

Highlights of March



Chang Tsi & Partners Awarded "China Law Awards" by LEGALBAND

On 31 March 2021, LEGALBAND, the well-known legal rating agency, has released the winners of "2021 China Law Awards". Chang Tsi & Partners was awarded with the "Intellectual Property: Non-litigation Law Firm of the Year" for its profession competence.

Chang Tsi & Partners also awarded as "2021 Leading Law Firm of China", "Employer of Choice 2021" by LEGALBAND & ALB.

[Representative Case] BorgWarner Inc. Trademark Protection Project

This case is a very successful criminal raid action against the source of infringing products represented by Chang Tsi & Partners. The Ministry of Public Security of China has paid particular attention to the case due to its significant influence.

Introduction to the Fourth Amendment to Patent Law of China in Design Patents

Noticeably, China has become one of the world's largest countries in terms of patent filling, and the number of applications for design patents has grown rapidly in China in the last decade. The Fourth Amendment is regarded by many scholars as a long-anticipated enhancement to design patent protection and prosecution in China.

Chang Tsi & Partners Celebrated Secretary Day

On 21 April, we celebrated Secretary Day to thank all administrative professionals who provide real benefit to the lawyers they support and the organization at large behind the scenes.

Holiday Notice

Please note that the following dates have been declared as Public Holidays.

Mainland China: 1-5 May 2021

Hong Kong: 1-2 May 2021

Macao: 1-2 May 2021

National Intellectual Property Administration of China, Chinese courts, Intellectual Property Department of Hong Kong, Taiwan Intellectual Property Office, as well as our local offices will be closed respectively during these periods. All deadlines for trademark, patent, and other legal matters that would occur during this period will be automatically extended. Should you have any urgent cases, please let us have your instructions ahead of the holidays.



Chang Tsi & Partners Received Multiple Awards by LEGALBAND

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On 14 April 2021, Chang Tsi & Partners was selected as the 2021 Leading Law Firm of China by LEGALBAND. In addition, Simon Tsi and Spring Chang were ranked "BAND 1" in IP-Litigation, and IP-Non-Litigation respectively.

LEGALBAND is an international legal rating agency under the international media company Accurate Media. Winners of the awards were finally determined after months of independent research for materials, including but not limited to client feedback, peer feedback and other research data by the LEGALBAND's Research & Evaluation Team.

The awards once again serves as the evidence for the firm's comprehensive strength in IP area and good reputation in the industry.



汤森路透ALB 2021 ALB CHINA 年度雇主

CHINA LEGAL RANKINGS

ALB Names Chang Tsi & Partners "Employer of Choice 2021"

We are pleased to announce that Asian Legal Business (ALB) has once again named Chang Tsi & Partners as "2021 China Employer of Choice" on 21 April 2021.

The firm wins the awards following the results of an online survey which ALB conducted among employees of law firms in Asia. This recognition affirms our continuous efforts in creating a friendly, equal and decent working environment and corporate culture.

Commented by the Editorial Board, Chang Tsi & Partners established an effective communication channel to make sure that the voice of young practitioners can reach the management team of the firm.



[Representative Case] BorgWarner Inc. Trademark Protection Project

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In May 2020, the local public security administration received a report from BorgWarner that the turbochargers produced by the company have been counterfeited in the domestic market. The infringement has seriously harmed the company's market interests and might cause severe damage to drivers' safety.

After receiving the case, the local public security bureaus quickly launched a rapid response mechanism to prevent intellectual property infringement crimes. After a three-month survey, it was found that the auto parts markets in many regions were flooded with fake turbocharger products, involving many well-known brands.

This case attracted significant attention from the Zhejiang Provincial Public Security Department and even the Ministry of Public Security. A task force was established to respond to this case. Through the close integration of information technology led by big data analysis and traditional investigative methods, the task force quickly traced a large number of counterfeit clues in the terminal market to Fengcheng City, and successfully located the infringers who produce counterfeit turbochargers. They used shoddy, refurbished, imitation, etc., to fake brand turbochargers, and then sold them to auto parts trading markets in many regions of the country through logistics, and the monthly production of counterfeit products was about 1,700 units. They earned more than CNY 2.5 million in illegal profits per month, and its sales network involved 18 Provinces and cities, including Guangdong, Zhejiang, Sichuan, Gansu, and Yunnan.

Chang Tsi & Partners represented BorgWarner actively communicated with Ningbo Public

Security Bureau, formulated a detailed action plan, and provided necessary assistance. On December 15, 2020, under the unified command of the Zhejiang Provincial Public Security Department, the Ningbo and Yinzhou public security bureaus dispatched 46 police officials to Fengcheng to carry out a centralized network collection operation, destroying a total of 6 turbocharger counterfeit factories. Twelve suspects of counterfeiting were arrested, more than 7,887 counterfeit turbochargers and semi-finished products, 14 criminal tools, more than 19,000 counterfeit signs and packaging materials were seized, and the value of the case involved was more than CNY 41 million. At present, the case is under further investigation.

Spring Chang and Ron Tsi Participated in IPL Spring Virtual Conference Organized by American Bar Association

On 13 April 2021, Spring Chang and Ron Tsi sponsored and participated in IPL Spring Virtual Conference organized by American Bar Associations as an Asia (China) ambassador.

Due to the pandemic, the conference was held online and the attendees from overseas could expand their international networks through three rounds of IP-related discussions with professionals with diversified backgrounds.

To this, Spring Chang has guided the discussion room and actively shared IP knowledge and current practice of China with attendees from America, Europe, and South East Asia. The discussion topics include:

1. Comparative analysis of patent prosecution between China and the US
2. Recent legal updates of AI protection in China
3. How to deal with rampant copycats in China
4. When to use dual-filing to protect your rights?
5. The best way to utilise the unique administrative enforcement system in china to protect your rights

Introduction to the Fourth Amendment to Patent Law of China in Design Patents

In October 2020, the Standing Committee of the National People's Congress approved the Fourth Amendment to China Patent Law ("CPL"), scheduled to take effect on June 1, 2021. The Fourth Amendment marks the first major changes to CPL since 2008. These changes will have a major impact on both prosecution and enforcement. Key amendments include enhanced protection of patent rights, changes in design patent practices, and the establishment of an "Open License System" that makes it easier to license granted patents.

This article will focus on the changes in design patent practices. Noticeably, China has become one of the world's largest countries in terms of patent filing, and the number of applications for design patents has grown rapidly in China in the last decade. The Fourth Amendment is regarded by many scholars as a long-anticipated enhancement to design patent protection and prosecution in China.

Changes to the CPL in the area of design patent practices are mainly in the following three aspects.

Partial Design Allowed

Under the current Patent Law, a design patent can only protect a complete product, not a portion of a product that cannot be separated or cannot be sold and used independently.

Article 2 of 2020 amended CPL expands the definition of "Design" as any new design of the shape, the pattern or their combination, or the combination of the color with shape or pattern, of the whole product or a part thereof, which creates an aesthetic feeling and is fit for industrial application, thus making a portion of a product, often referred to as "partial design", eligible for

design patent protection.

The allowance of partial design makes design practice in China more similar to that in many other jurisdictions, such as the USA, Europe, and Japan, and offers broader protection of design patents. In this way, distinctive features of a product can be protected independently of the insignificant other features of the product. Without limiting their design patent to specific complete products, design patent right holders will stand in a better position to protect themselves.

Patent Term Extension for Design Patents

Article 42 of amended CPL extends the patent term for design patents from 10 years as prescribed in the current patent law to 15 years, which may be considered as an effort to join the Hague Agreement.

This extension allows patentees to enjoy patent right exclusivity for a longer period, increasing the right's value and reducing the cost and risk of having to file for alternative IP, such as copyright and 3D marks, to prolong the life of the design creation. More importantly, in accordance with the Hague Agreement Concerning the International Registration of Industrial Designs, the minimum protection term for design patents is required to be 15 years. This amendment is thus believed to be active preparation for China to join the Hague Agreement.

Admitting domestic priority for design applications

Article 29 of amended CPL admits domestic priority for design applications, which is not available under the current patent law. Domestic priority was introduced for the first time for invention and utility model patent applications in the amendment to the CPL in 1992 to be in line with the PCT regulations. Domestic priority is quite useful for adding new subject matters, changing the type of the applications, or

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revoking applications deemed withdrawn. With this new rule, the priority of an earlier domestic design application can also be claimed by a later design application within six months from the initial filing.

Specifically, if an applicant files an application for a design patent in China, the applicant may file another design application in China for the same subject matter within six months from the first filing date and claim priority of the first filing. Under the current domestic priority practice for invention and utility model applications, when domestic priority is claimed, the first filed Chinese application will be deemed to be withdrawn. Therefore, it is not possible to keep both applications alive. It is reasonable to believe that this practice would probably apply to design applications.

To sum up, the revisions made by the Fourth Amendment to the China Patent Law generally show a strong will to strengthen IP protection and promote innovations. How the amended CPL will play out remains to be seen after the Implementation Regulations and the Guidelines for Patent Examination are amended accordingly, but it can be clearly expected that China will become a place of interest in terms of patent application for companies looking to expand in China. As they say, becoming is better than being.

Approaches to Reduce Patent Infringement Risk for Companies

1. Build a Routine Free-To-Operate (FTO) Mechanism

Nowadays, most companies understand the value of applying for patents on inventions before launching a new product.

Obtaining patents on your inventions can effectively secure your rights and stop others from making or using your invention without

permission. However, not so many companies have recognised the benefits that come with product clearance, also known as “freedom to operate” (FTO) or “right to use” analysis.

Freedom to operate (FTO) is the ability of your company to develop, manufacture, and market products without legal liabilities to third parties (e.g., other patent holders). Technically, FTO analysis refers to whether it is commercially “safe” for you to manufacture or sell your product in the country in which you wish to do so, without infringing existing third-party rights. For example, if your company has developed a new ice-cream machine and intends to make and sell it in China, the first question that pops up in your mind might be “can we sell it in China without someone coming after us for patent infringement when we release it commercially?”

In this situation, if there are no third-party patent rights that are effective in China, you may be clear to make and sell the new machine here without any FTO barriers. However, if there are existing in-force patent rights, you run the risk of having to stop selling, paying damages/royalties or potentially being sued and becoming embroiled in infringement proceedings. Such risk at this stage also comes from the currently pending patent applications that are probably to be granted in the future.

Conducting an FTO search is generally the best approach you can take to help minimise the risks of infringing patent rights. However, due to the possibility that some pending patent applications have not been published yet at the time of conducting FTO searching, it seems to be a mission impossible to completely remove such risks by FTO searching and analysis in reality.

For the past decades, the Chinese government has been striving to propel the development of the intellectual property, especially patents, by enhancing patent protection through legislation and the establishment of various policies. For example, in order to encourage entities to devote more efforts and energy to R&D and apply for more patents, as an incitement, those companies

owning more patents would be awarded to get more tax reductions and even receive more funds from the government. On the other hand, with the growing awareness of the importance of safeguarding patent rights, even small Chinese entities with less innovation are trying to seek patent protection. Under the patent system in China, utility model and design patents do not go through substantive examination and thus provide such entities having less creative ideas with cost-effective and comparatively low-standard patent protection, making a contribution to the huge patent application quantity in China. Thus, the presently huge number of patents/applications in China has raised the risks of patent infringement.

In view of the circumstances in China, it would be advisable to carry out FTO searching and analysis before launching new products so as to minimise patent infringing risks and foresee any potential risks in the future.

With the above being said, the amount of FTO work we carry out should depend on a number of factors. For example, one critical factor we should consider is the cost of developing a new product and bringing it to market. For the projects on which you are making a significant investment, a routine FTO mechanism conducted at an early stage is always highly recommended. Whereas, for the projects of less importance to you, we could do a tailored FTO search with fewer inputs and efforts.

2. Strategies Conducted after FTO Analysis

The FTO search and analysis set a good start for commercializing your new product in the territory in which you wish to do so. On the condition that there are no third-party patent rights in force in the target territory, you may be clear to make and sell the new product there without any FTO barriers. In such case, nevertheless, it is always advisable to obtain your own patent right on the new product.

On the contrary, if the new product is likely

covered by any existing patents that are in force or any published patent applications that are pending (hereinafter referred to as "target patent"), the following strategies are to be considered.

2.1 Design Around

If we complete the FTO search and analysis at a quite early stage and it would not be problematic or costly, designing around the target patent would be the best approach.

Due to the doctrine of equivalent, the patent attorneys and the engineers shall work together to see how the product could be modified and make sure that the modified product will be outside the patent protection scope and thus be "safe" from patent infringing.

2.2 Patent Invalidation & Third Party Opinion

If it is difficult to design around the target patent, we may consider initiating patent invalidation against the target patent (if it is an existing in-force patent) or filing third party opinion against the target patent (if it is a published patent application that is pending).

When it comes to patent invalidation or third party opinion, it is recommended that another prior art search shall be initiated to find prior arts that can destroy the patentability and stability of the target patent.

2.3 License & Other Business Options

In some cases, the above two approaches (2.1 Design around and 2.2 Patent invalidation & Third party opinion) might not be feasible in view of the cost or chance of success. Under such circumstances, obtaining a license from the target patent owner could nevertheless become a compromised option.

In addition, it is also possible to continue the new product development through other business options such as cooperation or even merge with the target patent owner.