret involved in the case, but the first instance did not fully consider the extent of the contribution of the technical secrets involved in determining the amount of compensation for infringement, and did not fully consider the degree of subjective malice of the infringer and the serious circumstances such as committing infringement as primary business, the large scale and long duration of the infringement, and the act of spoliation of evidence. Thus, on the basis of sustaining the first instance judgment in terms of stopping infringing activity, the Supreme People's Court applied five times upper-limit punitive damages, and ruled that the Anhui Newman Company should compensate RMB 30 million for the economic losses of Guangzhou TINCI company and the Jiujiang TINIC company, and RMB 400,000 for reasonable expenses, and that Hua, Liu, Hu and Zhu should bear joint and several liabilities within the ranges of RMB 5 million, RMB 30 million, RMB 1 million and RMB 1 million, respectively for the aforementioned compensation amount.

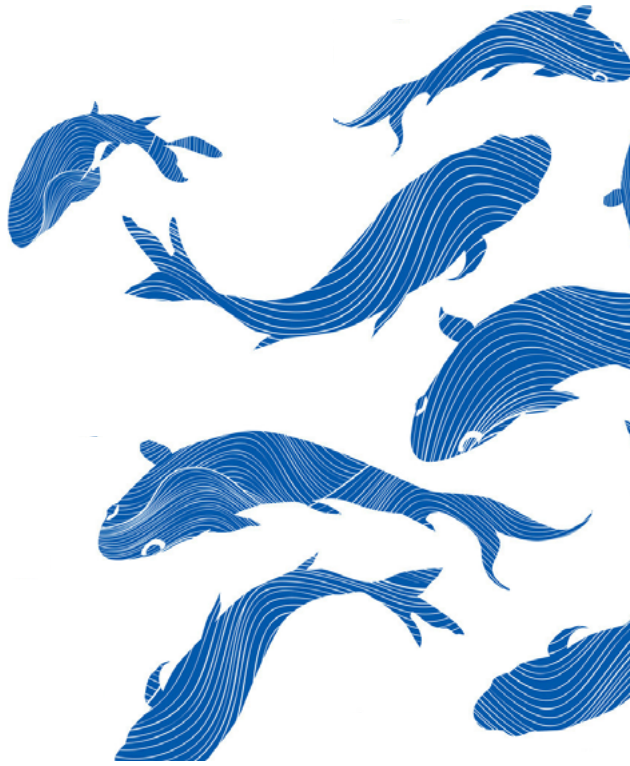
Typical Significance

This is the first civil case of infringement of intellectual property to which the Supreme People's Court applied punitive damages. The judgment in this case fully considered about factors such as the subjective malice of the sued infringer, committing infringement as primary business, the act of spoliation of evidence, the long duration and the large scale of the infringement, applied the punitive damages and finally determined the statutory maximum folds of punitive damages (five folds), which explicitly conveys a strong signal to strengthen the judicial protection of intellectual property rights.

II. Case of Trademark Infringement Dispute of ERDOS Group v. MIQI Industry

Case Brief

ERDOS corporation obtained the exclusive right of the registered trademark  on February 14, 2004, and the use of the trademark was approved for goods such as scarves, clothing, gloves, etc. in category 25. In June 2015, ERDOS corporation discovered that MIQI company's cashmere products, sold in the Miqi Clothing Store on its Tmall website, used prominently the remarkable elements of the trademark involved in this case,



i.e., the Chinese characters " **鄂尔多斯** ". The ERDOS corporation then filed an infringement lawsuit. The Beijing Intellectual Property Court held that Miqi company's profit gained from the act charged with infringement could be determined by the multiplication product of the sales volume, the unit price and the reasonable profit margin of the alleged infringing products. Since that the ERDOS corporation's series trademarks of " **鄂尔多斯** " enjoyed high popularity and that the profit margins of products in the "Tmall" store are relatively high, the alleged infringing activities have caused very serious damages to trademark owners. Considering that the MIQI company, as a trader of goods closely associated with clothing, such as "woolen yarns, scarf yarns, cashmere yarns," etc., should know the popularity of the trademarks involved in this case, that MIQI's self-operated online shop used prominently marks which are almost the same as the trademarks involved in this case, and that the infringement was long lasting with obvious maliciousness and serious circumstances, the damages were determined to be twice the amount of profit obtained by the MIQI company through the infringement.

Typical Significance

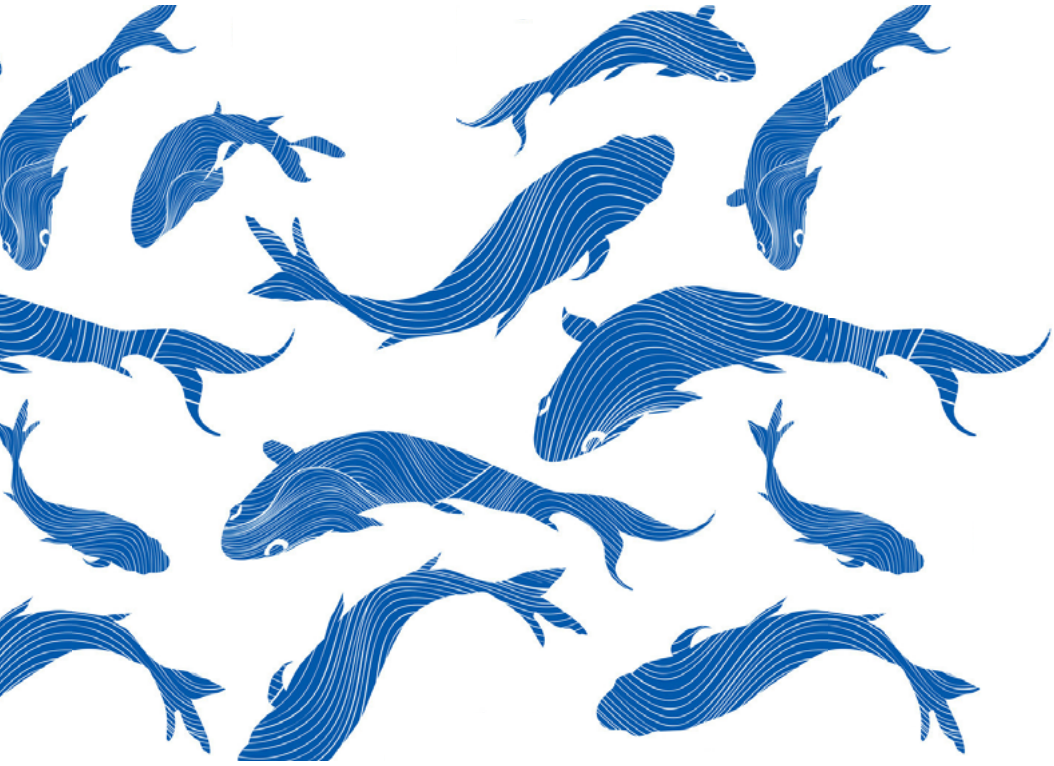
The case fully reflects the confidence and determination of the people's court to correctly implement the punitive damages system and severely impose sanctions on malicious infringement of trademark rights. The grounds portion of the judgment documents fully and clearly expounds the factors to be taken into account in determining "subjective malice" and determining the "base" and "fold" of punitive damages, so that the process of making the judgment is more transparent and the outcome of the judgment is more convincing. After sentencing the case, neither party appealed and good social results were achieved.

III. Case of Trademark Infringement and Unfair Competition Dispute of Xiaomi Technology Co. Ltd., etc. v. Zhongshan Povos Appliances Co., Ltd.

Case Brief

In April 2010, Xiaomi Technology Co., Ltd. registered the trademark "小米", the use of which has been approved on goods including portable telephones, videophones, etc.. Then a series of trademarks such as " mi ", " **智米** ", etc. were applied and registered successively. Since 2010, Xiaomi Technology company and Xiaomi Communication company have won multiple national honors in the industry. Major media have carried out continuous and extensive publicity and reports on the Xiaomi Technology company, Xiaomi Communication company and Xiaomi mobile phones.

In November 2011, Zhongshan Povos Appliances Co., Ltd. applied for registration of the trademark " **小米生活** " which had been approved in 2015 on goods including electric cookers, water heaters, electric pressure cookers, etc.. In 2018, the trademark " **小米生活** " was declared invalid on the ground that the registration was obtained by improper means. Besides, in more than 90 trademarks registered by the Zhongshan Povos Co., Ltd., there are not only trademarks similar to "**小米** ", " **智米** " but also trademarks



that are the same as or similar to famous brands such as " **百事可乐 PAPSIPAPNE** ", " **盖乐世** ", " **威猛先生** ", etc.

Jiangsu Higher People's Court held that the number of comments under the goods of online shops can be regarded as reference basis of sales volume of such goods. Sales volume of 23 shops involved in the case can be calculated into the amount of profits obtained as a result of the infringement. And Jiangsu Higher People's Court held that, 1. even during the second instance of this case, the Zhongshan Povos Appliances Co., Ltd. continued publicizing and selling the infringing products, showing an obvious subjective malice on infringement; 2. The Zhongshan Povos Appliances Co., Ltd. sold a wide range and large quantities of infringing products via a number of website platforms and online shops, which constitutes a large scale of infringement and should be regarded as factors into consideration of determining the punitive amount; 3. The trademark " **小米** " is a well-known trademark and has high popularity, reputation and market influence; 4. Goods charged with infringement had been identified by the Shanghai Market Monitoring Management Bureau as defective products and had some quality problems according to some users as well. The Zhongshan Povos Appliances Co., Ltd.'s acts charged with infringement resulted in damages of good reputation of the Xiaomi Technology company and the Xiaomi Communication company.

Punishment should be strengthened. The amount of profit obtained as a result of the infringement should be regarded as basis of compensation, and the damage amount should be three times of this profit. The total compensation amount of RMB 50 million alleged by the Xiaomi Technology company and the Xiaomi Communication company was fully supported.

Typical Significance

The judgment comprehensively analyzes and states key elements for determining punitive damages i.e. "maliciousness" and "serious circumstances" as well as methods for determining the base and the fold, which not only considers the sales characteristics of infringing products, but also analyzes relevant factors influencing the punitive folds comprehensively. This judgment determines the fold appropriate to the subjective malice on infringement, seriousness of circumstances and severity of consequences caused by infringement, provides a practical sample for application of the punitive damage system and reflects the guide of severely punishing serious infringement of Intellectual Property Right.

IV. Case of Trademark Infringement Dispute of WULIANGYE Group v. XU Zhonghua, etc.

Case Brief

The Wuliangye corporation got license from the trademark right holder to exclusively use the registered trademark “  ”. The shops actually controlled by XU, Zhonghua had been administratively punished for selling counterfeit Wuliangye liquor and unauthorized using of the characters “ **五粮液** ” for the shop signs. XU Zhonghua, etc. were sentenced to penalties, such as fixed-term imprisonment, etc. for selling counterfeit liquor such as “ **五粮液** ”, which constituted the crime of selling goods with counterfeit registered trademarks. In the case that XU Zhonghua, etc. have been administratively and criminally punished for selling counterfeit “ **五粮液** ”, the courts of first and second instance, taking into account factors such as the mode and duration of the infringement being sued,determined that they committed infringement as primary business and ruled them to bear two folds punitive damages.

Typical Significance

XU Zhonghua committed the same or similar infringement again after having been administratively punished for infringement and was later ruled by the people's court to bear criminal liability. Under such circumstances, the courts of first instance and second instance, taking full account of factors such as the duration of the infringement, reasonably determines the base and fold of punitive damages, accurately defines the “serious circumstances” such as "committing infringement as primary business", punishes serious infringement of intellectual property rights according to law, and effectively protects the legitimate rights and interests of intellectual property rights holders, which is of exemplary significance.

V. Case of Trademark Infringement Dispute of Adidas Corporation v. RUAN Guoqiang etc.

Case Brief

The Adidas corporation owns the trademark rights of the “adidas” series and enjoys high popularity. The Zhengbang Company, which was invested, registered and established by RUAN, Guoqiang, etc., bad been seized three times from 2015 to 2017 by the administrative departments for shoe upper products violating the “adidas” series trademark rights of Adidas corporation, and was subjected to administrative penalties, with an accumulated number of more than 17,000 pairs of infringing products. The Adidas corporation filed a civil suit, requesting for punitive damages and RUAN Guoqiang, etc. to compensate the Adidas corporation for economic losses of RMB 2641695.89.

The Wenzhou Intermediate People's Court of Zhejiang Province held that subjective malice of Zhengbang was very obvious, and that the sued infringement was long lasting with severe consequences, which belonged to the case of serious circumstances. The Court set the unit price at RMB 189/ pair for certified shoes as the basis for calculation, took the evidence of the gross profit margin of 50.4% shown in the accounting report of the year 2017 provided by the Adidas corporation, and took the Zhengbang company’s 6050 pairs of shoe upper products tracked down at the third time as the sales volume. It has been further considered that all the infringing product were shoe upper part, not finished shoes, and thus could not be directly consumed, so a deduction of 40% was applied. Finally, the damages were determined to be RMB 1037337.84, which is three times of the Adidas corporation’s economic losses of RMB 345779.28.

Typical Significance

Accurate calculation of the base for punitive damages is an important prerequisite for the application of punitive damages system. To the

evidence provided by the right holder at its best effort, the court of second instance did not deny rashly, but adhere to the standard of superior evidence and reasonably determined the base of punitive damages. At the same time, this case is also of exemplary significance in applying the "principle of upon-request" and determining "serious circumstances".

VI. Case of Trademark Infringement Dispute of OPPLE Lighting Co., Ltd. v. Hunan Huasheng Group Co., Ltd.

Case Brief

The Opple company is the owner of the registered trademarks "  " and " **欧普** ", and the use of the trademarks was approved for the goods of lamps, fluorescent lamps, etc., wherein the registered trademark "  " had been recognized as a well-known trademark in Guangdong Province, and in 2007, it was recognized as a well-known trademark in China. The Huasheng company used the marks "  ","  ", "  ", "  " etc., on its lamp products, such as lamp, night lamp, etc., produced thereby and on relevant publicity websites, which were sold or offered to sell in various offline supermarkets and websites such as Tmall, etc.. The Huasheng company was punished by the administrative department due to unqualification of its lamp products.

The Opple company filed a lawsuit to the court, asking for affirming infringement by Huasheng company, applying of punitive damages and compensating for its economic losses and reasonable expenses of RMB 3 million. Both the court of first instance and the court of second instance held that the Huasheng company did not constitute trademark infringement and did not support Opple's request. In retrial, the Guangdong Higher People's Court held that the claimed trademarks of the Opple company were prominent and well-known, that the sued marks used by the Huasheng company on the lamp products constitute similar marks to and hence could be confused easily with the Opple company's registered trademarks involved in this case, and that Huasheng company constituted trademark infringement. The Huasheng Company, as an operator of the same industry, knowing that the Opple company and its trademarks enjoyed high popularity and reputation, and knowing that the application of registration of trademark " **欧普特** " on the light goods was rejected, still deliberately registered the trademark " **欧普特** " in other categories, used it on lamp goods, largely produced and sold unqualified infringing product, which demonstrated its obvious subjective malice in infringing the Opple company's trademark and serious circumstances. In this case, punitive damage should be applied. Therefore, according to the licensing fees of the trademarks involved in the case and the duration of the infringement, the compensation base was determined to be RMB 1.2775 million, and comprehensively considering about factors such as the degree of subjective malice of the Huasheng company and the nature, circumstances and consequences of the infringement, the damages amount was determined to be three times the compensation base.

Typical Significance

The retried judgment in this case clarified the rules boundary and proof criteria of "principle of upon-request", "subjective malice" and "serious circumstances" in the application of punitive damages for intellectual property rights, and put forward the method and path of accurate calculation to determine the "base" and "fold" of the volume of damages, which has important guiding significance in the application of law. The case won the first prize of the "National Court System 2020 Outstanding Case Analysis Award" and the second prize of the "Fourth National Intellectual Property Outstanding Adjudicative Documents".

(News released by the Supreme People's Court http://www.court.gov.cn/zixun-xiangqing-290651.html)



Patent Examination Guidelines – inventive step of a monoclonal antibody

By Tiansong Zheng

In biopharmaceuticals, an antibody patent is one of the most valuable patents in the field. A claimed monoclonal antibody (see Table 1) can be defined as:

- an antigen or an epitope on an antigen to which the antibody is directed;
- a hybridoma producing the antibody; or
- amino acid sequences constituting the antibody.

Table 1: Styles of claim for defining a monoclonal antibody

Types of definition	Styles of claim
An antigen or an epitope on an antigen to which the antibody is directed.	A monoclonal antibody that specifically binds to […] an antigen A […].
	A monoclonal antibody that specifically binds to […] an epitope X on an antigen A […].
A hybridoma producing the antibody.	A monoclonal antibody against an antigen A that is produced by a hybridoma deposited as […].
Amino acid sequences constituting the antibody.	A monoclonal antibody against an antigen A that comprises: • a heavy chain variable region as set out in SEQ ID NO […]; and • a light chain variable region as out in SEQ ID NO […].

	A monoclonal antibody against an antigen A that comprises:
	• a heavy chain variable region comprising:
	  ◦ VHCDR1 as set out in SEQ ID NO […];
	  ◦ VHCDR2 as set out in SEQ ID NO […]; and
	  ◦ VHCDR3 as set out in SEQ ID NO […]; and
	• a light chain variable region comprising:
	  ◦ VLCDR1 as set out in SEQ ID NO […];
	  ◦ VLCDR2 as set out in SEQ ID NO […]; and
	  ◦ VLCDR3 as set out in SEQ ID NO […].



It is preferable if the antigen to be directed by the claimed antibody is a novel and inventive one. If it is novel and inventive, a monoclonal patent can be defined directly by the antigen and a patent claim with the broadest scope can be granted. If it is not novel and inventive, although an antibody can still be claimed by a hybridoma producing the antibody or amino acid sequences constituting the antibody, it will be unclear whether such a defined antibody can be considered to be inventive enough (see Table 2).

Table 2: Claiming a monoclonal antibody when an antigen to be directed by the antibody is known or obvious

Antibodies in the prior art document	The monoclonal antibody to be claimed
A monoclonal antibody that specifically binds to […] an antigen A […].	
A monoclonal antibody that specifically binds to […] an epitope X on an antigen A […].	A monoclonal antibody that specifically binds to […] an epitope Y on an antigen A […].
A monoclonal antibody against an antigen A that is produced by a hybridoma α […].	A monoclonal antibody against an antigen A that is produced by a hybridoma β […].
A monoclonal antibody against an antigen A that comprises: • a heavy chain variable region as set out in SEQ ID NO: 1; and • a light chain variable region as set out in SEQ ID NO: 2.	A monoclonal antibody against an antigen A that comprises: • a heavy chain variable region as set out in SEQ ID NO: I; and • a light chain variable region as set out in SEQ ID NO: II.
A monoclonal antibody against an antigen A that comprises: • a heavy chain variable region comprising: ◦ VHCDR1 as set out in SEQ ID NO: 3; ◦ VHCDR2 as set out in SEQ ID NO: 4; and ◦ VHCDR3 as set out in SEQ ID NO: 5; and • a light chain variable region comprising: ◦ VLCDR1 as set out in SEQ ID NO: 6; ◦ VLCDR2 as set out in SEQ ID NO: 7; and ◦ VLCDR3 as set out in SEQ ID NO: 8.	A monoclonal antibody against an antigen A that comprises: • a heavy chain variable region comprising: ◦ VHCDR1 as set out in SEQ ID NO: III; ◦ VHCDR2 as set out in SEQ ID NO: IV; and ◦ VHCDR3 as set out in SEQ ID NO: V; and • a light chain variable region comprising: ◦ VLCDR1 as set out in SEQ ID NO: VI; ◦ VLCDR2 as set out in SEQ ID NO: VII; and ◦ VLCDR3 as set out in SEQ ID NO: VIII.

The biotech section of the Patent Examination Guidelines regarding patentability of a monoclonal antibody was amended in 2020 (see Table 3). The amendment entered into effect on 15 January 2021.

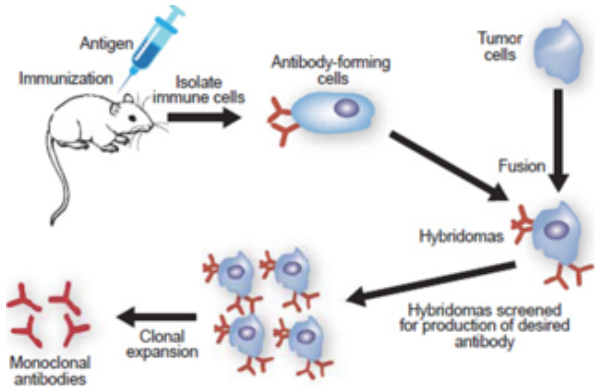
Table 3: Recent amendment to Part II of the Patent Examination Guidelines, Section 9.4.2(5), Chapter 10

Before	After (changes marked in **italics**)
If an antigen is known and it is clearly known that the antigen has immunogenicity (for example, said antigen clearly has immunogenicity because a polyclonal antibody of the antigen is known or the antigen is a polypeptide with a large molecular weight), the invention of a monoclonal antibody of the antigen does not involve an inventive step. However, if the invention is further defined by other features, and hence has unexpected technical effects, the invention of that monoclonal antibody involves an inventive step.	**If an antigen is known, a monoclonal antibody against the antigen characterised by structural features is obviously different from a known monoclonal antibody in the key sequence that determines its function and use, and the prior art does not provide technical motivation to obtain the monoclonal antibody having the above sequence, and the monoclonal antibody can produce beneficial technical effect(s), then the invention of the monoclonal antibody involves an inventive step.** If an antigen is known and it is clearly known that the antigen has immunogenicity (for example, said antigen clearly has immunogenicity because a polyclonal antibody of the antigen is known or the antigen is a polypeptide with a large molecular weight), the invention of a monoclonal antibody **defined only with** the antigen does not involve an inventive step. However, if the invention is further defined by a **hybridoma that secretes the monoclonal antibody against the antigen**, and hence has unexpected technical effects, the invention of that monoclonal antibody involves an inventive step.

Before the amendment to Part II of the Patent Examination Guidelines, Section 9.4.2(5), Chapter 10, even with totally new complementarity-determining regions (CDRs) directed to a known antigen, a monoclonal antibody could hardly be considered inventive unless that new antibody had unexpected technical effects when compared to a Chinese prior art antibody directed at the same antigen. In fact, similar obstacles for claiming new monoclonal antibodies are also present in the patent practices of many other countries (eg. the United States, Japan and a number of countries in Europe).

For the patentability of a novel monoclonal antibody, the previous regime in China, or the current regime in many other countries, is reasonable to a certain degree, because a skilled artisan can, through a conventional method, readily produce a new antibody with new CDR sequences based on a known antigen (see Figure 1).

Figure 1: A conventional method for producing a monoclonal antibody





However, problems have come up as a result of this regime.

The first problem is that a comparison of technical effects between the claimed antibody and a prior art antibody directed at the same antigen cannot always be carried out, especially when the reference documents cited by the examiner have mentioned only generally, and not specifically, the prior art antibody. This means that it is not easy or even possible for the applicant to obtain the prior art antibody for comparison.

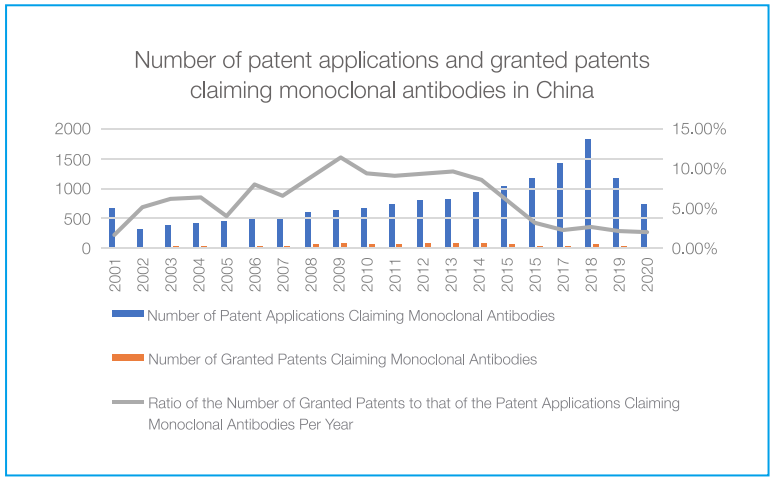
The second problem is that it is still difficult to select, from multiple antibodies produced through a conventional method, an antibody that has a property comparable with that of a prior art antibody. There are dissenting voices regarding the fairness of rejecting an antibody with a totally new and unobvious CDR sequence. It lacks inventive step because it is directed at a known antigen and fails to attain a significantly higher antibody effect. One of the reasons for this is that an antibody with unobvious CDR sequences and comparable effects could be inventive because it meets the provision in the Patent Examination Guidelines that: “an invention shall be regarded as producing advantageous technical effects and therefore representing notable progress in any of the following circumstances… where the technical solution provided by the invention is of a different inventive concept and can produce a technical effect of substantially the same level as in the prior art.”

Another reason is that an antibody with unobvious CDR sequences and comparable effects could involve an inventive step because it seems to meet the standard of inventive step of chemical compounds, where a compound with a totally new and unobvious structure, and a certain use or effect, does involve an inventive step.

Fortunately, after the amendment to the guidelines, a new monoclonal antibody directed at a known antigen will be acknowledged as sufficiently inventive as long as it has new and unobvious CDR sequences while producing beneficial technical effects without any necessarily unexpected effects (eg. a significantly higher specificity or affinity to the known antigen than a prior art antibody directed at the same antigen). In other words, a threshold for patentability of a novel monoclonal antibody is considerably lowered in China.

With regard to this change, the China National Intellectual Property Administration would like to resolve the problems of the previous regulations, in particular to adapt the regulations to focus on unobvious structures of claimed novel antibodies, which seems more reasonable. However, there may be another deeper reason contributing to this rule change that aims to encourage investment and innovation in the antibody industry. Although there seems to be no official explanation for any motivation regarding this amendment, the statistics in Figures 2 to 5 may offer a possible illustration.

Figure 2: Number of patent applications and granted patents claiming monoclonal antibodies in China





As can be seen in Figure 2, the number of granted patents claiming monoclonal antibodies is much less than that of patent applications claiming monoclonal antibodies for at least 20 years. Moreover, the ratio of the number of granted patents to that of the patent applications claiming monoclonal antibodies per year decreased sharply after 2014 and 2015.

Similar trends have been found in the United States, Japan and Europe (see Figures 3 to 5).

Figure 3: Number of patent applications and granted patents claiming monoclonal antibodies in the United States

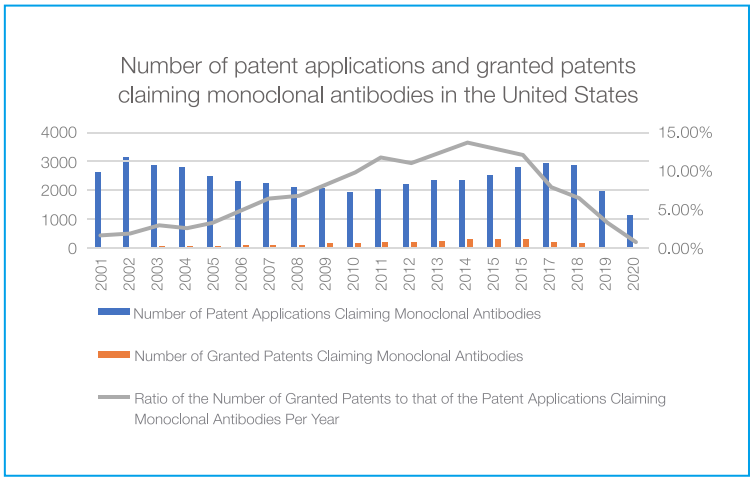




Figure 4: Number of patent applications and granted patents claiming monoclonal antibodies in Europe

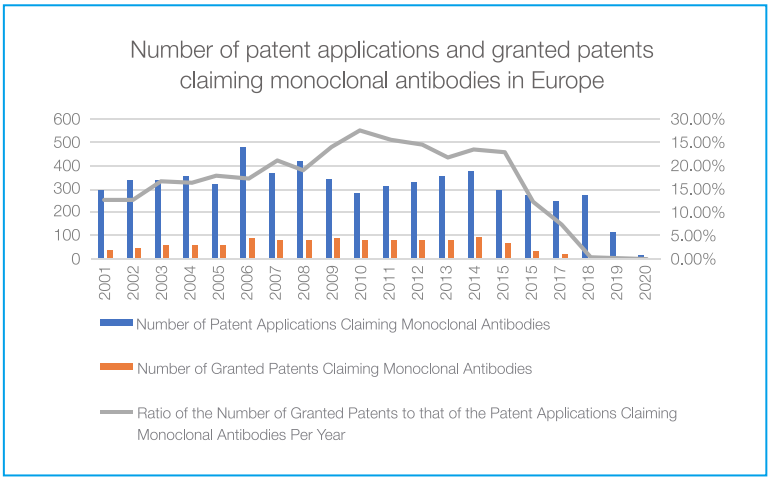
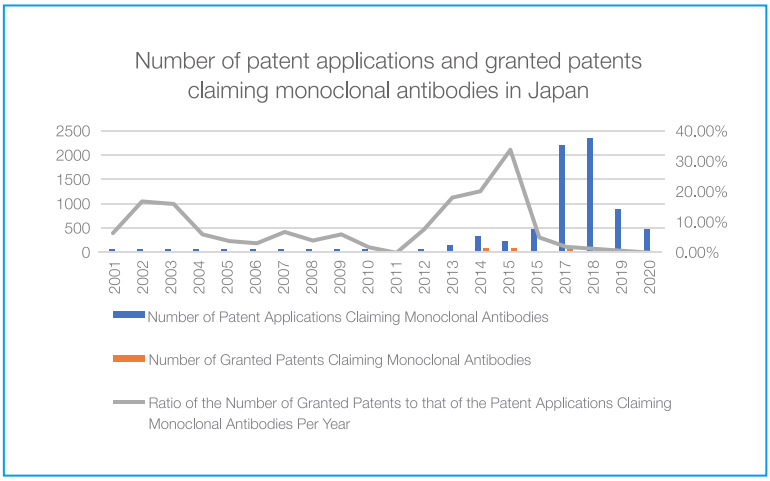


Figure 5: Number of patent applications and granted patents claiming monoclonal antibodies in Japan



Creating inventive works in the field of monoclonal antibodies is becoming increasingly difficult across the world. The financial rewards from owning patent rights cannot sustain continuous research and development of new antibody medicaments. However, changes to the Patent Examination Guidelines could be considered a first exploratory step in encouraging research and development in the field of new antibody medicaments in China. The public will benefit as a result of an increase in the choice of patent antibody medicaments with the same or similar therapeutic effects.

A new era of patent antibody medicaments is coming.

The launch of oral trials in trademark review and adjudication cases in China

By Ling Zhao



Recently, the newly built so-called Trademark Review and Adjudication Tribunal (hereafter referred to as the Trademark Review Tribunal) of the China Trademark Office was officially put into use in the China Trademark Building, marking an official opening of the normalization of "oral trial" and "offline + online" work mode of trademark review.

Oral trial is part of the reform of the trademark review and adjudication system, a good balance of administrative transparency with efficiency.

The Trademark Review and Adjudication Division of the China Trademark Office under the China National Intellectual Property Administration (hereafter referred to as the Review Division), the former Trademark Review and Adjudication Board (TRAB), is in charge of the examination of reviews of decisions made by the Trademark Examination Division of the China Trademark Office, including reviews of refusal, reviews of disapproval, reviews of non-use cancellation and also invalidation actions against registered trademarks.

In accordance with Article 60 of the Implementing Regulations of China Trademark Law, the Review Division may, at the request of the parties or at its own discretion, decide to hold an oral trial for a review case. But for a long time, the review cases had been mainly adjudicated in writing. Among other reasons, the obvious one is the increasing number of review cases in contrast to the limited resources in the hands of the Review Division, facing huge pressure to clear backlog.



According to statistics, for the year 2020 alone, the Review Division received about 367,000 cases of all kinds. In accordance with the China Trademark Law, the examination of a review of refusal or disapproval of trademark application should be closed within nine months, and the examination for an invalidation action should be completed within 12 months. The Review Division is bound by legal time limit of examination, while at the same time, must face the challenge of increasing number of cases.

For important cases, the parties would feel it necessary to request a face-to-face meeting with the examiners as to better explain their grounds and evidence. But such meetings were informal and could not be recorded in files for the examiners to take into consideration. Facing the increasing need of the applicants and the appeal of the public for an open trial, the CNIPA issued the Measures for Oral Trial of Trademark Review Cases (hereafter referred to as the Measures) on May 4, 2017. According to Article 3 of the Measures, if a party to a trademark review and adjudication case has doubts about the relevant evidence of the case and thinks that it is necessary to cross examine the evidence on the spot, he may request for an oral trial. The request shall be submitted in writing and the reasons shall be explained. If the Review Division considers it necessary, it may decide to hold an oral trial.

Given the chance of an oral trial, the parties concerned may cross examine the evidence and make arguments, stating opinions on the disputing legal issues, which will help the examination tribunal to ascertain the facts and to make a decision.

Oral trial is an important supplementary procedure to adjudication by record.

The layout of the oral trial procedure shows that it is an important supplementary procedure to the trademark adjudication by record, rather than an independent procedure. The other procedures, including application, response, adjudication and issuance of decision in cases with an oral trial are the same as the cases with adjudication by record only. It is

a supplementary procedure at the evidence cross-examination stage, for the purpose of fact finding.

In recent years, the CNIPA has taken great efforts to promote public trademark review, implement oral trial procedures and construct review circuit tribunals outside Beijing, as to actively accept social supervision and fully protect the legitimate rights and interests of the parties. The oral trial is helpful for the examiners to find out the facts of the case more accurately, further improve the quality of the administrative decision and effectively protect the legitimate rights and interests of the parties. In September and October 2019, the CNIPA conducted a tour review in Shanghai, Yiwu and Nanjing, and held oral trials on the complicated cases locally. On September 22, 2020, the first Trademark Circuit Review Tribunal established by the China Trademark Office was inaugurated in the Shanghai Trademark Review and Cooperation Center.

On the date of opening of the Trademark Oral Trial Tribunal in the China Trademark Building, the Review Division held online oral trials for two complicated trademark invalidation cases, involving the issues of ownership of well-known trademarks and time-honoured Chinese brands in the reform of state-owned enterprises. On the basis of in-depth analysis and study of the case, the examination panel made clear the disputes of the cases, carefully listened to the explanations of the parties, fully inquired about the key issues and organized cross examination, and thoroughly identified the history, originality and use of the relevant trademarks, which laid the foundation for better adjudication and full protection of the legitimate rights and interests of the parties, effectively settling disputes.

The Measures do not limit the types of cases applicable to oral trial. The applicants of reviews of refusal, especially cases involving the use of acquired distinctiveness, collective and certification trademarks of geographical indications, and so on, wherein the evidence is very important to support the claims of the parties, there is also the possibility and the necessity of oral trial.

Rules of the oral trial of which applicants should be mindful.

There are two ways to initiate the oral trial procedure, i.e. by request of the applicant and at the discretion of the Review Division. In the case of the former, the Review Division may



dismiss the request if it considers the facts clearly ascertained. We need to be mindful of the timing for requesting an oral trial. If the applicant requests an oral trial, he shall make the request at the time of filing the application for review or at the latest within 30 days from the date of receiving the copy of the respondent's reply; if the respondent requests an oral trial, he shall submit a written request together with the response or supplementary evidence. Before the oral trial, the Review Division shall announce the relevant information of the oral trial case in its office, official website, newspapers and periodicals. The number of participants in an oral trial, including the entrusted agent, shall not exceed two, except with the consent of the Review Division. The party or parties concerned shall present all the evidence submitted in the review during the oral trial for cross examination by the other party. With the consent of the Review Division, witnesses may be invited to testify in the oral trial. Members of the collegial panel may inquiry the parties or witnesses about relevant facts and evidence and may require the parties or witnesses to give explanations; when necessary, they may require the witnesses to confront each other. The clerk or the members of the panel designated by the presiding examiner shall record the important matters of oral trial. In addition to the written record, the collegial panel can also record it with audio and video recording equipment. In the course of oral trial, both parties can reach a settlement agreement.



Oral trails held online make it easier for the parties to participate without taking the trouble to travel, reducing costs, and improving efficiency of trial, especially in view of the Covid-19 pandemic. It could be expected that online oral trials for trademark review and adjudication cases will be held more frequently. But how soon would it tend to become a routine? Nevertheless, with about 367,000 cases annually, the Review Division can only try some of the cases orally, most likely those complicated ones or those of wide public concern. In the meantime, we will be waiting to see official rules to be announced, providing guidelines to both the examiners and the applicants on how to cross-examine and to ascertain evidence presented in an oral trial, so as to make the most of the oral trial in the trademark review and adjudication procedure. No doubt with the newly built Trademark Review Tribunal put in use now, we will expect to see more oral trials for interesting review cases, both online and offline, adapted to the needs of the development of a more open and transparent trademark review and adjudication system.

Guidance from China's Supreme Court in light of punitive damages on intentional IPR infringement

By Ji Liu



The Supreme People's Court promulgated a new Judicial Interpretation ("JI") on the Application of Punitive Damages to the Trial of Civil Cases of Infringement of Intellectual Property Right on March 3, 2021, which becomes effective on the same day. In line with Article 1185 of the Civil Code passed in May 2020, the new JI is applicable to intentional infringement, with serious circumstances, of IPRs, including not only the rights in terms of copyright, trademark and patent, but also those under anti-unfair competition law and seeds law.

Since the new Trademark Law and Anti-Unfair Competition Law implemented in 2019, when punitive damages were first introduced into the IP laws in China, extensive trial experience have been accumulated. For instance, the criteria for the determination of the intent and severity of the infringement of intellectual property rights, as stipulated in this new JI, all come from real typical cases.

1. New rules to determine the intent in infringement of intellectual property rights

Article 3 of the new JI provides for some typical situations that could serve as indications of intentional infringement of IPR. The new JI is believed to have increased practicality, feasibility and operability. For example, the situations in the following clauses are not uncommon in practice, on which the courts can hold a presumption of intentionality:

- the defendant continues to commit the infringing acts after being notified or warned by the plaintiff or the interested party;
- the defendant and the plaintiff or the interested parties have relationships in terms of labor, service, cooperation, licensing, distribution, agency, representative etc., and have accessed to the infringed intellectual property rights;
- the defendant has business with the plaintiff or interested parties or has negotiated for reaching a contract, etc., and has accessed to the infringed intellectual property rights;



- The defendant committed acts of pirating, or counterfeiting registered trademarks.

Unlike some local regulations issued earlier, such as the "Guiding Opinions of Shenzhen Intermediate People's Court on the Application of Punitive Damages in Civil Disputes of Infringement of Intellectual Property Rights" issued last year, the new JI does not explicitly count the situation, where the receiver of the warning letter has justified reasons to continue the relevant act, as an exemption. So at least literally, the defendant may not use non-infringement opinion or validity opinion as defense. Therefore, proactive invalidation may become more important as a measure to prevent infringement.

2. New rules to determine the severity of the infringement of intellectual property rights

Article 4 of the new JI enumerates several typical situations of serious infringement of IPR, among which the following clauses are particularly noteworthy:

- after being punished by an administrative penalty or a court decision for infringement, committing the same or similar infringement again;
- committing the infringement of intellectual property rights as the whole business;
- forging, destroying or concealing evidence of infringement;
- refusal to abide by the preservation ruling.

This Article mainly considers the means and consequences of the infringement, instead of the subjective state of the infringers.

3. New rules to determine the basis for computing punitive damages

According to the new JI, the following could serve as the basis for computing punitive damages:

- the actual loss suffered by the plaintiff;
- the amount of the defendant's illegal gains, or
- the profits obtained due to infringement
  if the above is difficult to compute,
- the multiple of the license fee for the right in accordance with the law.

The reasonable expenses paid by the plaintiff to stop the infringement is excluded as the basis.

The new JI emphasizes that the plaintiff only assumes the burden of preliminary proof for the above-mentioned basis, while the defendant has the obligation to provide account books and information related to the infringement. If the defendant does not cooperate, the court may use the plaintiff's preliminary evidence as the basis.

4. Coordinating the applicable standards of punitive damages in different laws

In the Trademark Law and Anti-Unfair Competition Law promulgated in 2019, the prerequisite for punitive damages is with "bad faith (or malice)", but in other intellectual property laws, the prerequisite for application is with "intent". The difference between the two terms causes certain confusion in practice. The new JI clarifies that the meanings of "bad faith" and "intent" are consistent, so that they are in harmony with the provisions of the Civil Code.

What anti-unfair competition law means for IP

By Bin Zhang, Lei Fu



It is generally considered that Anti-Unfair Competition Law of the PRC offers supplementary protection to intellectual property. In the meantime, Anti-Unfair Competition Law regulates the unfair competition acts in the field of intellectual property, thus it could be applied against abuse of IP rights.

The scope of protection of Anti-Unfair Competition Law of the PRC

As defined in Article 2 of Anti-Unfair Competition Law, the act that "violates this law, disrupts market competition order or infringes the legal rights and interests of other business operators or consumers during production or distribution activities" belongs to unfair competition act. It covers the act of confusion, commercial bribery, false or misleading commercial promotion, infringement on trade secret, prize-giving sales, fabricating or disseminating false or misleading information to damage the reputation of a competitor and the online market competition. There is also a catch-all general clause so that unfair competition act under the definition of Article 2 could all be dealt with under the framework of Anti-Unfair Competition Law.

The definition of IP and concrete IP laws and regulations in China

According to Article 123 of Civil Code of the PRC, IP rights are the proprietary rights enjoyed by right owners in respect of the following objects: works, inventions, utility models, and designs; trademarks; geographic indications; trade secrets; layout designs of designs of integrated circuit; new varieties of plants and other objects specified by laws. In China, there are some

concrete IP laws, such as Copyright Law, Patent Law, Trademark Law, Regulations on Computers Software Protection, Regulations on Protection of New Varieties of Plants, Regulations on Protection of Integrated Circuit Layout Design, etc. for protection of specific objects of IP rights.

Anti-Unfair Competition Law and IP

Anti-Unfair Competition Law not only regulates market's competition order in common areas, but also regulates the protection on commercial logos and other unregistered trademarks, business secrets, etc. that are not covered by concrete IP laws. Therefore, it is generally considered as offering supplementary protection to IP rights. The Supreme People's Court (SPC) pointed out in a Notice issued in 2009 that the supplementary protection of Anti-Unfair Competition Law shall not conflict with the legislative policies of concrete IP laws. As a general principle, if concrete laws have exhaustive provisions, Anti-Unfair Competition Law shall not be applied for extended protection.

On the other hand, IP rights are manifested in preventing competitors from manufacturing, using or selling their own products with IP rights. If the IP owner maliciously or inappropriately expands the scope of legal rights granted by the law in the process of exercising IP rights, the IP owner may violate Anti-Unfair Competition Law for abuse of IP rights.

Anti-Unfair Competition Law as supplementary protection to IP

We would analyze some influential cases showing how Anti-Unfair Competition Law offers supplementary protection to IP.

- Anti-Unfair Competition Law and commercial logo

Article 6 of Anti-Unfair Competition Law offers protection on commercial logos, some of which are unregistered trademarks that may not obtain adequate protection under Trademark Law. Article 6 specifies that the act of confusion includes
1) unauthorized use of a label identical with or similar to other's product name, packaging and decoration with certain influence;
2) unauthorized use of other's enterprise name (including abbreviations, trade names, etc.), the name (including abbreviations) of a social organization, or the name (including pen-name, stage names and name translations) of an individual with certain influence;
3) unauthorized use of the main part of other's domain name, website name, or a webpage with certain influence;
4) other acts of confusion.
Accordingly, the commercial logos such as product name, packaging and decoration, enterprise name and domain name with certain influence may obtain protection when satisfying the requirements of this Article.

In Ferrero s.p.a v. Mengtesha, et al. for unfair competition case, SPC granted protection on the packaging and decoration of "ferrero rocher" chocolate, and summarized some general principles for determining the unique packaging and decoration of famous products that could be protected by Anti-unfair Competition Law. SPC states that "famous products" which already obtain high reputation outside China, shall also be known to the relevant public in China. The factors such as the sales time, area, volume of the products in China; the duration, degree and scope of promotion of the products in China, as well as the protection status shall all be taken into consideration. SPC confirmed that "ferrero rocher" chocolate reached the standard for famous products while taking into consideration of the time it entered the Chinese market and the continuous sales and promotion activities in Chinese

market. SPC also points out that the "packaging and decoration" shall have the characteristics of distinguishing the origin of the goods. The packaging refers to the containers for holding or protecting products and the decorations include words, graphics, colors and their layout and combinations attached to goods or packaging. SPC considered that the packaging and decoration used by "ferrero rocher" chocolate are unique due to the arrangement and combination of the elements such as words, graphics, color, shape, size, etc., which formed a distinctive overall image and has nothing to do with the function of the product. Through years of use and publicity, the relevant public already associated the overall image of the packaging and decoration with the "ferrero rocher" chocolate of Ferrero s.p.a. Therefore, SPC rules that Mengtesha's use of a similar packaging and decoration on its chocolates constituted unfair competition.

Enterprise names, including enterprise name registered through Chinese administrations and a foreign enterprise name used within the territory of China for commercial use, are protected under Anti-Unfair Competition Law. Meanwhile, the use of an enterprise name registered outside China in bad faith may constitute unfair competition. In RoyalShe v. Jinshan Branch of Shanghai AIC over an administrative punishment, RoyalShe registered a Hong Kong company name containing the trade name L'OREAL of L'OREAL (China) Co., Ltd. and used this Hong Kong company name on the packaging of product distributed in China. RoyalShe was not satisfied with the administrative punishment imposed on its use of the Hong Kong company name and initiated the litigation. The court holds that the act of registering an enterprise overseas, and then authorizing domestic enterprises under its control to use overseas enterprise names, in order to avoid the domestic regulations on enterprise registration and to achieve the unauthorized use of the other's famous enterprise name or trade name, and further caused consumers' confusion or misunderstanding, is an act of unfair competition. The administrative punishment is correct and is supported by court.

- Anti-Unfair Competition Law and design patent

For design patent, it may be protected under Anti-Unfair Competition Law as decoration when the protection period of a design expires. In Shanghai Chenguang v. Ningbo Weiyada et al. for infringement on unique decoration, SPC clarifies the standard for protection of an expired



design patent under Anti-Unfair Competition Law. The requirements are that a) the products using this design must reach the standard of famous products; b) the design shall have the function of distinguishing the origin of products, so it can be used as a unique decoration for the famous products; c) the design is not determined by the nature of the product itself, nor a design necessary for achieving a certain technical effect or a design that makes the product have substantial value; and d) third party's use of the design will cause consumers' confusion or mislead the consumers about the origin of the goods. Meanwhile, SPC emphasizes that as the termination of a design means that the design enters into



the public domain, when the right owner claims for protection based on unique packaging and decoration, the right owner must submit more sufficient evidence to prove that the design shall be protected under Anti-Unfair Competition Law.

Also in this case, SPC defined that there are two kinds of decoration. One is the combination of word, graphic, color and their layout, which is commonly accepted as decoration. The other kind is the decorative overall or partial shape of the products. If the shape of the famous product has distinctive features that are different from common designs, and has acquired a second meaning through years of use in the market, it shall also be under the protection of Anti-Unfair Competition Law as a kind of decoration.

- Anti-Unfair Competition Law and copyrighted work

In practice, it is possible that a certain right could be protected under more than one IP right. It is controversial whether the IP owner shall only claim protection for one IP right or shall claim protection based on different types of rights. A recent judgment shows that when an IP right not only meets the requirements of the fine art work stipulated by Copyright Law, but also belongs to the packaging and decoration with certain influence stipulated by Anti-Unfair Competition Law, the right owner can claim protection at the same time in one case.

In Guangzhou Xihai v. Xiamen Weinixin for copyright infringement and unfair competition case, the plaintiff claims that the product packaging used by the defendant is similar to its copyrighted work and product packaging, thus constituted both copyright infringement and unfair competition. Fujian High Court holds that the appearance of the alleged infringing product and the copyrighted work does not constitute a substantial similarity, thus copyright infringement is not constituted. However, it is determined that the packaging and decoration of plaintiff's

products are famous packaging and decoration, and the overall visual effect of the alleged infringing product is similar to those of plaintiff's products, thus constitutes unfair competition. The court has the opinion that Copyright Law protects the exclusive rights arising from the creation and dissemination of works, while Anti-Unfair Competition Law protects the competitive interests arising from business operations. These are two parallel rights. The protected interests of the two do not overlap. The plaintiff can simultaneously seek the protection of Copyright Law and Anti-Unfair Competition Law. The comparison of art works in copyright infringement litigation should be different from the comparison of packaging and decoration in unfair competition litigation, therefore the court shall judge the infringement acts based on Copyright Law and Anti-Unfair Competition Law separately. As the standards are different, though copyright infringement is not constituted in this case, Anti-Unfair Competition Law could be applied.

Anti-Unfair Competition Law as restriction on abuse of IP rights

It is regulated in Article 132 of Civil Code that "the parties shall not abuse civil rights to damage the national interest, public interest, or the lawful rights and interests of any other person". This is regarded as the general principal for stopping the abuse of rights. Article 2 of Anti-Unfair Competition Law requires that the business operator shall follow the basic principal of "free will, equality, fairness, and good faith" and other business ethics. This Article is in consistency with the regulations in Civil Code and when it comes to the field of abuse of IP rights, such dispute could be handled in accordance with Anti-Unfair Competition Law.

In Bayer Consumer Care Holdings LLC, Bayer Consumer Care AG v. Li Qing et al. for unfair competition case, the defendant copied the main parts of the plaintiff's copyrighted works and filed trademark applications. After obtaining the trademark registrations, the defendant did not put the trademarks in actual use but filed complaints with online platforms against the plaintiff's legal use. The court confirms that the defendant's trademark registrations were in bad faith and the complaints were filed in bad faith. The court applies the good faith principal as regulated in Article 2 of Anti-Unfair Competition Law, and rules that the defendant's act constituted unfair competition, the defendant shall bear a compensation of RMB 700,000 (around USD 109,375). This case is reported as the first case that the legal right owner fights against bad faith trademark registrants and obtain compensation under Anti-Unfair Competition Law.



Five times! The SPC of China punched on intentional infringement and issued the first punitive damages in an IP infringement case

By Xiaojun Guo, Kaifang Wang

On March 3, 2021, the Supreme People's Court of China (the SPC) issued the Interpretation of the Supreme People's Court on the Application of Punitive Damages to the Trial of Civil Cases of Infringement of Intellectual Property Rights (the Judicial Interpretation of Punitive Damages). The Judicial Interpretation of Punitive Damages has made specific provisions on the conditions of application of punitive damages to IP infringement cases, including, inter alia, the intent, the severity of circumstances, as well as the calculation base and multiple. On March 15, 2021, the SPC issued six typical IP cases issuing punitive damages, among which the Tinci case is a well exemplification of the Judicial Interpretation of Punitive Damages.

Guangzhou Tinci Materials Technology Co., Ltd. (Guangzhou Tinci) and Jiujiang Tinci Materials Technology Co., Ltd. (Jiujiang Tinci) sued Anhui Newman Fine Chemicals Co., Ltd. (Anhui Newman), individuals Hua, Liu, Hu, Zhu and Peng etc. for infringing on the technical secrets regarding Carbomer products. The SPC heard the appeal as the second instance. According to Article 17 paragraph 3 of the Anti-Unfair Competition Law of China, and upon finding the infringers were intentional and the circumstances were extremely serious, the SPC, for the first time, issued five times upper-limit punitive damages

of RMB 30 million.

Brief of the case

Guangzhou Tinci developed Carbomer products. Individual Hua worked in Guangzhou Tinci and signed employment contract and commercial confidentiality and non-competition agreement with Guangzhou Tinci in December 2007. Hua left Guangzhou Tinci in December 2013. From 2012 to 2013, Hua illegally obtained the production process data of Carbomer and sent them to Liu and others of Anhui Newman. Anhui Newman made use of Tinci's technology of Carbomer products and sold them at home and abroad.

The two Tinci companies filed a lawsuit to Guangzhou IP Court in October 2017, claiming that, 1) Hua, Liu, Anhui Newman and others jointly infringe on the technical secrets of Carbomer which has caused huge losses to Tinci companies; 2) the defendants shall immediately stop the infringement; 3) the defendants shall pay damages of RMB 70 million.

The Guangzhou IP Court obtained the export data involving Carbomer products of Anhui Newman from August 2016 to January 2019 according to the application of the Tinci companies. The Guangzhou IP Court ordered Anhui Newman to provide the profit data involving Carbomer products from 2014 to the date of trial, and to attach the corresponding financial records and original documents. But Anhui Newman refused to provide the required documents by excuse.

On July 19, 2019, Guangzhou IP Court made its judgment: 1) Anhui Newman, Hua, Liu, Hu and Zhu etc. immediately stop infringement on the technical secrets involved in the case and destroy the relevant



data; 2) Anhui Newman pay the Tinci companies RMB 30 million upon applying 2.5 times punitive damages and reasonable expenses of RMB 400,000 within 10 days from the effective date of the judgment, and Hua, Liu, Hu and Zhu should bear joint liability within the scope of RMB 5 million, RMB 5 million, RMB 1 million and RMB 1 million respectively. The Court rejected other claims of the Tinci companies.

Both sides appealed to the SPC. On November 24, 2020, the IP Tribunal of the SPC made the final judgment: 1) maintaining the first and third decisions of the first-instance judgment; 2) Anhui Newman pay the Tinci companies RMB 30 million and reasonable expenses of RMB 400,000 within 10 days from the effective date of the judgment, and Hua, Liu, Hu and Zhu should bear joint liability within the scope of RMB 5 million, RMB 30 million, RMB 1 million and RMB 1 million respectively; 3) rejecting all appeals of Hua, Liu and Anhui Newman.

Factors considered

1.The subjective element of punitive damages: intentional

The SPC articulated that, punitive damages shall only be applied to intentional infringement as a heavier punishment on the accused infringer. Here the intentional equals to malicious. The subjective intent is a kind of psychological state and should be assessed through the behavior. An intentional infringer pursues the interests that should be enjoyed by the plaintiff. Even knowing that his behavior infringes the plaintiff's right, the infringer still pursues and allows the damages to occur.

In the Judicial Interpretation of Punitive Damages, some typical situations that could serve as indicators of intentional are listed:

- (1) The defendant continues to commit the infringing acts after being notified or warned by the plaintiff or the interested party;
- (2) The defendant or legal representative or manager thereof was the legal representative, manager or actual controller of the plaintiff or interested party;
- (3) The defendant and the plaintiff or the interested parties have relationships in terms of labor, service, cooperation, licensing, distribution, agency, representative etc., and have accessed to the infringed IP rights;
- (4) The defendant has business with the plaintiff or interested parties or has negotiated for reaching a contract, etc., and has accessed to the infringed IP rights;
- (5) The defendant committed acts of pirating, or counterfeiting registered trademarks;
- (6) Other circumstances that can be determined as intent.

In this case, from the actual behavior of the infringers, they carried out the infringement in the informed situation. Hua was a researcher in Guangzhou Tinci, he violated the confidentiality obligations and requirements, and disclosed the technical secrets to Anhui Newman, Liu, Zhu and the others, who knew the disclosure was illegal but still used the technical secrets in their products. Therefore, the infringers were fully aware of their infringement on the technical secrets and still implemented them, which obviously are intentional.

2.The objective element of punitive damages: serious circumstance

The severity of the infringing circumstances is also a major factor to be included. The Judicial Interpretation of Punitive Damages provides that where the defendant engages in one or more of the following acts, the people's court may determine that the circumstances are serious:

- (1) After being punished in an administrative penalty or a court decision for infringement, committing the same or similar infringement again;

- (2) Committing the infringement of IP rights as its primary business;
- (3) Forging, destroying or concealing evidence of infringement;
- (4) Refusal to perform the preservation ruling;
- (5) Infringement gains or the right holder's losses being huge;
- (6) Infringements likely to endanger national security, public interests or personal health;
- (7) Others.

In this case, considering that the defendants committed the infringement as their whole business; the technical secrets played a key role in the process of the products; the infringement caused great losses to the plaintiff; the infringers had a huge production scale and gained high profits; the infringers didn't stop the infringement for a long time during the trial and even after the court's first-instance judgment; the infringers refused to provide the evidence required by the court, the court decided that the infringement was extremely serious.

3.The basis for computing punitive damages

According to article 17, paragraph 3 of the Anti-Unfair Competition Law of China,

The compensation for a business operator who suffer damages due to unfair competition shall be determined in accordance with the actual losses suffered as a result of the infringement; where it is hard to ascertain the actual losses, the compensation shall be determined in accordance with the gains made by the infringer from the infringement. For business operators who infringe upon commercial secrets maliciously and if the case is serious, the compensation amount may be determined in accordance with one to five times the amount determined using the aforesaid method.

The Judicial Interpretation of Punitive Damages also provides that,

When determining the amount of punitive damages, the people's court shall use the actual loss suffered by the plaintiff, the amount of the defendant's illegal gains, or the profits obtained due to infringement as the basis for compute in accordance with relevant laws.

Here is a point worth attention that when deciding the basis for computing punitive damages, all the major factors in the production should be considered. In the first instance, when determining the basis and profits of infringement, the Guangzhou IP court did not take into consideration the role of the technical secrets involved and the role of other production factors in the whole process of Carbomer. In the second instance, the IP Tribunal of the SPC found that the technical secrets of this case included two parts: the process part and the formula part, which equally contributed to the commercial profits. The defendant's formula was not found to constitute infringement. Therefore, the basis for computing punitive damage was 50% of that in the first instance.

In this case, as analyzed above from the subjective and objective elements, the infringers were in the extremely serious circumstance, such as direct intent, committing



infringement as whole business, large-scale infringement, long duration, huge profits, burden of proof and so on. So the IP Tribunal of the SPC issued five times, the upper-limit punitive damages, and ruled that Anhui Newman compensate RMB 30 million for the losses of Guangzhou Tinci and Jiujiang Tinci, and RMB 400,000 for reasonable expenses, and that Hua, Liu, Hu and Zhu bear joint and several liabilities within the ranges of RMB 5 million, RMB 30 million, RMB 1 million and RMB 1 million, respectively for the aforementioned compensation amount.

Case significance

This case is the first case of issuing punitive damages in an IP infringement case by the SPC of China. The five times of punitive damages remarks that China is going forward to strengthen the judicial protection of trade secrets.

In an infringement case, both subjective and objective elements will be jointly considered. The multiple of punitive damages has a corresponding relationship with the severity of the circumstances. The determination of the amount of compensation will adhere to the principle of moderation and proportion. When applying punitive damages, the role of each infringer in the infringement will be reasonably defined to determine the joint responsibility.

The punitive damages have the function of punishment, deterrence, prevention and compensation of infringement. It plays an obvious and practical role in combating intentional infringement, effectively protecting the competition based on IP rights and maintaining the order of market.



A stronger protection of trade secret in China

By Xiaojun Guo



It has been a definite policy to enhance protection of intellectual property rights in China, both from the purpose of prompting China's industrial development and shifting from manufacturing to creation, and the purpose of bilateral cooperation between China and other countries. Among the different kinds of intellectual properties, trade secret has been in the spotlight for a long time.

Relevant laws

The laws regulating trade secrets protection in China are updated frequently in recent years, such as:

The Civil Code, which became effective from on January 1, 2021 and includes in Article 123 trade secret in the list of intellectual property rights;

The Anti-unfair Competition Law amended on April 23, 2019 (the amendment became effective from the same day), which provides for in Article 9 the main basis for initiating an action against a misconduct over other's trade secrets;

The Criminal Law amended on Dec. 26, 2020 (the amendment (XI) became effective from on March 1, 2021), which provides for the crime of infringing trade



secret;

The Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Civil Cases Involving Infringements upon Trade Secrets, which became effective from on September 12, 2020;

The Interpretation (III) of the Supreme People's Court and the Supreme People's Procuratorate of Several Issues Concerning the Specific Application of Law in the Handling of Criminal Cases Involving Infringements upon Intellectual Property Rights, which became effective from on September 14, 2020;

These laws provide the basis for protection of trade secrets from the civil route and the criminal route. Both routes can be adopted alternatively or in combination by a sophisticated plaintiff in China.

A historical review

Traditionally, trade secret was deemed to be an interest of its holder instead of a right in China, and was usually protected through the civil route according to the Anti-unfair Competition Law, which requires businesses to adhere to the free will, equality, fairness, and good faith principles and abide by laws and business ethics, in their production and distribution activities. Unlike other intellectual property Laws, the Anti-unfair Competition Law is basically directed to the conduct of a business, while trade secret was sometimes considered to be an asset in nature.

The controversy on the nature of trade secret as well as the burden of proof on the plaintiff had hampered its protection. There was a great uncertainty and low win rate when seeking for protection of trade secrets. Plaintiffs would have to show trade secrets infringement from both the subject matter branch and the conduct branch.

On the subject matter branch, a trade secrets holder had to bear much burden of proof as a plaintiff, such as defining the scope of his trade secrets and showing that considerable measures had been taken to protect his trade secrets etc. On the conduct branch, the holder had to show that the defendant had misconducted in obtaining, using or disseminating his trade secrets. When it involved some emerging business modes, the judges would be more reluctant to support a trade secret claim and preferred to observe for a period, since no common understanding had been formed on what are the business ethics in the sector and it is difficult to tell immediately whether or not the emerging business modes are advantageous to competition and economic.

Most often, the judges had to combine the subject matter branch and the conduct branch together, to comprehensively determine whether or not to give protection to the asserted trade secrets.

Perspectives

The judicial cases have now shown greater interests of trade secrets holders to sue those persons and/or competitors illegally obtaining, using or disseminating their trade secrets, such as their former employees and the current employer of their former employees. Besides civil procedures, some even assert their trade secrets through criminal procedures. Both the civil and criminal cases are increasing constantly though the absolute number is yet very small as compared to patent, trademark or copyright cases. The IP Tribunal of the Supreme People's Court, as an example, received 12 technical secret cases in 2019, while in 2020 the number went up to 44.

The judges are becoming more and more friendly to trade secrets holders in the context of a stronger intellectual property protection, and the laws have put heavier burden of proof on defendants. Once a plaintiff has submitted the preliminary evidence of trade secrets infringement, the burden of proof shifts to the defendant, who has to show, for example, that he is using a different technology, the claimed trade secrets are already known in the sector before the critical date, or he obtained the trade secret through reverse engineering or his own research and development. The previous disadvantageous in claiming trade secrets infringement have become strengths of plaintiffs to some extent.

On the subject matter branch, the claimed trade secrets of plaintiffs can cover extreme broad spectrum of subject matters, which can be a very particular feature or a complete technical solution and needn't to be absolutely new. On the conduct branch, the conduct of an accused infringer is assessed on the basis of business ethics and general principles, which are normally indefinite, flexible and empirical, a rights holder friendly judge means a higher win rate.

The polices and the prosecutors are also active to carry out investigations when a trade



secrets holder files a complaint, and to initiate criminal procedures if the misconduct of the infringer is serious. It is expected that more and more trade secret cases will be instituted before the courts in China through both the civil route and the criminal route.

Of course, this may imply potential abuse of litigation rights by some businesses, which may interfere with the business of their competitors by instituting trade secret litigations, even worse, try to obtain trade secrets of defendants during the legal proceedings. It is therefore necessary to strike a balance while enhancing protection of trade secrets.

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