AFD China
INTELLECTUAL PROPERTY LAW OFFICE

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China and Brazil Extend PPH Pilot Program

Recently, the China National Intellectual Property Administration (CNIPA) and the National Institute of Industrial Property (INPI) have jointly decided to extend the CNIPA-INPI Patent Prosecution Highway (PPH) pilot program starting from January 1, 2025. The established Guideline of CNIPA-INPI PPH Request remains controlling the pertinent requirements and procedures governing applicants' PPH requests at the two offices.

According to information released by INPI, its PPH program will enter a new phase starting from January 1, 2025. The total annual number of PPH applications accepted from all its PPH cooperation partners will increase to 3,200, with no more than 800 applications received per quarter. Additionally, the total annual number of PPH applications accepted under the same International Patent Classification (IPC) Section will increase to 1,000. The restriction that previously allowed each applicant to submit only one application per week will be lifted. Since the first quarter of 2025, INPI will not accept PPH applications under IPC classification H04. The accepted technical fields will be reassessed quarterly.

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, CNIPA has built PPH ties with 33 national or regional patent examination authorities, covering 84 countries.

http://english.cnipa.gov.cn/art/2025/1/7/art_1340_197061.html

CNIPA: Guide on Application of Incorporation by Reference for Invention and Utility Model Patent Applications

Implementing Regulations of the Patent Law of the People's Republic of China, which took effect on January 20, 2024, newly introduced incorporation by reference in Rule 45. According to the rule, where the claims, specification, or a part of the claims or specification of an invention or a utility model patent application is omitted or incorrectly submitted, but the applicant has claimed a right of priority on the date of filing the

application, he or she or it may, within two months from the date of filing the application or within the time limit designated by the patent administration department under the State Council, make a supplementary submission by referencing the earlier application documents. If the supplementary documents comply with the relevant provisions, the date of submission of the documents submitted for the first time shall be the date of filing.

To further illustrate the practices and the application of this new mechanism, the CNIPA published a Guide on Application of Incorporation by Reference for Invention and Utility Model Patent Applications yesterday. The Guide introduces the background, procedures, and typical cases of the mechanism to guide innovative entities to correctly understand and apply the mechanism and to better protect applicants' legal rights and interests.

AFD China, as a leading Chinese intellectual property firm, closely keeps up with the progresses in the field of intellectual property. We are continuously committed to providing professional and effective IP legal services, helping clients stand out in the intensive market competition.

If you have any question about the protection of intellectual property rights, please feel free to send us emails. For patent-related matters, please send to info@afdip.com. For trademark/litigation/legal matters, please send to info@bhtdlaw.com.

You may be interested in: Filing Procedures, Incorporation by Reference, and Priority System - New Rules in Third Revision of the "Implementing Regulations of the Patent Law of the People's Republic of China"

The SPC amended Regulations on Acknowledgement and Execution of Civil Judgements from Courts of the Taiwan Region, taking effect on January 1, 2025

On December 25, 2024, the Supreme People's Court (SPC) published the Decision on Amending the SPC's Regulations on Acknowledgement and Execution of Civil Judgements from Taiwan Courts. The decision will take effect on January 1, 2025.

The newly amended Regulations indicates:

- To request the acknowledgement of a civil judgement made by a Taiwan court, the following materials shall be submitted:

1.Application form, with duplicates in a quantity that equals to the number of the counterparties;

2.Original copy or a certified true duplicate of the judgement;

3.Original certificate confirming the civil judgment or a certified true duplicate thereof, except mediation records for which no certification needs to be additionally provided according to relevant regulations in Taiwan Region;

4.Identification documents. If the identification documents are formed out of the Chinese Mainland, the applicant shall have the identification documents certified according to the Civil Procedure Law and relevant judicial interpretation.

- Where the civil judgement from a court of Taiwan Region falls under any of the following circumstances, the judgement is not acknowledged:

1.The civil judgement, of which an acknowledgement is requested, was made when the counterparty was absent and not summoned according to laws or was made when the requested party lacked the capability of litigation and was not properly represented;

2.The case falls under the exclusive jurisdiction of the people's court;

3.Parties concerned had reached a valid arbitration agreement and did not abandon arbitration jurisdiction.

4.The judgement was acquired by fraud means;

5. The people's court had made a judgement on the same dispute or had recognized or acknowledged the judgement on the same dispute made by a court of another country or region;

6. An arbitration tribunal in the Chinese Mainland had made an arbitral award on the same dispute, or the people's court had recognized or acknowledged an arbitral award on the same dispute made by an arbitration tribunal in another country or region.

The people's court shall make a ruling not to acknowledge a civil judgement if acknowledging it would violate fundamental principles of state laws, such as one-China principle, or undermine the state sovereignty, security, or social public interests.

CNIPA Issued Notice of Collecting Public Opinions on Amended Regulations on the Protection of Layout-design of Integrated Circuits (Exposure Draft)

On December 26, 2024, the CNIPA issued the Amended Regulations on the Protection of Layout-design of Integrated Circuits (Exposure Draft) and an Explanation on the Draft to seek opinions from all sectors of society.

According to the Explanation, this Exposure Draft was drafted considering the following four aspects:

I. To have the government better fulfill its duty under the guide of the Party;

II. To improve registration and rights confirmation procedures to strengthen IP protection on the source;

III. To enhance the protection of the exclusive right on the layout-design to protect the right holder's legal rights and interests;

IV. To promote the implementation and application of the layout-design to facilitate and promote the development of new quality productive forces.

The public opinions should be submitted before February 9, 2025. AFD China will keep a close eye on the legal development.

China's Patent-intensive Sectors Contributed 13% of GDP in 2023

The added value of China's patent-intensive industries was 16.87 trillion yuan ($2.35 trillion) in 2023, contributing 13.04 percent of the country's GDP, an increase of 0.44 percentage points from the previous year, the CNIPA said on Tuesday.

In 2023, China became the first country in the world to have more than 4 million valid invention patents. Last year, that number reached 4.756 million, and China's numbers of international patent, trademark and design applications ranked among the highest in the world.

The CNIPA also highlighted that China's number of valid invention patents in strategic emerging industries climbed to 1.349 million last year, up 15.7 percent year-on-year.

http://chinaipr.mofcom.gov.cn/article/centralgovernment/202501/1990057.html

35th Meeting of China-France Mixed Committee on Intellectual Property Rights Held in Beijing

Recently, the 35th Meeting of China-France Mixed Committee on Intellectual Property Rights was held in Beijing. Shen Changyu,

Commissioner of the CNIPA, and Pascal Faure, Director General of the INPI of France, attended the meeting. The two sides held in-depth discussions on topics such as the latest developments in the field of IPRs in both countries, strengthening IP services for small and medium-sized enterprises (SMEs), and artificial intelligence and IP.

Shen noted that the year 2024 marked the 60th anniversary of diplomatic relations between China and France. The two IP offices have actively implemented a series of important consensuses reached by our heads of state and have continuously deepened cooperation in the IPR field. In particular, practical cooperation in areas including the PPH and geographical indications has achieved fruitful results. Looking ahead, Shen expressed hope that the two offices would further deepen exchanges in areas such as the commercialization and utilization of IPRs and the application of artificial intelligence, better serving users in both countries and injecting new vitality into bilateral economic development.

Faure highly praised the achievements China has made in strengthening IP protection. He stated that China's good IP environment has strengthened the confidence of French enterprises in continuing to invest in China. He also expressed hope that the two sides would continue to broaden areas of cooperation in the future and promote mutual benefits and win-win outcomes.

After the meeting, the two sides jointly signed the Meeting Minutes. Principals responsible for relevant departments from both offices participated in the meeting.

http://english.cnipa.gov.cn/art/2025/1/7/art_1340_197060.html

2024 CNIPA-JPO-KIPO's TRIPO Heads Meetings and TRIPO User Symposium Held in Shanghai

Recently, CNIPA hosted the 24th TRIPO Heads Meeting among CNIPA, Japan Patent Office (JPO), and Korean Intellectual Property Office (KIPO), the 31th CNIPA-JPO Heads Meeting and the 30th CNIPA-KIPO Heads Meeting in Shanghai. CNIPA Commissioner Shen Changyu, JPO Commissioner ONO Yota, and KIPO Commissioner KIM Wan Ki, led their respective delegations to attend the meetings. The three IP offices shared updates on the latest developments in their respective IP work, reviewed the progress of trilateral and bilateral cooperation projects over the past year, planned future collaborations, and signed relevant meeting minutes and a renewed memorandum of understanding on data exchange between CNIPA and KIPO. LEE Hee-Sup, Secretary-General of the Trilateral Cooperation Secretariat, was invited to attend the related meetings and events.

Shen emphasized that Chinese President Xi Jinping has attached great importance to China-Japan-Korea cooperation and has delivered a series of important speeches, providing guidance for the collaboration among the three countries. The CNIPA-JPO-KIPO IP cooperation is a crucial part of trilateral cooperation. This year, the contents of the trilateral IP cooperation were included in the Joint Declaration of the Ninth China-Japan-ROK Trilateral Summit, and the Joint Statement on a 10 Year Vision for Trilateral IP Cooperation was released during the summit, injecting new momentum into trilateral collaboration. Over the years, CNIPA has established friendly cooperative relationships with JPO and KIPO, achieving fruitful results under trilateral and bilateral frameworks. Shen expressed hope that all parties will earnestly implement the new vision set by three countries' leaders, continue expanding areas of cooperation, and elevate the level of collaboration, making positive contributions to regional innovative development, openness, cooperation and global progress.

Both ONO and KIM highly praised the cooperation achievements with CNIPA over the past year and expressed their desire to continue strengthening trilateral and bilateral IP cooperation, and jointly promote the

implementation of the Joint Statement on a 10 Year Vision to further foster friendly exchanges in science, technology, economy, and culture among the three countries.

During the TRIPO Heads Meeting, the three offices reached a consensus on measures to implement the Joint Statement on a 10 Year Vision and future directions for collaboration. All parties agreed that next year's TRIPO Heads Meetings and TRIPO User Symposium will be hosted by JPO.

At the same time, the 12th TRIPO User Symposium was held in Shanghai under the theme "Building a better Business Environment Through IP Public Service". In his opening remarks, Shen stated that the protection of property rights, especially IPRs, is a key aspect of building a favorable business environment. Building an accessible and user-friendly public IP service system is essential for promoting the establishment of a market-oriented, law-based, and internationalized first-class business environment. He noted that this conference is an important step in implementing the Joint Statement on a 10 Year Vision and expressed hope that the three offices will continue deepening cooperation, mutual learning, and exchange to provide higher-quality and more efficient services for IP users, fostering a better business environment and driving economic development in the three countries.

Both ONO and KIM attended the Symposium and delivered speeches. Over 100 representatives from the three offices and IP practitioners from the three countries participated in the meetings.

http://english.cnipa.gov.cn/art/2024/12/24/art_1340_196863.html

CNIPA Deputy Commissioner Attends 14th Business of IP Asia Forum

On December 5, the 14th Business of IP Asia Forum was held in the Hong Kong Special Administrative Region (HKSAR). Hu Wenhui, Deputy Commissioner of the CNIPA and Chan Kwok-ki, Chief Secretary for Administration of the HKSAR Government attended the forum and delivered opening remarks. Wang Binying, Deputy Director General of the World Intellectual Property Organization (WIPO) and Peter K N Lam, Chairman of the Hong Kong Trade Development Council also participated in the opening ceremony.

Hu highlighted CNIPA's latest progress in promoting the rule of law, creation, protection, utilization, and international cooperation in intellectual property (IP). He expressed CNIPA's continued support for HKSAR's innovation-driven development and anticipated that HKSAR would better integrate into the country's overall development and play an increasingly significant role in building China into a strong IP powerhouse.

Chan stated that HKSAR would accelerate the establishment of a regional IP trading hub, as outlined in the National Plan for Protection and Utilization of Intellectual Property During the 14th Five-Year Plan Period. He also emphasized efforts to enhance IP infrastructure and cultivate more IP professionals.

http://english.cnipa.gov.cn/art/2024/12/19/art_1340_196733.html

China Takes Lead in Global Growth of IP

China's quantity and quality of patent and trademark applications both increased in the past year, with intellectual property protection getting stronger, according to a senior IP regulator.

Last year, the number of valid domestic invention patents in China exceeded 4.75 million, making it the first country in the world to break the 4-million mark in this sector, Shen Changyu, commissioner of the CNIPA, said on Tuesday.

Of the total, nearly 1.35 million involve strategic and emerging industries, up 15.7

percent year-on-year, Shen said, while delivering an annual work report to IP sub-bureaus nationwide.

As IP applications grew rapidly at home, China's contribution to global IP filings was unparalleled last year, holding leading positions in the WIPO's Patent Cooperation Treaty and Madrid and Hague systems for international IP registrations, he added.

With the number of applications continuing to rise, the administration has also set standards for agencies that provide services for registering trademarks and applying for patents to ensure the quality of the applications from the source, Shen said.

Liu Bin, a lawyer at Beijing Zhong Wen Law Firm who specializes in handling IP disputes, said that recent years have witnessed a surge in invention patents applied by domestic enterprises in strategic and emerging fields, including biology, information technology, new materials, green and low-carbon efforts, and high-end equipment manufacturing.

"The growth stems from strong support of the country for scientific and technological innovators, and it's also related to the large number of enterprises in these fields, which are more dynamic in the market," Liu said.

He applauded the administration's efforts to put quality first in reviewing patent and trademark applications, saying that quality is more conducive to promoting innovation and industrial development.

In addition, the efficiency of the patent application review process was improved in 2024, with the average examination time reduced to 15.5 months, the work report showed. The average period spent reviewing a trademark application remained stable at four months, according to the report.

Kang Lixia, a lawyer specializing in handling patent disputes at Beijing's Hanray Law Firm, said the country has provided a quicker channel for reviewing patents related to high-tech and people's livelihoods, as the efficient review process has played a big role in helping patents to be converted into production.

According to the report, China's efforts to protect IP rights have also been further strengthened, with 33 centers newly established across the country last year to help Chinese enterprises tackle IP disputes overseas. This is considered to be important for domestic companies to prevent IP risks and enhance self-protection awareness while going global.

"Enterprises encountering IP problems on the road of overseas development can turn to those centers for help, and they'll receive professional services and solutions," Kang said.

Liu, from Zhong Wen Law Firm, said the centers also offer free IP-related training for enterprises preparing to expand businesses overseas, guiding them on how to protect their own innovations abroad and reminding them not to infringe upon the IP rights of others.

Shen, the commissioner, added that such centers will continue to open this year to ensure that domestic enterprises have stronger and high-quality IP protection.

http://chinaipr.mofcom.gov.cn/article/centralgovernment/202501/1990059.html

SUPPLEMENTARY ISSUE

AFD China once again Recommended as a Leading Firm in Non-Contentions Intellectual Property (Tier 3) by The Legal 500

On November 20, 2024, The Legal 500, a world-renowned guide to law firms, released its Asia Pacific 2025 edition. Owing to our outstanding performance in non-contentions intellectual property, AFD China was once again ranked as a leading firm in Tier 3 reflecting our professionalism.

Our founder Ms. Xia Zheng was also specially recognized for her rich experiences and great achievements in the relevant fields, which not only is an affirmation on her personal expertise, but also further improves AFD China's influence in the IP industry.

The Legal 500 is committed to providing open, fair, impartial and objective assessment of the strengths of law firms in various practice areas across the world, so as to offer its users reliable information on law firms. The evaluation continuously improves and expands the dimensions of assessment in order to comprehensively evaluate the participating firms. It listens to the voices of corporate clients and professionals in related fields, thereby making the final rankings which fully demonstrate the comprehensive strength of each firm.

Since our participation in the Legal 500's rankings, our firm has been continuously recommended on this list. These achievements would not have been possible without the continued trust or support from our clients, as well as adherence to management regulations by all of our colleagues. Here we would like to express our deepest gratitude to all clients and colleagues. We are committed to providing high-quality service platforms for our clients and aiding in the protection of intellectual property rights for businesses.

We will continue collaborative teamwork to complement individual limitations with the collective resources and strengths harnessed through seamless collaboration. By assembling skilled and dedicated work teams, we ensure timely and effective solutions that safeguard the clients' intellectual property rights in China and overseas.

New Measures for Calculating Illegal Business Revenue in Trademark Infringement Cases

Safeguarding the exclusive rights of trademarks has always been a top priority for trademark registrants. Upon uncovering infringements, trademark registrants can either request administrative authorities to address the issue or initiate legal proceedings with the court. Administrative enforcement is oftentimes preferred by trademark registrants for its efficiency and cost-effectiveness.

When administrative authorities investigate trademark infringement cases, prompt actions such as halting the infringing activities, confiscating and destroying infringing goods and relevant tools for manufacturing infringing goods and forging registered trademark symbols, and imposing fines, are taken upon confirming infringement. Penalties can reach up to five times the illegal business revenue where the illegal business revenue exceeds RMB 50,000; fines up to RMB 25,000 may apply where there is no illegal revenue or the illegal revenue is less than RMB 50,000. Persistent offenders engaging in trademark infringement more than twice within five years or those with other severe circumstances face escalated penalties.

It is evident that the accurate determination of infringers' illegal business revenue plays a pivotal role in administrative enforcement. Pursuant to relevant provisions of the Implementing Regulations of the Trademark Law, such calculation may consider various factors including the sales price of infringing goods, the marketed price of unsold infringing goods, the actual average sales price of the infringing goods that has been ascertained, the mid-market price of the infringed goods, the infringer's business revenue gained from infringement, and other relevant factors for the reasonable calculation of the value of the infringing goods.

To standardize enforcement protocols, the CNIPA and the State Administration for Market Regulation (SAMR) recently jointly issued Measures for Calculating Illegal Business Revenue in Trademark Infringement Cases to regulate the calculation methods, and the key aspects of the Measures include the following contents:

Illegal Business Revenue

Illegal business revenue refers to the total **value of infringing goods** involved in trademark infringement committed by a party or **the business revenue generated from such infringement**.

Value of Infringing Goods

The value of sold infringing goods is calculated based on the **actual sales price**.

The value of unsold infringing goods is calculated using the **actual average sales price** of the sold infringing goods that has been ascertained; where the actual average sales price cannot be ascertained, the value of unsold infringing goods shall be calculated based on the marketed price.

Where the actual sales price cannot be ascertained or the marketed price is unavailable, the calculation shall be based on the **mid-market price of the infringed goods** during the infringement period.

The value of manufactured goods without an infringing registered trademark should be included in the illegal business revenue, provided that there is substantial and sufficient evidence proving that the goods will infringe another party's exclusive right to use a registered trademark .

Mid-Market Price

The mid-market price of the infringed goods shall be determined based on the reference retail price for the same goods published by the infringed party; in the absence of such a retail price, the following measures shall be adopted:

(1) If multiple businesses sell the same type of infringed goods in the market, the mid-market price is determined by averaging the sampled retail prices of some of these businesses; if only one business sells the goods, the mid-market price is determined based on that business's retail price.

(2) If there are no infringed goods of the same type being sold in the market, the mid-market price is determined based on the middle price of previously sold infringed goods of the same type in the market, or the mid-market price of infringed goods of the same category being offered for sale in the market which are identical or similar to the infringing goods in functionality, purpose, main materials, design, configuration, or any other aspect.

Where it is difficult to determine the mid-market price according to the provisions of the preceding paragraph, it may be determined by a price determination agency.

The mid-market price of the infringed goods stated by the parties concerned and provided by the trademark owner may serve as a reference after they are verified based on the examination of other relevant evidence.

If the parties concerned have any objection against the calculated mid-market price of the infringed goods, they must provide evidence to support their claims.

Subcontracting

In subcontracting operation involving labor and materials, where the subcontractor uses goods that infringe the exclusive right to use a registered trademark, the illegal business revenue shall be calculated based on the actual sales price of the infringing goods; where the infringing goods are not independently priced, the calculation shall be based on the goods' value in proportion of such subcontracting operation; where the value proportion cannot be determined, the calculation shall be based on the mid-market price of the infringed goods.

Complimentary Goods

For complimentary goods that infringe on another party's exclusive right to use a registered trademark, the illegal business revenue shall be calculated based on the actual purchase price or manufacturing cost of the goods; if the actual purchase price or manufacturing cost cannot be determined or if the goods are non-standard goods, the calculation shall be based on the **marketed price** or the **mid-market price** of the infringed goods.

Refurbished Goods

If refurbished goods infringe on another party's exclusive right to use a registered trademark, the illegal business revenue shall be calculated based on the **overall value** of the infringing goods.

If the refurbished goods themselves do not infringe on another party's exclusive right to use a registered trademark but their components or accessories do, the illegal business revenue shall be calculated based on the **value of the infringing components or accessories**.

Counterfeit Marks

For infringement involving counterfeiting or unauthorized production of another person’s registered trademark symbol or selling counterfeited or unauthorized manufactured trademark symbol, the calculation of illegal business **revenue** is based on the actual sales price of the infringing mark.

Contributory Infringement

For contributory infringement involving someone deliberately providing assistance for the infringement of another party's exclusive right to use a registered trademark, the illegal business revenue shall be calculated based on the revenue from such assistance in the infringement; where there is no such revenue, the matter shall be handled as if there were no illegal business revenue.

Rental Goods

For rental goods infringing on another party's exclusive right to use a registered trademark, the illegal business revenue shall be calculated based on the **rental income**.

Advertising Campaigns

Where infringement of another party's exclusive right to use a registered trademark occurs in advertising campaigns and the infringing goods cannot be verified, the matter shall be handled as if there were no illegal business revenue.

Joint Infringement by Licensor and Licensee

Where a licensor and a licensee jointly infringe on another party's exclusive right to use a registered trademark, the illegal business revenue shall be calculated according to aforementioned provisions on “value of infringing goods” and “mid-market price”.

Where the licensor assists the licensee in infringing on another party's exclusive right to use a registered trademark, the illegal business revenue shall be calculated based on royalties; if the trademark is licensed gratuitously, the matter shall be handled as if there were no illegal business revenue.

Illegal Business Revenue Cannot be Verified

Where the actual illegal business revenue cannot be verified according to the above provisions, the matter shall be handled as if there were no illegal business revenue.

Partial Illegal Business Revenue Can be Verified

For cases where only partial illegal business revenue can be verified, the matter shall be handled according to the verified illegal business revenue.

False Sales

Where the party involved provides adequate evidence to prove that the sales figures of infringing goods were increased by false sales measures such as false purchases, the sales figures shall not be included in the illegal business revenue.

Transfer from Criminal Organs to Administrative Organs

In a case involving reverse connection between criminal justice organs and administrative law enforcement organs, where illegal business revenues determined by the organs are discrepant, the illegal business revenue may be determined based on the investigation conducted by the administrative organs, in accordance with the provisions of these Measures.

Provided that the Legitimate Sources Defense Establishes, the User may be Ordered to Bear Reasonable Expenses for Safeguarding Rights based on Case Circumstance

The people’s court may, based on case circumstances, support the patentee’s claim of requesting the user of infringing products, whose legitimate sources defense is established, to bear reasonable expenses for safeguarding rights. If the user of infringing products whose legitimate sources defense is established and other infringement act conductors are joint defendants, the allocation of reasonable expenses for safeguarding rights among them can be determined after comprehensively considering the damage caused by their infringement acts respectively, the causal relationship or degree of correlation between their behaviors and the patentee's rights protection behavior, whether they hindered the smooth development of the patentee's rights protection behaviors and whether they increased expenses for right safeguarding.

In the patent infringement dispute between the Appellants Juxian A Factory and Rizhao B Company and the Appellee Rui'an C Company, an invention patent related to plastic granulator (hereinafter referred to as the patent involved) is involved.

Rui'an C Company believed that the technical solution of the plastic granulator manufactured by Juxian A Factory (hereinafter referred to as the accused infringing products) falls within the scope of protection of the patent involved. Juxian A Factory provided such plastic granulators to Rizhao B Company for free use, and Rizhao B Company, while aware of such granulators being infringing products, used such granulators. Thus, Rui'an C Company believed that Juxian A Factory and Rizhao B Company constituted infringement and caused economic losses to it, so Rui'an C Company filed a lawsuit within the court of first instance, requesting to order Juxian A Factory and Rizhao B Company to compensate for its losses, and commonly afford its reasonable expenses for safeguarding rights.

The court of first instance held that the accused infringement was established and that Rizhao B Company's legitimate source defense could not be established. It ruled Juxian A Factory and Rizhao B Company to stop the infringement and to compensate for economic losses and reasonable expenses for safeguarding rights.

Juxian A Factory and Rizhao B Company were dissatisfied and appealed to the SPC, claiming that the accused infringing products used existing technology, and that the accused infringing products used by Rizhao B Company were purchased from Juxian A Factory. In this case, Rizhao B Company should also bear the reasonable expenses for safeguarding rights.

On June 6, 2022, the SPC ordered Juxian A Factory to compensate Ruian C Company for economic losses and reasonable expenses for safeguarding rights and Rizhao B Company to bear joint liability for repayment of partial reasonable expenses for safeguarding rights therein.

The SPC held, in the second instance, that Rizhao B Company's legitimate source defense was established.

Regarding whether the reasonable expenses for safeguarding rights claimed by Rui'an C Company should be borne by Rizhao B Company, according to paragraph 1 of Article 11 in the Patent Law, "use" is a type of patent infringement; and according to paragraph 1 of Article 65 that "the amount of compensation for patent infringement... shall also include the reasonable expenses paid by the patentee for preventing the infringement." To curb the infringement from the root, the patentees are guided to prevent the infringement from the manufacturing process of infringing products. At the same time, given that the user of the infringing product who has established the legitimate source defense does not have the subjective intention to infringe, the current legislation and judicial interpretations have designed a system that exempts the compensation liability of the users. However, the legitimate source defense, as a cause of exemption of compensation liability, does not automatically have the legal effect of eliminating the need to stop infringement or bear reasonable expenses.

In this case, Rizhao B Company used the accused infringing product manufactured and sold by Juxian A Factory in its production and operation activities. Such use constituted an infringement of the patent involved in the case. Although Rizhao B Company's legitimate source defense was established, the nature of its use being infringement remains unchanged, so it still needs to bear the reasonable expenses incurred by Rui'an C Company for safeguarding rights in this case.

At the same time, damages in civil cases of patent infringement and the patentee's expenses for safeguarding patents are also different in their legal natures. Damages refer to the losses caused by infringement to the patentee in R&D costs, market share, trading opportunities, etc. It can be

calculated based on the actual losses of the patentee or the profit of the infringer, while taking into account factors such as the price, quantity, profit margin, and patent contribution of the accused infringing products. Reasonable expenses include attorney fees, notarization fees, travel expenses, and other actual expenses incurred in rights protection activities, which are the monetary costs that the patentee incurred to obtain infringement relief, and therefore should be borne by the act conductor of the infringement.

In a case where there are multiple infringement act conductors, such as manufacturers and users, the reasonable expenses for infringement relief are for all the above-mentioned infringement behaviors, so, all infringement act conductors are liable for reasonable expenses that the patentee incurred for safeguarding rights.

The specific amount that each infringement act conductor should bear needs to be determined based on their respective infringement behaviors, the causal relationship or degree of correlation between their behaviors and the patentee's rights protection behavior, whether they hindered the smooth development of the patentee's rights protection behaviors, and whether they increased expenses for right safeguarding.

In this case, the reasonable expenses for safeguarding rights that Rui'an C Company requested Juxian A Factory and Rizhao B Company to jointly afford were generated aiming at both the manufacture and sales of the accused infringing products by Juxian A Factory and the infringement behaviors of Rizhao B Company's infringing use, so such expenses should be afforded by both appellants.

(2021) Zui Gao Fa Zhi Min Zhong No. 1406

Permission Should be Granted for the Right Holder to Further Clarify and Limit Technical Information Claimed in the First Instance During the Second Instance

The SPC concluded a case of trade secrets infringement between the Appellant Foshan A Company and the Appellees of eleven accused infringers, including Suzhou B Company. The court found that the technical information claimed by Foshan A Company in the second instance was clear, and ruled to remand the case for retrial.

In this case, Foshan A Company claims that eleven accused infringers, including Suzhou B Company, have infringed on its technical secrets, and has submitted a "Trade Secret Points Explanation" to clarify the content of the technical secret points claimed for protection. The secret points carrier files include drawings and tables in a Judicial Appraisal Opinion.

Upon examination, the first-instance court found that the secret points of the technical information for which protection is claimed by Foshan A Company were not specific, and ruled to reject its claims.

After trial, the SPC concluded that if a right holder claims that technical information recorded in the drawings is a technical secret, the right holder can claim either one piece or some of the technical details recorded in the drawings is a technical secret or that the entire collection of technical information recorded in the drawings is a technical secret. In principle, right holders should clarify the specific content of the claimed technical secrets before the end of the first instance court debate, and for the technical secrets proposed hereafter, the people's court does not have to examine them. In the second instance of this case, Foshan A Company further clarified and limited the technical secret carrier files and technical secret content that had been claimed in the first instance, and the technical information claimed in the second instance should

be accepted, as it was only a further limitation on the specific content of the technical secret previously claimed, which does not exceed the scope of the technical secret claimed before the end of the first instance court debate. Since the first-instance court did not examine if the technical and business information claimed by Foshan A Company were trade secrets, or determine if Suzhou B Company and other accused parties committed infringement and should bear corresponding liability, the SPC ruled to revoke the first-instance judgment and ordered the first-instance court to carry out retrial.

The selection and clarification of technical secret content is the initial and critical point of the trial of disputes over technical secret infringement, and the determination of technical secret content often involves numerous factual determinations and complex legal judgments. This case again clarifies that the induction of technical secrets is a relatively subjective and gradual process; technical secret information cannot be publicly disclosed, and the forms of expression vary due to technical fields and concrete information content. Therefore, the requirements for the party concerned to summarize and conclude technical secret content shall not be overly high. This case has a certain reference value for the trial of similar cases.

(2022) Zui Gao Fa Zhi Min Zhong No. 20

Determination of the Entity Responsible for Paying Rewards and Remuneration to Inventors of Service Invention-Creations

The employer shall bear the obligation to pay remuneration to the inventor of a service invention-creation. The right of the inventor of the service invention-creation to request payment of rewards and remuneration shall not be affected by the employer's disposal of the patent application right or the patent. The assignment of the patent application right or the patent shall not affect the employer's obligation to pay remuneration to the inventor.

In a dispute over remuneration for the service invention-creation between the Appellant a natural person X and the Appellant Tianjin A Company and the Appellee B Group Company, an invention patent owned by B Group Company (hereinafter referred to as the patent in question) was involved.

X claimed that he, having participated in the research and development of the patent in question, is the inventor of the patent, and that Tianjin A Company and B Group Company should pay him inventor's remuneration as they have implemented the patent in question. Therefore, he filed a lawsuit with the first-instance court, seeking remuneration from Tianjin A Company and B Group Company for the research and development of the patent.

The first-instance court held that although the patent in question is owned B Group Company, it was actually created by X while he was working in Tianjin A Company to fulfill his job duties, making it a service invention-creation. In the Patent Law, the term “entity granted the patent” should be understood as the entity that ought to have applied for and obtained the patent. The entity responsible for paying remuneration for a service invention-creation should be the employer of the inventor, not necessarily the entity that obtains the patent application right or the patent through other means, such as assignment. Moreover, since Tianjin A Company implemented the patent, not B Group Company, Tianjin A Company should pay X inventor’s remuneration for service invention-creation. Therefore, the court of first instance deemed X’s claim for payment from that B Group Company lacks factual and legal basis and did not support it.

X and Tianjin A Company were dissatisfied and appealed to the SPC. X claimed that Tianjin A Company and B Group Company should pay him inventor remuneration for service invention-creation. Tianjin A Company contended that it did not hold the patent application right or the patent itself, and therefore, should not be considered the "entity granted the patent" that is obligated to pay the inventor remuneration.

On September 29, 2022, the SPC ruled to dismiss the appeal and uphold the original judgment.

The SPC held in the second instance that Article 16 of the Patent Law, which was amended in 2008, stipulates: "The entity that is granted with a patent shall award to the inventor or designer of the service invention-creation; after the invention patent is implemented, the inventor or designer shall be given reasonable remuneration based on the promotion and application scope of the patent and the economic benefits obtained thereby."

From the perspective of legislative intent, this provision aims to encourage invention-creations and promote their implementation on the basis of the principle of fairness. On the one hand, since the employer pays wages and salaries to the inventor, it is fair to attribute invention-creations made during work to the employer; at the same time, in the context of large-scale socialized production, attributing invention-creations to the employer is also considered to be conducive to the implementation and application of invention-creations. On the other hand, the inventor can request the employer to pay rewards in addition to their wages and salaries, and if the employer profits from the invention, the inventor may also seek additional remuneration and participate in profit sharing, which can greatly enhance the inventor's motivation and encourage further invention-creations.

In this case, based on the established facts, X participated in the research and development of the technical solution involved while employed at Tianjin A Company. The method was later patented, and Tianjin A Company applied the method and gained economic benefits. Therefore, in accordance with the above provisions of Article 16 of the Patent Law amended in 2008, Tianjin A Company is obligated to pay X reasonable remuneration.

Tianjin A Company is not the patentee of the patent in question, which seemingly does not meet the requirement under Article 16 of the 2008 amended Patent Law, which specifies that the payment subject should be "the entity granted the patent". However, the patent was initially under the control of Tianjin A Company before being assigned to and obtained by its controlling shareholder, B Group Company.

The right of the inventor of the service invention-creation to request the payment of rewards and remuneration should not be affected by the employer's disposal of the patent application right and the patent. Therefore, the assignment of the patent (application) right in question does not affect Tianjin A Company’s obligation to pay remuneration to X.

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