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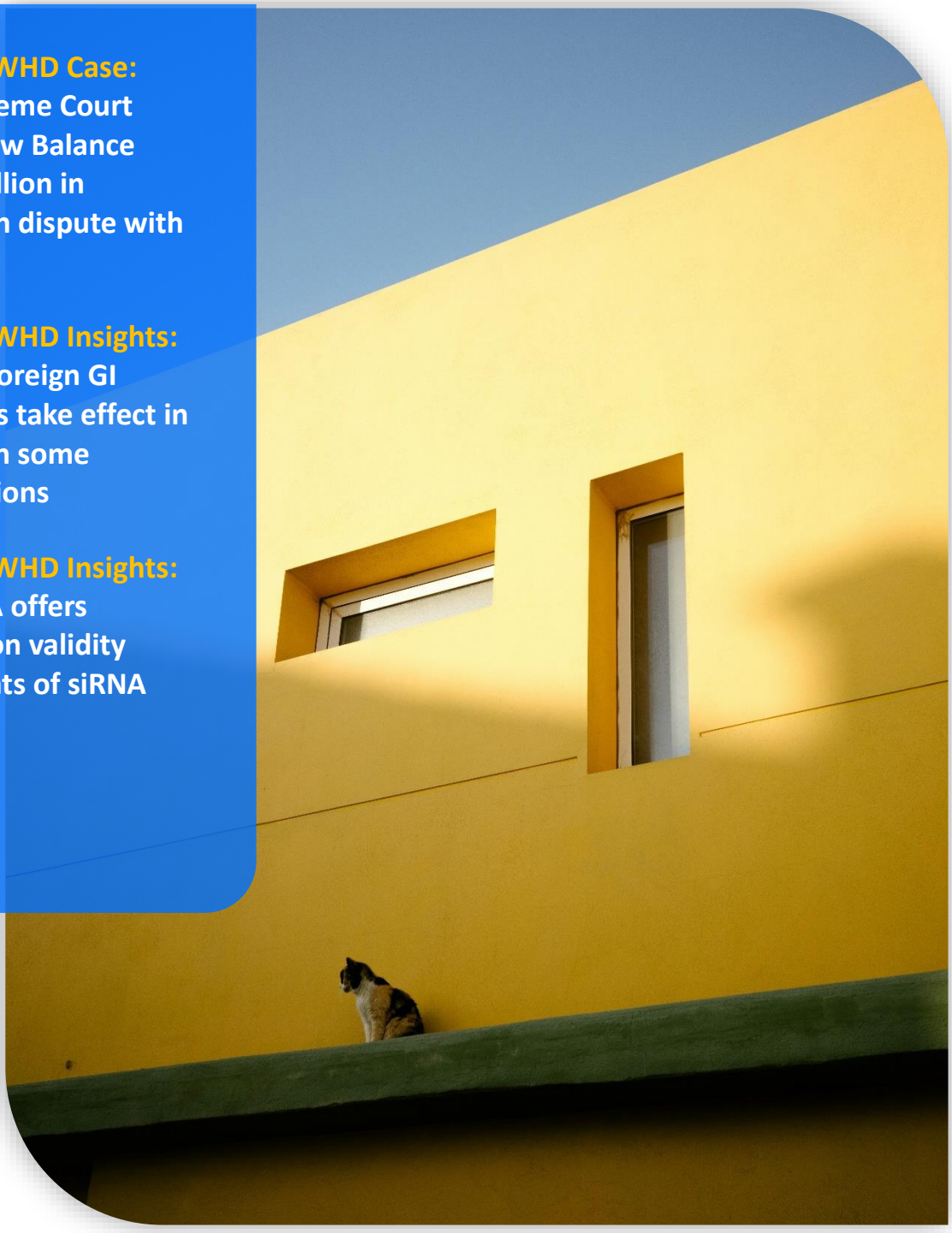

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n° 54 WHD Case: TM | Supreme Court awards New Balance Rmb30 million in damages in dispute with infringer

Jason Yao & Paul Ranjard, 1 February 2024, first published by *WTR*

On 26 September 2023 the Supreme People's Court of China issued a final judgment finding that Jiangxi Xinbailun Lingpao Sporting Goods Co Ltd and Guangzhou Xinbailun Lingpao Sporting Goods Co Ltd (collectively 'Lingpao') had infringed the iconic 'N' trademark of New Balance and the trade dress of New Balance Trading (China) Co Ltd, a subsidiary of New Balance, and had thus committed acts of trademark infringement and unfair competition.

The court increased the amount of damages awarded in the first instance by the Liaoning High Court from Rmb5 million to just over Rmb30 million - a significant increase and a rarely seen amount in IP litigation in China. With this decision, New Balance has made a breakthrough in its series of legal actions against Lingpao's production and sale of infringing products, which began in 2015. After eight years of arduous struggle, New Balance has obtained favourable judgments from courts in Shenzhen, Guangdong, Beijing, Suzhou, Chongqing and other places, and has now achieved a significant milestone with this Supreme Court decision.

Background

Lingpao's infringing sports shoes were first introduced to the market in 2015. Both sides of the shoes used a logo that closely resembled New Balance's iconic 'N' trademark and decoration. Lingpao even succeeded in registering several trademarks with a letter 'N', which took New Balance seven years to invalidate. Lingpao also copied the designs, colours and models of New Balance sports shoes on many shoe models. The two defendants established branch offices, direct stores and authorised retail stores across the country, rapidly expanding to thousands of retail outlets. Their annual sales is believed to have exceeded Rmb1 billion in 2018.

New Balance initiated infringement actions in many places against the infringers and their distributors, obtaining cessation of the infringement and compensation each time. Lingpao, however, continued the production and sale of the infringing goods, constantly changing the infringing entities, assigning their infringing registered trademarks, registering new infringing trademarks, and using various means (eg, raising jurisdiction objections and evading service of subpoena) to delay the litigation process.

Court action

New Balance filed the case with the Shenyang Intermediate Court on 16 May 2017. At that time, it was difficult to assess the real size of Lingpao's infringing business.

The claim for damages was therefore limited to Rmb3 million - the limit for statutory damages provided by the then-Trademark Law. However, as information on the scale of the infringement was progressively revealed, New Balance was able to raise its claim to Rmb100 million, which led the Shenyang Intermediate Court to transfer the case to the Liaoning High Court in September 2018. Such transfer was, of course, challenged by Lingpao. The Liaoning High Court confirmed its jurisdiction and, finally, the Supreme Court confirmed the jurisdiction of the High Court on 20 December 2020.

The Liaoning High Court issued its first judgment on 29 November 2021. In spite of the huge amount of sales made by Lingpao over the years, as shown by the evidence produced, the court considered that no accurate assessment could be made. Due to the inability to obtain the complete production and sales records of the defendants, it was difficult to calculate Lingpao's profits accurately. This was the main reason why the first-instance court applied the statutory maximum compensation (which had been raised to Rmb5 million after the fourth amendment to the Trademark Law).

Both parties appealed to the Supreme Court.

Supreme Court decision

The Supreme Court elaborated on the factors to consider in determining the amount of damages and the reasons justifying going beyond the statutory limit to determine the amount of compensation in cases where it is impossible to determine the defendants' infringement profits accurately.

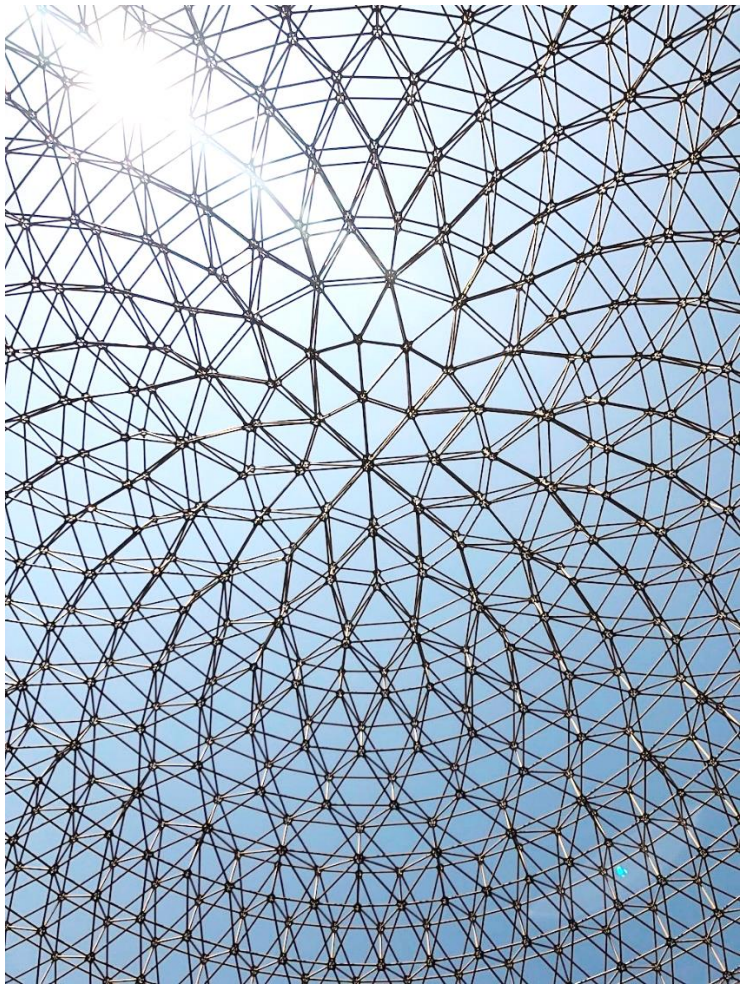
The court pointed out that, if it is difficult to prove the specific amount of damages or infringing profits, but there is evidence showing that the aforementioned amount significantly exceeds the statutory maximum compensation, the compensation amount should be reasonably determined based on the overall evidence of the case, rather than simply by applying the statutory compensation.

Among such evidence, the Supreme Court took into account the statements made by Lingpao on its official website, WeChat public account and media reports announcing, on multiple occasions, sales of Rmb1 billion yuan in 2018. While Lingpao argued that these claimed sales were nothing but promotional language, the court rejected such defence, considering that promotion should be based on objective facts and should not contain intentional concealment or exaggeration to obtain undue benefits. The court ultimately determined that Lingpao’s annual sales amount amounted to Rmb1 billion and calculated the profits made by Lingpao from its infringing shoes by applying the profit margin of New Balance.

Additionally, the Supreme Court noted that Lingpao had constantly refused to provide relevant records of the production and sale of the infringing products. It was not until after the second hearing before the Supreme Court that Lingpao reluctantly submitted some unaudited financial data that were incomplete and lacked authenticity. Under such situation, the court took precedence of the evidence submitted by the plaintiff.

Another highlight of this case is the clarification of the boundary between registered

trademarks and corporate names. Lingpao, which was established in 2015, had obtained the authorisation to use the trademark XIN BAILUN, registered by a third party. Lingpao, therefore, was using a corporate name very similar to that of New Balance's subsidiary, already very well known to the relevant public of China. In this regard, the Supreme Court considered that, even if the XIN BAILUN mark was licensed to Lingpao, this did not warrant Lingpao to use it in its corporate name in such a way as to create confusion. The court stressed that having exclusive rights to a registered trademark does not automatically grant the right to use that mark as a corporate name, and vice versa. The court therefore ruled that Lingpao should change its corporate name to one that is not confusingly similar to the corporate name of New Balance's Chinese subsidiary.



n° 58 WHD Insights: GI | New foreign GI regulations take effect in China, with some contradictions

Paul Ranjard, Hui Huang, Zhigang Zhu, 1 February 2024, first published by *WTR*

On 1 February 2024, two regulations issued by the China National IP Administration (CNIPA) on 29 December 2023 will enter into effect. The regulations provide details on the registration, administration and protection of geographical indications (GIs).

Two systems, two regulations

The simultaneous issuance of two regulations on the same topic is the consequence of China's dual system regarding GI protection. The system incorporates:

- the so-called sui generis system prevailing in the European Union; and
- the trademark system covering collective or certification marks, which can be used to protect GIs, prevailing in other parts of the world (eg, the United States).

Hence, the coexistence of two parallel regulations.

The regulations under both systems have followed different paths, at different times.

The first regulation for the Registration and Administration of Collective and Certification Trademarks goes back to 2003. In June 2022 the Draft Measures for the Administration and Protection of Collective and Certification Trademarks were published. This draft was adopted after some modifications on 29 December 2023. Both regulations (2003 and 2023) coexist but in case of discrepancy, the latest will prevail.

The first regulation regarding GI products was issued in 2005. It was only in 2016 that measures were published concerning foreign GIs; these were slightly modified in 2019. In 2020, the CNIPA published a new draft combining revisions to the 2005 and 2019 regulations, but no final text was decided. Eventually, a revision of the 2005 regulation drafted in September 2023 became the now final text of 29 December 2023. Similarly, both versions (2005 and 2023) coexist.

It is significant that both regulations have become, so to speak, reunited, and will enter into effect on the same date, 1 February 2024.

Still, 'collective or certification trademarks' and 'GI products' are different legal concepts and it is worth comparing their respective regulations (henceforth the Collective/Certification Trademark Regulation and the GI Product Regulation) under a framework of analysis relating to definition, registration, use, supervision, revocation and protection.

Definition

The concept of a GI was introduced and defined under the Trademark Law in 2001, after China aceeded to the World Trade Organisation. Article 16(2) of the Trademark Law states: “A geographical indication referred to in the preceding paragraph is a sign which indicates a good as originating in certain region, where a given quality, reputation or other characteristic of the good is essentially attributable to the natural or human factors of the region."

The concept of a GI in both new regulations should conform with this legal definition.

Article 5 of the Collective/Certification Trademark Regulation provides a definition indirectly, by listing what needs to be stated in an application for registration:

Where a geographical indication is registered as a certification mark or a collective mark, the following contents shall be stated in the application: (1) The specific quality, reputation or other characteristics of the commodities indicated by the geographical indication; (2) The specific quality, reputation or other characteristics of the product are mainly determined by the natural or human factors of the area indicated by the geographical indication; (3) the extent of the area indicated by the geographical indication.

Article 2 of the GI Product Regulation offers a straightforward definition:

The term ‘geographical indication product’ refers to products whose quality, reputation, or other essential characteristics are essentially determined by the natural and human factors of a specific region. Geographical indication products include: (1) Planting and breeding products from the specific region; (2) Products with raw materials either entirely from the specific region or partly from other areas, produced and processed in the specific region according to specific processes.

It appears, therefore, that – apart from a few different word choices – there is a fundamental difference between these two definitions. The Collective/Certification Trademark Regulation states "natural or human factors"; the GI Products Regulation states "natural and human factors". Between these two words, ‘or’ and ‘and’, lies the possibility, or the impossibility, to protect handicrafts and industrial products.

The GI Product Regulation, therefore, does not seem to conform with the legal definition provided by Article 16(2) of the Trademark Law. It also seems to contradict the terms of the EU-China GI Agreement signed on 14 September 2020, which stipulates: “The Parties agree to consider extending the scope of geographical indications covered by this Agreement after its entry into force to other product classes of geographical indications not covered by the scope of the legislation referred to in Article 2, and in particular handicrafts, by taking into account the legislative development of the Parties.” The reference to craft and industrial products in the new regulation is all the more justified, since the European Commission has recently promulgated the EU Regulation on Geographical Protection for Craft and Industrial Products.

Registration

The differences between collective/certification trademarks and GI products are more obvious when looking at their respective registration procedures.

Who may apply

Applications for the registration of collective/certification trademarks are filed with the CNIPA by the entity that requests the protection of the GI. Applications for the protection of GI products are submitted to the CNIPA by the people's governments, at the county level or higher, proposing the production area, or by a designated social organisation or institution.

Where the applicant for the registration of a GI collective/certification trademark is Chinese, an "approval document issued by the people's government or the competent department at or above the county level" must be attached (Article 5.1). If the application is filed by a foreign individual or foreign enterprise, evidence must be submitted that the GI is legally protected, in the country of origin, in the name of the applicant. As to GI products, according to the 2019 measures, the applicant of a foreign GI must be the "original applicant in the originating country or region", recommended by the competent authority in such country or region.

Examination

The examination of collective/certification trademark applications is performed by CNIPA examiners and follows the same procedure as for ordinary trademarks (ie, substantive examination, preliminary approval, publication). For GI product applicatons, the CNIPA conducts a formality examination to verify whether the set of required documents is complete and, after formal acceptance, organises a technical examination by a panel of experts, concluded by a preliminary recognition announcement.

Oppositions

The opposition process for collective/certification trademarks is the same as for other trademarks (ie, three months from the publication of preliminary approval). Oppositions against GI products may be filed within two months after the announcement of the preliminary recognition. (It may be noted that, under the 2019 measures, the opposition process is conducted before the technical examination, not after.)

Use

The two regulations differ in their approach to the relationship between registrants and producers.

For collective/certification trademarks, these relations are defined in the Implementing Regulations of the Trademark Law 2014. A certification trademark may be used by any person provided that the products satisfy the criteria set out in the registration, whereas a person may ask to become a member of the collective

trademark registrant or may even be allowed to use the mark (subject to the same quality conditions), without becoming a member. The regulation provides detailed conditions for the fair use of a place name contained in a GI trademark. However, this is subject to not disturbing the order of market competition or disparaging the reputation of the trademark.

The GI Products Regulation focuses on the authorisation to use special logos, granted to the producers by the CNIPA. Subject to satisfying the quality conditions, producers may apply to the local IP authorities for the right to use a special logo on their products, packaging, containers and transaction documents. The authorities will refer this to the provincial level and then to the CNIPA. The form of the logo must be downloaded from the CNIPA website and may not be changed.

Supervision

Both regulations provide for the necessity to supervise the quality of the products protected by a GI. Under the Collective/Certification Trademark Regulation, this responsibility lies with the registrant, while under the GI Products Regulation, local IP administrations are responsible for the daily supervision of:

- the production area;
- the name;
- quality characteristics; and
- compliance with standards.

Revocation

Article 26 of the Collective/Certification Trademark Regulation introduces the concept of "negligence in exercising the trademark right resulting in the mark becoming a generic name" for GI products, and refers to Article 49 of the Trademark Law (non-use for three consecutive years). Under these conditions, any person may apply for the revocation of the trademark.

The GI Products Regulation is much more prolific about the conditions for revocation of a GI product – namely:

- becoming a generic name;
- non-use for three consecutive years;
- irrevocable changes in the natural or human factors;
- violation of laws;
- public order;
- safety or hygiene hazards; or
- obtention by deceptive or unfair means.

The revocation of GIs – in particular, European GI products registered pursuant to the EU-China GI Agreement – is particularly problematic.

The EU GI Regulation (1151/2012) specifically provides that GIs cannot become generic. Besides, Article 4.5 of the EU-China agreement provides: “Nothing in this Agreement shall oblige a Party to protect a geographical indication of the other Party

which is not, or ceases to be, protected in its country of origin, or which has fallen into disuse in that country." Therefore, the only way that a European GI could cease to be protected in China is if it ceases to be protected in the country of origin, not because an organisation or individual has requested its cancellation.

Protection

Whether registered or not as collective/certification trademarks or GI products, the protection of GIs against the registration or use of conflicting trademarks is subject to the provisions of the Trademark Law. Articles 10.2 and 16 of the law constitute a strong and efficient legal base for ensuring such protection.

However, the enforcement of GI rights against usurpation by illegitimate producers shows significant differences between the two regulations.

Collective/certificate trademark owners may rely on the Trademark Law, which provides for administrative actions by the Administration for Market Regulation, criminal enforcement by the Public Security Bureaus, or civil actions before the courts. Therefore, the new regulation provides no additional measures beyond what is already in the law.

Article 30 of the GI Product Regulation, which is not "backed" against a specific law, simply provides that acts violating GI rights are "subject to relevant laws and regulations". Such acts are enumerated and include:

- using the name on identical or similar products not originating from the protected area, even if the true origin is indicated;
- using a similar name, while not meeting quality standards; and
- counterfeiting the special logo.

In practice, when such acts occur, rights holders often resort to the Product Quality Law or the Anti-unfair Competition Law.

It is worth noting that previous drafts of the GI Product Regulation provided for the administrative authorities to take enforcement actions (eg, raids, confiscation and destruction of the illegal products, and fines against infringers). However, due to the recent administrative reform, which placed the CNIPA directly under the State Council (and no longer under the State Administration for Market Regulation (SAMR)), it appears that the CNIPA is not in a position to provide for enforcement measures. Such initiatives are in the scope of competence of the SAMR.

Good news for rights holders

The concomitance of the publication and entry-into-effect of the two regulations on collective/certification trademarks and GI products cannot be a coincidence. If any reflection or prediction may be made, it is that China is actively working on the creation of a unique protection system, addressing both trademarks and GI products. This would be good news for rights holders. But the work may take some time, as both rights differ in nature and there are some points of contradiction to resolve.

n° 59 WHD Insights: PT | CNIPA offers guidance on validity assessments of siRNA patents

Jianhui Li, 12 March 2024, first published by *MIP*

Ribonucleic acid interference (RNAi) refers to the biological mechanism wherein messenger RNA degradation is triggered by double-stranded small interfering RNAs (siRNA) with complementary sequences, leading to the suppression of target gene expression. Since abnormally overactive genes contribute to certain human diseases and RNAi could be utilised to silence such activity, RNAi represents one of the most promising and rapidly advancing frontiers in biology and drug development today. As a result, patent examination standards surrounding siRNA-related inventions have come under the spotlight in recent years.

The China National Intellectual Property Administration (CNIPA) offered a compelling case study on the validity assessment of siRNA patents in invalidation decision No. 561449, which was rendered on September 5 2023.

The invalidation decision relates to invention patent ZL201380063930.5, titled 'PCSK9 iRNA compositions and methods of use thereof'. The patent is owned by leading RNAi therapeutics company Alnylam Pharmaceuticals and is pivotal to inclisiran (marketed as Leqvio), a proprotein convertase subtilisin/kexin type 9 (PCSK9)-targeted RNAi drug used for lowering low-density lipoprotein cholesterol in heterozygous familial hypercholesterolemia or atherosclerotic cardiovascular disease.

The double-stranded RNAi agent outlined in claims 1 and 2 of the patent share an essentially identical siRNA sequence but differ in terms of chemical modification, with the sense strand being conjugated to at least one ligand. Both have been demonstrated by embodiments to be capable of effectively suppressing the expression of PCSK9 within a cellular context. Claims 3 to 5 of the patent further define the ligand structure and the mode of connection for delivering the double-stranded RNAi agent to a target tissue.

On November 21 2022, the petitioner filed an invalidation request, mainly challenging the support issue of the claims. The petitioner contended that Annex 1 suggests a close correlation between the structure of the ligand and its functionality, and all the efficacy screening and in vivo inhibition experiments in this patent rely on specific RNAi agents. The specification, however, failed to provide any experimental evidence demonstrating that RNAi agents formed by the conjugation of ligands other than L96 with siRNA can effectively silence the PCSK9 gene in cellular contexts.

The petitioner therefore concluded that the specification does not provide a clear and comprehensive description of the technical solution, leaving those skilled in the art unable to anticipate that molecules formed by the connection of alternative ligands with the aforesaid siRNA can achieve the desired effect of silencing the PCSK9 gene in cells. Consequently, the petitioner asserted that claims 1 to 4 lack support

from the specification.

In ascertaining whether the claims are supported by the specification, the CNIPA underlined the need to consider, in combination with the common technical know-how of those skilled in the art, the specification in its entirety, rather than focusing solely on the specific embodiments described therein. In cases where a claim defines a component of a product rather than the complete product, the technical solution shall be recognised as supported by the specification, provided that the invention makes improvements to the component relative to the prior art and that those skilled in the art meet the following criteria:

- They could anticipate that this component could independently achieve certain functions of the complete product; and
- They should also be aware that when the component is combined with other elements to form the complete product, the resulting complete product could effectively address the technical issues intended to be solved by the invention and produce the corresponding technical effects.

The CNIPA opined that the disclosed embodiments unravel the inventive concept of the patent as follows:

- A substantial number of siRNA sequences characterised by distinct sequences and various modification forms need to be prepared;
- These sequences are then individually conjugated with L96 to function as RNAi agents for testing purposes;
- Effective double-stranded sequences are identified through in vivo and in vitro screening and subsequently modified; and
- The inhibitory activities of the modified siRNA are verified to ensure the generation of effective RNAi agents specifically targeting PCSK9.

In essence, the invention aims to provide an RNAi agent with the capability to inhibit the expression of PCSK9 and the primary technical problem solved by the invention pertains to the screening and modification of the siRNA sequence in the RNAi agent.

Although only L96 is used as a ligand in the embodiments, those skilled in the art should be able to perceive that the patent employs L96 as an illustrative example, without implying a limitation on the mere utilisation of this ligand to achieve the inventive objective. The ligand's primary function is to facilitate the delivery of siRNA to target cells, while siRNA's role is to silence the target gene. These two functions are relatively independent, allowing for potential combinations and substitutions. In fact, those skilled in the art, based on the known prior art related to ligands and the technical content of ligand selection documented in the application, could easily select alternative ligands (other than L96) to conjugate with the aforesaid siRNA sequence, achieving similar effects.

Comment

In principle, the technical roadmap for the development of RNAi drugs involves identifying target genes, designing siRNA sequences, obtaining siRNA products, conducting siRNA transfection, and assessing RNAi effects. As naked and unmodified

siRNA could give rise to poor stability, unfavourable pharmacokinetic behaviour, and the potential to induce off-target effects, developing a safe and effective delivery system is key to realising siRNA technology.

In practice, patents pertaining to RNAi drugs mainly focus on sequence design, chemical modification, and delivery systems. In addressing the support issues often raised in the patentability and invalidity related to RNAi technology, the panel in this case, based on the characteristics of RNAi technology, emphasises the functional independence of siRNA and ligands, and further demonstrates the correlation between each component and the complete product, thereby accurately identifying the practical technical contributions of the patent. Following this methodology, the CNIPA offers a valuable roadmap in approaching the support issues for the RNAi invention in the invalidity decision.

Due to the scarcity of patent prosecution cases in the siRNA field in China, practitioners have been struggling to grasp the CNIPA's examination criteria surrounding the patentability and validity assessments of siRNA-related patents. This case could help to shed light on the drafting approach, examination parameter, and validity assessment methodology of siRNA patents.