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**China Shortens Assessment Time for Invention Patents**

The average review time for invention patents in China has been reduced to 15.5 months, according to the China National Intellectual Property Administration (CNIPA).

The CNIPA also noted that the average review time for trademark registrations remains stable at four months.

There are currently 124 national intellectual property protection centers and rapid service centers in the country, covering 29 provinces, autonomous regions and municipalities.

The average processing time for intellectual property rights protection cases remains within two weeks. According to the CNIPA, the average mediation time for intellectual property disputes under its guidance is within 28 days.

<http://chinaipr.mofcom.gov.cn/article/centralgovernment/202502/1990237.html>

**In 2024, AFD China Provided Pro Bono Services Upholding IP and Civil Rights**

In 2024, AFD China actively practiced social responsibility by leveraging its outstanding professional capabilities and extensive industry experience. Throughout this year, AFD China provided intellectual property

services on a pro bono basis to five small and medium-sized enterprises, which proactively contributed to public welfare, and a retired elderly, who has contributed his entire life to the country. The pro bono services covered the procedures of trademark review on refusal, trademark cancellation application for non-use for three consecutive years, renewal applications for multiple trademarks, as well as copyright registration. These services aimed at ensuring clients' intellectual property rights to receive the necessary legal protection.

At the same time, BHTD Law Firm under AFD China Group, extended pro bono legal services to several retired elderlies, who have contributed their entire lives to the country, facing complex legal issues such as inheritance disputes, property disputes, and mandatory execution in civil law matters. Through exquisite legal skills and a rigorous work ethic, BHTD Law Firm effectively resolved many intricate issues for clients, safeguarding their legitimate rights and interests, and winning widespread commendation.

These pro bono services not only demonstrate AFD China's role as a socially responsible legal service provider, but also contribute positively to promoting intellectual property protection, social equity, and justice.

## SUPPLEMENTARY ISSUE

### **AFD China re-Recommended by WTR 1000 for Trademark Prosecution and Strategy and Trademark Enforcement and Litigation, and Jingjing Wu Receives Promotion in the Recommendation for Trademark Prosecution and Strategy**

In February 2025, the prestige global platform WTR 1000 officially released their Recommendation List for 2025, featuring AFD China secures another accolade in Trademark Prosecution and Strategy and Trademark Enforcement and Litigation.

Our founder Xia Zheng continues to shine as a Leading Individual according to WTR 1000. Our Trademark and Litigation Director, Ms. Jingjing Wu, retained her tier-3 recommendation for Trademark Enforcement and Litigation and advanced to tier 2 in the Recommendation for Trademark Prosecution and Strategy, showcasing her professionalism and expertise in these fields.

As a prestige trademark ranking, WTR 1000 annually recommends trademark agencies worldwide based on a comprehensive investigation into factors such as application data, firm size, recent development, key clients, notable cases, and referees' feedback. By assessing the firm's service attributes, market presence, and clients' strengths, WTR 1000 Ranking provides an objective and important reference for worldwide businesses to select their trademark partners, and has gained industry-wide recognition.

Consistent participation and recommendation by WTR 1000 Ranking over the years underscores our commitment to excellence in service quality, capability, and attitude, exemplifying our concept of "focusing on clients' needs and providing excellent services for clients". We hereby want to extend our gratitude to our domestic and foreign clients for their continuous trust and support, and we hope to enhance our expertise in safeguarding your trademark rights.

We also extend our gratitude to all our employees for their responsible and diligent work. We look forward to continued seamless collaboration towards the sustainable and steady development of our firm.

In 2025, we will continue to practice our philosophy of professionalism, efficiency, and integrity, safeguard the protection of our clients' intellectual property rights to trademark, and strive to promote the healthy development of the Chinese trademark market and create a better future together.

### **Determination of the Place of Infringement for Online Sales with Third-Party Delivery**

In the case that the alleged infringing products are sold online, and only after a buyer submits the order, would the seller purchase corresponding products from a third party and instruct the third party to deliver the products to the buyer directly, the delivery by the third party shall be considered to be the delivery by the seller and the place of shipment shall be deemed as the seller's place of shipment, which could constitute the connection point of jurisdiction for the seller to be the defendant of the infringement case.

Xiamen A Company claimed in the lawsuit that as the patentee of the utility model patent in question, they entrusted an agent to buy the alleged infringing products from the online shop of Fenyang B Shop on "Taote" application under the supervision of a notary and using a phone provided by the notarial office on June 15, 2022. After receiving the order, Fenyang B Shop

bought corresponding goods from a third party and filled in the receipt address for the order with Xiamen A Company's receipt address. The third party directly mailed the goods to Xiamen A Company (Drop shipping). On June 29, 2022, the notary, on behalf of Xiamen A Company, received a package indicating that the alleged infringing products were mailed from Dongxi Lake District, Wuhan City, Hubei Province, and the package was also attached with words and marks indicating "Pinduoduo". Therefore, Xiamen A Company sued Fenyang B Shop as the defendant to Wuhan Intermediate People's Court of Hubei Province requesting Fenyang B Shop to immediately stop the infringement of the patent in question and pay damages.

Fenyang B Shop objected to the jurisdiction, arguing that the selling place of the alleged infringing products and the defendant's residence are both in Fenyang City, Shanxi Province, so Wuhan Intermediate People's Court has no jurisdiction over this case. This case should be transferred to Lvliang Intermediate People's Court of Shanxi Province for trial.

Wuhan Intermediate People's Court of Hubei Province held that as it is neither at the place of the accused infringement behavior, nor at the defendant's residence, this case does not fall under their jurisdiction and should be transferred to the Court that has jurisdiction over it. Therefore, on February 15, 2023, Wuhan Intermediate People's Court decided to transfer the case to Taiyuan Intermediate People's Court of Shanxi Province. Fenyang B Shop was dissatisfied and filed an appeal. On June 15, 2023, the Supreme People's Court made a final civil ruling to 1. Revoke the challenged civil judgment made by Wuhan Intermediate People's Court of Hubei Province; and 2. Order Wuhan Intermediate People's Court of Hubei Province to trial on this case.

The Court's effective judgment determined that on the network, the sales place prescribed by Rule 2 of Supreme People's Court's Judicial Interpretation on Several Provisions Concerning Issues Concerning the Application of Law in the Trial of Cases on Patent Disputes, in principle includes the major business place of the online seller and the place of storage, shipment, or seal and detention of the alleged infringing products, which is not subject to online buyers' intentions. However, it is usually inappropriate to regard the place for receiving online purchased goods of online buyers, which may be arbitrarily chosen by buyers, as the place of online sales behavior. In this case, Xiamen A Company submitted evidence to primarily prove that Fenyang B Shop is the online seller of the accused infringing goods, and that the accused infringing products were shipped from Wuhan City in Hubei Province, which is not subject to the will of the online buyer, Xiamen A Company, so this place of shipment constitutes the connection point of jurisdiction in this case. This case is drop shipping, in which after the buyer submits the order, the seller buys corresponding goods from a third party and instructs the third party to deliver to the buyer directly. Since the third party that delivered is not the party concerned in this case and its delivery was following the seller's instruction, it was not performing the contractual relationship with the buyer. Therefore, the delivery by the third party should be considered to be the delivery by the seller and the shipment place of the third party should be deemed as the shipment place of the seller. In this case, the accused infringing goods were shipped from Wuhan City in Hubei Province, so Wuhan Intermediate People's Court of Hubei Province has jurisdiction over this case.

(2023) Zui Gao Fa Zhi Min Xia Zhong No. 170

### **Identification of the Manufacturer of the Alleged Infringing Product and Handling of the Appeal by Some Joint Infringer Regarding Liability Distribution**

The Supreme Court concluded a dispute over the infringement of an invention patent in which some of the infringers appealed while the right holder did not. Based on the accurate

manufacturer identification, the second instance ruled other accused infringers should bear joint compensation liability with the appellant.

To sell cups with the trademark “DISNEY 迪士尼”, Jinhua A Company bought anti-counterfeiting labels from Guangzhou B Company and Zhejiang C Company, which are mingled in operation. Guangzhou B Company and Zhejiang C Company, after reviewing the appearance design of the product that Jinhua A Company intended to sell, issued an Authorization Letter to Jinhua A Company allowing it to sell such products on JD.com and requesting it to mark the information of Guangzhou B Company as the licensee and Zhejiang C Company as the manufacturer on the product. Meanwhile, Jinhua A Company determined the cup style with Yongkang D Company after communicating through WeChat, and Yongkang D Company manufactured and provided cups attached with the said information.

E Company, owning an invention patent named the Bolt of Beverage Containers, believed that the said cups sold by Jinhua A Company on JD.com fall into the protection scope of the invention patent and sued Jinhua A Company, Guangzhou B Company, and Zhejiang C Company to jointly compensate E Company for its economic losses and reasonable legal expenses. In the first instance, the court added Yongkang D Company as the third party in the lawsuit.

The first-instance court held that though the infringing product was marked at multiple places indicating Guangzhou B Company and Zhejiang C Company as the licensee and the manufacturers, the latter two companies are not the actual manufacturers. The “manufacturing” act prescribed by Article 11 of the Patent Law refers to the objective implementation of processing the raw material or parts into the alleged infringing products. The technical solution of the patent in question is a part of the cup lid. As the cup lid and the cup body are separable, the manufacturer of the cup lid shall be determined as the manufacturer of the alleged infringing product. The communication records submitted by Jinhua A Company only showed that others provided the cup body. Provided that the cup body cannot be confirmed to be the infringing product and that E Company has oppositions against the relevance of such evidence, it is insufficient to determine that Jinhua A Company has implemented the behavior of manufacturing the alleged infringing product. The first instance ruled Jinhua A Company to immediately stop selling or offering to sell the infringing products, to destroy the infringing products in stock, and to compensate for E Company’s economic losses and reasonable expenses. Jinhua A Company was dissatisfied and filed an appeal.

The Supreme People’s Court held in the second instance that: First, about the manufacturer identity of Guangzhou B Company and Zhejiang C Company. Although these two companies did not contact the actual manufacturer of the alleged infringing products, neither did they physically manufacture such products, they controlled the manufacture of the alleged infringing products by reviewing the product appearance and patterns and controlling the number of anti-counterfeiting labels. The information and anti-counterfeiting labels attached to the product packages, illustrations, and product qualification certificates further confirmed their manufacturer identity. The second is about the legitimate source defense by Jinhua A Company. For the purpose of selling the cup, Jinhua A Company obtained trademark authorization from others, selected producing plants, confirmed product patterns and the technical solution, and was in charge of the sales of all alleged infringing products. Therefore, Jinhua A Company served as a pivot and organizer in the whole chain of producing and selling the accused infringing products and should be determined as the manufacturer. Its legitimate source defense does not comply with the provisions of the Patent Law. The third is about the handling of this case. In this case, under the organization of Jinhua A Company, Guangzhou B Company, Zhejiang C Company, and Yongkang D Company, based on their respective tasks, cooperated seamlessly with Jinhua A Company to jointly manufacture and sell the alleged infringing products which fall into the

protection scope of the patent in question. As they jointly infringed E Company's patent, they shall bear the joint responsibility according to laws and regulations. In the second instance, Jinhua A Company's claim that Guangzhou B Company and Zhejiang C Company should bear infringement responsibility was actually an objection to the responsibility distribution between all litigants. Although the first-instance judgment only determined Jinhua A Company to be the infringing seller and ordered it to bear the infringement responsibility alone, according to the determination of the nature of the joint infringement in this case, Jinhua A Company's sale of the alleged infringing products is not an isolated act, but is a link in the whole manufacturing and selling infringement chain. Therefore, the infringement damages and joint liabilities shall be shared by joint infringers. Thus, the Court ruled Guangzhou B Company and Zhejiang C Company to jointly bear the infringement liability together with Jinhua A Company, which did not exceed the scope of the first-instance trial and the appeal request of the party concerned.

This case involves the identity determination of the manufacturer as prescribed by the Patent Law and the handling of the legal question that in the joint infringement, only some of the infringers appealed while the right holder did not. In this case, when all accused infringers attended the trial and only part of the joint infringers that was decided to bear the responsibility appealed, based on the accurate determination of the manufacturer of the alleged infringement products, the joint infringement nature of the case, and the appellant's requests, the second instance directly judged other joint infringers to bear the joint responsibility, which corrected the first instance judgment, ultimately resolved the dispute and provided references for the handling of similar cases.

### **When Can Network Users' Copyright Infringement be Determined as Acts of Online Platform Operator**

Whether a network user's act of offering content could be deemed as the act of the online platform operator can be analyzed based on the nature of the online platform, the user's identity and affiliation with the platform, and the accused infringement acts and contents. If a managerial or control relationship exists between the online platform and the user, and if the user, taking advantage of his identity as a manager, constantly and steadily posts on the online platform, his infringement acts can be deemed as being conducted by the online platform, and the employment status should not affect the determination of the nature of such acts.

A Company filed a lawsuit claiming that, through legal authorization, it acquired the exclusive rights to the disputed game app, including reproduction rights, distribution rights, and information network dissemination rights, and had the sole entitlement to enforce such rights in its name. Online User X shared the disputed game app on the online platform operated by Guangzhou B Company without payment verification via Baidu Netdisk. On the online platform, X held honorary titles such as "Retired Person" and "Blue V Officially Verified" badges, with his location listed as the platform's headquarters. X also extensively posted on the Announcement Board mostly including activities like recruiting online managing personnel, badge exchanges, announcing outstanding employees, announcing server upgrades, and other managerial content under the guise of being a manager of Guangzhou B Company. In addition, posting on the Announcement Board requires special access privileges. A Company claimed that Guangzhou B Company infringed upon its copyright on the disputed game app on the ground that X managed the platform in Guangzhou B Company, and X's actions should be attributed to Guangzhou B Company's. Guangzhou B Company shall bear the liability for the infringement.

Guangzhou B Company rebutted that the accused infringing post was shared by X after he had resigned from Guangzhou B Company, so his acts should be considered individual. Guangzhou B Company also argued that it solely provides online services such as information storage space

and has fulfilled duty of reasonable attention, so it does not constitute infringement and should not be held accountable.

On July 23, 2021, the first-instance court made a civil judgment ordering Guangzhou B Company to compensate A Company's for its financial losses and reasonable enforcement expenses. Guangzhou B Company was dissatisfied and appealed. On September 25, 2023, the Supreme People's Court (SPC) made a final civil judgment to refuse the appeal and uphold the original judgment.

The effective judgment deemed the substantive dispute in this case was whether X's post could be attributed to Guangzhou B Company, the platform operator. This assessment can be conducted based on the nature of the online platform, the poster's identity and affiliation with the platform, and the accused infringement acts and contents. The platform of Guangzhou B Company is not only for communications on games, but also provides and generates profits from game downloading services, indicating a business scope beyond an information storage space. Judging by X's honorary titles, posted contents, and timing, he had a significant connection with Guangzhou B Company, and he conducted the accused infringement as a managing personnel in Guangzhou B Company. Guangzhou B Company's confirmation that X was formerly its employee further proved the close managerial and control relationship between X and Guangzhou B Company and proved that X had been constantly operating on the accused platform as managing personnel in Guangzhou B Company under Guangzhou B Company's authorization. In addition, there was no substantial change in X's access and the nature of his posting before and after his resignation as claimed by Guangzhou B Company. His act of posting was constant and under the control of Guangzhou B Company, so should be deemed as an act of Guangzhou B Company. Guangzhou B Company's claims that X's infringement acts should be deemed as his individual acts due to his resignation when he posted the disputed game reflected misunderstanding of the connection between employment status and liability determination in the case of information network transmission infringement.

(2021) Zui Gao Fa Zhi Min Zhong No. 2365

### **Beware of "Dual Benefit" in the Determination of Confidentiality and Infringement Identity Comparison in the Trial of Trade Secret Infringement Cases**

Recently, the SPC issued a final ruling on a trade secret infringement dispute, emphasizing the need to carefully examine whether the trade secrets used for infringement identity comparison is consistent with the content or scope of the trade secrets claimed by the rights holder in such cases. This is to prevent situations where the rights holder, when asserting the existence of trade secrets, increases the content of secret points to enhance the likelihood of confidentiality recognition, but reduces the secret points during infringement comparison to boost the probability of establishing substantial similarity.

Three associated companies including Shenyang A Company (hereinafter collectively referred to as Party A) filed a lawsuit accusing that former technical staff member X, former salesperson Y, and others joined Shenyang B Company after leaving Party A. Party A claimed that the modules and functionalities of Party A's Enterprise Resource Planning and Customer Relationship Management System (referred to as the disputed software system) constitute Party A's technical secrets, and the list of 441 customers in the disputed software system database is Party A's business secret. The information system of Shenyang B Company (referred to as the accused infringing software system) is substantially identical to Party A's disputed software system, with the customer information in the accused infringing software system's database being substantially

identical to that in Party A's software system. Therefore, Shenyang B Company, X, the actual controller Z of Shenyang B Company, and two other companies with personnel and financial commingling with Shenyang B Company (referred to collectively as Party B) have infringed on Party A's technical and business secrets. Party A seeks an injunction against Party B to cease infringement and compensate for damages and reasonable legal expenses.

In the first instance, the court ruled that the technical and business information claimed by Party A did not qualify as trade secrets, thus rejected Party A's claims. Party A appealed this decision.

The SPC, in its second-instance ruling, found that concerning the alleged technical secrets, the elements claimed by Party A as protected technical secrets were merely a simple listing of software module names and related functions in the disputed software system. This lacked clear or specific technical information and could be obtained through public channels, rendering it not constituting a trade secret. Therefore, Party A's claim of Party B infringing its technical secrets was not supported.

Regarding the infringement of business secrets, Party A contended that the information of 441 customers (referred to as the involved customer information), including customer names, business contacts, contact details, and purchased product varieties, could provide a competitive advantage to operators and was not readily accessible through public channels. Party A had imposed confidentiality requirements on employees who could access or obtain the involved customer information and had implemented corresponding measures. Therefore, the involved customer information had value, secrecy, and confidentiality, constituting business secrets protected under Anti-Unfair Competition Law.

In this case, Party A claimed that the business information to be protected as a trade secret consists of customer information from 441 clients. For each client, only the combination of the client's name with corresponding business contacts, contact details, and product information forms a valuable and confidential set of information. Therefore, when conducting infringement comparisons, comparisons should also be made based on the complete set of information corresponding to each individual client. Party A asserted that Party B's accused infringing software system database contained customer information of 283 clients that was substantially identical to Party A's involved customer information. However, instead of comparing the set of customer information as a whole, Party A only compared individual pieces of information separately (such as business contacts, contact details, or product varieties) corresponding to the same customer name, concluding that if individual information matched or partially matched, the customer information should be deemed substantially identical. In trade secret cases, special attention should be paid to ensuring that the trade secrets used for infringement identity comparison are consistent with those claimed by the rights holder regarding their content or scope, to avoid "dual benefit" scenarios. The customer information content used by Party A for infringement identity comparison was significantly different from the customer information content claimed as a collection during the confidentiality determination phase. Therefore, Party A's claim that Party B's database contained customer information of 283 clients that was substantially identical to Party A's involved customer information was not accepted.

Upon comparison, only 20 pieces of customer information in Party B's accused infringing software system database were found to be substantially identical to Party A's information, accounting for only 4.5% of Party A's 441 customer information entries. Additionally, Party A claimed to have information on over 20,000 customers, and the 441 customer information entries submitted as protected business secrets were selected based on Party B's transaction records. Considering that both Party B and Party A were engaged in the metallurgical materials business and Party B could also collect and organize customer information for their own respective operations, the

evidence in this case could not prove that Party B had infringed upon Party A's business secrets. Therefore, the final judgment upheld the original decision and dismissed the appeal.

This case ruling has certain reference value in identifying and preventing situations where parties may earn “dual benefit” during the determination of confidentiality and the comparison of infringement identity in the trial of trade secret infringement disputes.

(2022) Zui Gao Fa Zhi Min Zhong No. 670

### **Judgment Standards for the Confidential Nature of Technical Secrets Differ from those for Patent Novelty and Inventiveness**

Recently, the SPC resolved a dispute over technical secret infringement, specifying the differences in judgment standards for the confidential nature of certain technical information and for patent novelty and inventiveness. This case is significant to correctly understanding and assessing whether technical information has the confidential nature as a trade secret.

This case is one of series cases of disputes over patent ownership and technical secret infringement between Zhejiang A Company and B Company. Zhejiang A Company claimed in this case that two technical managers left Zhejiang A Company and joined B Company's affiliate in the same month and then joined B Company 4 months later when B Company was established; 5 months after their resignations, they filed a utility model patent application in the name of B Company for the R&D achievements of Zhejiang A Company (the disputed patent), which was later granted and disclosed. Zhejiang A Company claimed that B Company and the two former employees infringed on Zhejiang A Company's technical secrets, requesting B Company and the two former employees to jointly compensate for economic losses and reasonable expenses. And the disputed patent was declared invalid in the first instance due to an invalidation request filed by a third party.

In the first instance, the court deemed that the 5 secret points in the disputed technical secret claimed by Zhejiang A Company did not have confidential nature and thus refused the claims of Zhejiang A Company. Zhejiang A Company was dissatisfied and appealed, claiming that determining the actual losses it suffered and the profit gained B Company from the infringement is challenging. Zhejiang A Company requested the court to confirm the compensation amount through applying for statutory compensation.

In the second instance, the SPC deemed that the standards for judging whether certain technical information has confidential nature as technical secrets and those for judging the patent's novelty and inventiveness are different. In addition, the court further established that absence of novelty or inventiveness in the patent's technical solution on the filing date (or priority date) in comparison to prior arts does not necessarily mean that the technical information contained in the technical solution was commonly known or could be easily obtained by those skilled in the art when the accused infringement happened.

In this case, the disputed technical information is mainly recorded in specific embodiments in the description and the attached drawings, and the claims of the disputed patent only reflected partial technical secrets. The judgment on the novelty and inventiveness of the claims in the invalidation decision for the disputed patent does not necessarily affect the judgment of whether the disputed technical information has confidential nature.

Upon comparison, it was found that the evidence submitted by B Company has disclosed technical information secret points 2-4 claimed by the patentee, but it did not explicitly disclose



secret point 1, and secret point 5 remains undisclosed. While secret point 5 is a combination application of secret points 1-4, none of the evidence provided by B Company proved any prior art disclosing all technical information of secret points 1-4. The combination application of secret points 1-4 is not a mere stacking of information but forms an integral whole with certain business value. This was developed by Zhejiang A Company through research and development, and others cannot obtain it directly without a certain level of effort and investment. Therefore, secret point 5 is not commonly known or can be easily obtained by those skilled in the art, but has confidential nature and constitutes trade secrets as stipulated in the Anti-Unfair Competition Law.

Where the two former employees, in violation of confidential obligation, disclosed the disputed technical secrets acquired during their tenure at Zhejiang A Company to B Company, facilitating B Company's filing of a patent application for the disputed technical secrets. Despite being aware of the two people's said acts, B Company proceeded to obtain the disputed technical secrets and file the disputed patent application. In such circumstances, B Company and the two former employees constitute joint infringement and shall bear joint liability accordingly.

The SPC ordered B Company and the two former employees to jointly compensate Zhejiang A Company for economic losses and reasonable expenses after comprehensively consider the inventive extent, business value, R&D investments of the disputed technical secrets, the subjective fault of B Company and the two former employees and the nature and circumstance of the infringement, the effect of the disclosure of the disputed technical secrets on the competitiveness of Zhejiang A Company, and Zhejiang A Company's evidence collection and entrusting lawyers for attending lawsuits.

(2022) Zui Gao Fa Zhi Min Zhong No. 2501

### **Application of Bioisosterism in the Judgment of Inventiveness**

When determining whether the replacement between two groups in a pharmaceutical compound is common knowledge in the art, bioisosterism may generally be considered. However, for non-classical bioisosteres, whether a person skilled in the art will make specific group replacement generally need to be supported by prior arts that can prove the drug structure activity relationship, and the application of the concept "bioisostere" shall not be expanded arbitrarily.

Two American Companies are the applicants of an invention patent application of pyridine-based inhibitors transduced by Hedgehog signal (the disputed patent application), which was rejected by the CNIPA on October 8, 2016. The two American Companies were dissatisfied and initiated legal proceedings with the first-instance court, requesting to revoke the challenged decision of rejection and order the CNIPA to make a decision anew.

The first-instance court rejected the claims of the two American Companies, leading to their subsequent appeal. The SPC made the second-instance judgment on December 14, 2023, revoking the first-instance judgment and the challenged decision, and the court ordered the CNIPA to make an examination decision anew for the disputed patent application of the two American Companies.

First, the effective judgment determined that the technical teaching shall be decided based on the technical problems solved by the invention. If Formula I in Reference 8 is used as the basis for technical teaching in the prior art, those skilled in the art should recognize that Formula I can achieve technical effects equivalent to those of Formula II. However, while the challenged decision explicitly chose the subordinate Formula II in Reference 8 as the closest prior art, there is no evidence proving that those skilled in the art can confirm the effect of the superior Formula I

is equivalent to that of Formula II. On the contrary, Evidence 7 submitted by the two American companies in the first instance can prove that in Reference 8, the compound with benzopyrimidinone structure (Compound 4) has a better effect than the compound without benzopyrimidinone structure (Compound 9). On the basis that Reference 8 has disclosed embodiments with benzopyrimidinone structure and partial active data, those skilled in the art do not have the motivation to seek for enlightenment in the more general Formula I. The ability of those skilled in the art to confirm Hedgehog signaling inhibitory activity contained in the compound in the present application after reading the description does not necessarily mean that Reference 8 taught the equivalent effect of benzopyrimidinone and Benzene ring or heterocyclic ring. Therefore, the challenged decision determining that Formula I in Reference 8 provided technical teaching is not tenable.

In addition, for those skilled in the art, when investigating whether the replacement between two groups in a pharmaceutical compound is common knowledge in the art, Bioisosterism is most commonly used. Bioisosterism means that atoms or groups with similar three-dimensional structures and electronic arrangements can retain similar or metabolically antagonistic biological effects when replaced with each other in their drug molecular structures.

Meanwhile, medicinal research progress also detected some atoms and groups conflicting with the classic Bioisosterism can still have the equivalent effect after being swapped in the pharmaceutical molecular design procedure. Bioisosterism is an experience conclusion. Due to the relevance of the swap of non-classical bioisostere to the prior art research progress in the drug structure-activity relationship in the field, whether the concept of Bioisosterism can be applied to designing drug molecular for a specific class of drugs requires prior art evidence supporting the drug structure-activity relationships associated with that class of drug, and the application scope of bioisostere cannot be arbitrarily expanded. It's common knowledge to those skilled in the art that Benzene ring and benzopyrimidinone ring are non-classical bioisostere, and the evidence in the case did not prove the swap of Benzene ring and benzopyrimidinone ring in molecular design of anti-cancer drugs are bioisostere; therefore, the challenged decision determining that the prior art provides teaching to replace benzopyrimidinone ring with Benzene ring lacks basis.

(2021) Zui Gao Fa Zhi Xing Zhong No. 846

### **The Party that Files the Patent Application in Violation of Contract Shall Not Enjoy the Patent**

The SPC recently resolved a dispute over the ownership of an invention patent in the field of chemical engineering. It was determined that if a technical recipient files a patent application for a technical solution provided by a technical provider without the provider's permission, violating clear contractual restrictions, even if certain improvements are made based on the original technical solution from the provider, the recipient cannot automatically enjoy the patent for these improvements due to the violation of contract and the willingness of the provider.

Shanghai A Company filed a lawsuit alleging that the vast majority of the technical features in the invention patent for a purification system and method related to chemical substance M, owned by Anhui B Company (hereinafter referred to as the disputed patent), were derived from techniques provided by Shanghai A Company and its affiliate, and requesting confirmation that the disputed patent rightfully belongs to Shanghai A Company.

Upon review, the first-instance court found that in July 2018, A1 Company (affiliated with Shanghai A Company) signed Contract X with B1 Company (affiliated with Anhui B Company). This contract stipulated A1 Company's obligation on an engineering design package, technical services, and equipment for construction chemical plants for a polymer of chemical substance M for B1 Company. In addition, in September 2018, Shanghai A Company signed a contract with Anhui B Company, outlining the supply of products, design processes, and technical services relevant to chemical substance M by Shanghai A Company to Anhui B Company. A1 Company made a declaration, asserting that Shanghai A Company held the right to apply for and own patents within the Chinese Mainland for techniques shared by A1 Company to B1 Company under Contract X. Anhui B Company filed the disputed patent application in 2019, which was granted in 2020.

Based on the patent examination records during the application and grant, the initial court ruling determined that Shanghai A Company and Anhui B Company both made inventive contributions to the substantive technical features of the patent. Due to the challenge in discerning the proportion of each party's input, joint ownership of the patent should be presumed. In the judgment, the court confirmed Shanghai A Company as a co-owner of the patent. Dissatisfied with this verdict, both parties lodged appeals.

During the second instance, the SPC uncovered a crucial clause in Chapter 6 of Contract X, highlighting the strict obligation of B1 Company to refrain from disclosing any information without the prior consent of A1 Company. In February 2019, B1 Company and Anhui B Company signed an assignment agreement with A1 Company, transferring Contract X to Anhui B Company, along with assuming B1 Company's right and obligations under Contract X. In addition, further technical comparison revealed that the vast majority of technical features of claim 1 of the disputed patent were predominantly derived from the technical solutions provided by Shanghai A Company and its affiliated company to Anhui B Company. Notably, after receiving the first Office Action on the patent application, Anhui B Company amended claim 1 to address patent inventiveness, and the added technical features can be regarded as technical contributions to "prominent substantive features". These technical contributions stemmed from the technical solutions provided by Shanghai A Company and its affiliated company to Anhui B Company.

The SPC clarified the definition of an inventor in the Patent Law as someone who has made inventive contributions to the substantive features of an invention-creation. When Anhui B Company made improvement on certain technical features in the technical solution originally provided by Shanghai A Company and its affiliate under contract, the revised solution was granted a patent after the substantive examination by the CNIPA. While both parties have made contributions to the technical solution of the patent, evidence revealed that Shanghai A Company and its affiliate played a more significant role in contributing to the prominent substantive features of the patent against the prior art, compared to Anhui B Company's relatively minor input. Despite clear contractual restrictions, Anhui B Company proceeded to file a patent application for the technical solution provided by Shanghai A Company and its affiliate without their consent. Although Anhui B Company has made certain improvements based on the original technical solution, it cannot automatically enjoy the patent for these improvements due to the violation of contract and the willingness of Shanghai A Company. The disclosure of the technology solution of the patent stripped Shanghai A Company of the right to independently select an intellectual property protection strategy. Moreover, entering into a co-owned patent with Anhui B Company would limit Shanghai A Company's full patent enforcement rights, as it would be subject to constraints imposed by co-ownership arrangement. Awarding joint ownership of the patent cannot fully protect the legitimate rights and interests that Shanghai A Company should enjoy, and it would impede the smooth transformation and utilization of technological achievements. Anhui B

Company has evident fault for violating the principle of good faith, and it has made relatively small technical contributions to the overall technical solution of the patent. Therefore, in the second-instance judgment, the SPC ruled Shanghai A Company to be the rightful patentee.

This second-instance ruling is advantageous in deterring entities with evident faults from acquiring others' technical solutions through patent applications, thereby effectively protecting the legitimate rights and interests of technical providers in technology transactions. It has certain significance for the judgment of patent ownership disputes arising from enhancements to undisclosed technical solutions provided by others in the performance of technology contracts.

(2022) Zui Gao Fa Zhi Min Zhong No. 2951

### **The IP Court of the SPC Made First Reconsideration Ruling Supporting Act Preservation**

Recently, the SPC concluded a reconsideration case involving the infringement of the exclusive right of integrated circuit layout design and act preservation. In this case, the Court deemed that the act preservation request meets the conditions for approval based on the comprehensive consideration of whether the applicant's request has factual and legal basis, whether irreparable damages will appear in the absence of the act preservation measures, and whether adopting act preservation measures will cause an imbalance of interests and damages to social public interests, among other factors. Particularly, the Court also gave consideration to the urgency of the case, as the accused infringing chips were set to be delivered soon, potentially leading to reduced trading opportunities, price erosion, and other harms to the right owner upon their market entry. This reconsideration ruling marks the first reconsideration ruling supporting act preservation of the accused infringement actions made by the IP Court of the SPC.

A Company alleged that B Company and C Company infringed its exclusive right of an integrated circuit layout design and thus filed a lawsuit with the first-instance court. After the case was put on record by the court, A Company requested the first-instance court to order B Company and C Company to cease the infringement of its exclusive right of the IC layout design. The first-instance court ruled B Company and C Company to stop producing and selling the accused infringing chips from the date of the ruling taking effect to the date when the judgment of this case takes effect. B Company and C Company both dissatisfied and filed a reconsideration application to the SPC.

The initial investigation revealed that 50 silicon slices (equivalent to about 500,000 chips) that B Company entrusted C Company to manufacture and process had been delivered by the chip manufacturer to the packaging enterprise.

In the reconsideration, the SPC determined that:

First, the layout design in which A Company claimed protection had been registered with the CNIPA, and the relevant evidence submitted by A Company when filing the lawsuit can initially indicate a high degree of similarity between the layout design of the accused infringing products and A Company's layout design.

Second, the imminent delivery of chips by B Company and C Company posed urgency, as such chips entering the market may cause economic losses to A Company, as well as diminish trading opportunities and erode the price. Comparatively, act preservation can instantly prevent the accused infringing chips from entering the market and effectively prevent the further expansion of the accused infringement and its consequences.

Third, given that A Company's request for act preservation had factual and legal basis and that A Company submitted corresponding guarantee, the potential harm to B Company and C Company from implementing act preservation measures would be relatively small compared to the damages that A Company might suffer without taking act preservation measures.

Lastly, as there are adequate alternatives in the market for the accused infringing chips and the case does not involve any major public interests such as public health or environmental protection, the decision on whether to implement act preservation measures does not raise issues of jeopardizing social public interests. Therefore, the SPC ruled to dismiss the reconsideration request of C Company and B Company.

This reconsideration ruling also explained the differences between the damages compensation mechanism and the act preservation mechanism in terms of protecting the right holder, strengthening the proactive prevention function of the act preservation mechanism. While the damages compensation mechanism aims to restore the infringed party as closely as possible to their pre-infringement status, it is usually difficult to fully offset losses suffered by the infringed party from market preemption and price erosion simply through compensating economic losses. Meanwhile, due to the influence of compensation scope, evidence situation, enforcement capability, and other various factors, even if the infringing party is ordered to compensate losses, it is sometimes hard to achieve full compensation. Therefore, as a proactive prevention mechanism, act preservation usually surpasses loss compensation in protecting the right holder, as the latter is an afterward remedial measure.

Act preservation, as a provisional civil remedial measure, aims to prevent the applicant from irreparable damages before the judgment. However, it may also cause certain effects to the requested party, interested parties and even public interests. The overly loose examination standard by the court for act preservation may cause right abuse, while the overly strict examination standard may curb the effectiveness of the mechanism. Therefore, it is essential to correctly understand and apply act preservation examination standards in practice. This case marks the first reconsideration ruling made by the IP Court of the SPC supporting act preservation, providing a practical case with value of reference for act preservation assessments.

(2024) Zui Gao Fa Zhi Min Fu No. 3

### **In Principle, Separation of Claims and Individual Determination of Patent Application Right Ownership is Inappropriate**

The SPC made a final ruling on a dispute over the patent application right, revoking the first-instance judgment that separated the claims of the disputed patent application and determined the ownership of different claims separately, and sent it back for retrial. The final ruling of the case pointed out that a patent application as a whole can only have a singular patent application right, and generally a patent application shall not be arbitrarily divided according to different claims, as it will result in multiple patent application rights for a single patent application.

Guangdong A Company filed a lawsuit alleging that Hangzhou B Company disclosed non-public technical information related to Guangdong A Company's infiltration system, which was acquired by Hangzhou B Company during their cooperation, to an affiliated company, Changxing C Company, for the purpose of applying for the disputed patent application. Guangdong A Company petitioned that the application right of the disputed patent application should be solely owned by them, rejecting any shared ownership. The technical scheme of the disputed patent

application includes 10 claims, of which claim 1 is an independent claim and claims 2-10 are all dependent claims.

After trial, the court of first instance held that, after technical comparison, claims 1-3, 5-8, and 10 of the disputed patent application were substantially the same as the technical schemes that Guangdong A Company provided to Hangzhou B Company, and there was no evidence that Changxing C Company or Hangzhou B Company made inventive contributions to the technical schemes of the aforementioned claims. The additional technical features in claims 4 and 9 were not related to the technical information or the technical features of the equipment provided by Guangdong A Company, and the additional technical features in claims 4 and 9 were not conventional means in the art. Changxing C Company made inventive contributions to the substantive features of technical schemes of claims 4 and 9. Therefore, after clarification from the court of first instance, Guangdong A Company abandoned its claim on the patent application right for the technical schemes of claims 4 and 9 in the disputed patent application. The court of first instance then made a judgment confirming that Guangdong A Company owned the patent application right for the technical schemes of claims 1-3, 5-8, and 10 of the disputed patent application. Dissatisfied with this ruling, Hangzhou B Company and Changxing C Company filed an appeal.

In the second instance, the SPC held that this case was a dispute over the ownership of a patent application right. For each patent application, there can generally be only one patent application right, which can be enjoyed by a certain party alone or by multiple parties. While a patent application may consist of multiple claims, and each claim is a complete technical scheme, the patent application is holistic. Claims under the same subject and meeting the unity requirement should not be granted separate patent application rights, or it will result in multiple patent application rights for a single patent application. The first instance court erred in the legal application and explanation in the first instance procedure, causing the plaintiff to abandon the claim to the ownership of the patent application right for the technical scheme of claims 4 and 9 in the disputed patent application. On this basis, the first instance judgment mistakenly divided the multiple claims of the disputed patent application arbitrarily, resulting in two patent application rights on one patent application. In view of the fact that Guangdong A Company abandoned the relevant litigation claims due to the court's incorrect explanation and did not appeal, this case should be sent back for retrial.

The ruling in this case has certain reference significance for the trial of cases concerning ownership of patents and patent applications.

(2021) Zui Gao Fa Zhi Min Zhong No. 825

### **Determination of General Consumers of Designs of Components**

The general consumers of design products usually include those who can observe or pay attention to the appearance of the product during the transaction and use of the product. If the product can only be used as a component of an assembled product due to its function and use, and the end user of the assembled product cannot observe the appearance design of the component during normal use, the general consumers mainly include the direct purchaser and installer of the component.

In an administrative dispute over the invalidation of a design patent between the Appellant CNIPA and the Appellee Dongguan A Company, with Shenzhen B Company, as a third party in the original trial, a design patent named "cable connector" owned by Dongguan A Company was involved (hereinafter referred to as this patent).

Shenzhen B Company filed an invalidation request against the aforementioned patent with the CNIPA. The CNIPA believed that connectors of this type are mainly used to connect flexible circuit boards for connection and conduction purposes. These functions are mainly achieved through the shape of the product, so general consumers of this type of product pay more attention to the shape of the product, especially the specific design of the connection with the circuit board and the arrangement of conductive terminals and grooves. Difference points 1, 3, and 4 between this patent and the reference design are minor local differences, while the central part of point 2 is a relatively common design in this art. The tooth-shaped concave and convex at the bottom are consistent with the reference design. The shallow relief grooves at the upper and lower parts generally do not capture much attention of consumers. The above differences do not significantly impact the overall visual effect of the product, and this patent does not comply with the provisions of Paragraph 2 of Article 23 of the Patent Law. As a result, the CNIPA issued a decision to declare the patent invalid.

However, Dongguan A Company believed that this patent was evidently different from the reference design, and thus filed a lawsuit with court of the first instance.

The court of first instance held that "general consumers" of patented product should not be the end user of the finished product manufactured using the design product. The differences 1, 2, and 3 between the patent and the reference design are not local subtle differences and can draw attention of general consumers. This patent and the reference design are evidently different, which complies with the provisions of Paragraph 2 of Article 23 of the Patent Law. The court therefore ruled to revoke the challenged decision, directing the CNIPA to make a new decision.

The CNIPA was dissatisfied and appealed to the SPC. On August 9, 2022, the SPC revoked the original judgment and dismiss the lawsuit filed by Dongguan A Company.

The SPC, in the second instance, based on the confirmation of the similarities summarized in the challenged decision, summarized the opinions of all parties, and re-summarized the similarities and differences between this patent and the reference design, and held that: general consumers of design products usually include all consumers who can see the appearance of the product during product transactions and use. If a product can only be used as a component of an assembled product due to its function and use, and the end user of the assembled product can still see the appearance design of the component during the normal use of the assembled product, then general consumers include both the direct purchaser and installer of the component, as well as the end user of the assembled product. If the end user of the assembled product cannot see the appearance design of the component during normal use, then general consumers should mainly include the direct purchaser and installer of the component.

In this case, the patent is a cable connector mainly used to connect flexible circuit boards. It is installed on PCB boards as electronic product components. After the electronic product is manufactured, the end user cannot see the appearance design of the patent, so the general consumers of the patented product are mainly those who directly purchase and install the cable connector.

(2021) Zui Gao Fa Zhi Xing Zhong No. 464