

Patent and Trademark Systems in China

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Part 1: Patent System

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I. Scope of Patent Rights

China's first Patent Law came into force on April 1, 1985. The current Patent Law which came into effect on October 1, 2009 is the third amendment. Various versions of draft 4th amendments were published in the last few years but as of the date of this article, no final version is available yet.

Chinese Patent Law provides for three types of patent rights, namely invention patents, utility model patents and design patents, which are collectively called "invention-creation". An invention patent protects products or methods or use. A utility model patent only protects products but not methods or use. A design patent only protects the appearance of a product but not the technical aspect thereof. The term of invention patent is twenty (20) years and the term of utility model patent and design patent is ten (10) years, counted from the date of filing.

A Chinese patent is only valid in mainland China and does not cover Hong Kong, Macao or Taiwan.

II. Prosecution of Patent Applications

Generally speaking, practice of patent prosecution in China is similar to patent prosecution before the European Patent Office (EPO) in many aspects.

1. Conditions for Grant

Article 22 of the Chinese Patent Law prescribes that any invention or utility model for which patent right may be granted must possess novelty, inventiveness and practical applicability. Similarly, according to Article 23 of the Chinese Patent Law, any design for which a patent right may be granted also should possess novelty, inventiveness and should not be in conflict with the legitimate right obtained before the date of filing by any other person.

Novelty

The novelty requirements for all three types of patents comprise two parts: (1) the invention does not belong to prior art or design and (2) there is no "conflicting application". The prior art and prior design means any technology or any design known to the public, in China or abroad, before the date of filing. This standard is often called "absolute novelty" standard. There is no equivalent in Chinese patent practice to what is known in the US as "on sale bar". In addition, an application related to the identical invention, utility model or design which is filed by anyone with China National Intellectual Property Administration (CNIPA) before the date of filing and published on or

after the date of filing, is called a conflicting application which can be used against the novelty of a patent application, even if it is filed by the same applicant of the later application.

Grace Period

According to Article 24 of the Chinese Patent Law, an invention-creation does not lose its novelty if, within six (6) months before the date of filing, (1) it was first exhibited at an international exhibition sponsored or recognized by the Chinese government; or (2) it was first made public at a prescribed academic or technological meeting; or (3) it was disclosed by any person without the consent of the applicant. However, it is very difficult to take advantage of this provision.

Inventiveness

According to Article 22.3 of the Chinese Patent Law, the inventiveness requirement for invention is different from that for utility model. Inventiveness means, as compared with the prior art, the invention has prominent substantive features and represents a notable progress, and the utility model has substantive features and represents progress. In other words, utility model patents have lower requirements for inventiveness than those for invention patents.

“(Prominent) substantive features” means that to a person skilled in the art, the invention is not obvious as compared with the prior art. “(Notable) progress” means that the invention can produce advantageous technical effects as compared with the prior art.

The evaluation of the inventiveness of an invention and a utility model differs in: (1) for a utility model, usually only references in the same technical field should be considered and (2) no more than two prior art references should be cited to evaluate the inventiveness of utility model.

Inventiveness requirement also exists for design patents, which requires the design be significantly different from prior designs or combination of prior design features.

2. Examination and Appeal

Preliminary Examination

All three types of patent applications must undergo what is referred to as “preliminary examination”, which not only includes formality examination but also includes examination for any obvious substantive defects, such as definition of invention, violation of laws, non-patentable subject matter, foreign filing license, obvious lack of unity, obvious introduction of new matter, etc.

There is no substantive examination for utility model or design patent applications. During preliminary examination, there may be one or more office actions issued by the examiner. When the examiner finds the application complies with the relevant provisions, a Notice of Grant is issued. The average pendency for utility model applications is about six (6) months and that for

design applications is about four (4) months.¹ After the applicant pays the necessary fees, CNIPA will announce the grant of the patent right. Utility models and designs are published then.

Substantive Examination

For invention patent applications, there is substantive examination. Applicants must request for substantive examination and the deadline is three (3) years from the date of filing or the earliest priority date, if any. There is no automatic examination like in the US. It is to be noted that an application will not enter substantive examination procedure until it is published which usually occurs 18 months from date of filing or the earliest priority date, if any.

During substantive examination, many aspects of the application documents are examined, including but not limited to, definition, novelty, inventiveness, industrial applicability, non-patentable subject matter, unity, clarity, claim support, enablement, added subject matter, essential technical features, double patenting, and foreign filing license.

During substantive examination, there may be one or more office actions issued by the examiner. When the examiner finds the application complies with the relevant provisions, a Notice of Grant is issued. At the moment, the average time of prosecuting a Chinese invention patent application from filing to grant, is about twenty-three (23) months.² After the applicant pays the necessary fees, CNIPA will announce the grant of the patent right. The invention patent is published then.

Re-examination

A Decision of Rejection can be issued in either preliminary examination or substantive examination, which ends the prosecution of an application. If the applicant wants to continue prosecuting the application, a request for re-examination must be filed with the Re-examination and Invalidation Department (RID) of CNIPA, within three (3) months from the date of receipt of the Decision of Rejection. Re-examination means appeal, which is different from that in US.

The RID may uphold or revoke the decision of rejection. In case the decision of rejection is revoked, the RID transfers the application back to the examination department at CNIPA to continue examination of the application. Further office actions are possible from the examination department at CNIPA.

If the RID upholds the decision of rejection, the applicant may institute legal proceedings within three (3) months from the date of receipt of the Re-examination Decision. There are two instances. The first instance is Beijing Intellectual Property Court and its decision can be appealed to, as of January 1, 2019, the IP Tribunal of the Supreme People's Court (SPC), which acts as the national level IP appeal court.

¹ <http://www.cnipa.gov.cn/xwfb/1140491.htm>

² *Id.*

3. Strategic Use of Utility Models

Protecting less inventive inventions or minor improvements

If an applicant receives search or examination opinions in a foreign country or in ISR or IPRP of a PCT application that shows relatively negative prospect due to lack of inventiveness, it may choose to file in China, or enter Chinese national phase as, a utility model application, since utility model has lower requirements of inventiveness. This usually results in a utility model patent which may not be easily invalidated for the exact same reason.

Protecting products with shorter life cycle

As a utility model can be obtained relatively fast, it is ideal for protecting products with short lifecycle and its 10-year term may be long enough for these products.

Protecting the same invention with an invention patent and a utility model patent

According to Article 9 of the Chinese Patent Law and Rule 41 of the Implementing Regulations of the Chinese Patent Law, if an applicant files on the same day (literally) a utility model application and an invention application relating to the identical invention-creation, the applicant can get a utility model patent first and when the invention application is ready to be granted, it can abandon the granted utility model and choose to have the patent for invention granted.

If this strategy is adopted, an applicant could obtain a utility model patent relatively early and effectively get an “extra” period during which an enforceable patent right is available, before obtaining an invention patent right. Moreover, the applicant could play with the scope of the claims in the utility model and invention applications and make them have different scope, so that it may keep both patents. As the cost of prosecuting and maintaining a utility model is far less than that of an invention, filing two applications will not significantly increase the cost.

There is an additional obligation when a utility model or design patent is enforced, i.e. the patentee needs to provide a patent right evaluation report produced by CNIPA, which serves as preliminary evidence about the likelihood of patent validity.

It is to be noted that the above suggested strategies only make sense if the subject matter is suitable for protection by a utility model patent. If an applicant tries to protect a method only or a new material, it cannot get protection by a utility model patent.

4. Computer Program Related Inventions

Article 25.1(2) “rules and methods for mental activities”

If a claim in a patent application includes not only features of rules and methods for mental activities but also technical features, then the claim as a whole is not rules and methods for mental activities, and shall not be excluded from patentability in accordance with Article 25.1(2) of the

Chinese Patent Law.

Article 2 “definition of invention”

However, having technical features is not enough to pass the examination in accordance with Article 2. Chinese examiners examine whether the claimed solution falls under the definition of invention, i.e. whether it is a technical solution, more specifically, whether it adopts technical means in accordance with laws of nature to solve a technical problem and achieves technical effects in accordance with laws of nature. It is to be noted that the term “technical” is not explicitly defined anywhere in the patent law, regulations or examination guidelines. For a solution that is not based laws of nature, even if the claim includes technical features, it is still not regarded as a technical solution.

Novelty and Inventiveness

If the application passes the examination based on the above two provisions, the examiner further examines novelty and inventiveness. However, algorithmic features or business rules and method features in a claim need to have a “functionally mutually supportive and interactive relationship” with the technical features therein, in order to be considered in the evaluation of novelty and inventiveness.

Generally speaking, the Chinese practice regarding computer program related inventions, particularly business methods related applications, has becoming more lenient and flexible, in order to meet the increasing needs from industries such as AI, IOT, big data, and blockchain, etc.

5. Patentability of Pharmaceutical and Biotech Inventions

Relevant Provisions	Not Patentable	Patentable
Article 25.1(3) of Chinese Patent Law “non-patentable subject matter”	Methods or medical use for treatment of disease, including treatment by a surgical procedure or by medicines or by psychotherapeutics, methods for preventing diseases and methods of immunization	Use of a substance for manufacture of a medicament for treatment of a disease
	Methods or medical use for diagnosis of disease, including a method for evaluating a subject’s risk of having a certain condition	Use of a substance for manufacture of a medicament for diagnosis of a disease
Article 25.1(4) of Chinese Patent Law “non-patentable subject matter”	Animal and plant varieties, including animals and plants as such	A method for producing an animal or plant variety, as long as it is not an “essentially biological method”, depending on the extent of technology intervention

	Embryonic stem cell of an animal, an animal at various stages of formation and development, such as a germcell, an oosperm, an embryo and seeds of plants	Somatic cells, tissues and organs of an animal (except an embryo)
	Transgenic animals or plants	Genes, including human genes, if they are isolated from nature for the first time and have an established industrial utility
		Microorganisms, unless those occur in nature, and methods for their production
Article 5.1 of the Chinese Patent Law, "contrary to laws or social morality or that are detrimental to public interest."	A process for modifying the germ line genetic identity of human beings or a human being thus modified, a process for cloning human beings or a cloned human being, use of human embryos for industrial or commercial purposes, or a process for modifying the genetic identity of animals which is likely to cause them suffering without substantial medical benefit to human beings or animals	An invention that separates or obtains stem cell from a human embryo which is within 14 days of fertilization and has not gone through in vivo development
	Human body at various stages of formation and development, such as a germcell, an oosperm, an embryo or an entire human body	Human embryonic stem cells and preparation method thereof
Article 5.2 of the Chinese Patent Law, "violation of laws"	Inventions the making of which relies upon a genetic resource which has been obtained or exploited in ways that violate Chinese law	
Article 22.4 of the Chinese Patent Law "Industrial Applicability"	Cosmetic surgery that does not have any therapeutic effect is not a method of treatment but lacks industrial applicability	

*Examples are given in the Guidelines for Patent Examination, pt. II, ch. 1, §3.1.2, §4.3, §4.4, ch. 10, §2.2, §9.1.1, §9.1.2, ch. 5, §3.2.4.

III. Foreign Filing License

Article 20.1 of the Chinese Patent Law prescribes that where anyone intends to file an application for patent abroad for any invention or utility model developed in China, he shall request CNIPA for

confidentiality examination in advance. The penalty for violating this provision is that no patent shall be granted in China. This is similar to the foreign filing license provisions in the US. However, it is to be noted no confidentiality examination is required for designs.

It is to be clarified that an applicant is no longer required to file first in China for an invention or a utility model developed in China. However, before any filing outside of China is made, a foreign filing license must be obtained from CNIPA. In determining whether this provision applies to a particular application, inventor's nationality or residence or applicant's nationality or residence is not relevant. Where the invention or utility model is developed is the only relevant factor. For example, this provision is applicable if a US citizen makes an invention during his visit to China. This provision is not applicable if a Chinese citizen makes an invention during his visit to the US.

If there is joint development between inventors located in different countries, e.g., China and US, the applicant is suggested to meet the foreign filing license requirements in both countries. As for China, as long as no foreign patent applications are filed before obtaining a foreign filing license from CNIPA, there is no violation. An applicant could fulfill both countries' requirements by first obtaining a foreign filing license in the US without filing a US patent application and then obtaining a foreign filing license in China before filing an application in another country.

An applicant may choose to obtain a foreign filing license in three ways, according to Rule 8 of the Implementing Regulations of the Chinese Patent Law.

Ways to Request Foreign Filing License	Remarks
File a separate request for foreign filing license, without or before filing an patent application in China	Detailed technical solution of the invention or utility model is required, in Chinese language.
file a request for foreign filing license on or after filing a Chinese patent application	Foreign filing license may be granted relatively fast.
Filing a PCT international application with CNIPA	The PCT application itself is deemed as a request for foreign filing license

If CNIPA needs time review the request for foreign filing license, it will issue a notification informing the applicant to hold off filing abroad. An applicant can proceed to file in a foreign country if it does not receive such a notification within four (4) months from filing the request for foreign filing license. In case such a notification is issued by CNIPA, the applicant can proceed to file in a foreign country if it does not receive CNIPA's decision on foreign filing license within six (6) months from filing the request for foreign filing license. For a PCT international application, if examiners find that the application should be kept secret, a notification is issued within three (3) months from the date of filing informing the applicant that the application will not be handled as an international application and the international phase is terminated.

IV. Inventor Reward and Remuneration

1. Ownership of Service Invention

According to Article 6.1 and 6.3 of the Chinese patent law, an invention-creation, made by a person in execution of the tasks of the entity to which he belongs, or made by him mainly by using the material and technical means of the entity, is a service invention-creation. For a service invention-creation, the right to apply for a patent belongs to the entity. After the application is approved, the entity shall be the patentee.

As can be seen, there are two kinds of service invention-creations: (1) an invention-creation made by a person in execution of the tasks of the entity to which he belongs and (2) an invention-creation made mainly by using the material and technical means of the entity. For the first kind, by law, the right to apply for a patent and the ownership of the patent belong to the entity. In contrast, for the second kind of service invention-creation, according to 6.3 of the Chinese patent law, if the entity and the inventor or creator have entered into a contract in which the right to apply for and own a patent is provided for, such provisions prevail. If there is no such a contract, then the right to apply for a patent belongs to the entity and entity shall be the patentee, if the application is granted.

2. Reward and Remuneration of Service Invention

Article 16 of the Chinese Patent Law provides that the entity that is granted the patent right shall (1) reward the inventor or creator of the service invention-creation; and (2) after such patent is exploited, given the inventor or creator a reasonable amount of remuneration.

According to Rules 76 of the Implementing Regulations of the Chinese Patent Law, the amounts of the reward and remuneration can be specified in a contract between an employer and its employees or in the internal rules of the employer.

In absence of such a contract or provisions in the internal rules, Rules 77 and 78 of the Implementing Regulations provide for specific amounts of reward and remuneration. Specifically, the entity shall within three (3) months from the date of the announcement of patent grant, reward the inventor or creator of a service invention-creation. The reward for an invention patent shall not be less than RMB3,000 (about USD430); the reward for a utility model or design patent shall not be less than RMB1,000 (about USD143).

In addition, the entity shall, after exploiting the patent for invention-creation within the duration of the patent right, draw each year from the profits from exploitation of the invention or utility model a percentage of not less than 2%, or from the profits from exploitation of the design a percentage of not less than 0.2%, and award it to the inventor or creator as remuneration. The

entity may, as an alternative, by making reference to the said percentage, award a lump sum of money to the inventor or creator as remuneration once and for all. If the entity authorizes any other party to exploit its patent, it shall draw from the royalties it receives a percentage of not less than 10% and award it to the inventor or creator as remuneration.

As can be seen, the amounts of remuneration provided for in Rules 77 and 78 are quite high if no contracts or internal rules as prescribed in Rule 76 are available. Hence, it is strongly recommended that any enterprise or institution should have such a contract or internal rules in place. In the contract or internal rules, the employer may specify amounts lower than those specified in Rules 77 and 78 of the Implementing Regulations. However, the amounts are required to be reasonable. What can be regarded as reasonable is open to debate, though.

V. Enforcement of Patent Rights

Generally speaking, although China has a civil law system, many concepts or doctrines similar to those in the US litigation system can be found in the Chinese patent litigation system.

1. Infringement and Passing-Off

Infringing Acts

Article 11 of the Chinese Patent Law prescribes that after the grant of the patent right for an invention or utility model, except where otherwise provided for, no entity or individual may, without the authorization of the patentee, make, use, offer to sell, sell or import the patented product, or use the patented process, and use, offer to sell, sell or import the product directly obtained by the patented process, for production or business purposes.

After the grant of the patent right for a design, no entity or individual may, without the authorization of the patentee, make, offer to sell, sell or import the product incorporating its patented design, for production or business purposes.

Joint Infringement

By now, the concept of joint infringement does not exist in any version of the Chinese Patent Law. The latest draft 4th amendment published on January 4, 2019³ proposed that if an internet service provider is notified of the infringing activities conducted by its user but does not take necessary measure to delete, block or break the link of infringing products, it should be held jointly liable together with the its user who infringes the patent right, for the expanded damage.

Exceptions to Infringement

³ <http://www.ppac.org.cn/notice/detail-40.html>

Article 69 of the Chinese Patent Law provides six (6) exceptions to infringement, which are commonly known as exhaustion of right (including parallel import), prior user right, research exemption, Bolar exemption and use in the means of transport temporarily passing China.

Passing-Off

Another form of violation of rights in relation to patents is called patent passing-off. Patent passing-off may or may not involve infringement of a patent right. According to Rule 84 of the Implementing Regulations of the Chinese Patent Law, passing-off mainly refers to false patent marking and tempering with patent certificates.

2. Judicial Route: People's Courts

Jurisdictions

a. Jurisdiction by Forum Level

China has a uniform court system, with four levels of courts, i.e. Basic People's court, Intermediate People's Court, High People's Court and Supreme People's Court. For patent cases, there are usually two instances. The first instance is usually an intermediate people's court.

On August 31, 2014, the Standing Committee of the National People's Congress adopted a resolution to establish specialized IP courts in Beijing, Shanghai and Guangzhou. The specialized IP courts have jurisdiction over the first instance of IP civil cases and the first instance of IP administrative cases regarding patents, new plant varieties, integrated circuit layout designs and technical knowhow, in Beijing, Shanghai and Guangdong province, respectively.

As of January, 1, 2019, for cases regarding patents, new plant varieties, integrated circuit layout designs and technical knowhow, appeals against the decisions made by these specialized IP courts as well as the decisions of intermediate courts, are heard by the IP Tribunal of the SPC, which acts as the national level IP appeal court, i.e. the second instance.

In some cases, a case may be brought to the Supreme People's Court after two instances are concluded. It is however at discretion of the Supreme People's Court whether to take the case.

b. Territorial Jurisdiction

Lawsuits may be instituted against patent infringing acts in the court of the place where the defendant has its domicile, or of the place where the infringing acts take place. In other words, limited forum shopping is possible. If the plaintiff is not comfortable with the court of the place where the defendant has its domicile, it may purchase the infringing products in a different place where a different court has the jurisdiction and sue both the manufacturer and the seller there.

Procedure

According to Article 68 of the Chinese Patent Law, the prescription for instituting legal proceedings concerning patent infringement is two years counted from the date on which the patentee or any interested party obtains or should have obtained knowledge of the infringing act.

Generally speaking, a judicial action involves the following steps. First, the plaintiff files with a court a statement of complaint including argument and evidence. After the court accepts the case, it transmits the documents to the defendant and the defendant makes a defense, which is then transmitted to the plaintiff by the court. The court informs the relevant parties to appear in trial. Arguments are made and evidences cross-examined in trial, which is held in public unless otherwise prescribed. New evidence can also be brought up during trial. Then a decision is made.

Cases involving foreign parties usually take longer. Power of Attorney signed or evidence formed outside of China must be notarized by a local notary office and authenticated by the Chinese embassy in that country. Chinese translation must be provided for evidences in foreign languages.

For patent infringement case, during trial, interpretation of the scope of claims must be done. Even though there is no separate proceeding like *Markman hearing*, many doctrines and principles found in US practice are being used in Chinese practice, such as all element rule, doctrine of equivalents, means plus function, donation principle, estoppel, etc.

3. Administrative Route: Local IP Offices

Chinese IP enforcement system is often referred to as a dual track system, which offers two routes for resolving disputes, i.e. judicial route and administrative route. The administrative authority responsible for handling patent affairs is called local IP office. They are not branch offices of CNIPA.

With respect to the jurisdiction of local IP offices, according to Rule 81 of the Implementing Regulations of the Chinese Patent Law, where any party requests handling of a patent infringement dispute or mediation of a patent dispute, it shall fall under the jurisdiction of the local IP office where the requester has its domicile or where the act of infringement takes place.

They handle the following type of patent disputes: (1) patent infringement dispute in which it decides on whether infringement can be established and mediate between the parties regarding the amount of compensation; (2) patent passing-off case in which it may confiscate illegal gain and impose fine; and (3) mediation between the parties in disputes over the (i) ownership of the right to apply for patent or the patent right, (ii) inventorship, (iii) the award and remuneration of the inventors of service invention-creations, (iv) compensation for exploiting an invention after publication of the invention patent application and before patent grant.

According to Article 64 of the Chinese Patent Law, only in handling patent passing-off cases, the local IP offices have strong power. They may query the parties concerned, investigate the relevant

circumstances, carry out onsite inspection, review and reproduce the contracts, invoices, account books and other relevant materials, examine the products concerned and even seal up or withhold the products. Such actions are often referred to as “raid”.

The procedure at local IP offices is similar to, but simpler, faster and less costly than the procedure in court. A patent infringement case at local IP offices should be concluded within three (3) months and may be extended by one (1) month. A patent passing-off case should be concluded within one (1) month and may be extended by fifteen (15) days.⁴ While the judicial procedures are more expensive and time-consuming, more remedies are available in courts. Courts also have measures for compulsory execution of their decisions.

A local IP office’s decision can be appealed to court but the administrative procedure is not a necessary procedure prior to judicial resolution. A party may directly launch legal proceedings without going through administrative route. Alternatively, it may take action in court and at local IP offices at the same time.

4. Comparison of Remedies in Judicial and Administrative Routes

Remedies	Courts	Local IP Offices
Mediation	Available	Available
Permanent Injunction	Almost always available, except where such injunction damages the national or public interest in which case the court may decide that a reasonable royalty fee shall be paid by the infringer	Available but no powerful measures to enforce; may ask court for compulsory enforcement; Possible raid action in patent passing-off cases only
Preliminary Injunction	Need to prove “irreparable harm”; usually granted pre-litigation or but also possible amid litigation	Not available
Evidence Preservation	Need to show the evidence might be destroyed or difficult to obtain in the future; may be granted pre-litigation or amid litigation	Not available
Property Preservation	Available pre-litigation or when it is difficult to execute court decision	Not available
Damages (calculation must be tried in this particular order)	(1) Loss of right holder	No power to decide on the amount but can mediate between the parties
	(2) Illegal gain of infringer	
	(3) Reasonable multiples of royalties	
	(4) Statutory damage ≤RMB1,000,000	

⁴ <http://www.sipo.gov.cn/zcfg/zcfgflfg/flfgzl/zlbmgz/1020132.htm>

	(about USD145,000)	
Reasonable Expenses for Stopping Infringement	May include expenses for investigating the infringing act, collecting evidence, travel and accommodation, loss of wages, and reasonable attorney fees, etc.	No power to decide on the amount but can mediate between the parties
Fine (paid to the government, not to patentee)	Available only in patent passing-off cases	Available only in patent passing-off cases
Criminal Punishment	Available only in patent passing-off cases	Not available
Provisional Protection	An applicant may require any party who exploits his invention after publication of the invention patent application and before patent grant, for compensation.	No power to decide on the amount but can mediate between the parties

No punitive damages are available in China. The latest draft 4th amendment proposed five (5) times damages in case of willful infringement and the upper limit of statutory damage is proposed to RMB5,000,000 (about USD725,000).⁵

5. Bifurcated System

China adopts a bifurcated system similar to that of the German system. Specifically, in a dispute over patent infringement, the infringement proceeding and the issue regarding the validity of the patent concerned are handled separately, by different authorities.

Invalidation Procedure

According to Articles 45 of the Chinese Patent Law, starting from the date of the announcement of patent grant by CNIPA, any party may request the Re-examination and Invalidation Department (RID) of CNIPA to declare a patent right invalid.

Rule 65 of the Implementing Regulations of the Chinese Patent Law prescribes specific grounds on which a request for invalidation can be made. Except violation of foreign filing license, all grounds are substantive requirements for granting patents. Other grounds, such as fraud or inequitable conduct, which are not included in this rule, **cannot** be used for invalidation.

Invalidation procedure is an *inter parte* proceeding and an oral hearing is usually held. Similar to court proceedings, Chinese translation should be submitted for evidence in a foreign language. Evidence formed outside of China should be notarized by a local notary office and authenticated by the Chinese embassy in that country.

⁵ <http://www.ppac.org.cn/notice/detail-40.html>

It is to be noted that the request for invalidation can only be filed with the RID, and cannot be filed in a court. The RID, rather than courts, has the **ultimate authority** to decide on the patent validity.

If either of the relevant parties is not satisfied with the decision of the RID, it may, within three (3) months from receipt of the decision, institute an **administrative action** in the Beijing IP Court. Beijing IP Court's decision is further appealable to the IP Tribunal of the SPC.

Existence of Two Suits

A typical scenario is that a **civil action** infringement lawsuit is filed by a patentee in court A having proper jurisdiction and the alleged infringer files a request for invalidation with the RID of CNIPA and requests court A to stay the infringement proceedings. Court A may or may not stay the infringement case depending on the circumstances, at its own discretion.

In case court A decides to stay the infringement proceedings, court A awaits a final decision on the validity. After the RID of CNIPA makes a decision, if this the decision is appealed and finally overturned, the case is remanded to the RID to make further examination and a new validity decision which is again appealable to Beijing IP Court. In the worst case scenario, this cycle could be repeated multiple times until the RID's decision finally takes effect. Each of the invalidation procedure and the first instance may take twelve (12) months, and the second instance may take six (6) to nine (9) months. Subsequently, the infringement case in court A is resumed and a decision made, which decision is appealable to the IP Tribunal of the SPC.

In case court A decides NOT to stay the infringement proceedings, the infringement proceeding and the validity proceeding proceed in parallel. It is possible that Court A finds infringement but the patent is declared invalid by the RID of CNIPA and/or the Beijing IP Court. In this case, since both cases can be appealed to the IP Tribunal of the SPC, contradictory decisions can be avoided. By the date of this article, there is only one case which combines the proceedings of the appeal against the decision on patent validity and the appeal against the decision on infringement.⁶

According to Rule 82 of the Implementing Regulations of the Chinese Patent Law, the local IP office may also suspend its handling of patent infringement dispute, if the alleged infringer files an invalidation request with the RID of CNIPA.

It is to be noted that according to Article 47 of the Chinese Patent Law, if a patent is declared invalid it is deemed to be non-existent from the beginning but the invalidation has no retroactive effect on any judgment or decision on infringement. Any monetary compensation awarded is not to be returned unless the non-return is obviously contrary to the principle of equity.

⁶ http://www.iprdaily.cn/news_23378.html

Part 2: Trademark System

By Nina Li, Partner of IP March

I. Features of Chinese Trademark System:

1. Source of trademark rights

The Trademark Law of the People's Republic of China.

2. How do trademark rights arise?

By registration.

3. Bona fide intention to use the trademark

To apply for registration, the applicant need not prove actual use or *bona fide* intent to use the mark. However, malicious trademarks that are applied not because of the actual intention to use the marks shall be rejected.

4. Commercial use of the trademark

Commercial use is not required to obtain a registration of a trademark in China.

5. Nice Classification?

The CNIPA uses the Nice Classification.

6. "Class-wide" applications not allowed

Class-wide applications are not allowed in China. The applicant should identify the specific goods or services for which the mark will be used.

7. Protection to unregistered trademarks

Where a trademark used for identical or similar goods is a reproduction, imitation or translation of another person's well-known trademark not registered in China and is liable to cause public confusion, no application for registration may be granted and its use shall be prohibited.

An application to register a trademark for identical or similar goods shall not be approved if:

- the trademark under application is identical or similar to an unregistered trademark already used by another party;
- the applicant is clearly aware of the existence of the trademark of that other party due to contractual, business or other relationships with the latter; and
- that other party raises an opposition to the trademark application.

No trademark applicant may, by illegitimate means, seek to register a trademark that is already in use by another person and has acquired a certain influence.

Anyone that uses another party's unregistered well-known trademark as a trade name and thereby misleads the public, which constitutes an act of unfair competition, shall be dealt with in accordance with the Anti-unfair Competition Law of the People's Republic of China.

If, before a trademark applicant submits its trademark application, another party has used a trademark that has acquired certain influence and is identical or similar to the registered trademark for the same or similar goods or services, the holder of the exclusive right to use the registered trademark has no right to prohibit that party from continued use of the trademark within the original scope of use. However, the right holder may require the latter to add a mark to distinguish between the two.

8. Legal rights conferred by a trademark registration

The exclusive right to use the registered trademark. However, this right is limited to trademarks which are registered upon approval and to goods for which use of the trademark is approved.

Any of the following acts shall constitute infringement of the exclusive rights to use a registered trademark:

- using a trademark that is identical to a registered trademark for the same kind of goods without a licence from the trademark owner;
- using a trademark that is similar to a registered trademark for the same kind of goods, or using a trademark that is identical or similar to a registered trademark for

similar goods, without a licence from the trademark owner, where such use is likely to cause confusion

- selling goods that infringe the exclusive right to use a registered trademark;
- counterfeiting, or making without authorisation, representations of another person's registered trademark, or selling such representations;
- altering a registered trademark without the permission of its owner and selling goods bearing such an altered trademark;
- intentionally committing acts that infringe the exclusive right to use a trademark, or facilitating the commission of such acts; and
- impairing another party's exclusive right to use a registered trademark in any other manner.

II. What Constitutes a Trademark according to Chinese Trademark Law:

Any signs, including words, graphs, letters, numbers, three-dimensional symbols, colour combinations, sounds or any combination thereof, that are capable of distinguishing the goods of a natural person, legal person or other organisation from those of others may be applied for registration as trademarks.

A registrable trademark must bear noticeable characteristics and be readily distinguishable and must not conflict with legitimate rights previously obtained by others.

None of the following signs may be used as trademarks:

- Signs that are identical with or similar to the state name, the national flag, emblem or anthem, the military flag, emblem or songs or medals of the People's Republic of China; or signs that are identical with the names or emblems of central state organs, the names of specific locations where central state organs are seated or the names or designs of landmark buildings;
- Signs that are identical with or similar to the state name, national flag, national emblem or military flag etc., of a foreign country, except with the consent of the government of that country;
- Signs that are identical with or similar to the name, flag or emblem of an international inter-governmental organisation, except with the consent of that organisation or except where it is unlikely to mislead the public;

- Signs that are identical with or similar to an official mark or inspection stamp that indicates control and guarantee, except where authorised;
- Signs that are identical with or similar to the symbol or name of the Red Cross or the Red Crescent;
- Signs that discriminate against any nationality;
- Signs that are deceptive and likely to mislead the public in terms of the quality, place of production or other characteristics of the goods; and
- Signs that are detrimental to socialist ethics or customs, or that have other unwholesome influences.

No geographical names of administrative divisions at or above the country level or foreign geographical names known to the public may be used as trademarks, except where the geographical name has another meaning or constitutes part of a collective trademark or certification trademark. Registered trademarks in which geographical names are used shall remain valid.

None of the following marks may be registered as trademarks:

- a mark which bears only the generic name, design or model number of the goods concerned;
- a mark which only directly indicates the quality, principal raw materials, function, use, weight, quantity or other features of the goods; or
- a mark that otherwise lacks of any distinctive character.

However, such a mark may be registered as a trademark if it has acquired distinctive features through use and is readily distinguishable.

No application for registration of a three-dimensional symbol as a trademark may be granted, where the sign merely indicates the shape inherent in the nature of the goods concerned, or is dictated by the need to achieve technical effects or the need to give the goods substantive value.

Where a trademark bears a geographical indication of the goods and the place indicated is not the origin of the goods in question, thus misleading the public, the trademark shall not

be registered and its use shall be prohibited. However, where the registration is obtained in good faith, it shall remain valid.

III. Registration Procedure:

CNIPA governs the examination and registration procedures of trademarks.

Formality examination: After a trademark application is filed with the CNIPA, examiners will conduct formality examination, including the examination on the descriptions of designated goods/services. If the application meets the formality requirement, official filing receipt will be issued by the CNIPA and the trademark application will enter into substantive examination procedure. However, if the examiners consider that amendment needs to be made, e.g. non-standard descriptions have been used, official notification will be issued. The trademark application will not be officially accepted before proper response is made within 30 days from receipt of the notification. Therefore, the formality examination may take several days to around 3 months.

Substantive examination: After a trademark application is officially accepted by the CNIPA, substantive examination concerning whether the mark is registrable, whether the mark violates absolute grounds or relative grounds, etc. will be conducted. Trademark application will be preliminary approved of registration or provisionally refused. If it is provisionally refused, the applicant is entitled to appeal with the CNIPA. The substantive examination procedure may take around 6 to 12 months.

Publication & registration: Trademark applications that are preliminary approved of registration will be published on the Trademark Gazette for opposition by third parties within 3 months. If no opposition is initiated, the trademark will be approved of registration and a registration certificate will be issued in around 1 to 2 months.

IV. Appeals:

If a trademark application is provisionally refused by the CNIPA, the applicant is entitled to pursue the application by lodging an appeal against the provisional refusal with the CNIPA (review department) within 15 days of the date of receipt of the refusal. If the provisional

refusal is sent via registered mail, the date indicated by the postmark shall be considered as the date on which the applicant receives the notification. If the provisional refusal is sent via electronic form, e.g. email, through its e-system, the notification will be deemed as received by the applicant 15 days after it was sent. If the deadline falls into public holidays, it can be automatically extended to the first working day after the holidays. Otherwise, extension is not allowed. However, after appeal is filed, the applicant can supplement further evidences within three months.

If the appeal is officially accepted by the CNIPA, adjudication usually will be made in around 6 to 12 months.

If dissatisfied with the adjudication, the applicant is entitled to bring a lawsuit (first instance) against the adjudication with the Beijing Intellectual Property Court, within thirty days as from the date of receipt of the adjudication. For administrative lawsuit (first instance), against CNIPA's adjudication on the appeal concerning a provisional refusal, it usually takes around 5 to 6 months for the judges to make the judgment.

If dissatisfied with the judgment made by the Beijing Intellectual Property Court, the applicant is entitled to further appeal (second instance) with the Beijing Higher People's Court, within thirty days as from the date of receipt of the judgment of the first instance. The judgment usually will be made in around 3 to 4 months.

V. Oppositions:

The opposition period is three months as from the publication date of the mark.

If a holder of prior rights or an interested party holds that the published trademark is in violation of relative grounds for refusal, it may oppose the mark within the opposition period. Any party that is of the opinion that the published mark is in violation of absolute grounds for refusal may oppose the mark within the opposition period. Oppositions should be brought to CNIPA.

Where an opposition is raised, the CNIPA will send a notification and a copy of the documents filed by the opponent to the opposed party. The opposed party has 30 days

from receipt of the notification to respond. For both opponent and the opposed party, both of them are offered a three-month period to supplement further evidences. Whether the opposed party responds or not, the CNIPA will decide whether to approve the registration of the mark after investigation and verification.

If the opponent is dissatisfied with the decision that the trademark is approved of registration, it can initiate invalidation after the mark is registered. If the opposed party is dissatisfied with the decision not to approve the registration of the trademark, the opposed party is entitled to appeal with the CNIPA within 15 days of receipt of the decision.

VI. Maintenance and Removal of Registrations:

A registered trademark remains valid for 10 years in China, as from the date on which the registration is approved, and may be renewed for subsequent 10-year periods thereafter, as from the date immediately following the expiry date of the last period of validity.

1. The CNIPA may cancel a trademark registration on its own.

According to the Trademark Law, a trademark may be cancelled at the initiative of the CNIPA if the trademark is ineligible to function as trademark, it is malicious trademark registration not for use, goods/services other than IP agency services applied by IP agent or the trademark registration was obtained by fraudulent or other illegitimate means.

If a trademark owner, without authorization, alters the registered trademark, its name or address of or other registered information, it will be ordered to correct such alteration within a timeframe specified by the relevant local AMR; if it fails to do so, the registration will be cancelled.

2. A third party may seek cancellation of a trademark registration

According to the Trademark Law, if a registered trademark violates the absolute grounds, e.g. the trademark is ineligible to function as trademark, it is malicious trademark registration not for use, goods/services other than IP agency services applied by IP agent or the trademark registration was obtained by fraudulent or other illegitimate means, other entities or individuals may request the CNIPA to invalidate the trademark.

If a trademark registration infringes another party's prior civil rights, that party or another interested party may, within five years of registration of the trademark, request CNIPA to invalidate the trademark. If the registration was obtained in bad faith, the owner of a well-known trademark is not bound by the five-year restriction in seeking invalidation.

If a registered trademark has become the generic name of the goods for which it is used or has not been used for three consecutive years without a justifiable reason, any entity or individual may apply to the CNIPA for revocation of the registered trademark.

3. Procedure for appealing a decision cancelling a registration

An interested party which is dissatisfied with the decision that a trademark registration is cancelled or invalidated at the initiative of the CNIPA or a trademark registration is cancelled by the CNIPA upon other party's request may apply for a review before CNIPA within 15 days of receipt of notice of the decision from the CNIPA. If a party is dissatisfied with the adjudication of the review, it may file lawsuit before the people's court within 30 days of receipt of notice of the adjudication from CNIPA.

Where other entities or individuals request CNIPA to invalidate a registered trademark and are dissatisfied with its decision, they may file lawsuit before the people's court within 30 days of receipt of notice of the decision.

VII. Enforcement and Remedies for Violations of Trademark Rights:

1. Available remedies against trademark infringement

Customs measures: The owner of a registered trademark can record its registered trademark right with the General Administration of Customs of the People's Republic of China. Upon discovering suspected infringing goods pending import or export, the trademark owner may present an application to Customs at the port of entry or exit to detain such goods and provide Customs with security. Customs will then detain the suspected infringing goods.

On discovering any imports or exports that are suspected of infringing a recorded registered trademark right, Customs shall immediately notify the trademark owner in writing of the suspected infringement. If the trademark owner presents an application and

provides security within three working days of the date of service of this notification, Customs will detain the suspected infringing goods.

Customs shall investigate and then determine, within 30 working days of the date of detention, whether the suspected infringing goods are in fact infringing. The suspected infringing goods shall be confiscated by Customs if it determines that they have infringed a registered trademark right. Where the import or export of infringing goods constitutes a crime, criminal liability shall be investigated according to the law.

AMR measures: A trademark owner or an interested party may request the relevant administrative department of Administration for Market Regulation (AMR) to address the issue. If the AMR finds that an infringement has occurred, it shall order the relevant party to immediately cease the infringing acts, and shall confiscate and destroy the infringing goods and instruments mainly used to manufacture the infringing goods and forge the registered trademark. Where the illegal business revenue is RMB50,000 (about USD7,250) or more, a fine of up to five times the illegal business revenue may be imposed; where there is no illegal business revenue or the illegal business revenue is less than RMB50,000 (about USD7,250), a fine of up to RMB250,000 (about USD36,250) may be imposed thereon.

If a party commits trademark infringement on two or more occasions within five years or falls under any other serious circumstances, it shall be subject to more severe punishment.

If a party is unaware of the infringing nature of products that it sells, can prove that the products were obtained by legitimate means and can provide information on the suppliers of the products, the AMR shall order it to stop selling the products.

In case of a dispute over the amount of damages due for trademark infringement, the parties may apply to the AMR for mediation, or may file lawsuit at the people's court in accordance with the Civil Procedure Law of the People's Republic of China. If the parties fail to reach agreement through mediation, or fail to execute the mediation agreement once it has become effective, the parties may file lawsuit at the people's court in accordance with the Civil Procedure Law of the People's Republic of China.

The AMR has the power to investigate any act of trademark infringement. If it suspects that a crime has been committed, it shall promptly transfer the case to a judicial department for handling in accordance with the law.

In investigating a case of suspected trademark infringement, an AMR at or above county level may conduct inspections and seal or seize articles that are proven to have been used for the infringement.

Judicial remedy: A trademark owner or an interested party may file lawsuit before the people's court.

The amount of damages for trademark infringement shall be determined based on the actual loss suffered by the trademark owner as a result of the infringement. If it is difficult to determine the actual loss suffered, the amount of damages may be determined according to the profits earned by the infringer. If it is difficult to determine both the loss of the trademark owner and the profits earned by the infringer, the amount of damages may be reasonably determined by reference to the multiple of royalties payable for a licence for the trademark. If the infringement is malicious and serious, the damages may be more than doubled and less than five times. The amount of damages awarded shall cover reasonable expenses incurred by the trademark owner in stopping the infringing act.

If the trademark owner has exhausted its efforts in discharging its burden of proof, but the account books and materials relating to the infringement are mainly controlled by the infringer, the people's court may order the infringer to submit account books and materials relating to the infringement. If the infringer fails to provide such account books or materials, or provides false account books or materials, the people's court may render a judgment on the amount of damages based solely on the claims of, and the evidence presented by, the trademark owner.

If it is difficult to determine the actual loss suffered by the trademark owner as a result of the infringement, the profits earned by the infringer from the infringement or the royalties for a licence, the people's court shall render a judgment awarding damages in an amount of up to RMB5 million (about USD725,000) based on the circumstances of the infringement.

If the trademark owner or an interested party proves that another party has infringed or will soon infringe its trademark, and that unless promptly stopped, such infringement will cause irreparable damage to its legitimate rights and interests, it may, in accordance with the law, apply to the people's court for an injunction to preserve assets before a lawsuit is filed.

In order to stop an infringement, and where evidence may vanish or be destroyed, or may become unobtainable in the future, the trademark owner or interested party may, in accordance with the law, apply to the people's court for evidence preservation before filing a lawsuit.

If a party, without the permission of the owner of a registered trademark, uses an identical trademark for the same kind of goods, which constitutes a crime, then in addition to compensating for losses suffered by the trademark owner, that party shall be investigated for criminal responsibility in accordance with the law.

If a party counterfeits or makes without permission representations of another person's registered trademark, or sells such representations, which constitutes a crime, then in addition to compensating for losses suffered by the trademark owner, that party shall be investigated for criminal responsibility in accordance with the law.

If a party knowingly sells goods bearing a counterfeit registered trademark, which constitutes a crime, then in addition to compensating for losses suffered by the trademark owner, that party shall be investigated for criminal responsibility in accordance with the law.

2. Procedure for pursuing claims for violation of trademark rights

The trademark owner or an interested party may file lawsuit before the people's court or request the relevant AMR to address the dispute. The AMR's decision may be appealed before the people's court. There are usually two instances of appeal.

3. Typical defenses available to a defendant in trademark litigation

If, before an applicant applies to register a trademark, another party has used an identical or similar trademark that has acquired a certain influence for the same or similar goods or

services, the applicant cannot prohibit that party from continued use of its trademark within the original scope of use. However, the applicant may require the latter to add a proper mark for the purposes of distinguishing between the two marks.

Where a trademark owner seeks damages for infringement and the alleged infringer counterclaims that the trademark owner has never used the registered trademark, the people's court may require the trademark owner to provide evidence of actual use of the registered trademark in the three years prior to the lawsuit. The alleged infringer shall not be liable for compensation if the trademark owner cannot prove actual use of the registered trademark in the three years prior to the lawsuit, and further cannot prove other losses suffered as a result of the infringement.

If a party is unaware of the infringing nature of products which it is selling, can prove that the products were obtained by legitimate means and can provide information on the suppliers of the products, it shall not be liable for compensation.

4. Procedure for appealing a decision in a trademark case

If dissatisfied with a first-instance decision of the local people's court, a party may appeal to the people's court at the next level within 15 days of the date of service of the decision. There are usually two instances of appeal.



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Stephen Yang is a Chinese patent attorney and managing partner of IP March, a boutique IP law firm in China. His practice covers patent search, drafting, prosecution, invalidation, opinion and litigation in a wide variety of technical fields, particularly mechanics, energy, electronics, software and high-tech areas. Mr. Yang also has extensive experience in utility model and design patent practice

Mr. Yang began to practice patent law in 1997 and worked at a number of Chinese IP law firms in Beijing where he contributed significantly to these firms' business growth. In addition to private practice in China, Mr. Yang worked in-house in Toronto in a high-tech company where he gained an industrial perspective to his IP work. Having spent five years in Canada, Mr. Yang has also gained deep insights into western culture and practice; this, combined with superior language skills, makes him stand out from his peers and helps bridge any cultural gap by allowing smooth communication and understanding of his clients' needs, while advising them in a way they can clearly understand. His clients, many of which are prominent industry leaders around the world, recognize the quality of Mr. Yang's services.

Mr. Yang's technical background is in mechanical and industrial engineering. He received double bachelor's degrees from Tsinghua University in China and a master's degree from the University of Toronto in Canada. Mr. Yang is a frequent speaker at international conferences and webinars. He is also a prolific author of articles and books. In particular, Mr. Yang is the main author of IP Protection in China, published by ABA Publishing in 2015. He is also a lecturer of the prestigious McGill University IP courses and initiated the China content for the course.

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Ms. Li has assisted clients from all over the world in devising and implementing tailored trademark protection strategies in China. She also assisted domestic clients with their trademark protection in many foreign countries. Based on her deep knowledge and extensive experience of trademark practice, she provides proactive, insightful advices to clients.

Ms. Li has served large variety of clients in prosecuting their trademarks and helped safeguarding their IPRs in China.

About the firm

IP March is a mid-size boutique firm that offers prosecution, litigation and consulting services related to IP law to domestic and overseas clients, which range from start-up companies to prestigious multinationals, many of them leaders in their respective industries. In addition to mainland China, IP March's services also cover Hong Kong, Macau and Taiwan.

Headquartered in Beijing, IP March's professional team consists of high calibre patent attorneys, trademark attorneys and attorneys-at-law with rich academic, industrial and professional experience, many having over 10 years of experience and some being widely recognized as leading practitioners in the intellectual property law area.

IP March's patent attorneys work in virtually all technical areas, including agrochemicals, mechanics, biology, pharmaceuticals, medical devices, chemistry, chemical engineering, materials, metallurgy, electronics, communications, semiconductors, computer software and hardware, artificial intelligence, fintech and quantum computing, etc.

IP March can work in multiple languages, including Chinese, English, Japanese, Korean, German and French. Many professionals published articles in English.

Why choose IP March

- Smooth communication - In addition to in-depth understanding of Chinese laws, IP March attorneys have superior languages skills and knowledge of foreign cultures and practices, which enable them to bridge the cultural gap, precisely understand their clients' intention and advise them in a way that the clients can clearly understand. Smooth communication clearly makes IP March stand out from Chinese IP firms
- Focus on professional advice - IP March focuses on value-added services instead of acting as a mailstop. Providing high-quality professional advice is IP March's core competitive advantage. In addition, IP March takes a proactive approach to advising clients so as to avoid unnecessary costs
- Responsiveness care and personal attention - IP March's clients enjoy extremely responsive service. IP March applies the utmost care and personal attention to their work. Having many attorneys who once worked in-house in the industry, IP March thinks from its clients' standpoint and understands their needs. Dedicated account managers coordinate the internal resources at the firm.
- Most stringent quality control - Quality work is IP March's paramount consideration. IP March applies the most stringent quality control measures known in the profession. Each and every piece of work is reviewed by a partner of the firm. IP March's top-notch quality and service are recognized by various awards bestowed by clients.



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