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## n° 27 News: PT | How amended regulations to China's Patent Law will impact the IP landscape

Rui Wang, 10 January 2024, first published by [IAM](#)

On 21 December 2023 China's State Council promulgated the long-awaited "Decision on Amending the Implementing Regulations of the Patent Law of the People's Republic of China". The amended regulations adjust several factors, including partial design patents, national priority for designs, patent-term extensions and the open licensing regime, to align with the Fourth Amendment to the Patent Law.

On the same day, the China National Intellectual Property Administration (CNIPA) also released the 2023 Patent Examination Guidelines, which offers practitioners explicit guidance from a practical perspective. The amended regulations and new examination guidelines will enter into force on 20 January 2024.

### Partial designs (Rules 30 and 31)

The amended regulations delineate the manner in which partial designs should be articulated in application documents. Specifically, applicants must document the product as a whole, indicating the portion for which protection is sought, and if necessary, specify this portion in a brief description. This practice serves a bifurcated purpose:

- it broadens the eligible subject matter of designs by allowing a partial product design to be granted patent rights; and
- it preemptively prevents applicants from acquiring an unduly expansive scope of protection by filing for an inseparable part of an entire product.

### National priority for designs (Rule 35)

Aligned with the Fourth Amendment of the Patent Law, which provides that a design application may claim national priority, the amended regulations further clarify that drawings accompanying an invention or utility model may serve as the basis for claiming priority in a subsequent design application. This is a very welcome development as it allows right holders to patent not only internal or external structural features of a product as inventions or utility models, but also exterior design features as design patents. It will offer rights holders greater flexibility and more options in building a comprehensive and multi-dimensional patent portfolio around a given invention or creation.

### Delayed examination (Rule 56)

The amended regulations specify that an applicant may file a request for deferred examination of its application. This mechanism was initially introduced in the 2019

Patent Examination Guidelines and applied to invention and design applications and could not be retracted. The amended regulations allow applicants to file delayed examination requests for inventions, designs and now utility models, and offers them the flexibility to withdraw the request if necessary.

#### **Patent-term extensions (Rules 77 to 84)**

The Fourth Amendment to the Patent Law introduces a patent-term extension regime to compensate for unreasonable delays in the grant procedure (patent-term adjustment) or the length of time needed to obtain administrative approval to market new drugs in China (patent-term extension).

The amended regulations outline the prerequisites for an extension, the circumstances of reasonable and unreasonable delay and the term extension calculation method.

Adjustment requests must be made within three months from the grant date. In a nutshell, the formula to calculate patent-term adjustment is: the grant date minus the date on which the application has been filed for four years and the examination request has been filed for three years, minus the number of days of unreasonable delay caused by the applicant minus the number of days of the reasonable delay.

The regulations also use a standardised method to calculate the compensation period (patent-term extension) for new drug patents by deducting five years from the number of days between the patent filing date and the date that the new drug receives marketing authorisation in China, which is subject to the provisions outlined in Article 42(3) of the Patent Law. Specifically, the compensation period is capped at five years, with the total validity period after the approval of the application for marketing authorisation capped at 14 years.

Likewise, the formula to calculate patent-term extensions is: the date on which the new drug receives marketing approval, minus the filing date, minus five years.

#### **Open licensing regime (Rules 85 to 88)**

The fourth amendment to the Patent Law introduced an open licensing regime to incentivise patent commercialisation. This mechanism, which attempts to present patented solutions in an open and transparent manner, is expected to provide potential implementers with wider access to patented technologies and facilitate their implementation and monetisation among SMEs.

As early as May 2022, the CNIPA released the Patent Open Licensing pilot programme. By the end of June 2023, 1,500 patentees from 22 provinces had participated in the project, with 35,000 patents screened and nearly 8,000 licences concluded. While the amended regulations are still short on details in terms of payment and management of royalties and dispute resolution among different parties, the CNIPA is expected to explore viable solutions as it implements the regime in the future.

### **Service inventions (Rules 92 and 93)**

The amended regulations encourage patentees (employers) to share any revenues generated from the innovation with the relevant inventors or designers (employees) by incentivising them with equity, options and dividends (Rule 92). In cases where there is no agreement or provision in the patentee's bylaws expatiating on the amount of reward and remuneration for the inventor of a service invention, the statutory amount of reward for a granted patent will be no less than 4,000 yuan for an invention and no less than 1,500 yuan for a utility model or design (Rule 93).

### **Harmonisation with the Hague Agreement (Rules 136 to 144)**

In response to the entry into force of the Hague Agreement for the International Registration of Industrial Designs in China (5 May 2022), the amended regulations include a new Chapter 12, which outlines provisions concerning filing requirements, examination procedures and priority issues for international applications for industrial designs. International design applications that designate China will be published by WIPO's International Bureau and be subject to the CNIPA's examination; the international registration date will be deemed the application date of the design in China. If no grounds for refusal are found during the examination, the CNIPA will grant an international design application and notify the International Bureau.

### **Dates of service of electronic documents (Rule 4)**

The amended regulations specify the filing date and date of service for documents filed and served through the CNIPA's e-filing system. While the filing date of electronic documents remains unchanged as its date of entry into the system, the date of service will be the date of entry as recognised by the parties rather than 15 days after posting the hard copy.

In practical terms, electronically served documents will reach the parties' electronic systems almost immediately upon transmission, which will shorten the examination period.

### **New examination criteria for utility models and designs (Rule 50)**

The amended regulations impose more stringent examination criteria for utility models and design applications. It is worth noting that other than novelty, the preliminary examination of inventiveness has been added to the patentability assessment for utility models. For designs, a patentable application should be "clearly distinguishable from the existing design or a combination of features of the existing design".

This approach is part of the CNIPA's efforts to discourage the filing, granting and proliferation of low-quality patents in China.



### Patent evaluation reports (Rules 62 and 63)

The newly amended rules clarify that eligible applicants for patent evaluation reports include the patentee, interested party and alleged infringer, and that the applicant may request an evaluation report while going through the registration procedure without waiting for the announcement of the granting of the utility model or design patent.

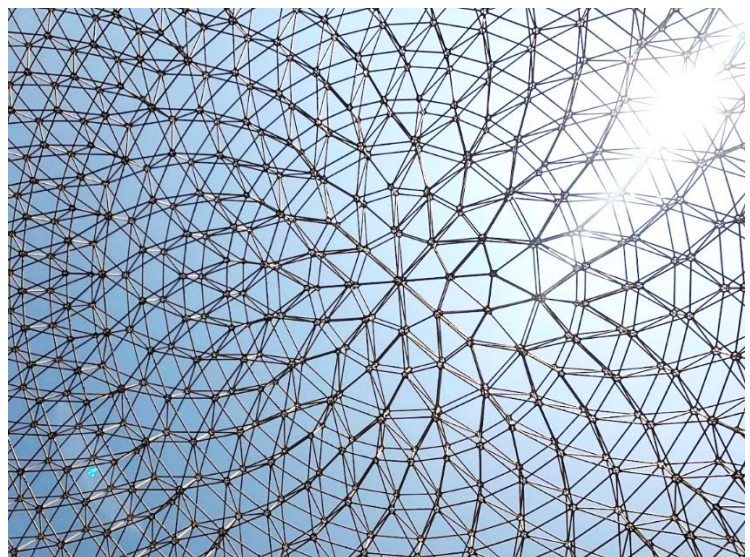
### Re-examination procedure (Rule 67)

Though the amended regulations delete the provision concerning "prepositive examination" (Rule 62) – an examination procedure preceding the formal re-examination – it is still present in the 2023 Patent Examination Guidelines. However, as of 20 January 2024, re-examination requests will be heard by a different examiner to the one who issued the initial rejection decision. This approach will allow applicants to argue their case before a new examiner with a fresh set of eyes.

Additionally, the amended regulations broaden the purview of re-examination to encompass not only the rejection of an application but also the identification of "any other obvious non-compliance with relevant provisions of the Patent Law and these regulations". This modification will allow the CNIPA to exercise stronger oversight over patent re-examination procedures and elevate the overall quality of the granted patents.

### Welcome developments

These revised regulations have been hotly anticipated since the promulgation of the fourth amendment to China's Patent Law. The adjustments to various CNIPA practices and harmonisation with the Hague Agreement are positive changes to the system and aim to make China more appealing to the international IP community.



## n° 50 WHD Case: GI | Chinese courts sanction Ford's misuse of 'Cognac' on automobiles

He Wei, 7 December 2023, first published by [WTR](#)

The dispute involved the Bureau National Interprofessionnel du Cognac (BNIC) - the French organisation responsible for promoting and safeguarding the geographical indication (GI) 'Cognac' - and the Chinese affiliates of Ford Motor Company, a prominent automotive supplier (hereinafter referred to as 'Ford China').

### Background

In 2018 Ford China launched a series of vehicles under the name 'COGNAC Special Edition' (as shown below), including models like the 'EcoSport COGNAC Special Edition' and 'Mondeo EcoBoost 180 COGNAC Special Edition'.



These vehicles were promoted on Ford China's official website and other media. The marketing campaign went as far as using the tagline of "Not all brandies are Cognac, not all Fords are Cognac", which inappropriately leveraged Cognac's prominent position on the brandy market to promote the premium quality of the Ford Cognac series of vehicles. In addition, Ford China used 'COGNAC Brown' to refer to the colour of the interior decoration of these vehicles.

The BNIC filed a civil lawsuit to challenge such use by Ford China on the basis of its 'GI product' registration for 'Cognac' with the Administration of Quality Supervision Inspection and Quarantine, now the China National Intellectual Property Administration (CNIPA). In the absence of a specific GI law, the BNIC based the action on the Anti-unfair Competition Law.

### Decisions


The case was initially heard at the Suzhou Intermediate People's Court (with a first-instance decision being rendered on 23 November 2020) and subsequently appealed to the Jiangsu Provincial High People's Court (with a second-instance decision being rendered on 9 August 2023). Both courts arrived at the same conclusion: Ford China's actions constituted unfair competition. The legal reasoning behind the decision was multi-faceted:

- Protection under the Anti-unfair Competition Law: the court clarified that GIs can seek protection under China's Anti-unfair Competition Law by resorting to the general principle of good faith, as stipulated in Article 2 of the law. This aligns with the TRIPs Agreement, to which China is a signatory, which provides legal means to prevent unfair competition concerning GIs.
- Existence of a competitive relationship: although Ford China and the BNIC operated in different industries, the court emphasised that they were in a competitive relationship. This is because both vie for consumer attention in a broad sense.
- Insufficient evidence of genericide: Ford China attempted to justify its infringing use by arguing that 'Cognac' had become a generic term. However, the court found that the evidence provided was insufficient to support this claim, especially within the context of the Chinese market.
- Establishment of unfair competition: the court ruled that, by using the term 'Cognac', Ford China was exploiting the reputation of a protected GI to elevate its own brand, thereby gaining an unfair competitive edge. Such behaviour could cause other harms, such as increasing the risk of genericisation of the GI and reducing the opportunities for the GI owner to engage in cross-class business cooperation.

#### Comment

The case serves as a pivotal legal precedent for right owners searching for civil remedies in cases involving GIs registered as GI products in China. Not only does it confirm that GI products registrants may act on the basis of the unfair competition law, more importantly, it also considerably extends the concept of 'competitive relationship'. This is not without similarity with the very broad EU concept of 'evocation', which is specific to the protection of GIs: a simple 'association' in the mind of the consumer is sufficient to trigger protection. The products or services concerned do not even need to be similar.

While the finding concerning the absence of genericity is satisfactory, it may be pointed out that, according to EU regulation, a protected GI (unlike a trademark) can never become generic.

In summary, the present case offers valuable insights on future GI protection practice in China. 



## n° 51 WHD Case: TM | Hubei High Court upholds 10-million yuan damages award to Michelin for misuse of Cantonese name

Du Binbin and Paul Ranjard, 13 December 2023, first published by [IAM](#)

On 8 November 2023 the Hubei High Court issued a judgment in the long-running Michelin saga, upholding the first-instance decision and clarifying some interesting aspects about well-known status of trademarks in China (2022 E Zhi Min Zhong no 190).

The word ‘Michelin’, which is the name of a French company that is famous for its tyres and Michelin Guide, is translated in Mandarin as ‘米其林’ in Chinese – pronounced “Mi Qi Lin”. In Hong Kong, the Cantonese name of Michelin is ‘米芝蓮’, which is pronounced “Mi Zhi Lian”.

In 2015, Michelin discovered that Shanghai Mi Zhi Lian Catering Management not only registered ‘米芝蓮’ (Mi Zhi Lian) as a trade name but also attempted to register the name as a trademark, and a chain of restaurants franchised by Shanghai Mi Zhi Lian were using Mi Zhi Lian as a trademark. Michelin engaged in various opposition and invalidation procedures and in 2018 finally sued Shanghai Mi Zhi Lian and one of its franchised restaurants before the Wuhan Intermediate Court on the grounds of trademark infringement and unfair competition.

On 16 August 2021, the court issued a judgment determining that the use of the mark MI ZHI LIAN and domain name ‘shmizhilian.com’ constituted trademark infringement and the use of Mi Zhi Lian as a trade name constituted unfair competition (2018 E 01 Min Chu no 3552). The court ordered the defendants to stop such use and pay 10 million yuan in damages. The franchised restaurant was found jointly liable for damages of up to 20,000 yuan.

The defendants argued that they were using a different Chinese name than the Chinese name that Michelin uses in China. The court opined that a singular foreign name may have two or more transliterations or pronunciations within one country’s jurisdiction. The fact that ‘Mi Qi Lin’ in Chinese is widely acknowledged and used as the Chinese transliteration of Michelin in mainland China does not mean that ‘Mi Zhi Lian’ in Chinese cannot also be a valid Cantonese transliteration of Michelin. The court affirmed, therefore, that both transliterations have a special association with Michelin and that using the Cantonese name constituted infringement of the Mandarin Chinese name.

The defendants also argued that it was inappropriate for Michelin, which had registered its trademark in Class 43 (catering services), to base its claim on the well-known reputation of its trademark registered in Class 12 (tyres). The court disagreed with this argument and specified that referencing the well-known status of a trademark that is registered in a brand owner’s core business should in fact be encouraged. Otherwise, brand owners would be obliged to register their trademark in multiple or even all classes rather than seek well-known trademark (WKTm)



protection based on the mark's reputation. This would breach the original objective of the WKTm protection regime and would inappropriately invite brand owners to register more defensive trademarks.

Finally, the defendants argued that Michelin had waited too long to exercise its right (three years after becoming aware of the infringement) and indirectly had acquiesced the defendants' use of the trademark. The defendants claimed that during these years, they had built a legitimate market share and that it was unfair to sue them after all this time. The court noted, however, that Michelin had been proactively filing oppositions against Shanghai Mi Zhi Lian's trademark applications and had also filed invalidation requests against a few trademarks that had survived opposition proceedings. These actions corroborated the fact that Michelin did not acquiesce in the registration and use of the MI ZHI LIAN trademark. The court added that Shanghai Mi Zhi Lian, which was aware that its trademarks applications were being challenged, took the risk of continuing to use the accused mark. Therefore, the defendant's so-called 'market share', formed on the basis of trademark infringement and unfair competition, should not be protected.

The defendants appealed and on 8 November 2023 the Hubei High Court issued a judgment, upholding the first instance decision (2022 E Zhi Min Zhong no 190). Further, the court provided negative comments on Shanghai Mi Zhi Lian's appeal without new facts or grounds, which increased Michelin's expenses.

#### Key takeaways

This decision is particularly interesting because it encourages the use of the well-known trademark status rather than resorting to defensive trademarks. Such defensive trademarks would not be necessary if WKTm protection rules were easy to apply on a case-by-case basis, which is provided by Chinese law. 