

### **Table of Contents**

AFD China Won China IP Awards 2021 .....	1
China Launches the Marketed Drug Patent Information Registration Platform.....	1
China Released White Paper on IP Protection in 2020.....	1
Commercialization Rate of China's Invention Patents Reached 34.7% in 2020 .....	2
Customs Authorities Took Heavy Actions to Protect IP Rights .....	3
More IPR Protection Centers Established in China .....	3
China Launches Inquiry System for EU Trademarks .....	3
Top 10 Patent Reexamination & Invalidation Cases in 2020 Announced .....	4
AFD Case Study: How to Handle Preemptive Trademark Registration Filed by Intended Distributors .....	5

### **AFD China Won China IP Awards 2021**

According to the 2021 China IP Awards, AFD China, by virtue of its outstanding expertise in pharma and biotech IP matters as well as its comprehensive and one-stop services offered to clients of the areas, was once again honored by Asia IP as "Pharma, Biotech & Life Sciences Firms of the Year".

In addition, our firm was also given the honor "Patent Litigation Firms of the Year" for the first time, which is a great recognition of our persistent efforts in fighting for the clients' rights and interests in legal proceedings. One of the administrative lawsuits that we assisted has been selected into the Essentials of Judgment of Intellectual Property Court of Supreme People's Court (2020).

### **China Launches the Marketed Drug Patent Information Registration Platform**

The Center for Drug Evaluation of the National Medical Products Administration of China recently announced the launch of Marketed Drug Patent Information Registration Platform, which also marked a substantial step in the landing of China's drug patent linkage system.

The platform can be visited at <https://zldj.cde.org.cn> and is open for public testing from May 18, 2021 to May 31, 2021. Holders of marketed drugs may participate in the registration test of relevant drug patent information. The patent information that has been registered with the holders' approval during the test period will be

disclosed, and serves as the basis for patent declaration from applicants of chemical generic drugs, Chinese medicine with the same name and formula, and biosimilar drugs.

<http://www.cde.org.cn/news.do?method=viewInfoComm&on&id=464a59511b09ddf>

### **China Released White Paper on IP Protection in 2020**

China's National Intellectual Property Administration (CNIPA) issued a white paper entitled "Status of IP Protection in China in 2020" on April 26, 2021.

The Status Report has five major topics:

One, effectiveness of protection. By 2020, China's achievements in IPR protection have been widely recognized by innovation entities around the world and the international community. Social satisfaction with IP protection reached a new high of 80.05 points (out of 100). According to the Global Innovation Index 2020 report released by the World IP Organization (WIPO), China ranks 14th.

Second, system building. In 2020, China revised and promulgated four laws and regulations related to IP rights. Six judicial interpretations on IPR protection were issued; More than 20 policy documents related to IPR protection were issued and implemented. Two national standards for IPR protection were issued.

Third, examination and approval and registration. In 2020, China granted 530,000 invention patents, and the number of invention

patents per 10,000 population reached 15.8. The number of trademark registrations reached 5.761 million, and 7,553 applications for international registration of Madrid trademarks were submitted by domestic applicants, ranking third in the Madrid Union. The total number of copyright registrations was 5.039 million. The examination period for high-value patents has been reduced to 14 months, and the average examination period for trademark registrations has been reduced to 4 months.

Fourth, cultural construction. Press conferences, typical cases and thematic publicity were held to tell China's IP story well from multiple perspectives, and to show the image of a civilized and responsible country.

Fifth, international cooperation. The Beijing Treaty on Audio-Visual Performance came into force, the Regional Comprehensive Economic Partnership and the China-EU Agreement on the Protection and Cooperation of Geographical Indications were signed, all of which helped make the global IPR governance system more just and equitable.

<http://english.ipraction.gov.cn/article/ns/202104/342526.html>

### **Commercialization Rate of China's Invention Patents Reached 34.7% in 2020**

According to the 2020 China Patent Investigation Report, the 2020 yearly commercialization rate is 34.7%. The rates throughout the entire 13th Five-Year Plan (2016-2020) sit firmly above 30% while the rates of companies are even higher at above 40%.

The Patent Transfer and Transformation Index reaches 54.7 in 2020, up 3.6 points from 2019. Nearly 80% of companies have clear expectations for the future revenue generated by their patents, 49.5% of which expect that their revenue derived from materializing their patents will increase in the next year; 45.5% expect such revenue to stay flat, and only the remaining 5.0% foresees a

decline, suggesting most Chinese corporate patentees see their patent-generating revenue going nowhere but upward.

The Report also illustrates China's enhancement in patent protection. On the one hand, the proportion of Chinese patentees experiencing infringements is dropping, down 3.7% from 2015 to 10.8% in 2020. On the other hand, patentees have a more prepared mind to enforce their rights. In addition, 73.9% of Chinese corporate patentees took measures to protect their rights after being infringed, up 11.1% from 2015, clearly sending a message that right owners are more proactive in defending their belongings.

The Report shows that during the 13th Five-Year period, 7.3% of patent infringement court cases ended up with over 1 million yuan in damages, whether from court order, mediation or settlement, 4.4% higher than that during the 12th Five-Year period (2011-2015).

The Report also illustrates new changes in innovation activities: patentees themselves tend to invest more in R&D and join hands in innovation. In 2020, 16.5% of China's valid invention patents received R&D investments of more than 1 million yuan, up 4.4% year-on-year while 43.4% of valid invention patents received R&D investments below 100,000 yuan, down 1.2%, obviously suggesting companies are more generous in infusing more capital to R&D. Nearly 80% of Chinese corporate patentees had worked with others in innovation; 52.1% of corporate patentees had worked with their upstream or downstream customers on innovative projects; 34.9% with companies in the same industry; 27.5% with universities or research institutes, whose most frequent patrons were national-level high-tech companies, reaching 40.5%, 1.9 times more likely than that of non-high-tech enterprises. Cooperation has become a significant option of companies' innovation.

<http://english.ipraction.gov.cn/article/ns/202105/344680.html>

### **Customs Authorities Took Heavy Actions to Protect IP Rights**

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A total of 61,900 batches of goods suspected of IPR infringement have been seized by Chinese customs authorities in 2020, involving 56.18 million items, data from the administration showed.

Jin Hai, director-general of the GAC's department of general operations, said customs branches across China will further enhance the crackdown on third-party involved illegal transshipment acts against IPR protection rules, form a regional law enforcement network with other trading partners and effectively prevent illegal activities in the port areas this year.

<http://english.ipraction.gov.cn/article/ns/202104/342520.html>

### **More IPR Protection Centers Established in China**

China has approved the establishment of three more intellectual property rights protection centers in Northeast China. The three centers, namely Liaoning center in Liaoning province, Jilin center, and Changchun center in Jilin province, will provide quick and collaborative services for IPR protection in new materials, new-generation information technology, high-end equipment manufacturing, the biomedical industry, and modern agriculture.

Another two centers established in Northeast China include Shenyang center in Liaoning province and Heilongjiang center in Heilongjiang province. They focus on IPR

protection of high-end equipment manufacturing and the biological industry.

So far, there are 46 IPR protection centers under construction or in operation in China.

In 2016, by setting up IPR protection centers in cooperation with local governments, the administration launched quick and collaborative protection of IPR to address difficulties in obtaining evidence and reduce the duration and cost involved in IPR protection.

<http://english.ipraction.gov.cn/article/ns/202105/344225.html>

### **China Launches Inquiry System for EU Trademarks**

The CNIPA launched a registration-information inquiry system for trademarks registered in the European Union.

The general public may search with keywords, such as trademark name, application number and applicant, to browse and download trademark information. And the service is for free.

The system was developed following an agreement signed on Sept 25, 2020 on the mutual exchange of trade mark information between the NIPA and the European Union Intellectual Property Office (EUIPO).

By the end of March, the EUIPO had offered nearly 2 million pieces of trademark information to the NIPA, and China had shared more than 31 million pieces of information to the TMview database of the EUIPO, said Wang at a press conference in Beijing.

<http://english.ipraction.gov.cn/article/ns/202104/342917.html>

## SUPPLEMENTARY ISSUE

### **Top 10 Patent Reexamination & Invalidation Cases in 2020 Announced**

The CNIPA announced the top 10 patent reexamination & invalidation cases in 2020 at its Open Day event.

The top 10 cases of 2020 are:

1. Request for invalidating invention patent "use of a beta blocker for the manufacture of a medicament for the treatment of hemangiomas". Decision: maintain patent right on the basis of amendment. This is a typical case of invention of new uses of drugs, which has demonstration effect on the inventive step judgment of "conventional drug in new use".
2. Request for invalidating invention patent "distributed power harvesting systems using DC power sources". Decision: patent right declared invalid. This patent involves the photovoltaic field. The decision emphasized that the understanding of technical terms should be based on the patent's public content and the ordinary meaning in this field in the position of the technical staff skilled in this field, and technical terms should not be over-interpreted.
3. Request for invalidating utility model patent "Sheet material handling equipment and mobile phone glass machining center". Decision: maintain patent right. The decision emphasizes that, during creativity evaluation, it is necessary to examine whether there is technical inspiration from the existing technologies as a "whole", instead of simply piecing up the existing technologies.
4. Request for invalidating utility model patent "a kind of voice coil motor and its lens group of driving liquid lens". Decision: maintain patent right on the basis of amendment. This patent involves liquid lens. The decision believes that novelty examination should pay attention to the integrity of the technical scheme to accurately grasp its essence.
5. Request for invalidating invention patent "wireless communication system". Decision: patent right declared invalid. This case interprets the application of the examination criteria for the amendment of claims in the patent invalidation procedure.
6. Request for invalidating design patent "a graphical user interface for a mobile communication device". Decision: part of the patent right declared invalid. The case involves the determination of the scope of protection for the graphical user interface. The decision emphasizes that the determination of the interface view and the interaction mode should be accurately judged in combination with pictures and brief introduction.
7. Request for invalidating invention patent "butylbenzene phthalein cyclodextrin or cyclodextrin derivative clathrate, its preparation method and application". Decision: maintain patent right. This case can be used as reference to evaluate the creativity of the improvement inventions of known compounds. The decision emphasizes mining of the technical information reflected in the experimental data and the technical contribution of appropriate identification of the experimental data in the position of the technician staff in this field.
8. Request for invalidating invention patent "power bank renting method, system, and renting terminal". Decision: maintain patent right. This is a typical case of patent examination in new fields and new business forms. The decision emphasizes that the interaction between technical characteristics and non-technical characteristics should be considered when judging whether business method inventions are creative.

9. Request for invalidating invention patent "flat-knitting machine". Decision: maintain patent right. This case provides an idea for examining how to accurately understanding the meaning of specific technical terms, and clarifies the role of the "internal evidence" of the related patent in accurately understanding the technical terms.

10. Request for invalidating invention patent "substituted oxazolidinones and their use in the field of blood coagulation". Decision: maintain patent right on the basis of amendment. This case has demonstration effect on judging the inventive step of chemical compounds. The decision emphasizes that it is necessary to judge whether the existing technologies provide technical inspiration for structural modification based on the examination of the structure-activity relationship.

<http://english.ipraction.gov.cn/article/tc/202105/344502.html>

### **AFD Case Study: How to Handle Preemptive Trademark Registration Filed by Intended Distributors**

During the prosecution of trademark applications, it's quite often that the real users of the trademarks find that others have already preemptively registered the trademarks. Some of the "others" may be strangers to the real users of the trademarks, while some may be acquaintances of the real users, or in other words, they may be people who once had certain relationships with the real users. In practice, the preemptive registrants we encountered are often people with certain identities, such as distributors or intended distributors. Below we will share our experience on how to "knock out" such a preemptive trademark application by using the relevant provisions of the Trademark Law.

#### **Case Brief**

Our client, a German-based high-end equipment manufacturer applied for registration of its trademark with the China Trademark Office but was told that the Chinese subsidiary of its previously intended distributor (a Hong Kong company) had already preemptively filed an application for registration of the trademark. During communication between the two parties, the intended distributor first indicated that they would urge their Chinese subsidiary to withdraw their trademark application, however, later they evasively expressed that the application could not be withdrawn but could be assigned to our client for a valuable consideration. Our client was hesitant about whether to agree with the assignment. We advised our client that pursuant to the provisions of Chinese Trademark Law, a trademark application can be withdrawn at any time before it is finally approved for registration. Obviously, the intended distributor just used that as an excuse and their real intention may be to preemptively obtain registration of the trademark and then sell it for a profit. In order to get away from the trap, we suggested the client take action against the preemptive trademark application.

In view of the facts that the preemptive trademark application related to someone who had been familiar with the true owner (our client) and their trademark and that such application was still in the opposition period, we advised our client to file an opposition against such application in accordance with the provisions of Article 15 of the Chinese Trademark Law. Considering that the relationship between our client and the intended distributor just involved preliminary negotiations for business cooperation, we particularly suggested citing the provisions of Article 15(2) of the Trademark Law to oppose the preemptive trademark application by proving that the preemptive applicant obtained the trademark by means of their business relationship with our client.

Once the applicable legal provision is determined, the next step is to collect evidence to indicate the proposition. What makes this case special is that a more thorough and complete chain of evidence must be established given that the preemptive applicant is not the party who directly negotiated with our client for cooperation but its Chinese subsidiary. According to relevant examination standard, even though it is not filed by a party who has certain relationship with the actual trademark user, if there is evidence that the trademark applicant has colluded with such party, then the trademark application shall be deemed as a preemptive trademark application as stipulated in Article 15(2) of the Trademark Law and shall not be approved for registration. Collusive preemptive trademark application, as appropriate, may be presumed based on the kinship or business relationship between the trademark applicant and the party who has certain relationship with the actual trademark user. Thus, in this case, further proof is needed as to whether an investment or other relationship exists between the preemptive trademark applicant and the intended distributor. And we found, after investigation, that the preemptive trademark applicant is a Chinese subsidiary of the intended distributor. We saved the relevant evidence and organized it with a clear logic flow.

Meanwhile, the key to success is whether the evidence of the certain relationship between the concerned parties will be accepted by the Office. Considering that our client and the intended distributor discussed the collaboration only via email, we suggested our client submit all the related email communications and the attachments thereto and meantime legalize and notarize such email communications.

When filing the opposition, we also emphasized that our client is the prior user of the concerned trademark such that the Examiner may develop discretion in favor of our client who is the true owner of the trademark. Corresponding argument and evidence were presented on the following two aspects:

1. The trademark had been used by our client previously and was distinctive in terms of its constituents and its form of presentation;
2. Our client had acquired certain fame worldwide in the field of the related products.

Meanwhile, to prove our client's prior use of the trademark, we proactively collected and submitted the evidence of our client's public use of the trademark, such as a printout of the webpage showing the trademark from our client's official website, and the Madrid international trademark application filed by our client, in which China was designated.

Finally, based on the related facts and the evidence submitted by our client, the Trademark Office accepted our client's opposition and ruled that the trademark shall not be registered, thereby eliminating the obstacles to our client's own trademark application.

**AFD Comments:** our success in this case lies in two aspects: one is that our client built strong evidence awareness in their daily work, which enabled them to provide a full chain of evidence of their prior use of the trademark; the other is that we provided appropriate guidance on evidence preparation, proactively collected some key evidence (which proves the parent-subsidiary relationship between the intended distributor and the preemptive trademark applicant), and made objective and persuasive arguments before the Trademark Office.

### **Inspirations and Suggestions**

With respect to trademark portfolio strategies, it is suggested that enterprises (especially foreign enterprises) make a trademark portfolio planning in China as early as possible. If enterprises give a higher priority to market expansion than filing trademark applications, their trademarks might be preemptively registered by other parties.

For foreign enterprises, if they want to enter their products into the Chinese market, they will inevitably look for domestic enterprises as their distributors and agents. During their preliminary discussion with domestic enterprises for cooperation, they might obtain the business cards of the representatives and brochures of the domestic enterprises, and for their products on trial sale, they will receive payment vouchers from the domestic enterprises. Such materials provided by the domestic enterprises are all strong evidence of the business relationship between the two parties and shall be properly kept. In this way, in case a trademark application is preemptively filed by a domestic collaborator, the foreign enterprise who is the actual owner of the trademark can also gain an advantageous position against the trademark application based on the sufficient evidence they have obtained.

An enterprise, during their preliminary negotiation with another party for cooperation, may ask that party to sign a confidentiality agreement relating to intellectual property, which may have a certain deterrent effect on that party in case they have the intent to preemptively apply for registration of the enterprise's trademarks.

### **Reference**

**Article 15.** *A trademark shall not be registered and its use shall be prohibited if the agent or representative of the person who is the owner of a trademark applies, without authorization, for the registration of the trademark in his own name and if the owner raises an opposition.*

*Where a trademark for which a registration is applied is identical or similar to an early used trademark of another party that is not registered, in respect of the same or similar goods, and where the applicant being of contract, business or other relationship except the relationship referred to in the preceding paragraph, is fully aware of the existence of the trademark owned by the other party, the trademark shall not be registered, if the other party raises an opposition.*

<https://www.afdip.com/index.php?ac=article&at=read&did=3873>