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**The Implementing Regulations of the Patent Law of the People's Republic of China is revised for the third time**

On December 11, 2023, the State Council of the People's Republic of China issued Decree No. 769, promulgating the "Decision of the State Council on Amending the Implementing Regulations of the Patent Law of the People's Republic of China". The revised "Implementing Regulations" will come into effect on January 20, 2024.

The revised "Implementing Regulations" cover various aspects, including restoration of priority, addition or correction of priority, incorporation by reference, patent term compensation, open licensing, time limit calculation, international applications for industrial designs, and more. These revisions aim to meet the demands of new market developments, improve China's patent protection system, and align it with international standards.

Regarding the specific revisions in the "Implementing Regulations," we will prepare a separate article to introduce them. Please refer to the following link for the official announcement and the full text of the "Implementing Regulations":

[https://www.gov.cn/zhengce/content/202312/content\\_6921633.htm](https://www.gov.cn/zhengce/content/202312/content_6921633.htm)

**CNIPA releases Announcement on Administrative Reconsideration Matters Concerning Patent Term Compensation and Patent Open Licensing**

On December 21, 2023, the China National Intellectual Property Administration (CNIPA) issued Announcement No. 560, releasing provisions regarding administrative reconsideration matters concerning patent term compensation and patent open licensing.

The announcement includes the following:

If a patentee, or an interested party who is involved in an infringement dispute over a patent or who has filed a relevant drug registration application, disagrees with the decision of the National Intellectual Property Administration on whether to grant patent term compensation under Article 42(2) and (3) of the Patent Law, they may apply for administrative reconsideration to the CNIPA.

If a patentee disagrees with the CNIPA's decision on whether to reduce annual fees during the implementation period of open license of the patent under Article 51(2) of the Patent Law, they may apply for administrative reconsideration to the CNIPA. However, decisions made by the CNIPA on whether to announce open licensing declarations are not within the scope of administrative reconsideration.

These provisions will come into effect on January 20, 2024. See the following link for the full text of the announcement:

[https://www.cnipa.gov.cn/art/2023/12/21/art\\_74\\_189200.html](https://www.cnipa.gov.cn/art/2023/12/21/art_74_189200.html)

### **CNIPA releases Announcement on Transitional Measures for Handling Examination Businesses related to the Implementation of the Amended Patent Law and Its Implementing Regulations**

In order to ensure the smooth implementation of the amended Patent Law and its Implementing Regulations and clarify the specific application rules for the examination-related clauses before and after the enforcement of the amended Implementing Regulations, the CNIPA has formulated the "Transitional Measures for Handling Examination Businesses related to the Implementation of the Amended Patent Law and Its Implementing Regulations", which was announced in Announcement No. 559 released on December 21, 2023. These measures will come into effect on January 20, 2024.

Regarding the application of the amended Patent Law, patent applications filed on or after June 1, 2021 as well as patents granted based on such applications will be subject to the amended Patent Law. As for examination-related amendments to the Patent Law, the CNIPA has been applying the new law for examination since June 1, 2021.

Regarding the application of the amended Implementing Regulations, generally, for rights exercised at the time of filing an application, the determination of whether the amended Regulations should apply will be based on whether the initial filing date, divisional application submission date, or Chinese national phase entry date is January 20, 2024. For rights exercised after the filing of an application, the amended Regulations will apply to patent applications/patents whose filing date or grant announcement date is after June 1, 2021 (inclusive). For changes related to examination procedures, the amended Regulations will apply as from January 20, 2024.

Please refer to the following link for the full text of the transitional measures:

[https://www.cnipa.gov.cn/art/2023/12/21/art\\_74\\_189199.html](https://www.cnipa.gov.cn/art/2023/12/21/art_74_189199.html)

### **CNIPA and INAPI Extend PPH Pilot Program**

The CNIPA and the National Institute of Industrial Property of Chile (INAPI) have jointly decided to extend their Patent Prosecution Highway (PPH) pilot program for another five years from January 1, 2024 to December 31, 2028. The established guideline of CNIPA-INAPI PPH request remains controlling the pertinent requirements and procedures governing applicants' PPH requests at the two offices.

The extension of the CNIPA-INAPI PPH pilot program will further advance the two countries' communication and cooperation in IP, serve both Chinese and Chilean innovators by accelerating the patent examination process and continuously

deepen the two offices' cooperation in patent examination.

PPH is a fast track linking patent examination duties of different countries or regions, allowing patent examination authorities to speed up patent examination by work sharing. Since the initiation of the first PPH program in November 2011, the CNIPA has built PPH ties with patent examination authorities of 32 countries or regions.

[http://english.cnipa.gov.cn/art/2024/1/4/art\\_1340\\_1895\\_26.html](http://english.cnipa.gov.cn/art/2024/1/4/art_1340_1895_26.html)

### **CNIPA and DKPTO Extend PPH Pilot Program**

The CNIPA and the Danish Patent and Trademark Office (DKPTO) have jointly decided to extend their PPH pilot program for another five years from January 1, 2024 to December 31, 2028. The established guideline of CNIPA-DKPTO PPH request remains controlling the pertinent requirements and procedures governing applicants' PPH requests at the two offices.

PPH is a fast track linking patent examination duties of different countries or regions, allowing patent examination authorities to speed up patent examination by work sharing. Since the initiation of the first PPH program in November 2011, the CNIPA has built PPH ties with patent examination authorities of 32 countries or regions.

The extension of the CNIPA-DKPTO PPH pilot program will further advance the two countries' communication and cooperation in IP, serve both Chinese and Danish innovators by accelerating the patent examination process and continuously deepen the two offices' cooperation in patent examination.

[http://english.cnipa.gov.cn/art/2024/1/4/art\\_1340\\_1895\\_25.html](http://english.cnipa.gov.cn/art/2024/1/4/art_1340_1895_25.html)

### **The CNY Standard of Fees for the International Phase of PCT Applications, Effective from January 1, 2024**

Recently, the CNIPA issued an announcement, releasing the standard for collecting fees for the international phase of PCT applications in accordance with the CNY standard published by the World Intellectual Property Organization.

Starting from January 1, 2024, the CNIPA will collect fees for the international phase of PCT applications according to the following standard:

Fee Standard for the international phase of PCT applications (Unit of Amount: CNY)

(1) international filing fees collected on behalf of the international bureau

1.	International filing fee for application documents of no more than 30 pages	10620
2.	Additional fee per exceeding page for documents of more than 30 pages	120
3.	Fee reduction for electronic filing (in PDF format)	1600
4.	Fee reduction for electronic filing (in XML format)	2400

(2) formality fee collected on behalf of the international bureau 1600

Adjustment of the standard due to significant exchange rate fluctuations or other reasons shall be announced separately.

This standard is applicable to international filing fees for the PCT applications filed with and received by the CNIPA on or after January 1, 2024, as well as formality fees for the PCT international preliminary examination requests received by the CNIPA on or after January 1, 2024.

Except the fees collected on behalf of the International Bureau, the fees charged by the CNIPA, such as search fees, remain unchanged.

For details of the announcement, please see the following link:

[https://www.cnipa.gov.cn/art/2023/12/22/art\\_332\\_189214.html](https://www.cnipa.gov.cn/art/2023/12/22/art_332_189214.html)

### **China Improves Efficiency in Reviewing IP Applications**

China's efficiency in reviewing IP applications improved last year, said Shen Changyu, director of CNIPA, on Thursday. Shen introduced that the average time spent reviewing an invention patent was shortened to 16 months, while the average time for reviewing a trademark is 4 months now. China also dealt with a number of IP applications last year, with 921,000 invention patents, 2.09 million utility models, 638,000 designs authorized and 4.383 million trademarks, 11,300 integrated circuit layout designs registered.

<http://www.chinaipmagazine.com/en/news-show.asp?id=12848>

### **CNIPA Commissioner Shen Changyu Heads Delegation to 2023 CNIPA-JPO-KIPO's TRIPO Heads Meetings and IP User Symposium**

The 29th Heads Meeting between the CNIPA and the Korean Intellectual Property Office (KIPO), the 30th Heads Meeting between the CNIPA and the Japan Patent Office (JPO) and the 23th CNIPA-JPO-KIPO's Trilateral Intellectual Property Offices (TRIPO) Heads Meeting were held consecutively in Busan, Korea on November 30. CNIPA Commissioner Shen Changyu, JPO Commissioner Hamano Koichi and KIPO Commissioner Lee Insil respectively headed delegations to the meetings. The three offices reviewed the progress of bilateral and trilateral cooperation projects in the past year, made plans for future cooperation and signed

meeting minutes. Secretary General Lee Heesup of the Trilateral Cooperation Secretariat attended the TRIPO Heads meeting and delivered a speech.

Shen said that the CNIPA has established friendly and effective cooperative ties with the JPO and the KIPO for years, and reaped significant fruits under both the bilateral and trilateral cooperation frameworks.

Hamano and Lee appreciated the cooperation achievements with the CNIPA in the past year and looked forward to enhancing both the bilateral and trilateral IP cooperation, further boosting the friendly exchanges among the three countries in science and technology, economy and other areas.

At the TRIPO meeting, the three offices also had a profound discussion on Artificial Intelligence (AI) and examination of AI-related invention patents. The meeting approved the 10 Year Vision for Trilateral IP Cooperation, setting directions for future cooperation. The three offices agreed that the next year's TRIPO Heads Meetings and IP User Symposium would be hosted by the CNIPA in China.

On December 1, the 11th CNIPA-JPO-KIPO's TRIPO User Symposium was held in Busan, with the theme of "Role of IP for Innovative Small and Medium Enterprises (SMEs)". Shen wished in his opening remarks that the three offices would enhance communication, learn from each other, and foster a better IP ecosystem to provide more high-quality services to tech SMEs and enhance economic and innovative development.

Hamano and Lee also attended the symposium and delivered a speech respectively. Over 100 representatives from the three offices and IP practitioners of the three countries attended the meetings.

[https://english.cnipa.gov.cn/art/2023/12/19/art\\_1340\\_189105.html](https://english.cnipa.gov.cn/art/2023/12/19/art_1340_189105.html)

### **Thai Luckin Coffee Claims for \$290M from Chinese Luckin Coffee**

Thailand's 50R Group has filed a lawsuit against China's Luckin Coffee, claiming 10 billion baht (US\$290 million) in compensation, according to Thai media reports released on Wednesday.

50R Group said in a court filing that it had legally registered the "Luckin" trademark with the Thai Ministry of Commerce in 2020 and was allowed to use the trademark to operate coffee shops that sell tea and coffee drinks. However, China's Luckin Coffee later filed a lawsuit at Thailand's Central Intellectual Property and International Trade Court, accusing 50R Group of maliciously registering trademarks. The first instance court ruled in favor of China's Luckin Coffee, a decision which was reportedly reversed by the appeal court in early December.

50R Group also claimed in its latest lawsuit that Luckin Coffee had forced it to stop the use of the disputed trademark before the court made a final decision, causing 50R Group serious economic losses. 50R Group is asking the court to award it a total of 10 billion baht (US\$290 million) in compensation.

Luckin Coffee is a Chinese coffee company and coffeehouse chain. It was founded in Beijing in 2017. Wikipedia data reveals that as of June 5, the total Luckin coffee store number reached 10,000. It quickly expanded over the years and outnumbered the number of Starbucks stores in China by 2019.

50R Group is mainly engaged in retail, new energy, tourism, real estate, catering and other businesses. It set up Thailand's Luckin Coffee in March 2019 and started operating stores in December 2020. Currently, it runs a dozen of Luckin Coffee stores in Thailand.

Social media photos show that the Thailand company's logo bears high similarity with that of China's Luckin Coffee, with a just small difference seen in the facing direction of the deer image.

According to legal experts, under Article 63 of the Thai Trademark Law, if the Thai company first registered the trademark with the Thai Trademark Office, it will have the right to engage in business in this field in Thailand, which is the reason why Luckin lost the lawsuit. However, if Luckin appeals the decision and proves that it used the brand earlier and is more influential around the world, the court could reconsider its previous ruling.

<http://www.chinaipmagazine.com/en/news-show.asp?id=12840>

### **DJI Patent Challenged by a Suspected Textron "straw man" in China**

A patent of SZ DJI Technology Co., Ltd, entitled "a flight mission processing method, device, and system", is under invalid challenge, according to an announcement released by the CNIPA on January 2.

The claimant for invalidation is a natural person named "Wang Lin", a suspected "straw man" hired by DJI's American rival Textron Inc considering that DJI's major current patent disputes are with Textron in both China and US, said Chinese IP analysts.

In April 2023, Textron won \$278.9 million in a US patent dispute with DJI, hitting a new patent infringement compensation record for Chinese companies involved in US disputes.

The two sides then escalated their lawsuits in both China and the US.

In July 2023, DJI was asked by a US court to hand over the source codes of its disputed products, and DJI also failed in its battle for jurisdiction.

In the same month, DJI countersued Textron for patent infringement in the US. In addition, it launched invalidation challenges to Textron's patents in China. The relevant challenged patents are still under trial.

The patent in the latest challenge, filed in 2014 through PCT international application, involves a solution to reproduce some or all of the flight missions by loading the recorded

data. Its Chinese patent number is ZL201480016276.7.

CNIPA is scheduled to hold an oral hearing of the case on January 24.

<http://www.chinaipmagazine.com/en/news-show.asp?id=12845>

### **Munich Regional Court Rules that OPPO and OnePlus has Infringed InterDigital's Patent**

InterDigital has secured a victory against OPPO and OnePlus in Germany regarding its mobile technology patent, according to news released on January 8.

The Munich Regional Court ruled that OPPO and OnePlus infringed InterDigital's patent EP2127420 B1 and ordered the two defendants to cease and desist. OPPO and OnePlus were also instructed to recall their products and disclose information of their accounts.

It is reported that OPPO had challenged InterDigital's licensing terms and pricing, referencing a UK court decision with Lenovo. However, the Munich court dismissed these arguments and labeled OPPO an unwilling licensee.

Whether OPPO and OnePlus will appeal these rulings remains uncertain.

<http://www.chinaipmagazine.com/en/news-show.asp?id=12851>

### **China's Supreme People's Court Rules against Bili in a Trademark Dispute Attracting Nationwide Attention**

China's Supreme People's Court( SPC) has reversed the first and second instance judgments made by two lower courts in a trademark case attracting nationwide attention, according to news released on January 4.

The case relates to a disputed “honeysuckle (”金银花” in Chinese)” trademark.

Since 2018, hundreds of mosquito-repellent “honeysuckle” floral water manufacturers across China have been sued for allegedly infringing the “honeysuckle” trademark owned by Shanghai Bili Cosmetics Co.,Ltd (hereinafter referred to as “Bili”).

Bili sought over 12 million Yuan in total in its widespread lawsuits against the “honeysuckle” floral water manufacturers and won in most cases.

A number of manufacturers were ordered to compensate from tens of thousands to hundreds of thousands yuan to Bili for infringing the trademark.

Many appealed in courts across China. Among them, the appeal filed by Suzhou Shiyen Biology Household Necessities Co.,Ltd. (hereinafter referred to as “Shiyen”) was accepted by the SPC in March 2022.

Last Thursday, Shiyen received the judgment issued by the SPC to reverse the lower courts' judgments.

In its ruling, the SPC reasoned that “honeysuckle” is a traditional Chinese herbal medicinal ingredient lacking distinctiveness and therefore Shiyen's use of “honeysuckle” in the name of its products don't constitute infringement.

This decision aligns with a previous “honeysuckle” trademark invalidation by the CNIPA in September 2022.

Interestingly, historical data indicates that the CNIPA had canceled the “honeysuckle” trademark back in 1994 due to “improper registration”. However, despite the 1994 decision, implementation was not carried out due to unknown reasons. Eventually, the trademark was transferred multiple times and landed with Bili.

<http://www.chinaipmagazine.com/en/news-show.asp?id=12850>

## SUPPLEMENTARY ISSUE

### **Probative Force in Civil Cases of Evidence Generated during the Administrative Enforcement is Not Affected by the Administrative Decision**

The SPC recently concluded a case of infringement of new plant varieties through counterfeit seeds. This case involves, where an administrative penalty decision related to the production and operation of counterfeit seeds had been revoked through an effective administrative judgment, whether the evidence generated during the administrative enforcement is admissible in civil infringement disputes involving the same plant variety.

The SPC in the second-instance judgment held that whether the administrative enforcement agency makes an administrative penalty decision and whether the administrative penalty decision is effective do not necessarily affect the admissibility and probative force of the evidence legally generated during the administrative enforcement process. Even if the administrative agency does not decide to impose an administrative penalty or if the administrative penalty decision is revoked, the court trying the civil infringement case should still conduct a comprehensive and objective examination on the evidence submitted by the parties involved and generated in the enforcement process. If the evidence involved is verified to be authentic, legitimate and relevant, it shall be used as the basis for determining the facts.

Liaoning A company, the owner of a new corn plant variety named "Danyu No. 405", filed a lawsuit with the court of first instance, claiming that Shandong B company's producing and selling and Pingdu C department's selling the "Nongxing 2126" corn seed infringe its variety rights. The main basis for their claim is an administrative penalty decision issued by the Pingdu Comprehensive Administrative Enforcement Bureau in Shandong against Shandong B company and relevant evidence generated during the enforcement process.

The court of first instance ordered Shandong B company and Pingdu C department to stop infringement, and Shandong B company was ordered to compensate Liaoning A company 400,000 yuan. Shandong B company was dissatisfied and appealed to the SPCt, primarily arguing that the administrative penalty decision involved in the case had been revoked by an effective judgment, and the evidence involved should not be admissible. The SPC in the second-instance judgment rejected the appeal and upheld the original judgment.

The SPC held in the second instance that although the penalty decision was revoked by the court's effective administrative judgment on the grounds that there was insufficient evidence to determine the quantity and value of the counterfeit seeds, other evidence generated during the administrative penalty process is not automatically deemed inadmissible. Liaoning A company claimed that Shandong B company infringed upon their rights by producing and selling counterfeit "Danyu 405" seeds under the name "Nongxing 2126." They presented evidence such as the confiscated infringing seeds and inspection reports from the administrative penalty as the basis for seeking judicial relief. The court should conduct a comprehensive examination on the evidence involved and make a comprehensive determination.

The confiscated corn seed packaging bags during the administrative enforcement bear the name and seed production license number of Shandong B company, as well as an anti-counterfeiting query QR code traceable to Shandong B company. Combined with the record information on "Nongxing 2126" and other materials from Pingdu C department, it was sufficient to determine that the alleged infringing "Nongxing 2126" seeds in this case were produced and sold by Shandong B company. Accordingly, the appeal request of Shandong B company was rejected.

The second-instance judgment of the SPC emphasized that imposing administrative penalties on the production and operation of counterfeit seeds falls within the scope of seed market supervision, which is an important means to strengthen the supervision and management of the seed market, ensure the interests of seed users, and guarantee food security. In the process of the administrative agency's investigating and handling counterfeit seeds, if there is evidence to prove that the counterfeit seeds actually infringe upon someone else's variety rights, the rights holder can use the materials generated during the seed supervision and inspection process as evidence to initiate a lawsuit to the court to seek civil legal remedies against the infringements of implement the authorized variety without permission.

In the trial of civil infringement cases, the people's court shall examine and determine the evidence generated by the administrative enforcement agencies in the enforcement process in accordance with the law, so as to achieve the effective coordination between administrative enforcement and civil justice and safeguard the legitimate rights and interests of variety rights holders. The evidence does not automatically lose its admissibility and probative force even if the administrative penalty decision is legally revoked.

Strengthening the protection of plant variety intellectual property requires improving the protection system through administrative law enforcement, judicial protection, industry self-discipline and other aspects to strengthen coordination to establish a comprehensive protection framework. Utilizing the relevant evidence generated during the administrative enforcement process to file infringement lawsuits is conducive for variety right holders when solving the problems of "difficulty and high cost of proof" when defending their rights. It is also conducive to achieving the effective coordination between administrative enforcement and civil justice, and promotes the continuous improvement in the rule of law environment in the seed industry market.

-- (2022) Zui Gao Fa Zhi Min Zhong No. 947

### **Continuing to Use the Patented Method after the Expiration of the Provisional Protection Period Constitutes Patent Infringement**

The SPC recently concluded a case involving a method patent infringement dispute after the provisional protection period has expired. The court clarified the standards for determining method patent infringement and the legal application issues such as the inapplicability of the defense of legitimate sources for using a method patent. The judgment has certain reference significance for the handling of similar cases.

The three plaintiffs, including A company, are the patentees of the Invention Patent No. 201510465803.9, titled "Tank Container Assembly Platform and Assembly Method". During the provisional protection period of the patent, B company in Jingjiang City purchased the alleged infringing tank container assembly platform and used it to manufacture tank container products, and continued to implement this after the patent was granted. The three plaintiffs, including A company, filed a lawsuit against B company for infringement of their patent.

The court of first instance determined that B company's purchase of the alleged infringing product during the provisional protection period and their continued use of the alleged infringing product for production after the patent grant announcement did not constitute infringement. Three plaintiffs, including A company, were dissatisfied and appealed to the SPC.

The SPC held in the second instance that B company continued to use the alleged infringing products and implement the patented methods after the patent grant announcement constituted patent infringement. Their defense of legitimate sources cannot be established as a valid defense against infringement. The reasons are as follows:

First of all, the defense of legitimate sources is a defense that exempts one from liability for compensation and is a specific embodiment of the system of protecting bona fide third parties in the patent law. Its applicability is limited to users, sellers, and offer for sale of infringing products, specifically including using, selling, and offering to sell infringing patented products or using, selling, or offering to sell products directly obtained by patented methods. It does not apply to the use of patented methods. The defense of legitimate sources is not applicable to acts involving the use of a patented method, and it should not exceed the provisions of existing laws and judicial interpretations by applying the defense of legitimate sources to infringement acts involving the use of a patented method.

Secondly, regarding the defense of legitimate sources for users who purchase infringing product during the provisional protection period of the patent, it is essentially limited by the physical conditions of the product, and the user cannot implement the patented technical solution indefinitely.

Specifically, the provisional protection period of an invention patent is a relatively fixed period from the date of publication of the invention patent to the date of grant. After the invention patent is granted, when the patentee files a dispute over the appropriate royalties during the provisional protection period of the patent, that patent provisional protection period is a clear and expired period, and only actions that occur during this period and exploit the patent without the permission of the patentee are the subject of such disputes.

During this period, the quantity of the alleged infringing products manufactured by the manufacturer and the quantity of the alleged infringing products purchased by the users are relatively clear and will not increase over time. Products manufactured without the permission of the patentee will also wear out over time. Therefore, supporting the defense of the legitimate source for infringing products will not unduly harm the interests of the patentee. But as for the infringement through the use of a patented method, it is usually not subject to the aforementioned restrictions based on the physical conditions of the product. Once the defense of legitimate sources is applied to the infringement of the use of a patented method, the user will be able to indefinitely implement the patented technical solution, thereby which would unduly harm the interests of the patentee.

Finally, the defense of legitimate sources cannot be applied to acts of using infringing products that actually constitute infringement of a patented method. The scope of protection differs between product patents and method patents. The protection scope of a method patent can extend to products obtained directly according to the patented method, but the protection scope of a product patent only covers the product itself and does not extend to the method of using the product. When the protection scope of a product patent itself does not cover the method of using the patented product, the defense of legitimate sources cannot also extend to the related infringement of the use of the patented method.

Based on the above, the SPC in the second instance reversed the previous judgment and ordered B company to cease the infringement and compensate for economic losses and reasonable expenses of more than 5.3 million yuan.

The judgment in this case clearly analyzed relevant legal difficulties such as infringement constituted by continuing to implement the technical solution of the method patent after the

expiration of the provisional protection period due to patent grant, , as well as the inapplicability of the defense of legitimate sources for method patent infringement. It effectively protects the legitimate rights and interests of the patentee, especially patentees of method patents. It has a positive guidance in regulating the business behavior of various market entities after the expiration of the provisional protection period.

——(2021) Zui Gao Zhi Min Zhong No. 434

### **The “One Variety, One Name” Rule for Plant Varieties**

The SPC recently concluded an appeal case involving an infringement dispute over new plant variety rights where the party claimed "one variety, multiple names". The SPC in the second-instance judgment in this case held that for the same variety, the same name should be used when applying for new plant variety protection, variety approval, variety registration, and promotion and sale, and the parties involved must comply with the provisions of the Seed Law and relevant administrative regulations on the principle of "one variety, one name". Regardless of whether you apply for variety approval first or apply for new plant variety rights first, the same name should be used in subsequent stages to ensure that the characteristics of the variety are consistent with the standard sample, thereby preventing the occurrence of the phenomena "one variety, multiple names" or "multiple varieties, one name".

This case involves a new rice plant variety named "Liannuo No. 2" and a rice variety named "Fengnuo 1246" approved by Anhui Province. An Anhui company, the interested party in "Liannuo No. 2", filed a lawsuit with the court of first instance, claiming that "Liannuo No. 2" and "Fengnuo 1246" were the same variety, and that a Donghai company and an individual Sun infringed on its variety rights by selling “Wandao 68” rice seeds. It also submitted an inspection report in which site differences between the alleged infringing seeds and standard samples of "Fengnuo 1246" were not found.

The court of first instance held that the protected name of the "Fengnuo 1246" variety was "Liannuo No. 2" and its parent source was also "Liannuo No. 2", so the two were the same variety, and the alleged infringing seeds infringed upon the "Liannuo No. 2" variety. Accordingly, it decided that the Donghai company and Sun should bear liability for infringement. Dissatisfied with the decision, the Donghai company appealed to the SP. In the second instance judgment, the SPC change the first-instance judgement and rejected the Anhui company's claims.

The SPC held in the second instance judgment that:

First of all, in terms of the emergence time and subsequent use of the two variety names "Fengnuo 1246" and "Liannuo No. 2", "Fengnuo 1246" participated in regional trials for variety approval in 2013 and 2014, and obtained crop variety approval in Anhui Province in 2016, while “Liannuo No. 2” applied for variety right protection in 2015 and obtained the new plant variety right in 2019. From the fact that the parties concerned named and used the involved varieties as "Liannuo No. 2" and "Fengnuo 1246" respectively in different procedures and continued their operations under these names during subsequent stages, it can be inferred that "Liannuo No. 2" and "Fengnuo 1246" are not the same variety.

Secondly, based on the naming standards of new plant varieties, the name of the variety for which variety rights are applied for should comply with the regulations on naming new plant varieties, and should also be consistent with the name of the variety approved and registered. In

this case, before the application for variety rights protection of "Liannuo No. 2" was filed, "Fengnuo 1246" had already existed, and there was no evidence to prove that the variety name "Liannuo No. 2" was changed to "Fengnuo 1246". Therefore, it is difficult to determine that "Liannuo No. 2" and "Fengnuo 1246" are the same variety.

Thirdly, the breeding subjects of the two varieties are not exactly the same.

Finally, although there is an explanation for the inconsistency in the variety names issued by relevant rights holders in this case, the evidence is essentially the variety rights holder's own subjective understanding of "Fengnuo 1246" as "Liannuo No. 2", and its probative force is limited. It cannot overturn the fact that "Liannuo No. 2" and "Fengnuo 1246" have been used respectively for a long time in new plant variety authorization and variety approval, and it is not sufficient to prove that "Fengnuo 1246" and "Liannuo No. 2" belong to the same variety. Moreover, in this case, despite the court's clarification, the Anhui company still failed to provide supplementary evidence proving that "Liannuo No. 2" and "Fengnuo 1246" are the same variety. The existing evidence in this case provided by the Anhui company is insufficient to prove that the alleged infringing seeds are identical with "Liannuo No. 2", so the Anhui company should bear the adverse consequences of being unable to provide sufficient evidence. Therefore, the SPC of the second instance changed the previous judgment as above.

The SPC in the second-instance judgment emphasized that the name of a new plant variety possesses uniqueness and is an important external symbol that distinguishes the variety from other varieties. Although breeders can use different names to refer to selected varieties during the breeding process, it is legally required that for the same variety, the same name should be used in the applications for new plant variety protection, variety approval, variety registration, and promotion and sale. If the name of a granted new plant variety is different from the name of a variety which passes variety examination and obtains approval, it should be presumed that the two do not belong to the same variety. In a lawsuit for infringement of new plant variety rights, where the variety right holder claims that a new plant variety and an approved variety with different names belong to the same variety, the right holder should provide sufficient evidence to prove so.

The judgment in this case shows that seed producers and operators have the obligation to ensure the consistency of the same variety's name and the conformity between seed products and seed samples. In order to improve seed quality and promote agricultural development, it is necessary not only to protect new plant variety rights in accordance with laws and encourage breeding innovation, but also to regulate the seed market in accordance with laws and ensure the prosperity, stability and healthy development of the seed market.

-- (2022) Zui Gao Zhi Min Zhong No. 269

### **Determination of Repeated Prosecution when Intellectual Property Infringement Lawsuit and Technical Secret Infringement Lawsuit are both Filed**

The SPC recently made a final ruling on a dispute over infringement of technical secrets, revoked the first-instance court's ruling to dismiss the prosecution on the grounds of repeated prosecution, and ordered the first-instance court to try the case. This case has certain reference significance for how to determine whether repeated prosecution occurs when the same right holder files a lawsuit over infringement of intellectual property rights and a lawsuit over infringement of technical secrets against the same infringer.

This case clarifies that Article 24 of the Judicial Interpretation of SPC on Several Issues Concerning the Application of the Anti-Unfair Competition Law of the People's Republic of China mainly solves the problem of substantive determination to prevent infringers from bearing double civil liability in intellectual property infringement lawsuit and anti-unfair competition lawsuit, but is not the basis for a ruling to dismiss the lawsuit. Applying this article generally should result in a judgment to reject the plaintiff's litigation claims.

A Zhejiang company complained to the court of first instance that its former employee Cao, who participated in the development of computer software for an intelligent speech recognition system (the "Infringed Software ") and had access to the source code of the software during his employment with the Zhejiang company, took a job at a Hangzhou company, and certain computer software ("the alleged Infringing Software") sold by this company was highly similar to the Infringed Software. The Zhejiang company believed that Cao and the Hangzhou company had jointly infringed on the technical secrets it owned. It filed a lawsuit requesting the court of first instance to order Cao and the Hangzhou company to immediately stop infringing on the technical secrets and bear joint liability for damages.

While the Zhejiang company sued Cao and the Hangzhou company for infringement of technical secrets, it also sued Cao and the Hangzhou company in the court of first instance for infringement of its rights to reproduce and modify the Infringed Software.

The court of first instance, upon trial, held that in the computer software copyright infringement lawsuit, it had been determined that some source code files of the alleged Infringing Software were similar to the source code files of the Infringed Software; since the relevant dispute in this case would be handled in the computer software copyright infringement lawsuit, a ruling was made to dismiss this trade secret infringement lawsuit of the Zhejiang company in accordance with the provisions of Article 24 of the Judicial Interpretation of the SPC on Several Issues Concerning the Application of the Anti-Unfair Competition Law of China. The Zhejiang company was dissatisfied and appealed.

The SPC held in the second instance that the focus of the dispute in this case was whether this case constituted repeated prosecution and whether the court of first instance should conduct a substantive trial of the case.

As for whether this case constitutes repeated prosecution, according to the provisions of Paragraph 1, Article 247, of the Judicial Interpretation of the SPC on the Application of the Civil Procedure Law of the People's Republic of China, determination shall be made by comparing the parties, claims, and subject matters of the litigation in the previous and subsequent lawsuits and examining the impact of the res judicata of the previous lawsuit on the subsequent lawsuit, while the similarities and differences in the subject matter of the litigation shall be determined by analyzing the similarities and differences in the causes and facts, and the situation where the judgment result of the subsequent lawsuit negates the judgment result of the previous lawsuit shall be avoided.

First of all, although the dispute over infringement of technical secrets in this case and the dispute over infringement of computer software copyright in the other case involve the same parties, and the claims are basically the same, the causes and facts of the two cases, that is, the alleged infringement behaviors, are different. The alleged infringement in this case is that Cao violated his confidentiality obligation by disclosing, using and allowing the Hangzhou company to use the technical secrets of the Zhejiang company, and that the Hangzhou company knew that Cao violated his confidentiality obligations but still obtained and used the technical secrets of the Zhejiang company. In the other case, the alleged infringement is that Cao and the Hangzhou

company reproduced and modified the copyrighted software without the authorization of the Zhejiang company. Therefore, the subject of litigation in this case is different from that in the other case.

Secondly, the two lawsuits filed by the Zhejiang company are based on different rights, so there is no possibility that the result of the subsequent lawsuit would negate the result of the previous lawsuit. In this case, the Zhejiang company claimed rights based on the technical secrets it owned, while in the other case, it claimed rights based on its ownership of the computer software copyright, and thus the corresponding rights and obligations of the parties are different. Therefore, no matter whether Cao and the Hangzhou company are determined to infringe the technical secrets, it will not conflict with the judgment result of the other case. That is to say, the substantive judgment of this case will not lead to the situation where "the judgement result of the subsequent lawsuit negates the judgement result of the previous lawsuit". In summary, this case does not constitute repeated prosecution.

Regarding whether the court of first instance should conduct a substantive trial of this case, Article 24 of the Judicial Interpretation of the SPC on Several Issues Concerning the Application of the Anti-Unfair Competition Law of China stipulates that for the infringement committed by the same infringer against the same subject at the same time and within the same geographical scope, if the people's court has determined that the copyright, patent or exclusive right of a registered trademark has been infringed and ordered it to bear civil liability, and the party concerned requests the same infringer to bear civil liability against on the grounds that the act constitutes unfair competition, the people's court shall not support it. This provision mainly aims to clarify the relationship between specialize intellectual property laws and the anti-unfair competition law, and to solve the issue of determining duplicate civil liability. That is to say, where the court has determined infringement and ordered the infringer to bear civil liability in accordance with the relevant specialized intellectual property laws, if the party concerned requests the infringer to bear civil liability again on the grounds that the same infringement constitutes unfair competition, the court shall make a judgment to reject the party's litigation claims.

Whether Cao and the Hangzhou company are determined to be infringers in the computer software copyright infringement lawsuit does not affect the trial and determination of whether technical secrets have been infringed in this case. As for whether there is possibility that double civil liability is borne, it must be determined after a substantive trial. Therefore, the court of first instance should conduct a substantive trial on the litigation claims of the Zhejiang company.

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### **Plaintiff's Claim for Compensation for Reasonable Expenses in a Declaratory Judgment Action for Patent Non-infringement is not Supported**

The SPC made a final judgment on a declaratory judgment action for patent non-infringement between the appellant, a Nanjing company, and the appellee, a Wuxi company, and determined that in the declaratory judgment action for patent non-infringement, it was inappropriate to support the plaintiff's (Wuxi company) request for compensation for reasonable expenses from the defendant Nanjing company.

The plaintiff (Wuxi company) manufactures and sells a fully automatic anti-permeation equipment. The defendant (Nanjing company) is the patentee of the utility model patent "Concrete Impermeability Test Device". The Nanjing company sent a warning letter to a distributor for the Wuxi company, informing that the fully automatic anti-permeation meter equipment it sold was

suspected of patent infringement, the Nanjing A company had preserved evidence of the infringement, and intellectual property disputes would be involved if the selling continued. After learning about the warning letter, the Wuxi company sent the Nanjing company a lawyer's letter, requesting the Nanjing company to withdraw the warning letter or file an infringement lawsuit with the court within one month. Because the Nanjing company neither withdrew the warning letter nor filed a lawsuit with the court, the Wuxi company took a declaratory judgment action for non-infringement of Nanjing company's patent, and requested that the Nanjing company bear attorney fees of 22,000 yuan incurred by the Wuxi company for this action.

After trial, the court of first instance held that the accused infringing products manufactured and sold by the Wuxi company did not fall within the scope of the patent involved. This case was a patent infringement dispute. It was indeed necessary to hire a lawyer to participate in the litigation. The attorney fees incurred were reasonable litigation expenses. Therefore, in the judgment, the court determined that the Wuxi company did not infringe the Nanjing company's patent, and ordered that the Nanjing company pay 10,000 yuan for the attorney fees incurred by the Wuxi B company for this case.

The Nanjing company was dissatisfied with the original judgment and appealed, arguing that it should not be ordered to pay attorney fees to the Wuxi company.

The SPC, upon trial, held that in the declaratory judgment action for patent non-infringement, it is inappropriate to support the warned person or interested party's claim for compensation from the right holder for reasonable expenses such as attorney fees and other reasonable expenses.

First of all, in the current laws and judicial interpretations, there are no special provisions supporting plaintiffs' claims for compensation for reasonable expenses such as attorney fees in a declaratory judgment action for patent non-infringement.

Reasonable expenses are indirect losses suffered by the rights holder for maintaining the market value of intellectual property, conducting investigations and evidence collection, and stopping infringement. It is a special system designed in the compensation system for intellectual property infringement, which embodies the policy of strict intellectual property protection and the principle of comprehensive compensation and is of great value in sanctioning infringements and protecting rights. Pursuant to the provisions of the Chinese Patent Law and relevant judicial interpretations, the amount of compensation for patent infringement shall include the reasonable expenses paid by the right holder for stopping the infringement. If the right holder claims that it paid reasonable expenses for stopping the infringement, the court may calculate compensation for reasonable expenses separately beyond the amount of compensation determined in Article 65 of the Patent Law. However, claiming compensation for reasonable expenses in a declaratory judgment action for patent non-infringement does not meet the statutory applicable conditions.

The application scope of the above provisions is limited to disputes over patent infringement, and does not extend to declaratory judgment actions for patent non-infringement. Therefore, there is no legal basis for the Wuxi company to claim compensations from the Nanjing company for its reasonable expenses, including attorney fees.

Secondly, from the specific dispute involved in a declaratory judgment action for patent non-infringement, it can be seen that there is no basis for the transfer of payment of attorney fees. A declaratory judgment action for patent non-infringement is a remedial action for protecting the warned or interested party from being disturbed by the uncertainty of whether it has infringed the patent of others. Such actions are classified as civil negative declaratory judgment actions and generally do not involve liabilities for damages. Unless there is evidence proving that the patentee

has abused its rights or engaged in unfair competition behaviors such as commercial defamation, it is usually difficult to determine the subjective liability of the patentee.

In this case, the dispute between the two parties is whether the fully automatic anti-permeation equipment manufactured and sold by the Wuxi company infringed the patent of the Nanjing company, and the dispute to be resolved is whether the Wuxi company infringed the patent. The Wuxi company in this case did not claim that the Nanjing company had engaged in abuse of rights, unfair competition, etc. In the absence of a dispute over damages, there was no basis for a separate trial of the dispute over the transfer of payment of attorney fees in this case.

Moreover, the hiring of a lawyer by the Wuxi company in a declaratory judgment action for patent non-infringement was a civil action initiated by the company based on its own circumstances and had no inevitable causal relationship with the behavior of the Nanjing company. In absence of special provisions in the law, the constituent elements of damages are not established.

Furthermore, determination of patent infringement is a highly professional matter, and it is not appropriate to impose strict restrictions on the way in which patent is exploited or to order the right holder to bear liability in absence of a clear legal basis. Implementing strict intellectual property protection requires a fair, convenient and efficient rights protection mechanism to protect the rights and interests of patentees and stimulate their innovation and creativity. Sending infringement warning letters is a relatively simple, effective, and widely used way to safeguard a patentee's rights. Making the patentee bear adverse consequences just because of sending an infringement warning letter lacks legal basis and is not conducive to the protection of patents. Therefore, the patentee should not be liable for compensation solely for its act of sending an infringement warning letter.

Of course, it needs to be pointed out that the patentee also has the necessary duty of prudence and attention when issuing infringement warning letters, to make sure that its actions comply with the requirements of legality and legitimacy, follow the principles of good faith and non-abuse of rights, and do not harm the legitimate exercise of rights and normal business order of the warned persons or interested parties.

Finally, if the patentee abuses its rights, or engages in unfair competition and other behaviors that cause damage to the rights and interests of the warned person or an interested party, the aggrieved party may separately claim damages in accordance with the provisions of the Anti-Unfair Competition Law and its judicial interpretations.

In this case, the SPC clarified that the reasonable expense counter-compensation system does not apply in declaratory judgment actions for patent non-infringement. It also specified the remedy channels for damages where a patentee abuses rights or unfairly competes and causes damage to the rights and interests of the warned person or an interested party. This clarification is of reference significance for the trial of such disputes.

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