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INTELLECTUAL PROPERTY

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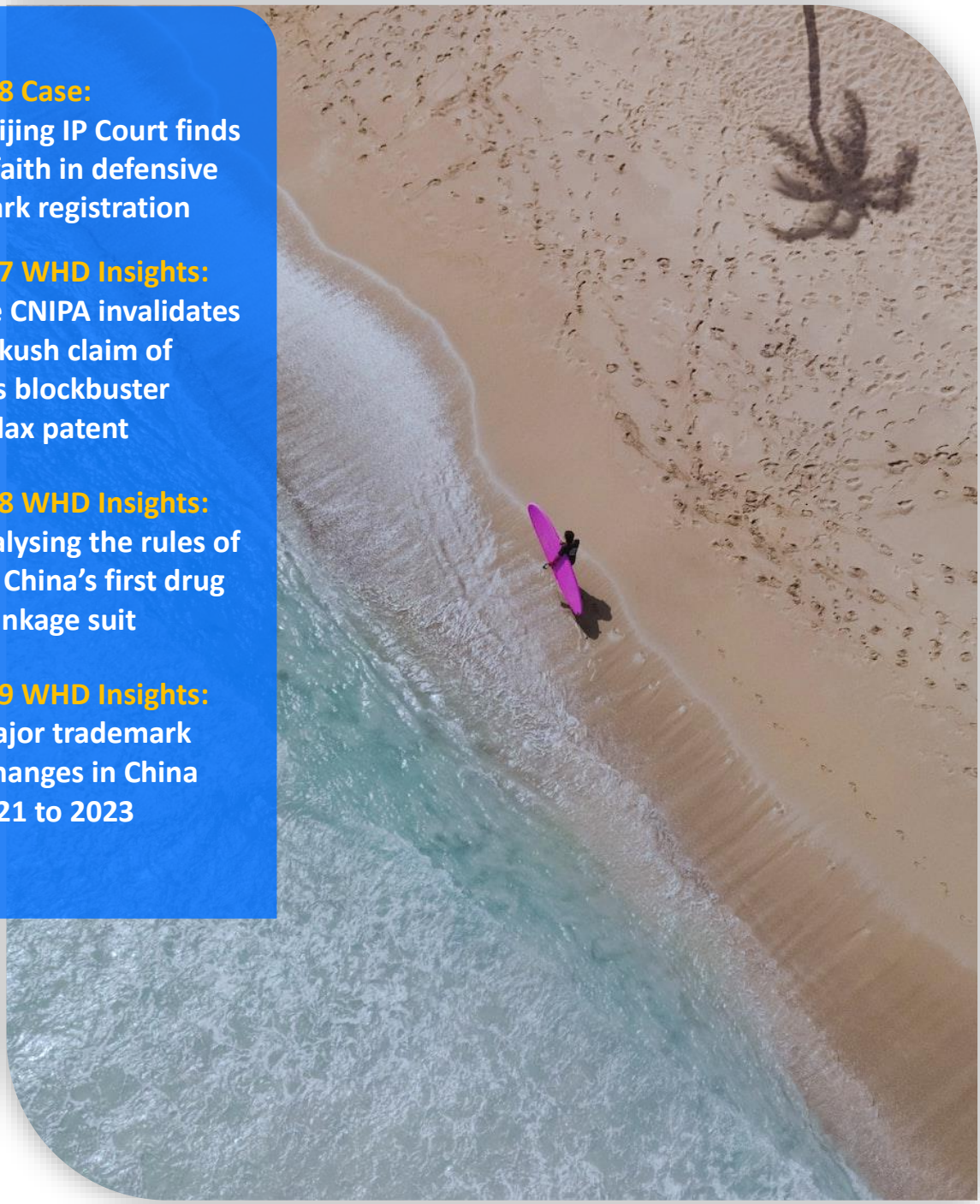

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n° 18 Case: TM | Beijing IP Court finds no bad faith in defensive trademark registration

Paul Ranjard and Nan Jiang, 4 Aug 2023, first published by *WTR*

In a recently surfaced administrative decision, the Beijing Intellectual Property Court has sided with the applicant for a defensive trademark, finding no foul play in the applicant's conduct. Rendered on 26 December 2022, the decision considered whether the defensive trademark registration constituted a bad-faith application for a trademark that was not intended for use, which is banned by Article 4 of the 2019 China Trademark Law.

Background

On 21 July 2021 IMEIK Technology Development Co Ltd filed an application for the trademark 嗨体御肌 in Class 5. The application designated pharmaceutical preparations, medical fillers and injectable dermal fillers, among others. The examiner rejected the trademark application ex officio on the ground that IMEIK had filed applications for a significant amount of trademarks within a short period of time, and that the application at issue constituted a case of "application filed in bad faith without intention to use", in violation of Article 4.1 of the Trademark Law. The refusal decision was upheld in the ensuing review on 23 May 2022.

IMEIK initiated administrative proceedings before the Beijing Intellectual Property Court on 20 September 2022.

Decision

The court ascertained that IMEIK had been using the trademark 嗨体 on its dermal filler product named "sodium hyaluronate composite solution for injection". Such use had generated a certain influence in the aesthetic medicine industry. The contested trademark 嗨体御肌 consisted of '嗨体' and '御肌', with the latter being a common descriptive term in the relevant industry. The court thus found that the contested trademark could be considered as an extension or a variant of IMEIK's existing 嗨体 trademark. The fact that IMEIK had applied for the registration of a total of 531 trademarks for various goods and services did not suffice to prove that the contested trademark had been filed in bad faith.

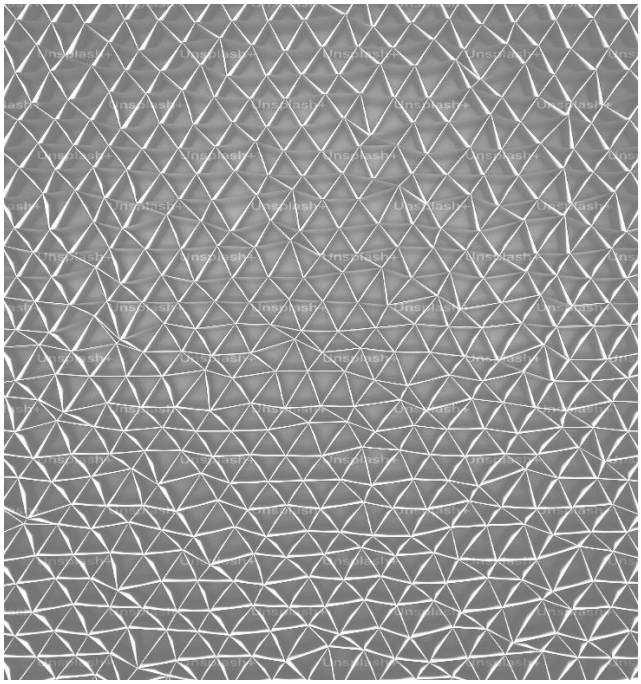
The court repealed the review decision and ordered the China National Intellectual Property Administration to remake its decision. The CNIPA complied and the decision came into force. The contested trademark was published on 6 March 2023 and was approved for registration on 7 June 2023.

Comment

This decision indicates that, for the court, the purpose of IMEIK's application was to widen the scope of protection of its basic trademark. Such additional trademarks, sometimes called 'defensive trademarks', serve a purpose which is not illegitimate.

Since 2008 the number of trademark filings in China had been on an upward trajectory, increasing over twelvefold - with the number peaking at 9.45 million in 2021. This was largely due to the practice of 'trademark hoarding' - that is, filing a large number of trademarks for the sole purpose of using them in litigation and/or reselling them to a third party. Although the figure dipped to 7.52 million in 2022, the phenomenon of trademark hoarding remains a major problem. This trend prompted the CNIPA to adopt an extremely restrictive policy with regard to trademark examination, which resulted in a sharp rise in the refusal rate (excluding partial refusals). From 25.9% in 2020, the refusal rate rose up to 33.6% in 2022. Defensive trademarks, as defined above, unfortunately ended up being collateral damage in the campaign against bad-faith trademark filings.

The decision should thus be welcome as it seemingly affirms that a large number of trademarks filings shall not be treated automatically as a case of "bad-faith filing without intention to use". It seems that some space is left for stakeholders to file trademarks for the purpose of extending the protection of their existing business. In the meantime, brand owners are advised to keep a close watch on whether the decision will usher in any favourable changes to the existing examination practice.



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n° 47 WHD Insights: PT | The CNIPA invalidates the Markush claim of AbbVie's blockbuster venetoclax patent

Yue Guan, 11 April 2023, first published by *MIP*

On November 22, 2022, the CNIPA made invalidation decision No. 58648 and declared Markush claim 1 of AbbVie's patent ZL201510165051.4 titled 'apoptosis-inducing agents for the treatment of cancer and immune and autoimmune diseases' (the Patent) invalid, citing lack of novelty.

The Patent relates to the blockbuster drug venetoclax, which is the first oral and selective B-cell lymphoma factor-2 (Bcl-2) inhibitor, jointly developed by AbbVie and Roche, to treat chronic lymphocytic leukemia and acute myelocytic leukemia. In 2021, AbbVie generated a sales revenue of $1.82 billion from venetoclax, which put it in fifth place among all the biopharmaceutical's marketed drugs.

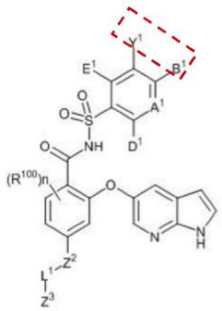
Background to the claim

Venetoclax was first launched in the US market in April 2016. On December 8, 2020, AbbVie announced that it had secured conditional approval from the National Medical Products Administration (NMPA) to launch venetoclax in China. Venetoclax, which was marketed as Venclexta, was the first, and remains the only, NMPA-approved Bcl-2 inhibitor in China.

Three patents, including the patent at issue, are registered on China's patent information platform of listed drugs as being pertinent to Venclexta, which falls under the protection scope of Markush claim 1 of the Patent, among others. The invalidation decision undermines the stability of the Venclexta Chinese patent portfolio and delivers a blow to AbbVie.

Markush claim 1 (as shown below) reads: "Wherein the cyclic moiety represented by Y1 and B1 together… is unsubstituted or independently substituted by 1-5 substituents below… R57A is spiroalkyl or heterospiroalkyl…"

The priority document records the Markush formula and its only difference from claim 1 is that R57A is a spiroalkyl.



The CNIPA's ruling

The CNIPA found that claim 1 cannot enjoy priority, so evidence 1 submitted by the petitioner is prior art. It thus concluded that claim 1 is devoid of novelty with respect to evidence 1.

In the invalidation procedure, AbbVie asserted that R57A in claim 1 only includes spiroalkyl and heterospiroalkyl, which can be divided into two parallel technical solutions, and the deletion of R57A as a heterospiroalkyl group should be allowed.

To back up its argument, AbbVie submitted invalidation decision No. 24591 to prove that there has been precedent where the deletion of substituents in Markush claims is allowed in the invalidation procedure. AbbVie contended that after deleting the heterospiroalkyl group, amended claim 1 is consistent with the priority document and can enjoy priority. Under such circumstances, evidence 1 does not constitute prior art and has no bearing on the novelty assessment of claim 1.

The CNIPA rejected AbbVie's argument based on the following reasoning: although the definition of R57A in claim 1 only includes spiroalkyl and heterospiroalkyl groups, there are still dozens of other substituents, as in nature a Markush claim is an overall technical solution, rather than an assembly of different compounds. Furthermore, the description fails to convey that spiroalkyl and heterospiroalkyl groups are studied as different inventive concepts.

The CNIPA therefore rebutted AbbVie's argument that claim 1 can be divided into two parallel technical solutions, based on the definition of R57A. The deletion of R57A as a heterospiroalkyl group is therefore not the deletion of a technical solution and shall not be allowed. In addition, the description of the Patent introduces six embodiments of R57A as heterospiryl groups, which are not included in the priority document. Therefore, Markush claim 1 with R57A as a heterospiryl group should not enjoy priority, otherwise it will harm the public interest.

The CNIPA dismissed invalidation decision No. 24591 submitted by AbbVie, finding it irrelevant to this case.

Implications of the decision

The decision reaffirms that for Markush claims, CNIPA examination practice still follows the principle set by the Supreme People's Court in its decision Zui Gao Fa Xing Zai No. 41 (2016):

- A Markush claim should be deemed as a collection of Markush elements, rather than a collection of many compounds, and Markush elements can only be expressed as a single compound under certain circumstances; and
- In an invalidation procedure, the amendment of Markush claims must be strictly restricted. Allowing the deletion of any option of a variable group will deprive the public of a stable expectation and is detrimental to the stability of the patent regime.

Invalidation decision No. 24591 adduced by AbbVie may shed some light on the

exceptional circumstances under which Markush elements can be expressed as a single compound. In this decision, the patentee amended the Markush claim into a specific compound by deleting the definition of related substituents. The amendment was allowed by the CNIPA as the said compound is the only compound prepared in the description and the core of the invention, and its active effects have been tested.

The CNIPA believes that the acceptance of the above amendment fully reflects the legislative intent of the Patent Law in encouraging innovation and is conducive to focusing on the technical contributions in assessing inventiveness.

This case may serve as a point of reference in terms of drafting compound patents incorporating Markush claims. Where priority is claimed, the patentee needs to ensure that the Markush claims are consistent with the previous application to the largest extent possible. In order to provide support for possible amendments, patentees are also strongly advised to build a multi-level claim system during the drafting process and to fully disclose core invention if possible.

n° 48 WHD Insights: PT | Analysing the rules of proof in China's first drug patent linkage suit

Wu Xiaohui, April 24, 2023, first published by *MIP*

On March 30 2023, the Intellectual Property Court of the Supreme People's Court (SPCIPC) released its Exemplary Cases in 2022. The 20 exemplary cases were selected from a total of 3,468 technology-related intellectual property and monopoly cases the court concluded in the year. Among the 20 cases, Chugai v Haihe is the nation's first drug patent linkage litigation.

First introduced in China's Patent Law in 2020, the drug patent linkage regime is designed to resolve drug patent disputes at an early stage. The regime, which has been up and running in China for a little shy of two years, is in its infancy. The application of various rules still needs clarification in judicial practice.

The case was chosen by the SPCIPC for its exploratory application of law in solving novel matters that emerged in the early stage of the regime.

Background and development of the case

The Eldecalcitol Soft Capsule is a drug developed by Japanese drug maker Chugai Pharmaceutical (Chugai) to treat osteoporosis. Chugai owns patent No. 200580009877.6, titled 'ED-71 Preparation' (the patent at issue), and has registered the aforesaid drug and patent on the Chinese Marketed Drug Patent Information Registration Platform.

Wenzhou Haihe Pharmaceutical (Haihe) applied to the National Medical Products Administration (NMPA) for the marketing approval of a generic version of the aforementioned original drug and made a statement asserting that its generic drug does not fall within the protection scope of a relevant patent.

Chugai filed a lawsuit with the Beijing Intellectual Property Court (BIPC) asserting that the technical solution of Haihe's generic falls within the protection scope of the patent at issue. On April 15 2022, the BIPC rendered a decision finding that the technical solution of the generic was neither identical nor equivalent to the technical solutions of claims 1–6 of the patent at issue. The BIPC thus concluded that the generic did not fall within the protection scope of the patent at issue and dismissed the claims of Chugai.

Chugai filed an appeal before the SPCIPC, which upheld the first-instance decision on August 5 2022.

Analysis of the decision

One of the focuses of this case is the specific type of antioxidant excipients used in the generic drug application. Chugai asserted that the medicinal excipient actually used in the formulation of the generic drug, of which Haihe applied for registration,

is dl-α-tocopherol, as claimed in the patent at issue. Haihe intentionally replaced dl-α-tocopherol in its drug registration application to evade infringement.

The SPCIPC held that for chemical generic drugs, the NMPA will conduct its drug marketing review and approval process on the basis of the application materials submitted by the generic drug applicant and shall decide within the specified period whether to suspend the marketing approval of the said drug, based on a legally effective court decision settling such disputes.

In principle, comparison shall be made between the application material filed by the generic drug applicant and the claims of the patent at issue to determine whether the technical solution of the former falls within the protection scope of the latter. The applicant shall be held liable in the event of any discrepancy between the technical solution actually implemented by the generic drug applicant and that cited in the application material.

The patentee or stakeholder may initiate a standalone patent infringement suit should they believe that the technical solution actually implemented by the generic drug applicant constitutes infringement.

Therefore, the SPCIPC affirmed that as far as a drug patent linkage suit is concerned, it is not within the court's remit to ascertain whether the technical solution actually implemented by the generic drug applicant is identical to that filed in the application material.

The SPCIPC also dismissed Chugai's evidence retrieval requests, based on the reasoning that the technical solution of the generic drug should be based on the application material, rather than the technical solution actually implemented by the generic drug applicant. The court concluded that the evidence is sufficient to prove the antioxidant excipient used in the generic drug and there is no need to retrieve other information from the NMPA application.

The significance of the case

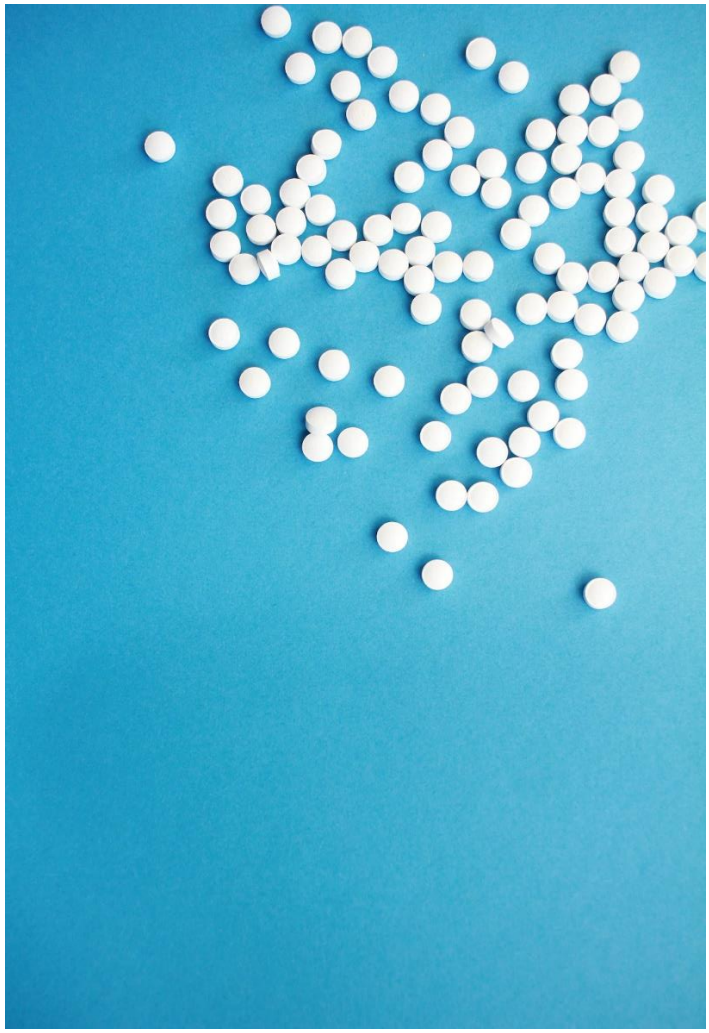
A drug patent linkage suit addresses the issue surrounding whether the technical solution of a generic drug falls within the protection scope of the patent at issue. It is fundamentally different from a traditional patent infringement suit which addresses whether the actual production, use and other acts are infringing.

Article 3.2 of the Provisions on Several Issues concerning the Application of Law in the Trial of Civil Cases involving Patent Disputes Related to Drugs Applied for Registration prescribes that the applicant for drug marketing approval shall submit to the people's court, within the period for filing a defence in the first instance, duplicates of necessary technical materials relevant to the determination of whether the generic drug falls within the protection scope of relevant patents that have been filed before the NMPA. It means that:

- Generic drug applicants are obligated to file the technical solution of the generic drugs and there will be consequences in the event of non-compliance; and
- Generic drug applicants bear limited burden of proof.

Where the original drug maker (the patentee) has doubts over the assertions of the generic drug applicant and believes that the materials filed fail to reflect the actual technical solution of the generic, the patentee needs to provide counter-evidence to corroborate reasonable doubt; otherwise, it shall bear adverse consequences.

Patent linkage litigation is closely intertwined with the generic drug marketing approval process. In practice, it could be quite challenging for original and generic drug makers with regard to the selection of convincing evidence in the marketing approval process. This case is of guiding significance in terms of analysing the rules of proof in similar cases.



n° 49 WHD Insights: TM | Major trademark policy changes in China from 2021 to 2023

Yongjian Lei & Xiaoxia Zheng, 4 July 2023, first published by *WTR*
Included in *WTR Special Report Q2 2023: Spotlight on Asia-Pacific: A guide to strategically navigating the evolving landscape*

Over the past two years, China has been reforming and optimising its judicial and administrative systems for trademarks. As part of these reforms, the first draft of an amendment to the Chinese Trademark Law, proposed by the China National Intellectual Property Administration (CNIPA), was unveiled at the beginning of 2023. These significant developments were driven by some landmark cases.

Substantive law

Strengthening the protection of trademark rights, prohibiting abuses of rights (and clarifying the boundaries of fair use), cracking down on malicious trademarks, and enhancing administrative supervision and guidance are highlights of recent developments in substantive law.

Strengthening the protection of trademark rights

The Judicial Interpretation of punitive damages issued by the Supreme People's Court (SPC) in March 2021 explained in detail when and how punitive damages can be applied in civil cases. The Interpretation enables trademark holders to be sufficiently compensated, while deterring the potential infringers through a more imminent threat of punishment under more specified situations. *Wyeth v Guangzhou Wyeth Baby Maternal and Infant Products Co* ((2021) Zhe Min Zhong No. 294) – one of the SPC's top 10 IP cases in Chinese courts for 2021 – was the first such case; compensation of 30 million yuan was granted due to the defendant's malice and the serious circumstances surrounding the infringement.

Abuse of rights

For rights holders that abused their rights, however, clearer signals were subject to a backlash. In its Judicial Reply from June 2021, the SPC confirmed that, if the plaintiff's lawsuit is found to constitute an abuse of rights, it should compensate the defendant for its attorney fees as well as its transportation and accommodation expenses upon the request of the latter. The CNIPA's guidance, issued in January 2023, reiterated that trademark owners should increase their awareness of potential abuse of rights issues when their trademarks contain geographic names. In *Shanghai Wancuitang Catering Management v Wenjiang Wu'a'po Green Peppercorn Fish Hotpot Restaurant* ((2021) Chuan Zhi Min Zhong No. 2,152) – one of the SPC's top 10 IP cases in Chinese courts for 2022 – the court held that the owner of the trademark '青花椒' (green peppercorn) for catering services in Class 43 abused its rights against the defendant's fair use of '青花椒鱼火锅' (green peppercorn fish hotpot).

Malicious trademark filings

The CNIPA has been very active and has achieved fruitful results in combating trademarks filed in bad faith. Two sets of rules from the CNIPA set forth in March 2021 and March 2022 concerning cracking down on bad-faith trademark filings have substantively contained such conduct. It is also interesting to note that, after the new requirements for re-filing of trademark agencies were issued, the CNIPA announced in April 2023 that only 16,921 trademark agencies and law firms survived the first re-filing round compared to over 60,000 in 2021. At the same time, success rates for opposition, invalidation and non-use cancellation cases have conspicuously increased in recent years.

Administrative supervision and guidance

Last but not least, the CNIPA has issued a series of administrative regulations and rules to ensure that the registration and use of trademarks comply with the law, including:

- the Guidelines on Trademark Examination and Adjudication in November 2021 on trademark prosecution matters;
- the Criteria for Determination of General Trademark Violations in December 2021 on types of trademark offences other than trademark infringement, aiming to strengthen the management of trademark use and unify administrative enforcement standards; and
- the Guidance on Signs Prohibited from Use as Trademarks in January 2023 on various specific scenarios in which trademarks are banned from use.

Procedural law

The major changes in procedural law focused on improving efficiency and clarifying the jurisdiction matter in trademark cases. The SPC published an opinion in May 2021 on administrative proceedings, promoting the pre-litigation mediation mechanism and a simplified or summary procedure.

In September 2021, the SPC decided to implement some measures to reform trial functions for courts of different levels, under which the Beijing High People's Court (taking over from the SPC) began to examine retrial requests for the overwhelming majority of administrative trademark cases against CNIPA decisions. Under this new mechanism, the Beijing court became the forum for most of its own second-instance cases.

The SPC also clarified what types of cases can come under the jurisdiction of grassroots courts in its provisions in April 2022.

Outlook

In 2021, the number of trademark filings in China reached a historic peak of 9.45 million. This number started to decrease in 2022 and is expected to fall further in 2023, which could be partially related to the stringent regulation of bad-faith trademark filings and the more intensive application of absolute grounds for refusal. Trademark practitioners are facing more refusals based on descriptive and deceptive

clauses. These issues may call into question whether the SPC should retry more cases directly, as it used to.

Undoubtedly, the use requirement both before and after a trademark is registered is increasingly being emphasised. In the CNIPA's proposed amendment to the Trademark Law, the trademark owner should commit to future use the mark before filing and submit a use report every five years following its registration – an even tougher requirement than that found in US law. In addition, the proposed amendment would prohibit the repetitive filing of an identical trademark. However, how burdensome the use report would be and the scope of 'identical trademarks' in practice remain uncertain.

Whether and how trademark squatting is actionable in a civil case is still not quite clear. In *Emerson Electric Company v Xiamen Water Angels Drinking Water Equipment* ((2021) Min Min Zhong No. 1,129), the court held that trademark squatting without trademark infringement activities could constitute unfair competition because many precedents in administrative cases have confirmed the existence of malice. The CNIPA's proposed amendment to the Trademark Law also touched on this issue in Article 83 by stating that the rights holder may sue the malicious applicant for compensation for its losses. However, the issues of whether malice in civil cases should – and whether it could alone – be relied on as a precedent in administrative cases, and whether a civil case claiming damages and an administrative case challenging the legitimacy of the trademark could be consolidated, are not yet settled.

Over the past two years, the acceptability of letters of consent before the CNIPA and the courts has declined significantly. Whether there will be a rebalance between the public interest and trademark owners' autonomy is to be seen.

Finally, the challenges in securing registration for non-traditional trademarks also requires ongoing observation. Regarding the lack of a predictable suspension procedure in the review stage of refusal cases (ie, when waiting for the status of the cited prior marks to be determined), the CNIPA has just published its interpretation on 13 June, which would hopefully make the suspension mechanism much clearer.