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Client Satisfaction Survey 2018-2019

In line with our commitment to continuous improvement, we are looking to examine our performance in the past year. We would be grateful if you could click <https://www.surveymonkey.com/r/6ZFRGG8> to respond to our online questionnaire.

It should take 5-10 minutes of your time to complete. This client survey will run from now until July 15.

By participating in this survey you will be making an important contribution helping us to improve and to serve you better. Should you have any questions about this survey, please feel free to contact us.

Thank you very much!

<http://afdip.com/index.php?ac=article&at=read&did=3401>

AFD China and Founder Xia Zheng Recognized by 2019 IAM Patent 1000

We are happy to announce that AFD China and our president Ms. Xia Zheng were once again named as a recommended firm and a leading individual for patent prosecution by 2019 IAM Patent 1000.

This is not only a great recognition of our performance, but also puts forward new requirements and new heights for our future works. It urges us to keep improving ourselves and provide more satisfactory services to our clients.

<http://afdip.com/index.php?ac=article&at=read&did=3399>

White Paper: US Accusing China of IP Theft, Forced Technology Transfer Utterly Unfounded

The State Council Information Office of China, on June 2, released a white paper, titled China's Position on the China-US Economic and Trade Consultations, elaborating the China-US economic and trade consultations and stating China's position. The Paper contains about 8,300 words. Here are some of the excerpts from the White Paper.

China is fully committed to IP protection. It has established a legal system for the protection of IP that is consistent with prevailing international rules and adapted to China's domestic conditions. China values the leading role of judicial measures in protecting IP, and has achieved impressive results. The understanding of the importance of IP among the general public and business community in China has increased, the value of royalties paid to foreign rights-holders has risen significantly, and the number of IP applications and registrations has surged. The effective impact of China's IP protection has won international recognition.

The White Paper quoted the views of the American Chamber of Commerce. In its 2018 China Business Climate Survey Report, the American Chamber of Commerce in China noted that among the main challenges facing its member companies operating in China, concern over IP dropped from 5th place in 2011 to 12th place in 2018. An article in The Diplomat predicted that China will become a leader in global IP. Many of the concerns raised by foreign firms doing business in China have already been addressed through

judicial reform and a strengthened enforcement mechanism.

In terms of some key innovation indices, China is already among the world's leading players. In 2017, total R&D investment in China reached RMB 1.76 trillion, ranking second in the world. The number of patent applications reached 1.382 million, ranking No.1 in the world for the seventh consecutive years. The number of invention patents granted reached 327,000, up by 8.2 percent year-on-year. China ranks third in the world in terms of valid invention patents held.

<http://english.ipraction.gov.cn/article/News/201906/20190600220762.shtml>

China Issued 2019 Work Guidance on Promoting the High-quality Development of IPR

The National Intellectual Property Administration of China (CNIPA) released the 2019 Work Guidance on Promoting the High-Quality Development of IP, aiming to fully implement the decision and deployment about high-quality development by the CPC Central Committee and the State Council, push forward work on IP in 2019 and shift the development focus on quality.

The Work Guidance identifies three major tasks, that is, to advance the indicator system of high-quality IP development; to improve the policy system for the promotion of high-quality IP development; and to create the statistic system for the promotion of high-quality IP development.

CNIPA also circulated the 2019 task list on promoting the high-quality development of IPR to clarify 18 specific tasks in 7 aspects. Moreover, the differentiated work requirements were raised for three types of IP-leading provinces with compulsory and optional tasks identified, highlighting the pertinence and operability of key tasks. According to the main objective identified in the Work Guidance, as of the end of 2019, China will further improve the quality of IP

creation, protection, utilization and management, promote service capability and international influence, and initially build the indicator system, the policy system and the statistic system reflecting high-quality IP development.

<http://english.ipraction.gov.cn/article/News/201906/20190600220895.shtml>

Better Protection for New Plant Varieties

China is stepping up efforts to revise its regulation on new plant varieties, affording them greater protection. It was announced at an event celebrating the 20th anniversary of the country's entry into the International Union for the Protection of New Varieties of Plants. The event was held by the Ministry of Agriculture and Rural Affairs, the National Forestry and Grassland Administration, and the National Intellectual Property Administration. Over the past two decades, some 26,000 applications for new plant varieties were filed in China, enabling the country to rank top in the world for them in 2018.

<http://english.cnipa.gov.cn/news/iprspecial/1139415.htm>

Technologies Being Used to Fight Fake Goods

A report on innovative intellectual property protection in China's e-commerce was released in Beijing on June 15. Mainstream Chinese online business portals, including Alibaba and JD, are using technology such as big data and artificial intelligence to fight counterfeiting. They have founded groups to spot clues to infringements and cooperate with rights owners and the police, according to the report. It called for the joint effort of the government, rights owners, media and the public to create a safer e-commerce environment and promote the industry's growth.

<http://english.ipraction.gov.cn/article/News/201906/20190600221345.shtml>

SUPPLEMENT ISSUE

Patent Marking in China

The Patent Law grants patentees the right to indicate on its patented products or packaging that patent protection is in place. In practice, patent marking is not compulsory and is no guarantee that compensation will be awarded in patent infringement cases. However, many patentees still like to label their products with a patent indication to alert other parties that the product is legally protected against infringement and to give the impression that their product is innovative and worth buying.

Who can mark

Licenses explicitly authorised by patentees with the right to use patent marks can also enjoy the right to label.

What to mark

As long as a patent is granted and in force it can be marked on:

- the patented product;
- the product directly obtained by the patented process; or
- the packaging, specification or other materials.

It is prohibited to label a product with a patent that is invalid, terminated or abandoned.

For pending patent applications, the Measures for Patent Marking (Decree 63 of the National Intellectual Property Administration) allow for labelling on products, packaging, specifications or other materials and specify that the indication should include:

- the type and status of the patent application in Chinese ('中国发明专利申请' for Chinese patent applications for inventions; '中国实用新型专利申请' for Chinese patent applications for utility models; and '中国外观设计专利申请' for Chinese patent applications for designs); and
- the patent application number and the phrase '专利申请, 尚未授权 (patent application not yet granted)'.

The Advertising Law forbids the use of pending patent applications in advertising. In practice, any indication of patent application information on packaging and specifications is likely to be considered commercial advertising. Therefore, it is advisable for companies to be cautious when marking their pending patent applications.

How to mark

According to the Advertising Law, where an advertisement involves a patented product or patented process, it should clearly indicate the type and number of the patent. The Measures for Patent Marking further elaborate the requirements, requesting labelling as follow:

- to cite the type of patent in Chinese ‘中国发明专利’ for Chinese patents for inventions; ‘中国实用新型专利’ for Chinese patents for utility models; and ‘中国外观设计专利’ for Chinese patents for designs;
- to cite the patent number beginning with ‘ZL’ (the acronym of the Chinese word for patent) followed by a 13-digit number (yyyytnnnnnnn.n) or a 9-digit (yytnnnnn.n); and
- to cite the phrase ‘该产品系依照专利方法所获得的’ (the product is obtained through a patented process) for marking products obtained directly through patented processes.

Additional words or graphic symbols may also be indicated but should not mislead the public. Some typical misleading uses include using ‘高科技 (high tech)’ or ‘国家级 (national level)’ to mark products covered merely by utility model patents or design patents.

Although specific approaches are provided for patent marking, marking a patented product with a URL address accessible to the public that associates that product with the patent number (known as ‘virtual marking’ or ‘web marking’ – and which has been adopted by some US companies) is unacceptable in China.

Companies may advertise their patented products on websites but should still pay attention to the abovementioned provisions. A well-known smartphone brand once introduced a new product with the indication that it had applied for more than 40 patents for the new phone’s touch-control system, using the phrase ‘黑科技 (black technology)’ to describe it. The local Industry and Commerce Administration Department found that the patent applications were all pending and had yet to obtain patent certificates. It thereby ordered the brand to immediately stop the illegal advertising and fined it Rmb30,000 (approximately \$4,800).

The provisions for patent marking do not provide detailed requirements regarding the font colour, size or type to be used, or how to affix the indication (eg, printing, using stickers or stamping). Companies are advised to come up with feasible patent marking based on product properties, aesthetic design and other appropriate factors, provided that the abovementioned requirements are met.

Consequences of improper marking

Companies may choose not to label their patented products. However, once a company decides to patent mark, it must follow the abovementioned provisions. Improper patent marking, in consideration of its nature, can be divided into two types:

- non-standard patent marking; and
- patent passing off.

Non-standard patent marking

Non-standard patent marking refers to defectively labelling a patent where the patent is in a valid state and the company has the right to mark.

Possible scenarios include:

- marking without an indication of the patent type in Chinese;
- marking without an indication of the specific patent number;
- marking without an indication of the patent type and patent number, but with additional words or graphic symbols which do not mislead the public;
- marking with an incorrect patent number (eg, digit omission, addition or misplacement), but not infringing another's patent right on a similar subject matter (see Case 5); and
- marking without citing '该产品系依照专利方法所获得的' for products directly obtained through patented processes.

The first three scenarios happen frequently in practice, especially where a company labels only with such phrases as '专利产品 (patented product)' or '专利产品, 违法必究 (patented product, infringer will be brought to justice)'.

Where non-standard patent marking is identified, the law enforcement department will usually order the company to stop the action and/or correct the labelling, but will impose no punishment.

Patent passing off

According to Rule 84 of the Implementing Regulations of the Patent Law, any of the following would be considered an act of passing off:

- affixing a patent indication to a product or its packaging which has no patent granted;

- continuing to affix a patent indication on a product or its packaging after the related patent right has been declared invalid or terminated;
- affixing the patent number of another party on a product or its packaging without authorisation;
- selling a product with a falsely affixed patent indication;
- indicating a technology or design for which no patent right has been granted as patented technology or patented design;
- indicating that a patent application is a patent or using the patent number of another party without authorisation on materials such as product specification, which could mislead the public about the related technology or design as patented technology or patented design;
- forging or altering any patent certificate, patent document or patent application document; and
- any other act which might confuse or mislead the public regarding a technology or design to which no patent right has been granted as a patented technology or patented design.

Where improper patent marking constitutes patent passing off, according to Article 63 of the Patent Law, in addition to bearing civil liability according to law, the company will be ordered to correct the act. Its illegal gains will be confiscated and a fine of no more than four times the illegal gains may be imposed. If there are no illegal gains, the fine will be no more than Rmb200,000 (approximately \$32,000).

Where improper patent marking violates Article 216 of the Criminal Law, which forbids counterfeiting others' patents, the person who committed the crime will be sentenced to a fixed-term of imprisonment of no more than three years or criminal detention and/or fined. Where a company committed the crime, it will be fined in parallel with the person in charge of the company or other persons in the company who are directly responsible for the offence and will be sentenced as above.

Where a company forges or alters patent certificates while passing off a patent, it violates Article 280 of the Criminal Law which forbids people to forge, alter, buy or sell official documents, certificates or seals of a state organ. The person who committed the crime will be sentenced to a fixed term of imprisonment of no more than three years, criminal detention, public surveillance or deprivation of political rights, and will be fined. If the circumstances are serious, he or she will be sentenced to a fixed-term imprisonment of no less than three years but no more than 10 years, and will be fined.

Although the Implementing Regulations of the Patent Law provide that affixing a patent indication on a patented product, on a product directly obtained through a patented process, or on the packaging of such products before the termination of the patent right and offering for sale or selling such products after the termination of the patent right, is not an act of passing off a patent. In practice, since the Industry and Commerce Administration Department adopts strict implementation in daily supervision on improper advertising, such labelling acts may be taken as violating Article 59 of the Advertising Law, which forbids the use of terminated, withdrawn or invalid patents in advertising.

Where an advertisement (including advertising on product packaging, specifications or promotional materials) has improper patent marking, if the advertising operator or advertising publisher knows or should know the existence of the violation but still designs, produces, acts as agent or publishes the advertising, the Industry and Commerce Administration Department can issue a fine of up to Rmb100,000 (approximately \$16,000).

These punishments will be made public by the law enforcement departments, recorded in the business credit information report (which is accessible to the public) and will affect the credit of the punished company.

Case studies

Case 1

In July 2017 the Shanghai Municipal IP Office found that a Guangdong electrical appliance company labelled its products, display boards and packing boxes with invalid patents. Specifically, some marked patents were still pending and had not yet been granted, while some had been terminated. The company had also forged or altered the patent certificates for exhibition. The acts constituted passing off patents. The office eventually decided to impose administrative punishments, confiscated the illegal gains and fined the company Rmb45,000 (approximately \$7,200).

Case 2

In March 2017 the Hangzhou Intellectual Property Office found that Tmall – a business-to-consumer retail website – was selling gem-identification and testing equipment with a patent indication which included the patent number and the phrase ‘专利号标识 (patent number indication)’. However, the office found that the patent had been terminated in 2014 due to a failure to pay annuity. The acts constituted patent passing off. The office ordered Tmall to immediately delete the information which related to patent indication.

Case 3

In March 2017 the Wuxi Intellectual Property Office found that a toothbrush marked with a patent number was being sold in a local supermarket. The toothbrush manufacturer was Company A and the marked patent was a utility model patent granted in 2010. After further investigation, the office found that the patent was owned by another party and had been exclusively licensed to Company B since 2013. Moreover, all claims regarding the patent were invalidated in 2016. The supermarket was then accused of selling and offering to sell products of a passing-off patent.

Case 4

A cosmetology hospital in Guangxi Province claimed that more than 10,000 women had benefited from its invention (which was also a patented technique) and cited a patent number on its marketing materials. In October 2016 the local Industry and Commerce Administration Department heard of these claims and discovered that the patent number used on the labelled materials referred to a utility model patent for a face stereo-plastic calibrator; not an invention patent as had been stated in the materials. The content was determined to be false, misleading and with the potential to cheat consumers. The hospital was punished in accordance with the relevant provisions.

A similar situation occurred when a pharmaceutical company applied for a design patent for a product's packaging, labelled the packaging with the patent indication and marketed the product as a patented medicine in its advertising materials. The acts violated consumers' right to know and constituted patent passing-off.

Case 5

A company had a valid invention patent and labelled it on the corresponding product. Unfortunately, the marked patent number was one digit short, rendering it non-existent. The labelling error was clearly a result of negligence rather than an intentional act, and the company did not try to use this mistake to deceive the public. Therefore, the company was ordered to correct the mistake within a limited time, but was not subjected to any punishment. Similarly, if the incorrectly marked patent number had coincided with another patent right and the subject matters of the two patents were clearly unrelated, the same determination of negligence would have been made.

Case 6

During a 2009 patent law enforcement inspection of the Friendship Mall, the local IP office found that the mall was selling boxed paper tissues with the patent indication printed on the packaging. However, according to the results from the State Intellectual Property Office's (SIPO) legal status announcement, the patent was terminated due to failure to pay annuity in August 2008. The mall

was suspected passing off the patent. The local IP office delivered the advanced notification of administrative punishment and informed the mall of its right to argue against the punishment if it had a different opinion within seven days of receiving the notification. In the prescribed time, the Friendship Mall contacted the manufacturer of the tissues and managed to submit SIPO's official receipt for paying the arrears, which indicated that the payment was made in October 2008. The office later confirmed the information with the SIPO and issued no punishment.

Advice

It is advisable to keep up to date with relevant laws and regulations, and strictly follow the necessary requirements for patent marking. Patent marking will not affect the calculation of damages in an infringement lawsuit, but it could be used as evidence to prove that another party knows or should know that the product is protected by a patent.

A comprehensive plan should be made for the patented product and its packaging, specification and promotional materials. In addition, periodic screening should be conducted in order to ensure that the patent marking and the products in the market are compliant with the relevant provisions and to avoid unnecessary loss.

Effective management should be performed on the patents which will be or have been marked on products. Annuities and other fees should be paid in a timely manner to keep the patents active. It is also advisable to keep receipts, monitor the possible risks of patent loss, and stop marking products with the patent when it has been terminated, abandoned or invalidated.

Training on patent marking should be provided to employees, especially those who work in product planning, marketing or sales positions, to improve their awareness of patent marking and the skills in risk prevention and control.

When facing an administrative investigation or action, it is prudent not to panic. It is advisable to actively participate in the procedure, provide a defence, submit evidence and promptly communicate with a patent attorney and legal counsel to safeguard legitimate rights and business interests.

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<http://afdip.com/index.php?ac=article&at=read&did=3396>