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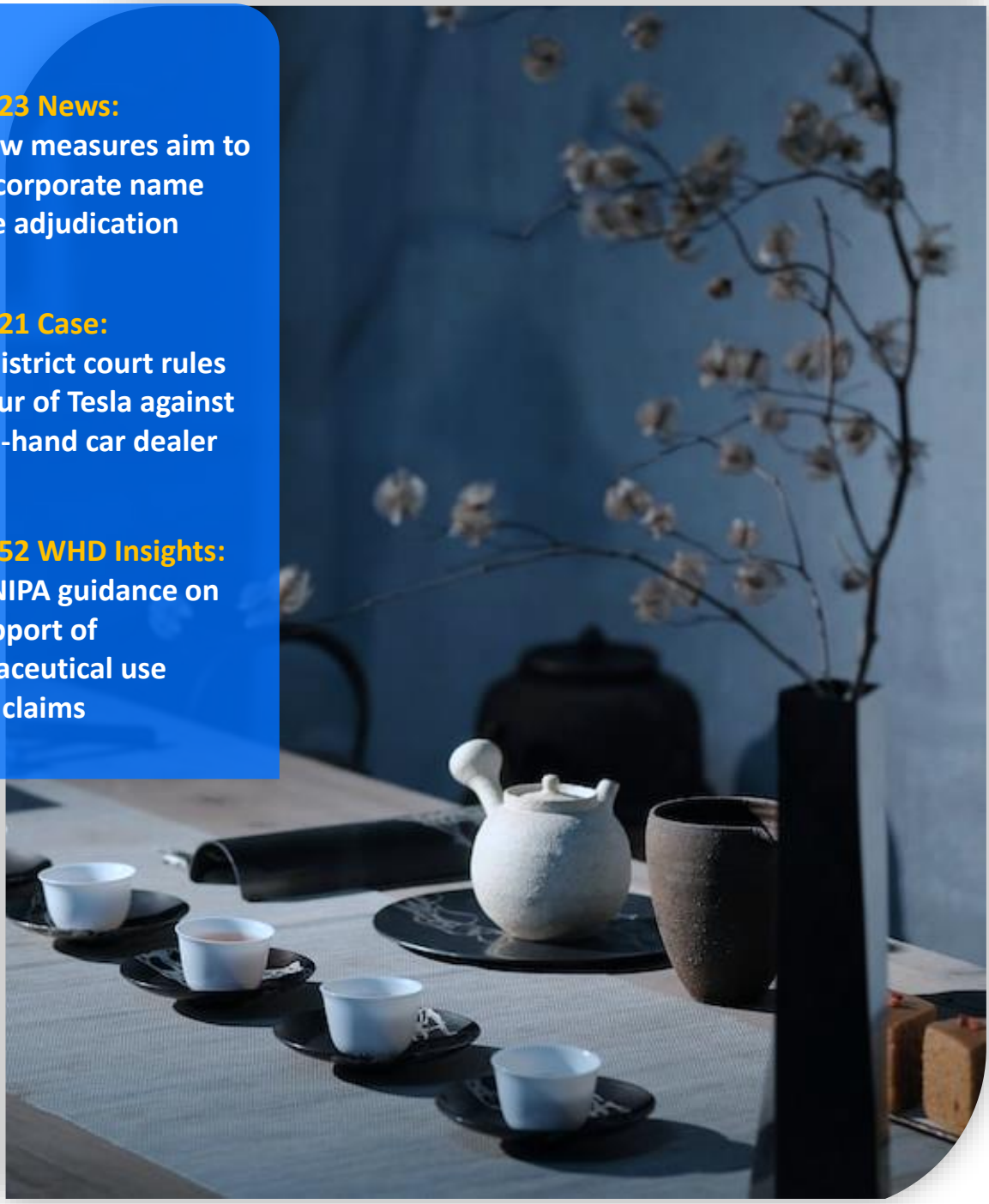

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n° 23 News: IP | New measures aim to refine corporate name dispute adjudication

Zhigang Zhu, Paul Ranjard, 20 September 2023, first published by *IAM*

On 31 August 2023, the State Administration for Market Regulation (SAMR) released the Implementation Measures for Corporate Name Registration and Administration Regulations, providing details for implementation to its 2021 Regulation. Some of these measures refine the existing procedures for the adjudication of conflicts between identical or similar corporate names registered in the same industry. The measures will come into force on 1 October 2023.

Prohibited behaviours

Article 23 of the measures prohibits the following behaviours and actions:

- malicious hoarding of corporate names or "occupying naming resources" without intention to use, which harms public interest or disrupts public order;
- submitting false materials or using "other fraudulent methods" for self-declaration;
- intentionally applying for a corporate name that "closely resembles" a name that another party already owns and that has "generated certain influence"; and
- intentionally applying for a corporate name that is "prohibited by laws, administrative regulations, and these measures".

The administration's *ex officio* powers

The local Administration for Market Regulation (AMR) can correct a registered corporate name that does not comply with the relevant rules. The higher-level AMR also has the ex officio authority to correct corporate names that the lower AMR has registered but that fail to comply with the rules.

The List of Restricted and Prohibited Corporate Names

When corporate names enjoying a nationwide influence are copied and used by others without authorisation – which is likely to cause public confusion – the provincial-level AMR should promptly report to the SAMR, which will enter this name into the List of Restricted and Prohibited Corporate Names. Corporate names that appear on this list are protected against any future third-party attempt to register an identical name in the same industry.

Complaints to the AMR against infringing names

A prior corporate name owner is entitled to file a complaint with the local AMR's corporate name registration authority against the user of an infringing corporate name.

Article 41 sets out the criteria for determining infringement that the authority should "comprehensively consider":

- the disputing companies' primary business activities;
- their corporate names' distinctiveness and originality;
- the duration of use of these names and the extent of public awareness;
- commitments that the disputing company has made when it applied for the corporate name and its legal obligations;
- whether the disputed name causes confusion among the relevant public;
- whether the disputed name takes advantage of or damages the reputation of another; and
- "other factors" that the authority decides should be considered.

Procedures

The local AMR's corporate name registration authority has three months to issue a decision on a dispute, which is subject to administrative reconsideration or court appeal.

If the local AMR decides that the name should be changed, the disputed enterprise should complete this change within 30 days from the date it receives this decision. Meanwhile, the disputed corporate name will be replaced immediately by the company's registration number.

If this company fails to complete the required change within one month, the local AMR will add it to the List of Companies with Abnormal Operations. The enterprise can apply to be removed from this list after it makes the required name change.

Penalties

If the enterprise refuses to make the necessary correction, it may face a fine ranging from 10,000 to 100,000 yuan. In cases where the violation is particularly severe, the business licence may be revoked.

Further, if the registration and use of the infringing corporate name results in adverse social consequences, the local AMR may impose a fine with the same range.

Problems and welcome developments

The measures, which provide a clear framework for handling corporate name disputes and specify some punitive measures, are a welcome development. In particular, the ability to enter famous corporate names into a national list of "restricted and prohibited names" to prevent large-scale infringement should greatly reduce enforcement costs.

However, it is regrettable that the measures only address conflicts between corporate names and not disputes between prior trademarks and corporate names, which are prevalent.

A trademark owner that finds its trademark being used in another party's corporate

name may file a complaint with the AMR. However, within the AMR, corporate name registration and trademark administration are governed by separate departments. Due to the difficulty of coordinating their respective range of jurisdiction, trademark owners often have to initiate lengthy – and costly – civil litigation.

There is no doubt that if the SAMR could organise the coordination between its corporate name and trademark authorities in a specific regulation, the burden on trademark owners would be hugely alleviated when it comes to enforcement of their rights.

n° 21 Case: TM | District court rules in favour of Tesla against second-hand car dealer

Jiang Nan and Paul Ranjard, 13 September 2023, first published by *WTR*

On 10 April 2023 the Tianxin District Court of Changsha, Hunan Province, rendered a first-instance decision in civil proceedings between Tesla (Shanghai) Limited and a second-hand car dealer, the Changsha branch of Tesila Used Cars (Guangzhou) Ltd.

Background

Tesla (Shanghai) Limited is the licensee of US-based Tesla Inc, which owns trademarks including:

- the word mark TESLA;
- the iconic 'T' device;
- the mark 特斯拉 (TE SI LA, the Pinyin transliteration of TESLA); and
- the combination of the 'T' device and the mark TESLA.

TESLA 特斯拉

The marks are all registered in Classes 12 ("motor vehicles for land, aviation, waterway or railway use, electric vehicles") and/or 37 ("vehicle maintenance and repair").

Tesila is a car dealer selling second-hand Tesla cars. Tesila prominently uses the same device as Tesla and the same three characters ('Te Si La') in its trade name, on its signboard and on its promotional material and interior decoration:

特斯拉 特斯拉二手车 TESILA USED CAR

Further, Tesila claims to be "the only nationwide chain franchise of Tesla second-hand cars".

Tesla sued Tesila for trademark infringement, copyright infringement and unfair competition, requesting cessation of use and damages of Rmb500,000 (inclusive of reasonable costs), among other things.

The defendant unsurprisingly responded with a defence based on the general principles of 'exhaustion of rights' and 'fair use'. It argued that it had the right, and even that it was necessary, to use the TESLA mark since it was providing services in

relation to the sale of authentic (second-hand) products.

Decision

Trademark infringement

The court did not accept the defendant's arguments:

- The court noted that the affiliated company of the defendant's parent company had filed scores of trademarks that were either a slavish copy or an imitation of the plaintiff's registered trademarks, which substantiated its bad faith. The fact that Tesila was a professional company with a high awareness of Tesla's reputation made its bad faith even more obvious. The court thus ascertained that the use of the trademarks was intended to directly promote the services provided by the defendant, rather than to indicate the products in relation to which the services were provided. Therefore, 'trademark use', as defined by the Trademark Law, could be established.
- The court affirmed that, given the very high reputation and intrinsic distinctiveness of the plaintiff's trademarks, and considering the almost identical consumer groups, sales methods and sales channels, as well as the high likelihood of confusion, the defendant's services were similar to the plaintiff's designated goods and services.
- The court also commented on the issue of fair use, enumerating three parameters to assess whether there is fair use: 1) the use is justified and in good faith; 2) the use is absolutely necessary to indicate the source of the goods or services; and 3) the use will not cause confusion, which includes a likelihood of confusion as to the identity of the business operator. The court affirmed that the defendant's prominent and extensive use of identical or similar signs was likely to lead the relevant public to associate the defendant with Tesla, and misconstrue that the defendant, with the authorisation or licence of the plaintiff, was an accredited dealer of Tesla second-hand cars or a dealer with a close association with Tesla.

The court therefore found that trademark infringement could be established.

Copyright infringement

The defendant challenged the originality and copyrightability of Tesla's device. This defence was dismissed.

The court found that the work was a device consisting of the stylised letter 'T', lines and colours. The combination was of artistic aesthetic value, was original and should be deemed as a copyrightable work of fine arts. The court further held that the defendant's unauthorised use of the work prejudiced the plaintiff's copyright.

Unfair competition

The court found that the Tesla brand had generated a "certain influence", as provided by the Anti-unfair Competition Law (Article 6). The defendant's use of the litigious trade name, which was identical to the plaintiff's registered trademark and trade

name, was likely to mislead consumers into believing that the defendant was an affiliate of Tesla or was otherwise associated with Tesla, thus causing confusion. The court therefore found that unfair competition could be established.

As to the statement "The only nationwide chain franchise of Tesla second-hand cars", which the defendant used in its business promotion, the court opined that the use of 'only' - a word of an absolute nature - intended to underline an association with Tesla. The ordinary consumers, with a normal level of cognition and logic, would infer from such statement that the defendant was either directly operated by Tesla or somehow associated with Tesla. Such misunderstanding would help the defendant gain a competitive edge, which constituted unfair competition.

Conclusion

The court ruled in favour of the plaintiff on almost all the claims, affirming trademark and copyright infringement and unfair competition, and awarding damages of Rmb300,000.

Comment

The expected defence was, of course, that the defendant was selling authentic second-hand cars - but why would Tesla complain about the use of its name in relation to the sale of its own cars? To reject such defence, the court made a thorough analysis of all the circumstances revealing the bad faith of the defendant, and such analysis enabled the court to assert that the defendant was not in a situation of fair use. The attention paid by the Chinese courts to the good/bad faith of the defendants is becoming a clear trend, which is worth noting.

n° 52 WHD Insights: PT | CNIPA guidance on the support of pharmaceutical use patent claims

Wu Xiaohui, 7 September 2023, first published by *MIP*

Article 26.4 of China's Patent Law prescribes that "claims shall be supported by the specification and shall define the extent of the patent protection sought for in a clear and concise manner". This rule is strictly enforced by the China National Intellectual Property Administration (CNIPA) in practice. In assessing whether claims can be supported by the specification, the claims need to define a scope of protection that corresponds to the contribution of the invented technology.

In a recent invalidation decision, #560109, issued by the CNIPA, the patent claims were declared entirely invalid for being devoid of support of the specification.

The patent

The patent in question involves the pharmaceutical use of nilotinib. The granted patent comprises only one claim, reciting the use of nilotinib in the preparation of a drug for treating chronic myeloid leukemia (CML), wherein nilotinib and a pharmaceutically acceptable carrier are dispersed in apple sauce.

The grounds for invalidation

The petitioner contended that – based on the specification of the patent and evidence 31, 32, and 29 – it is evident that the patent in question does not demonstrate whether the dispersion of nilotinib and apple sauce in other dosages and ratios, apart from those stated in the patent, would still achieve bioequivalence in the context of a complete capsule.

Given that claim 1 of the patent in question does not provide any specific limitations regarding the dosage and ratio of nilotinib and apple sauce, it would be impossible to anticipate that all the technical solutions covered by claim 1 could achieve the desired technical effect of bioequivalence. Therefore, claim 1 cannot be supported by the specification.

The defence raised by the patentee

The patentee argued that taking nilotinib dispersed in a teaspoon of apple sauce would be bioequivalent to consuming nilotinib in the form of a complete capsule. The embodiments provided demonstrated through comparison that the nilotinib capsules and the contents of the capsules dispersed in apple sauce are identical. The petitioner was merely speculating that the dosage and ratio of nilotinib might impact bioequivalence, without furnishing any concrete evidence.

The decision

The CNIPA's collegiate panel held that nilotinib, as an existing medication, is known for its therapeutic effect in treating CML, which is part of the prior art. The contribution of the patent in question relative to prior art lies in the discovery of bioequivalence between consuming 400mg of nilotinib dispersed in a teaspoon of apple sauce and consuming nilotinib capsules.

However, based on Example 2 provided in the specification, it is evident that the technique employed to achieve bioequivalence between dispersing the contents of nilotinib capsules in apple sauce and the nilotinib capsules is by dispersing the contents of two 200mg nilotinib capsules into one teaspoon of apple sauce, as compared to a 400mg nilotinib capsule.

Claim 1 does not specify:

- The dosage of nilotinib;
- The type of dosage form containing nilotinib for dispersion; or
- The volume of apple sauce for dispersion.

Whether all the technical solutions covered by claim 1 can achieve bioequivalence would be unknown to those skilled in the art, as the exact in vivo absorption of nilotinib when dispersed in apple sauce is unpredictable.

Moreover, whether two formulations achieve bioequivalence is measured by comparing their bioavailability. The fact that two formulations are bioequivalent at specific dosages and forms does not necessarily give rise to the presumption that bioequivalence could be achieved across any random conventional dosages and forms. Evidence 29 and 35 attests various factors affecting bioavailability, dosage form included.

It is evident that the dosage and absorption of nilotinib is closely linked, yet there is no known pattern governing their correlation. The in vivo absorption could vary markedly when the same dosage is administered at a different frequency. Furthermore, the in vivo bio-absorption mechanism of nilotinib is highly complicated. Therefore, persons skilled in the art would be unable to predict bioequivalence between the in vivo absorption of a specific dosage of nilotinib dispersed in a certain amount of apple sauce, as described in Example 2, and the absorption of other dosages of nilotinib dispersed in varying amounts of apple sauce, so as to avoid the impact of known food effects on the absorption.

This unpredictability is compounded by the unspecified amount as denoted by "a teaspoon of" apple sauce in the specification. Moreover, prior to the filing date, the known food effect on nilotinib's bioavailability was sufficiently significant to warrant the prohibition of its concurrent consumption with food.

Given the crucial role of food effects on nilotinib absorption, persons skilled in the art could not anticipate how the food effect would manifest when nilotinib is dispersed in an amount other than a teaspoon of apple sauce, and whether it would still achieve bioequivalence, not to mention when the variable of dosage is added.

Since claim 1 failed to define specific technical means (such as the dosage of nilotinib

and the volume of apple sauce for dispersion) in achieving the technical effect of bioequivalence, the technical effect achieved by the specific technical solution of Example 2, as provided in the patent in question, cannot support all the technical solutions covered by claim 1. Claim 1, including technical solutions that cannot achieve the stated technical effect of bioequivalence, is not supported by the specification and does not comply with Article 26.4 of the Patent Law.

Key takeaways

This case could serve as a point of reference in the design of embodiments and the generalisation of claims in patent drafting.

The technical solutions for which a claim seeks protection should be obtained or generalised by those skilled in the art from the contents sufficiently disclosed in the specification, without going beyond the scope of the specification.

In assessing the reasonableness of the scope of generalisation, persons skilled in the art need to take into account the technical problem the invention seeks to solve, in combination with the technical effects already established by the specification and the prior art. During the patent drafting process, the patentee needs to focus on those technical features that are highly unpredictable yet are essential for achieving the inventive technical effect, as these features often determine the extent to which they can be generalised.

In drafting the specification, patentees are strongly advised to provide ample embodiments demonstrating the impact of the technical features on the desired technical effects, to establish reasonable boundaries for those features.

In the meantime, in drafting the claims, patentees need to properly limit and generalise those technical features by taking into consideration the status quo of the prior art and the experimental evidence provided in the specification, to avoid the inclusion of solutions that cannot solve the inventive technical problem or whose effects are difficult to assess in advance. Only in this way can the claims accurately reflect the invention's scope and are sufficiently supported by the specification.