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China Released over 100 Specific Measures to Ensure IP Powerhouse Building Go Full-Steamed Ahead

Promotion Plan for the Implementation of the National Intellectual Property Strategy and Acceleration of Building an IP Powerhouse in 2018" (Promotion Plan) was approved for issuance by the Inter-Agency Council for Implementation of IP Strategy of the State Council, securing implementation of six key works, 15 key sections and 109 measures.

The Promotion Plan seeks to promote IP administration system reform and perfect important IP policies, ease control in IP representation services in general while strengthening necessary control and offering quality administrative service, including establishing the all-new China National Intellectual Property Administration, exploring to establish a national-level IP cases appeal trial system, implement pre-tax super deduction for R&D expenses and advancing civil-military integration pilot programs in IP field.

The Promotion Plan also aims to intensify high value IP cultivation, improving IP examination quality and efficiency, including deep implementation of improving patent quality project, accelerating construction of patent examination system in emerging fields and industries, reducing trademark examination pendency from eight months to six months and building national works registration information publication and inquiry system.

As for enhancement of IPR protection, the Promotion Plan proposes to fine-tune laws and regulations, strengthen construction of

long-term IP protection system, launch special administration in key fields, intensify daily supervision and law enforcement, including specifying punitive damages in copyright laws and patent laws, accelerate construction and mapping of IPR protection center, formulate Internet + IPR protection schemes, and punish IPR infringement crimes.

In regard to enhancing IP utilization, measures include intensifying IP transfer and commercialization, strengthening use of IP information, deepening promotion of IP transaction services, promoting IP financing such as patent pledging, encouraging farmers to take advantage of trademarks to grow rich, formulating implementation of a three year action plan to facilitate transformation and upgrade of businesses.

<http://english.cnipa.gov.cn/docs/2018-11/20181114081236636140.pdf>

State-level IPR Tribunal to Be Set Up for Intellectual Protection

The SPC will have a national appeal court for civil and administrative IP case, according to Zhou Qiang, Chief Justice of the Supreme People's Court (SPC) at the bimonthly session of the Standing Committee of the National People's Congress.

"Due to the complexity of IP cases and the expertise needed for trials, a national appeal court will help prevent inconsistency of legal application and improve the quality and efficiency of trials, and also help nurture a favorable legal environment for technological innovation and a better business environment for domestic and international enterprises." Zhou said.

Under the current legal system, intermediate courts at the city and prefecture levels and IP-dedicated courts can sit to hear civil and administrative cases relating to IP disputes that require technical expertise. The cases will go to high courts at the provincial level if the parties concerned lodge appeals.

Chinese courts heard 213,480 IP cases last year, 40.4 percent more than in 2016, and double the number in 2013.

<http://english.cnipa.gov.cn/news/iprspecial/1133348.htm>

MOFCOM: To Carry out Special Operation on IPR Protection for Foreign-invested Enterprises

The MOFCOM introduced on the regular policy briefing news conference the special operation to be implemented on improving business environment for foreign investments.

In the near future, the MOFCOM will

- release policy document about optimizing the environment of foreign investment;
- continue to reduce the restriction on foreign investment, and enhance the facilitation level;
- deepen the implementation of pre-establishment national treatment and negative list management system;
- increase the efforts on protection of legitimate rights and interests of foreign investment; and
- advance the Free Trade Zone development.

According to the new conference, 45,922 foreign-invested enterprises were established nationwide in the first nine months of 2018, up 95.1% year on year. The actual Foreign Direct Investment (FDI) totaled 97.96 billion dollars, up 6.4% year on year. Against the background of 41% drop in the global FDI for the first half of this year, China's FDI inflow keeps a stable and improving momentum.

<http://english.ipraction.gov.cn/article/News/201811/20181100205276.shtml>

China Spent \$28.74b on IP Imports in 2017

According to the Report on China's Services Imports released by the Ministry of Commerce (MOFCOM), China spent \$28.74 billion for the use of intellectual property imports last year. The figure was up nearly 14-fold from 2001 when the country joined the World Trade Organization.

Most of China's payments for the use of intellectual property imports were for patents, trademarks and copyrights.

In 2017, the charges for the use of imported intellectual property accounted for 6.1 percent of China's total services imports.

China's cumulative services imports are expected to exceed \$2.5 trillion over the next five years. Then, the country's services imports will account for more than 10 percent of global services imports, contributing over 20 percent to the growth of the global total.

During the period, China will see over \$700 billion of cumulative imports in emerging services, including charges for the use of intellectual property, telecommunications, computer and information services, financial services, and personal cultural and recreational services, the report also said.

<http://english.cnipa.gov.cn/news/iprspecial/1133630.htm>

China-Japan PPH Pilot Program Extended for Another Five Years

According to the Joint Statement of Intent of CNIPA and JPO on Extending PPH Pilot Program, the China-Japan PPH pilot program will be extended for another five years starting from November 1, 2018, and will be terminated on October 31, 2023. Relevant requirements and procedures to submit PPH requests to the two offices remain unchanged.

<http://english.cnipa.gov.cn/news/officialinformation/1133381.htm>

SUPPLEMENT ISSUE

Trademark Case Study: "PATH OF EXILE"

- An Example of the Application of Article 10(8) of the China Trademark Law

PATH OF EXILE, an online game developed by the New Zealand-based Grinding Gear Games Limited is popular among Chinese gamers.

Recently, Beijing High People's Court made a final judgment that No.19407903 trademark "流放之路 (PATH OF EXILE in Chinese)" (trademark in dispute) filed by Grinding Gear, a goods in computer gaming software, does not have unhealthy influences, revoking the decision denying its registration by the Trademark Adjudication and Review Board (TRAB) and ordering the TRAB to make a de novo decision.

On March 25, 2016, a Chinese gaming company officially announced its distribution of "PATH OF EXILE". One day earlier, Grinding Gear filed a registration application for the trademark in dispute, requesting to be certified for use on Class 9 products such as computer gaming software. The Trademark Office (TMO) made a rejection decision based on the ground that the trademark in dispute is detrimental to socialist morals or customs or has other unhealthy influences. Days later on January 26, 2017, Grinding Gear lodged a review request to TRAB who would side with TMO on July 12, 2017.

The Disgruntled Grinding Gear then launched an administrative lawsuit to Beijing IP Court. Beijing IP Court held that the word "流放 (EXILE)" means banishing convicted prisoners to remote lands. It is easy to generate unhealthy influence on socialist morals or customs and public cultural orders when it is used on the products of computer gaming software. The court accordingly rejected the request of Grinding Gear. Then Grinding Gear then brought the case to Beijing High People's Court.

After hearing, Beijing High held that the word "流放 (EXILE)" of the trademark in dispute means exiling the prisoners to remote lands, and "PATH OF EXILE" meant the process or route of exile. As a trademark, "流放之路 (PATH OF EXILE) is not detrimental to socialist morals or customs or has other unhealthy influences for the symbol itself or parts. In addition, the former SAPPRT also approved its publication and operation after excluding its connection with any unhealthy contents and confirming its compliance with relevant laws. In this connection, Beijing High ruled in favor Grinding Gear and made the decisions that were listed in the opening section of this story.

<http://english.cnipa.gov.cn/docs/2018-11/20181114081236636140.pdf>

Patent Case Study: Refund of Examination Fee

- Whether a refund of examination fee is possible before the First Office Action?

Earlier this year, the National Intellectual Property Administration of China (CNIPA, formally known as SIPO) made an announcement (Decree No. 272) adjusting some of the patent fees, including introducing the refund of examination fee.

Article 3 of the Decree stipulates:

"An patent application for invention that enters the substantive examination stage may request a refund of 50% of the substantive examination fee for the patent application within the time limit to respond to the first office action (except for those to which responses have been filed already) if the applicant voluntarily withdraws the application."

It is clear that where the applicant receives the first OA and decides to abandon the application, he/she can claim for a refund while requests for withdrawal of the application within the time limit of making response. It did not occur to us that the CNIPA's operation may be different for an application which has not yet received an OA.

In a recent case, the applicant decided to withdraw the patent application and request for a refund of 50% of the examination fee when the application has entered substantive examination but not yet received an OA. The CNIPA issued a notification approving the withdrawal but rejecting the refund. The examiner held that "the application does not meet the time premise of refund i.e., it is not in the stage where a refund is possible, which is inconformity with the provisions of the Decree No. 272". Apparently, the examiner thought only where the first OA is issued can the refund be requested.

With all due respect, we disagree with such understanding. We believe the meticulous verbalism of the provisions is not in line with the intent of the Decree.

We think the 50% refund provision is formulated based on the assessment of the actual amount of workload assigned to an application. In other words, the CNIPA does not charge for work that has not yet carried out by an examiner. Whether or not an OA is issued should not be a reason of rejection. Normally, the examination work on an application which does not receive an OA would be less than a case which receives an OA because the latter means that the examiner has performed examination, such as conducting search, review and analysis, on the application. Although the present application did not face a time limit of responding as required by the provision of the Decree, since it has not received an OA, the work performed by the examiner should be the same if not less. Accordingly, it is rational for the current applicant to request for a refund of 50% of the examination fee.

Moreover, if an applicant needs to wait for the issuance of the first OA to request for a refund, both the applicant and the examiner have to endure a longer procedure and put in more effort either monitoring or examining the application. Some applicants may choose to give up the refund and abandon the application to let the time limit lapse without responding, which is the worst scenario, because the examiner examines the application but has to charge only 50% of the examination fee. The other way around, it should be encouraged where an applicant decides to abandon the patent application and withdraw it on his/her own initiative as soon as he/she can. Because in this way, examiners can concentrate on other applications which aim at obtaining patent rights, and accordingly the examination resources are optimized, the efficiency of the examination as a whole is improved.

We prepared and submitted an observation to the CNIPA based the above reasons, asking the examiner to reconsider the refund request. Two weeks later, we received the notification approving to refund the fee.

Through the case, we demonstrate the reasonable interpretation of the Decree No. 272 on refund of examination fee, i.e., to request for a refund before the expiration of the time limit to respond to the first office action while voluntarily withdraw the application.

We hope this successful experience could help you with your future conducts. Furthermore, we would like to advise that when trying to turn "impossible" to "possible" in patent prosecution, you should always take account of the legislative intents and inner value behind the provisions and never take the laws and regulations too literally.

<http://afdip.com/index.php?ac=article&at=read&did=3296>