



Intellectual Property Rights Working Group

Key Recommendations

1. Patents

1.1 Introduce Patent Term Extensions to Promote Innovation

- Introduce a mechanism that allows patent term extensions to compensate for the duration of premarket regulatory approval processes.

1.2 Follow the 'Three-step Approach' to Evaluate the Inventiveness of an Invention

- Strictly follow the 'three-step approach' when evaluating the inventive step to determine if there is a motivation that would prompt a person skilled in the art to apply the distinguishing feature(s) to the closest prior art and thus to reach the claimed invention.
- Provide evidence to support the alleged common knowledge when rejecting inventions.
- Take the 'unexpected effect' as one consideration but not a prerequisite for granting a patent.

2. Civil Litigation



2.1 Expand the Scope of Written Submissions, Set Evidence Exchange Proceedings Well in Advance of Hearings and Adopt Deadlines for Judgments in Foreign-related Cases

- Adjust civil procedures to become essentially written procedures, with a hearing to orally discuss only the main arguments and main evidence.
- Adopt a rule that courts only have to make a decision on arguments that have been put in writing.
- Exchange all written submissions between litigants before the hearing.
- Introduce a formal timeline, after the hearing, to issue a judgment in foreign-related cases.



2.2 Ensure Consistency and Uniformity in Intellectual Property (IP) Decisions Throughout the Entire Judicial System by Asking IP Courts to Provide Clear Guidelines on IP Decisions to all Courts, and by Publishing Court Decisions

- Ask the IP Appellate Court or IP Courts to provide ordinary courts with clear, uniform guidelines and by publishing past case decisions.
- Consider publishing all cases in a free, online database maintained by the IP Tribunal of the Supreme People's Court, so that best practices can be disseminated and promptly adopted.

3. Trademarks



3.1 Create a Right to Request the Cancellation of a Trademark that Becomes Infringing after Transformation in Practical Use

- Amend Article 49.1 of the Trademark Law so any person has the right to apply to the China National Intellectual Property Administration (CNIPA) to cancel a registered trademark if it becomes infringing after transformation.
- Lower the threshold for a registered trademark to sue another registered trademark, and specify that an action may be based on Article 7 of the Trademark Law.

3.2 Allow the Applicant to Question and Reply on the Evidence Provided by the Trademark Registrant During the Revocation Examination Stage

- Allow applicants to question and reply to the evidence provided by the trademark registrant during the revocation examination stage.





3.3 Take into Account the Amount of the Inventory of Infringing Goods when Calculating the Amount of Damages in Trademark Infringement Cases.

- Take into account the size of the inventory of infringing goods when calculating the amount of damages in trademark infringement cases.

3.4 Extend the Review Application Period of Trademark Rejection, Opposition, Invalidation and Cancellation where Circumstances Require

- Extend the prescribed period for filing review applications/appeals of rejection, opposition, invalidation or cancellation where circumstances require.

4. Strengthen Online IP Protection

4.1 Verify the Legal Status of Social Media E-shopping Channels

- Verify the legal status of social media e-shopping channels, and stipulate their liabilities.

2 4.2 Clarify How E-commerce Platforms Should Provide Necessary Information to Assist Infringed Parties in Cases of IP Infringement

- Outline the liabilities of E-commerce platform operators, and outline the responsibility of e-commerce platforms for providing necessary information to assist infringed parties in cases of IP infringement.
- Clarify the definition of the exclusion clause contained in Article 10 of the E-commerce Law, which prescribes that individuals conducting small deals are waived from the liability of displaying a business licence.
- Explore different methods of deterring repeat infringers on online portals and platforms.

5. Collaboration on Human Genetic Resources

5.1 Provide Contractual Freedom on Ownership of Results Generated from International Collaborative Projects Related to Chinese Human Genetic Resources

- Remove Article 19 from the *Interim Measures for Management of Human Genetic Resources*, or modify its wording in line with the basic principles and provisions of the Contract Law.

6. Copyright

6.1 Introduce Specific Criminal Liability for Offences Related to Technical Prevention Measure (TPM) Circumvention

- Introduce into the Criminal Law specific provisions regarding the circumvention of TPMs and the manufacture, distribution and sale of TPM circumvention devices.

7. Geographical Indications

7.1 Harmonise the Legal Protection of Geographical Indications (GIs) with other IP Rights

- Harmonise the legal protection of GIs in China with other IP rights, so that all GI systems can effectively fight against usurpation, infringement and counterfeiting.

Introduction to the Working Group

Intellectual property (IP) laws protect human intellectual achievements by granting rights holders the exclusive privilege to control and obtain benefits for what they have created. Effective intellectual property rights (IPR) enforcement is crucial for innovating and competing in any market and for the facilitation of transnational partnership agreements. If there is a lack of trust in IPR

protection, companies and individuals will be reluctant to introduce their most valuable IP and will not be willing to develop cutting-edge IP creations.

The Intellectual Property Rights Working Group represents a wide range of European interests in China's IP regulatory framework and its enforcement of IPR. With a presence in Beijing, Shanghai and South China, the working group serves as a platform for





companies to share best practices on IP matters. It is a bridge between China's IP authorities and European business, and offers support primarily through recommendations aimed at improving the efficiency and effectiveness of China's IPR protection system.

Recent Developments

2019 Key Legislation Plan

The State Administration for Market Regulation (SAMR) put forward the *2019 Legislative Work Plan* regarding the reform of IPR registration processes.¹ According to the plan, the China National Intellectual Property Administration (CNIPA) will draft the *Trademark E-application and E-sending Regulation* in 2019. In order to strengthen IP protection and application, in accordance with the plan the CNIPA has already drafted the *Provisions on Standardising Applications for the Registration of Trademarks* and published them for public consultation on 12th February 2019,² and published the *Measures for the Management of Patent Agents* on 4th April 2019.³ The *Measures for the Qualification Examination for Patent Agents* came into effect on 1st June 2019,⁴ and the CNIPA will further draft the *Measures for the Protection of Official Marks on Record* and the *Interim Measures for Trademark Agency Supervision*. The amendment of the *Rules for the Implementation of the Patent Law* is also under the plan. The working group is pleased to see that the SAMR has made IPR legislation one of its priorities.

Supreme People's Court (SPC) IP Court

On 26th October 2018, the National People's Congress (NPC) decided that all appeals against judgments rendered by lower courts in cases involving a technological aspect should be submitted to the SPC. Following this decision, the SPC created the Intellectual Property Court, a detached tribunal of the SPC (SPC IP Court). The SPC IP Court started to operate for a trial period of three years, on 1st January 2019. On 27th December 2018, the SPC issued the *Provisions on Several Issues Concerning the Intellectual Property*

Tribunal,⁵ which detail the scope of the competence of the SPC IP Court. The main purpose is to centralise the appeal of all patent-related cases, including technical know-how, computer software and monopoly, and to unify the standards of judicial adjudication in China. This applies to both civil and administrative litigation.

The SPC further indicated that decisions of the SPC IP Court will still be subject to retrial, but that cases will be handled by another tribunal of the SPC.

Amendment of the Patent Law

The fourth revision of the Patent Law is still pending but is expected to be passed in 2019.⁶ In addition to the extension of the protection term for design patents (to 15 years), the draft introduces an extension of the protection term for innovative drugs, various measures for the promotion of patent exploitation, an increase in the statutory damages for infringement (up to Chinese yuan (CNY) 5 million), measures facilitating the administrative enforcement of patents in different regions of China, the liability of network service providers, and the good faith principle in patent filing and enforcement.

Revision of the Trademark Law

On 23rd April 2019, China promulgated the amended Trademark Law, which will become effective on 1st November 2019.⁷ The new amendments include:

1. A crack down on bad faith filings: Article 4 states that "any application for trademark registration that is malicious and is not filed for the purpose of use shall be rejected". Articles 19, 33, 44 and 68 were also amended with reference to Article 4.
2. Strengthening trademark protection: Article 63 raises the standard of punitive damages for trademark infringements from the previous one to three times, to one to five times the determined amount of damage caused. It also raises statutory damages from up to CNY 3 million to up to CNY 5 million. In addition, Article 63 empowers the courts to order the destruction of both infringing goods and the materials and tools used for making them.

1 *State Administration for Market Regulation Issues Legislative Work Plan for 2019*, Central Government of the People Republic of China, 5th February 2019, viewed 10th March 2019, <http://www.gov.cn/xinwen/2019-02/05/content_5364002.htm>

2 *Call for Comments on Provisions on Standardising Applications for the Registration of Trademarks*, CNIPA, 12th February 2019, viewed 30th July 2019, <<http://www.cnipa.gov.cn/gztz/1135919.htm>>

3 *Measures for the Management of Patent Agents*, CNIPA, 5th May 2019, viewed 30th July 2019, <<http://www.sipo.gov.cn/zcfg/zcfgflfg/flfgzl/zlbmgz/1138929.htm>>

4 *Measures for the Qualification Examination for Patent Agents*, CNIPA, 5th May 2019, viewed 30th July 2019, <<http://www.sipo.gov.cn/zcfg/zcfgflfg/flfgzl/zlbmgz/1138930.htm>>

5 *Provisions on Several Issues Concerning the Intellectual Property Tribunal, China Court*, 27th December 2018, viewed 30th July 2019, <<https://www.chinacourt.org/law/detail/2018/12/id/149825.shtml>>

6 *The Revision of the Patent Law is Expected to be Completed This Year*, *Xinhua*, 11th March 2019, 30th July 2019, <http://www.xinhuanet.com/politics/2019lh/2019-03/11/c_1210078558.htm>

7 *Trademark Law*, National People's Congress, 7th May 2019, viewed 30th July 2019, <http://www.npc.gov.cn/zgrdw/npc/xinwen/2019-05/07/content_2086832.htm>



Revision of the Anti-unfair Competition Law

On 23rd April 2019, a newly amended Anti-unfair Competition Law became effective, a positive development for trade secret protection.⁸ The amendments mainly broadened the scope of infringing activities, expanded the definition of the liable party for infringement, increased liabilities for infringement, and shifted the burden of proof to the defendant when the plaintiff has produced *prima facie* evidence of infringement of a trade secret and of having taken precautionary measures.

Key Recommendations

1. Patents

1.1 Introduce Patent Term Extensions to Promote Innovation

Concern

Innovative pharmaceutical companies are facing increasing threat from generic drug companies under the current policy that favours the latter, which is obstructing drug innovation.

Assessment

The 20-year term for invention patent protection is intended to promote innovation by allowing patent owners to recoup their investment and derive a profit. However, the actual duration of protection in the pharmaceutical industry is much shorter, as a drug needs to experience up to ten years of clinical trials and regulatory approval before entering the market. In order to encourage continued innovation and accelerate the introduction of new medicines for patients, many countries or regions, including the European Union (EU), the United States (US), Japan, Korea and Australia, allow a patent term extension (up to five years),⁹ which compensates patent owners for delays in obtaining regulatory approval. In these countries or regions, Bolar exemption is also present to allow generic companies to quickly launch their product once the patent is expired.¹⁰ Patent term extension and Bolar exemption constitute a balanced patent protection system for pharmaceuticals favouring generic companies and innovator companies equally.

⁸ *Anti-Unfair Competition Law*, NPC, 7th May 2019, viewed 30th July 2019, <<http://www.npc.gov.cn/npc/c30834/201905/9a37c6ff150c4be6a549d526fd586122.shtml>>

⁹ *Worldwide: Patent Term Extension In Different Countries*, Mondaq, 9th July 2019, viewed 30th July 2019, <<http://www.mondaq.com/india/x/823376/Patent/Patent+Term+Extension+In+Different+Countries>>

¹⁰ Bolar exemption, also known as research exemption or safe harbour exemption, is an exemption to the rights conferred by patents.

In China, the Bolar exemption was only introduced in 2009. On its own, this does not create a balanced patent protection system as the Bolar exemption only favours generic companies. With rapid growth of the economy and a strong need for pharmaceutical innovation, it would be far more beneficial to introduce patent term extensions. Only by doing so will companies that produce innovative drugs, those that produce generic drugs, and those that innovate in the pharmaceutical industry in general, all benefit.

Recommendation

- Introduce a mechanism that allows patent term extensions to compensate for the duration of premarket regulatory approval processes.

1.2 Follow the 'Three-step Approach' to Evaluate the Inventiveness of an Invention

Concern

The CNIPA and the Patent Re-examination Board (PRB) enforce high standards, and sometimes take a wrong approach when evaluating the inventive step, resulting in a patent application being granted in the EU or the US but not in China, by citing the same prior art.

Assessment

The inventive step or non-obviousness is the most fundamental requirement in patent laws. In China, patent examiners follow the logic of a 'three-step approach' to evaluate the inventive step of an invention.¹¹ Step three is the most crucial, but also subjective and the most difficult step. In this step, examiners or judges will determine if there is a motivation that would prompt a person skilled in the art to apply the distinguishing feature(s) to the closest prior art and thus reach the claimed invention.¹² However, the working group believes that the CNIPA, the PRB and courts could take a more balanced approach when judging the inventive step, as many applications continue to be rejected or patents invalidated. The SPC's position on the Daiichi-Sankyo case underlined the importance of conducting the 'three-step approach'

¹¹ The approach consists of 1) determining the closest prior art; 2) determining the distinguishing features of the invention and the technical problem actually solved by the invention; and 3) determining whether or not the claimed invention is obvious to a person skilled in the art. *Guidelines for Patent Examination*, State Intellectual Property Office of the People's Republic of China, 2010, viewed 19th March 2019, <<http://www.sipo.gov.cn/zhfwp/zlsqzn/>>

¹² A person skilled in the art is a hypothetical figure found in many patent laws throughout the world. This hypothetical person is considered to have the normal skills and knowledge in a particular technical field, without being a genius.



during the inventiveness judgment on Markush claims. The SPC stated that only when the ‘three-step approach’ review and judgment cannot reach a clear conclusion on whether the patent application involves an inventive step, can the unexpected technical effect be used in the inventiveness judgment.¹³

One common mistake is that, in step three, when a person skilled in the art may have certain possibilities to reach the claimed invention, the examiners or judges will consider that any of the possibilities provided lack the inventive step. The logic being that the person would be motivated to try all these possibilities and thus all these possibilities as claimed are obvious, which is a typical conclusion when employing the ‘could approach’. The correct way is to stick to the ‘would approach’, as detailed in the *Patent Examination Guidelines*, i.e. the invention is considered obvious only when there is a direct motivation to achieve the claimed invention among all these possibilities.^{14&15}

Another common mistake observed in the pharmaceutical or chemical industries is that the CNIPA and the PRB often reject inventions for lacking the inventive step, as the distinguishing feature(s) is(are) readily perceivable based on common knowledge without providing any evidence, while asking the applicant to provide an unexpected technical effect to prove the inventive step of the invention. The working group believes that the CNIPA and the PRB should provide ample evidence in this regard, and that the ‘unexpected technical effect’ is one of considerations but not the prerequisite to evaluate the inventive step of the invention.

Recommendations

- Strictly follow the ‘three-step approach’ when evaluating the inventive step to determine if there is a motivation that would prompt a person skilled in the art to apply the distinguishing feature(s) to the closest prior art and thus to reach the claimed invention.
- Provide evidence to support the alleged common knowledge when rejecting inventions.

¹³ *‘Markush Claims’ Patent Invalid Administrative Dispute Case, China Court*, 19th April 2019, viewed 1st August 2019, <<https://www.chinacourt.org/article/detail/2018/04/id/3272833.shtml>>

¹⁴ The ‘could-would approach’ means asking not whether the skilled person could have carried out the invention, but whether he/she would have done so in the hope of solving the underlying technical problem or in the expectation of some improvement or advantage.

¹⁵ *Guidelines for Patent Examination*, CNIPA, March 2010, viewed 30th July 2019, <<http://www.cnipa.gov.cn/zhfwpt/zlsqzn/sczn2010eng.pdf>>

- Take the ‘unexpected effect’ as one consideration but not a prerequisite for granting a patent.

2. Civil Litigation

2.1 Expand the Scope of Written Submissions, Set Evidence Exchange Proceedings Well in Advance of Hearings and Adopt Deadlines for Judgments in Foreign-related Cases

Concern

Procedural practices make it difficult to guarantee full transparency in the judicial debate and, indirectly, increase the workload of China’s courts.

Assessment

IP enforcement by means of civil litigation reached an all-time high of approximately 283,400 new first-instance cases filed in 2018, a 40.97 per cent increase over 2017.¹⁶ This significant increase in litigation has not been accompanied by an equivalent increase in judicial resources, meaning that courts in some jurisdictions have only a single day to conduct both the evidence exchange and the hearing on the merits. This clearly does not offer sufficient time to consider the often-complex issues arising in IP cases, and especially patent cases.

Recommendations

- Adjust civil procedures to become essentially written procedures, with a hearing to orally discuss only the main arguments and main evidence.
- Adopt a rule that courts only have to make a decision on arguments that have been put in writing.
- Exchange all written submissions between litigants before the hearing.
- Introduce a formal timeline, after the hearing, to issue a judgment in foreign-related cases.

2.2 Ensure Consistency and Uniformity in IP Decisions Throughout the Entire Judicial System by Asking IP Courts to Provide Clear Guidelines on IP Decisions to all Courts, and by Publishing Court Decisions

Concern

While the expertise of China’s IP court system is highly

¹⁶ *Over 330,000 New Intellectual Property Cases Received in 2018, Xinhua*, 23rd April 2019, viewed 27th April 2019, <http://www.xinhuanet.com/tech/2019-04/23/c_1124401581.htm>





regarded, the expertise and experience gathered by IP courts are not shared among a wider group of courts.

Assessment

The IP court system, especially the newly established IP Appellate Court, provides a robust enforcement avenue for IP disputes. However, when leveraging this enforcement avenue from the specialised courts into other courts, there is a need to develop expertise to manage the workload while ensuring consistency in case-handing. This a key challenge faced by China's judicial system.

Recommendations

- Ask the IP Appellate Court or IP Courts to provide ordinary courts with clear, uniform guidelines and by publishing past case decisions.
- Consider publishing all cases in a free, online database maintained by the IP Tribunal of the Supreme People's Court, so that best practices can be disseminated and promptly adopted.

3. Trademarks



3.1 Create a Right to Request the Cancellation of a Trademark that Becomes Infringing after Transformation in Practical Use

Concern

It is increasingly worrisome that intentionally transformed registered trademarks infringe existing ones, and that with no administrative solution available, judicial solutions are subject to conditions resulting from the Supreme People's Court's judicial interpretations.

Assessment

During the third revision of the Trademark Law (Version 2001),¹⁷ a draft was proposed by the State Administration for Industry and Commerce (SAIC) in 2007,¹⁸ which stated in Article 48 that whenever a registered trademark is altered to be either identical or similar to another party's registered trademark in respect of the same or similar goods—which may cause confusion or misidentification—any person may apply to the Trademark Review and Adjudication Board (TRAB)

¹⁷ Trademark Law of the People's Republic of China (Version 2001), CNIPA, 2nd September 2015, viewed 16th January 2019, <http://www.sipo.gov.cn/zcfg/zcfg/fifg/fifgsb/fl_sb/1063521.htm>

¹⁸ After the government restructuring in April 2018, the SAIC was dissolved, and its function now falls within the responsibility of the SAMR.

to cancel the altered registered trademark.^{19&20}

The 2013 text stated that if a trademark registrant unilaterally alters the trademark, “the local administrative department for industry and commerce shall order him to rectify the situation within a specified time period; if the situation is not rectified within the said period, the trademark office may revoke the registered trademark”.

Another solution for cancelling a trademark that becomes infringing after transformation is to sue the transformed trademark in court. However, pursuing this option is challenging due to two judicial interpretations published by the SPC—Article 1.2 of the *Provisions of the Supreme People's Court on Issues Concerned in the Trial of Cases of Civil Disputes over the Conflict between Registered Trademark or Enterprise Name with Prior Right* published on 18th February 2008, and Article 11 of the *Interpretation of the Supreme People's Court on Several Issues Concerning the Application of Law to the Trial of Cases of Civil Disputes over the Protection of Famous Trademarks* published on 22nd April 2009.^{21&22} These articles provide that where a registered trademark wishes to sue another registered trademark, it should seek its invalidation first unless under special conditions, such as in cases where the transformation of the trademark changes its distinctive character, or if it is a well-known trademark. Another obstacle is that Article 7 of the Trademark Law, which provides for the principle of good faith in filing and using trademarks, is considered only as a general principle which cannot serve as the sole basis for taking legal action.

Recommendations

- Amend Article 49.1 of the Trademark Law so any person has the right to apply to the CNIPA to cancel

¹⁹ Article 48 of the Trademark Law does not specify to what degree a trademark would be considered ‘similar’.

²⁰ The draft amendment was not adopted and not publicly available online as of 26th July 2019.

²¹ *Provisions of the Supreme People's Court on Issues Concerned in the Trial of Cases of Civil Disputes over the Conflict between Registered Trademark or Enterprise Name with Prior Right*, PKU Law, 18th February 2008, viewed 10th June 2019, <http://www.pkulaw.cn/fulltext_form.aspx?Db=chl&Gid=102085>

²² *Interpretation of the Supreme People's Court on Several Issues Concerning the Application of Law to the Trial of Cases of Civil Disputes over the Protection of Famous Trademarks*, Wikisource, 23rd April 2009, viewed 10th June 2019, <<https://zh.wikisource.org/wiki/%E6%9C%80%E9%AB%98%E4%BA%BA%E6%B0%91%E6%B3%95%E9%99%A2%E5%85%B3%E4%BA%8E%E5%AE%A1%E7%90%86%E6%B6%89%E5%8F%8A%E9%A9%B0%E5%90%8D%E5%95%86%E6%A0%87%E4%BF%9D%E6%8A%A4%E7%9A%84%E6%B0%91%E4%BA%8B%E7%BA%A0%E7%BA%B7%E6%A1%88%E4%BB%B6%E5%BA%94%E7%94%A8%E6%B3%95%E5%BE%8B%E8%8B%A5%E5%B9%B2%E9%97%AE%E9%A2%98%E7%9A%84%E8%A7%A3%E9%87%8A->>





a registered trademark if it becomes infringing after transformation.

- Lower the threshold for a registered trademark to sue another registered trademark, and specify that an action may be based on Article 7 of the Trademark Law.

3.2 Allow the Applicant to Question and Reply on the Evidence Provided by the Trademark Registrant During the Revocation Examination Stage

Concern

When an unused registered trademark is filed for revocation, the CNIPA does not allow the applicants to review the evidence of trademark use, which often results in cases being referred to the Trademark Office of the National Intellectual Property Administration for a second round of examination.

Assessment

The annual number of trademark applications in China increased from over 5.7 million in 2017, to over seven million in 2018.^{23&24} By comparison, less than 650,000 applications were filed with the United States Patent and Trademark Office in 2018, the world's second-busiest trademark office.²⁵ Many trademarks in China are filed without any intention of actually using them. This creates obstacles for those who wish to protect identical or similar trademarks, hence applications for trademark revocation are filed frequently to cancel these unused trademarks. However, during the revocation examination stage, current legislation does not support cross-examination of the evidence, leading to cases going to a second round of examination, needlessly prolonging procedures. It is therefore necessary to eliminate these evidentiary obstacles on trademark use.

Recommendation

- Allow applicants to question and reply to the evidence provided by the trademark registrant during the revocation examination stage.

²³ Release of Statistical Data and Related Information of the Main Work of the National Intellectual Property Administration in 2018, *Renmin*, 10th January 2019, viewed 11th February 2019, <<http://ip.people.com.cn/n1/2019/0110/c179663-30515513.html>>

²⁴ China's Trademark Registration Application Exceeded 5 Million, *Xinhua*, 19th January 2018, viewed 1st July 2019, <http://www.xinhuanet.com/fortune/2018-01/19/c_129794652.htm>

²⁵ Data Visualization Centre database, United States Patent and Trademark Office, annual update, viewed 31st July 2019, <<https://www.uspto.gov/dashboards/trademarks/main.dashxml>>

3.3 Take into Account the Size of the Inventory of Infringing Goods when Calculating the Amount of Damages in Trademark Infringement Cases

Concern

It is extremely hard for trademark holders to prove the amount of goods that have already entered the market, thus in many cases only very low damages are available to trademark owners even when infringers are caught with a large inventory of infringing goods.

Assessment

In most IP infringement cases, the calculation of damages only takes into consideration the products sold by the infringer. The inventory is mostly not considered because it is argued that infringers do not make profit from them and the right holders do not suffer loss since the goods have not entered the market. However, in most cases, infringers claim that no products have been sold, even after being caught by the local Administration for Market Regulation or the Public Security Bureau with a large inventory of infringing goods. It is extremely hard for trademark holders to prove the amount of goods that have already entered the market. The size of the inventory actually reflects the sales amount in a certain way: if not caught, goods from the inventory would enter into the market anyway. The working group is encouraged to see that in some court cases, judges have begun to consider the inventory of goods when calculating the amount of damages, and hopes that this will become common practice.

Recommendation

- Take into account the size of the inventory of infringing goods when calculating the amount of damages in trademark infringement cases.

3.4 Extend the Review Application Period of Trademark Rejection, Opposition, Invalidation and Cancellation where Circumstances Require

Concern

The 15 days currently allowed for filing a review application for trademark rejection, opposition, invalidation or cancellation is not always sufficient to prepare the required materials.



Assessment

When filing a review application of rejection, opposition, invalidation or cancellation, the applicant only has 15 days of preparation time (articles 34, 35, 44 and 54 of the Trademark Law), which is not always sufficient.²⁶ Even though it is permitted for evidence to be supplemented within a three-month period, the 15 days given for the procedure at the CNIPA and the 30 days for the court procedure are not enough for an adequate review of the case and for making a decision, especially under complicated circumstances.

Recommendation

- Extend the prescribed period for filing review applications/appeals of rejection, opposition, invalidation or cancellation where circumstances require.

4. Strengthen Online IP Protection

4.1 Verify the Legal Status of Social Media E-shopping Channels

Concern

Most of the major e-commerce platforms have set up comprehensive IP protection policies, however there is now an emerging trend of infringers moving their business to social media platforms, which are not tightly regulated.

Assessment

The E-commerce Law,²⁷ effective on 1st January 2019, regulates all e-commerce related activities, and contains definitions for both the 'E-commerce Business Operator' and the 'E-commerce Platform Operator'. According to Article 42 of the law, the E-commerce Business Operator is responsible for setting up the Rule of Notice and Takedowns. However, according to the definition, social media platforms are not included in this scope, and there is now a proliferation of infringing or counterfeit products being promoted through social media e-shopping channels.

Recommendation

- Verify the legal status of social media e-shopping channels, and stipulate their liabilities.

²⁶ Full Text of the Trademark Law of the People's Republic of China (2019), IPR Daily, 23rd April 2019, viewed 30th April 2019, <http://www.iprdaily.cn/news_21526.html>

²⁷ Electronic Commerce Law of the People's Republic of China, Xinhua, 31st August 2018, viewed 10th March 2019, <http://www.xinhuanet.com/politics/2018-08/31/c_1123362585.htm?baike>

2 4.2 Clarify How E-commerce Platforms Should Provide Necessary Information to Assist Infringed Parties in Cases of IP Infringement

Concern

It is difficult for IP owners to obtain business licence information of E-commerce business operators, even though such information should be verified by the E-commerce platform according to the new E-commerce Law.

Assessment

Article 9 of the E-commerce Law outlines the liabilities of E-commerce business operators to display their business licence information. Article 17 outlines the liabilities of E-commerce business operators to provide comprehensive and accurate information of the goods and services they provide. However, despite this, it is not easy for IP owners to either obtain this information or to locate repeat infringers, because in order to protect their users' privacy E-commerce platforms are unwilling to disclose such information in case legal action is taken.

Recommendations

- Outline the liabilities of E-commerce platform operators, and outline the responsibility of E-commerce platforms for providing necessary information to assist infringed parties in cases of IP infringement.
- Clarify the definition of the exclusion clause contained in Article 10 of the E-commerce Law, which prescribes that individuals conducting small deals are waived from the liability of displaying a business licence.
- Explore different methods of deterring repeat infringers on online portals and platforms.

5. Relax Collaboration on Human Genetic Resources

5.1 Provide Contractual Freedom on Ownership of Results Generated from International Collaborative Projects Related to Chinese Human Genetic Resources

Concern

The parties to international collaborative projects in the field of human genetic resources have less contractual autonomy than the parties to domestic ones, even if the subject matter is the same, meaning some foreign



companies have to delay the launch of clinical studies in China to avoid unnecessary IP sharing.

Assessment

Article 19 of the *Interim Measures for Management of Human Genetic Resources (Measures)*²⁸ contains a mandatory provision on joint filing and joint ownership of patentable results. As a consequence, parties to international collaborative projects on human genetic resources are not allowed to freely negotiate clauses concerning the ownership of patentable results. This provision contradicts the basic principles of the Contract Law and the Patent Law, which provide the contractual freedom for the parties to agree upon IP ownership for development results.

The working group is happy to see that Article 27 of the *Regulations on Technology Import and Export Administration*, which states that the achievement made in improving the technology concerned belongs to the party making the improvement, was removed in consideration of the economic development of China and the strong need for the free flow of technology.²⁹ The working group believes that Article 19 of the *Measures* should also be deleted, as it will affect companies' strategies to launch their clinical studies in China if they do not want to surrender their IP right. Late launches of clinical studies may circumvent unwanted IP sharing as the results were already produced in foreign countries and protected, but will delay drug approval process in China and in the end affect the use of the drug.

Recommendation

- Remove Article 19 from the *Measures*, or modify its wording in line with the basic principles and provisions of the Contract Law.

6. Copyright

6.1 Introduce Specific Criminal Liability for Offences Related to Technical Prevention Measure (TPM) Circumvention

²⁸ *Interim Measures for Management of Human Genetic Resources*, Ministry of Science and Technology of the People's Republic of China, 26th December 2005, viewed 21st May 2019, <http://www.most.gov.cn/bszn/new/rlyc/wjxz/200512/t20051226_55327.htm>

²⁹ *Regulations on Technology Import and Export Administration*, World Intellectual Property Organization, 10th December 2010, viewed 30th July 2019, <<https://www.wipo.int/edocs/lexdocs/laws/en/cn/cn125en.pdf>>

Concern

Technological protection measures (TPMs), deployed by many content owners, are often circumvented by devices and/or software components (circumvention devices) that have been developed and distributed for commercial gain, and the lack of specific criminal liability for trade in such devices means that redress for rights owners and deterrence for infringers is significantly limited.

Assessment

Content businesses suffer considerable economic harm from piracy. Rights owners, including those in the video games and publishing industries, use TPMs to protect their content from unauthorised copying and use.

The legal basis for protection originates from the World Intellectual Property Organisation (WIPO) Copyright Treaty 1996 (WCT), Article 11 of which states that: "Contracting Parties shall provide adequate legal protection and effective legal remedies against the circumvention of effective technological measures that are used by authors in connection with the exercise of their rights under this Treaty or the Berne Convention and that restrict acts, in respect of their works, which are not authorised by the authors concerned or permitted by law."

The WCT entered into force in the People's Republic of China on 9th June 2007.

Devices that circumvent TPMs to allow for illegal use of copyrighted video games are produced in China on a commercial scale and distributed throughout the world. In the publishing industry, circumvention devices are distributed commercially to allow for illegal use of copyright content. Businesses in both industries suffer considerable economic harm from the circumvention of TPMs and the resulting piracy.

Legal provisions provide some form of civil and administrative liability, but they are wholly inadequate in seeking to tackle organised and well-funded criminal networks. Those remedies simply do not represent a sufficient deterrent.

When the primary commercial illegal trade is not in the reproduction, distribution or communication to the public of the copyright works themselves, but in circumvention devices to allow others to do so, then existing criminal



remedies are not adequate. Criminal liability directly for the trade in circumvention devices is therefore appropriate.

Recommendation

- Introduce into the Criminal Law specific provisions regarding the circumvention of TPMs and the manufacture, distribution and sale of TPM circumvention devices.

7. Geographical Indications

7.1 Harmonise the Legal Protection of Geographical Indications (GIs) with other IP Rights

Concern

Currently, it is impossible to enforce unique geographical indications (GIs) through existing legal mechanisms, such as administrative, civil or criminal actions, or through customs enforcement.

Assessment

With the new organisation of the CNIPA, now responsible for the protection of collective marks and GIs, and the SAMR, now responsible for supervising the fight against counterfeiting of trademarks and GIs, there is an opportunity to harmonise the legal protection of GIs in China so that all systems can effectively combat usurpation and counterfeiting (this is currently the case for collective trademarks but not for GIs).

Unlike most countries, China has put in place three separate systems for the protection of GIs: 1) GI collective and certification marks by the CNIPA; 2) CNIPA GI for foreign products and transformed Chinese products; and 3) Chinese Ministry of Agriculture and Rural Affairs (MARA) GI for Chinese agricultural products.

Currently, the collective trademark GI system used in the EU is the most effective for preventing application of identical or similar marks to a European GI. It combats counterfeiting by all legal means, through both administrative and judicial actions, and customs seizure. The CNIPA system does not currently provide strong legal protection against identical or similar GI filings, nor does it provide a legal basis for infringement protection, since there is no specific law considering GIs as IP rights. Companies also experience difficulties gathering the evidence required for undertaking administrative

and criminal action, and local authorities also lack knowledge and control. Thus, while the future EU-China agreement on the cooperation on and protection of GIs will contribute to improved IP protection, Chinese GIs that are protected in the EU will effectively benefit from a higher legal protection than those that are granted for European GIs in China because the GIs that are recognised are not sufficiently protected against counterfeits.

Recommendation

- Harmonise the legal protection of GIs in China with other IP rights, so that all GI systems can effectively fight against usurpation, infringement and counterfeiting.

Abbreviations

AIC	Administration of Industry and Commerce
CNIPA	China National Intellectual Property Administration
CNY	Chinese Yuan
EU	European Union
GI	Geographical Indication
IP	Intellectual Property
IPR	Intellectual Property Rights
MARA	Ministry of Agriculture and Rural Affairs
NPC	National People's Congress
PRB	Patent Re-examination Board
SAIC	State Administration for Industry and Commerce
SAMR	State Administration for Market Regulation
SPC	Supreme People's Court
TPM	Technological Protection Measure
TRAB	Trademark Review and Adjudication Board
US	United States
WCT	WIPO Copyright Treaty
WIPO	World Intellectual Property Organisation