



中国贸促会专利商标事务所
CCPIT PATENT & TRADEMARK LAW OFFICE

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Newsletter



INTELLECTUAL PROPERTY

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Ranked Tier 1 both in the areas of patent prosecution and trademark prosecution (2022) by MIP



Managing Intellectual Property (MIP) has released its 2022 ranking of leading IP law firms around the world. CCPIT Patent and Trademark Law Office, once again, ranks Tier 1 in both patent prosecution and trademark prosecution, bringing the firm to this position for the 23rd consecutive year. The firm is also in the rank of leading IP law firms in the

areas of patent contentious and trademark contentious. According to MIP, “CCPIT Patent and Trademark Law Office is highly recommended for trademark and patent protection work. It has a large team of patent attorneys for different technical fields as well as experienced lawyers to deal with IP disputes.”

IAM Patent 1000 (2022) recognizes both our patent prosecution and litigation

Recently, Intellectual Asset Management (IAM) released IAM Patent 1000 (2022), reporting the ranking of the World's Leading Patent Professionals in 2022. CCPIT Patent and Trademark Law Office is once again recommended for its gold-rated patent prosecution and silver-rated patent litigation. According to IAM, “Very few IP establishments



in China can compete with the breadth and depth of the patent practice at CCPIT Patent & Trademark Law Office. Comfortably sitting in the gold tier alongside

other reputable prosecution shops, the group has both the technical and legal chops to get the job done and to the highest standard.” “Despite its unparalleled prowess on the prosecution front, CCPIT's extensive repertoire of knowledge also makes it a formidable force in the litigation space.”

Our firm was awarded the IP Law Firm of the Year 2022 - China by ALB

On July 21st, the awarding ceremony of the 19th annual ALB China Law Awards 2022 was held in Park Hyatt Beijing Hotel, on which the final winners of the year were announced.

43 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. Shaohui Yuan participated in the awarding ceremony.

IP strategies of brand-name pharmaceutical companies for China's patent linkage system

By Juhua Luo, Yingying Chen

The patent linkage system refers to the "linking" between the marketing approval of the generic drugs and the status of patents covering the brand-name drugs. It usually requires that marketing approval for a generic cannot be granted prior to the expiration of the patent term of the innovator's patent or until the relevant authority has determined that the patent will not be infringed or is invalid. It

first originated from the Hatch Waxman Act, 1984 in the US, aiming to balance the interests of brand-name pharmaceutical companies and generic drug manufacturers.

China introduced a unique patent linkage system recently. This article will discuss how brand-name pharmaceutical companies should take advantage of this system and adapt their IP strategies to it.

1. A brief overview of China's patent linkage system

Article 76 of the amended Chinese Patent Law, which came into effect on June 1, 2021, provided a basic framework and legal basis for the patent linkage system. On July 4, 2021, NMPA (a counterpart of FDA) and CNIPA (Chinese Patent Office) jointly issued "Measures for Implementation of Early Resolution Mechanism for

Drug Patent Disputes (For Trial Implementation)", which are the detailed rules for implementing patent linkage in China. On July 5, 2021, the Supreme People's Court and the CNIPA promulgated specific rules on the trial of the patent linkage litigation cases through civil action route and administrative adjudication route, respectively. As these laws took effect, China's patent linkage system started full operation.

The China's patent linkage covers traditional Chinese medicine, chemical (small molecule) drugs, and biological products. We take chemical drugs as an example to illustrate China's patent linkage system, as shown in Figure 1 below:

(1) Patent Information Registration (Chinese version of Orange Book)

Within 30 days after obtaining

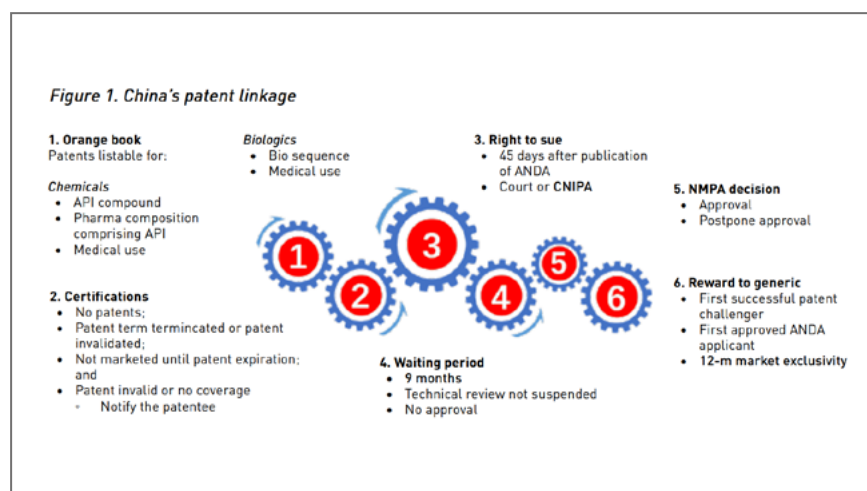


Figure 1

the drug registration certificate, the drug marketing authorization holder (MA holder) shall register information about the drug registration, patent and other related information on China's registration platform of marketed drug patent information (hereinafter referred to as "Registration Platform"). Where the related information changes, the MA holder shall update it within 30 days after the information change takes effect. It follows that a patent can be

listed within 30 days after the patent issues. Please note that unlisted patents are not qualified for the patent linkage.

The specific drug patents that can be listed on the Registration Platform include:

- **chemical drug:** active ingredient compound patent, active ingredient-containing pharmaceutical composition patent, and medical use patent;

- **traditional Chinese medicine:** composition patent, extract patent, medical use patent; and
- **biological product:** active ingredient sequence structure patent, medical use patent.

Patents for intermediates, metabolites, crystal forms, preparation methods, and detection methods are non-listable.

According to our experience, the patent information registered in the Registration Platform will be available to the public generally within few hours after patent listing.

(2) Patent Certification

When a generic drug applicant submits an application for a drug marketing authorization (i.e., Abbreviated New Drug Application, ANDA), he shall make a certification regarding

each of the patents listed on the Registration Platform. There are four types of certifications:

Type 1: No patent information related to the reference listed drug (brand-name drug) on the Registration Platform.

Type 2: The patents related to the reference listed drug included in the Registration Platform have been terminated or declared invalid, or the generic drug applicant has obtained the related patent license from the patentee;

Type 3: The generic drug applicant promises that the generic drug will not be marketed before the expiration of the listed patent.

Type 4: The patents shall be declared invalid, or the generic drug is not covered by the protection scope of the related patents.

The patent certifications will be publicized in the Registration

Platform and the generic shall notify the MA holder (patentee) of the certifications within 10 working days.

(3) Right to sue

The patentee or interested party (collectively “patentee”) has right to take legal action before Beijing IP Court or file a request for administrative adjudication with the CNIPA against a type 4 patent certification, within 45 days from the date when the patent certification is publicized. The patentee shall notify the NMPA of the acceptance of the case.

(4) Waiting period

After receiving a copy of the case acceptance notice, NMPA shall set a waiting period of 9 months for the ANDA from the date of acceptance of the case, during which the generic drug will not be approved, but the technical review of the generic drug

continues.

(5) NMPA's decision

After the waiting period expires, where an effective judgement or an administrative adjudication decision holds that the generic is covered by a listed patent, NMPA shall make a decision to suspend the approval of the ANDA until the patent is close to expiration. Otherwise, in cases of no infringement, invalid patent or no timely judgement/decision available, the ANDA can be approved.

(6) Market exclusivity period for the first chemical generic

A 12-month market exclusivity period will be given to the chemical generic drug applicant who not only must obtain the first generic marketing approval but also must be the first successful patent challenger by successfully invalidating the patent.

Biologics differ from small molecule drugs in that biologics are not entitled to 9-month waiting period. If the patentee files a lawsuit or requests administrative adjudication and an effective judgement or an administrative adjudication decision holds that the biosimilar is covered by a patent, the biosimilar application will be approved but on the condition that the biosimilar must not be marketed until expiration of the patent.

2. Strategies of brand-name pharmaceutical companies for China's patent linkage system

To leverage the China's new patent linkage system, brand-name pharmaceutical companies will need to formulate their own strategies for patent portfolio management, new

drug development, patent information registration, ANDA litigation accordingly, which will be discussed hereinafter.

(1) Strategy for patent portfolio management

In addition to conventional considerations, the newly implemented patent linkage and Patent Term Extension (PTE) should also be fully considered when managing the patent portfolio.

First of all, when brand-name companies routinely deploy



primary patents (compound patents) and secondary patents (patents for pharmaceutical compositions, salts, crystal forms, uses, methods, etc.) to obtain comprehensive protection and longer protection period, they should focus more on the portfolio of compound patents, pharmaceutical composition patents and medical use patents, because only these three types of patents (for chemical drugs) can be registered on the Registered Platform for the patent linkage.

Second, more patent applications or divisional applications need to be filed for the same invention. According to China's PTE, only one PTE is available per drug per patent. This requires different patent applications to be filed for primary compound patents and secondary patents on succession. And in the same type of patents (such as compound patents), the technical solutions that may

generate different drugs shall be divided into different patents. For example, a patent comprising the general formula of compounds may be divided into several patents to protect different lead compounds respectively; a composition patent may be divided into different patents based on different active compounds, different dosage forms, etc.; and a medical use patent may be divided into different patents based on different indications.

Thirdly, considering that there may be more patent challenges under the patent linkage system, the distribution of the patent protection scope for the brand-name drug should be more reasonable. In another word, advantageously, there should be not only patents with wide and diverse protection scope, but also patents with narrow and strong protection scope. This can not only prevent the technical

solution of generic drugs from easily bypassing the patent protection scope of the brand-name drug, but also protect the drug in some claims in case the patent right of the brand-name drug is partially invalidated.

At last, patent validity challenges are expected to be increased and must be well prepared for. In the patent invalidation procedure, brand-name pharmaceutical companies can take full advantage of the amended Examination Guidelines (implemented in January 2021), which have allowed supplemental experimental data in pharmaceutical patent prosecution and invalidation and have improved the manner of assessing inventive step of compounds and biotech inventions.

(2) Strategy for global new drug development

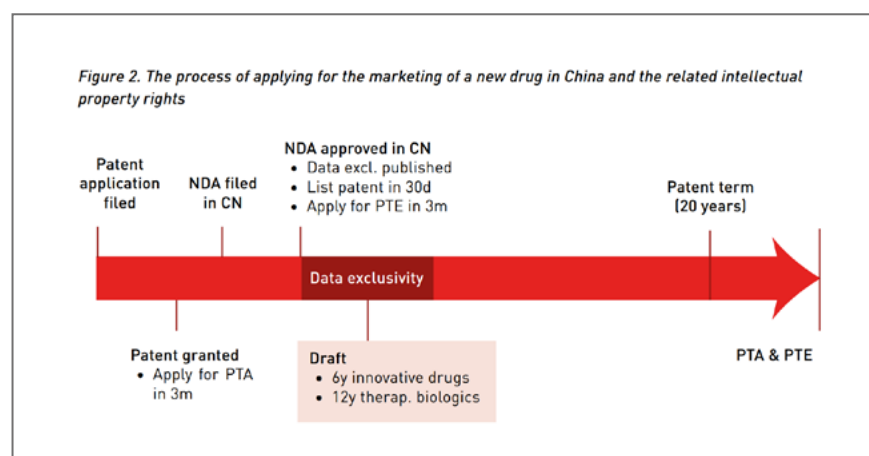


Figure 2

To take full advantage of drug intellectual property rights in China, it is suggested that when developing new drugs and applying for new drug marketing authorization, brand-name pharmaceutical companies should conduct simultaneous global research and development, and roughly simultaneously file new drug marketing applications both in China and in other countries.

The process of applying for the marketing of a new drug in China and the related intellectual

property rights are outlined in Figure 2 (exemplified by primary compound patents, and secondary patents can be considered similarly). Firstly, after a patent application is filed (and granted) in China, a new drug marketing application (NDA) is filed in China. After the marketing application is approved, the patent can be registered on the Registration Platform to activate the patent linkage system. According to "Implementation Measures for Drug Trial Data Protection (Interim) (Draft for Comment)" (published in

2018), if the drug meets the conditions of data exclusivity, it can obtain data exclusivity for a corresponding period after the NDA approval. At the same time, if the new drug and the related patents meet the requirements of Patent Term Adjustment (PTA) and/or PTE, the corresponding patent term compensation of PTA/PTE can be obtained in addition to the conventional 20-year patent term.

It can be seen that drug-related intellectual property rights are based on both the filing of patent applications and the submission of new drug marketing applications in China and that the early submission of new drug marketing applications in China is extremely important to the obtaining of relevant intellectual property protection.

The importance of early NDA submission in China can be illustrated by the following

common scenario as shown in Figure 3 below, in which a brand-name chemical drug is approved for marketing outside China (e.g. in US) before the corresponding NDA is filed in China. Firstly, according to the current amended Patent Examination Guidelines (Draft of August 2021), the brand-name drug in this situation is not eligible for PTE as the drug has been approved for marketing in other countries before **filing** a NDA in China. Secondly, according to Article 5 of the "Implementation Measures for the Protection of Drug Trial Data (Interim) (Draft for Comment)", the data exclusivity period in China will be shortened for the brand-name drug for which the NDA is filed in China later than in other countries/regions. Finally, after the brand-name drug is approved for marketing outside China, applications for generic drugs in China based on the brand-name drug marketed outside China

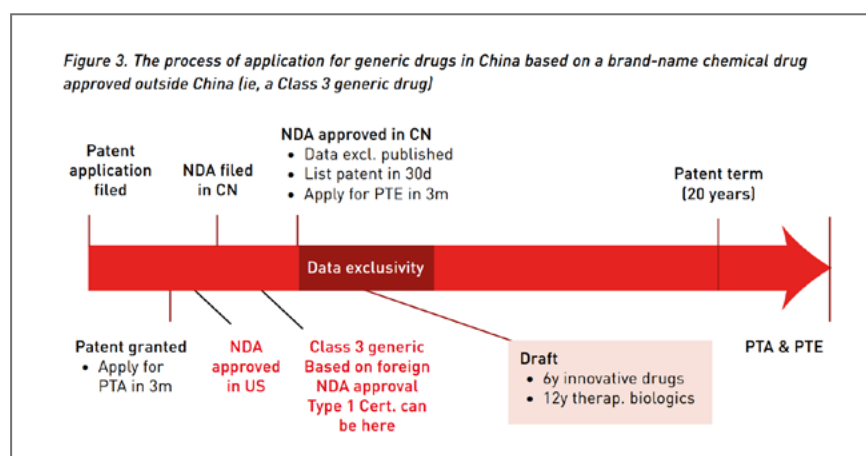


Figure 3

(i.e., Class 3 generic drugs) can already be started, and therefore Class 3 generic drug ANDA filers may even make a type 1 patent certification (i.e. no patent listed in the Chinese orange book) since the brand-name drug has not been approved in China for marketing (as shown in the figure below) and the brand-name pharmaceutical company cannot yet list its patents, resulting in no patent linkage available.

In summary, under the current rules, in order to obtain PTE, whole data exclusivity period

and full use of the patent linkage system, the brand-name pharmaceutical companies are recommended to file new drug applications roughly simultaneously in China and other countries. In particular, it is essential that the NDA should be filed in China before any marketing approval of the drug in other countries.

(3) Timely register and update the patent information

Since the patent linkage system does not apply to drug-related

patents that have not been registered on the Registration Platform, it is essential that the brand-name pharmaceutical companies remember to timely register and update the relevant information on the Registration Platform. It is noteworthy that under the amended Chinese Patent Law, two patent-related time limits are triggered by the date when the brand-name drug marketing authorization is issued: (i) the patent information shall be registered on the platform by the MA holder (or via an agency) within 30 days to participate in the patent linkage system; and (ii) a request for Patent Term Extension (PTE) of the related patent(s) shall be filed to the CNIPA within 3 months of the MA issuance (see also Figure 2). If a patent application is granted after the MA is obtained, the patent can be listed within 30 days after the patent issues.

(4) ANDA litigation strategy

(i) It is suggested that the brand-name pharmaceutical companies should actively file a lawsuit or apply for an administrative adjudication against type 4 certification, make full use of the 9-month waiting period, and strive to obtain a judgment or ruling that the generic drug-related technical solutions fall into the scope of the patent protection, so as to prevent generic drugs from being approved for marketing before the listed patents expire.

(ii) The brand-name pharmaceutical companies may closely monitor the generic drug-related information publicized on the Registration Platform. First of all, the period for the MA holder (or patentee) to take action against type 4 patent certification is only 45 days counting from the publication of type 4 patent certification in the Registration Platform, but the notification

by generic drug applicant to the MA holder can consume up to 14 days (10 working days) according to the patent linkage rules. Secondly, there are no specific penalties for the generic's failure to notify the MA holder in a timely manner. Therefore, if the generic drug applicant fails to notify the MA holder in a timely manner, the brand-name pharmaceutical companies may miss the 45-day deadline or there is not enough remaining time to fully prepare to initiate the action.

(iii) Choose between civil action route and administrative adjudication route.

There are two routes to enforce the patents in the patent linkage system: civil action before the Beijing IP Court and administrative adjudication before the CNIPA. Above all, it should be noted that if a civil action has already been filed in the court, the CNIPA

will not accept the request for administrative adjudication directed to the same dispute. However, if the request for administrative adjudication has been accepted, the court can still accept a civil lawsuit for the same case, thereby making it possible to file both request for administrative adjudication and civil action.

Each of the two enforcement routes has pros and cons. The first and probably decisive factor to consider when choosing a proper enforcement route is how easily a route can be initiated and how long a route takes to get a decision that can be accepted by the NPMA to prevent the approval of the generic drug. According to the patent linkage rules and our experience so far, in the administrative adjudication route, the requirements of formality documents are low, foreign pharmaceutical companies can readily prepare



all necessary documents for initiating a case within the 45-day deadline, the CNIPA is likely to make a decision within the 9-month waiting period, and the decision of the CNIPA (although appealable and less stable) is acceptable to the NPMA.

However, for the civil action route, according to a guidance on filing of patent linkage civil cases issued by Beijing IP Court recently, the requirements

of formality documents are very high in that a foreign pharmaceutical company must file the original copies of the notarized and legalized certificate of good standing and power of attorney and so on by the 45-day deadline, which is very unlikely to complete in practice. Furthermore, for the civil action route, the NPMA only accepts an effective judgement, which usually means the judgement of the second instance court (i.e., IP



Court of the Supreme People's Court) instead of the judgement of the first instance court (i.e., Beijing IP Court), but it is generally believed that it would be very difficult for the two courts to complete two instances trials and make an effective (and more stable) judgment within the 9-month waiting period. Therefore, the administrative adjudication route is superior to the civil action route in terms of feasibility and probably will

be the main route to choose for patent linkage litigation in the future.

A second important factor to consider is the availability of preliminary injunction. Preliminary injunction is available in the civil action route, but not in the administrative adjudication route. Nevertheless, it is likely that preliminary injunction will be granted only when the generic drug has

been approved during the civil action route (either in the first instance or second instance) and where the usual requirements for preliminary injunction such as high likelihood of success, irreparable harm and so on, are met. There is no clear basis to say that the rate of granting preliminary injunction in the patent linkage civil action will be significantly higher than in normal patent infringement cases.

To sum up, the administrative adjudication route is easier to initiate, quicker to get a useful but less stable decision, and has no preliminary injunction while the civil action route is difficult to initiate, much slower to get a useful and more stable decision and has preliminary injunction. In theory, dual filing of two routes is possible if the request for administrative adjudication is filed prior to the filing of a civil lawsuit by the 45-day time limit.

The Chinese Supreme People's Court released new Interpretation on Several Issues Concerning the Application of the Anti-Unfair Competition Law

By Lei Fu, Chun Du

On March 17, 2022, the Supreme People's Court released the Interpretation on Several Issues Concerning the Application of the PRC Anti-Unfair Competition Law (the "**new interpretation**"). The new interpretation took effect on March 20, 2022 and

replaced the Interpretation of the Supreme People's Court on Some Issues Concerning the Application of Law in the Trial of Civil Cases Involving Unfair Competition issued in 2007. With 29 articles, the new interpretation clarifies conditions for application of the PRC Anti-Unfair Competition

Law and other IP laws, defines "business operators" and "business ethics", addresses imitating and confusion, false publicity, online unfair competition acts and other popular issues related to the implementation of Anti-Unfair Competition Law.



The key contents of this new interpretation are summarized as follows for your reference.

Application of Anti-Unfair Competition Law or specific IP laws

Article 2 of the Anti-Unfair Competition Law is considered as a catch-all general clause by which unfair competition acts not

specified in the law could also be dealt with under the framework of the Anti-Unfair Competition Law. In practice, there are different understandings on the application of this clause. In Article 1 of the new interpretation, it sets forth that this general clause can apply to an act that "disrupts market competition order, infringes the legal rights and interests

of other business operators or consumers" but is not regulated or included in Chapter II of the Anti-Unfair Competition Law or in provisions of the Patent Law, Trademark Law, Copyright Law, etc. In this way, the new interpretation distinguishes between circumstances where the general clause of the Anti-Unfair Competition Law and other provisions under the Anti-Unfair Competition Law or other specific IP laws shall apply.

Definition of "other business operators" and "business ethics"

Article 2 of the new interpretation defines "other business operators" as the entities that may potentially compete for trading opportunities and cause damages to the competitive advantages of a business operator in production or commercial activities. Though it seems that Article 2 does not

require the “other business operators” to be in the same industry with the business operator potentially competed or damaged, they shall be involved in competition activities.

Article 3 specifies that "business ethics" in the Anti-Unfair Competition Law do not equal to daily ethical standards, and it may be a code of conduct that is commonly followed and recognized in a specific business field. Article 3 stipulates that in determining whether a business operator violates the business ethics, the people's court shall take into consideration of the industry rules or business practices, the operator's subjective state, the choice of the counterparties in the transactions, the impacts on consumers' rights and interests, the market competition order and public interests, etc. The people's court may also refer to the practice standards, technical

standards, self-regulatory conventions formulated by the competent industry authorities, industry associations or self-regulatory organizations.

Recognition of "imitating and confusion"

In the new interpretation, there are 11 articles relating to "imitating and confusion", which is regulated in Article 6 of the Anti-Unfair Competition Law.

The meaning of "certain

influence" and factors influencing the recognition of "certain influence" are defined in Article 4 of the new interpretation. It is required that signs with "certain influence" shall have "certain market reputation" and "distinctive features distinguishing the source of goods". The factors the people's court shall consider in determining "certain market reputation" include public awareness of the signs, the time, area, amount, and target customers of the sale of goods,



the duration, degree, and geographical scope of publicity, and the protection afforded to the signs, etc. Besides, the new interpretation clarifies that signs that are prohibited from registration under the Trademark Law cannot be protected by the Anti-Unfair Competition Law.

The scope of market entities whose names can be protected is also refined. The new interpretation clearly states that an overseas enterprise's name that is commercially used within

the territory of China could be recognized as the "enterprise name" protected by the Anti-Unfair Competition Law.

Online unfair competition acts

In Articles 21 and 22, the new interpretation further explains and defines two online unfair competition acts: forcing a URL forwarding with inserted link and interfering with users' use of network services and products. In these two articles, "without users' approval" is included as an

important factor in determining unfair competition acts.

As explained by the Supreme People's Court, due to the fast development of internet related technologies and business modes, the new interpretation does not list more online unfair competition acts but specifies the conditions for application of the law and provides necessary guidance, and leaves room for market adjustments and technology innovations.

The following is an unofficial English translation of the Interpretation for your comprehensive understanding.

Interpretation of the Supreme People's Court on Several Issues Concerning the Application of the PRC Anti-Unfair Competition Law

(Adopted at the 1862th meeting of the Judicial Committee of the Supreme People's Court on January 29, 2022 and shall come into force as of March 20, 2022, No. 9 [2022], SPC)

For the purposes of correctly try civil cases arising from acts of unfair competition, this

Interpretation is formulated in accordance with the Civil Code of the People's Republic of China

(hereinafter as the "PRC"), the PRC Anti-Unfair Competition Law, the PRC Civil Procedure

Law and other relevant laws and regulations, and in light of trial practices.

Article 1 Where a business operator disrupts market competition order, infringes the legal rights and interests of other business operators or consumers, but not in violation of Chapter II of the Anti-Unfair Competition Law or provisions of the Patent Law, Trademark Law, Copyright Law, the people's court may apply Article 2 of the Anti-Unfair Competition Law to determine.

Article 2 For market participants in a relationship of potentially competing for trading opportunities or diminishing competitive advantages with business operators in production or business activities, the people's court may identify such market participants as "other business operators" as stipulated in Article 2 of the Anti-Unfair Competition Law.

Article 3 A code of conduct commonly accepted and recognized in a specific business field can be identified by the people's court as "business ethics" as stipulated in Article 2 of the Anti-Unfair Competition Law.

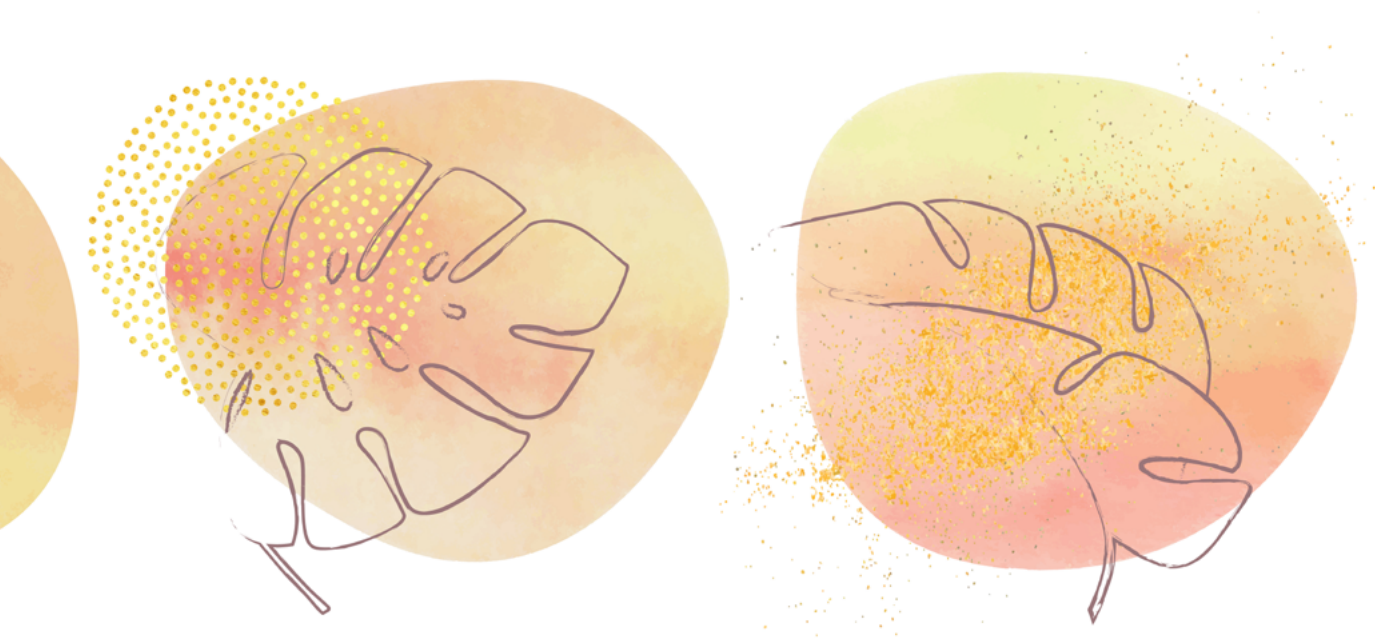
The people's court shall, in light of the specific circumstances of a case, take into account factors such as industry rules or business practices, the operator's subjective state, the choice willingness of the counterparties in transactions, any impact on consumers' rights and interests, the market competition order, social and public interests, etc., while judging in accordance with the law whether a business operator violates business ethics. When determining whether a business operator violates business ethics, the people's court may also refer to the practice standards, technical

standards, and self-regulatory conventions, among others, formulated by industry regulation authorities, industry associations, or self-regulatory organizations.

Article 4 For a sign with a certain market reputation and with distinctive features distinguishing the source of goods, the people's court may determine it as a sign "with a certain influence" as stipulated in Article 6 of the Anti-Unfair Competition Law.

In determining whether a sign specified in Article 6 of the Anti-





Unfair Competition Law has a certain market reputation, the people's court shall consider the degree of awareness by the relevant public in PRC, the time, area, amount, and target customers of the sale of goods, the duration, degree, and geographical scope of publicity, the protection afforded to the sign, and other factors.

Article 5 Where a sign specified in Article 6 of the Anti-Unfair Competition Law falls under any of the following circumstances, the people's court shall determine that it does not

have distinctive features that distinguish the source of goods:

- (1) The generic name, graphic and model of the goods.
- (2) The sign only directly indicates the quality, main raw material, function, use, weight, quantity, and other characteristics of the goods.
- (3) Shape arises only from the nature of goods themselves, the shape of goods which is necessary to obtain a technical effect, or the shape which gives substantial value to the goods.
- (4) Other signs lacking distinctive features.

Where a sign specified in subparagraphs (1), (2) and (4) of the preceding paragraph acquires distinctive feature through use and gained a certain market reputation, and a party requests protection of the sign in accordance with Article 6 of the Anti-Unfair Competition Law, the people's court shall uphold.

Article 6 Where the following signs are fairly used for the purposes of objective description and introduction of goods, the people's court shall not uphold a party's claim that such uses fall

under Article 6 of the Anti-Unfair Competition Law:

- (1) A sign consisting of the generic name, graphic, and model of goods.
- (2) A sign directly indicating the quality, main raw material, function, use, weight, quantity, and other characteristics of goods,
- (3) A sign containing a place name.

Article 7 Where the signs or the distinctive identifying parts of the signs specified in Article 6 of the Anti-Unfair Competition Law fall within signs that shall not be used as trademarks under Article 10 Section 1 of the Trademark Law, and the party requests for protection of such signs or parts of signs according to Article 6 of the Anti-Unfair Competition Law, the people's court shall not uphold.

Article 8 In case the decoration of the business premises, the

pattern of tools used in business, the clothes of sales personnel and etc. of the business operator constitutes an overall business image with a unique style, the people's court may recognize it as "decoration" specified in Article 6 Section 1 Subsection 1 of the Anti-Unfair Competition Law.

Article 9 An enterprise name registered with the administration in charge of market participants registration, and a foreign enterprise name used in business within the territory of PRC may be determined by the people's court as the "enterprise name" specified in Article 6 Section 1 Subsection 2 of the Anti-Unfair Competition Law.

For the name (including abbreviations, trade names, etc.) with a certain influence of an individual business, a farmers' professional cooperative

(cooperative union) and other market participants stipulated in the relevant laws and regulations, the people's court may determine in accordance with Article 6 Section 1 Subsection 2 of the Anti-Unfair Competition Law.

Article 10 For using signs with a certain influence within the territory of PRC on goods, packaging or container of goods, and goods transaction documents, or for advertising, promotion, exhibitions and other commercial activities for identifying the source of goods, the people's court may determine the act as "use" specified in Article 6 of the Anti-Unfair Competition Law.

Article 11 Where a business operator uses without authorization a sign similar to an enterprise name (including an abbreviation or a trade name, etc.), a social organization name

(including an abbreviation, etc.), a personal name (including a pseudonym, a stage name, and a name translation, etc.), the main part of a domain name, a website name, or a webpage, among others, of another party with a certain influence, misleading others into believing that the goods belong to or are specifically related to the other party, and a party contends that such an act falls under circumstance specified in Article 6 Section 1 Subsections 2 and 3 of the Anti-Unfair Competition Law, the people's court shall uphold.

Article 12 The people's court may refer to the principles and methods for judging the identicalness or similarity of trademarks in determining the identicalness or similarity of the sign at issue to a sign "with a certain influence" as stipulated in Article 6 of the Anti-Unfair Competition Law.

"Mislead others into believing that the goods belong to or are specifically related to another party" stipulated in Article 6 of the Anti-Unfair Competition Law includes the misunderstandings that there is a business cooperation, licensed use, commercial sponsorship, advertising endorsement or other particular connections.

The use of a name of goods, packaging, decoration, or any other sign identical to or visually indistinguishable from the one another party's used on the same types of goods shall be regarded as being sufficient to cause confusion with the sign with a certain influence of another party.

Article 13 Where a business operator commits any of the following acts of confusion, sufficient to cause a misunderstanding that the goods

belong to or are specifically related to another party, the people's court may uphold that the circumstances falls under Article 6 Section 1 Subsection 4 of the Anti-Unfair Competition Law:

- (1) Using a sign with a certain influence other than those specified in Article 6 Section 1 Subsections 1, 2, and 3 of the Anti-Unfair Competition Law without authorization.
- (2) Using a registered trademark or an unregistered well-known trademark of others as a trade name in a enterprise name to mislead the public.

Article 14 Where a business operator sells goods bearing a sign in violation of Article 6 of the Anti-Unfair Competition Law, causing a misunderstanding that the goods belong to or are specifically related to another party, and a party contends that such an act falls into the circumstances stipulated in

Article 6 of the Anti-Unfair Competition Law, the people's court shall uphold.

Article 15 Where warehousing, transportation, mailing, printing, concealment, business premises or other facilitating conditions are intentionally provided by certain parties for the convenience of others to commit acts of confusion, and a party makes a claim under Article 1169 Section 1 of the Civil Code, the people's court shall uphold.

Article 16 Where during the course of commercial publicity, a business operator provides untrue information on goods to defraud or mislead the relevant public, the people's court shall determine such an act as false commercial publicity under Article 8 Section 1 of the Anti-Unfair Competition Law.

Article 17 Where a business operator commits any of the

following acts, to defraud or mislead the relevant public, the people's court may determine the act as "misleading commercial publicity" as stipulated in Article 8 Section 1 of the Anti-Unfair Competition Law:

- (1) Conducting one-sided publicity or comparison of goods.
- (2) Using a scientifically inconclusive viewpoint or phenomenon, among others, as a conclusive fact in promotion of goods.
- (3) Using ambiguous language for commercial publicity.
- (4) Other misleading acts of commercial publicity.

The people's court shall determine any misleading acts of commercial publicity in accordance with factors such as daily life experience, the general attention of the relevant public, the facts misunderstood, and the actual situation of the publicized objects, etc.

Article 18 Where a party contends that a business operator violates Article 8 Section 1 of the Anti-Unfair Competition Law and claims compensations for its loss, it shall submit evidence to prove that it suffers losses resulting from a false or misleading act of commercial publicity.

Article 19 Where a party contends that a business operator commits an act of commercial defamation under Article 11 of the Anti-Unfair Competition Law, it shall submit evidence to prove that it is the specific victim of the act of commercial defamation.

Article 20 Where a business operator intentionally disseminates false or misleading information fabricated by others to damage the goodwill and products reputation of a competitor, the people's court

shall determine in accordance with Article 11 of the Anti-Unfair Competition Law.

Article 21 The people's court shall determine a direct URL redirection without the consent of other business operators and users as "forcing a URL redirection" specified in Article

12 Section 2 Subsection 1 of the Anti-Unfair Competition Law.

If only a link is inserted, and the URL redirection is triggered by the users, the people's court shall take into account the specific method of inserting the link, whether there is a reasonable reason, the impact on the interests of users and

other business operators and other factors in determining whether the act is a violation of Article 12 Section 2 Subsection 1 of the Anti-Unfair Competition Law.

Article 22 Where a business operator, without providing explicit prompts in advance and users' approval, by way of misleading, deceiving, or coercing users into modifications, close, uninstallation

or other means, maliciously interferes with or undermines the network products or services legally provided by other business operators, the people's court shall underdetermine in accordance with Article 12 Section 2 Subsection 2 of the Anti-Unfair Competition Law.

Article 23 For an unfair competition act specified in Articles 2, 8, 11, and 12 of the Anti-Unfair Competition Law, if the actual loss suffered by the right owner resulting from the infringement and the benefits obtained by the infringer resulting from the infringement are difficult to determine, and the party contends that the amount of compensation shall be determined in accordance with Article 17 Section 4 of the Anti-Unfair Competition Law, the people's courts shall uphold.

Article 24 For an infringement committed by one infringer



against the same party at the time within the same region, if the people's court has determined that there is an infringement of a copyright, patent or trademark right and ordered the infringer to bear civil liabilities, and the party raises claims against the infringer for civil liabilities on the grounds of unfair competition, the people's court shall not uphold.

Article 25 Where in accordance with Article 6 of the Anti-Unfair Competition Law, a party's claim for an order to stop using or modify the enterprise name shall be legally upheld, the people's court shall order the stoppage of the use of the enterprise name.

Article 26 A civil action against an unfair competition act shall be under the jurisdiction of the people's court at the place of infringement or the place of the defendant's domicile.

The people's court shall not uphold a party's claim that a delivery address that may be arbitrarily chosen by an online buyer shall be the place of infringement.

Article 27 Where the unfair competition acts occurred outside the territory of PRC, but the infringement results occurred within the territory of PRC, and a party contends that the court at the place where the infringement results occurred shall have jurisdiction, the people's courts shall uphold.

Article 28 For a civil case of unfair competition accepted by the people's court after the Revision of the Anti-Unfair Competition Law (hereinafter as the "**Revision**") came into effect, the Anti-Unfair Competition Law before the Revision shall apply if the act involved occurred before the Revision came into force, while the revised Anti-

Unfair Competition Law shall apply if the act involved occurred before the Revision came into force but continues after the implementation of the Revision.

Article 29 This Interpretation comes into effect on March 20, 2022. The Interpretation of the Supreme People's Court on Some Issues Concerning the Application of Law in the Trial of Civil Cases Involving Unfair Competition (No.2 [2007], SPC) is abolished in the meantime.

This Interpretation shall apply to cases which await last instance after this Interpretation comes into force; and this Interpretation shall not apply to cases which have been closed for last instance before this Interpretation comes into force.

CHINA: Beijing High Court issues guidelines for awarding punitive damages

By Ling Zhao

The Beijing High Court issued Guidelines on the Application of Punitive Damages in the Trial of Intellectual Property Infringement Civil Cases (the Guidelines) on April 25, 2022, in order to further standardize the application of punitive damages in civil cases of intellectual property (IP) infringement and strengthen the judicial protection

of IP rights.

The Guidelines are divided into six sections consisting of 51 articles. The first section involves general issues such as the principles of applying punitive damages. The second to the fourth sections mainly cover substantive issues when punitive damages are applied, including statutory requirements, calculation of



punitive damages, and relevant provisions applicable to Internet service providers.

The fifth section outlines the relevant provisions on procedural issues, mainly related to the claim or change of punitive damages, and the specific requirements for the application of punitive damages in joint litigation, etc. The last section addresses the scope of application. If the relevant provisions of guidelines previously issued by the Beijing High Court are inconsistent with the (new) Guidelines, the Guidelines shall prevail.

The determination of the “intentional intellectual property infringement” circumstances below illustrated by the new Guidelines are noteworthy:

i. bad-faith squatting and using of others' well-known trademarks;

ii. use of others' registered well-known trademarks on the same or similar goods;

iii. covering or removal of the signs of IP rights during the advertisement or provision of the infringing goods or services;

iv. the infringer knows others' trademark rights during the trademark right granting proceedings, but still commits infringement of the trademark right;

v. the infringer still implements and uses IP rights that have been revoked or declared invalid in accordance with relevant laws due to improper acquisition, which has been deemed as infringement; or

vi. the infringer still continues the infringement after the competent administrative department has sent a warning notice of infringement.

Concerning the specific provisions on the application of punitive damages to Internet

service providers and live streamers or purchasing agents that use their platforms, the service provider shall bear the joint liability of punitive damages with the infringers when the service provider knows that the live streamer or purchasing agent deliberately and seriously infringed others' IP rights by using their platform but failed to take reasonable and effective measures to stop the infringement without justifiable reasons.



China's Supreme Court awards record-high damages for trade secret infringement in the "Vanillin" Case

By Yazhuo Qian and Ji Liu



Abstract

The verdict rendered by the Supreme People's Court (SPC) on the "Vanillin" case (Jiaxing Zhonghua et al. v. Wanglong Group et al.) has drawn wide attention due to the unprecedented record damages awarded for trade secret misappropriation. The damages

at the amount of 159 million RMB (about 24.9 million USD) was much higher than the damages awarded in the first-instance verdict, marking the highest compensation awarded in the history of Chinese courts for infringement of trade secrets.

Background of the Case



On February 26, 2021, the SPC issued a verdict on an appeal case regarding technical secret misappropriation with damages at 159 million RMB (about 24.9 million USD) and reasonable expenses to stop the trade secret infringement – the “Vanillin” case.

"Vanillin" is a widely used industrial fragrance in the world. The plaintiff Jiaxing Zhonghua Chemical Co., Ltd. and Shanghai Xincheng New Technology Co., Ltd. jointly developed a new process for the production of vanillin, and protected the same as technical secret. As the world's largest vanillin manufacturer, Jiaxing Zhonghua Chemical Co., Ltd. used to account for about 60% of the global vanillin market.

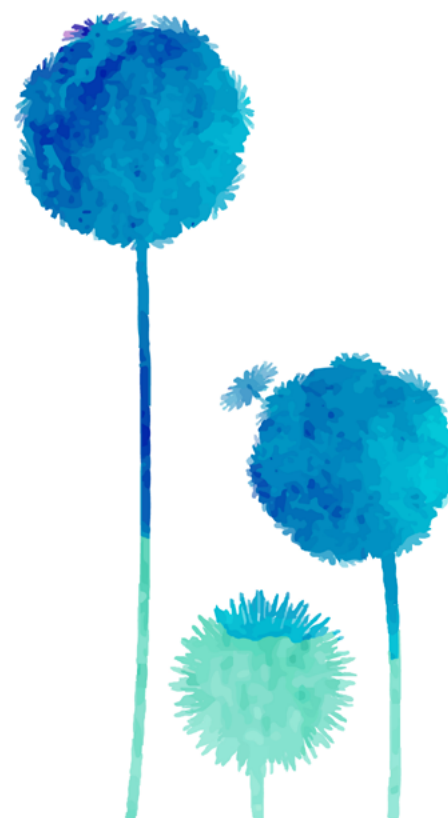
In 2010, after the defendant, Fu Xianggen, the former employee and of Jiaxing Chemical received a payment from the defendant

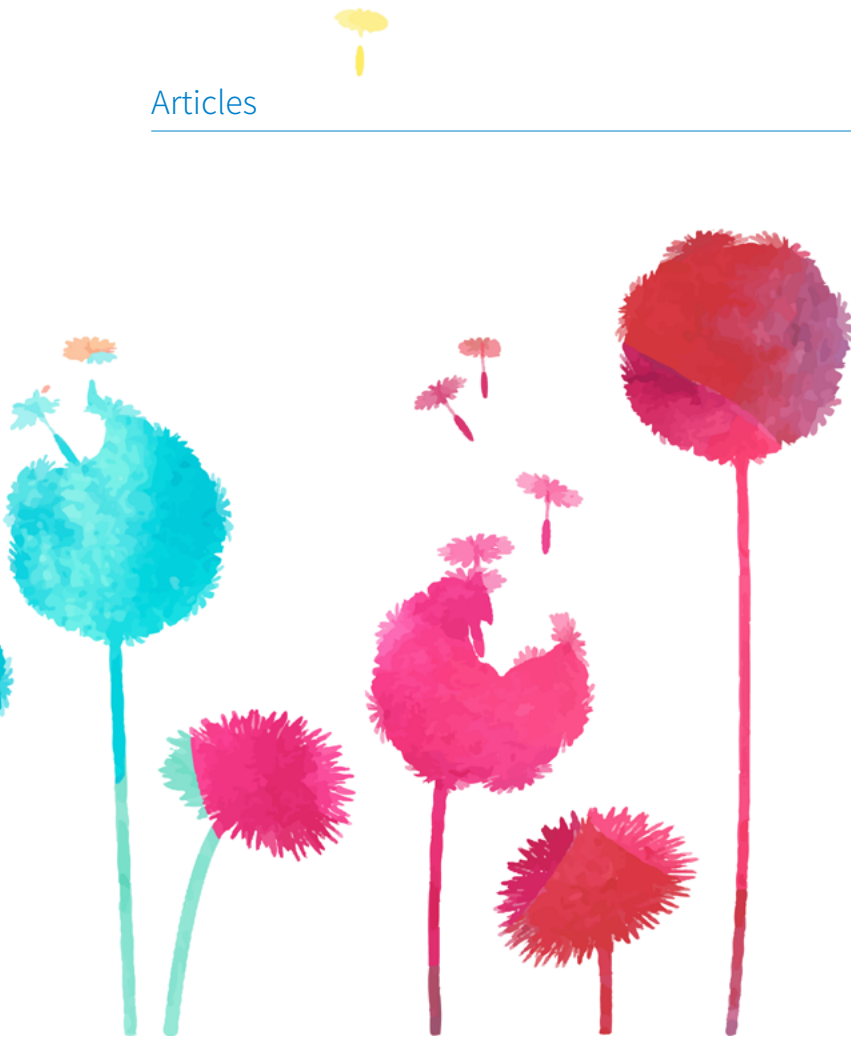
Wanglong Group, he disclosed the "vanillin" technical secret to one of the defendants in the case, Wang Guojun, who was the supervisor of Wanglong Group and chairman of Ningbo Wanglong Technology Co., Ltd. (Ningbo Wanglong), and began working at the defendant Ningbo Wanglong. In 2015, the defendant, Xifushi Wanglong Fragrance (Ningbo) Co., Ltd. ("Xifushi Wanglong") was established, and the company continued to use vanillin production equipment invested by Ningbo Wanglong to produce vanillin.

After Wanglong Group and Ningbo Wanglong illegally obtained the "vanillin" technical secret, vanillin had been produced since June 2011, which had greatly impacted the original international and domestic markets of Jiaxing Chemical, leading to the decline of global vanillin market share

of Jiaxing Chemical from 60% to 50%.

In 2018, Jiaxing Zhonghua Chemical Co., Ltd. and Shanghai Xincheng Co., Ltd. filed a technical secret infringement lawsuit against Wanglong Group Co., Ltd., Wanglong Technology Co., Ltd., Xifu Lion Dragon Co., Ltd., Fu Xianggen, and Wang Guojun before Zhejiang Higher People's Court and requested





the court to order the above defendants to stop infringement and compensate RMB 502 million (about 787,638 USD). The court of first instance ruled that Wanglong Group Co., Ltd., Wanglong Technology Co., Ltd., Xifu Lion Dragon Co., Ltd., and Fu Xianggen infringed some of the technical secrets involved in the case, and ordered them to stop the infringement, awarded damages of RMB 3 million (about

470,700 USD) and reasonable expenses of RMB 500,000 (about 78,466 USD). In addition, the court of the first instance granted an injunction that Wanglong Technology Co., Ltd. and Xifu Lion Dragon Co., Ltd. shall stop using the technical secrets to produce vanillin. However, Wanglong Technology Co., Ltd. and Xifu Lion Dragon Co., Ltd. did not stop their use of the technical secrets.

All defendants in this case, except for Wang Guojun, appealed to the Supreme People's Court. In the second instance trial, the plaintiffs J reduced their claim to 177 million RMB including reasonable expenses (about 277,713 USD).

Facts to determine the damages by the Supreme People's Court

The main legislation that covers trade secrets in China is the Anti-Unfair Competition Law (AUCL), established in 1993 and amended in November 2017 and April 2019.

Article 17 of the AUCL provides that damages shall be based on the right holder's actual loss, and if the actual loss is difficult to determine, damages shall be based on the infringer's benefits from the infringing act.

Article 20 of the Judicial Interpretation, the Several

Provisions of the Supreme People's Court on Issues concerning the Application of Law in the Trial of Cases on Patent Disputes (2015 Amendment), provides that the infringer's benefits may be calculated according to the product of multiplying the total amount of that infringing product sold on the market by the reasonable profit of each infringing product. Generally, the benefits obtained by the infringer from the infringement are calculated according to the business profits of the infringer, as to the infringer that depends on infringement as its whole business, the loss may be calculated according to the **sales profits.**"

The punitive damage was first introduced in AUCL 2019: "If the infringing act is malicious and serious, courts may award compensation to the right holder **up to five times** the

amount determined by the above-mentioned method, plus the right holder's reasonable expenses related to its effort to stop the infringement."

However, this case does not apply to AUCL 2019 but applies to AUCL 2017 which has not introduced punitive damage.

When determining the damage, in this case, the Supreme People's Court considered the following facts:

1. The means of illegally obtaining the technical secrets were **bad**.
2. The numbers of technical secrets illegally obtained were large.
3. The accused infringers had obvious malice of intentional infringement: knowing that their actions constituted infringement of the technical secrets involved, the accused infringers still continued to use

a large number of equipment and technological processes that infringed the technical secrets involved to produce vanillin products.

4. The technical secrets involved had high commercial value.
5. The accused infringers **depended on infringement** as their whole business.
6. The infringement had a serious impact on the global market of vanillin.
7. There were circumstances such as **obstruction of evidence** and **dishonesty litigation** by the accused infringers.
8. The accused infringers refused to enforce the effective conduct preservation ruling of the first instance.

Considering the above eight factors, especially factors 1, 3, 5, and 7, the Supreme People's Court decided to calculate the damages according to the **sales profits** of vanillin products.

Since the defendant companies refused to submit account books and materials related to the infringement, the court could not directly calculate its sales profit based on the data of its actual sales of vanillin products. To severely punish the malicious infringement of technical secrets and fully protect the legitimate interests of the owners of technical secrets, the Supreme People's Court decided to calculate the amount of damages in this case based on **the sales profit rate of the plaintiff's vanillin products.**

Since punitive damage cannot be applied to this case, the Supreme People's Court considered that the thus-calculated damage is reasonable and appropriate by the specific circumstances such as the degree of malignancy and harmful consequences of the technical secrets infringement by the infringers.

In addition, the alleged infringement, in this case, has been a suspected crime of infringing business secrets, and the Supreme People's Court will transfer the relevant clues to the police department for handling by the law.

Besides, the Supreme People's Court also mentioned that the trade secrets owners may seek additional relief for the continued infringement of the technical secrets by the defendants, which apply for AUCL 2019 introducing punitive damage.

Takeaways and Suggestions

In addition to the record damages as high as 159 million RMB (about 24.9 million USD) USD 24 million, the Supreme People's Court also ordered the legal representative of the defendant company that engaged in infringement to bear joint and several liability which

effectively cracked down on the illegal behavior of the person in charge of the company using the company as an infringing tool. The verdict of the Supreme People's Court demonstrates the determination to strengthen the judicial protection of trade secrets and has strong guiding significance for judicial practice.

Trade secret is an important strategic resource of enterprises attracting increased attention.

There are also some challenges in the judicial practice of trade secret protection. At present, China's competent departments are studying and formulating new regulations on the protection of trade secrets. It can be predicted that the judicial and administrative protection of trade secrets will continue to be strengthened in the future. Rights holders should pay attention to taking confidentiality measures as well as actively seeking safeguard of the legal rights.

Administrative IP protection in China & how to use it

By Bin Zhang, Yifan Yang

Introduction

Strengthening intellectual property protection has become the main theme in China today.

With the increasing frequency of infringement of intellectual property rights, which way to protect intellectual property rights has become a problem

that many right holders are considering.

While it has been a common practice that countries provide for both judicial and administrative means for protecting IP, practice has shown that the administrative IP protection have been particularly useful and effective in China

because of China's national conditions, i.e., a tradition of having an effective and all-encompassing government that dates back thousands of years and continues through today.

General description

General proceedings and responsible authorities of

administrative IP protection are as follows:

In respect of patent infringement

Responsible authority

Local Administrations for Market Regulation (AMR) (市场监督管理局) have the jurisdiction over patent-related disputes and infringement after the function of the former local Intellectual Property Administration (知识产权局) was integrated into the AMR in the 2018 government re-organization. And due to its complexity and requirement of expertise, patent infringement cases are handled by intellectual property divisions/offices of the AMR at or above the municipality-level nowadays.

Proceedings: administrative adjudication

Article 65 of the Patent Law of

China provides that, patent owners or relevant parties (stakeholder such as licensees) could request AMRs to handle patent infringement cases, as an alternative to filing a court action. And according to the regulation and guidelines promulgated by China National Intellectual Property Administration (CNIPA), a semi-judicial proceeding called administrative adjudication would be entered over the complained case.

An administrative adjudication proceeding has a lot in common with court proceedings. The

parties in both proceedings get to examine and question each other's evidence and advocate for themselves in oral or written form. On request, the handling authorities in both proceedings could take their own investigation and preserve evidence. And both authorities must decide on whether patent infringement is established and order prohibition once it is.

Measures the authorities are allowed to take when requested by the parties to investigate the case include questioning relevant individuals, inspecting the





premises of allegedly infringing acts, and inspecting the allegedly infringing products. However, it should be noted that measures conventionally considered most forceful and interrupting for the infringers, such as inspecting and/or reproducing the relevant documents, and sealing up and/or seizing the allegedly infringing

products, are not allowed in administrative adjudications.

In respect of other IP rights infringement

Proceedings: administrative enforcement

For other IP rights that do

not concern complicated technological issues, infringement determination is comparatively simple and straightforward. Authorities usually could come up with their conclusion without hearing arguments from both sides. So, the Chinese laws and regulations does not provide for semi-judicial proceedings when the IP owners ask for administration protection.

When a trademark or copyright owner or a stakeholder suspects his IP rights are infringed upon, he can file a complaint before responsible authorities with preliminary evidence and ask for the authorities to investigate, and punish the infringer if the suspicion turn out to be true.

For the authorities' part, they would evaluate the cases by reviewing the complainant's documents and refuse those apparently non-infringing. If they decide to take the case, they

can take all necessary measures prescribed by the laws in order to investigate, including inspecting and/or reproducing the relevant documents, and sealing up and/or seizing the allegedly infringing products. Once infringement is established, the authorities would impose on the infringer permanent injunction and economic punishment.

In addition, the authorities could also launch ex-officio actions against IP infringements. In such cases, the authorities would often contact the IP owner for verification and authentication, and the IP owners could then step in for following up.

Responsible authorities

Local district/county level AMRs are responsible for taking administrative enforcement actions with respect to trademark and anti-unfair competition matters, as they assumed the

responsibility of the former Administration for Industry and Commerce (工商行政管理局) after the 2018 government re-organization.

Actions with respect to copyright matters are now taken by the local Bureau of Culture and Tourism (文化旅游局), usually by its tasked force of Law Enforcement on Cultural Market (LECM) (文化市场综合执法大队) at the district/county level.

Customs protection

Aside from the above authorities delegated by specific IP laws for handling administrative IP protection matters, the customs across the country provide IP protection at their end.

IP owners could record their IP with the General Administration of Customs of China. Local customs would then stop goods from importing or exporting over

suspicion of IP infringement and contact the IP owner for notice of whether to detain or release the goods. In some cases where the IP owner is aware of an imminent import/export of infringing goods, a detailed request for detention can be filed to the local customs beforehand.

Upon receiving the IP owner's request for detention, the customs would conduct their own investigation over the case and once they concluded the subject IP is infringed, they would confiscate the infringing goods and, in some cases, impose fines on the infringer.

Official data and the latest trend

Latest trend

Generally speaking, one of the most common reasons for IP owners choosing administrative actions over judicial ones for

IP enforcement is that it is comparatively more convenient, efficient, and cost-effective, and the burden of proof for the IP owner is significantly lower. The above factors have long characterized the administrative actions as suitable for simple and straightforward cases only.

In recent years, however, CNIPA has issued numerous guidelines for the lower AMRs regarding the determination of trademark infringement, and the handling of enforcement/mediation of patent infringement cases, etc., aiming to uniform the administrative actions of AMRs across the country, and by adopting principles and views established in the judicial practice, to bring down the gap between judicial and administrative IP protection.

The moves signal the Chinese government's efforts to keep improving the ability of its

organs or agencies in dealing with non-straightforward, and complicated cases, and to build a comprehensive administrative IP protection system that will be equal to or more effective than those afforded by judicial authorities.

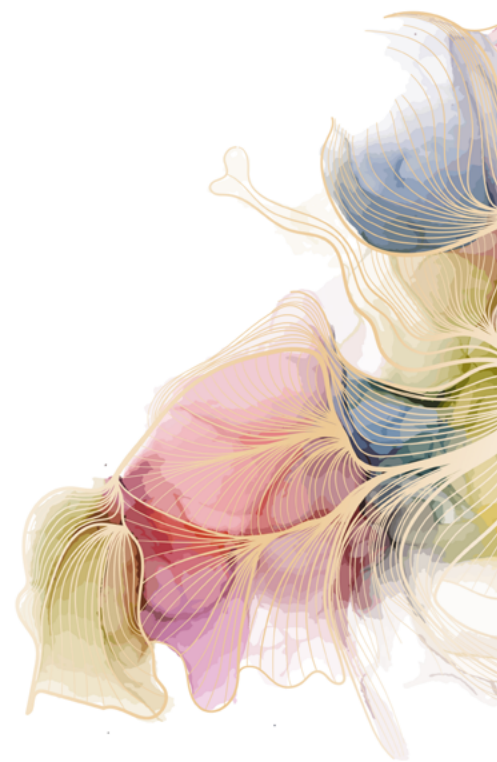
Official data

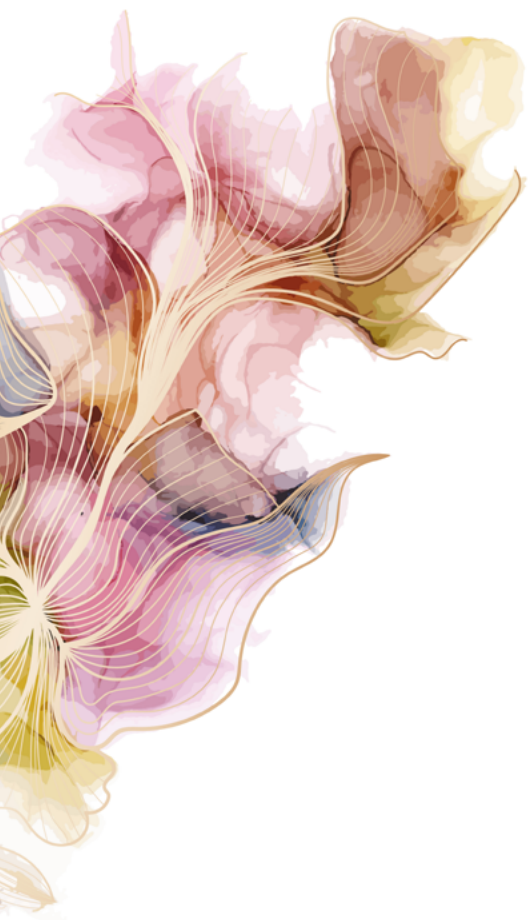
Government data released last month showcased the improving abilities of the administrative law enforcement authorities to tackle complicated cases, the rising caseload, and the significant overall economic volume involved in administrative IP protection. According to the CNIPA White Paper, during 2021:

- Intellectual property divisions/offices of the AMRs have concluded over 49,800 administrative adjudications, an increase of 18.6% from the previous

year. Among them, CNIPA handled 12 administrative adjudications on early resolution mechanisms for pharmaceutical patent disputes and 2 administrative adjudications on major patent infringement disputes.

- Trademark- and unfair competition-wise, over 35,700 cases concerning trademark infringement have been concluded by the





AMR, a year-on-year increase of 20.6%. The aggregated case volume reached RMB 945 million (about USD 141 million), a year-on-year increase of 23.5%.

In addition, AMRs have concluded 8,563 cases concerning unfair competition (passing-off, infringement on trade secret, etc.), imposing on the infringers fines totaled RMB

573 million (about USD 86 million).

- As for copyright protection, the LECMs launched ad hoc campaigns such as Sword Net 2021 (剑网2021), cracking down on piracy and copyright infringement in relation to short video, online live streaming, sports events, online education, movies released on cinema, etc. During the year, 1,066 infringing and piracy websites/apps were closed. Over 1,197,000 infringing and piracy links were disposed of or deleted. Over 8,467,500 infringing links relating to online video, online live-streaming, e-commerce were cleaned up by service providers under the pressure of law enforcement authorities.

- Chinese customs as a whole seized over 79,200 batches

of goods suspected of IP infringement. Total pieces of goods seized reached 71.80 million.

Administrative action & criminal/civil actions

Administrative & criminal actions

Articles 213 to 220 of the Criminal Law of China list over a dozen types of IP infringement acts as constituting criminal offenses when the volume involved in each case reached certain levels, or the circumstances were considered serious. The acts do not cover patent infringement but include counterfeiting patents. Other than that, the list includes primarily acts infringing on trademarks, copyright, and trade secrets.

Regarding the acts enumerated by the Criminal Law, both

the police, aka Public Security Bureaus (PSBs), and administrative law enforcement authorities, i.e., AMR, LECM, and the customs, have the jurisdiction at the initial phase when the case volume is not clear. And once the investigation revealed the circumstances were so serious as to exceed the criminal standards, the case has to be handed over to PSB for further handling.

According to the CNIPA white paper, during 2021:

- PSBs have successfully launched the ad hoc campaign Kun Lun 2021 (昆仑2021) to clamp down on IP infringement. Nationwide, the PSBs have cracked over 21,000 criminal cases of IP infringement and manufacturing/selling of counterfeits. More than 37,000 suspects have been detained.
- AMR cases reaching criminal

level and handed over to PSBs numbered 1,011.

It is possible for PSB and the administrative law enforcement authorities, usually AMR or LECM, to take investigation and raid actions jointly. The obvious advantage of such cooperation is that PSBs have more tools prescribed by law than AMR/LECM/customs, such as detaining individual infringers and raiding their residence.

However, such cooperation is relatively rare. Because the types of IP infringement that are potential for a criminal offence are limited, and in the initial phase where evidence does not guarantee or show a likelihood of a criminal offence, it is very difficult to persuade PSB to lend support. On the other hand, it should be noted that such cooperation is more common in the fields of food and drugs than in others because PSBs

around the country often task the responsibilities of handling IP-infringement cases and handling food- and/or drugs-related cases to the same internal division, usually named Shiyao huan zhi Dadui (食药环知大队), literally the division of food, drug, environment, and intellectual property.

Administrative & civil actions

Difference and Linkage between administrative adjudications and civil actions

As aforesaid, administrative adjudications on patent infringement cases are themselves a semi-judicial proceeding. Major differences between the two proceedings are that:

- Administrative adjudications are a lot faster. CNIPA guidelines stipulate that AMR administrative adjudications

must be concluded in 3 months. In exceptional cases, the time limit could be extended for one month only.

- Economic liabilities of the infringers are not subject to administrative adjudications.

Patent owners or relevant parties could seek compensation in a separate court action or ask the AMR to

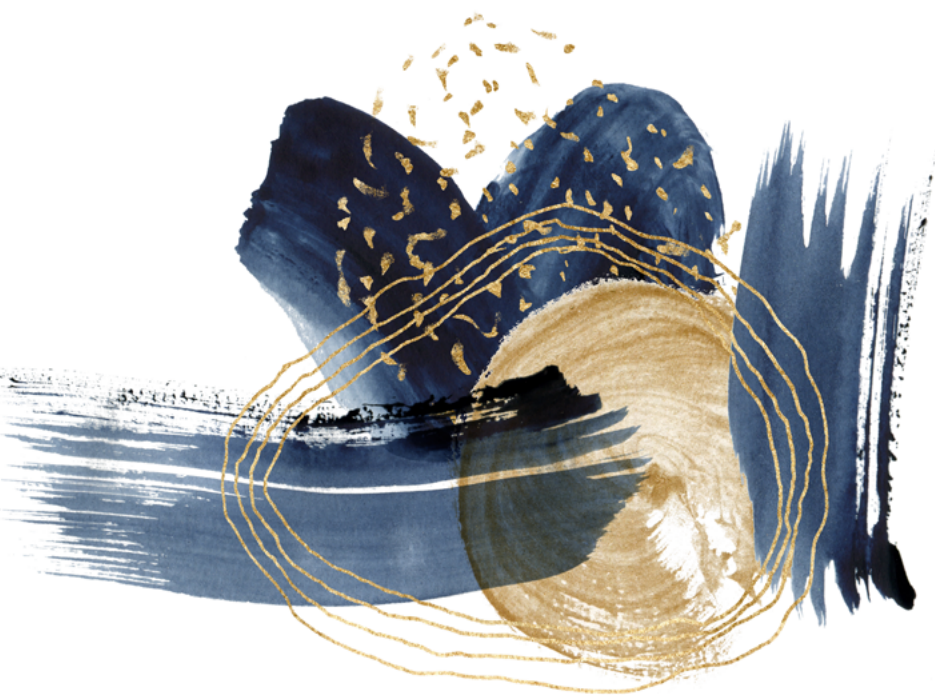
mediate between the parties on that issue after the AMR administrative adjudication is concluded and confirmed the patents are indeed infringed.

This is also different from administrative enforcement actions where fines will be imposed on the infringer once the infringement is established.

- Administrative adjudication decisions become effective instantly and rely on the court for compulsory enforcement.

Unlike the judicial decisions of the courts, AMR's administrative adjudication decisions come into force immediately. Though the dissatisfied party could file for judicial review, the enforcement of the AMR decision would not be suspended, unless the laws provided otherwise or the court/AMR so ordered.

However, AMR does not have the authority to enforce its decision compulsorily. Should the dissatisfied party fail to perform accordingly nor file for judicial review, the other party has to file a request before the local court for compulsory enforcement of the AMR decision.



Difference and Linkage between administrative enforcement and civil actions

Administrative enforcements deal with the administrative liabilities arising from an IP infringement but not the civil ones, which are the centerpiece of civil actions. The IP owners or stakeholders could take the two proceedings alternatively or simultaneously.

Compared to civil actions, administrative enforcement has the following pros and cons for the IP owners or stakeholders:

• **Pros:**

- * Less time-consuming (usually three-to-four months) and hence lower costs;
- * Casting instant interruptive effect on the infringer and seizing or sealing up of the infringing products;
- * Most law enforcement authorities have incentive

mechanisms in place for officials to take administrative actions.

• **Cons:**

- * No compensation can be obtained from such actions without a parallel agreement with the infringers;
- * Most local law enforcement officials tend not to accept cases involving legal ambiguity or complexity.

In some cases when the infringement is severe, an administrative action can be filed as a pre-lawsuit step to obtain an administrative order, enjoining the infringer from continuing its infringement. The evidence preserved through the administrative action can also be used in the following court proceedings against the infringer.

Tips on taking administrative actions

How, when, and whether to take administrative actions at all must be contemplated carefully as a part of an overall strategy of IP protection based on factors including but not limited to the following:

- The aim. Administrative authorities do not have the authority to award damages. If there is no parallel settlement/mediation agreement reached between the parties, the costs incurred therein by the IP owner and stakeholder cannot be recovered. So, whether to file administrative actions or not largely depends on the IP owner's aim. If the priority is to urgently stop the infringing acts not to ask for compensation, administrative actions are highly advisable.
- The complexity. Even things are improving day

by day, the administrative law enforcement officials, especially those at local level, are not as highly qualified as judges. And their administrative decision is subject to review by higher administrative authorities or competent courts, leading to the officials being extra careful when handling the cases.

Therefore, if the facts on the alleged infringement are simple and straightforward, the administrative action can be carried out swiftly and effectively. However, if the facts are complex, or involve legal ambiguity, or require the local officials to have professional knowledge or skill to ascertain, filing administrative actions would not be as swift and effective as expected.

- Timing. For administrative actions, the right timing

sometimes could translate into extra attention and resources from the handling officials. For example, according to CNIPA's 2022 Work Plan, law enforcement authorities nationwide are required to "develop work plans, establish emergency response mechanisms, and strengthen IP protection" around the important dates of the year, such as May Day, the Mid-Autumn Festival and National Day.

- Last but not least, coordination with civil/criminal actions must be taken into consideration beforehand.

Administrative actions are a simple and powerful tool for IP owners or stakeholders to combat infringement. However,

using it and using it well require consultation with experienced lawyers and private investigators so as to formulate a well-perceived strategy.

As the Master Sun Tzu said in *The Art of War*: "Plan before you move". Only based on properly preserved evidence and careful moves could an administrative action produce a favorable outcome.



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