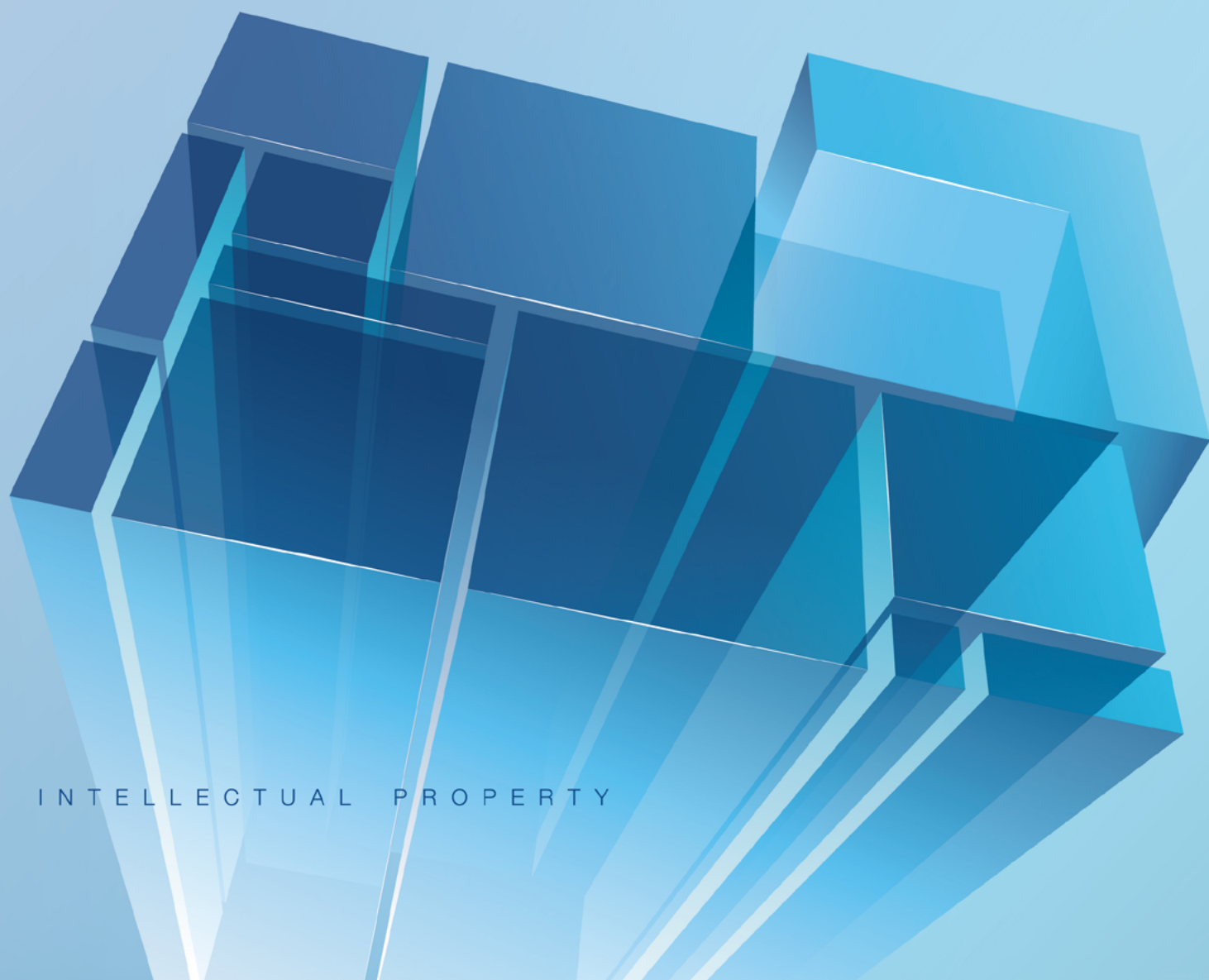




中国贸促会专利商标事务所
CCPIT PATENT & TRADEMARK LAW OFFICE

61 Sept. 2023

Newsletter



INTELLECTUAL PROPERTY

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Ranked Tier 1 in both patent prosecution and trademark prosecution (2023) by MIP

Managing Intellectual Property (MIP) has released its 2023 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 24th 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.” Gang Hu, Ji Liu, Yue Yuan, Yazhuo Qian and Yang Shi are recognized as Trademark Star, Rising Stars and Notable practitioners, respectively.

CCPIT won the Best Asian Law Firm: IP 2023 Gold Award by Leaders League

Recently, the Leaders League, a well-known French media and consulting group, hosted the Leaders League Alliance Summit: Law & Innovation Award in Paris. The events attracted over 500 key international attendees over the world for the conferences, networking and celebration. Over 120 international speakers discussed about the latest topics like Dispute Resolution, M&A, IP and so on. This year's award recognized the best Law Firms, Legal Departments and IP Advisors. Mr. Jianzhong Kang, Ms. Shuhui Huang and other members from CCPIT attended the event and received the Best Asian Law Firm: IP 2023 Gold Award on behalf



of the firm.

The Leaders League Alliance Summit: Law & Innovation this year is the result of the unification of two of Leaders League's biggest international events, the International Legal Alliance Summit & Awards and the Innovation & IP Forum and Awards. Firms and companies are first pre-selected by the market

research department of Leaders League in conjunction with the recommendations provided by an Advisory Board of jury members. Each pre-selected firm or individual is asked to fill out an application form. The winners of each category are determined by a panel of outstanding jury members through extremely rigorous, confidential judging process.

IAM Patent 1000 (2023) recognizes both our patent prosecution and litigation

Recently, Intellectual Asset Management (IAM) released IAM Patent 1000 (2023), reporting the ranking of the World's Leading Patent Professionals in 2023. 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." Mr. Chuanhong Long, Mr. Jianzhong Kang, Ms. Xin Chen and Mr. Juhua Luo are ranked as recommended individuals.

Honored China Business Law Awards Winner in IP 2023

On June 26, the editorial team of China Business Law Journal released the law firms that stand out with their performances in the year of 2023. CCPIT is a winner of the China Business Law Awards in the IP (copyright) field. This is the first time that the firm wins the copyright award by China Business Law Journal.

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



the past year, in addition to the recommendations and comments.

The award for our copyright practice fully demonstrates that our outstanding service in the copyright field is widely recognized by our clients. Our copyright team members graduated from well-known law schools at home or abroad, with LL.M. degrees, all of them have been working for many years and have rich experience in handling cases, and can provide

comprehensive, professional and efficient copyright legal services for domestic and foreign clients in Chinese, English and Japanese. The team also has in-depth research on cutting-edge and hot issues in the copyright field, such as font library infringement disputes, copyright protection of AI-generated subject matters, copyright protection of computer software and deep link.

Adhering to our tradition of more than 60 years, the firm will abide by the integrity and innovation, forge ahead and better serve Chinese and foreign enterprises in IP protection through professional, refined and international legal services.

Benchmark Litigation recommends CCPIT as a leading litigation firm in 2023



Benchmark Litigation released its guide to the leading dispute resolution law firms and lawyers in Asia-Pacific 2023. CCPIT Patent and Trademark Law Office is recommended in the intellectual property area. According to Benchmark Litigation, CCPIT Patent and Trademark Law Office's legacy practice boasts nearly 300 patent and trademark attorneys and lawyers. The enforcement team provides litigation, administrative enforcement and mediation services to clients relating to patent, trademark, copyright, domain name as well as unfair competition matters. Its practitioners are well-versed in the pharmaceuticals, chemicals

and high-tech industries. The firm represented HC Semitek, one of the largest LED companies in China, in defending an Rmb40 million (\$5.8 million) lawsuit filed by San'an Optoelectronics before the Changsha Intermediate People's Court for patent infringement. This lawsuit between the two largest LED companies in China has a great influence in the industry and has attracted considerable attention. Another marquee matter had the firm represent Canon Inc in a patent infringement lawsuit involving four defendants who conduct suspect infringing acts as co-manufacturers and co-sellers.

Patent linkage in China: what the first decisions reveal about the direction of travel

By Juhua Luo and Wei Tan

Since patent linkage came into effect on 1 June 2021, more than 100 patent linkage cases have been filed and dozens of decisions have been issued by the Chinese National Intellectual Property Administration (CNIPA) and courts. Recently, CNIPA and National Healthcare Security Administration (NHSA) jointly issued the Opinions on Strengthening the Protection of Intellectual Property Rights in

the Field of Medical Centralised Procurement (the Opinions) on 30 December 2022. In this article, we provide a summary of the new developments in patent linkage practices in China and explore what the first decisions tell us about the direction of travel.

[A quick review of the Patent Linkage](#)

The marketing authorisation holders (MAH) of originator drugs

can list their patents covering the originator drugs in a patent linkage platform. Generic applicants (ANDA filers) must submit one of the following four types of certifications for each patent listed with the ANDA and inform the MAH:

- Type 1: no patent information related to the reference-listed drug (brand-name drug) on the Registration Platform;
- Type 2: the patent has been terminated or declared



invalid, or the generic drug applicant has obtained a patent licence 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; and
- Type 4: the patent shall be declared invalid (Type 4.1), or the generic drug is not covered by the protection

scope of the patent (Type 4.2).

For Type 4 certifications, the patentee or MAH can take legal action before the Beijing IP Court (civil action route) or request an administrative adjudication with CNIPA (administrative adjudication route) within 45 days. A nine-month waiting period is thereby triggered, during which the ANDA cannot be approved. After the

waiting period, the National Medical Products Administration (NMPA) will approve or postpone the approval of the generic according to the decision of the litigation.

Summary of the related cases of the patent linkage

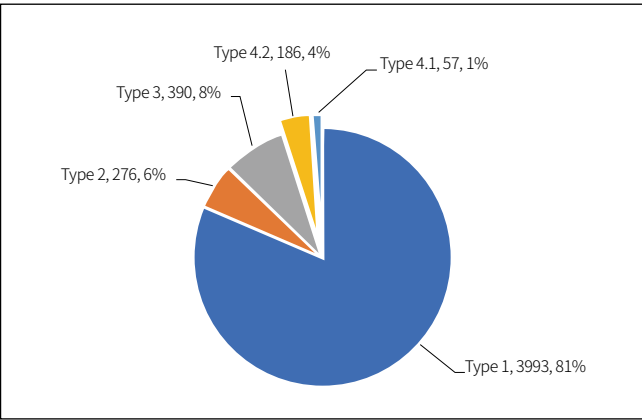
There are 1,180 drugs (including different strengths) for which

patents have been listed as shown below (according to data from Zhichanbao database in 26 May 2023).

Drug type	Drugs with listed patents
Chemical drugs	722
Biological products	118
Traditional Chinese medicine	340
Total	1180

There are 4,886 patent certifications published in the patent linkage platform as shown below (data from Zhichanbao database in 26 May 2023).

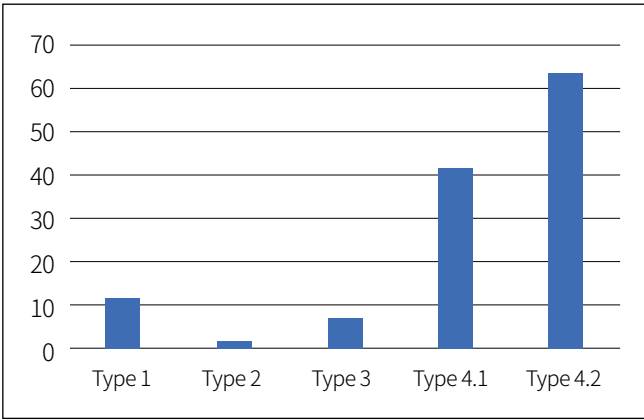
Drug type	Patent certifications
Chemical drugs	4827
Biological products	58
Traditional Chinese medicine	1
Total	4886



As seen from the above data, Type 1 (no patents) comprises a majority of the patent certifications (81%), while Type 4 (challenging patents), including Type 4.1 and 4.2, accounts for only 5%. It appears that more generic companies tend to select Type 4.1 (invalid patent), instead of Type 4.2 (no coverage), resulting in that the former is four times higher than the latter. This is in line with the increasing invalidation cases filed by the generic companies before the CNIPA after the laws regarding the patent linkage took effect. Statistically, about 70% of administrative adjudication cases accompany invalidation proceedings.

Statistic of the cases of the administrative adjudication

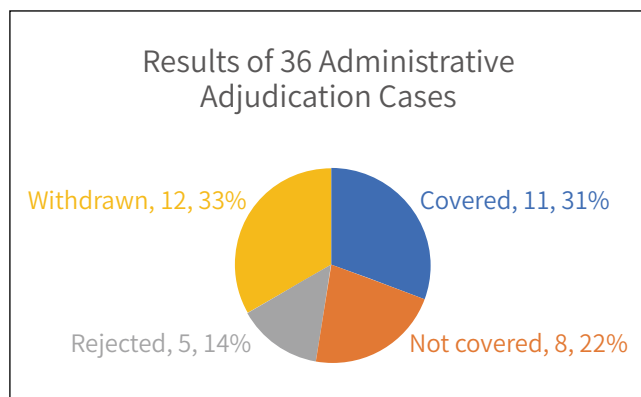
According to CNIPA, from 5 July 2021 to 30 April 2023, the CNIPA received 127 cases of administrative adjudication as follows.



These administrative adjudication cases involved 25 brand-name companies and 43 generic companies, 30 drugs and 47 patents, with 30 patents being challenged during the examination of the cases.

The result/decision of the administrative adjudication normally includes that the:

- generic drug falls under the scope of the disputed patent;
- generic drug does not fall under the scope of the disputed patent;
- patentee or MAH withdraws the request of administrative adjudication on his or her own initiative and, therefore, the examination of the case terminates; and
- request of administrative adjudication is rejected by the CNIPA due to the disputed patent being fully invalidated or, rarely, the disputed patents being not eligible for listing on the platform (eg, patents for crystal forms) (see the table below (from our own statistics based on CNIPA data in January 2023)).



As seen from this data, the cases of generic drugs covered by the patents are higher than those not covered (31% v 22%). Interestingly, in nearly 33% of cases the patentee or MAH voluntarily withdrew the request for administrative adjudication. The reasons could be that the patentee or MAH found the generic drug not covered by the patent after reviewing the formulation of the generic drug or decided to proceed with a parallel civil action instead of the administrative case.

Common reasons as to why CNIPA rejects requests are the patent being declared invalid in whole during the invalidation proceedings, the patent certification not being Type 4 or the patent not being listable.

Considering that the civil action route is difficult to initiate, and much slower to get a useful decision from, cases of patent linkage civil action are much less

frequent than that of administrative adjudication. Recently, the judgement of the Supreme Court on the first patent linkage civil action (Chugai pharmaceutical vs Wenzhou Haihe pharmaceutical, (2022) ZUI GAO FA ZHI MIN ZHONG No. 905) was made on 5 August 2022. The Supreme Court favours the generic Haihe's opinion that the generic drug was not covered by the granted claims and, therefore, does not fall into the scope of the disputed patent.

Summary of the substantial issues in patent linkage

Here are some conclusions that were drawn from recent patent linkage litigation cases (including both administrative and civil actions).

- A patent for crystal forms or the use of crystal forms is not eligible for listing. Whether a patent belongs to the patent for crystal forms depends on

the subject matter and the defined features of a claim.

- Whether or not the patent listing information is accurate and authentic shall be resolved by judging whether the patent covers the technical solution of the originator drug approved for marketing. It is only required that the technical solution of the originator drug falls into the scope of the patent listed on the platform, and the 'inventive point' of the patent is not required to be expressly recited in the new drug application materials (see (2021) GUO ZHI YAO CAI No. 0023).
- The 'all element' rule, doctrine of equivalents, prosecution history estoppel and disclosure-dedication doctrine all apply to patent linkage litigation cases. In cases where at least one technical feature of the generic drug is not identical



or equivalent to those in the claim of the patent, the generic drug does not fall into the scope of the patent. Where a technical solution is only described in the description, rather than in the claims, CNIPA does not support the patentee incorporating the technical solution into the scope of claims again on the



ground of the doctrine of equivalents (see (2021) GUO ZHI YAO CAI No. 0021).

- The generic company has the burden to disclose the technical solutions of the generic drug. In cases where the generic applicant fails to submit evidence in support of its allegation that the generic drug does not fall into

the scope of the patent, the generic applicant has to bear unfavourable consequences due to legal burden of proof (see (2022) GUO ZHI YAO CAI No. 0010).

- The indications in the package insert are a clear delimitation as to the use of a pharmaceutical for the prevention, treatment,

diagnosis and auxiliary treatment of a disease or symptom. Whether or not the technical solution of a generic drug falls into the use of the disputed patent depends on the indications clearly set forth in the ANDA materials during the examination of administrative adjudication (see (2021) GUO ZHI YAO CAI No. 0012).

- As far as the product claim defined by a preparation method is concerned, the scope of the patent is limited by the features of the preparation method. The technical solution of a generic drug does not fall into the scope of the patent if the preparation method of the generic drug is not identical or equivalent to the preparation method of the patent (see (2022) GUO ZHI YAO CAI No. 0016).

The latest Opinions issued by CNIPA and the NHSA

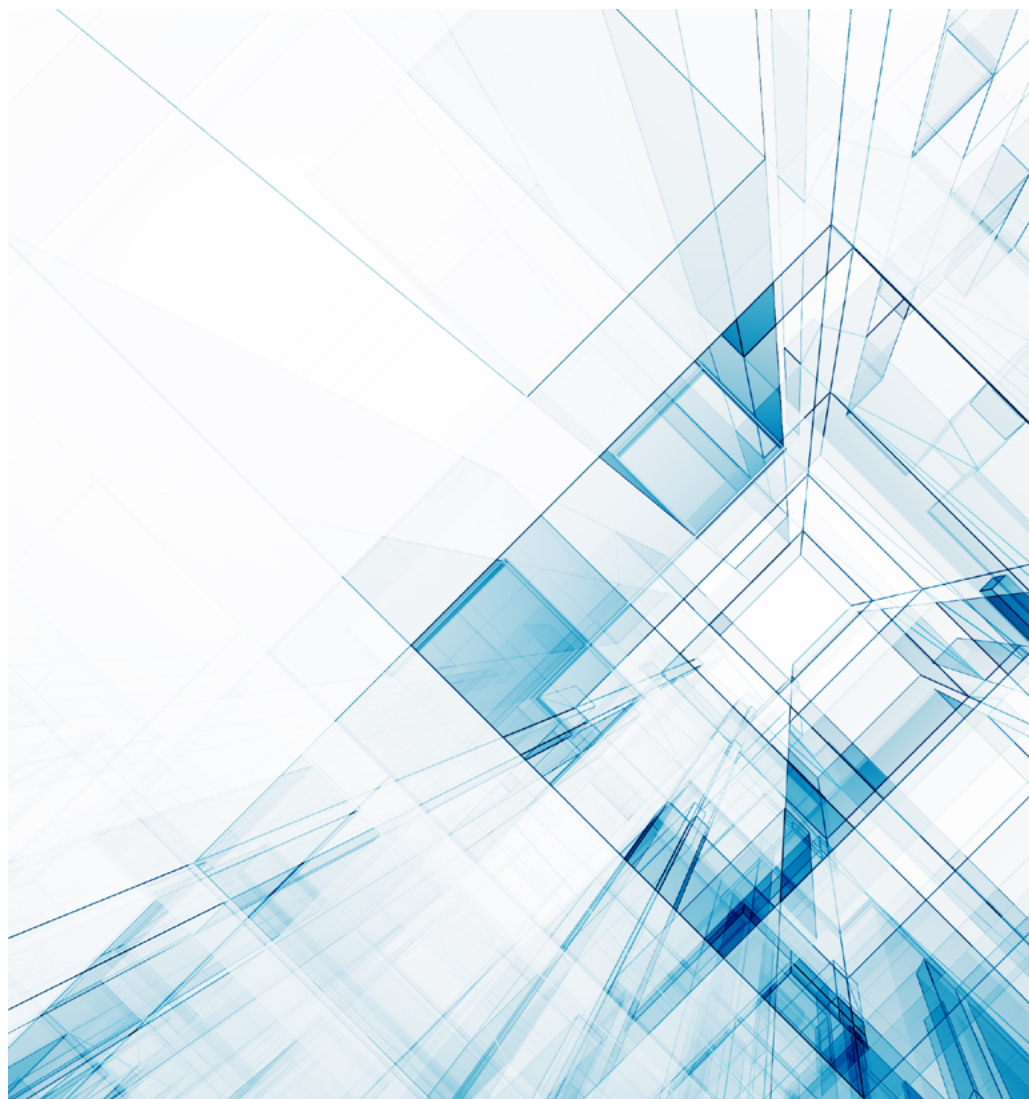
CNIPA and the NHSA issued the Opinions on Strengthening the Protection of Intellectual Property Rights in the Field of Medical Centralised Procurement on 30 December 2022, which are favourable for patentees to enforce their patents in the field of medical centralised procurement through either normal patent litigation or patent linkage litigation.

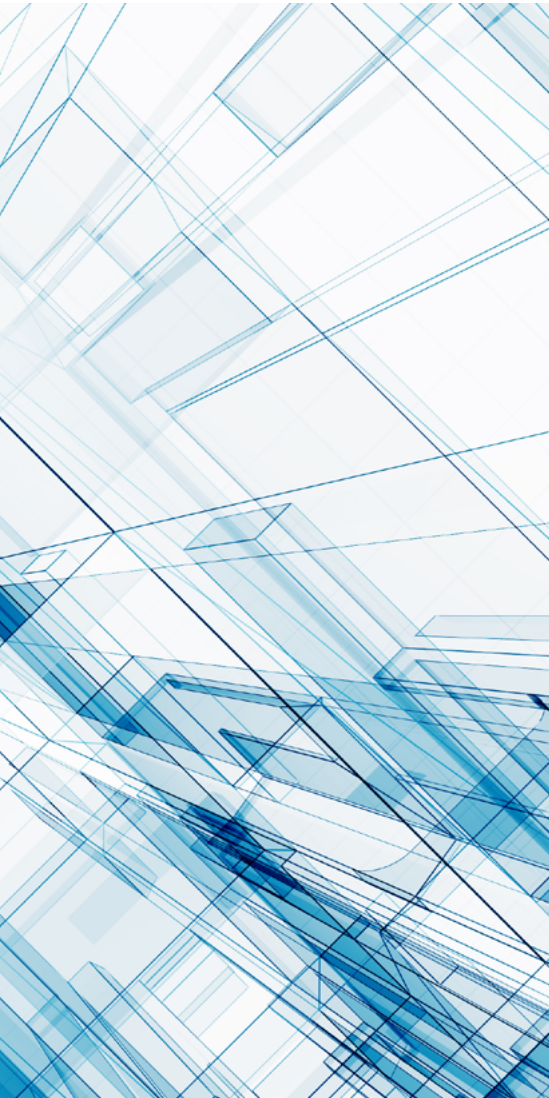
According to the Opinions, the patentee is able to raise an objection to a product for patent infringement before the medical centralised procurement agency, which may request the local IP administration to issue an opinion of consultation or infringement determination and shall decide whether to allow the product to participate in the centralised procurement with reference to the opinion.

The medical centralised procurement agency needs to check the qualification of the product based on the information published by relevant administrations and withdraw the listing of the product in the procurement platform in a timely

manner once a clear infringement is found.

It is likely that Type 3 patent certifications in patent linkage are clearly infringing the patent and will not be allowed to be listed in the platform as Type 3 patent





certification promises that the generic drug will not be marketed until the expiration of patents.

Where a patent infringement dispute arises in the centralised procurement, the patentee is able to request an IP administration

to deal with the dispute or take legal action before the court. The medical centralised procurement agency shall take measures to stop infringement, such as prohibiting listing, withdrawing the listing and disqualifying the selected product, according to the administrative ruling of the IP administration or the effective judgment of the court.

Takeaways

Patent linkage litigation is fast, efficient and effective, and it has some important advantages over normal patent litigation. First, patent linkage litigation can usually be concluded in a very fast manner. CNIPA normally issues decisions in nine months, and CNIPA's decisions can be used to stop the approval of generic drugs in the NMPA. Second, in patent linkage litigation, generic companies have the burden to disclose the technical solutions of the generic drug and, where the

generic companies fail to do so, they have to bear unfavourable consequences. Therefore, patent linkage litigation is very efficient for patentees, as they are relieved of the burden to prove that the generic product infringes the patent, which can be very burdensome and time-consuming. Last, patent linkage litigation is very effective as the NMPA will not approve the generic product until expiration of the patent if a CNIPA decision confirms the coverage of a generic product by the patent. For a Type 3 patent certification, although the generic product will be approved, the relevant IP enforcement rules (eg, the Opinions) will likely ensure that the generic company will not be able to sell the generic product until the patent expires.

Therefore, it is advisable for patentees and MAHs to take full advantage of the patent linkage in China.

The deadline to list and update patents is 30 days from drug approval or information change. As patent listing is the first step to initiate patent linkage, and patents and claims that are not listed on the platform are not available for patent linkage in China, it is important to list all eligible patents and claims as soon as possible after the drug is approved and the patents are issued.

To take full advantage of patent listing and other pharmaceutical IP protections in China, it is suggested that when developing new drugs and applying for new drug marketing authorisations, brand-name pharmaceutical companies should conduct simultaneous global research and development, and almost simultaneously file new drug marketing applications in China and in other countries. In particular, to utilise the patent linkage, all drugs, dosage forms and strengths should be approved in China as soon as

possible after they are approved in other countries. Otherwise, any drugs, dosage forms or strengths that are approved in other countries but not approved in China will not qualify for patent listing, resulting in no patent linkage being available to those particular drugs, dosage forms and strengths.

Although generic companies are supposed to inform the MAHs of patent certifications, in practice, some generic companies' failure to inform lacks remedy for MAHs. Therefore, it is very important for MAHs to monitor patent certifications published in the patent linkage platform. Furthermore, if patent certifications are not correct, MAHs should request the NMPA to correct them, because only Type 4 patent certifications can be sued.

It is clear now that the

administrative adjudication route is easier to initiate and quicker to get a useful decision, but is limited to Type 4 patent certification and has no preliminary injunction, while the civil action route is difficult to initiate and slower



to get a useful decision but has preliminary injunction and may accept disputes on Types 1 and 2 patent certifications in addition to Type 4 certifications. Dual filing of two routes is possible when the request for administrative

adjudication is filed prior to the filing of a civil lawsuit by the 45-day time limit. Most originators chose the administrative adjudication, and a few chose the civil action or the dual filing.

It is common for more than one generic company to file an ANDA and a Type 4 patent certification for the same originator drug and for more than one generic company to challenge the validity of a patent. As a result, originators may face more than one patent linkage litigation case and more

than one patent invalidation case at the same time, and thus could have very tight timelines. Therefore, it is suggested that originators have adequate preparedness (eg, on which of the MAHs, patentees or licensees are to take action, who has the right to sign power of attorney and proof to show the right to sign, how to notarise and legalise the formality documents, how to prove coverage of originator drugs by patents, how to construe claims of the patents and how to respond to validity challenges).



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Applying the ‘exception to loss of novelty’ to design patents in China

By Xiaojun Guo

Article 24(4) of the Chinese Patent Law provides that a patent application will not lose its novelty if, within six months before the filing date, the subject matter of the

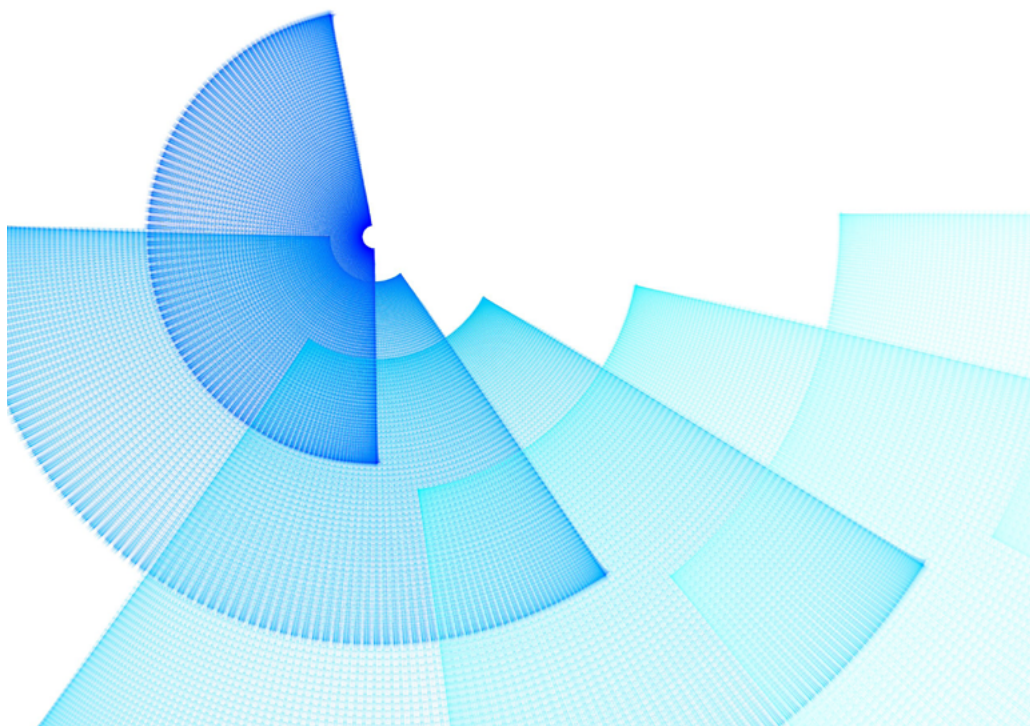
application is disclosed by another person without the consent of the applicant. In Beijing Qihoo Technology, Beijing Qizhi Business Consulting (collectively ‘Qihoo’) v China National Intellectual Property Administration (CNIPA)

and third party Beijing Jiangmin New Science & Technology, the Supreme Court of China clarified the application of the above “exception to loss of novelty” provision when a design patent is disclosed in an unusual way before

the filing date.

At issue is design patent No. 201430324283.6 titled “computer with graphic user interface (GUI)”, issued to Qihoo. Jiangmin requested for invalidation of the design patent with the Patent Reexamination Board (PRB, now Reexamination and Invalidation Department of the Patent Office, CNIPA) claiming the design patent was, among other factors, obvious over a prior design. The PRB sided with Jiangmin, deciding that the design patent was invalid as obvious. The decision was affirmed by the Beijing IP Court. Qihoo appealed to the Supreme Court.

Two issues were raised in the proceedings: first, whether the graphic user interface disclosed in Exhibit 1 constitutes a prior design to the design patent; second, whether the disclosure belongs to the exception to loss of novelty as provided in Article 24(4) of the



Patent Law.

Prior design or not?

Regarding the first issue, the present case concerns disclosure by use. The PRB, the Beijing IP Court and the Supreme Court gave the unanimous opinion that Exhibit 1 had disclosed a prior design to the design patent. The Supreme Court opined that a disclosure by use shall be examined from three aspects: first, whether the accessibility

of an unspecified person to the prior design is restricted by any specific conditions (factors such as the number of persons informed, geographical scope, payment of fees, application for registration, etc. do not constitute restrictions); second, whether the unspecified public knows the prior design is under a duty of confidentiality; and third, whether the availability to the public is real. The duty of confidentiality may either be based on legal provisions or contractual agreements, or be

implied in social perception or business customs.

Exhibit 1 is a notarised, online post titled ‘360 Security Guard 10 download address’ posted on internet bulletin board system (BBS) Kafan before the filing date of the design patent. It provides a link to software ‘360 Security Guard 10.0 version’ (Security Guard), which displays Qihoo’s patented GUI. One can download, install and run the software by obtaining a code (‘experience code’) or by using file compressor 7-Zip.

Kafan is well-known in China with high credibility, and imposes no restrictions on visitors. Exhibit 1 shows that although the poster restricted access to Security Guard when posting the link to the software, so that only those who had obtained the experience code could download and install it, a follower of the post explicitly indicated that Security Guard

could also be downloaded and installed by means of 7-Zip without the experience code.

Based on the above finding, the Supreme Court held that the GUI presented in Security Guard had been made available to the public before the filing date, and is a prior design to Qihoo’s design patent. Although Exhibit 1 discloses only the GUI without the contour of the computer in the design patent, the Supreme Court considers that such a difference is immaterial in the sense of novelty, since Security Guard is normally run on a computer.

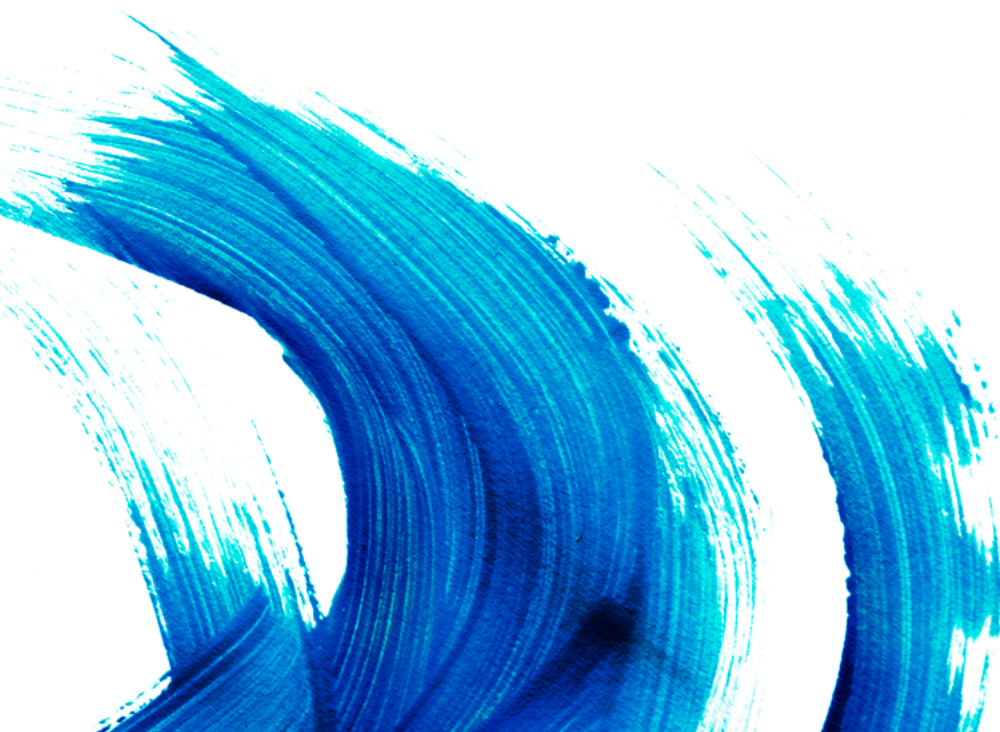
Qihoo had argued that Exhibit 1 was inadmissible since download and installation of Security Guard by means of 7-Zip was illegal.

The Supreme Court rejected the argument on the fact that 7-Zip is a general-purpose compression and decompression software, through which Security Guard can be installed and used without the

experience code.

Disclosure violates right holder’s intention

The key point of the “exception to loss of novelty” provision, in the Supreme Court’s opinion, is that another person discloses the design against the will of the right holder, including breach of express or implied obligation of confidentiality, or by learning the design from the right holder through illegal means such as threat, fraud or espionage. In determining whether a design is disclosed against the will of the right holder, the right holder’s subjective intention and objective behaviour can be taken into consideration, ie, whether the right holder is willing to disclose their design or to allow the disclosure to take place, and whether the applicant has taken certain secrecy measures to ensure that the design is not available to the public.



The Supreme Court found that the poster clearly stated that Security Guard was “only for users who have obtained the priority experience qualification to try” and requested the experience code before installation of the software. It is clear that they were not willing to disclose Security Guard (including the GUI); objectively, they had taken the confidentiality measure of requesting the experience code to ensure that the software was not available to the public. Therefore,

the poster had already fulfilled their obligation of secrecy. The post follower should have read the poster’s intention to act in confidentiality, and complied with their implied obligation of confidentiality. However, the follower violated their implied duty of confidentiality, disclosed an

unusual way of installing Security Guard and presented the GUI of the software to the public against the will of the right holder.

Conclusion

In summary, the Supreme Court held that the patented design had been disclosed before the filing date by a follower of the Kafa user who made the original post, who disclosed how to download and install Security Guard without the experience code. However, the disclosure by the follower is in violation of the right holder’s intention, which makes Exhibit 1 not eligible for anticipating the novelty of the design patent. The decisions of the PRB and the Beijing IP Court were therefore reversed.



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Securing high compensation for intellectual property infringements in China: a case study on melamine cases

By Ji Liu

In late 2022, China's Supreme Court presided over two prominent cases involving the patent and trade secrets of melamine, a widely used industrial compound.

These cases resulted in record-breaking compensation of ¥218 million RMB (\$30.3 million) to the

rights holders.

Among the plaintiffs were a Sino-foreign joint venture and a private high-tech company, and one of the defendants was a state-owned enterprise. The court's judgment illustrated its consistent approach to ensuring equal protection for all business entities, regardless of

their domestic or foreign capital ownership.

The Supreme Court's final decision ordered the dismantling of the existing infringing melamine production system—a 100,000-tonne-per-year melamine project—until it no longer infringes the involved patent.

While the lower courts hesitated due to potential “massive societal wealth waste”, the Supreme Court’s firm stance affirmed China’s commitment to the robust judicial protection of intellectual property rights.

This noteworthy case found its way into the “Annual Report of the Intellectual Property Court of the Supreme People’s Court 2022” and the “50 Typical Intellectual Property Cases of Chinese Courts in 2022”.

Using a multipronged strategy, the plaintiffs in the patent case secured substantial compensation. These cases illuminate a noteworthy strategy for similar IP litigation in the future.

A. Comprehensive evidence collection and diverse compensation calculation methods

- Profit derived from the

infringement was estimated based on the defendant’s overall business profit margin.

The plaintiffs took into account multi-year annual reports, where the defendants had disclosed their overall business profit margins, and the percentage of melamine product revenue.

Using these figures, they calculated the business income and profits of melamine products during the infringement period.

- Moreover, they calculated the gross profit stemming from the infringement based on the gross profit margin of the defendant’s organic amine product (as disclosed in their annual reports), and the melamine product’s gross profit margin as reported by comparable companies.

This calculation involved verifying the accuracy of the gross profit figures and making any necessary adjustments.

- In addition to the above, the plaintiffs made use of relevant data from third-party platforms to make estimations of the profits.

These calculations yielded consistent results, providing a reliable estimate that the defendant’s reasonable profit from the production and sale of melamine products during the infringement period was somewhere between ¥257 RMB (\$35.7 million) and ¥436 million RMB (\$60.6 million)

Given these estimates, the plaintiffs’ claim for damages was fully upheld.

B. Effort to establish the

value of the involved IP rights and reasonable allocation of claim amounts across related cases

The Supreme Court noted that the defendant's profits from the production and sales of melamine products were not solely derived from the infringing patent rights.

Therefore, the determined reasonable profits should also account for benefits originating from other rights and be adjusted accordingly.

In relation to this, the court considered the following factors:

- ***The nature of the patent:***

The Supreme Court deemed the patent in question to be an improvement invention. Despite not creating a new product per se, it effectively resolved issues of low production efficiency, high energy consumption, long-

term operational instability, and high by-product treatment costs.

Therefore, by using the patent, both production efficiency and economic benefits can be greatly enhanced.

- ***The impact of the patent's implementation on product production and sales scale:***

The court recognised the patent's significant effect on the defendant's melamine product production and sales. Its implementation directly and substantially increased the output of melamine products, consequently boosting sales profits.

- ***The defendant's***

evidence: The Supreme Court highlighted that the defendants had failed to provide evidence to counter the reasonable profit acknowledged by the original



trial court in the second instance trial, or to challenge the plaintiffs' claimed profit from the infringement.

- ***Claims regarding other intellectual property rights:***

The Supreme Court noted that the total compensation sought by the plaintiffs across the associated case and this case was ¥263 million RMB (\$36.6 million). This figure did not exceed the estimated



reasonable profit range of ¥257– ¥436 million RMB (\$60.7 million) calculated by the original trial court.

This thorough analysis led the Supreme Court to fully support the plaintiffs' requested compensation.

C. Selecting beneficial courts and vigorously chasing higher damages through appeals

In the array of patent and trade secret infringement suits brought forward by the plaintiffs, they astutely forwent certain suits. Instead, they focused intently on proceedings held by specialised IP court and intermediate court with IP tribunal, known for their extensive adjudication experience and predisposition to grant more substantial damages.

Even with initial compensation awards of ¥80 million RMB (\$11.1 million) and ¥50 million RMB (\$7 million), they continued to appeal in search of more substantial damages. This unyielding will of the plaintiffs was a pivotal factor in their ultimate success in securing significant compensation.

These landmark melamine infringement cases provide an essential insight—that a proactive, comprehensive litigation strategy can result in substantial compensation in China's IP legal landscape.

By using a multi-angle evidence collection approach and various compensation calculation methods, the plaintiffs set a new compensation record in IP cases.

The cases also underscore the Chinese courts' equal treatment of all business entities and emphasise their commitment to strengthening judicial protection for IP rights.



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CNIPA explains rules on trade mark review suspension

By Ling Zhao and Shufang Zhang

Suspension of review

In accordance with Article 35, paragraph 4 of the China Trademark Law, if the Trademark Review and Adjudication Board determines that the prior rights involved in the review must be based on the results of another case being tried by the Court or

handled by an administrative organ, the review may be suspended.

Once the reasons for suspension are eliminated, the review procedure should be resumed. There are similar regulations regarding suspension of examination on invalidation

and review of non-approval of registration per Article 45 of the China Trademark Law. In accordance with Article 11 of the Implementing Regulation on China Trademark Law, the period of suspension should be excluded from the statutory examination term.

In practice, we often encounter situations where applicants hope to request suspension of review or invalidation, waiting for the outcome of a parallel procedure to determine the legal status of a cited trade mark. It would be helpful if the China National Intellectual Property Administration (CNIPA) clarified its official criteria.

Guidelines

Recently, the CNIPA issues the Regulation on Trademark Review and Adjudication, which is the internal working guideline on trade

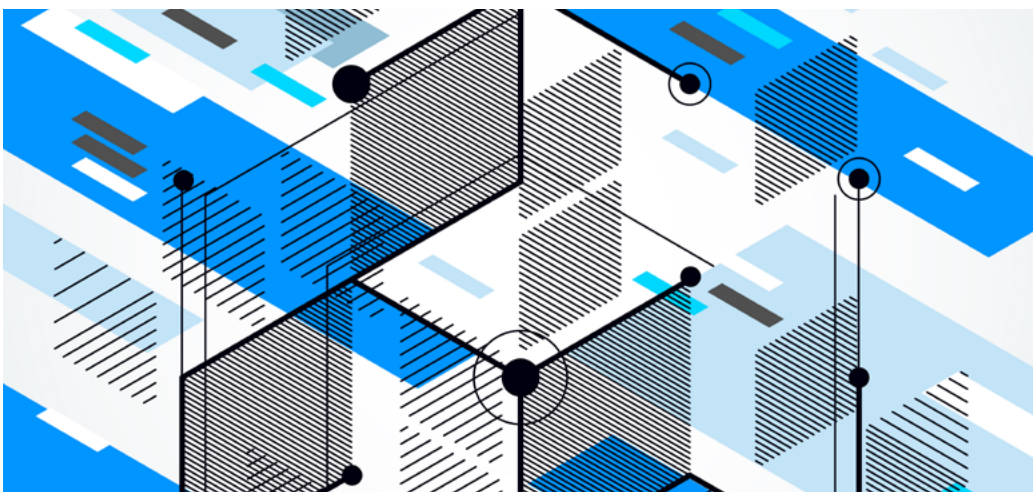
mark review and adjudication to be followed by examiners. In the Regulation, the CNIPA provides the specific rules on suspension.

To aid understanding of CNIPA's practice, it explained the regulation on suspension in an article posted on its website on 13 June 2023.

According to the Regulation, there are seven situations in which the CNIPA should grant suspension request of the applicant, and there are three situations in which the CNIPA may grant suspension request of the applicant.

Among the seven situations of “should”, the following five situations can be applied to review procedures such as review of refusal, review of non-approval of registration and invalidation:

- The mark in question or the cited mark is in a procedure such as name change or assignment, and the conflicts of rights will be removed after the completion of such change or assignment;
- The validity period of the cited mark lapses and is in a renewal procedure or grace period of renewal;
- The cited mark is in a procedures such as removal of registration or withdrawal of application;
- The cited mark is cancelled, declared invalid or lapses without renewal, and it is within one year as of the day of invalidation or cancellation when the case is examined.



If the cited mark is cancelled due to non-use, the one-year-term is not applied. In other words, we do not need to wait one year after the cited mark is cancelled is cancelled for non-use.

- The official decision affecting the legal status of the cited mark is already issued and to be effective, or a new official decision affecting the legal status of the cited mark is to be issued soon according to an effective judgment.

The following situation is applied to review of non-approval of registration and invalidation procedures:

- The determination of the prior rights involved must be based on the result of another case being tried by the Court or handled by the administrative organ.

And the following situation is

applied to review of refusal procedure only:

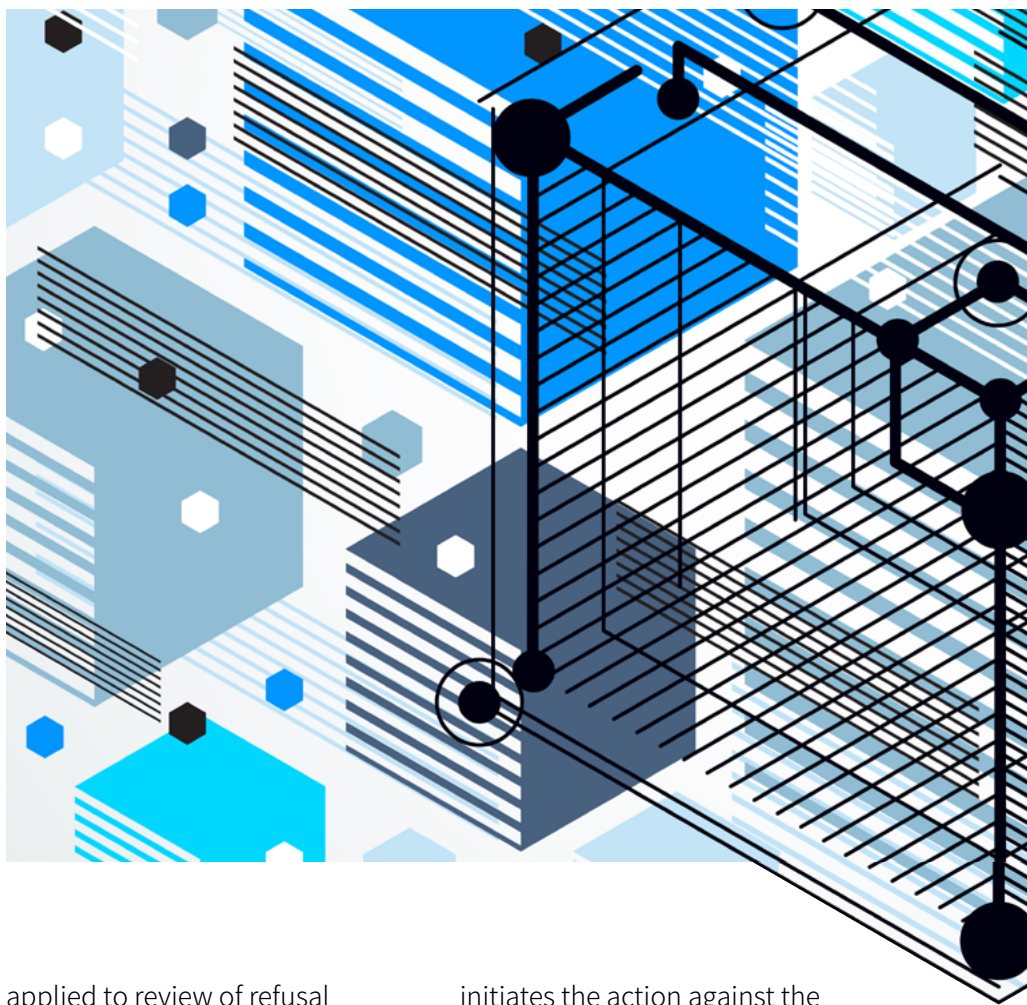
- The determination of the legal status of the cited mark must be based on the result of another case being tried by the Court or handled by the administrative organ, and the applicant files the request of suspension.

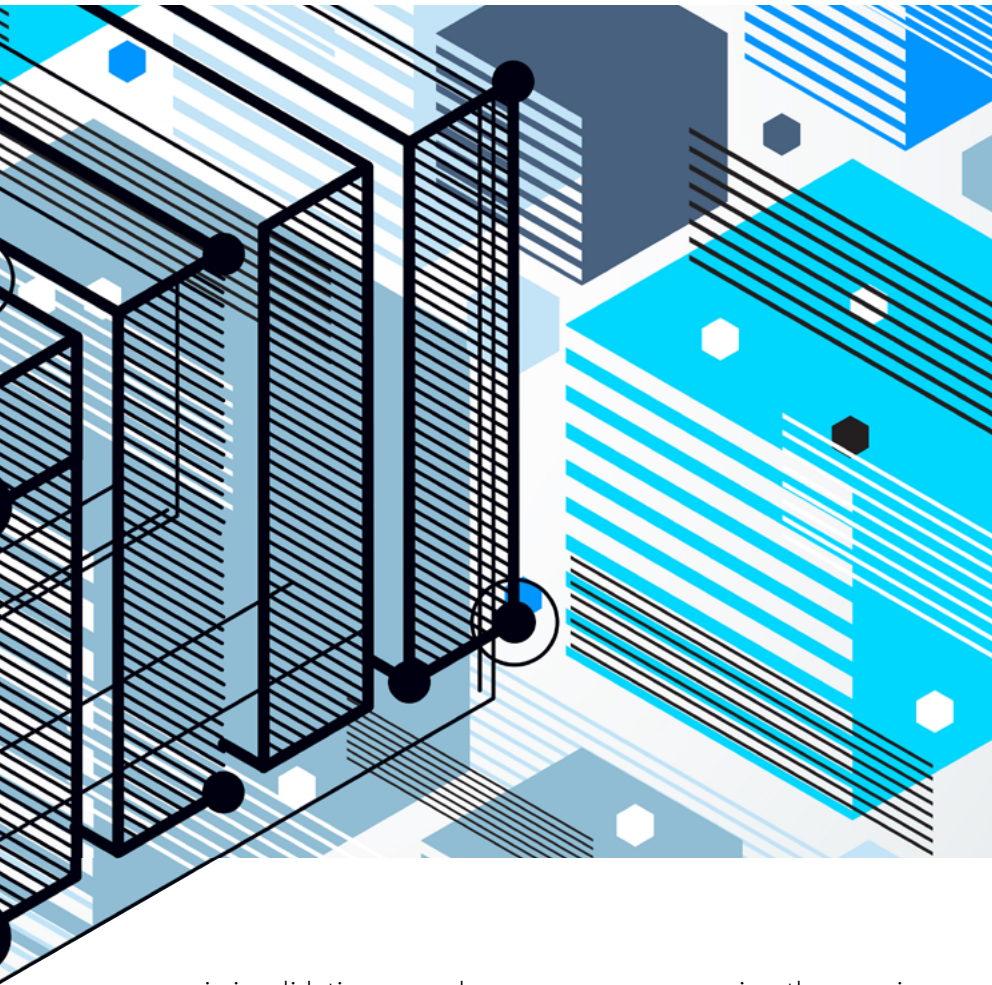
In this situation, there is no requirement on when or who

initiates the action against the cited mark, but the applicant needs to provide the number of the cited mark, the procedure, and the relevance to the present case in the suspension request.

Aside from the above listed situations of “should”, the following three situations are categorized as “may”:

- In review of trade mark refusal, the cited mark is pending





in invalidation procedure, and the holder of the cited mark has been considered as acting in bad faith in other cases. In this situation, the examiner can decide whether examination shall be suspended on their own, so as to further ease the burden of the applicant.

- The result of similar cases or result of relevant cases shall be used as reference. In such

scenarios, the examiner can decide in individual cases.

- Other situations wherein suspension is necessary.

Suspension procedure

The CNIPA also clarifies the procedures for suspension. For situations where suspension is requested by the applicant, the request should be filed within three months since the filing of the review, or at the time of filing the review, in written form. And the removal of suspension shall also be filed by the party initiating the suspension when the situation for suspension no longer exists.



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Notarial Protection of Trademark Rights

By Xinzhu Liang

In recent years, as China's economy and technology have continued to develop, there has been an increasing demand for a trade and technology-related IPR protection system. The IPR protection system both maintains the exclusivity of the creator and stimulates the creative spirit of both competing

parties at a high starting point. As a special kind of attestation activity carried out by the state-specialized judicial attestation institution in accordance with legal procedures, notarization plays an important role in all aspects of intellectual property protection, and has a special social function of preventing disputes and resolving

conflicts in civil activities and economic interactions.

Article 2 of the Notary Law of the People's Republic of China promulgated and implemented in 2005: Notarization means an act performed by a notarial institution, upon the application of a party concerned, such as certifying

the authenticity and legality of a legal act, a document or a fact of legal significance according to the statutory procedures.

Article 11(1): Upon request of a natural person, legal person or any other organization, the notarial office shall perform notarial acts for the following matters: (1) Contract; (9) Preservation of evidence;and (11) Other matters that a natural person, legal person or any other organization voluntarily requests for notarization.

Article 36: The notarized civil legal act, fact and document of legal significance shall be considered as the basis for determining a fact except that there is contrary evidence which is enough to reverse the notarization.

The above-mentioned articles regulate notary activities at the legal level, define the scope of business of notarial institutions,

and provide legal protection for notary institutions and notaries to perform their duties in accordance with the law.

The role of notarization in the confirmation of trademark rights

In order to promote the reasonable use and normal trade of trademark rights, trademarks can be transferred during the application process and after obtaining registration. Article 31(1) of Trademark Law of the People's Republic of China: Where a registered trademark is assigned, the assignor and the assignee shall file an application for assignment of the registered trademark with the Trademark Office. The assignor and the assignee shall jointly undergo the application procedure for such assignment. If the application is approved, the Trademark Office shall issue a corresponding certificate to the assignee, and publish it.

Article 17(2) of the Regulation on the Implementation of the Trademark Law of the People's Republic of China: Where an applicant transfers its application for trademark registration, it shall undergo the transfer procedure with the Trademark Office.

Although the laws do not explicitly require that the assignment of trademark application rights and registered trademarks should be notarized, in practice, when the assignee is a foreign company or individual, they usually ask the assignor to conduct a notarization for a declaration after signing the assignment agreement, which, on the one hand, further confirms the true intention of the assignor to transfer the trademark to avoid backtracking; on the other hand, it is prepared for checking when the Chinese Trademark Office issues a notice of correction due to the inconsistency between the assignor's signature and the one on the trademark application

during the assignment procedure.

The above process also applies to the transfer of a trademark after it has been purchased by negotiation.

The role of the notary public in trademark infringement litigation

A notary public mainly provides services to preserve evidence in trademark infringement litigation cases. There are two main categories:

Category A

To provide evidence to confirm the infringement of the other party. In the process of litigation, evidence is an important basis for the court to make trial conclusions, so how to properly preserve evidence has become one of the most focused issues in litigation cases, and preservation of evidence through notarization

is also the most credible evidence collection measures at present.

The notarization of preservation evidence has the following outstanding features:

1. *Relevance of interest.*

The parties must be natural persons, legal persons or other organizations that have an interest in the matter being preserved.

2. *Neutrality.* Neutrality is the basic attribute of a notary, who must maintain a neutral position when preserving evidence, uphold the principle of objectivity and impartiality, and exclude subjective factors in the process of recognition.

3. *Procedural.* The Notary Law of the People's Republic of China, the Rules of Notary Procedure, the Guidance of the China Notary Association on Handling Notarization of Preservation, and the Supreme Court's Several Provisions on Evidence in Civil Litigation and Several Provisions

on Evidence in Administrative Litigation all make strict provisions on the procedural nature of notarization of preservation evidence to ensure the procedural legality of notarization of preservation.

Evidence preservation notarization is mainly applied in trademark infringement litigation: on-site purchase of infringing goods, TV and telephone purchases, online purchases, notarization of infringing web pages; notarization of telephone recordings; notarization of electronic data such as cell phone SMS, WeChat, QQ, email, Weibo, etc. records; a postal service records of IPR infringement warning letters, etc.

With the increasing number of online shoppers, the online purchase of infringing goods and on-site receipt is one of the main forms of evidence preservation class notarization in recent years. In addition to using the notarized

purchase of infringing goods as evidence to determine the fact of infringement and to ensure the authenticity and validity of evidence preservation, it can also establish a one-to-one correspondence between the infringer and the infringing goods through infringing goods, purchase invoices, and photos taken on location to accurately determine the relevant information of the defendant in the litigation case and provide a guarantee for the smooth opening of the litigation process.

Case: A watch company, Company A, learned that Company B was selling products with Company A's registered trademark through WeChat and also selling the same trademark-infringing watches in its offline stores. Company A wanted to stop Company B's infringement through litigation and demanded B to compensate for damages. To this end, Company A's agent filed an application for notarization

of evidence preservation with a notary public. Considering that Company B's infringement occurred both online and offline, and that there was a correlation between online and offline evidence, Company A decided to notarize the electronic evidence on the WeChat platform together with the offline physical sales stores selling the infringing products. Subsequently, under the supervision of a notary, Company A notarized the evidence preservation of the product promotion texts and pictures conducted by Company B on WeChat as well as WeChat chat records using the network of notary public and equipment at the notary public office. At the same time, the details and the photo albums of the WeChat, etc. were also notarized in order to prove the relevance of the extracted electronic pictures to Company B. Then, the notary and the agent of Company A went to the physical store of Company B

to notarize the purchase of the infringing products, and the notary supervised the whole process on site. The notary also took photos of the physical store's door number, signboard and business license, and made detailed records of the time, place, name and quantity of infringing products purchased to ensure the authenticity of the purchase.

The above notarization of evidence preservation plays a key evidential role in the subsequent litigation process. Notarization of evidence preservation for purchasing infringing goods may also encounter some problems. For example, if the notary identifies himself in the process of notarization, it is impossible for the infringer to sell the infringing goods and obtain evidence of infringement; and if he does not identify himself, the defendant in the proceedings will often claim that such notarization has no legal effect. The specific procedures and

requirements for preservation of evidence are not clearly stipulated in the Notary Law and other laws, regulations and rules concerning notaries, etc. Therefore, the controversy over this way of obtaining evidence used to exist all the time.

In 2002, the Supreme People's Court issued the Interpretation on Several Issues Concerning the Application of Law in the Trial of Civil Disputes on Copyright, which stipulates in Article 8 that where any party concerned purchases infringing reproductions by ordering or on-the-spot dealing by himself or authorizing any other person, the physical objects and invoices, etc., obtained thereby may be adopted as evidence. The notaries issued by any notary public, without disclosing his own identity to the party that is suspicious of infringement, concerning the evidences obtained by the party concerned in the ways as mentioned in the preceding

paragraph or concerning the process of obtaining the evidences shall be adopted as evidences unless there are evidences that can prove the opposite. This is the first time that the feasibility of this type of deposition has been affirmed in the form of a judicial interpretation.

Category B

To provide evidence to confirm its non-infringement. Although China is a country that applies the first-to-file principle for trademarks, according to Article 59(3) of the Trademark Law of the People's Republic of China, if another person has already used the same or similar trademark with certain influence on the same goods or similar goods before the trademark registrant applies for trademark registration, the registered trademark owner has no right to prohibit the user from continuing to use the trademark within the original scope of use.

The holder of the exclusive right to use the registered trademark has no right to prohibit the user from continuing to use the trademark within the original scope of use, but may require it to attach appropriate distinguishing marks.

In practice, if the prior user of a trademark can keep evidence of its use in the form of notarization at the beginning of use, it will greatly reduce the burden of proof when disputes arise in the future.

In addition, in order to accommodate the massive generation of data message evidence in the electronic information era, data message preservation measures similar to notarization have also emerged in recent years. According to Article 11(2) of Provisions of the Supreme People's Court on Several Issues Concerning the Trial of Cases by Internet Courts: the parties submit electronic data, through electronic signatures, trusted time stamps,

hash value verification, block chain and other evidence collection, fixed and anti-tampering technical means or through the electronic forensic deposition platform authentication, can prove its authenticity, the Internet Court shall confirm. For example: Trusted timestamp is an electronic credential issued by the Trusted Timestamp Service Center that can prove that the data message (electronic document) is already existed, complete and verifiable at a point of time, mainly used for electronic document tamper-proofing and determining the exact time of electronic document generation or existence. The advantages of Trusted Timestamp are the low cost and the availability of 24/7 service. However, it also has obvious disadvantages: the use of timestamps for infringement evidence collection requires a high level of professionalism of the operator, and the steps involved in evidence collection are complicated, and any mishandling

of the steps will result in the evidence collected being suspect and inadmissible in court, thereby increasing the risk of litigation. Moreover, the evidence fixed by timestamp cannot form objective and brief expression like a notary certificate, so when the evidence is submitted to the court, the parties need to explain the evidence carefully, and the court also needs to upload the submitted documents to “timestamp verification” for examination, which is not conducive to the improvement of trial efficiency.

Summary

To sum up, the most important notary procedure involving

trademark rights is evidence preservation notarization, which can preserve important evidence; prevent evidence from being tampered with, damaged or lost; and ensure the authenticity of the evidence. With the notarization of evidence preservation conducted by a notary public, the authenticity and integrity of the evidence is legally recognized, which improves the credibility and authority of the evidence. Evidence preservation notarization is an effective legal means that can provide legal protection for the parties involved in the lawsuit and fully protect their legitimate rights and interests.



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