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Premier Li Keqiang stresses IPR protection, business environment

On May 21, 2021, Premier Li Keqiang made the remarks in an instruction on IPR infringement and counterfeits. Premier Li said that protection of intellectual property rights and the fight against counterfeits concern the building of an innovative nation and people's health and safety.

In recent years, local governments and related departments made active work on IPR infringement and counterfeits with strict punishment on illegal acts, he said. These efforts have stimulated vitality of the society in innovation, he noted, adding that more work should be done to deal with remaining problems.

With enhanced coordination and improved laws and regulation, responsibilities should be solidly implemented at all levels to continue campaigns in key areas and links, Premier Li said. To strengthen IPR protection throughout industrial chains, work should be done to enhance links between administrative law enforcement and justice, and deepen international exchanges and cooperation, he said. A better job in this regard will help build a market-oriented, law-based, and international business environment, and keep a fair and competitive market order, to inspire vitality of market entities and society creativity and contribute to entrepreneurship, innovation, high-quality development and people's livelihoods, Premier Li noted. (Quoted from the State Council of the PRC)



Recommended Firm by IAM Patent 1000 (2021) for our patent prosecution and litigation

Recently, Intellectual Asset Management (IAM) released IAM Patent 1000 (2021), reporting the rankings of the World's Leading Patent Professionals in 2021. CCPIT Patent and Trademark Law Office is once again recommended for its gold-rated patent prosecution and silver-rated patent litigation. According to IAM, CCPIT Patent and Trademark Law Office is entrusted by the biggest industry leaders and Fortune 100 companies all over the world, this full-service IP law firm in China drafts and files such a high volume of patents that its prolific prosecution practice has become well known and highly respected. Few prosecution shops can go toe-to-toe with this firm… One of the oldest and largest IP service providers in China.

Ranked tier 1 both in the areas of patent prosecution and trademark prosecution by MIP

Based on intensive research over the past months since September 2020, Managing Intellectual Property (MIP) has released its 2021 rankings of leading IP law firms around the world. CCPIT Patent and Trademark Law Office, once again, ranked Tier 1 in both patent prosecution and trademark prosecution. This is the 22nd consecutive year that our firm has been ranked by MIP. The firm is also in the list of ranking firms in the areas of patent contentious and trademark contentious. According to MIP Magazine, CCPIT Patent and Trademark Law Office is “one of the leading IP firms in China for patent filing and disputes”.

LES China's recent visits in Beijing

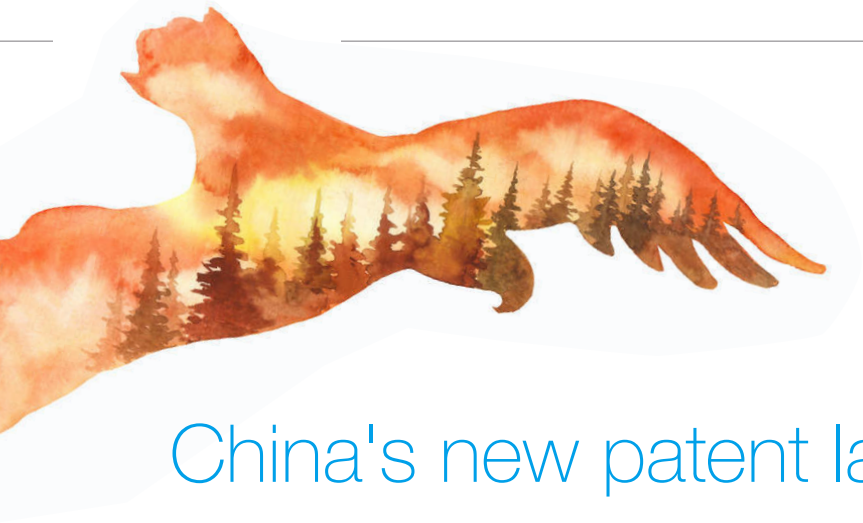
In May of 2021, LES China visited Zhongguancun Intellectual Property Promotion Office, China Chamber of International Commerce, State Intellectual Property Operation Public Service Platform in Beijing.

The President of LES China, Mr. Zhongqi Zhou, Vice President Mr. Chris Shaowei and Secretary General Mr. Aimin Huo were warmly received and had discussions with the leaders and colleagues of the organizations on the development of IP licensing in China and issues of mutual interests as well as opportunities on cooperation on educational program and other projects in the future. They were invited to visit the showroom of State Intellectual Property Operation Public Service Platform, which is the first state-level platform established to facilitate IP operation and commercialization, featuring function of IP evaluation, online IP transfer and data analysis service.

During the meetings, LES China introduced the history and goals of LESI as a non-profit international organization, its recent work and activities, especially the highlight event LESI Annual Conference. They also took the opportunity to invite members of those organizations to attend LESI Annual Conference and assist with the promotion of the events organized by LESI etc.

LES China has plans to arrange more meetings with IP related organizations in China, hoping to create more opportunities for communication, build connections and seek supports to work together with other parties in organizing events and activities for LES members.





China's new patent law: the big picture

By Chuanhong Long

The Fourth Amendment to China's Patent Law will become effective as of June 1st, 2021. The amendments strengthen patent protection in China, and will make the IP system more flexible and sophisticated.

Since the establishment of the patent system in China, the first three amendments to the Patent Law had basically maintained the rhythm of once every 8 years. This fourth amendment was longer in coming being made 12 years after the last one. During that decade plus, China entered a new stage of development and made major achievements by implementing an innovation-driven development strategy. The factors of production underpinning China's development have gone through profound changes, and the IP system reflects that.

President Xi Jinping has repeatedly emphasized the importance of innovation in helping China achieve high-quality growth driven by domestic demand. Instead of relying too much on an export-oriented strategy to sustain China's long-term economic development, the "dual circulation" strategy brings a new paradigm, with domestic circulation as the mainstay and domestic and international circulations reinforcing each other. Strengthening the protection of intellectual property rights will stimulate the innovation vitality of the whole society, creating a better competitive environment.

Quintuple damages and enhanced design rights should benefit rights holders

The new Patent Law has introduced punitive damages for serious willful infringement – courts can award one to five times the amount calculated according to the losses suffered by the patent holder, the benefit obtained by the infringer or the multiple of the patent licensing fee. At the same time, the amount of statutory damages is increased, with the upper limit raised to Rmb 5 million (about $735,000). By increasing damages, the value of a valid patent right will inevitably rise and more money may be invested in R&D activities.

To solve the difficulty of plaintiff's onus of proof in patent cases, the new Patent Law has put heavier burdens on the defendant. If the patent holder has done their best to provide evidence, but the accounting books and materials relating to the infringement are in the possession of the infringer, the court may now order the infringer to provide evidence that can prove damages, such as accounting books and sales records.

The new Patent Law also expands

the relief measures that can be taken before filing a patent lawsuit, including property preservation and behavior preservation, and confers more power on administrative IP enforcement. So expect both the judicial route and the administrative route to be more effective in protecting rights holders' IP assets.

Design patents received special attention in these latest amendments. Designs have played a more and more critical role to China's businesses, from start-ups to Fortune 500 firms. To enhance design protection, and to meet the requirements of the Hague Agreement, the new Patent Law introduces the long-advocated partial design, and extends the term of a design patent from 10 to 15 years. Meanwhile, and for the first time, domestic priority for design applications has been added.

In terms of granting procedures, the new Patent Law allows the applicant to submit certified copy of the priority document within 16 months from the date of filing the first invention or utility model application.

Key measures to tackle abusive patent litigation

With the enhanced protection of patent rights, patent holders will be more willing to initiate patent infringement lawsuits. Some patent holders may even try to gain revenue through litigation. To strike a balance, the new Patent Law also set up some limitations.

For example, where the dispute of patent infringement relates to a utility model or design patent, the people's court or the IP administration may ask the patent holder to furnish an evaluation report of the patent right prepared by the CNIPA. According to the new Patent Law, in addition to the patent holder, the accused infringer may also proactively request an evaluation report of the patent right from the CNIPA and submit it in the dispute before the people's court or the IP administration.

The new Patent Law also makes it clear that the application for a patent and exercise of the patent right shall follow the principle of good faith and shall not harm the public interest or the legitimate rights and interests of others. This very general provision might be an important weapon against malicious patent applications and the abuse of patent rights.

The major plus: drug-related inventions

The pharmaceutical sector is set up to benefit the most from the new Patent Law.



R&D investment for each new chemical drug can be as high as $2.5 billion (figure from 2010), with the overall clinical trial success rate averaging only about 12% from 1995 to 2007, the lowest R&D output ratio among all industries. Further, it can take up to 14.5 years from drug discovery to market approval, and the number of patents for each drug is only a few on average. The pharmaceutical industry is highly dependent on patent protection.

The new Patent Law effectively extends the patent term for new drugs. It introduces a patent term adjustment (PTA), which is



available for invention patents and is of great significance to pharmaceutical companies, as well as a patent term extension (PTE) for new drug-related patents to compensate for the time taken for review and approval of a new drug for marketing. The PTE may extend the patent term related to the approved new drug for a period of no more than five years, with the total effective patent term not exceeding 14 years from the marketing approval. The draft Implementing Regulations of the Patent Law propose that the patent holder shall submit to the CNIPA a request for PTA within 3 months from the date of the Notice of Allowance, or a request for PTE within 3 months from the date of obtaining marketing approval for the eligible patents of new drugs, preparation methods and pharmaceutical use.

The new Patent Law also introduces a patent linkage mechanism. Per the mechanism, during the drug review and approval process, a dispute arising between an applicant for drug marketing approval and the holder of a relevant patent right related to the drug, the registration of which is applied for, can be resolved in civil judicial proceedings or administrative proceedings before the CNIPA. The National Medical Products Administration (NMPA) may make a decision as to whether the approval of the relevant drug for marketing is suspended, according to an effective judicial decision.

The main purpose of the patent linkage system is to link the drug approval process with the patent infringement suit, to resolve patent infringement disputes as early as possible during the generic drug approval process, to protect the legitimate rights and interests of drug patent holders, and to reduce the risk of patent infringement that may occur when a generic drug is marketed.

The establishment of the PTE and the patent linkage system makes up for the shortcomings of the existing system, marking an overall strengthening of pharmaceutical patent protection in China which will certainly stimulate new drug R&D and promote pharmaceutical innovation.

Overall direction of travel is clear

In general, the amendments to the Patent Law are an inherent demand of China's economic development and should be read in the context of China's current stage of development and economic policy. Regardless of the interpretation, the main thrust of development marked by themes including "innovation-driven", "dual circulation", "opening-up" and "harmonization" will not change.

The fast-track to patent dispute resolution: The administrative adjudication mechanism

By Chengda Li

With the newly amended China Patent Law that became effective on June 1, 2021, the objective is to, more effectively, protect the legitimate rights and interest of patentees.

In China, there is a so-called "dual-track" scheme to enforce a patent, namely the administrative route and the judicial route. In case of a patent infringement dispute, the patentee or interested party may file a lawsuit in the People's Court or request a local intellectual property (IP) administrative office to handle the dispute under Article 65 of the Patent Law. As stipulated in Article 70.1 of the Patent Law, for a patent infringement dispute that has a major impact nationwide, the patentee or the interested party can even directly request the China National Intellectual Property Administration (CNIPA) to handle it. The "dual-track" scheme is also applicable to patent linkage disputes in China. To proceed with a drug patent dispute case arising from patent linkage, there are two routes to go. The first one is to take civil action before the courts and the second one is to file an administrative adjudication request before the CNIPA.

The administrative adjudicative route

The basic legislation for using the administrative adjudication mechanism for patent dispute resolution, in addition to the Patent Law, is the Measures for Patent Administrative Enforcement, which was originally enacted in 2001 and was later amended in 2010 and again in 2015. The Measures prescribes fundamental rules of administrative adjudication for patent infringement disputes and patent administrative enforcement. The Measures also sets out the primary procedures and standards for handling administrative adjudication cases. Now the Measures is still in effect.

According to the Measures, the local IP administrative offices of each province, as well as the CNIPA (which was previously known as the State Intellectual Property Office, or SIPO) are responsible for both administrative adjudication for patent infringement disputes and patent administrative enforcement.

It is to be noted that in the newly amended Patent Law, Article 69 differentiates between patent administrative enforcement authorities and administrative adjudication authorities. The former refers to Administrative Offices for Market Regulation, while the latter to the CNIPA and local IP administrative offices of each province. Pursuant to new Article 69, patent administrative enforcement authorities are granted stronger administrative powers than administrative adjudication authorities. Specifically, an administrative adjudication authority may conduct questioning of the involved parties and examination of sites and products relating to the infringement in a patent infringement dispute, whereas a patent administrative enforcement authority may additionally seize or detain counterfeit products and conduct evidence examination and reproduction. It can be expected that the Measures will be amended in the near future to be in line with the newly amended Patent Law.

To further strengthen the protection of patent rights and improve the efficiency and quality of administrative adjudication concerning patent infringement disputes, the CNIPA issued a more detailed Guideline on December 26, 2019, called the Guidelines for Handling Cases of Administrative Adjudication Concerning Patent Infringement Disputes (hereinafter referred to as the Guidelines). The Guidelines clarifies the basic concepts of administrative adjudication on patent infringement disputes, including jurisdiction, avoidance, agency, delivery, case handling procedures such as case docketing, examination, evidence investigation, and rules of evidence. The Guidelines also explains the infringement determination of various types of patents and the relevant principles of infringement determination.



On May 28, 2021, to better handle administrative adjudication cases of patent infringement disputes that have a significant nationwide impact, the CNIPA released the Administrative Adjudication Measures for Major Patent Infringement Disputes. The Measures went into force June 1, 2021, along with the amended Patent Law. The Measures provides an explanation of the categories of cases that would fall under the purview of Article 70.1 of the Patent Law. Per Article 3 of the Measures, any of the following

situations is a “major patent infringement dispute”:

(1) Involving major public interests;
(2) Significantly affecting the development of the industry;
(3) Major cases involving cross-provincial administrative regions;
(4) Other patent infringement disputes that may cause significant influence.

The Measures set out detailed guidelines for the administrative handling of such cases by the CNIPA, including the procedures of oral hearing and the technical investigator system, which is similar to procedures in a civil litigation before a court. The Measures also clarifies that the only remedy available is an injunction, with no damages. Appeals of a decision of the CNIPA can be filed before the Beijing Intellectual Property Court within 15 days of the ruling but enforcement of an injunction will not be suspended during the appeal process. Of note, the Measures prescribes that, during the administrative adjudication, if the involved patent is declared invalid by the Reexamination and Invalidation Examination Division of the CNIPA, the administrative adjudication case may be terminated. Where there is evidence to prove that the decision to invalidate the patent has been revoked by an effective administrative judgment, the patentee may file another administrative adjudication request. Considering that the administrative authority handling administrative adjudication cases of patent infringement disputes and the Reexamination and Invalidation Examination Division are both sub-departments of the CNIPA, it is seen that, in the future, patent infringement disputes may be settled in a more convenient and cost-effective manner through the administrative adjudication route. Moreover, joint trial of administrative adjudication and patent invalidation procedures may be possible within the CNIPA.

Technical investigators

Turning to the technical investigator system, it is believed that the introduction of the technical investigator into patent infringement cases is beneficial and helpful, since most patent infringement dispute cases are difficult and complex with professional and technical challenges. On May 7, 2021, the CNIPA issued the Provisions on the Participation of Technical Investigators in Administrative Adjudication of Patent and Integrated Circuit Layout Design Infringement Disputes (Interim) (hereinafter referred to as the Provisions). Issuance of the Provisions follows the Supreme People’s Court’s regulation on technical investigators for IP-related litigations. The provisions stipulate in detail the roles and responsibilities of the technical investigators. According to the Provisions, both the CNIPA and the local IP administrative offices may assign technical investigators to participate in administrative adjudication cases of patent infringement disputes. The CNIPA is responsible for building a national technical investigator database and selecting and managing the technical investigators. The local IP administrative offices may select and manage the technical investigators in their own jurisdictions but may also apply for the deployment of technical investigators from the national technical investigator database to participate in its administrative adjudication activities. The Provisions sets out that the technical investigators may participate in the oral hearings and ask questions to the parties and other relevant personnel. The technical investigators may also attend meetings of the collegiate panel as nonvoting

delegates. Recently, the CNIPA announced that a first panel of 35 technical investigators has been elected, covering technical fields such as machinery, electricity, communications, medical biology, chemistry, optoelectronics, materials, and design.

Most recently, on July 5, 2021, the CNIPA released the Administrative Adjudication Measures for Early Resolution Mechanisms for Drug Patent Disputes. Together with the above-mentioned administrative adjudication measures for patent infringement dispute, China has established its characteristic and comprehensive administrative adjudication system. The Measures clarifies the basic concepts of administrative adjudication for early resolution mechanisms for drug patent disputes (the so called "patent linkage" system), including jurisdiction, parties, case handling procedures such as case docketing, examination, mediation, and oral hearing. The Measures also explains the relation with patent invalidation and the parallel proceedings with civil litigation.

Specifically, per Article 4 of the Measures, no successful prior lodging of a civil action before a court is one of the preconditions for filing a request for administrative adjudication with the CNIPA. However, successful filing of administrative adjudication case with the CNIPA can neither preclude from filing nor stay the civil action according to the rules of the Supreme People's Court. With respect to invalidation, the Measures clarifies that all the claims in suit of the patent being invalidated, either before or during the administrative adjudication, can be a ground for dismissal of the administrative adjudication; in case of a part of the claims in suit of the patent being invalidated, the administrative adjudication will be based on those claims that are maintained valid. But it is not clear where the CNIPA's invalidation decision is appealed to the court, whether status of the claims here would be determined by the CNIPA's invalidation decision, or would rely on the final judgment from the appeal.

Is administrative adjudication a fast-track?

Generally speaking, the administrative adjudication route is much faster and less expensive than the civil litigation. When handling patent infringement disputes, the local IP administrative office is required to complete the adjudication within three months from the date of case docketing. If the case is particularly complicated and the time limit needs to be extended, it shall be approved by the person in charge of the local IP administrative office. The approved extension shall not exceed one month at most. It can thus be seen that the administrative adjudication route is a "fast-track" mechanism for patent infringement dispute resolution. More and more patentees, especially small and microenterprises, choose this route in case of an infringement dispute. According to a statistic of the CNIPA, in June 2021, there were as many as 4,257 administrative adjudication patent infringement dispute cases filed before local IP administrative offices in China, among which the IP Administrative Office of Zhejiang Province handled the most, up to 2,450 cases. It appears that the administrative adjudication route is becoming a preferred way to resolve patent infringement disputes, especially for those infringers that are located in a developed province.

A most famous administrative adjudication case in China may be *Shenzhen Baili Marketing Service Co. Ltd. v. Apple Inc.* (the *Baili* case). In May 2016, the Beijing IP Office issued a decision affirming that Apple's iPhone 6 and iPhone

6 Plus infringed a Chinese design patent ZL201430009113.9, owned by Shenzhen Baili Marketing Service Co. Ltd. The Beijing IP Office thus rendered a ban, ordering Apple to stop selling the iPhones. Upon the issuance of this decision, the decision itself, together with Beijing IP office, came under the spotlight. Apple immediately brought forth an administrative lawsuit before the Beijing Intellectual Property Court to challenge the administrative decision. On March 24, 2017, the Beijing Intellectual Property Court rendered its first-instance judgment overruling the administrative order by the Beijing IP Office. In the meanwhile, Beijing Intellectual Property Court also ruled directly over the civil dispute between Bali and Apple and reached a non-infringement judgment in favor of Apple.

Conclusion

Administrative adjudication has proved to be an efficient and efficacious mechanism for patent infringement dispute resolution in China. However, some experts have been questioning whether the bifurcated approach, the administrative adjudication and civil litigation "dual-track" scheme in China, will cause confusion and inconsistent judgments.

In the fourth amendment to the China's Patent Law, the "dual-track" scheme has been kept and even extended to disputes involving open licenses and patent linkage disputes. The administrative adjudication mechanism should be encouraged if the primary purpose is to stop patent infringement earlier without focusing on potential damages. If, however, one of the purposes is to obtain payment of damages, it is advisable to go with the court proceedings to settle patent infringement disputes.

Last but not least, for a patent dispute that has a significant impact, it may be advisable to file both a civil action and an administrative adjudication request. But it should be remembered that the administrative adjudication request must be filed simultaneously with or before the civil action; otherwise, the administrative adjudication request will be rejected.



Real “Bulgari” wins against the infringing trademark “Bulgari Music Coffee”

By Yang Shi

After about four years’ fight, Italian luxury brand Bulgari defeated the Chinese individual squatter in the invalidation litigation case against the preemptive registration in China.

On August 03, 2021, the Beijing High People’s Court affirmed the original judgment of the Beijing IP Court, overruling the disputed decision made by the China National Intellectual Property Administration (CNINPA) and decided the disputed trademark reg. No. no. 6085778  should be canceled for registration. In pursuant to the final judgment, the CNIPA shall remake the invalidation decision to cancel registration of the contested registration.

In this case, Bulgari lodged the invalidation against the disputed trademark when it has been in registration for more than five years, by requesting for well-known trademark protection over its registered trademark Reg. No. 3811212 “ BVLGARI 宝格丽 ” (hereinafter referred to as “the cited mark”). Cai Qing He, as its registrant, argued the disputed trademark should be maintained. To support his allegations, he submitted proofs showing the use of the attacked trademark on the services relating to the operation of the music café adopting the name “BAO GE LI music café” (BULGARI music cafe in Chinese) and confronted the subject trademark had been in continuous use and obtained certain reputation. He further convinced the previous Trademark Review and Adjudication Board (TRAB) into deciding before the filing date of the disputed trademark, Bulgari’s cited trademark hadn’t become well-known yet, and since the invalidation was initiated five years after registration of the subject trademark, Bulgari’s claims for well-known trademark protection cross class hadn’t been justified.

The Beijing Intellectual Property Court held that the proved first sale of Bulgari’s jewel started in 2005 in mainland China, while considering before this time, there were a great number of reports over the cited trademark and the fact that Bulgari had started operations in the Chinese market with high amount of revenues in 2006 and 2007, it can be decided the cited trademark had become well-known among the Chinese consuming public before the filing date of the disputed trademark. The disputed trademark has the prominent Chinese wording that is identical with

the strongly distinctive Chinese wording of the cited trademark, and the word part “BALCARY” similar with the prior wording “BVLGARI”. High degree of similarities of the compared marks cannot be explained as a coincidence. The IP Court determined his bad faith in registering the subject trademark and the invalidation request could be filed despite of the five years’ limitation. The designated services such as “café; bar” of the subject trademark and the goods “jewelry; watches” of the cited mark have the same targeting group, and both of them are common goods or services. Being used on the services like “café; bar”, the disputed trademark would readily lead the related consumers to connect it with the cited mark of Bulgari and unduly utilize the good fame of the cited mark being built by Bulgari in the durable operation, damaging Bulgari’s interest. Therefore, the disputed trademark has contravened with the relevant provisions of article 13 (2) of 2001 China Trademark Law and the disputed decision should be rectified.

The Beijing High People’s Court affirmed the original judgment in reiterating that, when applying the well-known trademark protection clause, the factors 1) strength of the cited mark; 2) degree of similarity of the compared marks; 3) usage of the designated goods; 4) the target consumers and degree of care when purchasing is made; 5) other entity’s use of the marks similar with the cited mark or other relevant factors should be comprehensively considered. The evidence of Bulgari well proves, before the filing date of the disputed trademark, Bulgari had been durably and widely sold and advertised the jewelries and watches of the cited mark in mainland China, which has extended to wide geographic area and has obtained high revenues. The Court thereby rules, the cited trademark had become well-known with wide influence and good fame in mainland China on the goods “jewelry; watches”. As a copy and imitation of the cited mark, the disputed trademark would easily lead to the consumers to falsely connect it with the cited mark and impair the distinctiveness attached to the cited trademark, registration and use of which would wrongly take advantage of its established reputation in the market. The evidence of CAI Qing He showing the use of the subject trademark in his music café is not cogent to prove the disputed trademark had become reputable to be distinguished by the consumers. Besides the High Court determined, the other infringing trademarks filed afterwards by CAI Qing He has showed his bad faith.

Author’s Insights

If a trademark has been in registration for more than five years, to successfully attack it before the Chinese competent authorities, two requirements shall be met, first is the prior trademark claimed for protection should be well-known before the filing date of the disputed trademark, and the second is, the registrant of the attacked trademark has bad faith. In the present case, the Courts of both instances determined the bad faith of the registrant to file the disputed trademark and other infringing trademarks afterwards. In the administrative procedures before the CNIPA, most decisions are made rigidly, while the judicial authorities are more willing to pursue realization of substantive justice in each case. CAI Qing He as the registrant of the subject trademark lodged invalidation against the trademarks of Bulgari with the aim to prevent the usage of the trademarks in hotel services that are important business of Bulgari in mainland China and all over the world. This case has timely attacked the squatter’s root for taking any legal actions against Bulgari’s hotel services related trademarks, and well protected the real brand owner’s interest. It shows the Chinese courts’ firm attitude to crack down the bad faith players in the market.

PUMA vs. 飚马 PUMAH, the well-known trademark wins

By Lan Zhou and Ling Zhao

PUMA, translated as "彪马" (BIAO MA) in Chinese, was founded in Germany in 1948. It is a large multinational company aiming at clothing production. In the 1990s, PUMA entered the Chinese market and started its trademark protection in mainland China. One of the main marks of PUMA presents the image of a puma leaping over the capital letters "PUMA", as shown in Figure 1.



Figure 1

In 2019, PUMA filed invalidation against the trademark " 飚马 PUMAH " (hereafter referred to as the disputed mark) owned by Ningbo Spark Motor Co., Ltd. which was established in 2005 and operated over mechanical engines, gasoline and diesel generator sets, water pumps, washing machines, construction machinery, agricultural machinery, etc. in Class 7. The disputed mark is composed of Chinese characters"飚马"(BIAO MA), device of a prancing horse and capital letters "PUMAH".

The cited marks of PUMA are as follows:

PUMA PUMA 彪 馬

In the trademark review stage, PUMA provided a lot of evidence, including its registered trademark information, company annual reports, store information in mainland China, contract filing materials, advertising materials and so on.

The CNIPA made the invalidation decision in October 2019 that the disputed mark shall be maintained, for the disputed mark and the cited marks do not constitute similar marks on similar goods, and that there is big gap and mere relation between the industries covered by the two parties. Therefore, the disputed mark will not mislead the public nor do harm to the interests of PUMA.

PUMA was dissatisfied with the decision and filed an appeal to the Beijing Intellectual Property Court, providing supplementary evidence like previous cases and requesting that its cited marks should be deemed well-known marks on shoes, clothing and other goods.

The Beijing Intellectual Property Court held that although the evidence submitted by PUMA can prove that the cited marks have popularities in sportswear, clothing, shoes and other commodities, there are large differences in function, use, production channels, sales targets, etc., and large span in

industry. The public will not take that PUMA and Spark Motor have specific connection. Therefore, the disputed mark will not weaken the distinguishing characteristics of the cited marks nor do damage to PUMA's interests. PUMA' s litigation request got rejected.

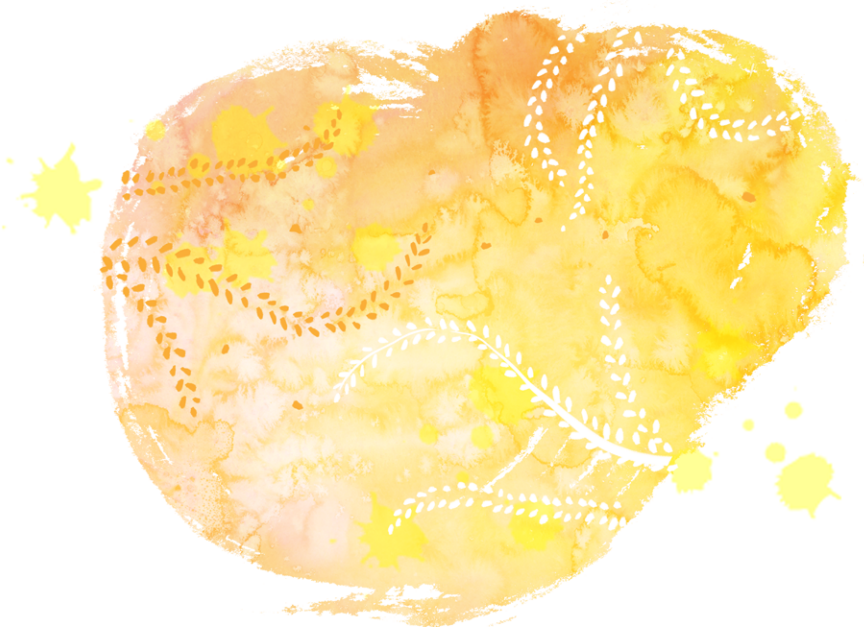
PUMA was dissatisfied and filed an appeal to the Beijing High Court., arguing that:

1.The English part "PUMAH" of the disputed mark completely covers the cited mark "PUMA" and is identical with the specially designed font of the cited marks; the Chinese part of the disputed mark has the same pronunciation as "BiaoMa". It constitutes plagiarism and imitation of PUMA's prior well-known citations.
2.PUMA provided a large amount of evidence in the original trial to prove the popularity of its cited marks, which was not denied in the original judgment Therefore, from the perspective of "well-known mark dilution", it shou be deemed to violate the Article 13 of 2013 China Trademark Law.
3.Spark Motor has never defended nor participate in the original judgment. It is believed that the disputed mark has not been put in commercial use, and the possibility of confusion should be eliminated a soon as possible.

The Beijing Hight Court finally supported the claims for considera that PUMA's cited marks are well-known to the relevant public on sho clothing, pants, etc., and constitute well-known marks on such goods. The disputed mark is similar to the cited ones in terms of composing elements, whole appearance, pronunciation, and constitutes the imitation of the cited marks. Although the designated goods covered by the marks of two sides have certain difference, the target consumers of shoes, clothing, pants, etc., are of wide range. The use of the disputed mark would mislead the relevant public and do harm to the interests of PUMA. The registration of the disputed mark is against Article 13.3 of China Trademark Law.

As for the case of PUMA, the recognition of well-known marks plays an important role for the whole proceeding. The CNIPA and the Beijing Intellectual Property Court all held that the disputed mark and the cited marks, due to the industry difference of both sides, do not constitute the similar marks on similar goods as stipulated in Article 30 of China Trademark Law. When the cited marks were identified as well-known marks, the case was applicable to Article 13.3 of China Trademark Law from the perspective of "well-known mark dilution".

During the process of well-known marks recognition, PUMA and its attorney team of CCPIT Patent and Trademark Law Office collected and compiled a large amount of evidence to prove the great reputation and influence of the cited marks. This case is of profound reference significance. It is not only the active practice of Article 13.3 of China Trademark Law, but also a positive reflection of China's effective trademark protection as well as the determination to broaden openness.



Punitive damages in China

By Ji Liu and Xiao Jin

The new Patent Law entered into effect on 1 June 2021, after nearly eight years of discussion since the initial amendment proposal in 2012 drafted by the State Intellectual Property Office (the China National Intellectual Property Administration's predecessor). Various amendments, reflecting the need for strengthening IP protection, are incorporated into this new version of the Patent Law, which is the fourth since 1984. Among those amendments, punitive damages are undoubtedly a focus of attention.

History of punitive damages in China

Punitive damages were first introduced into the Trademark Law in 2013. Later, the Seed Law (revised in 2015), the Anti-unfair Competition Law (amended in 2019) and the Copyright Law (amended in 2020) all added clauses regarding punitive damages. In addition, on 1 January 2021, the Civil Code established a punitive damages system in the IP field, providing that the infringed person has the right to request punitive damages if the infringement was made intentionally and the circumstances are serious. As the Patent Law entered effect on 1 June 2021, one of the final pieces of the puzzle of punitive damages in the IP field slots into place, introducing punitive damages of up to five times the damages caused by the infringement.

As with many of China's laws, the Patent Law sometimes simply provides only a general principle, while the interpretation of the law issued by the Supreme People's Court offers more detailed ways to understand and apply the law. For example, punitive damages can be raised between one and five times the damages caused by intentional infringements according to the Patent Law. However, the law does not say how to determine the base, nor does it indicate timeframes for calculating the punitive damages or what the term 'intentional infringement' means in practice.

Fortunately, we now have an official interpretation of the Patent Law on how to apply the punitive damages, *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* (effective 3 March 2021), which is the focus of this chapter.

New interpretation of law about punitive damages

Legal requirements of applying punitive damages

There are two hurdles to overcome when applying punitive damages. According to the Patent Law, the legal requirements include:

- intentional infringement; and
- serious circumstances.

Article 3 of the interpretation highlights that when determining whether the infringement was intentional, various factors should be considered, such as:

- the type of IP rights infringed;
- the status of the rights and the reputation of related products; and
- the relationship between the defendant and the plaintiff or interested parties.

To guide practice, the interpretation has listed several typical situations, which should preliminarily be deemed as 'intentional infringement', including the following:

- the defendant continues to commit the infringing acts after being notified or warned by the plaintiff or interested party;
- the defendant or legal representative or manager thereof is the legal representative, manager or actual controller of the plaintiff or interested party;
- the defendant and the plaintiff or the interested parties have relationships in terms of labour, service, cooperation, licensing, distribution, agency and representation, among other things, and have access to the infringed IP rights;
- the defendant has business with the plaintiff or interested parties or has negotiated a contract, among other things, and has access to the infringed IP rights;
- the defendant has committed acts of pirating or counterfeiting of registered trademarks; and
- other circumstances that can be determined as intent.

A defendant continuing to commit the infringing acts after being notified or warned is one of the most common occurrences in applications for punitive damages. In fact, it is unlikely that anyone would stop their business immediately just because of one warning letter. However, ignoring the warning will leave the patent owner with a good chance of receiving additional damages. Sending a warning letter to a potential infringer becomes a much more powerful weapon for the rights holder in practice, as it is relatively easy and cheap to do, but the revenue gained as a result has the potential to be huge. On the other hand, a response to a warning letter must be considered carefully because simply ignoring it, which is common, may lead to a higher risk of triggering additional damages at a later point. The response is also important because the interpretation now states that continuous infringement after receiving a warning is preliminarily determined as intentional infringement. On the other hand,

although not explicitly stipulated in the interpretation, if the defendant has a good reason (eg, a non-infringement report or an invalidity report provided by a respectable law firm), the risk of additional damage can be reduced.

For a defendant that once had access to the plaintiff's IP rights through an employment relationship or other cooperation and later infringes the IP rights, such situations would be considered preliminarily as intentional infringement unless the defendant can prove otherwise during the trial.

In addition to the requirements that the infringement is intentional, another necessary precondition to trigger punitive damages is that the circumstance of the infringement must be serious. A normal or slight infringement that does not result in a serious outcome cannot be the basis for claiming punitive damages.

Article 4 of the interpretation indicates that the court should consider:

- the means of infringement;
- frequency;
- duration;
- geographical scope;
- scale;
- consequences; and
- the infringer's behaviour in the lawsuit.

Again, some typical cases have been identified by the interpretation as 'serious', including the following:

- committing the same or similar infringement again after being punished in an administrative penalty or court decision for infringement;
- committing infringement of IP rights as its primary business;
- forging, destroying or concealing evidence of infringement;
- refusing to abide by the preservation ruling;
- acquiring significant infringement gains or the rights holder suffering huge losses;
- endangering national security, public interests or personal health; and
- other circumstances that can be determined as serious.

Forging, destroying or concealing evidence of infringement and refusing to abide by a preservation ruling are not only legal requirements of punitive damages, but are also likely to be linked with the calculation of damages.

In practice, to prove damage caused by infringement, the plaintiff may request a court order to preserve financial evidence or order the defendant to submit its sales data (eg, sale records, account books and profit margin) after the plaintiff has demonstrated to the court that they have exerted their best effort to provide evidence. Such records are confidential to most companies and few defendants will choose to submit financial data during a trial. It has even been known for some defendants to provide false data to the court. The consequence of such behaviour may result in the court turning to support the plaintiff's claimed damages amount.

This behaviour is considered serious and is likely to trigger punitive damages. It is possible that IP rights holders will increasingly choose to request court orders in the future because it leaves limited room for the accused infringer (ie, disclosing its confidential information to the



plaintiff or facing a much higher risk of additional damages).

Where infringement gains are significant or the rights holder's losses are huge, this should encourage owners to collect and submit more evidence.

Regarding national security, public interests or personal health, an example from one case recently saw the judge successfully convinced that intentional infringement of a design patent for a container of milk powder could mislead the public into purchasing false milk powder, resulting in a threat to personal health. Patentees should take public interest and health into account when seeking higher damages.

Calculation of punitive damages

The equation to calculate punitive damages is: punitive damages = basis of punitive damage x [a number up to five].

According to the interpretation, the actual loss suffered by the plaintiff, the amount of the defendant's illegal gains or the profits obtained due to infringement may be used as the basis for calculating punitive damages. If none of these can be determined, a reasonable multiple of the licence fee may also be used as the basis for calculation.

The basis here does not include attorney fees or other expenses incurred by the plaintiff for the lawsuit. The plaintiff may request the defendant to pay the attorney fees and any reasonable expenses if they win the case. However, these expenses cannot be included when calculating punitive damages.

If the plaintiff cannot provide a calculable number for the basis of punitive damages (i.e, the actual loss, illegal gains, profits obtained through infringement or licence fee as required by the interpretation), then they cannot claim the punitive damages.

If the plaintiff cannot provide enough evidence to support a relatively accurate sum of damages, then they can leave the damages issue to the court to order statutory damages. However, statutory damage cannot be the basis for punitive damages because statutory damage is not included in the interpretation regarding the basis of punitive damages.

In view of this, since financial evidence is increasingly important in IP infringement litigation, IP rights holders should spend more time and effort on evidence collection to prove to the court the actual loss suffered, the illegal gains gathered by the accused infringer or the profits made as a result of the infringement. Expert witnesses, audit reports and comparable approaches are increasingly observed in IP litigation.

According to the interpretation,

timeframes should be determined by considering factors such as the degree of the defendant's subjective fault and the severity of the infringement.

Factors regarding the defendant's subjective fault and the severity of the infringement can be well understood with reference to a recent know-how case ruled by the Supreme People's Court. In this case, the plaintiffs finally were awarded punitive damages of five times the losses caused by the infringement. This case is typical for understanding how the court applies the factors in determining the multiples considered to calculate punitive damages.

The plaintiff successfully proved that one of the defendants was a former employee of the plaintiff and had access to the confidential information owned by the plaintiff. Later this person quit his job and shortly thereafter joined another company that developed highly similar technologies.

First, the former employee was found guilty in a criminal litigation of infringing the plaintiff's know-how. However, the defendants did not stop using the confidential information obtained from the plaintiff to make a profit, even after the first-instance court ruled in the plaintiff's favour and issued an injunction to stop the use. The continuous infringements comply with Article 4(1).

Second, the plaintiff successfully proved that the company was founded only for infringing the know-how. During the trial, the court ordered the accused company to submit evidence demonstrating that it conducts business other than the manufacture of products similar to those of the plaintiff. However, the company failed to submit the evidence, simply arguing that its business licence included a broader scope of business. The Supreme People's Court therefore found that the company committed the IP rights infringement as its primary business, as required by Article 4(2).

Third, the accused company refused to follow the court's order of submitting sales records and account books and failed to submit the requested data even during the second-instance trial. The Supreme People's Court found that this behaviour met Article 4(3) regarding concealing evidence of infringement, and Article 4(4) regarding the refusal to abide by the preservation ruling.

Finally, the Supreme People's Court found that the sale scope of the infringing products reached more than 20 countries and regions and the plaintiff suffered a huge loss according to the audit report and expert witness report submitted by the plaintiff, which fell within the scope of Article 4(5) regarding infringement gains or the rights holder's losses being huge.

After comprehensive consideration of these factors, the Supreme People's Court awarded the plaintiff the highest multiple of punitive damages – the total amount of damages reached Rmb30 million.

Trends advice

As yet there have been no punitive damages in patent infringement litigation, but it is only a matter of time. Increased effort should be made to gather evidence relating to damages because it relates not only to the damages but could also form the basis for additional damages. An increasing number of expert witnesses are appearing in IP infringement litigation and are bringing complicated damages calculations to trial.

Increasing damages in IP infringement litigation in China

By Xiao Jin

Back in the 2000s, if you were an IP rights holder, damages expectable from an infringement litigation possibly did not exceed $20,000 in average. A variety of reasons led to the situation, including insufficient ways to collect evidence, limited experience in handling IP infringement actions and the depth and breadth of the IP rights.

As time goes by, the situation has changed, and recently it has reached a climax as a recent batch of typical IP cases were issued by the Supreme People's Court (the SPC) of China, RMB1.59 billion damages were awarded to the owner of trade secret of manufacturing vanillin, the most widely used spice in food industries, which is the highest damages affirmed by the SPC. The record is like to be broken soon because the RMB1.59 billion were just a part of damages suffered by the plaintiff up to the end of 2017 while the rights holder may apply for additional damages for the infringement occurred after 2017 as the Unfair Competition Law introduced punitive damages since 2018.

Larger damages have become more and more common in intellectual property infringement actions. On one hand, more and more Chinese companies have realized the importance of intellectual property when running their business. More than 149 millions of invention patent applications were filed in 2020, plus 292.7 millions of utility model applications and 0.77 millions of design patents. Meanwhile, 576.1 millions of trademarks were registered in 2020, Those IP rights provide more available options for the rights holder when enforcement of IP rights is needed.

On the other hand, the Chinese courts now are exploring new ways to strengthen the protection of IP rights and to ascertain the damages. In addition to introduction of court's technical expert to assist the judge in understanding the technologies, court order and evidence preservation have become increasingly popular in practice. In many cases, it can be seen that the objective behind petitioning the court to take or preserve evidence is not merely to obtain the defendant's financial data but is more like a litigation strategy used to seek large damages.

In practice, few defendants chose to submit financial data, like sales record or the profit margin of the accused infringing product, even when facing the court order requiring to do so. This would lead to rather favourable consequences for plaintiffs. For example, when a defendant refuses to provide financial data without good cause, the court may presume that the plaintiff's claim for damages is tenable.

When evidence preservation becomes more and more common and popular in IP litigations, the court has better chance to find out the damages caused by the infringement, resulting in increasing amount of compensation in such kind of litigations.

Moreover, some recent cases published by the SPC reveal that the owners of IP rights are using combined strategies when proving the damages in the trial. In the vanillin case, the plaintiff tried various ways to show the damages, including the damages suffered by the plaintiff, the profits obtained through infringement and the change of the market shares caused by the infringement. The combined strategies brought significant advantages to the plaintiff because the damages calculated through different routes can be cross-referenced so that the judge may feel more comfortable with the amount of compensation finally decided in the sentence. This might be critical in securing higher damages in IP infringement litigation.

In the vanillin case, the plaintiff first began with the loss suffered by the infringement. This is relatively easy when calculating but difficult in convincing the judge, because the loss may be caused by various reasons, like the change of seasons, advertisement and/or the price of raw-material prices.

However, the loss suffered could be a good starting point to leave the judge a general picture about how huge the loss could be. Another reason to begin with the loss suffered by the infringement is that the data relating to the loss typically can be collected and calculated by the plaintiff. In the vanillin case, the measure of damages derived from this route is about RMB1.16 billion.

Evidence then focused on the profits gained by the accused infringer, which was accepted by the SPC and resulted in the final





damages. Here, the plaintiff proved that the production capability of the defendant was at least about 5,000 tons/year and was tripled since 2015. On the basis of that, the defendant had to allege that the annual production of vanillin is about 2,000 tons per year, which became the basis of damages to be calculate in this case. The court confirmed this number because it is rather conservative as compared with the total production capability of 17,000 tons/year. The measure of damages is about RMB1.55 billion based on the capability of 2,000 tons per year plus RMB0.04 billion reasonable expense for stopping the infringement through trial.

The final route adopted by the plaintiff is the change of market shares. The plaintiff found out that the market share was dramatically shrunk since the trade secret has been infringed. The damages calculated through the change of the market share are up to RMB7.9 billion. Although the court did not accept the amount of damages based on the drop of market share, we believe the highest damage demand through this route did open good room for the final damages decided by the court.

In the trial, the plaintiff once requested a court order asking the defendant to disclose the profit margin, the refusal of the defendant was taken into the court's account when deciding the damages. The court held that since the defendant had refused to disclose the profit margin, which led to great difficulty in ascertaining the exact profits gained by infringement, the court thus stopped finding out the real profit margin of the defendant but turned to use the plaintiff's profit margin in the calculation, leading to the amount of RMB1.59 billion.

This is a remarkable change because in the past the court tends to reject the plaintiff's calculation if the plaintiff cannot provide the defendant's financial data because of insufficient evidences no matter how difficult the plaintiff can access that evidence.

The trial court rejected the plaintiff's claims due to the same reason but just awarded a statutory damage of RMB3 million. The appellate court, the SPC, reversed and shifted the burden of proof to the defendant in the appeal, resulting in the highest damages in the trade secret infringement litigations. Given by the SPC case, it is foreseeable that the Chinese courts would more and more consider the shift of proof burden during IP infringement litigations if the financial data of the defendant is not accessible to the plaintiff. The result is, as the vanillin case shows, the measure of damages keeps increasing because the biggest obstacle for patentees to obtain high compensation seems to be gradually disappearing.

How to make a jurisdiction clause in a contract unshakeable before a judge

By Bin Zhang and Yifan Yang

It is common practice in China that the parties to an international IP-related contract can choose a foreign dispute resolution forum. However, such clauses are not always unshakeable before the Chinese courts. This article explores two cases where the jurisdiction clause in an international IP contract was held invalid, and sheds some light on avoiding such scenarios.

Requirement on actual connection

According to the statutory provisions and the judicial interpretations of the Supreme People's Court (SPC), the dispute resolution forum chosen by the parties must have actual connections with the dispute, such as one of the following localities:

- The domicile of the plaintiff or the defendant
- Place where the contract is performed or signed, which can be designated by the parties' written agreement
- Location of the properties subject to the dispute

SPC reiterated this rule in its ruling on the case Min San Zhong Zi No. 4 in 2009, where the parties signed a licensing agreement, stipulating that related disputes shall be referred to Singaporean judicial authorities and governed by Chinese laws. However, the plaintiff did not file legal actions in Singapore in accordance with the agreement but chose to sue in China. When the defendant raised objections to the Chinese court's jurisdiction, SPC ruled that the validity of the jurisdiction clause shall be determined based on the laws of China, where the case was heard. Because of this, and the fact that Singapore did not meet the requirements on actual connections, SPC held the jurisdiction clause in this case invalid.

How to ensure better protection for parties

Occasionally, there are instances where the jurisdiction clause meets the above requirements but is held invalid due to practical reasons, resulting in stalemates when enforcing the foreign dispute resolutions in China. In the IP field, this kind of stalemate is particularly noteworthy because of the territorial nature of IP rights.

Under Chinese law, disputes over IP ownership or infringement can only

be governed by the laws of the country where the IP protection is sought, but the parties may choose the laws applicable to the assignment of IP by agreement. If foreign laws were chosen in the latter case, the changing of IP ownership must still be presented before the China National Intellectual Property Administration to take legal effect. This may cause enforcement problems to the parties in practice.

Take the case Jing 73 Min Chu No.1155 in 2016. The parties signed a contract where the defendant agreed to transfer a Chinese patent to the plaintiff, and the parties chose South Korean courts and laws to solve possible disputes. Before this suit, the plaintiff already sued in South Korea for the execution of the contract. Among the different views held by different courts, the Supreme Court of South Korea finally ruled that the suit in question did not involve establishing or granting/invalidating of an IP and upheld the validity of the jurisdiction clause.

Although the Supreme Court of South Korea ordered the defendant to carry out the patent transfer, the defendant did not do so in China. As South Korea and China are not joint participants in an international convention covering the recognition and enforcement of each other's judicial judgments, and have no bilateral treaty or established reciprocal conventions, the South Korean court ruling cannot be enforced in China. The plaintiff had to file another lawsuit in Beijing.

The Beijing IP Court considered the purpose of civil court proceedings to be effectively solving disputes and protecting the parties' interests. The same purpose should apply to disputes on overlapping national jurisdictions. If a court heard a case and rendered a ruling that was practically unenforceable, then such court proceedings would be failing such a purpose. In this sense, the parties' right to choose venues shall also be limited by the same purpose. In the spirit of solving disputes and better protecting the parties' interest, the court ruled that as far as the Chinese patent is concerned, the parties' jurisdiction clause is invalid. The court made an independent decision according to South Korean Law on its own, and finally transferred the Chinese patent.

Practical tips

Most disputes in China over jurisdictions in an IP-related contract concern actual connections, and parties usually wish to solve disputes in a third-party country that can be a neutral forum. To establish connections between that third-party country with the contract and to avoid the risk of the Chinese courts invalidating such an arrangement, parties should state explicitly that the contract was signed in the third-party country.

Another approach—and maybe an easier one—is to stipulate that the disputes arising from a contract be resolved through arbitration rather than court proceedings. This could circumvent the requirement that the selected forum has to have an actual connection with the dispute.

Nonetheless, in addition to international treaties, international practices and general principles of law, arbitration can also apply specific domestic legislation and case law in accordance with the contract provision. This means that once the Chinese law has been chosen to apply, there are still opportunities for the arbitrator to examine the validity of a jurisdiction clause of the contract in accordance with the above requirements of Chinese law.

However—as brilliantly explained by the Beijing IP Court—when the transfer of a Chinese trademark or patent is concerned, it could adversely affect the parties if they choose a foreign dispute resolution forum.

China is party to the New York Convention and the Hague Convention but has made reservations on IP matters when joining the latter. Enforcing a foreign court's judgment in China could be legally impossible unless that country has a bilateral treaty with China or has established reciprocity on recognition and enforcement. To avoid such problems, disputes concerning the transfer of IP ownership should be referred to the Chinese courts.

China is strengthening its IPR protection

By Chuanhong Long and Aimin Huo

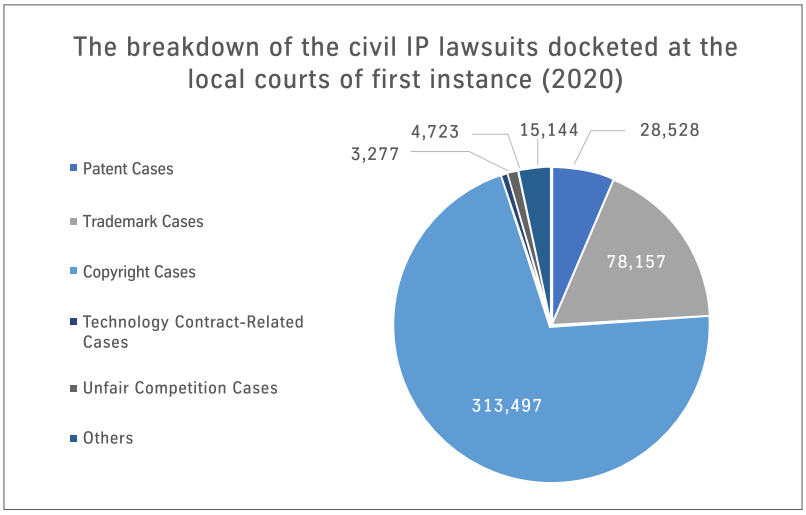
As president Xi Jinping made the remarks in a speech on November 30, 2020 "Innovation is the primary driving force behind development, and protecting IPR is equal to protecting innovation", China is paying much attention to the protection of IPR.

The legislatures in China have been amending laws and among other things, introduced punitive damages for IP infringement acts. The courts in China have been striving to effectively improve trial quality and efficiency, aimed at dispensing perceptible fairness and justice and strengthening judicial protection of IP rights. The Supreme People's Court of the People's Republic of China (SPC) have been issuing judicial interpretations on applications of law in IP litigations and constructed a guidance system by publishing guiding cases and typical cases to improve quality of trials and ensure uniform and consistent applications of law in IP-related trials. The Chinese IP law enforcement authorities have been taking aggressive actions against IP infringements. All of these efforts have resulted in enhancing IP protection in China, helping IPR right holders to build a stronger IP-based moat for their businesses and creating a competition environment friendly to the IP right holders.



Source: SPC Annual Report on Intellectual Property Protection by Chinese Courts in 2020

Category	Number	Increase/decrease rate compared to the IP litigations in 2019
Patent	28,528	28.09% ↑
Trademark	78,157	19.86% ↑
Copyright	313,497	6.97% ↑
Unfair competition	4,723	14.14% ↑
Technology contract disputes	3,277	4.53% ↑
Other civil IP disputes	15,144	34.96% ↑



▲ The breakdown of the civil IP lawsuits docketed at the courts of first instance

1.IP litigations in China

In 2020, a total of 3,470 civil IP litigations were docketed and 3,260 lawsuits were concluded by the Supreme People's Court, respectively 38.58% and 64.98% higher than the cases in 2019. In 2020, the local courts across China docketed 443,326 civil IP litigations of first instance and concluded 442,722 lawsuits, respectively 11,1% and 12.22 higher than the previous year.

The local courts docketed 42,975 civil IP litigations of second instance and concluded 43,511 lawsuits with a decrease of 13.54% and 10.67% respectively compared to 2019.

High-profile civil IP litigations heard by the courts in 2020 include: multiple lawsuits between Huawei Technology Co., Ltd., et al. and Conversant Wireless Licensing S.a.r.l, involving disputes over confirmation of non-infringement of patent rights and standard essential patent license, Red Bull Vitamin Beverage Co., Ltd. v.s. T.C. Pharmaceutical Industries Co., Ltd., et al. over trademark ownership dispute and etc.. In the trade secret infringement lawsuit between Jiaxing Zhonghua Chemical Co., Ltd., et al and Wanglong Group, et al, the trial court awarded damages at the amount of 3.5 Million RMB Yuan to the plaintiffs whereas the plaintiffs claimed damages at the amount of 502 Million RMB Yuan. As the appellate court, the Supreme People's Court awarded damages at the amount of 159 Million RMB Yuan to the appellants/plaintiffs, which have been the highest amount of damages awarded in trade secret infringement cases in China up till now. The verdict issued by the Supreme People's Court in this case

demonstrates the determination of the court in protecting trade secrets and fighting against malicious trade secret infringers.

In 2020, the Supreme People's Court docketed 1,909 administrative IP cases and concluded 1,735 administrative IP cases with an increase of 79.08% and 96.27% respectively compared to 2019. The local courts accepted 18,464 administrative IP lawsuits of first instance, 14.44% higher than 2019 and 17,942 IP lawsuits of the first instance were concluded, 4 cases more than in 2019.

The local courts accepted 6,092 administrative IP lawsuits of second instance and concluded 6,183 administrative IP lawsuits of second instance with a decrease of 16.59% and an increase of 4.06% respectively compared to 2019. Among the concluded cases, the judgments were affirmed in 4,828 cases and reversed in 1,214 cases, 2 cases were remanded for retrial, 114 cases were withdrawn, and 4 cases were dismissed.

High-profile administrative IP lawsuits heard by the courts include: Apple Computer Trading (Shanghai) Co., Ltd. vs. CNIPA and Shanghai Zhizhengshineng Network Technology., an administrative retrial case over invalidation of an invention patent; Budweiser Harbin Beer Co., Ltd. v.s. CNIPA, an administrative case over official rejection of trademark application.

In 2020, the local courts accepted 5,554 and concluded 5,520 IP-related criminal litigations of first instance with an increase of 5.76% and 8.77% respectively compared to 2019. Among them, there were 5,203 criminal lawsuits related to infringement of registered trademarks, 4.44% higher than 2019 and 288 criminal lawsuits of copyright infringement, 37.14% higher than 2019.

Source: SPC Annual Report on Intellectual Property Protection by Chinese Courts in 2020

Category	Number	Increase/decrease rate compared to the administrative IP litigations in 2019
Patent	1,417	14.69% ↓
Trademark	17,035	17.83% ↑
Copyright	12	4 case less than in 2019

Category	Number	Increase/decrease rate compared to 2019
Counterfeiting registered trademarks	2,260	5.9% ↑
Selling products bearing counterfeit registered trademarks	2,528	10.93% ↑
Illegally manufacturing and selling illegally manufactured registered trademarks	395	6.62% ↓
Patent counterfeiting	2	14.14% ↑
Copyright infringement	273	42.93% ↑
Selling infringing copies of copyrighted works	17	9 more cases than in 2019
Trade secret infringement	45	6 more cases than in 2019

▲ The breakdown of criminal IP litigations concluded at the courts of first instance in 2020

For IP-related criminal litigations of second instance, 869 cases were docketed by the local courts and 854 cases were concluded, up 7.55% and 5.82% respectively than 2019.

The high-profile criminal IP lawsuits heard by the courts in 2020 include: criminal lawsuit against Li Haipeng and 9 other defendants for copyright infringement; criminal lawsuit against Zhenjiang Huaye Automobile Products Co., Ltd. and 6 other defendants for selling products bearing counterfeit registered trademark and criminal lawsuit against Jiang Jiahui and 6 other defendants for trade secret infringement.

The courts are awarding damages at substantive amount to the IPR right holders and have applied punitive damages to intentional infringement of IP rights. In the trademark infringement and unfair competition lawsuit between Xiaomi Technology Company, et al and Zhongshan Pentium Company, et al, the Jiangsu High People's Court supported the full amount of the damages at 50 Million RMB Yuan claimed by the plaintiffs. The Hangzhou IP court applied punitive damages to the infringer who maliciously infringed upon the internationally famous trademark "Wyeth", the amount of damages awarded by the court of first instance was as high as 30.55 Million RMB Yuan.

2.Administrative IPR enforcement actions in China

In 2020, the AMRs (Administration for Market Regulation) processed 7,100 patent infringement cases, 29,600 trademark infringement cases and 7,371 unfair competition cases. The AMRs handed over 811 trademark infringement cases to the local police and procuratorates so as to support the procuratorates in pressing criminal charges against the trademark infringers. In response to the letters from Danish Embassy and German Embassy on infringement of the trademarks "GRUNDFOS" and "BURGMANN" involving 18 companies as suspected infringers in 12 cities and 9 provinces, the State ARM organized an ad hoc enforcement campaign and during the raid actions, the infringing products were found on the premises of 9 companies, 3,665 sets of the infringing products and 3,679 pieces of packaging were seized.

In 2020, the copyright law enforcement authorities took down 3.24 Million infringing links and shut down 2,884 infringing APPs and processed 724 online copyright infringement cases and among them, there were 177 criminal cases. The Chinese custom authorities took 653,000 customs seizure actions against the IPR infringers.

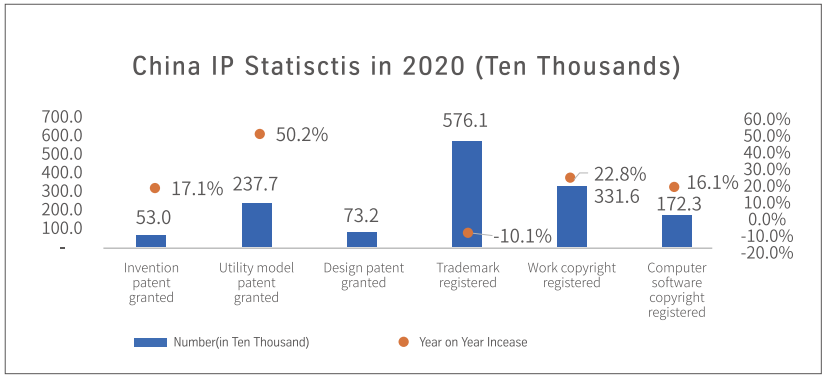
On March 21, 2021, CNIPA (China National Intellectual Property Office) launched a nationwide ad hoc campaign, coded as "Blue Sky", aimed at cracking down on filing trademarks in bad faith and obtaining patents not for the purposes of protecting innovation. The local law enforcement authorities are required to submit updates prior the 5th day of every month and file summary report before November 30, 2021. CNIPA has compiled a backlist of trademark squatters so as to help the trademark examiners to stay focused and fight effectively against the sophisticated trademark squatters.

A: By the end of 2020, the number of valid patent registrations in China were as follows:
Invention patents – 3.058 Millions
Annual increase rate: 14.5%

Utility model patents – 6.948 Millions Annual increase rate: 32.0%

Design patents – 2.187 Millions
Annual increase rate: 22.2%

Source: CNIPA Report on Intellectual Property Protection in 2020



B. By the end of 2020, the number of valid trademark registrations in China had reached 34.475 Millions.

C. In 2020, the number of copyright registration reached 5.039 Millions with an annual increase rate at 20.37%

3.Legislation and judicial interpretations

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 in cases of grave intentional IPR infringements.

In the Trademark Law and Anti-Unfair Competition Law amended in 2019, the prerequisite for punitive damages is "bad faith (or malice)", but in other intellectual property laws, the prerequisite for application is "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.

The Fourth Amendments to China's Patent Law became effective as of June 1st, 2021. The amendments have strengthened patent protection in China.

The new Patent Law has introduced punitive damages for serious willful patent infringement. The courts can award punitive damages at the amount of one to five times the amount calculated according to the losses suffered by the patent holder, the benefit obtained by the infringer or the multiple of the patent licensing fee. At the same time, the amount of statutory damages is increased to 5 Million RMB Yuan maximum.

The new Patent Law effectively extends the patent term for new drugs. It introduces a patent term adjustment (PTA), which is available for invention patents and is of great significance to pharmaceutical companies, as well as a patent term extension (PTE) for new drug-related patents to compensate for the time taken for review and approval of a new drug for marketing. The PTE may extend the patent term related to the approved new drug for a period of five years maximum, with the total effective patent term not exceeding 14 years from the marketing approval. The draft Implementing Regulations of the Patent Law propose that the patent holder shall submit to the CNIPA a request for PTA within 3 months from the date of the Notice of Allowance, or a request for PTE

within 3 months from the date of obtaining marketing approval for the eligible patents of new drugs, preparation methods and pharmaceutical use.

The new Patent Law also introduces a patent linkage mechanism. Under the patent linkage mechanism, a dispute between an applicant for drug marketing approval and the holder of a relevant patent rights related to the drug and pending patent application can be resolved in civil judicial proceedings or administrative proceedings before the CNIPA during the drug review and approval process. The National Medical Products Administration (NMPA) may make a decision as to whether the approval of the relevant drug for marketing is suspended, according to an effective judicial decision.

The primary purpose of the patent linkage system is to link the drug approval process with the patent infringement suit, resolve patent infringement disputes as early as possible during the generic drug approval process, protect the legitimate rights and interests of drug patent holders, and reduce the risk of patent infringement that may occur when a generic drug is marketed.

The establishment of the PTE and the patent linkage system eliminates the shortcomings of the existing system, improves pharmaceutical patent protection in China and will boost new drug R&D and promote pharmaceutical innovation.

Design patents also received special attention in the recently amended Patent Law. Designs have played a more and more critical role to China's businesses, from start-ups to Fortune 500 firms. To enhance design protection, and to meet the requirements of the Hague Agreement, the new Patent Law introduces the long-advocated partial design, and extends the term of a design patent from 10 years to 15 years. Meanwhile, and for the first time, domestic priority for design applications has been added.

On November 11, 2020, the Standing Committee of National People's Congress of P.R. China passed the amendments to the PRC Copyright Law. The amended PRC Copyright Law has entered into force since June 1, 2021.

The amendments of tremendous public concerns are as follows:

1. Statutory damages for copyright infringement have been raised to 5 Million RMB Yuan maximum as compared to 500,000 RMB Yuan maximum in the previous Copyright Law

Damages for copyright infringement are calculated in consideration of the losses of the copyright owners, illegal profits of the copyright infringers or the copyright royalties when it is hard to calculate the losses of the copyright owners or illegal profits of the copyright infringers.

The damages also include reasonable disbursements for the copyright owners to take legal actions to stop the copyright infringement.

2. Punitive damages for copyright infringement are set out

When the second draft was released for comments, it was proposed that in order to strengthen the punishment on copyright infringement, the rules for filing evidence in judicial procedures, along with the measures to destroy infringing reproductions and their producing tools, should be refined. Therefore, the amended Copyright Law includes relevant

provisions, including destruction of infringing reproductions and their manufacturing materials, tools and equipment without compensation.

In light of the circumstances of the intentional copyright infringement, the court may award punitive damages at the amount of 1 to five times the losses of the copyright owners, illegal profits of the copyright infringers or the copyright royalties under the amended Copyright Law.

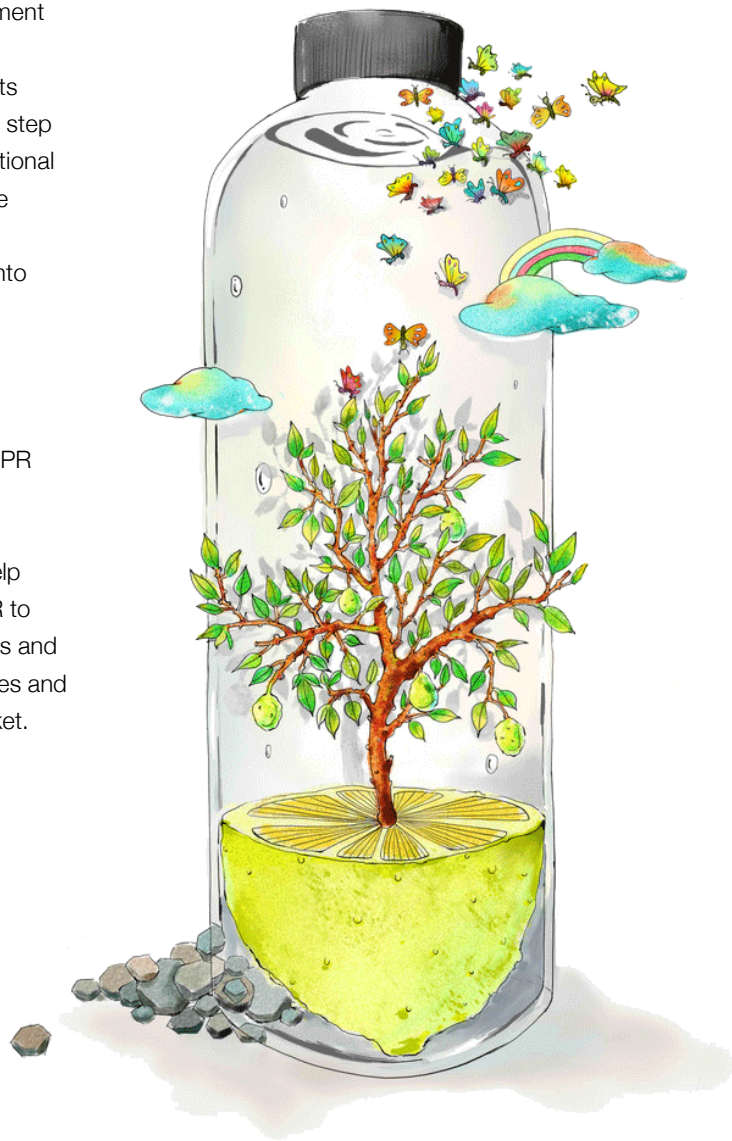
3. The amounts of administrative fine on copyright infringement are specified

Although the previous Copyright Law stipulates that a fine may be imposed on the copyright infringers by copyright enforcement authorities, the amounts of fine are not specified. The amended Copyright Law provides that "If the illegal business turnover is more than fifty thousand RMB Yuan, a fine of not less than twice the illegal business turnover and not more than five times the illegal business turnover may be imposed; if there is no illegal business turnover, it is difficult to calculate the illegal business turnover or the illegal business turnover is less than fifty thousand Yuan, a fine of not more than two hundred and fifty thousand RMB Yuan may be imposed."

The completion of the third amendments of the PRC Copyright Law by the NPC Standing Committee is not only a significant move to implement policies such as strict protection of intellectual property rights and improvement of the business environment and intellectual property rights protection system but also a step required to align with international standards and implement the Beijing Treaty on Audiovisual Performances that entered into force this year.

4.Summary

The recent developments of IPR protection are bound to drive innovation and create a pro-business environment and help the IPR holders to rely on IPR to protect their economic castles and ensure competitive advantages and continued growth in the market.



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