

Highlights of November



INTA Annual Meeting 2020

Spring Chang, Ron Tsi, Ason Zhang, Nana Zhang, Laura Li, representing Chang Tsi & Partners, participated in the annual conference this week held by International Trademark Association (INTA), the biggest community in trademark industry.

Simon Tsi Interviewed by China Business Law Journal

IP rights have always been a focus in the China-US relationship. With the signing of the Phase One deal at the start of the year, the China-US trade war has come to a nervous truce. Mr. Simon Tsi, founding partner of Chang Tsi & Partners, was recently interviewed by China Business Law Journal and shared his knowledge.



Social Responsibility: Spring Charity Project

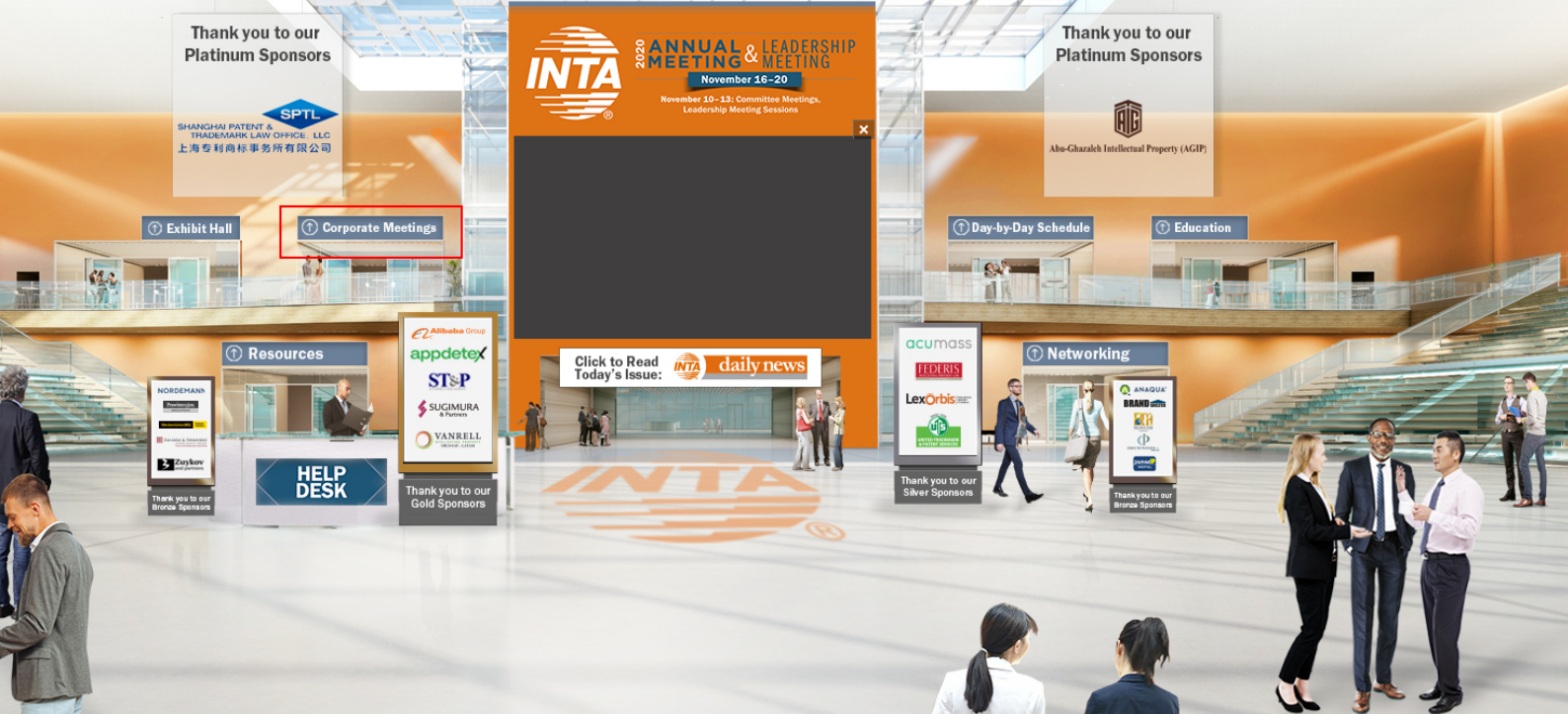
On 13 November 2020, 31 cartons of stationeries, sporting equipment, books and artworks, were loaded, and then sent to Zharao, Tibet via China Post as part of the "Spring Charity Project".

We also received an appreciation letter from the Bureau of Education of Qapqal (چاپچال شېبە ئاپتونوم يېزىسى), a border county in Xinjiang for our donation. As always, Chang Tsi & Partners are devoted to fulfilling its social responsibilities by actively participating in various charity events.

Progress in China's E-Commerce IP Rights Protection

With the vigorous development of the Internet and the rapid growth of e-commerce industry, online shopping platforms have occupied the dominant position in the market, especially in China. This article, written by Simon Tsi and Sue Gui, introduce the progress in China's e-commerce IP rights protection.





INTA Annual Meeting 2020 Mini Report

The 2020 Annual Meeting & Leadership Meeting of the International Trademark Association (INTA) was held on 9-20 November 2020. With over 3,300 participants around the world, the meeting is undoubtedly one of the most important events for the trademark industry.

From diversity and inclusion to new technology and global updates, all issues concerning the industry were deeply covered and discussed. We are also very happy to learn and share during the sessions.



Who Attended

Spring Chang, Ron Tsi, Ason Zhang, Nana Zhang, Laura Li, and other colleagues from our marketing team, have participated in different sessions of this first-ever, all-virtual Annual Meeting.



Why We Attend

- We can stay mostly updated by comparing strategies that other in-houses and foreign associates have implemented via proactively attending scholastic and professional seminars.
- We can understand clients' business needs to build an overall IPR protection strategy tailored to each client. This is especially significant in view of SINO US trade war and recent global change that have greatly affected legal policies in China.

Simon Tsi Interviewed by China Business Law Journal

Mr. Simon Tsi, founding partner of Chang Tsi & Partners, was recently interviewed by China Business Law Journal. Please read the following excerpt from the cover story – “Forward Motion”.

IP rights have always been a focus in the China-US relationship. With the signing of the Phase One deal at the start of the year, the China-US trade war has come to a nervous truce. Simon Tsi, the founding partner of Chang Tsi & Partners in Beijing, believes that IP rights will replace resources, capital and other elements to become an essential strategic resource and strength of a country in international competition.

“Countries are committed to making their business environment more favourable to improve their competitive edge,” says Tsi. “IP rights are at the top of the value chain, and to some extent the competition of business environment becomes the competition of IP rights.”

China’s investment in IP in recent years has begun to pay off. According to World Intellectual Property Organization (WIPO) statistics, China has submitted 58,990 patents through the Patent Co-operation Treaty, being the biggest applicant of

international patents and putting an end to the supremacy of the US since 1978.

Long Chuanhong, vice president of CCPIT Patent and Trademark Law Office, says that domestic patent and trademark applications, and relating business, have rebounded. In particular, applications for biopharma inventions and protection are now a focus of attention, and remain active.

IP litigation also remains active. Zhou Yunchuan, a partner at Saelink Law Firm in Beijing, says clients are asking lawyers how to overcome the difficulties caused by the pandemic, such as restrictions on business trips and court sessions, so they can advance their cases. “Our clients are mainly in the high-tech sector, which is less impacted by the pandemic,” he says. “As the pandemic makes competition fiercer, lawsuits have become a sharp tool to preserve a competitive edge and combat infringement.”

The China-US trade deal will have far-reaching influence on IP legislation. David Lin, a director at Dare & Sure Law Firm in Beijing, says that US right holders have put forward more stringent conditions regarding licences and other co-operation.

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SIMON TSI
Founding Partner
Chang Tsi & Partners
Beijing



Progress in China's E-Commerce IP Rights Protection

With the exponential development of the Internet and the rapid growth of e-commerce, online shopping platforms have occupied the dominant position in the market. In China, data released by the National Bureau of Statistics show that online retail sales nationwide reached RMB 1.1 trillion (US \$164 billion) in 2019, and online retail sales of physical (i.e., non-virtual, non-services) goods was RMB 852.9 billion (US \$127 billion).

It is estimated that online retail sales of physical goods have contributed over 45 percent to the growth of total retail sales of consumer goods in China.

Predictably, IP cases related to online shopping platforms have proliferated. China has published a series of laws and regulations to resolve intellectual property (IP) disputes related to online shopping platforms, including Regulations on the Protection of Right of Dissemination via Information Network (2006) (the Regulation); Tort Liability Law of the PRC (2010); and the E-Commerce Law of the PRC (2019). Following these laws, Chinese courts issued guidelines on infringement related to e-commerce.

With the implementation of the E-Commerce Law, there have been many public opinions shared about the "notification and deletion" rule and legal liability for online platforms. Below, we share our analysis of the same.

The 'Notification and Deletion' Rule

Under the "notification and deletion" rule, also known as the safe harbor principle, if a rights owner believes its rights have been infringed by the online links, it has the right to notify the online shopping platform to take necessary measures such as deletion, blocking,

disconnection, and termination of transactions and services.

The leading online platforms have established online IP complaint-handling mechanisms based on the notification and deletion rule. Amazon.com Ltd. has established an online intellectual property (IP) complaint channel, the Amazon Brand Registry, to help rights owners with brand management and IP protection.

Alibaba.com also operates an IP protection platform committed to providing one-stop IP protection solutions for global IP rights owners.

With the implementation of the E-Commerce Law, the notification and deletion rule has been refined. Under this rule, when the rights owner notifies the platform and files the complaint, the platform deletes the links and notifies the respondent. The respondent can submit a counter-claim. The platform will transfer the counter-claim to the complainant and inform the complainant that it has the right to file an administrative complaint or litigation within 15 days.

If the complainant files the administrative complaint or litigation, the deletion decision will be sustained. Otherwise, the deletion measure will be terminated.

Previously, some Chinese online platforms would delete the links and restore them only when the respondent submitted a counter-claim that failed to prove non-infringement. The online platform had the discretion to handle complaints. From the perspective of the rights owner, the new notification and deletion rule prior to the counter-claim is better and in line with the rights owner's expectation for stopping infringement immediately.

In our view, deletion of infringing links without substantive examination of the online platform has strengthened the rights protection for IP owners. At present, Alibaba is adopting this pre-deletion process.

"'Malicious notification' refers to an act in which the rights owner knew it had no right to send the notification, or knew the basis of notification was insufficient, but sent it anyway."

Simon Tsi and Sue Gui (pictured)



Online Platform's Liability

The other important issue is the legal liability of the online shopping platform. In China's judicial practice, it has been commonly acknowledged that the online platform is liable if there is a finding of infringement.

In the trademark infringement case *Yi Nian (Shanghai) Fashion Trading Co. Ltd. v. Du And Zhejiang Taobao Network Co. Ltd.*, which was among the top 10 typical cases of IP protection of 2011 released by the PRC Supreme People's Court, Taobao Company received multiple complaints from Yi Nian Company against Du. However, Taobao Company deleted only the product that Yi Nian complained about.

It did not take other necessary and effective measures to avoid Du's repeated infringement. Taobao Company continued to provide network services for Du despite its awareness that Du's behavior constituted trademark infringement. Therefore, Taobao Company was found to be jointly liable for repeated and continuous infringement for failing to take adequate measures to end the infringement.

According to Article 45 of the new E-Commerce Law, "knowing or should know that the operators in the platform violate IP rights" and "not taking necessary measures" are the bases when judging whether the platform should be jointly liable for infringement. If the platform receives a notification from the rights owner but does not take effective measures to stop the infringement, the platform would be considered as "knowing" of the infringement.

"Should know" emphasizes the platform's duty to pay attention to these issues. For example, failure to establish rules for the protection of IP rights, failure to verify the qualifications of operators such as "flagship store" and "specialty store," etc., would be considered as a failure to perform the duty of attention obligations. In that case, the platform would be liable for infringement.

In the litigation cases we handle for clients, when we choose to include the online platform as the co-defendant, the main consideration is the platform's contribution to the jurisdiction and its joint liability for damages.

Legal Risks When Enforcing Rights on Platforms

When enforcing IP rights on online platforms, the rights owners should be cautious about the legal risks. Under Article 42 of the new E-Commerce Law, if the notification sent by the rights owner is incorrect and results in damage to the respondent, the rights owner should take legal responsibility for the damage.

If the incorrect notification is found to have been sent maliciously, damages can be doubled. In practice, if the judicial or administrative authorities recognize that the respondent did not infringe, the rights owner's notification will be deemed as an incorrect notification.

"Malicious notification" refers to an act in which the rights owner knew it had no right to send the notification, or knew the basis of notification was insufficient, but sent it anyway, thereby causing damage to the respondent.

In practice, many rights owners are aggressive when enforcing rights on online platforms, and always conduct large scale sweeps and take-downs on popular platforms. As mentioned above, such actions may expose the complainants to legal risk. Therefore, when enforcing your IP rights on online platforms, we recommend that clients appoint an IP professional to handle such cases to avoid unnecessary legal risk.

Author: Simon Tsi & Sue Gui

"In China's judicial practice, it has been commonly acknowledged that the online platform is liable if there is a finding of infringement."

Simon Tsi (pictured) and Sue Gui



Spring Charity Project

Chang Tsi Kids Art Exhibition

Chang Tsi Kids Art Exhibition, our signature family event, was successfully held on 1-6 November 2020. Under the theme of the year, "Paint your dream", twenty-one selected artworks created by our employee's children were displayed.

The event was held at the Beijing Headquarter of Chang Tsi & Partners, and some of our clients even visited in person. The event is part of the "Spring Charity Project" initiated by Chang Tsi & Partner. All artworks, along with stationeries, sporting equipment and books, will soon be sent to Zharao Center Primary School, which is in a Tibetan village 4000 km away from Beijing.



Chang Tsi Assistance for Tibet Loaded and Transported

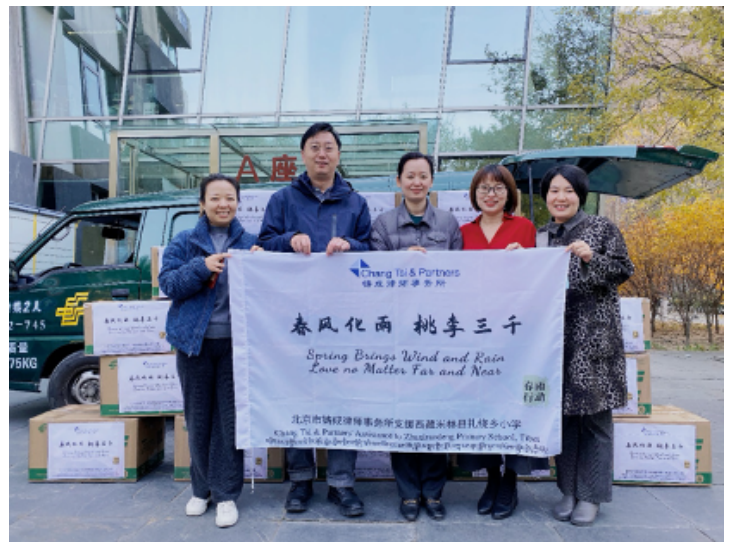
On 13 November 2020, 31 cartons of stationeries, sporting equipment, books and artworks, were loaded, and then sent to Zharao, Tibet via China Post as part of the "Spring Charity Project".

Since its establishment, Chang Tsi & Partners has always been devoted to fulfilling its social responsibilities by actively participating in various charity events. In 2011, Spring Fund was initiated by Spring Chang, our founding partner, to provide financial support for children who are unable to finish their study due to poverty.

After careful investigation and communication, Chang Tsi & Partners established a new charity project in

August, to support the Zhaxiraodeng Primary School, located in a Tibetan village.

Spring brings wind and rain; love no matter far and near. We sincerely wish that more and more children can receive high-quality basic education as a basic human right.



Chang Tsi Donated Books to Xinjiang

Ms. Yinghui Han, Partner of Chang Tsi & Partners, visited Qapqal (چاپچال شەبە ئاپتونوم يېزىسى), a border county in Xinjiang, China. On behalf of the firm, she donated thousands of books to the local schools in September, and we recently received an appreciation letter from the Bureau of Education.

As always, along with our clients and friends, Chang Tsi & Partners supports poverty reduction and quality education following the UN Sustainable Development Goals.

Introduction to the Fourth Amendment to Chinese Patent Law

The fourth amendment to Chinese Patent Law was just approved by China's National People's Congress on October 17, 2020, and will come into effect on June 1, 2021. The amendment proposes 29 changes for the problems and challenges the patent law has faced and depicts what the patent law is going to be like in China in the future. These changes mainly refer to design patent, patent infringement proceedings, damages, open license, etc. Specific descriptions are as follows:

Design patent

According to the amendment, regulations concerning design patents are changed in three aspects. First, the duration of a design patent extends from 10 years to 15 years from its application date. It allows patentees to enjoy exclusivity for a longer period, increasing the right's value and reducing the cost and risk of having to file for alternative IPs, such as copyright and 3D marks, to try prolonging the life of the design creation. More importantly, this extension will help clear the way for China to join the Hague Agreement, which is extremely urgent due to the development of design patents in China.

Second, the partial design is permitted, which is more harmonized with the other major countries. It will provide flexibility to all applicants and many conveniences to applicants from countries where partial designs are allowed. However, the concern is that since there is no substantive examination of design patent applications, it may trigger more unchecked junk designs.

Third, applicants are entitled to claim priority to their first-filed Chinese design patent within 6 months of the first filing, which is also welcomed by the design applicants.

Statutory damage

Courts can demand infringers to pay compensation ranging from 30,000 yuan to 5,000,000 yuan (\$4,500 to \$747,000) when the loss to patent holders, the benefit gained by violators, or the patent license fee cannot be determined. Due to the difficulty of proving the loss, the benefit, or the license fee, statutory damage is usually granted in successful patent infringement cases. So, increased statutory damage might stimulate the patentees to protect their patents by litigation. For those really valuable technologies, however, the precious caps are far from adequate.

Wilful infringement

If someone is found to have intentionally and seriously harmed others' patents, compensation will be capped at five times the loss suffered, the benefit received or the patent license fee.

Combined with the increased statutory damage and the improved evidence rules, such a regulation shows China's determination to strengthen patent protection.

Discovery proceeding

In China, it is often difficult to provide evidence to support a specific claim for damage compensation in a patent enforcement action since there is no discovery proceeding.

So in the amendment, in order to determine the amount for compensation, if the patentee has exhausted all possible ways to collect evidence and the related financial materials are mainly controlled by the accused infringer, the Chinese court may order the defendant to provide those materials relating to the infringing conduct. If the defendant does not provide or provides false account

materials, the court may refer to the patentee's claims and evidence to rule on the amount of compensation.

This is a good try to make it easier for the patentee to prove the damage. However, in practice, since the other party will try to provide only part of the required books or even disclose forged ones, it is still very important to do a very good job in pre-lawsuit investigations and evidence collection. This will be the most critical phase to ensure a successful outcome of a patent lawsuit.

Patent term extension

In response to the trade war between China and the US, China committed to provide patent term extensions to compensate for unreasonable delays that occur in granting the patent or during pharmaceutical product marketing approval.

If an invention patent has been granted after 4 years from the filing date and three years from the request for substantive examination, the patent owner may request compensation for the unreasonable delay in granting the invention patent, except for the unreasonable delay caused by the applicant.

Such regulation will make the patent term more reasonable, but more details are required for implementation.

Open licensing

Patentees can declare, through the CNIPA, its intention to give an open license with the royalty specified. During the open license period, the patent annuities can be fully or partially waived. Such regulation is intended to help commercialize patents. As to the effect, it remains to be seen.

On the other hand, because the substantive examination is not a must for utility and

design patents, the patent evaluation report should be provided when the open license of a utility or design patent is proposed. This is to balance the strengthened patent protection and the requirement of high-quality patents.

According to the above changes, it is clear that the main purposes of the new amendment are to strengthen the protection of patent rights and benefits, promote the implementation and application of patent and improve the patent authorization system. Some of the amendments show China's response to its promise made in the trade agreement between China and the US. But it is more about an internal motivation to build an innovative country.

Author: Feng Cao, Jun Wang, Chenyan Wu

Chang Tsi & Partners is a leading full-service Chinese law firm with a strong reputation in intellectual property and litigation. Established in 2002, Chang Tsi & Partners always integrates legal solutions and peace of mind in China's competitive and turbulent market.

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www.changtsi.com

