

Update

Overview of Recent IP-related Legal Developments in China

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China IP SME Helpdesk

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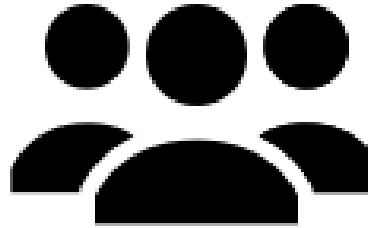
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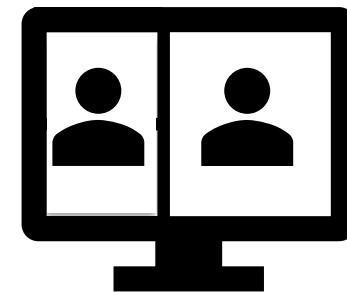


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IP Factsheet: Mainland China



1. THE FACTS: Business in Mainland China for EU Companies
(Source: DG Trade)



SIZE of Market:

- EU exports to Mainland China: EUR 173.5 billion
- EU imports from Mainland China: EUR 299.9 billion
- Total trade in goods: EUR 473.4 billion

> Mainland China is the EU's second largest trading partner, after the USA.
 > The EU is China's largest trading partner.

Key INDUSTRY SECTORS:

- > EU exports to Mainland China are dominated by machinery and equipment, motor vehicles, aircraft, and chemicals.
- > Mainland China's key export items to the EU include machinery and equipment, footwear and clothing, furniture and lamps, and toys.

1 THE FACTS: Business in Mainland China for EU Companies
Key INDUSTRY SECTORS

2 IPR in Mainland China for SMEs: BACKGROUND
Intellectual Property Rights for SMEs: Why is this RELEVANT to you?
How does Mainland China's IP legal framework compare to INTERNATIONAL STANDARDS?

3 IP Rights in Mainland China THE BASICS
A. Copyright
B. Patents
C. Trade Marks
D. Geographical Indications (GIs)
E. Trade Secrets

4 Using CUSTOMS to block counterfeits

5 Enforcing your IP
Administrative actions
Civil Litigation
Criminal Prosecution

6 RELATED LINKS and Additional Information

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Protecting Your Trade Secrets in China

Prevention is the key to protection.



WHAT EXACTLY CAN BE A TRADE SECRET

SOMETHING THAT

- 1 is not publicly known
- 2 has commercial value
- 3 you took measures to keep secret

expressions of ideas

know-hows, manufacturing or design techniques

status of products or services under development

valuable business information, lists, cost and price information

TRADE SECRETS

KEEP IT SECRET, KEEP IT SAFE

It is important to remember that once trade secrets become publicly known, they can no longer be protected as trade secrets.

CONFIDENTIAL

DON'T FORGET YOUR EMPLOYEES

- Limit access and copying rights to the personnel who actually need it.
- Require all employees to sign an employment agreement with strict confidentiality provisions.
- Be sure to hold exit-interviews and have them return documents, materials, computers, and files.
- Establish an internal management system for trade secrets. Training and clear written guidelines are essential.

DEALING WITH THIRD PARTIES

Business dealings or negotiations with third parties, potential partners, suppliers, contractors, licensees, or customers

monitor your partners, suppliers or licensees to make sure they are complying with your trade secrets protection policy

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BRIEF BIO OF JIAN XU



- Dually qualified Chinese lawyer and patent/trademark attorney, started practicing China IP law from 2006.
- Heading up the IP prosecution practice of Gowling WLG China
- Handled all aspects of IP in business including drafting, prosecution, enforcement, acquisition and licensing of patents, trademarks and brand, design rights, copyright and content.
- Author of the book: “*Chinese Intellectual Property – A Practitioner’s Guide*”.
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Topics

- China patent law changes in 2021
- China copyright law changes in 2021
- China trademark updates in 2021
- China's 15-year IP Plan Illustrated with high profile IP cases

China Patent Law Changes in 2021



01 | Partial Designs

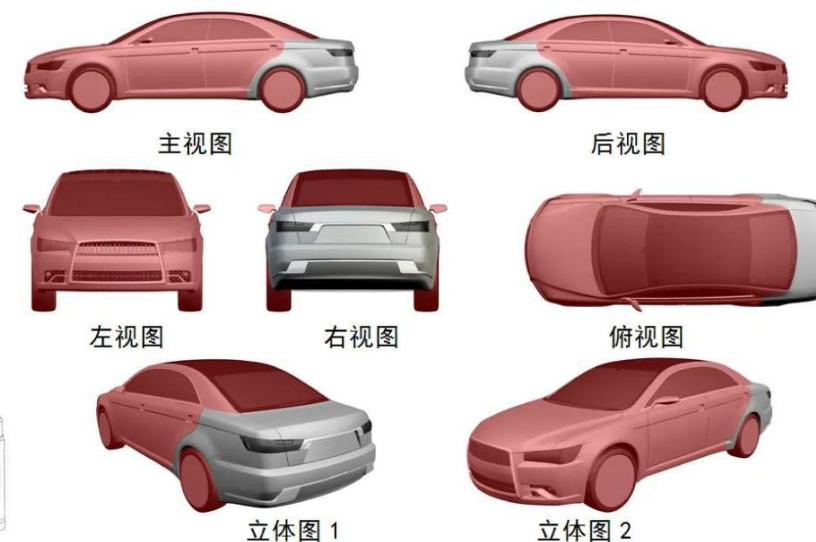
Partial design allowed:

IPR In line with international practice

IPR Must be based on a product

IPR Expanding the protection scope

IPR Cost savings for series of products



02 | Hague System for Designs



IPR China has joined **the Hague System**.

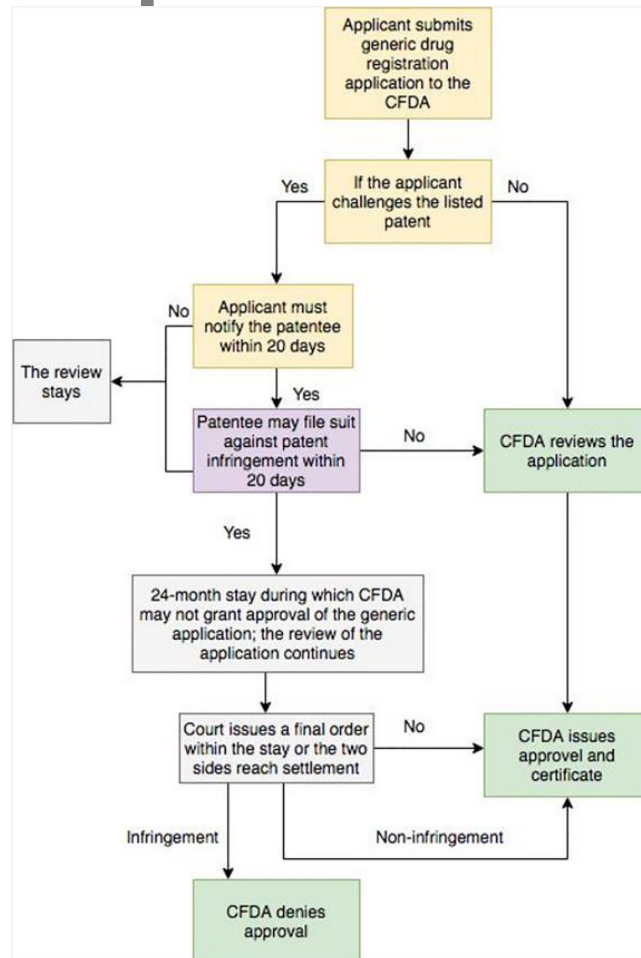
IPR Protection term for designs extended to **15 years**.

IPR Similar to Madrid system for trademarks

IPR **One international application** to WIPO, designating China.

IPR Up to 100 designs in one application

03 | Pharmaceutical Patents



3.1

Pharmaceutical patent term extension

- IPR Total compensation period: maximum 5 years
- IPR For new drugs after obtaining FDA approval: maximum effective patent term 14 years

3.2

Pharmaceutical patent linkage system

- IPR Linking "FDA approval of drugs" with "pharmaceutical patent infringement lawsuit"
- IPR A full system similar to the US system (Hatch-Waxman Act)
- IPR Innovator: list your drug patents in CFDA and sue generics for patent infringement during FDA approval
- IPR Generics: challenge innovator's patents and enjoy market exclusivity

Chugai vs. Haihe

The first pharmaceutical patent linkage lawsuit

In November 2021, the Beijing IP Court received the first pharmaceutical patent linkage lawsuit in China.



Plaintiff

Japanese Chugai, is the market authorisation holder of the listed patented drug "Eldecalcitol Soft Capsule", and owns Chinese invention patent entitled "ED-71 preparation" with the patent number 2005800098777.6.)



Defendant

Haihe, applied to China FDA for approval of the generic drug identically named "Eldecalcitol Soft Capsule", and stated that the generic drug does not fall within the scope of the Chugai patent



Chugai sued Haihe for patent infringement before the Beijing IP Court, under the pharmaceutical patent linkage provision.

04 | Patent Damages

4.1

Punitive damages up to **five times** the original damages

IPR The "intentional" and "serious" elements

IPR Deterrent value

4.2

Increasing statutory damages to **RMB five million** (c.a. EUR 71,900)

IPR Judge's discretion

IPR Employed in most cases

4.3

Evidence disclosure obligation relating to damage calculation

CATL v. TAFEL

- Utility model patent winning a damage award of RMB 23.3 million
- In CATL vs. TAFEL, the utility model patent relates to an explosion-proof device for the top cover of a secondary battery.

This utility model, with a relatively wide scope of claims, is the early-preferred solution for the explosion-proof sheet structure under the top cover mechanism.



Furthermore, the patent is not easy to invalidate due to the low inventiveness requirement for a utility model.



In August 2021, CATL received a favourable judgement based on its utility model patent infringement action against TAFEL, and was awarded damages of RMB 23.3 million.

05 | Other Notable Changes



5.1

Open license system

IPR A patentee may express in writing to CNIPA its willingness to license their patents to anyone and specify relevant royalties and method of payment. CNIPA will announce the patentee's statement and offer the open license.

5.2

Patent term compensation due to delays in examination

IPR If a patent application has been pending for more than 4 years since the filing date, or more than 3 years since the request for substantive examination, the applicant is entitled to request patent term compensation due to the delay in patent examination

5.3

Administrative protection of patents

IPR Increased fine for patent passing-off

IPR CNIPA will have authority to deal with nation-wide patent infringement cases.

Casio vs. Guangzhou company

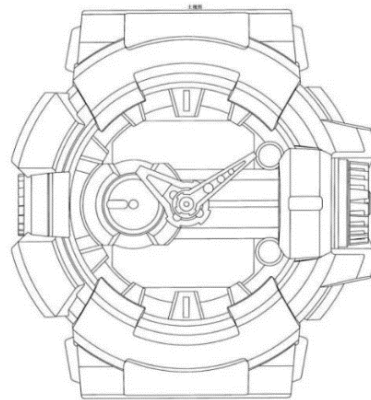
Administrative mediation of a patent infringement case with a compensation amount of RMB 1.7 million



In 2020, Casio discovered watches made and sold by a Guangzhou company allegedly infringing two of Casio's design patents



Casio submitted an administrative patent infringement complaint to the Guangzhou IP Office



In August 2021, both parties signed an administrative mediation agreement to reach a settlement

- Compensation of RMB 1.7 million,
- Undertaking to immediately stop manufacturing
- Undertaking to stop selling and offering for sale the infringing products.

China Copyright Law Changes in 2021



06 | Copyright Damages



6.1 Increasing the statutory damage to a maximum of RMB 5 million;

6.2 Mandating the minimum statutory damage is RMB 500

6.3 Introducing punitive damages up to five times the original damage

06 | Copyright Damages



- 6.4** Changing the definition of copyright works as " intellectual creations with originality in the realm of literature, art or science that can be represented in a certain form ";
- 6.5** Defining a broad category of " audio-visual works " covering all forms of movie-analogous works
- 6.6** Specifying that the collective copyright management body is a non-profit organisation; and
- 6.7** Improving the accessibility of copyright works for person with dyslexia

Tencent vs. Yinxun

Identifying the author of copyright for AI generated works

- January 2021, China's first case of copyright dispute over AI generated article works
- Tencent created an AI writing tool called "Dreamwriter", and found that Yinxun copied articles created by Dreamwriter

- ? Can Dreamwriter be deemed as the author/creator of those articles
 - The court said "no". AI is only a tool assisting the creation, and not the genuine author of the work.
- ? Can the articles be deemed as copyright works
 - The court said "yes". The works meet the originality standard.
- ? Who is the copyright owner for those articles
 - Those are service works, so Tencent is the copyright owner.



China Trade Mark Law Changes in 2021



07

Combating Bad Faith Trade Mark Filings

7.1

Special Action Plan for Cracking down on Malicious Preemptive Trade mark Registration – March 2021

7.2

CNIPA proactively revoked 482,000 pieces of bad faith trade mark filings in 2021

7.3

Specific measures include:

IPR Blacklist system

IPR Proactive refusal of clearly bad faith filings

IPR Flexible evidence standard for determining bad faith

IPR Emphasis on intention to use

LEGO vs. Le Pin

High damage awards for blatant trademark infringement and unfair competition



In March 2021, Guangdong High Court issued a final judgment in the case of "LEGO" v. "Le Pin", finding that "Le Pin" manufacturers have constituted trademark infringement and unfair competition, and ordered a damage award of **RMB 30 million (c.a. EUR 3.9 million)**.



The court found that Le Pin had been copying LEGO toys for four years, infringing on eight registered trademarks and one influential trade name of LEGO.



Why did the court accepted the full amount of claimed damage by Lego

- According to a relevant prior criminal judgment, Le Pin's illegal business turnover reached RMB 330 million from September 2017 to April 2019.
- Based on the sales data of "Le Pin" provided by E-commerce platform Taobao, Le Pin's illegal business turnover exceeded RMB 500 million.
- Referencing reasonable industry profitability level, the illegal profit is about RMB 160 million.

China's 15-year IP Plan



07 | Quantifiable Goals

- by 2025



7.1 The added value of patent intensive industries will account for 13% of GDP

7.2 The added value of copyright industries will account for 7.5% of GDP,

7.3 The annual total import and export of intellectual property royalties will reach 350 billion RMB, and

7.4 The number of high-value invention patents per 10,000 people will reach 12.

08 | Outlook for 2022



- 8.1** The Chinese courts are going to apply more punitive damages in IP infringement cases.
- 8.2** China is going to shift from quantity driven to quality driven in term of its patent filings.
- 8.3** China will continue to take a tough stance in striking down bad faith trademark filings.
- 8.4** Pharmaceutical companies, both innovators and generics, are going to test out China's pharmaceutical patent linkage system.

Questions?

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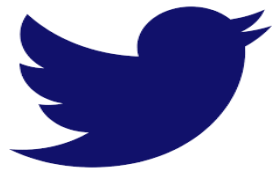
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