

NEWSLETTER

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QUARTERLY

PANAWELL & PARTNERS LLC



Cover: Interior of office block where Panawell locates

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Panawell & Partners, LLC (Panawell), founded in 2003, is an IP boutique firm licensed by the State Intellectual Property Office (SIPO) and the State Administration for Industry and Commerce (SAIC) of the PRC to provide both domestic and overseas clients with full spectrum of services in all fields of intellectual property rights (IPR).

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Change of Trademark Registration Certificates, and Acceptance, Approval and Verification Announcement Notices of Geographical Indication of Origin

According to the SIPO's Announcement No. 267, in addition to patent certificates and integrated circuit layout design registration certificates stamped with the seal of the SIPO, as of June 8, 2018, the trademark registration certificates and the official notifications of acceptance, approval and verification announcements of geographical indication of origin are also stamped with the seal of "State Intellectual Property Office".

(Source: official website of SIPO)

SIPO Cancelled and Adjusted Some Official Fees

According to the Announcement No. 272 of SIPO, some official fees will be subject to cancellation or adjustment as follows:

1. The patent registration fee, announcement fee, agent change fee for Chinese patent applications, and the transmittal fee for PCT international applications will be cancelled. But in respect of such fees as shall be paid no later than July 31, 2018 according to the previous rules, the fees are not affected.
2. For the applicants or patentees who meet the

requirements of Patent Fee Deduction Measures, the patent annuity deduction term will be extended from six years to ten years, counted from the year of grant.

3. After an invention patent application enters the substantive examination proceeding, if the applicant does not respond to the first office action but actively withdraws the application before expiration of the time limit for responding to the office action, he will be allowed to request for refund of 50% of the substantive examination fee.

(Source: official website of SIPO)

2017 China Patent Survey Report Released

In April 2018, the SIPO released, to the public, the "2017 China Patent Survey Report" (see <http://www.sipo.gov.cn/docs/20180403103317809915.pdf>). This is the third time for the national patent investigation results to have been made available to the general public.

The 2017 patent survey covered 23 provinces (autonomous regions and municipalities) across the country, and investigated patent holders with valid patents and their valid patents at the end of 2016. The survey, initiated in March 2017 and completed by the end of the year, lasted nearly nine months. A total of 15,000 questionnaires were issued to patentees, and 43,000 were patent information questionnaires. The questionnaire

recovery rate was over 85%.

The survey started with protection of patents, management of intellectual property rights, and status of IP services. The survey findings show that China's patent protection environment is generally good, and strict protection has become an urgent need of innovators; core patents lead the continuous improvement of China's patent quality; patentees' understanding of the market value of the patent still needs to be improved; strategic, emerging industries rely more on patents for gaining competitive advantages; corporate intellectual property strategies need to continue to be strengthened; colleges and universities have strong patent innovation capabilities, and their level of patent applications needs to be improved through reforms.

The SIPO has been organizing the patent survey and investigation work for 10 consecutive years. While the survey tried to look into the issues, such as patent protection, application, creation, and management, it has also been focused on the hot issues of public concern relating to intellectual property, and obtained a large amount of first-hand data. The release of the annual patent survey report is an important measure for SIPO to continuously strengthen the use of statistical survey results and enrich the supply of statistical public products, and provides better public statistical data services for government decision-making and policy research.

(Source: official website of SIPO)

PPH Statistics Until June 2017

According to the PPH-related statistics, the SIPO received, until June 2017, 22,141 PPH requests, of which 16,440 were regular PPH requests and 5,701 PCT-PPH requests. Applicants made use of the work results of the Japanese (JPO) in 10,627 applications, of the United States Patent and Trademark Office (USPTO) in 7,082, of the European Patent Office (EPO) in 2,106 and the Korean Intellectual Property Office (KIPO) in 1,695.

And according to the PPH-related statistics from Patent offices of foreign countries, the applicants made use of the work results issued by the SIPO in 4,893 applications, of which 3,324 PPH requests were filed with USPTO, 499 with the EPO, 456 with the JPO and 372 with the KIPO.

(Source: official website of JPO)

Regulations on Several Issues Concerning Patent Grant and Validity Administrative Cases Released for Public Comments

On June 1, the Supreme Court released, for public comments, the Regulations on Several Issues Concerning Patent Grant and Validity Administrative Cases, which consist of 40 Rules. The Patent Grant Administrative Cases refer to the cases where an applicant initiates administrative lawsuit against a Reexamination Decision issued by the Patent Reexamination Board of SIPO (PRB)

rejecting a patent application. The Patent Validity Administrative Cases refer to the cases where a patentee or invalidation petitioner initiates administrative lawsuit against a Decision on Patent Invalidation Petition issued by the PRB.

For detailed contents of the Regulations, please visit <http://www.court.gov.cn/zixun-xiangqing-99342.html>.

(Source: official website of the Supreme Court)

Guidelines for Adjudication of Copyright Infringement Cases Released

The Beijing Higher Court has, by summing up and sorting out various guiding documents concerning cases of copyright infringement in the past and collecting various issues in practice, has formulated the Beijing Higher Court's Guidelines for Adjudication of Copyright Infringement Cases, and officially released them on April 20, 2018.

The full text of the Guidelines is divided into 11 parts with a total of 160 articles, covering issues in 11 areas, such as basic regulations, subject matter of rights, attribution or ownership of rights, establishment of infringement of the rights (including personal rights of copyright, property rights of copyright, and neighboring rights), causes of counterclaim, legal liabilities, establishment of infringement of the right of communication on information network, establishment of infringement

of the copyright in cinematographic and television works, and establishment of infringement of copyright in computer software.

The main contents of the Guidelines are as follows:

i) the principles for hearing cases are clarified, the ideas for hearing cases are summarized, and the normative ideas are summarized for review of substantive issues, the basic principles are proposed for hearing such cases, such as "enhancing protection, encouraging creativity, promoting communication or dissemination, and balancing interests," and the normative ideas are summarized for review of the issues of procedures of copyright infringement cases, the exercise of the right to litigate, and the hearing of substantial issues. ii) Examination of the subject matter is standardized, and the rules for identification of authorship defined. The Guidelines clearly present the four elements of examination of the works, respond to the new circumstances emerging in copyright cases in recent years, and clarify the rules for authorship identification or recognition under the development of Internet technology. iii) The scope of protection of the rights is defined, the rules for trial of cases of the same type proposed, specific provisions for establishment or determination of infringements of the personal rights of copyright, the property right of copyright, and the neighboring rights made, and the common practical ideas for hearing copyright infringement cases determined. iv) Protection of the rights is enhanced, the punitive damages mechanism explored, the applicable methods and calculation

basis of damages refined, the problem of “difficulty of proof” with respect to the amount of damages responded to, and the ideas for imposing punitive damages on “bad-faith or malicious infringement” proposed.

(Source: website of the Beijing Higher Court)

Several Present Legal Issues Requiring Attention in Trial of IP Cases (Part 3)

In April 2017, the Beijing Higher Court’s Intellectual Property Tribunal had developed some specific opinions to cope with some common issues in the trial of IP cases on the basis of its in-depth research. The opinions on technical cases are as follows:

(Continued from the issue of April 2018)

II. Non-technical Categories of Cases

(1) Determination of Damages in Copyright Infringement Cases

In order to further implement the Supreme Court’s judicial policy of “strict protection” of intellectual property rights, gradually increase damages compensation, and harmonize the standards for application and the rules for enforcement of law in copyright cases, the following treatments opinions are hereby put forward in determination of the amount of damages in such cases:

First, in November 2016, the General Office of the CPC Central Committee, the General Office of the

State Council, and the Supreme Court successively issued the Opinions on Improving the Property Rights Protection System to Protect Property Rights According to Law and the Opinions on Giving Full Play to the Judicial Function to Consolidate the Judicial Protection of Property Rights. It is explicitly required in these Opinions for making more effort to impose heavier punishment on IP infringements, to make exploration in establishing a system of punitive damages for infringement on the IP rights, such as copyright, and to increase the costs of infringement on the IP rights. Therefore, increased damages for copyright infringement is an important manifestation of the enhanced judicial protection of copyright. However, it should be noted that the amount of damages for copyright infringement should be increased with respect shown for the law of the market to achieve the dual effects of compensation and punishment.

Second, in cases of copyright infringement, the cases are rare where the losses of the copyright owner or the profits of the infringer are accurately calculated. Determination of the amounts of damages in a large number of cases is subject to the statutory damages, thus causing inconsistent standards by which the grassroots courts, and the courts at the lower and higher levels calculate and award the amount of damages. The Beijing Municipal Higher Court has, on the basis of the Guiding Opinions on Determining the Liability for Damages for Copyright Infringement earlier and the related Questions and Answers for Reference

in Adjudication of Intellectual Property Cases, made the harmonized provisions on the standards to be complied with by the three-level courts of the Municipality in awarding the statutory damages for infringements on cinematographic and television works, musical works, photographic works, artistic works and literary works with account concurrently taken of the circumstances, such as the actual business operation, development, current operation status, and the emerging infringements in the copyright market in recent years.

Thirdly, in cases of copyright infringement, awarding the damages according to the losses of the rights holders and the profits of the infringer is still the preferred method for determining the amount of damages. The interested parties shall be encouraged to provide proof of damages for infringement, specify the basis and method for calculating the amount of damages by the interested parties, and determine the objective amount of the losses of the right holder or the profits of the infringer based on the evidence.

(2) Determination of Contract Attributes and Related Agreements in Franchise Contract Disputes

With regard to the determination of the attributes of franchise contracts, contract agreed upon by both parties should be mainly based on, and the overall judgment made on the basis of the basic characteristics of such contracts, specifically the characteristics of following three aspects: (i) the

franchiser owns the registered trademark, the corporate logo, patent, and other operating resources; (ii) the franchisee uses the franchisor's business resources in a specific business model as authorized by the franchisor; and (iii) the franchisee pays the franchise fees to the franchisor according to the contract.

The "reputation deposit," "credit guarantee," "cooperation margin," and "margin" stipulated in a franchise contract should be determined according to the specific terms of the contract. If the contract stipulations are not clear, the attributes of the relevant expenses shall be determined according to the provisions of Articles 61 and 62 of the Contract Law. At the same time, the franchise contract does not naturally preclude the contracting parties from stipulating on the agreed deposits and damages for breach of contract under the Security Law and the Contract Law. Therefore, the specific attributes of the specific payments should be determined in accordance with the contract, and they should not be naturally deemed as the franchising costs.

Where, in the process of contract conclusion, the franchiser violated the information disclosure obligation, provided the franchisee with false information, concealed the true situation, exaggerated relevant information or business resources directly related to the substance of the franchise, and induce the other party to make a wrong intention, which are sufficient to lead the franchisee to conclude the franchise contract, and

the franchisee requests revocation or rescission of the contract, the request should be supported.

(3) Understanding and Application of Article 2 of the Unfair Competition Law and "Generally Recognized Business Ethics"

According to the relevant provisions of the "Guidelines on Hearing Cases Involving Internet Intellectual Property Cases" issued by the Beijing Higher Court, unfair competition cases should be prudently treated by taking into account the interests of business operators, consumers, and the public, encouraging business model innovation, and ensuring market fairness and free competition. In the course of implementing the Innovation-Driven Development Strategy, new technologies and models will continue to emerge. The judicial spirit or attitude of appropriate tolerance and openness should be adopted. If there is indeed evidence showing that the alleged acts violated the principles of voluntariness, equality, fairness, and good faith, violated the generally recognized business ethics, caused damage to the legitimate interests of other business operators, and disrupted the normal market and economic order, it is possible for these acts to be regulated by Article 2 of the Unfair Competition Law.

Additionally, attention should be paid to distinguishing the inherent differences between the unfair competition law and the tort liability law, clarifying the legislative purposes of, and the circumstances to apply, the laws as set forth by the various authorities. If the alleged acts can be

regulated by the right-related laws, such as the Copyright Law, Trademark Law, and/or Patent Law, they should no longer be regulated by applying Article 2 of the Unfair Competition Law; and if the alleged acts do not fall within the specific circumstances as stipulated in Article 2 of the Unfair Competition Law, they should no longer be regulated by applying Article 2 of the Unfair Competition Law.

Operational norms and ethical standards that are generally recognized by operators in specific industries, and are in the consumers' interests and social and public interests may be deemed to be "generally recognized business ethics" as prescribed in the Unfair Competition Law. The recognized business ethics should be strictly judged with account taken of the evidence submitted by the interested parties, and from the perspective of industry practice, practice standards, self-disciplinary conventions, technical specifications, consumer welfare, and equal non-discriminatory treatment, so as to achieve effective guidance in creating a sound competitive market order and avoid merely making negative evaluations of specific business models on the basis of discretion only in the absence of any supporting evidence.

(4) Determination of Amount of Damages When Interested Parties Use License Fees as the Basis of Calculation

The license fees or royalties, embodying the market value of interests or benefits the licensor

and the licensee expected the licensed product would generate, can be used as the basis on which the losses of the right holder or the profits of the infringer are to be determined. Where it is, with the right holder having been actively adducing evidence, still impossible to determine the losses of the right holder or the profits of the infringer, the amount of damages may be determined with reference to the license fees as stipulated in the license contract submitted by the right holder. The reasonableness of the license fees shall be specifically determined on the basis of the comprehensive factors, such as whether the license contract is authentic, whether the license contract is actually performed, whether the license fees have been paid before the discovery of the infringement, whether there is a specific relationship between the licensee and the licensor, and whether or not the licensor has paid all taxes.

(5) Determination of Duplicate Litigations Involving the Right of Communication on Information Internet

Article 247 of the Interpretation of the Supreme Court Concerning the Application of the Civil Procedure Law of China clearly stipulates the constitutive requirements of duplicate litigations, that is, the former litigants must be the same as that of the latter litigation; the suits or the subject matters of the two litigations must be the same; the litigant claims must be the same in both the former and latter litigations, or the subsequent appeal is the same as the previous litigation request, or the litigant claim substantially denies the judgment

made in the former litigation. Therefore, constitution of duplicate litigations should be judged strictly in accordance with the three elements of the above Judicial Interpretation.

With the advancement of the three-network integration and the popularization of the mobile Internet, information network, proprietors of the right of communication on information network have been constantly refining their methods of authorization in commercial practice, and there have emerged varied authorizations according to the different terminals, such as authorizations to "PC terminals", "mobile terminals", and "television terminals". Again, the authorizations to the "mobile terminals" is subdivided into authorizations to "mobile phone terminals" and those to the "PAD terminals", or to the "Android terminals" or "Iphone terminals". If the same proprietors of the right of communication on information network or exclusive right holder conducts notarization and evidence collection with regard to different terminals against the same infringing party who has provided the works without authorization, and instituted lawsuits separately, they do not constitute duplicate actions as they involve different channels and scopes of communication or transmission, have different consequences, and, as a result, involve different subject matters in the lawsuits. However, when judgment is made in relation to the ascertained facts and reasoning, it is necessary to clearly state the facts of the defendant's infringement, such as the channel of communication or transmission, the scope of

communication or transmission, the consequent damages, and reasonably determine the specific amount of the damages the defendant should bear according to the specific circumstances of the case.

(6) Determination of Qualification of Litigants in Cooperative Works

Regarding the issue of the qualification of litigants of co-owners of an inseparable cooperative work, though several courts have proposed that the issue be addressed in accordance with Article 17 of the Copyright Law submitted for review, "Any other party infringes the copyright in a cooperative work, any co-author may bring a lawsuit in his or her own name, but the compensational damages he or she receives shall be reasonably distributed among all cooperating authors". However, as the current Copyright Law is yet to be amended in this aspect, the issue must still be dealt with in accordance with the provisions of the current Copyright Law concerning cooperative works, the provisions of the Real Right Law concerning co-ownership and those of the Civil Procedure Law concerning indivisible complaints to identify the qualification of litigants of co-owners of inseparable cooperative works. Such issues should be determined according to the following circumstances:

(i) When the copyright in a work is owned by several right holders and the basic identity of the right holders can be ascertained, all the right holders should participate in the proceedings. If the plaintiff who should be added has clearly stated

that he or she has waived his or her substantive rights, he or she may not be added as a plaintiff. If any co-rightholder is not willing to participate in the lawsuit, nor is he or she willing to waive his or her substantive rights, he or she shall still be deemed as a co-plaintiff, and his or her absence shall not affect the trial of, and any decision to be made in, the case under the law.

(ii) In case of non-standard authorship, if the authorship can be established with the real subject identity, the identity of the subject can be determined, and the foregoing provisions apply. Where the authorship is untrue, and it is difficult to determine the identity of the subject, or the basic identity of the rights holder is indeed difficult to ascertain, the right holders who have been identified may be deemed as the co-plaintiffs. However, in the reasoning portion of the judgment, the corresponding share of the rights shall be preserved for the right holders who have not participated in the proceedings, say by stating that "the other co-owner(s) of the copyright in the works involved in the case can claim to the plaintiff(s) of the case for dividing the paid damages for the infringement caused in the case".

(7) Definition of the Specific Situations in Which Suspension of Litigation Applies

The administrative case for the trademark right grant or affirmation is an administrative case. Where the court has accepted, before the end of the first instance suit, the lawsuit that would affect the validity of cited trademark, and the situation is

sufficient to affect the outcome of the case, the court of first instance may suspend the litigation or court proceedings under Article 51, paragraph one (6), of the Supreme Court's Interpretation of Several Issues Concerning Implementation of the Administrative Procedure Law. Under normal circumstances, where an interested party requests to suspend the lawsuit on the ground that the cited trademark is under the examination by the Trademark Office or under review by the Trademark Review and Adjudication Board (TRAB) and it is likely to affect the court proceedings and on the ground mentioned in Article 51, paragraph one (7), of the preceding Supreme Court's Interpretation, the court shall not approve the request. However, if the situation clearly affects the fairness and reasonableness of the conclusion of the trial, and it is unfair in respect of the protection of the legitimate rights and interests of the interested parties, the court proceedings may be suspended according to the specific circumstances.

III. Issues of Other Aspect of Work

(1) Proactively Promoting Diversion of Complicated and Simple Cases and Expanding the Scope of Application of Summary Procedures

In accordance with the Provisions on Applying Summary Procedure to Trial of Certain Intellectual Property Cases (Tentative) promulgated by the Beijing Higher Court in 2012, it is necessary to vigorously promote the streamlining and diversion of cases, so that the nature of cases is consistent

with the court procedures; hence, simple cases are fast heard, and complicated ones adjudicated prudently.

According to the needs of trials, the summary procedure may be applied in an appropriately wider scope. For cases where the legal relationship is clear and the case simple, the summary procedure can be applied. The qualifications of personnel for undertaking summary procedure cases shall be determined by the grass-roots courts according to the experience of the judges of the court and the quality of their judgment in trial of such cases. In principle, for cases with major influence, complex and difficult cases, and new types of cases, a collegial panel should be formed to hear them.

A case of administrative dispute over a trademark rejection review accepted by the Beijing Intellectual Property Court may be heard in the summary procedure with consent of the interested parties.

For cases that are heard in summary procedure, judgment documents may be prepared in the element-oriented method, highlighting the main points and simplifying the reasoning, so as to improve the efficiency of judgment document preparation.

(2) Continuing to enhance the work on litigation-mediation docking and promoting diversification of disputes resolution

We must continue to effectively play the positive

role of mediation in resolution of intellectual property disputes, strengthen communication and exchange with industry associations and professional mediation organizations, and guide interested parties to choose alternative dispute resolution methods, such as people's mediation, industrial mediation, and commissioned mediation to divert the pressure imposed by the increasing number of intellectual property cases. The Courts can study and refine the litigation-mediation docking work mechanism, harmonize the relevant processes and legal documents, and achieve organic convergence in terms of procedural arrangements, application of laws, and validity affirmation, thus forming an overall synergy in preventing and resolving intellectual property disputes. For example, if a case still needs to enter the court proceedings upon mediation, the mediator may write down the uncontested facts identified in the mediation, and after the interested parties have signed and confirmed them, the judge can directly accept the mediation results in the subsequent lawsuit.

(3) Implementing Requirements for Cross-district Jurisdictional Work and Reasonably Determining Effectiveness of Prescribed Jurisdiction

After the Beijing Higher Court's Provisions Relating to Adjustment of Jurisdiction of the Beijing Grassroots Courts over Intellectual Property Civil Cases was issued, some grassroots courts have realized cross-district jurisdiction over intellectual property cases. This work arrangement, which was

made on the basis of the Beijing Higher Court's sufficient investigation and study, complies with the relevant provisions of the Civil Procedure Law, and has also been confirmed by the Supreme Court, and it must be strictly implemented. If both interested parties have agreed to a jurisdictional court, but the court does not have the jurisdiction over their IP case, they should fully understand the relationship between the agreed jurisdiction and centralized jurisdiction, the interested parties' autonomy of will in their agreement on the jurisdictional court in the contract involved does not contradict or conflict with the rules of cross-district jurisdiction over IP cases. The centralized jurisdiction not only does not negate the effectiveness of the agreed jurisdiction, but also determines the court with the actual jurisdiction after cross-district jurisdiction is determined based on the interested parties' agreed jurisdiction. This precisely shows respect for the interested parties' autonomy of will within the overall framework of the relevant jurisdictional provisions of the Civil Procedure Law, In a specific case, if an interested party raises an objection to the jurisdiction, it may be determined that the court with the cross-district jurisdiction has the jurisdiction according to the above-mentioned spirit.

(4) Allowing for Juxtaposition of More Than Two Causes of Action According to Nature of the Legally Involved Relationship in Cases

The choice of multiple co-existing causes of action

in a case against the same alleged infringement is actually a combination of the objective suits, including combination of single suits, combination of overlapping suits, combination of preparatory suits, and combination of selected suits. Where an interested party brings multiple causes of action, the interested party's right of disposal should be respected, including the scope, content, and order of his claims or requests.

Where, in an IP case, the interested party brings a lawsuits simultaneously on the grounds of unfair competition, infringement on the copyright, or infringement on the trademark rights as the causes of the action, the relevant ground or cause of action should be determined in line with the spirit of the Supreme Court's Notice on Issuing the Amended "Provisions on Grounds of, or Causes of Action in, Civil Cases". Article 3 of the Notice stipulates that where more than two legal relationships are involved in the same lawsuit, the grounds of, or causes of action in, the case shall be determined according to the nature of the legal relationship of the interested party's litigant claims. Where they are legal relations of litigation or suits, two juxtaposed relationships shall be determined according to the more than two legal relationships. Article 4 stipulates that, in the event of overlapping claims, the court shall determine the corresponding grounds or causes of action according to the interested party's right of claim he has chosen to exercise on his own and according to the nature of the legal relationship of the interested party's claims.

Article 30, paragraph two, of the Beijing Higher Court Guidelines for Adjudication of Cases Involving Intellectual Property Rights on the Internet stipulates that where the operator's alleged acts are only those infringing other people's rights the laws have clearly provided for, such as the copyright, trademark right or patent right, the acts shall no longer be regulated by applying the Unfair Competition Law. Therefore, the Unfair Competition Law plays a complementary or embracive role in relation to the Copyright Law, Trademark Law, and the Patent law. If the legal relationship of a dispute or the alleged infringement has been precisely stipulated in the laws such as the Copyright Law, the Trademark Law or the Patent law, the Unfair Competition Law-related ground or cause of action does not apply any more.

If the ground or cause of action in a case is deemed by the court of first instance to have conformed to the above circumstances, the court of second instance should proceed according to the determined ground or cause of action. Except the circumstance of serious violation of the statutory procedures provided for in the Civil Procedure Law, it is not appropriate to return the first-instance judgment for retrial on the sole ground of erroneous ground or cause of action.

(5) Actively Applying Evidence Obstruction System and Accurately Applying Civil Compulsory Measures

The Judicial Interpretations of the Trademark Law

and the Patent Law have clearly stipulated the evidence obstruction system in determination of damages; the Judicial Interpretation of the Unfair Competition Law also provides that the amount of damages for the prescribed acts of unfair competition in Articles 5, 9, and 14 of the Unfair Competition Law may be determined with reference to the method of determining the amount of damages for infringing the exclusive right to use a registered trademark. Actively applying the system of evidence obstruction system, embodies the spirit of the judicial idea of stopping illegal acts of infringers, increasing damages compensation, and implementing strict protection, but it should be noted that there are prerequisites for the application of the system, that is, the right holder should first adduce the initial proof or evidence of the profits the accused infringer has made because of the infringement. Only if the right holder has tried his best to provide the evidence and the alleged infringer refuses to provide the evidence he or it possesses is it possible to presume, according to the elements of distribution and swift of the burden of proof, and determine the profits the accused infringer has made because of the infringement based on the right holder's claims and evidence. In addition, the specific amount of the profits the accused infringer has made because of the infringement shall be comprehensively determined based on the evidence from, or the claims by, the right holder, and according to the market value and actual conditions of the profits made because of alleged

infringement. If the right holder only claims the amount of damages without evidence support, it is not appropriate to support the right holder's claim to the full amount of damages.

Imposing fines under the Civil Procedure Law is a compulsory measure taken by the court in respect of an interested party's obstruction to a civil lawsuit. It is a punitive and educational method used by the state public power against actors obstructing in civil proceedings; the presumed evidence obstruction in infringement cases is determination of the profits or benefits made by the infringer. The determination, adjustment and confirmation of the rights and obligations between the interested parties, differs from the punitive fines in legal nature and in the main subject on whom the fines are imposed. The two are likely to be applied in parallel under certain circumstances. However, when applying the compulsory measures, the following points should be noted: First, under the provisions of Article 49, paragraph one, of the Civil Procedure Law, the interested parties have the right to collect and provide evidence. In the course of ascertaining the profits of the alleged infringer, if the alleged infringer refuses to provide the evidence he has obtained, which has made the profits difficult to be ascertained, it is actually an act of the alleged infringer abandoning his procedural rights. The evidence obstruction system makes him bear the unfavorable legal consequences. It is necessary to accurately differentiate between obstruction of evidence adduction and that of civil proceedings. It is

impermissible to impose fines and other compulsory measures on an alleged infringer merely because he has failed to submit, on his own, evidence at his disposal, unless the alleged infringer has performed the acts to refuse to perform an effective judgment or ruling of the court as stipulated in Article 111, Paragraph 1 (6), of the Civil Procedure Law. Second, the court, in the property preservation or evidence preservation ruling, should clarify specifically what the interested parties need to perform, and the main text of the ruling must be clear and specific, and should not generally require the alleged infringer to submit financial books and inventory of the alleged infringing products. The ruling should specify that the interested parties should submit the financial books of a particular period of time and of particular items, and it should also make it clear what allegedly infringing products should be sealed up or submitted, so as to avoid imposing compulsory measures, such as fines when the circumstance of the interested parties' performance of their obligations is not clear. At the same time, in the course of litigation, the interested parties should be explicitly told about the legal consequences of their refusal to comply with the corresponding obligations. Third, the specific measures for judicial sanction should be compatible with the severity of an interested party's actions in prejudice to the civil proceedings. Article 115, paragraph one, of the Civil Procedure Law also sets a certain margin for the amount of the fines, and the specific amount of the fine must

be determined according to the specific circumstances of the case. In a decision on imposing fines, the facts, reasons, and legal basis should be clearly stated.

(6) Strictly Reviewing Qualifications of Litigation Attorneys and Requiring Submission of Relevant Supporting Proofs

After the promulgation of the new civil and administrative procedural laws, the qualifications of the litigation attorneys or agents tend to be under stricter review. In practice, some citizens, including trademark attorneys, take advantage of recommendation by the interested parties' employers and the relevant social organizations to circumvent the application of laws. Worse still, specialized industrial associations are even set up to recommend those who are not qualified as attorneys to engage in litigation attorney or agent business in disguise. In the trial practice, some accepted them as such, and some did not, producing different results. Regarding this, the Beijing Higher Court specifically reported this situation to the Supreme Court for direction. Following are our uniform opinions developed on the basis of the Supreme Court's reply and according to the practice of trials of the IP cases: where, in trademark civil and administrative cases, interested parties appoint their attorneys in accordance with Article 58, paragraph two (3), of Civil Procedure Law or Article 31, paragraph two (3), of Administrative Procedure Law concerning "the citizens recommended by interested parties'

communities, or employers, and citizens recommended by relevant social organizations”, Articles 87 and 88 of the Interpretation of the Civil Procedural Law should be accurately understood and applied, and the qualifications of the attorneys be strictly examined or reviewed. For the “citizen recommended by the interested parties’ employers” it is required that both the “interested parties” and the “recommended citizens” have a legal labor relationship with the employers, and submit their identification documents, recommendation materials, and materials proving that they belonging to the employers. In addition to the proof of legal labor relationship, at least one of the following materials should be submitted: social security payment record, receipt of wage or salary, or other proofs showing the employment by the employers. For the “citizens recommended by interested parties’ relevant social organizations”, the agency services authorized in the Power of Attorney shall fall within the scope of business clearly stated in the articles of association of the social organizations and be consistent with the scope of their activities; citizens recommended by relevant social organizations shall submit identification documents and proofs complying with the conditions set forth in Article 87 of the Interpretation of the Civil Procedure Law. The proofs include at least the articles of association of the social associations, proofs showing the attorneys’ membership of the associations, practice within the scope of their activities, and proofs showing the legal labor and employment

relations between the recommended citizen and the social associations. (The material is required to be the same as the “citizens recommended by the employers”). The legally registered and established social organizations should also submit the “Certificate of Registration of Social Organizations as Legal Entities” and the registration materials from the administrative registry authorities. According to the Beijing Higher Court’s Document (No. Jinggaofa 13/2014), in the litigation, if an interested party’s entrusted or appointed attorney is found to be contrary to the provisions, the interested party himself shall be promptly notified, orally or in writing, to change or replace his attorney, submit the supporting proofs, or personally participate in the lawsuit, and inform him in person. If the interested party refuses to change his attorney or submits the proofs, his attorney shall not be allowed to participate in the lawsuit; if the attorney still appears in court alone, the case will be treated as automatically withdrawn by the plaintiff (or appellant); or the case is heard with the defendant (appellee) in absentia. The above opinions will be referred to, and implemented in, other categories of IP cases to address the issue of litigation attorneys.

(The end)

(Source: IP Tribunal of the Beijing Higher Court)

Examination of Inventive Step of an Invention and the Three-Step Method

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It is an important aspect in patent examination to determine whether or not an invention involves inventive step. In article 22.3 of the Chinese Patent Law, two requirements are put forward for the inventive step of an invention, that is, compared with the prior art, the invention has prominent substantive features and represents notable progress. In the “Guidelines for Patent Examination” issued by the SIPO (hereinafter referred to as “the Guidelines”), a typical approach to assessment of prominent substantive features, the so-called “three-step method”, is provided as:

- 1) determining the closest prior art;
- 2) determining the distinguishing technical features of the invention and the technical problem actually solved by the invention;
- 3) determining whether or not the claimed invention is obvious to a person skilled in the art.

In practice, patent examiners and patent attorneys both usually use the above mentioned “three-step method” in China to determine whether an invention involves inventive step or not. However, is “three-step method” the only way to evaluate the inventive step of an invention? Does it conform to the requirements of the Guidelines and therefore result in an incorrect conclusion, if such method is not applied? These questions are to be discussed in the following paragraphs with reference to a

recent ruling of Beijing Intellectual Property Court.

• Summary of the case

The plaintiff lodged an appeal to the Beijing Intellectual Property Court (“the Court” hereinafter), against the Invalidation Decision No. 25568 (“the Decision” hereinafter) issued by the Patent Reexamination Board of SIPO (“PRB” hereinafter), for the invention patent No. 02805525.X entitled “Transparent Substrate Equipped with Electrode” (“the Patent” hereinafter).

One of the arguments made by the plaintiff is that, PRB failed to apply the “three-step method” specified in the Guidelines when determining whether the claims of the Patent involve inventive step or not, and made a conclusion of non-obviousness of the claims. The plaintiff believed that the PRB applied wrong method and therefore led to a wrong conclusion in the Decision.

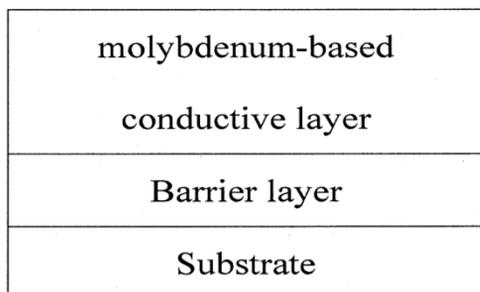
The Patent pertains to a transparent substrate equipped with electrode that can be used as a part of a solar cell, which aims to simplify the production process of the transparent substrate and/or make the production cost thereof lower than that of the existing molybdenum electrodes, but without significant change of its performance, especially the electrical performance.

Claim 1 of the Patent is as follows:

A transparent substrate equipped with an electrode, comprising a molybdenum-based conductive layer Mob having a thickness of at most

500 nm; characterized in that, the substrate is equipped with at least one barrier layer which provides a barrier against alkali metals and is inserted between the substrate and the electrode, the barrier layer is based on a dielectric material chosen from at least one of the following compounds: silicon nitride or oxynitride, aluminum nitride or oxynitride, silicon oxide or oxycarbide, and the thickness of the barrier layer is at least 120 nm and at most 300 nm.

The following schematic diagram 1 can be depicted based on Claim 1:

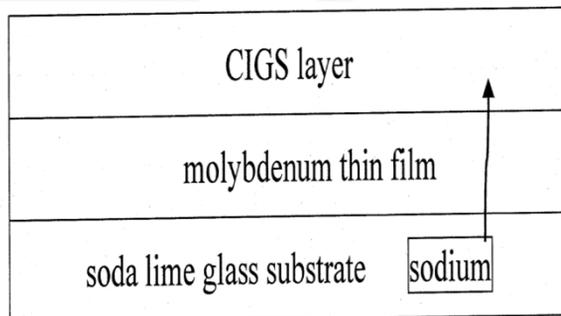


Schematic diagram 1

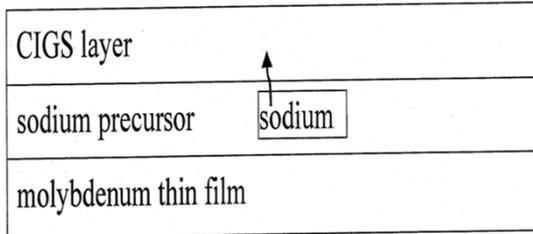
The Patent states that, the molybdenum target is expensive, whilst the alkali metal elements in the substrate is harmful to the molybdenum base, therefore a barrier layer is inserted between the molybdenum-based electrically conductive layer and the substrate to prevent the alkali metal elements in the substrate from diffusing out and eroding the molybdenum base (and the absorbent layer), so that the molybdenum base in the electrically conductive layer can retain all its properties and the thickness of the molybdenum

base that must be used in the transparent substrate can be reduced.

The petitioner submitted a plurality of evidences including references D1 (Karin Granath, “*The Influence of Na on the Growth of $Ga(In,Ga)Se_2$ Layers for Thin Film Solar Cells*”, 1999), and D2 (US4485146A) both during the invalidation procedure and the appeal proceeding. D1, as the prior art closest to the Patent, discloses that, sodium, which is one of the alkali metal elements, can have a beneficial effect on the structural characteristics of the CIGS substrate absorbing layer, including: increasing the grain size, flattening the surface, and exerting beneficial effects on the electrical characteristics. Specifically, there are two ways to supply sodium to the CIGS layer: one is to supply sodium from the soda lime glass substrate through the molybdenum thin film (see the schematic diagram 2a), and the other is firstly depositing sodium precursor on the molybdenum thin film and then supplying sodium to the CIGS layer deposited on the sodium precursor (see schematic diagram 2b).

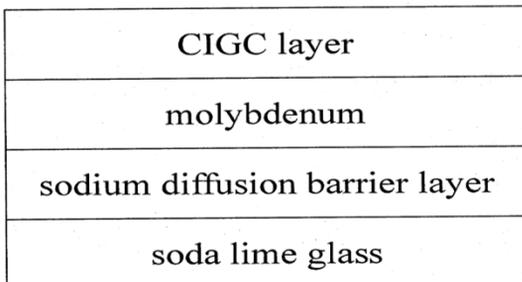


Schematic diagram 2a



Schematic diagram 2b

In order to study the influence of sodium on the CIGS layer, D1 uses a variety of thin-film solar cell construction methods (including four structures a, b, c, and d); wherein, in structure d, a sodium diffusion barrier layer is used to form a structure without sodium substrate (see the schematic diagram 2c).



Schematic diagram 2c

According to D1, in structure d, the above two ways to supply sodium to the CIGS layer (as shown in schematic diagrams 2a and 2b) are blocked by the sodium diffusion barrier layer, which results in no crystal structure found in the CIGS layer. And D1 draws the following conclusion: if the CIGS layer is not supplemented with sodium, then it is adverse to grow an effective CIGS crystallization layer, whilst as long as the CIGS layer is supplemented with sodium, the growth effect will be enhanced.

The court pointed out in its ruling that, the purpose of the barrier layer in Claim 1 is to block the sodium from entering the molybdenum-based conductive layer and the absorbent layer, and thereby preventing the sodium from corroding the above two layers. In contrast, the closest prior art D1 draw a conclusion that sodium has a beneficial effect on the growth of the absorbent layer and should not be prevented from entering the absorbent layer, without any concerns about whether sodium would damage the molybdenum-based electrode layer, thus D1 provides a technical advice on the contrary to Claim 1. In light of this, if no creative work is done, a person skilled in the art will follow this technical teaching to add sodium, instead of reduce sodium as what is taught in Claim 1. It could be derived that, to come up with the technical concept of the Patent does require creative labor for those skilled in the art. In this case, regardless of whether D2 discloses the material of the barrier layer or not, the contrary teaching of D1 has already demonstrated that Claim 1 of the Patent does involve inventive step.

At the same time, regarding the petitioner's view on whether or not the "three-step method" shall be adopted to judge the inventive step of the Patent, the court clearly pointed out: although the "three-step method" conforms with the objective characteristics of an invention, it is not the only way to examine the inventive step. Because the assessment of inventive step of an invention is to determine whether it is obvious to a person skilled in the art to achieve invention of the Patent based

on the prior art, and if a conclusion can be made that an invention is not obvious to those skilled in the art without accessing the “three-step method”, the “three-step method” is not essential for this instance.

- **Conclusion**

In the above case, the court did not enumerate all of the circumstances under which the “three-step method” does not need to be applied. However, according to what the court stated in the judgment, it is obvious that where the closest prior art provides an opposite technical teaching with regard to invention of the Patent belongs to one of such circumstances. In the determination of an invention’s non-obviousness, it must be considered that whether or not a person skilled in the art would have an incentive to make improvements on the basis of the prior art and obtain this invention at the time the invention was made. Where opposite technical teaching is provided in the prior art, those skilled in the art usually could not expect that the idea disclosed in the Patent could be adopted to make a change to the prior art accordingly. And without the incentive to improve, such invention usually can be considered as non-obvious, and therefore the “three-step method” is not essential under such circumstance.

In addition, per our experiences, if an invention produces unexpected technical effects which cannot be obtained in advance through reasonable prediction or reasoning by those skilled in the art, it should be not obvious for those skilled in the art

to adopt the technical solution of such invention to solve the technical problem corresponding to such technical effects. The unexpected technical effects usually means that, as compared with the prior art, the technical effects of an invention represents a “qualitative” change, that is, new performance achieved; or represents a “quantitative” change which is unexpected, and such a “qualitative” or “quantitative” change cannot be expected or inferred by the person skilled in the art in advance. In this case, it can be determined that the invention involves an inventive step without need to question whether its technical solution has prominent substantive features, that is, without need to apply the “three-step method” during its examination.

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Ms. Chen received her bachelor’s degree with first class honors in Telecommunications from Xi’an Jiaotong-Liverpool University in 2012, and her master’s degree with distinction in Wireless Communications from University of Southampton in 2013.

Ms. Chen joined Panawell & Partners, LLC in March 2015.

How to Prevent the Risk of Cancellation of Trademarks for Non-Use for Three Consecutive Years?

Article 49 of the Trademark Law stipulates that "if a registered trademark ... is not used for three consecutive years without justification, any entity or individual may apply to the Trademark Office for cancellation of the registered trademark". In practice, this rule is referred to as "cancellation of trademarks of non-use for three years " or "cancellation three" for short.

This rule is mainly used to solve the problem of prior obstacles: when an enterprise applies for registration of a trademark, if the search finds a prior trademark that is similar to a higher degree or even the same, the applicant would run into a risk of rejection if directly filing an application, but if the obstacle trademark has been in registration for three years without any record of use during the period, the obstacle is removed under this rule. In the event of frequent cancellations of the kind, trademark registrants, in addition to actively preparing evidence when being faced with such cancellation, need to do a good job in the daily management of various aspects, and take precautions to reduce the risk of cancellation. Actively guarding against the risk of "cancellation three" generally includes the following circumstances:

1. Trademark Monitoring:

To know the cancellation request as early as possible

using trademark monitoring software would help to prepare evidence or proof of use in advance. Moreover, where the address is changed from that recorded for the registered trademark, it is even more necessary to monitor the information about the delivery of official notices.

2. Filing Additional Applications

When one learns that a request was filed for cancellation of his trademark for non-use for three consecutive years, he may immediately file a new registration application. This is equivalent to adding a new right after the request was filed for cancellation of the trademark to block the cancellation requestor from applying for registration of said trademark.

3. Use Trademarks as Much as Possible

If you do not have to use a trademark within a short period of time, but you need to prevent it from being revoked for non-use, you may consider putting the trademark in use in stages and in respect of small batches of goods, and then keep the evidence through notarized purchases. Trademark registrants may also consider licensing the trademark to qualified companies, such as distributors, affiliates, manufacturers, and etc.

How to validate a Chinese patent in Cambodia?

According to validation agreement between China and Cambodia, the patents issued by the State Intellectual Property Office of China will be able to register and receive protection in Cambodia since March 28, 2018. The validation of a Chinese patent is only available to the invention patents whose filing dates are later than January 22, 2003; utility model and design patents are not covered under the agreement. The request for registration can be filed at any time during the validity of the Chinese patent after it is granted. The validation must be conducted through a Cambodian local agency with the following documents:

1. Registration form;
2. Certified patent document and Patent registry issued by the SIPO;
3. Khmer translation of the Patent document, which can be submitted within 6 months from the filing of validation request; and
4. Power of attorney.

The protection term for the validated Chinese patents in Cambodia is 20 years counted from the filing date of the Chinese patent.

Panawell Attended 140th INTA Annual Meeting

Our colleagues Mr. William Yang, Mr. Alex Wang, Ms. Paula Pei and Ms. Yi Yang attended the 140th International Trademark Association (INTA) Annual Meeting in Seattle, USA from May 19 to 23, 2018, and visited some clients of the firm in USA before and after the meeting.



Panawell Spring Outing

The firm went to Guilin, Guangxi Zhuang Autonomous Region for spring outing from April 20 to 22, visiting various attractions there including Yangshuo.



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