



 IPKey

CHINA

**The 4th Amendment of PRC Patent  
Law on Design System**

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## EXECUTIVE SUMMARY

### The 4<sup>th</sup> Amendment of PRC Patent Law

In respect to design system, the 4<sup>th</sup> Amendment has introduced the following to the PRC Patent Law: (i) the protection of partial designs; (ii) the introduction of the domestic priority for design applications; (iii) the extension of patent term for registered design right; (iv) the possibility for an alleged infringer to apply for an evaluation report; and (v) other important changes on various areas, such as the introduction of the good faith principle, open license system, major influential infringement cases, and punitive damages, the increase of the statutory damages, and the extension of the limitation period.

To assist the implementation of the 4<sup>th</sup> Amendment, the draft Implementing Regulations of PRC Patent Law (the “**Draft Implementing Regulations (2020)**”) and the draft Patent Examination Guidelines (the “**Draft Patent Examination Guidelines (2021)**”) were formulated by the China National Intellectual Property Administration (the “**CNIPA**”) for public consultations. Both drafts are yet to be finalised, but the transition measures for the 4<sup>th</sup> Amendment have been issued. The key amendments made in the Draft Implementing Regulations (2020) and the Draft Patent Examination Guidelines (2021) include clarified procedures for the protection of partial designs, clarified procedures for claiming priority, provisions in respect of good faith principle, and provisions in respect of the Hauge Agreement, etc.

Journal articles from legislative officers, CNIPA examiners, Judges, Professors and WIPO officer have published their views on the 4<sup>th</sup> Amendment in publications such as ‘Intellectual Property’ (detailed publications and the links are set out in the report below). CNIPA also issued the official response to clarify certain issues regarding the implementation of the 4<sup>th</sup> Amendment. There are however no statistics on design applications made since the implementation of the 4<sup>th</sup> Amendment.

Notwithstanding the above, there remain major differences between PRC Patent Law and the practices within the EU on the definition of design, the duration of the protection for registered design, grace period, limitation period, multiple design application and rights conferred by a registered design. This study contains proposals to the Chinese government, which identify some of the legislative gaps between the 4<sup>th</sup> Amendment and the EU practices. These proposals include a 12-month grace period dedicated to design applications, multiple designs to be included in a single application and the exclusive right to use as conferred by a design patent.

The study will also provide, in the subsequent sections, explanations and insights into the major amendments relating to Chinese design law in the 4<sup>th</sup> Amendment.

### Bad faith applications

For the purpose of providing more guidance regarding the abusive applications filed with bad faith, as now prohibited under the 4<sup>th</sup> Amendment, CNIPA published the Measures for Regulating Patent Application Activities, which set out a non-exhaustive list of the circumstances under which abusive patent applications (including bad faith applications) may be established.

For example, *Tencent v Tan Fa Wen* (2017) YUE 03 MIN CHU No. 632 / (2019) YUE MIN ZHONG No. 407 is a typical case illustrating how malicious litigations and abusive design applications may be effectively dealt with by the right owner under the 4<sup>th</sup> Amendment.

In order to reduce bad faith applications, the Draft Implementing Regulations (2020) and the Draft Patent Examination Guidelines (2021) have devoted relevant sections to deal with the problem. This is supplemented by CNIPA's Notice of Further Strictly Regulating Patent Application Activities. Requests for a declaration of patent invalidation, actions based on copyright infringement and anti-unfair competition are alternative enforcement strategies available against bad faith applications.

Proposals to the Chinese government include to educate the public against bad faith applications and to provide more specific criteria on how to assess bad faith applications.

## GUI protection

In relation to Graphical User Interface (“GUI”) protection, CNIPA Order No. 68 (published in 2014) made GUI design eligible for protection in China for the first time. The effect of CNIPA Order No. 68 was considered in *Qihoo v Jiangmin*<sup>1</sup>, where significant limitations in the legislation were revealed. This will be addressed in more detail in the chapter on GUI protection.

Since the 4<sup>th</sup> Amendment, the recognition of partial designs (that is, designs for a part of a product) has brought the Chinese system closer to the European one.

However, there still exists certain legislative gaps between the Chinese legislation and the current EU practice, in particular regarding the Chinese requirement that a GUI must be bundled with an electronic device (either specified or unspecified). However, in a very recent case, the Shanghai IP Court repealed the bundling requirement in *Kingsoft v Menjia*<sup>2</sup> and *Kingsoft v Chubao*<sup>3</sup>. Details of the two cases will be addressed in the chapter designated to GUI. Whilst this is a welcome sign, the practice of doing away with the bundling requirement needs to be confirmed by the senior Courts. Accordingly, the study proposes that the government should consider doing away with the bundling requirement by legislations.

## The Hague Agreement

The previous substantive obstacles on China's accession to the Hague Agreement Concerning the International Deposit of Industrial Design (the “Hague Agreement”), e.g. the 10-year protection period for design under the former Chinese legislation, have now been removed by the 4<sup>th</sup> Amendment. The Draft Implementing Regulations (2020) and the Draft Patent Examination Guidelines (2021) also provide detailed proposals on the filing office, the determination of the filing date and the international registration date, the transmittal fee, examination of international design applications by the CNIPA, claim to priority, divisional application, brief description, grant of patent, change of right and invalidation of a design application through the Hague System.

<sup>1</sup> Infringement case: (2016) JING 73 MIN CHU No. 276 / (2018) JING MIN ZHONG No. 167; Invalidation case: (2018) JING 73 XING CHU No. 3909.

<sup>2</sup> (2019) HU 73 MIN CHU No.398.

<sup>3</sup> (2019) HU 73 MIN CHU No.399.

It is proposed in the study that China could refer to the established rules and guidelines in the EU and further amend the legislative framework for design applications under the Geneva Act in line with international practice.

## Unregistered design rights in China

Unregistered design right are not subject to design protection as such in China. Alternative protection is available under the trade mark law, the copyright law and the law relating to anti-unfair competition. A series of *Jaguar Land Rover v Jiangling* cases<sup>4</sup> exemplified how the anti-unfair competition law may provide valuable tools to the plaintiff for the purpose of protecting design subject matter in China.

## General views of the EU economic operators

In order to ascertain the general views of the economic operators from the relevant EU member states, lawyers from Bird & Bird offices (Germany, France, Spain and Italy) have provided input on a survey through their experience in advising clients. More details of the survey are found in Appendix I – “**Comments in respect of the 4<sup>th</sup> Amendment to the PRC Patent Law affecting design**”.

## Practical advices to design right holders and the proposals to Chinese government

The practical advice and detailed proposals to Chinese government are provided in each part of the report as below. A short conclusion is also provided at the last part of this report.

# 1. The 4<sup>th</sup> Amendment of the PRC Patent Law

## 1.1 The 4<sup>th</sup> Amendment

### 1.1.1. Practical issues and concerns of the Chinese and EU right holders and their lawyers, brief overview of the legislative process

The PRC Patent Law was first promulgated in 1984, and was subsequently amended three times in 1992, 2000 and 2008. It has just undergone the 4<sup>th</sup> amendment (in this report, the “**4<sup>th</sup> Amendment**”).

Before the 4<sup>th</sup> Amendment, there were some key concerns in the industry on the relatively shorter protection period for design patent, the lack of protection of partial designs, the insufficient protection for GUI designs and the abuse of design registration system.

The legislative process of the 4<sup>th</sup> Amendment commenced in 2012 when the State Council included the task to amend the law to its 2012 Legislative Work Plan. On the 10<sup>th</sup> of August 2012, the China National Intellectual Property Administration (the “**CNIPA**”), previously known as the State Intellectual Property Office (or SIPO as it was

<sup>4</sup> (2019) JING 73 MIN ZHONG No.2033 in respect of unfair competition dispute; and (2019) JING 73 MIN ZHONG No.2034 in respect of copyright infringement dispute.



then generally known), published a consultation on the draft amendments of the PRC Patent Law asking for public opinion.

After several revisions, the draft was submitted to the National People's Congress (the "NPC") for further review. On the 4<sup>th</sup> of January 2019, the NPC released its first draft amendments. On the 3<sup>rd</sup> of July 2020, the second draft was published for public consultations. On the 17<sup>th</sup> of October 2020, the 4<sup>th</sup> Amendment was passed by the Standing Committee of the NPC<sup>5</sup>.

The 4<sup>th</sup> Amendment<sup>6</sup>, which came into force on the 1<sup>st</sup> of June 2021, is a step forward in, amongst other things, (i) meeting with the international practice in relation to the protection of design patent<sup>7</sup>; (ii) enhancing patent protection regime; and (iii) combating patent infringement, especially on deliberate and serious infringement.

The 4<sup>th</sup> Amendment introduces a number of important changes in relation to design. Partial designs are now protected in China (Article 2). The law has also extended the protection period for design to 15 years (Article 42), introduced domestic priority system for design applications (Article 29) and prescribed good faith in patent application and enforcement applicable for invention patent, utility model and design patent (Article 20) to strengthen patent protection while cracking down on the abuse.

Against patent infringement, the 4<sup>th</sup> Amendment provided for punitive damages and increased the cap of statutory damages. China is also proactive in developing its laws to meet the ever-changing industrial needs, such as the protection of graphical user interface ("GUI") and the participation in the Hague Agreement.

Despite still being silent on certain issues, such as the protection of unregistered design right, the 4<sup>th</sup> Amendment provides an improved regime on the protection of innovation and is generally welcome by the industry. It is also expected that the 4<sup>th</sup> Amendment, by providing more protection to design right holders, would provide a significant incentive for both international and domestic right holders to consider China as a safe and attractive jurisdiction to commercialise their products.

To assist the implementation of the 4<sup>th</sup> Amendment, on the 27<sup>th</sup> of November 2020 and the 3<sup>rd</sup> of August 2021, CNIPA issued the draft Implementing Regulations of PRC Patent Law<sup>8</sup> (the "**Draft Implementing Regulations (2020)**") and the draft Patent

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<sup>5</sup> Decision of the Standing Committee of the National People's Congress on the Amendment of the PRC Patent Law [[http://www.xinhuanet.com/2020-10/18/c\\_1126624476.htm](http://www.xinhuanet.com/2020-10/18/c_1126624476.htm)]

<sup>6</sup> There are other changes in the 4<sup>th</sup> Amendment related to invention and utility model patents. We will not cover changes to the law applicable to invention and utility model patents as this is outside the scope of this report.

<sup>7</sup> In China, design belongs to a type of patent called design patent. A design patent is different from an invention or utility model patent. But design patent and invention and utility model patents are classified as patents in China. In this report, we will use design and design patent interchangeably.

<sup>8</sup> Notice on the Public Consultations on the Amendment Proposal of Implementing Regulations of Patent Law (Draft for Opinions) [[https://www.cnipa.gov.cn/art/2020/11/27/art\\_75\\_155294.html](https://www.cnipa.gov.cn/art/2020/11/27/art_75_155294.html)]



Examination Guidelines<sup>9</sup> (the “**Draft Patent Examination Guidelines (2021)**”) respectively for public consultations. Both the Draft Implementing Regulations (2020) and the Draft Patent Examination Guidelines (2021) are yet to be finalized. Their contents are therefore subject to changes.

In addition, according to the Guidelines for Building a Powerful Country with Intellectual Property Rights (2021-2035)<sup>10</sup> issued by the CPC Central Committee and State Council on the 22<sup>nd</sup> of September 2021, China will continue to amend its Patent Law in the future and explore special laws or regulations on design.

In the following sections, key amendments in the 4<sup>th</sup> Amendment concerning design patent will be discussed.

### 1.1.2. Key amendments in the PRC Patent Law on design patents

Key amendments in the PRC law are found in the 4<sup>th</sup> Amendment, as well as in the Draft Implementing Regulations (2020) and the Draft Patent Examination Guidelines (2021).

This section will be divided into five sub-sections: (i) protection of partial design; (ii) domestic priority for design applications; (iii) extension of patent term for registered design right; (iv) an alleged infringer’s right to an evaluation report; and (v) other important changes. Where appropriate, the relevant provisions in the Draft Implementing Regulations (2020) and the Draft Patent Examination Guidelines (2021) will be mentioned.

#### 1.1.2.1. *Protection of partial design*

The 4<sup>th</sup> Amendment does not provide a statutory definition of partial designs. In general, the notion of partial design refers to a specific part or portion of a larger design, for example, the front hood of a car.

Prior to the 4<sup>th</sup> Amendment, partial designs such as a portion of a product were not patentable in China, as reflected in Section 7.4, Chapter 3, Part I of the Patent Examination Guidelines (2010), which provides that any component part of a product which cannot be partitioned or sold and used independently is ineligible for design patent. This includes, for example, heel of socks, peak of a hat and the handle of a cup. This position created a significant gap with the international practice, such as Article 3(a) of Council Regulation (EC) No 6/2002 on Community designs (the Community Design Regulation, “**CDR**”).

<sup>9</sup> Notice on the Public Consultations on the Amendment Proposal of Patent Examination Guidelines (Draft for Opinions) [[https://www.cnipa.gov.cn/art/2021/8/3/art\\_75\\_166474.html](https://www.cnipa.gov.cn/art/2021/8/3/art_75_166474.html)]

<sup>10</sup> Guidelines for Building a Powerful Country with Intellectual Property Rights (2021-2035) issued by CPC Central Committee and State Council [[http://www.gov.cn/zhengce/2021-09/22/content\\_5638714.htm](http://www.gov.cn/zhengce/2021-09/22/content_5638714.htm)]

Although it was not included in the first NPC draft in 2019, there were calls from the industry that the government should take this opportunity to include provisions for the protection of partial designs. This was proposed in the second draft and eventually passed by the NPC. Article 2 was accordingly amended to “*Designs mean, with respect to the overall or part of a product, new designs of the shape, pattern or the combination thereof, or the combination of the colour with shape and pattern, which are rich in an aesthetic appeal and are fit for industrial application.*”

Under the 4<sup>th</sup> Amendment, partial designs or designs of a part of a product are for the first time included in the scope of design patent protection in China. It is not anticipated that there will be any major drawbacks for extending to China the protection to partial design already protected elsewhere.

The inclusion of “part of a product” in Article 2 is a significant change for design protection regime in China. It however leaves the details for its implementation in the Draft Implementing Regulations (2020), Draft Patent Examination Guidelines (2021) and future judicial interpretations on the law.

The Draft Implementing Regulations (2020) contains two provisions on protection of partial design (Articles 27 and 28). But the proposed provisions are brief. The proposals contained in the Draft Implementing Regulations (2020) focus, *inter alia*, on delineating the scope of a partial design patent application.

Article 27 proposes that a view of the **overall product** shall be submitted for a partial design patent application, and a combination of broken lines and solid lines or other means shall be used to indicate the subject matter of protection.

The proposals contained in the Draft Patent Examination Guidelines (2021) provide very specific requirements on a partial design application which, amongst others, include:

(i) Formalities

Section 4.4, Chapter 3, Part I sets out the formalities requirements as follows.

An eligible partial design can be, for instance, “*the sculpture of the back of a seat*” and “*the tread of an automobile tire*”. The specific part and the overall product shall be indicated in the title of the design, such as “*the door of a motor vehicle*” and “*the camera of a phone*”.

The partial design, as well as its position and proportion, shall be clearly shown in the view of the overall product. The solid lines illustrate the partial design for protection, while the dotted lines are for other portions which do not form the subject matter of the partial design sought to be protected.

Other alternative means indicating the partial design sought to be protected may also be acceptable. However, a brief description needs to be provided if alternative means are used other than dotted lines and solid lines. The usage of the partial design should be stated in the brief description, which shall be consistent with its title.

(ii) Partial design for GUI

The submission of GUI, or even a portion of the GUI as a partial design is available as per Section 4.5, Chapter 3, Part I. For more information, please see **Part III - Graphical User Interface Protection** of this report.

(iii) Restrictions

Section 7.4, Chapter 3, Part I sets out the circumstances under which design protection is not allowed. Amendments have been proposed to make it in line with the new law under the 4<sup>th</sup> Amendment that protection of partial design is now available.

The amendment to Section 7.4, Chapter 3, Part I proposed to remove the restriction relating to *“any component part of the product which cannot be partitioned or sold and used independently”*. But the amendment does not stop there.

Section 7.4 further proposed that the specific part of a product filed as a partial design application must form a relatively separately independent part or constitute a **relatively complete unit**. It also provided two unpatentable examples: *“an irregular part of a spectacle lens arbitrarily obtained”* and *“the pattern on motorcycle surface”*.

The unity requirement in Article 31 of PRC Patent Law requires one design patent application be limited to one design. This is subject to two exemptions: (i) where more than one design is allowable for the same product when the designs are of similar designs; and (ii) where the designs relate to products in a set.

However, the proposal in Section 9, Chapter 3, Part I is that exemption (ii) mentioned in the preceding paragraph does not apply to a partial design, as all the designs in a set would be considered as one whole design. Exemption (i) mentioned in the preceding paragraph may be applicable if the designs are not connected to each other, but are of correlation in function and form certain visual effect, such as the two legs of glasses and four corners of a phone.

With respect to divisional application provisions, a partial design cannot be filed as a divisional application of a whole design as per Section 9.4.2, Chapter

3, Part I, in the current Patent Examination Guidelines. Further, a prior partial design application cannot act as the parent application of a divisional application on either the whole design or the partial design of another part. Therefore, an applicant must consider comprehensively and select the most suitable drawings to be filed as a partial design. A usual strategy in China is to rely on a divisional application to overcome certain objections of the application if such objections cannot be overcome by amendment on the application, however, this strategy by filing divisional application may not be available for a partial design application.

(iv) Determination on the similar type of product

A patentable design shall not be similar to a prior design, and shall possess significant differences from prior design or a combination of prior design features, in accordance with Article 23 of PRC Patent Law, which is not a new provision in the 4<sup>th</sup> Amendment. Subject to exceptional circumstances such as the transformation into toy, decoration or food from other category of product, the determination on the validity of a design in China is generally limited to the same or similar category of products. The determination on the validity from this perspective will be handled in the post-granted invalidation proceedings.

The proposals in Section 5.1, Chapter 5, Part IV are that the partial designs will be in the same category based on the usage of the product and the usage of the specific part, which will be relevant to the “significance difference” test used for comparing with a prior design. However, it still remains to be seen how the criteria may be applied in practice.

(v) Comparison of a partial design with prior design on validity issue in post-registration stage

Designs are compared by taking into the consideration of the designs under (i) the comparison as a whole; and (ii) the similarities and differences between the designs under comparison.

When comparing two partial designs, the draft adopts the same consideration of comparing the entire drawing of the partial designs. Further clarification will be needed on the specific comparison criteria in respect to partial designs.

Under Section 5.2.4.2, Chapter 5, Part IV, it was proposed that comparison of partial designs should be based on the shape, pattern and colour of the part, and also the position and proportion of the part in the product. It is also pointed out in Section 5.1.2 Chapter 5, Part IV that a partial design would be considered as substantively similar to an existing design if there is a routine

change in the position and/or proportion of the partial design found in the product.

It is expected that the introduction of the protection of partial design will be welcome by the European stakeholders, as it no doubt provides an additional option for the right holders to protect its design in China.

### **1.1.2.2. Domestic priority for design applications**

There are three types of patents in China: invention patent, utility model and design.

Pursuant to Article 29 of the 4<sup>th</sup> Amendment, an applicant for a design may claim a domestic priority for an earlier Chinese application within six months from the date of filing. Article 30 further specifies that an applicant who claims priority shall submit a written declaration with the application and submit a copy of the priority document within three months upon the application.

The introduction of the domestic priority for design would provide the right holders the opportunity to file an application for a first version of the design in China, and then subsequently file amended design applications based on the prior application, without losing novelty.

Both the Draft Implementing Regulations (2020) and the Draft Patent Examination Guidelines (2021) provide the possibility of a design application claiming priority from all three types of patent application. However, the relevant article in the 4<sup>th</sup> Amendment (i.e. Article 29) is quite vague on the possibility of a design application claiming priority to an earlier invention patent application or utility model application<sup>11</sup>. Further interpretations by CNIPA in relation to the implementing regulations or examination guidelines are needed in order to clarify the priority basis of a design application.

It is worth noting that, under Article 32 of the Implementing Regulation of PRC Patent Law (2010), the first application is not eligible to be claimed for domestic priority if it (i) has claimed a foreign or domestic priority<sup>12</sup>; (ii) has been granted; or (iii) is a divisional application.

In the proposed amended Article 32 of the Draft Implementing Regulations (2020), it is specified that a domestic priority for a design application may be claimed upon the same subject in (i) the drawings of a prior invention or utility

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<sup>11</sup> Article 29 of the 4<sup>th</sup> Amendment provides: Where, within twelve months from the date the applicant first files an application for an invention or utility model patent in China, or within six months from the date the applicant first files an application for design in China, he files an application for a patent with the patent administration department under the State Council for the same subject matter, the applicant may enjoy the priority right.

<sup>12</sup> Domestic priority is applicable for invention and utility model under the PRC Patent Law (2008). Under the 4<sup>th</sup> Amendment, the availability of domestic priority is extended to design patent.

model application, or (ii) a prior design application. But domestic priority cannot be claimed from a prior application where such prior application has claimed a priority, has been granted, or is a divisional application.

In China, the basic rule is that if the domestic priority is claimed, the prior application will be deemed as withdrawn. A new exemption to the basic rule is proposed in the Draft Implementing Regulations (2020) when a design application claims domestic priority from a prior invention patent application or a utility model application. In such circumstances the prior invention patent or utility model application would not be deemed withdrawn.

The Draft Patent Examination Guidelines (2021) also specify the procedure for claiming domestic priority. This includes, for example, the basis of the eligible priority, the claiming statement, the applicants, and the deemed withdrawal procedure for the prior design, etc.

Previously, the Chinese legislations were silent on the issue of whether a design application in China may claim priority from a foreign invention or utility model application. The Draft Patent Examination Guidelines (2021) have now opened up such possibility. Section 5.2, Chapter 3, Part I proposed that the subject in the drawings of a foreign invention or utility model application can be claimed as a priority for a design application in China.

### **1.1.2.3. Extension of patent term for registered design right**

In Article 42 of the 4<sup>th</sup> Amendment, the patent term of a registered design patent is extended from 10 years to 15 years from the application date<sup>13</sup>. This amendment was made in preparation for China to join the Hague Agreement, as the previous 10-year duration of protection fell short of the requirement under Article 17 (3) of Geneva Act (1999) of the Hague Agreement.

### **1.1.2.4. An alleged infringer's right to an evaluation report**

In China, there is no substantive examination for a design application. An application will be granted if it passes the formality review. Instead of the substantive examination, the patentee or interested parties may apply to the CNIPA for an evaluation report on its granted design to demonstrate the patentability of the design<sup>14</sup>.

In general, the 'interested parties' refer to the parties who have the right to sue for infringement. This includes an exclusive licensee but not non-exclusive licensees, who would require express authorisation before they can sue.

<sup>13</sup> The application date in Article 42 refers to the filing date in China, not the priority day.

<sup>14</sup> CNIPA evaluation report is a post-grant report to assess whether the required conditions of a granted patent for utility model and design, including novelty and formality issues, etc have been met. The opinion in CNIPA evaluation report is persuasive but not binding on a Court in China.

The evaluation report is usually but not mandatorily required in the infringement proceedings before the Courts or patent offices. The introduction of this provision may reduce the incidents of unnecessary design disputes.

Under the 4<sup>th</sup> Amendment, in addition to the patentee and interested parties, an alleged infringer is also entitled to apply for and adduce a copy of the evaluation report to the Courts or patent offices, as per Article 66.

Article 56 of Draft Implementing Regulations (2020) proposed that any party may apply to the CNIPA for an evaluation report. The scope regarding eligibility for application in Article 66 of 4<sup>th</sup> Amendment is mirrored in Chapter 10, Part V of the Draft Patent Examination Guidelines (2021). However, it was proposed in Chapter 10, Part V of Draft Patent Examination Guidelines (2021) that only the patentee, interested parties and the alleged infringer may be entitled to apply. The changes are not settled, but we anticipate that the proposal in the Draft Patent Examination Guidelines (2021) will prevail.

Whilst some European stakeholders welcome the amendment that an alleged infringer may now request a copy of the evaluation report, it still remains to be seen how the amendment will have a practical impact on the protection of registered design in China. The idea of the new regime for evaluation report is to provide an avenue for the parties to evaluate their respective rights at an early stage. It is hoped that this would in turn enable the parties to avoid going through litigation. However, as the regime is very new, it is still unclear how and to what extent it may facilitate early settlement.

Whilst the amendment relating to the right to request for a copy of the evaluation report is in general a welcoming sign, as in theory it promotes early settlement, there are risks. One of the main risks appears to be the potential abuse of the new regime. Abuses of the regime would inevitably increase the examination burden of CNIPA. One way to reduce the potential abuse is to limit the additional eligible applicant to the alleged infringer only.

#### ***1.1.2.5. Other important changes in the 4<sup>th</sup> Amendment***

In addition to above provisions in the 4<sup>th</sup> Amendment which are mainly dedicated to design, there are other important changes which are generally applicable to all types of patents. These other changes also have significant impact on design. A brief summary is provided below.

##### **(i) Good faith principle**

The 4<sup>th</sup> Amendment incorporated a new Article 20 stipulating that patent applications and exercise of patent rights shall abide by the good faith principle. Good faith principle has also been introduced in PRC Trademark Law, but its application is not the same as those in PRC Patent Law, because



they have different specific implementing regulations. Abuse of patent right, such as acts harming public interest or others' lawful rights and interests, is prohibited.

Article 43 of Draft Implementing Regulations (2020) sets out that certain conducts, such as fabrication, forgery, plagiarism, patchwork, or other apparently improper behaviours, would amount to the violation of good faith principle or abuse of patent rights stipulated in Article 20 of PRC Patent Law. Article 65 further proposes that the newly incorporated Article 20 of the 4<sup>th</sup> Amendment constitutes an additional ground to invalidate a granted patent, amongst other grounds which were in existence before the 4<sup>th</sup> Amendment.

The Draft Patent Examination Guidelines (2021) also contain a number of provisions in relation to good faith principle for design application. Please refer to **Part II - Bad Faith Applications** of this report for details.

(ii) Open license system

A newly set-up open licence system was introduced in Articles 50-52 of the 4<sup>th</sup> Amendment. A patentee can indicate to the CNIPA on his willingness to license the patent to any person in return for a standard license fee. Through granting an open licence, the patentee is entitled to pay a lower annual fee.

In order to benefit from the open licence system for design, a favourable evaluation report must be obtained in advance.

(iii) Major influential infringement cases

Article 70 of the 4<sup>th</sup> Amendment conferred upon the CNIPA the power to handle administrative infringement cases with major national implication. The relevant implementing measures have also been formulated, providing a non-exhaustive list of factors in deciding whether a particular case is of major influence, for example, where the case relates to major public interest or significantly impacts the development of the industry. Major cross-province case is also listed as being of major influence.<sup>15</sup> Previously, all administrative infringement disputes were filed with the local patent offices. There was no separate arrangement for CNIPA to handle administrative disputes that potentially involve major national implication. Under the 4<sup>th</sup> Amendment, any major disputes with potential major national implication may now be centrally managed by CNIPA. Article 70 of the 4<sup>th</sup> Amendment does not affect infringement actions heard in Courts.

(iv) Statutory damages and punitive damages

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<sup>15</sup> Major Patent Infringement Dispute Administrative Adjudication Measures  
[\[http://www.gov.cn/zhengce/zhengceku/2021-05/29/content\\_5613827.htm\]](http://www.gov.cn/zhengce/zhengceku/2021-05/29/content_5613827.htm)

The 4<sup>th</sup> Amendment imposed a significantly higher statutory damages against patent infringement under Article 71 as a fall-back position where it is difficult to determine the losses suffered by the patentee or the benefit accrued by the infringer by increasing statutory damages from RMB 10,000~1 million to RMB 30,000~5 million. The 4<sup>th</sup> Amendment also introduced punitive damages for wilful infringements of “serious” circumstances up to 5 times the damages proved and determined in accordance with the law.

On the 3<sup>rd</sup> of March 2021, the Supreme Court of China issued the judicial interpretations on punitive damages<sup>16</sup>, specifying the circumstances which may constitute “wilful” infringement and “serious” infringement, as well as providing basis for awarding punitive damages, and other information such as the multiplier for punitive damages, etc.<sup>17</sup> The judicial interpretations are also applicable to punitive damages for trade mark infringement in China, which has been introduced since 2014.

The increase in the statutory damages is generally welcome, though some European stakeholders are still of the view that the statutory damages are still on the low side. The introduction of punitive damages is also generally welcomed by the European stakeholders, in particular when such damages are not available in some of the European countries, e.g. France, Spain, Italy, and Germany. Some stakeholders are also of the view that the maximum statutory damages of RMB 5 million should be sufficient for a design case.

(v) Limitation period<sup>18</sup>

Different jurisdictions in the EU provide for different limitation/prescription periods to bring the claim in respect of infringement. For example, in Germany, the general limitation period for bringing a claim is three years commencing from (i) the claim arose; and (ii) the potential claimant obtaining knowledge of the circumstances giving rise to the claim and of the identity of the infringer. In Spain, the limitation period is five year commencing from the date when the action could first be initiated. In France, the limitation period is also five years commencing from the date on which the right holder knew or should have known the last fact enabling him to exercise it. Similar limitation period of five years is also provided in Belgium.

<sup>16</sup> The Supreme Court’s Interpretations on the Application of Punitive Damages in the Trial of Civil Cases of Intellectual Property Infringement [<http://www.court.gov.cn/fabu-xiangqing-288861.html>]

<sup>17</sup> Bird & Bird: Judicial Interpretations for Punitive Damages in China – wilful and serious IP infringers watch out! [<https://www.twobirds.com/en/news/articles/2021/china/judicial-interpretations-for-punitive-damages-in-china-wilful-and-serious-ip-infringers-watch-out>]

<sup>18</sup> Limitation period, also known as limitation of action, is the time within which legal proceedings may be initiated.

In line with Article 188 of PRC Civil Code<sup>19</sup>, the limitation period for patent infringement disputes in China has now been extended to three years as per Article 74, to be calculated from the time when the knowledge of the acts of infringement and identity of the alleged infringer is known or ought to have been known by the patentee or the interested parties.

Where the identity of the infringer is not known or ought not to have known by the patentee or the interested parties, it would appear that time will not start to run for the purpose of the limitation period. It would be difficult to envisage a situation where the identity of the infringer is known or ought to have been known but that the acts of infringement is not known. But if it should occur, it is submitted that time under such circumstances would also not start to run.

Article 74 of the 4<sup>th</sup> Amendment now requires the identity of the infringer to be known or ought to have been known, in addition to the infringing acts. This is a welcome change as it would give the patentee more time to investigate the identity of infringer before time starts to run.

### 1.1.3. Transition measures for amended PRC Patent Law

The 4<sup>th</sup> Amendment became effective on the 1<sup>st</sup> of June 2021, while the Draft Implementing Regulations (2020) and the Draft Patent Examination Guidelines (2021) are yet to be finalised.

In order to ensure a smooth transition into the new law, on the 25<sup>th</sup> of May 2021, the CNIPA issued a number of interim measures under the ‘Interim Measures for the Processing of Related Examination Businesses Regarding the Implementation of the Amended Patent Law’<sup>20</sup> (the “**Transition Measures on 4<sup>th</sup> Amendment**”), which took effect together with the 4<sup>th</sup> Amendment. Amongst others, the notable interim measures in relation to design are as follows:

- i. Commencing from the 1<sup>st</sup> of June 2021, applicants can submit applications for partial designs, and can also claim domestic priority for designs. However, the CNIPA will only review such applications after the Draft Implementation Regulations (2020) comes into force.
- ii. Open licence declaration can be filed by the patentees to the CNIPA.
- iii. An alleged infringer may request the CNIPA to issue an evaluation report on the design patent in dispute commencing from the 1<sup>st</sup> of June 2021.

<sup>19</sup> PRC Civil Code, effective on the 1<sup>st</sup> of January 2021, [<http://www.npc.gov.cn/npc/c30834/202006/75ba6483b8344591abd07917e1d25cc8.shtml>]

<sup>20</sup> Interim Measures for the Processing of Related Examination Businesses Regarding the Implementation of the Amended Patent Law [[http://www.gov.cn/zhengce/zhengceku/2021-05/27/content\\_5613204.htm](http://www.gov.cn/zhengce/zhengceku/2021-05/27/content_5613204.htm)]

- iv. The CNIPA has set to examine patent applications as per the good faith principle stipulated in Article 20 of the 4<sup>th</sup> Amendment.
- v. The CNIPA clarifies that the patent term is still 10 years for all design applications filed before the 1<sup>st</sup> of June 2021. For all design applications filed on or after the 1<sup>st</sup> of June 2021, the new patent term will apply.

## 1.2. The remaining key amendments in the Draft Implementing Regulations (2020) and the Draft Patent Examination Guidelines (2021)

### 1.2.1. Provisions in respect of the Hague Agreement

A new Chapter 11 in the Draft Implementing Regulations (2020) and a new Part VI in the Draft Patent Examination Guidelines (2021) were introduced, setting out the procedures for international design application following the Geneva Act (1999) of the Hague Agreement. For the detailed proposals, please refer to **Part IV - The Hague Agreement** of this report.

### 1.2.2. Other important procedural changes

#### 1.2.2.1. *Extension on the scope of preliminary examination*

Although there is no substantive examination for design applications, it was proposed in Section 8.2, Chapter 3, Part I of the Draft Patent Examination Guidelines (2021) that the scope of preliminary examination be extended. The proposed change includes determining if Article 23.2 of the 4<sup>th</sup> Amendment, which provides that a design application should have significant difference compared with prior designs or a combination of features of a prior design, is obviously unsatisfied in a particular case. The proposal is not aimed at providing a thorough substantive examination on design applications in China, but to properly extend the scope of preliminary examination. It appears that except for obvious unsatisfaction of the requirement of being “significant difference”, CNIPA will likely leave the substantive validity issues to be addressed at post-registration stage, including through the mechanisms of evaluation report and patent invalidation petition. The proposal is arguably not applicable for the applications which have been examined before the Draft Patent Examination Guidelines (2021) is finalised.

It is still unclear how the new provision will operate in practice, because an obvious unsatisfaction of the “significant difference” test is to a certain extent subject to discretion of an examiner. However it would appear that applications for designs only with common features may be refused in the future. Further observation on the examination practice is needed in order to identify any risk the new provision entails (if it is finally passed), but it is anticipated that the extension of preliminary examination scope is conducive to increasing the quality of design applications and saving the invalidation cost, because a number of

applications which obviously do not meet the protection requirements may be refused at early stage before registration.

### **1.2.2.2. Flexible deferred examination period**

Deferred examination, which needs to be requested at the same time when the application is filed, is available for design applications under the current Patent Examination Guidelines. The deferred examination will also result in the deferred publication for designs.

Currently, there are only three options on the period of deferred examination: 1 year, 2 years or 3 years. The Draft Patent Examination Guidelines (2021) provide for a more flexible option, in which examination may be deferred for any number of months up to 36 months. The proposed change provides more flexibility to the right holders.

## **1.3. Understanding the 4<sup>th</sup> Amendment**

### **1.3.1. Q&A by CNIPA regarding the new Patent Law**

On the 27<sup>th</sup> of May 2021, CNIPA published the “Q&A regarding the Implementation of the Amended Patent Law”<sup>21</sup>, which further explained the following issues:

- i. Design applications filed on or before the 31<sup>st</sup> of May 2021 are protected for 10 years, in accordance with the non-retroactive principle stipulated in Article 93 of PRC Legislation Law.
- ii. Partial design protection was introduced in response to the needs of innovation, as it is increasingly more difficult for innovators to come up with a novel design of mature products. As such, CNIPA considers the partial design has gradually become an important form of design innovation.
- iii. CNIPA considers the introduction of domestic priority for design as providing an opportunity for the design applicants to further improve the application and clarify the scope of protection.
- iv. The availability for an alleged infringer to apply for an evaluation report provides the infringer an opportunity to have a more complete assessment of the infringement claim, which would in turn encourage reasonable steps to be taken. This would benefit the parties by providing reasonable expectations in relation to the validity of the design, promote dispute resolution and reduce enforcement costs.

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<sup>21</sup> Q&A regarding the Implementation of the Amended Patent Law [[http://www.gov.cn/zhengce/2021-05/27/content\\_5613195.htm](http://www.gov.cn/zhengce/2021-05/27/content_5613195.htm)]

- v. Abusive patent applications<sup>22</sup> contravene legislative purpose contained in Article 1 of PRC Patent Law (which is to encourage invention and creation, to promote the implementation of invention and creation, and to improve the innovation ability) and the good faith principle of the law (Article 7 of the PRC Civil Code). The incorporation of good faith principle in the 4<sup>th</sup> Amendment provides a definite and solid legal basis in regulating patent applications, which is conducive to improving patent quality.

### 1.3.2. Journal articles published on the relevant topics of 4th Amendment

Since the announcement of the 4<sup>th</sup> Amendment, there has been a number of journal articles commenting on or discussing it in China. A few of them have been selected and summarised below.

#### 1.3.2.1. *The NPC officers*

Mr Chen Yangyue and Mr Ma Zhengping (the Deputy Director and the Director of the Economic Law Office of the Legislative Affairs Committee of the Standing Committee of the NPC) published an article titled “Main Contents and Value Orientation of the Fourth Amendment of Patent Law”.<sup>23</sup>

Mr Chen and Mr Ma commented on three aspects to improve design protection regime in China:

- (i) The protection of partial design is in line with the needs of enterprises and international practices and it is conducive to Chinese enterprises’ application for design patents abroad, further exploration of the international market and improving international competitiveness.
- (ii) Extension of the protection period for design is for the accession of the Hague Agreement, and meeting the needs of enterprises to apply for design patents abroad. The extension of the protection period, on the one hand, will unlikely affect the majority of designs with short service life. According to the statistics cited by the authors, most of the designs are maintained for a short period of time (about 2 to 3 years), whilst only a few of them are maintained until the expiration of 10 years. On the other hand, extension of the protection period will encourage applications with a longer service life. This would in turn encourage design innovation.
- (iii) Domestic applicants would be in a disadvantageous position if they cannot claim domestic priority in China, whilst applicants in foreign

<sup>22</sup> As defined in CNIPA’s Measures for Regulating Patent Application Activities. Please refer to **Part II - Bad Faith Applications** of this report

<sup>23</sup> Pages 6-19, Issue 12, 2020, Intellectual Property, the 25<sup>th</sup> of December 2020. [<https://mp.weixin.qq.com/s/jEWqARc5MLGNRdNTARkc7w>]

jurisdictions may claim priority (the foreign priority) when they file design applications in China. Domestic priority reduces application costs, enables the applicant to improve his design and to adjust the scope of protection.

### 1.3.2.2. *The CNIPA examiners*

Ms Yang Hongju from Department of Treaty and Law of CNIPA published an article titled “Overview of the Fourth Amendment of Patent Law”<sup>24</sup>. She considered that the extension of design duration not only meets the various needs of innovators, but also the condition to join Hague Agreement. Partial design protection also improves the quality and protection level of design patents in China. The availability of the evaluation report to an alleged infringer will help the public better understand the stability of design patents and improve patent quality.

Mr Zhao Liang from CNIPA also commented in the article of “The Impact of the Introduction of the Partial Design and the Domestic Priority Systems”<sup>25</sup> from the perspective of patent examination:

- (iv) The introduction of partial design protection provides a more objective examination on the innovation itself to the exclusion of the interference of other features of a product.
- (v) Domestic priority enables the applicants to take advantage of all types of patents to devise filing strategy. Domestic priority may also prevent a subsequent similar design from rejection due to a prior design of the same applicant. As the preliminary examination (formality examination) of a design application is relatively short, domestic priority may also be used to overcome an unratifiable defect or certain circumstances of the deemed withdrawal of application. Domestic priority may potentially provide an additional six-month protection period to the product protected as a design.

### 1.3.2.3. *Judges*

The Chinese Judges will usually pay more attention on the enforcement perspectives. For example, Judge Song Jian from Jiangsu High Court responded to the journalist of China Intellectual Property Newspaper<sup>26</sup> that:

<sup>24</sup> Issue 4, 2020, Patent Agent, the 15<sup>th</sup> of November 2020. [<https://mp.weixin.qq.com/s/YQniPvzLRvxh9HxWswy9LQ>]

<sup>25</sup> Issue 162, China Intellectual Property. [<http://www.chinaipmagazine.com/journal-show.asp?id=3565>]

<sup>26</sup> How do experts view the new punitive damages system in Patent Law? China Intellectual Property Newspaper, the 9<sup>th</sup> of November 2020. [[http://www.ipchn.com/cipnews/news\\_content.aspx?newsId=125727](http://www.ipchn.com/cipnews/news_content.aspx?newsId=125727)]



- (i) Punitive damages effectively increase the infringement costs and render the infringement unprofitable.
- (ii) Punitive damages may also offer better compensation to the patentee's losses.
- (iii) The substantial increase in the upper and lower limits of statutory damages offers a better monetary compensation to the patentee and helps to curb infringement. She expected that the compensation awarded against serious infringement cases would be substantially increased in practice.

Judge Cai Wei from Fujian High Court responded to the journalist<sup>27</sup> that the extension of the protection period for registered design would better protect and encourage innovations. The introduction of partial design protection would also provide a stronger legal basis for the Courts and administrative departments to better deal with the infringement of partial designs. It is hoped that this would curb infringement and create a good environment for market innovation in China.

#### **1.3.2.4. Professors**

Professor Feng Xiaoqing from China University of Political Science and Law commented<sup>28</sup> that in order to fully protect and improve design innovation, it is necessary for China to join the international convention, namely the Hague Agreement.

He viewed that the extension of the protection period for registered design is a welcoming sign. The design patent system before the 4<sup>th</sup> Amendment, under which partial design was not eligible for protection, limited the protection scope of design patent and increased the procedural burden of the applicants. Guided by the national policy of vigorously improving the protection of intellectual property, the time has come for China to recognise and protect partial design.

Professor Xu Chunming (Dean of Intellectual Property Colleague of Shanghai University) responded to the journalist of China Intellectual Property Newspaper<sup>29</sup> that:

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<sup>27</sup> Design protection embarks on a new journey. China Intellectual Property Newspaper, the 1<sup>st</sup> of December 2020. [[http://www.iprchn.com/cipnews/news\\_content.aspx?newsId=126191](http://www.iprchn.com/cipnews/news_content.aspx?newsId=126191)]

<sup>28</sup> It is the right time to introduce the partial design patent system. China Intellectual Property Newspaper, the 25<sup>th</sup> of November 2020. [[http://www.iprchn.com/cipnews/news\\_content.aspx?newsId=126072](http://www.iprchn.com/cipnews/news_content.aspx?newsId=126072)]

<sup>29</sup> Design protection embarks on a new journey. China Intellectual Property Newspaper, the 1<sup>st</sup> of December 2020. [[http://www.iprchn.com/cipnews/news\\_content.aspx?newsId=126191](http://www.iprchn.com/cipnews/news_content.aspx?newsId=126191)]

- (i) The Hague system should meet the needs of enterprises for simple and fast multilateral registration procedures for design, and greatly reduce the cost of Chinese enterprises participating in international competition.
- (ii) But he further viewed that changing the protection period was not easy as interests of the patentees and interests of the public must be carefully balanced. The change of protection period is usually prompted by the need to join international treaties.
- (iii) For the protection of partial design, Professor Xu considered that, amongst other advantages, it can facilitate the GUI to be protected as partial design. The law has kept pace with the development of GUI.

#### **1.3.2.5. The WIPO officer**

On the 7<sup>th</sup> of May 2021, Mr Lv Guoliang (Consultant of WIPO Office in China) published an article titled “Hague Agreement and Protection of Design Innovation”.<sup>30</sup> Mr Lv considered that the extension of design protection period removed the only legal obstacle for China's accession to the Hague Agreement. Mr Lv commented that the Hague Agreement enables residents and enterprises of a contracting party to obtain industrial design protection in all contracting parties at a lower cost and less formalities. He also mentioned that even though China has not yet joined the Hague Agreement, a number of Chinese enterprises, such as Xiaomi, have already benefited from the Hague system. Mr Lv considered China's accession necessary and timely.

## **1.4. Impact on EU and Chinese design right holders**

### **1.4.1. Statistics after implementation of the 4<sup>th</sup> Amendment**

As announced by CNIPA in the Transition Measures on 4<sup>th</sup> Amendment, the new provisions regarding the patent application for partial designs, claiming domestic priority for designs, extension of design duration period, alleged infringer's request for evaluation report, and patent examination on good faith principle have all been in force since the 1<sup>st</sup> of June 2021. The findings on their implementation from public sources are shown below. As the relevant statistical data is still lacking, the direct implications of the 4<sup>th</sup> Amendment in practice are yet to be identified.

#### **1.4.1.1. Partial design application**

A significant number of design applications filed after the 1<sup>st</sup> of June 2021 has been published and granted. For instance, as at the 20<sup>th</sup> of October 2021, a search against the application date “1 June 2021” in CNIPA database resulted in 2463

<sup>30</sup> Hague Agreement and Protection of Design Innovation. China Intellectual Property, the 7<sup>th</sup> of May 2021. [<http://www.chinaipmagazine.com/news-show.asp?25357.html>]

entries of published/granted design patents, in which the earliest one was a regular design granted on the 25<sup>th</sup> of June 2021.

On the 26<sup>th</sup> of May 2021, CNIPA issued the “Notice on Publishing Forms Related to Patent Law Amendment”<sup>31</sup>, which has been applicable since the 1<sup>st</sup> of June 2021. In the latest Design Patent Application Form, an applicant is entitled to request protection of partial design as an option.

However, as at the 20<sup>th</sup> of October 2021, a search against the key word “partial” in the brief description in CNIPA database showed that none of the results appeared to be directed to a partial design application. Therefore, as mentioned by CNIPA in the Transition Measures on 4<sup>th</sup> Amendment, the partial design applications will only be reviewed after the finalisation of the Draft Implementation Regulations (2020).

#### **1.4.1.2. Domestic priority for design**

Similar to the situation of partial design applications, although domestic priority for design has been available since the 20<sup>th</sup> of October 2021, a search against design applications with the priority document number “CN” (i.e. a design application claiming the priority of a Chinese patent application) in CNIPA database did not reveal any example of domestic priority for design. It may be due to the fact that as the Draft Implementing Regulations (2020) and the Draft Patent Examination Guidelines (2021) have not been finalised, the design applications that have claimed domestic priority may have yet to be published.

#### **1.4.1.3. Extension of design duration**

For all the design application filed on or after the 1<sup>st</sup> of June 2021, their patent certificates have clearly recorded that the patent right duration is 15 years, calculated from the application date. The 15-year duration is subject to payment of annuities.

#### **1.4.1.4. Evaluation report**

In the latest Patent Right Evaluation Report Application Form<sup>32</sup>, an alleged infringer can be the applicant for an evaluation report, but the applicant is required to provide proof, such as a case filing notice issued by a Court, patent office or an arbitration commission which is handling the infringement dispute. It is worth noting that an eligible applicant has to be a patent proprietor or an interested party or an alleged infringer.

<sup>31</sup> Notice on Publishing Forms Related to Patent Law Amendment.  
[\[https://www.cnipa.gov.cn/art/2021/5/26/art\\_75\\_159646.html\]](https://www.cnipa.gov.cn/art/2021/5/26/art_75_159646.html)

<sup>32</sup> Notice on Publishing Forms Related to Patent Law Amendment.  
[\[https://www.cnipa.gov.cn/art/2021/5/26/art\\_75\\_159646.html\]](https://www.cnipa.gov.cn/art/2021/5/26/art_75_159646.html)

### 1.4.1.5. Good faith principle

The Chinese authorities and the Courts have set to examine the patent applications and tackle the bad faith litigations as per the good faith principle in Article 20 of the 4<sup>th</sup> Amendment. For the relevant statistics on bad faith applications and abusive applications, please refer to **Part II - Bad Faith Applications** of this report.

### 1.4.2. Post-4<sup>th</sup> Amendment case law

As the 4<sup>th</sup> Amendment only became effective on the 1<sup>st</sup> of June 2021, for the time being there is no significant post-4<sup>th</sup> amendment case tried under the new law. Nevertheless, as Article 1185 of PRC Civil Code<sup>33</sup> has introduced the punitive damages mechanism since the 1<sup>st</sup> of January 2021 (a mechanism that is applicable to wilful and serious infringements of all types of intellectual property in China), the exercise to award punitive damages for design infringement has been discussed by several Courts in China, including against the infringement occurred before the 1<sup>st</sup> of January 2021. For instance, in *Shimano (Singapore) v Ningbo Saiguan and Ningbo Yousheng*<sup>34</sup>, Shanghai High Court handed down the second instance judgment on the 8<sup>th</sup> of April 2021 and held that, on the particular facts of the case, punitive damages were applicable pursuant to Article 1185 of PRC Civil Code and Article 3 of Supreme Court's Several Provisions on the Time Effect of the Application of PRC Civil Code<sup>35</sup>. The Court upheld the RMB 1 million damages awarded in the first instance. If this case should happen after the 1<sup>st</sup> of June 2021, the Court may directly rely on the punitive damages provision under Article 71 of the 4<sup>th</sup> Amendment.

### 1.4.3. Practical advice

In the light of the 4<sup>th</sup> Amendment, EU design proprietors may consider the option of filing for a partial design as a routine design filing strategy in China. The domestic priority for design application is available now, but EU applicants should bear in mind that domestic priority cannot apply to the second Chinese application where the first Chinese application claimed a foreign priority. Thus, it seems that the domestic priority mechanism will benefit the Chinese design right holders more than EU right holders, because the Chinese design right holders will normally file application in China first and accordingly may be entitled to claim domestic priority.

<sup>33</sup> PRC Civil Code.

[<http://www.npc.gov.cn/npc/c30834/202006/75ba6483b8344591abd07917e1d25cc8.shtml>]

<sup>34</sup> (2020) HU MIN ZHONG No. 555.

<sup>35</sup> Article 3 of Supreme Court's Several Provisions on the Time Effect of the Application of PRC Civil Code: For cases of civil disputes arising from legal facts before the Civil Code comes into force, if the then-current laws and judicial interpretations have no relevant provisions, while the Civil Code has the relevant provisions, the Civil Code may apply, unless the application of the Civil Code obviously prejudices the legitimate rights and interests of the parties concerned, increases the legal obligations of the parties concerned or deviates from the reasonable expectations of the parties concerned.

[<http://www.court.gov.cn/fabu-xiangqing-282051.html>]

In addition, the level of design protection in China has been advanced from the enforcement perspective by extending the limitation period (the statutory period within which an infringement action must be brought) and increasing the damages which can be awarded, in particular, the punitive damages system is also available. Therefore, China can be a preferable jurisdiction for EU design right holders to take action to enforce its legitimate rights and entrench its market.

## 1.5. Major remaining differences after 4th Amendment between Chinese Patent Law and the practices within the EU and the suggested alignment with the EU practices

### 1.5.1. Definition of design

The amended definition of design in Article 2 of PRC Patent Law<sup>36</sup> is now in line with major jurisdictions (including the European Union, Germany, France, Spain and Italy) in respect of protection of partial designs. However, it is worth noting that, on the European Union level, the CDR<sup>37</sup> does not have the same requirement of being “rich in aesthetic appeal” as applicable to Chinese designs under Article 2 of PRC Patent Law.

With respect to “rich in aesthetic appeal”, Section 7.3, Chapter 3, Part I of the current Patent Examination Guidelines provides that when judging whether the subject matter is patentable, the visual impression of the appearance of the product shall be taken into consideration, but not the function or technical effect of the product. There is however no further guidance or case law on the interpretation of this terminology in China.

The Supreme Court commented in *CNIPA v Zhang Di*<sup>38</sup> that the design of invisible part of electronic device was not patentable because it lacks aesthetic appeal. There was a proposal in the industry that the Patent Examination Guidelines need to provide some examples of what could not comply with the criterion of “rich in aesthetic appeal”<sup>39</sup>. Similar observation is required on whether the lack of specific interpretation on the requirement for “rich in aesthetic appeal” may impact the protection of designs in China. Some of the EU stakeholders have concerns about this requirement, because it may influence the filing strategy in China of partial designs. Although the requirement for “rich in aesthetic appeal” has existed for decades in

<sup>36</sup> Article 2 of PRC Patent Law: Designs mean, with respect to the overall or part of a product, new designs of the shape, pattern or the combination thereof, or the combination of the colour with shape and pattern, which are rich in an aesthetic appeal and are fit for industrial application.

<sup>37</sup> Article 3 (a) of CDR: “design” means the appearance of the whole or a part of a product resulting from the features of, in particular, the lines, contours, colours, shape, texture and/or materials of the product itself and/or its ornamentation;...

<sup>38</sup> (2012) Xing Ti Zi No. 14.

<sup>39</sup> Discussion of “Aesthetic Appeal” in Design Patent Application and Granting, Gao Yue, Design Examination Department of CNIPA, Issue 11, 2013, China Patent and Invention.

China, further clarifying it, especially in relation to partial design protection, could be beneficial.

### 1.5.2. Design duration

Upon the introduction of the 4<sup>th</sup> Amendment, a registered design patent in China is valid up to 15 years from the date of filing, while in EU, a registered community design is valid for 5 years from the date of filing, with possible renewals every 5 years for up to 25 years, as per Article 12 of CDR. As the extension of the duration for design protection in the 4<sup>th</sup> Amendment has met the lowest requirements of Hague Agreement, it is unlikely that China may further extend it in the near future.

### 1.5.3. Grace period

Pursuant to Article 24 of PRC Patent Law, a design application will not lose its novelty if it is filed with CNIPA within six months under four prescribed circumstances: (i) during a national emergency/extraordinary situation for the public interest; (ii) exhibited at an international exhibition held or recognised by China government; (iii) at a prescribed academic or technological conference; and (iv) by other person without authorisation. The circumstance under which an application is filed during a national emergency/extraordinary situation for the public interest is newly introduced under the 4<sup>th</sup> Amendment.

Article 24 of PRC Patent Law foresees immunity against the loss of novelty of a design if an event occurred within a period of 6 months preceding the date of filing. These events can be assimilated in part to the notion of “exhibition priority” (Art. 44 CDR, 6 months) and in part to the notion of ‘grace period’ (Art. 7(2) and (3) CDR, 12 months).

The 6-month gap between the EU and China provisions on the ‘grace period’ may lead to certain design subject matters (which enjoy grace period in EU) not being granted in China.

In order to mitigate the effect of lack of unregistered design protection in China, the extension of the grace period to twelve months without limitation to the specific circumstances set out in Article 24 of PRC Patent Law could also be considered. In practice, it would allow for the application and registration of any design patent filed within twelve months of the initial disclosure of the design, irrespective of whether it is disclosed by the proprietor or others in violation of the proprietor’s rights.

### 1.5.4. Limitation period

The limitation period to raise the claim for patent infringement in China is 3 years, while the limitation period varies among EU member states which may be longer than 3 years. Nevertheless, as the 3-year limitation period for patent infringement in China is subject to the general position in PRC Civil Code, it would unlikely be further extended in the legislation in the near future. Therefore, EU design holders should be

aware of the 3-year limitation period in China, and take infringement actions in China within the statutory time limit.

#### 1.5.5. Multiple designs application

Article 37.1 of CDR provides that several designs may be combined in one multiple application for registered Community designs, but generally the designs need to be in the same class. However, pursuant to the unity requirement provided in Article 31 of PRC Patent Law, a single design application shall only contain one design subject matter, with the exceptions of (i) the similar designs of one product, or (ii) designs for products of the same class and sold/used in sets. Article 35 of Implementing Regulations of PRC Patent Law further imposes that exception (i) mentioned above is up to ten similar designs in one application, and clarifies that the “same class” stipulated in exception (ii) refers to the main class (i.e. Classes 1-32) and the designs are customarily sold or used at the same time and of the same design concept. The difference between EU and China often results in EU applicants being required to amend the application in China or file divisional applications in order to overcome the unity issue.

To better align with the international practice, the possibility of allowing more flexible forms of filing for multiple designs to be included in a single application, even if they do not look similar or do not relate to products in a set, should be considered.

#### 1.5.6. Rights conferred by a registered design

According to Article 19(1) of the CDR, a registered community design confers on its holder the exclusive right to use, which covers making, offering, putting on the market, importing, exporting, or using of a design product. However, in China, infringing acts only expressly include the acts of making, offering for sale, selling and importing as set out in Article 11 of PRC Patent Law.<sup>40</sup> It appears that not including the “use” for the design infringement is a balance of public interest in China and the protection against “make” and “sell”, etc. was considered sufficient for designs.

Therefore, the mere use of a product made and sold by third parties illegally reproducing a registered design patented design, without a licence, cannot be sued for direct infringement in China. This may be different from EU member jurisdictions, and design patentee should focus on the behaviours of manufacture, offering for sale (such as advertising), sale and importation during the investigation for the purpose of preparing and bringing infringement proceedings.

Article 11 of PRC Patent Law is drafted in a way that prohibits third parties from using the registered design without the proprietor’s consent.

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<sup>40</sup> Article 11 of PRC Patent Law: After a patent right for a design is granted, no entity or individual may, without the permission of the patentee, exploit the patent, namely, for production or business purposes, to manufacture, offer for sale, sell, or import any product containing the patented design.



## 2. Bad Faith Applications

### 2.1. Definition of bad faith applications/abusive applications

The 4<sup>th</sup> Amendment has introduced a new Article 20<sup>41</sup>, which provides that the application of a patent and exercising of patent rights shall abide by the principle of good faith; and patents should not be abused to harm public interests or lawful rights and interests of others. Article 20 of the 4<sup>th</sup> Amendment also provides that any abuse of patent rights, which excludes or restricts competition, shall be dealt with under the PRC Anti-trust Law.

Article 20 therefore lays down a principle of good faith for patent applications and the exercise of patent rights in order to curb abusive applications and tighten regulation on the patent application process. Article 20 establishes the basic principle against bad faith applications/abusive applications.

In China, abusive applications encompass a variety of situations concerning design applications, one of which is bad faith application, where for example, a design application is made by someone other than the genuine owner of the relevant design.

Under Article 2 of CNIPA's Measures for Regulating Patent Application Activities (the "**Measures for Regulating Application**")<sup>42</sup> issued and effective on the 11<sup>th</sup> of March 2021, abusive patent applications are defined as patent applications or assignments not for the purpose of protecting innovations, or those lacking the basis of real innovation and creation activities, but seeking illegitimate interests or fabricating innovation performance and service performance. Various acts that may fall within the scope of abusive patent applications are further set out in Article 2. Measures for Regulating Application is binding on CNIPA and CNIPA would use it as guidelines to tackle abusive applications. As stated in Article 3 of the Measures of Regulating Application, an applicant may be requested to withdraw the abusive application as identified by CNIPA during the acceptance, preliminary examination, re-examination or international procedures. With respect to design, these include, amongst others:

- (1) Multiple applications on the identical designs, or such multiple applications formed by a simple combination and variation of different design characteristics or elements, which are submitted simultaneously or successively.
- (2) The prior designs are plagiarised, simply substituted or pieced together.

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<sup>41</sup> Article 20 of the 4<sup>th</sup> Amendment: *"The patent application and exercise of patent right shall abide by the good faith principle. The abuse of patent right shall be prohibited from harming public interest or others' lawful rights and interests.*

*Any abuse of patent right, which excludes or restricts competition and constitutes trust shall be handled in accordance with the Anti-trust Law of the People's Republic of China."*

<sup>42</sup> CNIPA's Notice on the Circulation of Measures for Regulating Patent Application Activities [[http://www.gov.cn/zhengce/zhengceku/2021-03/13/content\\_5592724.htm](http://www.gov.cn/zhengce/zhengceku/2021-03/13/content_5592724.htm)]

- (3) The designs involved in multiple design patent applications are generated randomly by using computer programs or other technologies.
- (4) Design patent application rights or design patent rights are illegally traded not for a legitimate purpose, or the names of designers are illegitimately changed to others.
- (5) Other abusive patent applications that violate the principle of good faith.

## 2.2. Reasons for abusive applications

The number of applications for designs in China is significant. In the year of 2020, CNIPA received 770,362 design applications, corresponding to 55.5% of the world total.<sup>43</sup> Not only because the monopoly granted by a registered design provides a significant incentive for innovators to capitalise on their design patent rights through commercial exploitation, but also because the applications are heavily influenced by the government policies. There are in principle two types of government policies at play: (i) different government patent subsidy schemes in different provinces and municipalities; and (ii) patent target.

Subsidy schemes and patent targets are first put in place by China as part of its efforts to promote indigenous innovation and technological development to transform its economy from “made in-China” to “invented/designed in China”. However, these government policies have also inevitably encouraged the booming abusive patent application activities. In addition, the problem of design hijacking may also lead to the excessive number of applications.

### 2.2.1. Subsidy schemes

Patent subsidy schemes, including subsidies for design patent applications, come in a variety of forms in China, which might be applicable for design granted in China or abroad, subject to the individual requirements of a particular subsidy scheme in question.

Under some schemes, a fixed amount of monetary reimbursement for patent applications would be provided to the applicants regardless of the actual costs incurred or whether the applications for registration are eventually granted. This has sometimes created serious problems because these subsidy schemes were being exploited not for the purpose of innovation but as ways to make profits.

Some schemes subsidise patent filings based on applicants’ actual out-of-pocket spending, but usually with a cap. The potential problem is that the standards of the applications filed may be compromised because of the lack of funding in some cases. It is also possible that these schemes are being exploited in some cases for making profits through filing of bogus applications.

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<sup>43</sup> World Intellectual Property Indicators Report: Worldwide Trademark Filing Soars in 2020 Despite Global Pandemic [[https://www.wipo.int/pressroom/en/articles/2021/article\\_0011.html](https://www.wipo.int/pressroom/en/articles/2021/article_0011.html)]

There are some other schemes that would compensate the applicants with a portion of the application fee and a prize would further be awarded if the patent applications are granted. Whilst the amount of the monetary compensation may be slightly less than or equal to the application fees for design, patent applicants/holders might be granted further funding for patent annuities and patent agent's fee. When added up, the total amount of the funding might exceed the fees the applicants incurred on the applications.

All 31 provinces/municipalities in China had their own patent subsidy scheme which was affirmed by the 195 reported subsidy measures in China.<sup>44</sup> When patent filing comes with monetary subsidies, patent applications can easily be driven by cash and financial reward incentives rather than the intention to protect genuine innovation. Over the years this had fueled abusive patent application activities in China.

In 2017, the Shanghai government put in place a maximum annual subsidy for each applicant for international patent filings at RMB 1 million, and the subsidy up to RMB 3,000 for each international design patent. The subsidy for each domestic patent was at 60% of the actual fees paid for the application.<sup>45</sup> The Beijing government has adopted a similar subsidy incentive scheme in 2019. According to the measures effective in 2019, an applicant was entitled to as much as RMB 2 million annual cap for filing and maintaining patents in greater China (including invention patents and designs in China and standard/invention patents in Hong Kong, Macau and Taiwan), in which the subsidy of RMB 150 for each domestic design patent is provided.<sup>46</sup> The problem for most patent subsidies was that the design quality did not play a role for the purpose of obtaining the subsidy. Nevertheless, the forementioned Shanghai and Beijing patent subsidy schemes have been changed in 2018<sup>47</sup> and 2021<sup>48</sup> respectively, which removed the main subsidies for design patents.

### 2.2.2. Patent targets

In addition to various subsidy schemes, Chinese government also put in place a numerical patent filing targets for state owned enterprises, universities, public research institutions, and government officials. These patent filing targets serve as one of the benchmarks for performance assessment, growth rate evaluation indicators

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<sup>44</sup> Summary of Patent Subsidy Policies of Various Provinces and Cities in China, IPRlearn, 10 April 2018. [<https://mp.weixin.qq.com/s/lc5bzHXyhKHGN-2bzHwI7g>]

<sup>45</sup> Notice on Printing and Distributing the Measures of Shanghai Municipality for Patent Subsidy, 27 May 2017. [<http://sipa.sh.gov.cn/xgkml/20191130/0005-23844.html>]

<sup>46</sup> Notice of Beijing Municipal Intellectual Property Office on Printing and Distributing the Administrative Measures of Beijing Municipality on Intellectual Property Subsidies (Trial) [[http://www.gov.cn/xinwen/2019-12/17/content\\_5461886.htm](http://www.gov.cn/xinwen/2019-12/17/content_5461886.htm)]

<sup>47</sup> Measures of Shanghai Municipality for Patent Subsidy [[http://service.shanghai.gov.cn/XingZhengWenDangKujyh/XZGFDetails.aspx?docid=REPORT\\_NDOC\\_004574](http://service.shanghai.gov.cn/XingZhengWenDangKujyh/XZGFDetails.aspx?docid=REPORT_NDOC_004574)]

<sup>48</sup> Administrative Measures of Beijing Municipality on Intellectual Property Subsidies [[http://zscqj.beijing.gov.cn/art/2021/4/20/art\\_5968\\_14188.html](http://zscqj.beijing.gov.cn/art/2021/4/20/art_5968_14188.html)]

and form the main basis for individual, departmental, local and regional work evaluation.

Reaching such patent targets serve as an entry ticket for cities to apply for national intellectual property operation projects. This would also mean an opportunity to be branded as a model city by the CNIPA. Such titles and opportunities are important to any city in China as it is a vital component in determining how its strategic resources may be allocated. It also increases the overall competitiveness of the city.

This policy might potentially encourage blind pursuance of patent applications by cities and municipals as a tool to boost quantitative indicators, ignoring the quality of the patent, thus fuels abusive patent application activities.

### 2.2.3. Design hijacking

Similar to the problem of trademark squatting, design hijacking is problematic where an applicant applies for a design in bad faith in order to squat on others' legitimate interests. Such design right obtained by squatting may be vulnerable to invalidation based on the genuine owner's prior rights, but it does not completely stop squatters from applying for registration in the first place, mainly due to the lack of substantive examination in China.

There are multiple reasons for design hijacking. For instance, selling the hijacked design to the genuine owners is seen by some hijackers as a way to make profit through. Some other hijackers may even initiate malicious litigations relying on the hijacked design as a way to force monetary settlement. Design hijacking is not a unique problem in China. There is, however, no criminal liability dedicated to punishing such acts in China, because China appears to be reluctant to impose criminal sanction on patent infringement and any amendment to introduce criminal liability in China must be based on the amendment of PRC Criminal Law, which needs to be more prudent than amendment of other legislation.

## 2.3. Case study on abusive applications

### 2.3.1. Statistics

In a news article issued on the 9<sup>th</sup> of April 2021, it was stated that in Jiangsu Province 10,495 applicants and 309 agencies had filed abusive applications, as declared by the local patent offices, although it did not indicate the period during which the number was generated. The article also reported similar problem in other provinces. For example, it was stated that there were as many as 12,601 abusive applications from 2,246 applicants and 113 agencies in Sichuan Province; and there were 3,469 abusive applications from 946 applicants and 101 agencies in Jiangxi Province.<sup>49</sup> According to the article, in 2018 the CNIPA has issued 18 penal notices to patent agencies once,

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<sup>49</sup> Rectification storm strikes abusive patent application behaviours, and abusive patent applications in many places were withdrawn centrally and actively. [[http://www.legaldaily.com.cn/index/content/2021-04/09/content\\_8476525.htm](http://www.legaldaily.com.cn/index/content/2021-04/09/content_8476525.htm)]

punishing abusive applications. The local patent offices identified the abusive applications by checking the patent applications on their own initiatives or based on the complaints made by the third parties. On the 10<sup>th</sup> of December 2021, the CNIPA reported that it had tackled 815,000 abusive patent applications in the year of 2021.<sup>50</sup>

### 2.3.2. Malicious litigation (consideration of design hijacking under the previous law and the 4<sup>th</sup> Amendment)

*Tencent v Tan Fa Wen*<sup>51</sup> is a bad faith design application case in which Tan Fa Wen applied for and was granted a design patent based on Tencent's famous copyrighted penguin image. There were two instances of Court cases with the first instance held at Shenzhen Intermediate Court and second instance at Guangdong High Court. It was held in the final judgement that Tan must pay damages and reasonable costs of RMB 500,000 to Tencent, as well as the court fees of RMB 228,000. The history of the dispute between Tencent and Tan is summarised below.

#### 2.3.2.1. Tencent's copyright and trademark suit

On the 7<sup>th</sup> of December 2002, Tencent obtained a trademark registration of its now-famous penguin, "QQ Penguin". On the 23<sup>rd</sup> of December 2008, Tan filed and was granted a design patent for "Loudspeaker box (Xzeit mini penguin type)", the design of which was highly similar to Tencent's famous penguin.

When Tencent realised Ourway Technology was selling loudspeaker boxes with the QQ Penguin image, Tencent sued Tan and Ourway Technology before the Shenzhen Futian District Court for copyright and trademark infringement. The parties settled on the terms that Tan would pay damages of RMB 25,000, stop selling the infringing products, and withdraw the registered design in one month. However, Tan did not abandon its registered design and continued paying the annuities.

#### 2.3.2.2. Tan's design patent infringement suit

On the 25<sup>th</sup> of February 2016, Tan sued Tencent and its business partner at Shenzhen Immediate Court for infringement of his registered design and sought damages of RMB 900,000. In response, Tencent brought invalidation proceedings before the CNIPA, relying on its prior copyright and trademark. The registered design was invalidated and Tan's infringement suit was also dismissed.

#### 2.3.2.3. Tencent's suit against malicious litigation

In March 2017, Tencent further sued Tan for malicious IP lawsuit, on the basis that Tan insisted on bringing the infringement lawsuit against Tencent with full

<sup>50</sup> The CNIPA held the regular press conference in the fourth quarter. [[https://www.cnipa.gov.cn/art/2021/12/10/art\\_53\\_172067.html](https://www.cnipa.gov.cn/art/2021/12/10/art_53_172067.html)]

<sup>51</sup> (2017) YUE 03 MIN CHU No. 632 / (2019) YUE MIN ZHONG No. 407.

knowledge that his design did not meet the conditions for grant. Tencent sought damages of RMB 2 million, apology and elimination of the ill effect.

Tan was ordered by Shenzhen Immediate Court to pay damages and reasonable costs of RMB 500,000 and Court fees of RMB 225,000. Tencent's other claims were rejected. On dismissing Tan's appeal, Guangdong High Court upheld the first instance judgment. It was held by Guangdong High Court that Tan's initial lawsuit against Tencent for design infringement violated the good faith principle in Article 13 of the PRC Civil Procedure Law and amounted to malicious IP lawsuit, and Tan was ordered to bear civil liabilities under Article 6 of the PRC Torts Liabilities Law (which has since been replaced by PRC Civil Code on the 1<sup>st</sup> of January 2021) and Article 47 of the PRC Patent Law. This case was selected as one of top 10 cases in 2019.

#### 2.3.2.4. Comments

Under the new Article 20<sup>52</sup> of the 4<sup>th</sup> Amendment, Tan's act in using Tencent's penguin image of high popularity in his application for a design patent would very likely be regarded as bad faith application. This is because the application was unlikely to be made "based on real innovation and creation activities" as it was highly likely to be "plagiarised" which "violates the principle of good faith".

## 2.4. Tackling bad faith applications under the 4<sup>th</sup> Amendment

Chinese government has long realised an urgent need to curtail abusive patent applications, including abusive design patent applications. The introduction of Article 20 in the 4<sup>th</sup> Amendment, laying down a principle of good faith, is a significant attempt by the Chinese government to curb abusive patent applications and to tighten regulations on the patent application process.

### 2.4.1. Good faith principles

Little guidance has been given under Article 20 on what constitutes good faith, and what contravenes the principle of good faith, though non-exhaustive list of behaviours that constitute bad faith is set out in the Measures for Regulating Application. Court decisions and Supreme Court's interpretation on the application of good faith principle would be needed to further clarify the law.

Bad faith application aside, it is hoped that the instances of abusive applications would be adequately addressed and dealt with under the new Article 20 of the 4<sup>th</sup> Amendment. There is no judicial guidance on how Article 20 operates. But Article 43(1) of the Draft Implementing Regulations (2020) provides that: "*Circumstances not in conformity with Article 20(1) of the Chinese Patent Law includes fabrication, falsification, plagiarism, designs that are pieced together or other obvious improper acts.*" The listed obvious improper acts are in line with the list of abusive patent

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<sup>52</sup> Article 20 of 4<sup>th</sup> Amendment: The patent application and exercise of patent right shall abide by the good faith principle. The abuse of patent right shall be prohibited from harming public interest or others' lawful rights and interests.



activities provided under Article 2 of the Measures for Regulating Application. It should be noted that, Article 20 of the 4<sup>th</sup> Amendment is the primary legislation in respect of good faith principle, while the Draft Implementing Regulating (2020) and the Measures for Regulating Application seek to set out the non-exhaustive list of circumstances where good faith principle may be considered to be violated. Articles 44 and 65 of the Draft Implementing Regulations (2020) were further amended to include violation of the principle of good faith as a ground for the refusal at the preliminary examination of design applications and as an additional reason for invalidation respectively. The Draft Implementing Regulations (2020) does not provide further details and it needs to be seen how the provision may be applied by the CNIPA in practice. But where the genuine owner of a design which is registered by a third party in bad faith may be able to invalidate the registration by relying upon the “bad faith ground” if he can prove earlier right, as in the case of *Tencent v Tan Fa Wen* mentioned above. These changes are mirrored in the Draft Patent Examination Guidelines (2021) where compliance with Article 20 is listed as one of the elements under the scope of examination of invalidation petition under Section 4.1, Chapter 3, Part IV, and listed as one of the applications of patent formalities under Section 6, Chapter 1, Part V. The fact that bad faith may be relied upon in China as a ground for invalidation may be contrasted with the EU law. Under Article 25 of the CDR, grounds for invalidating a Community design are exhaustively set out. An application for a declaration of invalidity based upon other grounds, for example not set out in Article 25, that the application was made by the registered owner in bad faith, will be rejected. This is illustrated in the leading case of *Grupo Promer Mon Graphic SA v OHIM* (T-9/07). It is worth noting that on the 3<sup>rd</sup> of June 2021 the Supreme Court has confirmed in the reply to Shanghai High Court’s request for instructions<sup>53</sup> that, in an intellectual property suit, if the defendant has proved the claimant’s abuse of right, the defendant may seek for the remedy of compensation on reasonable costs including attorney fees, transportation expense and board and lodging expense, etc. Alternatively, the defendant may claim damages for such costs in fresh proceedings.

#### 2.4.2. Ancillary regulations, measures and guidance notes

As part of the efforts to curb abusive applications and in line with the codified good faith principle, the CNIPA issued a ‘Notice of Further Strictly Regulating Patent Application Activities’ on the 27<sup>th</sup> of January 2021 (the “**Notice of Further Regulating Application**”)<sup>54</sup> “for the purposes of strictly implementing the requirements of high-quality development, further regulating patent activities, improving the quality of patent applications and eliminating irregular patent application activities not

<sup>53</sup> Reply of the Supreme People's Court on the Defendant's Claim for Compensation for Reasonable Expenses on the Ground of the Claimant's Abuse of Right in Intellectual Property Infringement Litigation. FA SHI [2021] No.11. [<http://www.court.gov.cn/zixun-xiangqing-307061.html>]

<sup>54</sup> Notice of Further Strictly Regulating Patent Application Activities [[http://www.gov.cn/zhengce/zhengceku/2021-01/27/content\\_5583088.htm](http://www.gov.cn/zhengce/zhengceku/2021-01/27/content_5583088.htm)]



intended for protecting innovation” and to “promote China’s transformation from the pursuit of quantity to the improvement of quality”.

Section 4 of Notice of Further Regulating Application, titled “Strengthening collaborative governance”, specifically targets the situations of subsidy schemes and patent targets:

- i. Regarding patent applications fuelled by subsidy schemes, the Notice of Further Regulating Application has clearly stipulated that all government subsidies for patent filing shall be cancelled by the end of June 2021<sup>55</sup>. Local governments shall further aim at ending all financial supports to patent filing and prosecution before the year of 2025. In the transition period, the governments shall not offer financial support to patent applications in any form such as funds, rewards, and subsidies. The existing subsidies should be limited to only compensating granted invention patents (including overseas patents) after a patent receives grant announcement. The total amount of a subsidy shall not be higher than 50% of the official fees paid for obtaining patents. Further, annuity fees and agent fees are not covered.
- ii. Addressing aggressive patent targets, the Notice of Further Regulating Application urges intellectual property authorities at all levels to resolutely “check and remove unrealistic growth rate evaluation indicators and avoid using number of patent application as the main basis for departmental work evaluation”. Local intellectual property authorities at all levels shall neither set restrictive evaluation indicators for the number of patent applications nor apportion indicators for the number of patent applications to local places, enterprises, and agencies by administrative orders, administrative guidance, or any other means. Local intellectual property authorities at all levels shall not attempt to outperform each other in the number of patent applications (including patent applications under the PCT). Penalty is also being put in place, including disqualification for applying for a national intellectual property operation project, disallowing application for model city or other title granted by the CNIPA.

In addition to CNIPA’s Measures for Regulating Application issued and effective on the 11<sup>th</sup> of March 2021, CNIPA further published the draft amendment on “Several Provisions Regarding the Regulation of Patent Application (2017)”<sup>56</sup> on the 6<sup>th</sup> of May 2021 for public consultation, which proposed to align the definition of abusive applications with CNIPA’s Measures for Regulating Application.

## 2.5. Alternative protections against bad faith application

### 2.5.1. Patent invalidation

<sup>55</sup> Section 4(2) of the Notice of Further Strictly Regulating Patent Application Activities

<sup>56</sup> CNIPA’s Notice on Public Consultation on the “Draft Amendments to Several Provisions Regarding the Regulation of Patent Applications (Draft for Comments)”  
[\[https://www.cnipa.gov.cn/art/2021/5/6/art\\_75\\_159129.html\]](https://www.cnipa.gov.cn/art/2021/5/6/art_75_159129.html)

As stated in Article 45 of the PRC Patent Law, “Where, as of the announcement of the granting of the patent by the patent administrative department of the State Council, any entity or individual considers that the granting of the said patent does not conform to the relevant provisions of this Law, it or he may request the patent administrative department of the State Council to invalidate the patent right.”

It is also specifically stated in Article 65 of the Draft Implementing Regulations (2020) that “the reasons for the request for invalidation refers to when the invention-creation on which the patent right is granted is not in conformity with...Article 20(1) of the Chinese Patent Law”. The Article therefore brings in the good faith principle in patent applications.

It is anticipated that the proposed Article 65 would become a common basis in invalidation proceedings against bad faith applications, amongst other grounds which were applicable for invalidation proceedings before the 4<sup>th</sup> Amendment, such as lack of significant difference with prior design and conflicting with prior rights as set out in Article 23.

### 2.5.2. Copyright

Bringing a copyright infringement action is also possible under certain circumstances, for example, where the claimant can show that there was copying. Whilst proof of copying depends on the circumstances of the individual cases, typical examples which may be helpful in showing to the Court that copying occurs in a particular case includes the presence of unique features of a design or unique combination of features in the infringing articles. It is also important to show that there are sketches of the design dated prior to the filing date of the design registered in bad faith.

Copyright does not grant a monopoly right. Where it is shown that the claimant and the defendant’s products, albeit highly similar, were independently created, there can be no copyright infringement.

### 2.5.3. Anti-unfair competition law

An action based on the PRC Anti-Unfair Competition Law may also be available against the use of a design registered in bad faith where it can be proved by the claimant that: (i) the look and feel of the claimant’s product has certain influence in the market; and (ii) the infringing product creates confusion amongst the relevant consumers.

Article 6 of the PRC Anti-Unfair Competition Law specifically prohibits any acts of confusion in misleading a person into believing that a commodity is offered as another person’s commodity or has a particular connection with another person, the prohibition includes an unauthorised use of a label identical or similar to the name, packaging or decoration of another person’s product where such product has certain influence in the relevant market.

The relevant provision focuses on prohibiting the unauthorised “use” of the subject matter that is designed in accordance with the design patent, which has been interpreted in the draft Judicial Interpretation on the PRC Anti-unfair Competition Law released by the Supreme People’s Court on the 19<sup>th</sup> of August 2021<sup>57</sup> (“**Draft Anti-unfair Competition JI**”) as the “use of influential marks on commodities, packaging, trading documents, for advertising, in exhibitions and other commercial activities for identifying the source of commodities”. In other words, the PRC Anti-Unfair Competition Law curbs bad faith design patent applications because the subsequent use of the design would potentially be prohibited by law.

However, any design patent holder who has not established any market presence in the relevant market in China may well find it difficult to protect his design through the PRC Anti-Unfair Competition Law due to the ‘certain influence’ threshold in place.

## 2.6. Practical advice related to bad faith applications under the 4<sup>th</sup> Amendment

Design owners should bear in mind the good faith principle stipulated in Article 20 of the 4<sup>th</sup> Amendment when applying for a design patent or enforcing the patent right in China (and we would add, in other jurisdictions as well). In particular, the design owners should review their behaviours in accordance with the provisions on the forbidden circumstances set out in the Implementing Regulations of PRC Patent Law (if it is implemented to supplement the details under Article 20 of the 4<sup>th</sup> Amendment) and the Measures for Regulating Application, etc., in order to avoid its applications being determined as abusive applications or contravene the good faith principle.

If they assume that allegedly infringed designs have been registered in bad faith in China, the design owners may consider relying on Article 20 of the 4<sup>th</sup> Amendment or other applicable provisions to invalidate the hijackers’ design patents. Where the genuine design owners are sued by a party who registered the design in bad faith, they may also consider Article 20 of the 4<sup>th</sup> Amendment as a defence during the proceedings, and/or counterclaiming for damages.

The genuine design owners may also rely on other causes of action, such as copyright or anti-unfair competition, etc to enforce its rights.

## 2.7. Proposals to the Chinese Government

### 2.7.1. Differences between Chinese Patent Law and the international (the Hague system) and EU practices

Article 20 of the 4<sup>th</sup> Amendment introduces the principle of good faith in respect of the application and enforcement of design rights in China. The enactment of Article 20 is in response to the prevailing abusive applications in China.

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<sup>57</sup> Interpretation of the Supreme People’s Court on Several Issues Concerning the Application of PRC Anti-Unfair Competition Law (Draft for Comments) [<http://www.court.gov.cn/zixun-xiangqing-318231.html>]

In contrast, it does not seem necessary for some of the major EU jurisdictions to introduce the principle of good faith in design application and enforcement.

For example, in France, there is no similar provision in the French Intellectual Property Code (the “**French Code**”<sup>58</sup>) sanctioning abusive design application. Article L511-10 of the French Code also provides that a person who believes he has the right to a design may claim ownership of the same in Court if the design has been registered wrongfully (e.g. in fraud of the rights of a third party, in violation of a legal or contractual obligation). However, the same article stipulates that there is a statutory 5-year limitation period within which an action must be brought.

Whilst no similar provision can also be found in Spain under the Spanish Act of 20/2003 of 7 July, on Legal Protection of Industrial Designs (“**SDA**”<sup>59</sup>), bad faith application in Spain may be handled as an action based on lack of novelty in accordance with Articles 6, 13 and 65 of the SDA. Article 59 of the SDA also allows transfer of ownership, whereby the squatter would be obliged to transfer the property to the legitimate owner.

Also, in Italy, there is no specific provision that deals with bad faith design application and enforcement under the Italian Code of Industrial Property (the “**Italian Code**”<sup>60</sup>). However, where a registration is obtained by someone who is not entitled to register the design, the registration is void in accordance with Article 43 of the Italian Code, unless the author claims to become recognised as the legitimate holder.

In Germany, whilst the principle of good faith is expressed in some laws, the German Act on the Legal Protection of Designs (the “**German Act**”<sup>61</sup>) does not expressly provide for the principle of good faith. Also, under Article 2, 3 and 18 of the German Act, an application made in bad faith will most likely be rejected due to the lack of novelty.

### 2.7.2. Suggested measures to better align with the international and EU practices

The language of Article 20 of the 4<sup>th</sup> Amendment may be seen to be too widely drafted, but the Draft Implementing Regulations (2020) and the Measures for Regulating Application have each listed out the circumstances which may be considered as bad faith under the Chinese law. Apart from taking administrative

<sup>58</sup> Code de la propriété intellectuelle (version consolidée au 1er janvier 2021) available at <https://wipolex.wipo.int/en/text/581981> accessed on 17/02/2022.

<sup>59</sup> Ley N° 20/2003, de 7 de julio, de Protección Jurídica del Diseño Industrial (modificada por la Ley N° 6/2018, de 3 julio) available at <https://wipolex.wipo.int/en/text/507431> accessed on 17/02/2022.

<sup>60</sup> Codice della proprietà industriale (decreto legislativo 10 febbraio 2005, n. 30, aggiornata con le modifiche introdotte dal decreto legislativo 19 maggio 2020, n. 34) available at <https://wipolex.wipo.int/en/text/569325> accessed on 17/02/2022

<sup>61</sup> Gesetz über den rechtlichen Schutz von Design (Designgesetz - DesignG, geändert durch das Gesetz vom 17. Juli 2017) available at <https://wipolex.wipo.int/en/text/461320> accessed on 17/02/2022

measures to stop abusive applications, it would be equally important to educate the public.

On one hand, China Government should keep curbing the abusive applications of bad faith to crack down such illegal behaviours. On the other side, it should take reasonable measures in practice to prevent the design applications with genuine purpose of protecting innovation and creation being mistakenly determined as an abusive application, which may also harm the interest of the design holders.

## 3. Graphical User Interface Protection

### 3.1. GUI protection in China before the 4<sup>th</sup> Amendment

Graphical User Interface (“GUI”) is a form of user interface that enables the users to interact with computers or electronic devices. With the advancement of technology, China’s rules of protection of GUI designs continue to evolve.

This part will first consider the status of protection of GUIs before the 4<sup>th</sup> Amendment, illustrated by important case law. This part will then go on to consider how the 4<sup>th</sup> Amendment will serve to better protect GUIs. The legislative gap in GUI protection between China and EU will be identified. This will be followed by some practical advice to applicants. Lastly, a short section on proposals to the Chinese government is included.

#### 3.1.1. CNIPA Order No. 68 opened up GUI design protection

Prior to 2014, it was considered that GUI could not be protected in China by way of a design patent application. In the original wording of the 2010 edition of the Patent Examination Guidelines<sup>62</sup>, it was stated in Section 7.2, Chapter 3 of Part I that the design of a product should be fixed and visible and should not be sporadic or require specific conditions to be seen (the “**Fixed Requirement**”). Also, in Section 7.4, GUI was specifically excluded from the ambit of design patent protection, as under Item (11) of Section 7.4, it was provided that the pattern shown after a product is electrified was not patentable.

GUI design protection in China was first introduced following the Decision of the CNIPA on Amending the Patent Examination Guidelines (No. 68) (“**CNIPA Order No. 68**”)<sup>63</sup>, which came into effect on the 1<sup>st</sup> of May 2014.

Pursuant to CNIPA Order No. 68, amongst others, (i) the Fixed Requirement was removed; and (ii) Item (11) of Section 7.4, Chapter 3 of Part I of the current Patent Examination Guidelines was amended to only exclude the patentability of game interfaces and graphics displayed on product display devices that are not related to

<sup>62</sup> The 2010 edition of the Patent Examination Guidelines has been then amended by several notices/orders of CNIPA.

<sup>63</sup> Decision of the CNIPA on Amending the Patent Examination Guidelines (No. 68) [[http://www.gov.cn/gongbao/content/2014/content\\_2684500.htm](http://www.gov.cn/gongbao/content/2014/content_2684500.htm)]

human-computer interaction nor to the realisation of product functions, such as electronic screen wallpaper, switchboard screens, and the graphic layout of website pages. CNIPA Order No. 68 therefore allowed products that display GUI to be protected by design.

It is crucial to note that, with reference to the newly incorporated Paragraph 4, Section 4.2, Chapter 3 of Part I in Order No. 68, in the case of a product design comprising a GUI, a view of the design relating to the whole product shall be submitted (“**Attachment Requirement**”). In other words, the patent applicant must file a joint application with the GUI being attached to a product. The Attachment Requirement has significantly limited the protection scope of a GUI, since it has to be protected together with a specific product. This is illustrated in the following case of *Qihoo v Jiangmin*.

### 3.1.2. *Qihoo v Jiangmin* (infringement case: (2016) JING 73 MIN CHU No.276 / (2018) JING MIN ZHONG No.167; invalidation case: (2018) JING 73 XING CHU No.3909)

The *Qihoo v Jiangmin* case was decided before the 4<sup>th</sup> Amendment. It is a significant case in China because it was the first GUI patent infringement case. The case revealed the limitations before the 4<sup>th</sup> Amendment on the protection of GUI.

#### 3.1.2.1. **Facts**

*Beijing Qihoo Technology Co., Ltd and Qizi Software (Beijing) Co., Ltd* (together “**Qihoo**”) have developed a GUI related to computer security optimisation. On the 5<sup>th</sup> of November 2014, Qihoo obtained a patent ZL201430329167.3, titled “Computer with graphical user interface” (“**ZL167**”). On the 3<sup>rd</sup> of May 2016, the Beijing IP Court took on the case in which Qihoo alleged that Beijing Jiangmin New Science & Technology Co., Ltd (“**Jiangmin**”) had committed primary infringement or contributory infringement of ZL167 owned by Qihoo. Qihoo sought injunction, damages and costs of RMB 5 million.

Jiangmin, a company that engaged in researching, developing and selling computer software and hardware, launched a new product called “Jiangmin Optimizing Expert”. Qihoo alleged that the new product utilised a GUI similar to the invention stated in ZL167, thereby committing a patent infringement.

ZL167 protects a computer with the shown GUI and the GUI formed part of the protected computer. According to Article 11 of the then PRC Patent Law, design patent holders have the right to prevent any person from manufacturing, offering for sale or selling a product which incorporates a patented design for commercial purposes without their consent.

Jiangmin argued that it had only used a similar GUI in its software provided to end users, and that the software did not come with a computer. This is because, as argued by Jiangmin, the GUI was only shown in the end users’ computers.

Jiangmin argued it might have adopted the patented GUI, but it had not engaged in manufacturing, offering to sell or selling of computers that incorporated the patented design. Jiangmin said it had not infringed the design patents.

### **3.1.2.2. Decision**

The Beijing IP Court ruled in favour of Jiangmin and held that the title of the patent - “Computer with GUI” made it clear that the patent scope was limited to computer products. Although the software which might have used the GUI design was provided to end users by Jiangmin, it was not a product in the same or similar category as a computer. Therefore, the activity complained of fell outside the scope of the design patent.

In relation to contributory infringement, the Court held that a contributory infringement was constituted only with the existence of a direct infringement by end users. As the end users could only download the software to their computers, they had not committed an act of manufacturing, selling, or offering for sale of computers with the relevant software. Absent a direct infringement by the end users, there could be no contributory infringement on the part of Jiangmin. On the 25<sup>th</sup> of December 2017, Qihoo’s claim was accordingly dismissed.

Shortly after being sued for infringement, Jiangmin filed a petition with CNIPA for invalidation of ZL167 on the 8<sup>th</sup> of August 2016, in which the patent was later declared invalid by CNIPA. Qihoo appealed against the invalidation decision to the Beijing IP Court. On the 25<sup>th</sup> of December 2019, the Beijing IP Court issued the first instance administrative judgment, holding that Qihoo’s appeal lacked factual and legal basis, and was dismissed.

In the infringement proceedings, although Qihoo appealed to Beijing High Court, it was rejected on the 5<sup>th</sup> of March 2020 because the patent had been invalidated.

### **3.1.2.3. Analysis**

This was the first infringement case relating to GUI in China after the issuance of CNIPA Order No. 68 but before the 4<sup>th</sup> Amendment. The position adopted by the Court exposed a fundamental flaw in relation to the scope of protection of GUI by design in China. The mandatory requirement of GUI designs to be attached to a physical device, where an applicant for GUI design was forced to specify the type of product containing the GUI, rendered the scope of patent protection for GUI extremely restricted and narrow. Once the product carrying the GUI was registered as hardware, software developers can easily circumvent the infringement claim as demonstrated in *Qihoo v Jiangmin*.

In contrast, the EU does not seem to restrict the protection of GUI to it being coupled with a device provided that the design of the GUI is not purely functional



and satisfies requirements on novelty and distinctive character or inventiveness, as illustrated in the case of *Samsung Electronics Co. Limited v Apple Inc.*<sup>64</sup>.

In a separate ECJ case *Bezpečnostní softwarová asociace – Svaz softwarové ochrany v Ministry of Culture of the Czech Republic*<sup>65</sup>, it was held, by way of *obiter*, that GUI can, as a work in its own, be protected by copyright if it is its author's own intellectual creation.

The two EU cases illustrate that the protection of GUI (whether by design or copyright protection) is not conditional upon the GUI being coupled with the device it applies to.

The 4<sup>th</sup> Amendment, which introduced for the first time in China protection of partial design, became effective on the 1<sup>st</sup> of June 2021, but the provisions (i.e. Article 2<sup>66</sup> of the 4<sup>th</sup> Amendment) do not define the scope of a GUI and are silent on whether it needs to be connected to a product.

### 3.1.3. CNIPA Order No. 328 advanced GUI design protection

To address the problem of GUI protection, on the 1<sup>st</sup> of November 2019, the Decision of the CNIPA on Amending the Patent Examination Guidelines (No.328) ("**Order No. 328**")<sup>67</sup> took effect. Order No. 328 introduces some notable developments for GUI protection by way of design in China.

Order No. 328, among others, incorporates an entire new Section 4.4 to Chapter 3, Part I of the Patent Examination Guidelines (now section 4.5 of the Draft Patent Examination Guidelines (2021)) covering design patent application involving GUI. It defines such design as one where the essential features of the product include the design of GUI. Order No. 328 makes the provisions of the Patent Examination Guidelines on design patents that involve GUIs much clearer and more specific.

Although the Attachment Requirement under Paragraph 4, Section 4.2, Chapter 3, Part I of the Patent Examination Guidelines has been removed in Order No. 328, the requirement to submit an orthographic view of the display screen panel has been modified and transferred to "4.4.2 Pictures or photographs of the design", which states that if the essential feature of the design is the GUI, the applicant should at least submit an orthographic view of the display screen panel which comprises the GUI<sup>68</sup>.

<sup>64</sup> decision of the Invalidity Division of OHIM (ICD 8538 of 12/06/2013).

<sup>65</sup> C-393/09, the 22<sup>nd</sup> of December 2010.

<sup>66</sup> Article 2 of the 4<sup>th</sup> Amendment: Designs mean, with respect to the overall or part of a product, new designs of the shape, pattern or the combination thereof, or the combination of the colour with shape and pattern, which are rich in an aesthetic appeal and are fit for industrial application.

<sup>67</sup> Decision of the CNIPA on Amending the Patent Examination Guidelines (No.328) [[http://www.gov.cn/gongbao/content/2020/content\\_5471465.htm](http://www.gov.cn/gongbao/content/2020/content_5471465.htm)]

<sup>68</sup> This requirement is reiterated in Section 4.5.1, Chapter 3, Part I of the Draft Patent Examination Guidelines (2021).

Therefore, the requirement of a display screen panel still exists. Also, Order No. 328 states that (i) the requirements for product names of a product design that includes a GUI shall indicate the main purpose of the GUI and the product to which it is applied; and (ii) the name of GUI shall not be used generically as the name of the product<sup>69</sup>. Hence, under Order No. 328, GUI patent applicants are required to bundle their GUI designs with products when filing patent applications.

Pursuant to Order No. 328, the applicant can simply file a display screen panel with a GUI design, and the ultimate products which the display screen panel with the GUI are applied to can be exhaustively listed in the brief description of the design application, as per Section 4.4.3, Chapter 3, Part I of the Patent Examination Guidelines. As such, there is an alternative for companies who create their own distinct GUI design to protect their GUI elements in more than one specific device, and the purpose of protection is to shift from device-focused to GUI-focused.

Yet, such recognition of GUI design in Order No. 328 is still far from a real recognition of the protection of the GUI *per se* because the provision does not decouple the GUI design from a physical device entirely. In particular, Order No. 328 does not address the situation when an infringer imitates, displays or uses a GUI design in a software or within a virtual reality environment where there is no physical device.

## 3.2. The 4<sup>th</sup> Amendment and partial design

### 3.2.1. Impact of recognition of partial design on GUI Protection

Before the 4<sup>th</sup> Amendment, a partial design could not be registered as a design patent. As a result, it has been criticised that if the GUI design can only be protected in conjunction with a hardware, such as a computer or an electronic device, the scope of protection would be seriously restricted and could barely safeguard the interests of many internet companies or smart appliance companies in developing and creating a wide spectrum of simple, convenient and interesting GUI elements. Their innovative GUI design could easily be replicated by substituting or using it in another product without the risk of being sued for infringement.

Order No. 328 was a milestone that the Chinese legislators begun to realise that the subject matter of design patents should be extended to parts of, or portions of design, rather than the whole product itself. However, there is still a need to focus on the GUI design, and a realisation that the exterior appearance of a product, for example, a computer or an electrical device containing the display screen panel, should not limit the scope of design.

Article 2 of the 4<sup>th</sup> Amendment now makes the protection of partial design possible. However, it remains to be seen whether it will bring any substantial change to GUI protection in China, because the criteria for infringement analysis in terms of

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<sup>69</sup> The same requirements for names of the product and GUI are also enumerated in Section 4.5 to Chapter 3, Part I of the Draft Patent Examination Guidelines (2021).

comparing the products designed and made in accordance with the registered design and the infringing product in the case of partial design or GUI design are still unclear.

### 3.2.2. Draft Patent Examination Guidelines on the recognition of partial design on GUI protection

Published on the 3<sup>rd</sup> of August 2021, the Draft Patent Examination Guidelines (2021) proposed to permit a GUI to be filed in form of either the overall product design or a partial design. However, there is a requirement that the title of a GUI design application should indicate the physical product incorporating the GUI. Therefore, titles such as “GUI” or “GUI of a software” are not permitted titles<sup>70</sup>.

For a GUI filed as a partial design, Section 4.5, Chapter 3 of Part I of the Draft Patent Examination Guidelines (2021) proposed two options, which the applicant may elect based on needs when an application is filed: (i) GUI bundled with a specific product, such as “mobile payment GUI of a mobile phone”<sup>71</sup>, or (ii) GUI bundled with an unspecific product, such as “road navigation GUI for electronic devices”<sup>72</sup>. According to Section 12.3.3 of Draft Patent Examination Guidelines (2021), for a GUI design, the classifications of both the applied product and the GUI (i.e. 1404) need to be provided. However, if the design application is not bundled with a specific product, only the GUI classification (i.e. 1404) needs to be provided.

Option (ii) provides that the GUI may be used for any electronic device, without having to list the ultimate product, and Section 4.4.3, Chapter 3, Part I of current Patent Examination Guidelines (which requires the ultimate products to be exhaustively listed in the brief description of the design application) is proposed to be removed entirely. As mentioned above, prior to the proposal in the Draft Patent Examination Guidelines (2021), if only the orthographic view of the display screen panel containing the GUI was submitted, applicants of GUI designs would be required to specify the ultimate products in an exhaustive list in the brief explanation, for example, “the display screen panel is used on mobile phone, computer”.

Under option (ii), such restriction is reduced, but not completely eliminated. The applicants may simply submit the GUI with the product generalised as “electronic device” in the brief description. This new proposal acknowledges the rapid change in the realm of electronic devices and expands the scope of GUI applications as well as offering greater convenience to GUI design applicants. But it still does not entirely decouple GUI protection from the product on which the GUI is used, because the words of “electronic device” appears to be compulsory in the title and brief description under option (ii).

<sup>70</sup> Section 4.5, Chapter 3, Part I of the Draft Patent Examination Guidelines (2021).

<sup>71</sup> Section 4.5, Chapter 3, Part I of the Draft Patent Examination Guidelines (2021).

<sup>72</sup> Section 4.5.2.2, Chapter 3, Part I of the Draft Patent Examination Guidelines (2021).

In light of the partial design protection under the 4<sup>th</sup> Amendment, the Draft Patent Examination Guidelines (2021) proposed that application for protection of partial GUI, such as “a search bar of mobile payment GUI of mobile phone”<sup>73</sup> or “a search bar of mobile payment GUI for electronic devices”<sup>74</sup>, can also be made, provided that a description on the key points of the design, which is compulsory, is provided, and where necessary, the use of the partial design is indicated in the brief description of the application. The general approach to indicate a partial design should also be applicable for a partial design of GUI, i.e. use of a combination of dotted lines and solid lines or other means.

However, the Draft Patent Examination Guidelines (2021) do not seem to address the situation where the alleged infringer merely distributes the software without any other product, as in the case of *Qihoo v Jiangmen*. Further guidance from the Supreme Court or other case law on this issue is needed.

### 3.2.3. Other GUI related proposals in the Draft Patent Examination Guidelines (2021)

Under Section 4.5.3 Chapter 3, Part I of the Draft Patent Examination Guidelines (2021), where a dynamic GUI is involved, the word “dynamic” should appear in the product name, such as “weather forecasting dynamic GUI for a mobile phone”<sup>75</sup>. Applicants should submit a view of the GUI in the initial state as the main view. Further, it was proposed that where necessary, the CNIPA could request design patent applicants to submit a video that shows the changing state of a dynamic GUI. However, there has not been an explicit limitation on the main view to be submitted and it is still unclear whether the applicant can submit a video on its own motion.

### 3.2.4. *Kingsoft v Mengjia* ((2019) HU 73 MIN CHU No.398) and *Kingsoft v Chubao* ((2019) HU 73 MIN CHU No.399)

The Chinese Court has realised the limitation of the Attachment Requirement on the protection of GUI, as revealed in the *Qihoo v Jiangmin* case. Recently, Shanghai IP Court repealed the limitation of the Attachment Requirement in *Kingsoft v Mengjia* and *Kingsoft v Chubao* cases, where the judgements were handed down on the 30<sup>th</sup> of December 2021 confirming that the protection scope of a GUI patent may cover the behaviour of distributing a software without an electronic device.

#### 3.2.4.1. Facts

Both cases are of the similar background. The plaintiff *Beijing Kingsoft Security software Co., Ltd* (“**Kingsoft**”) is the patentee of ZL201830455426.5, titled “Graphical User Interface for Mobile Communication Terminals” (“**ZL426**”). The

<sup>73</sup> Section 4.5.2.1, Chapter 3, Part I of the Draft Patent Examination Guidelines (2021).

<sup>74</sup> Section 4.5.2.2, Chapter 3, Part I of the Draft Patent Examination Guidelines (2021).

<sup>75</sup> Section 4.5.3, Chapter 3, Part I of the Draft Patent Examination Guidelines (2021).

patent contained 10 GUI designs protecting the dynamic progress bars in mobile phones.

Upon investigation, Kingsoft found that *Shanghai Mengjia Network Technology Co., Ltd.* (“**Mengjia**”) used the similar GUI in its “Fun Keyboard” input method editor. *Shanghai Chubao (CooTek) Information Technology Co., Ltd.* (“**Chubao**”) and *Shanghai Chule Information Technology Co., Ltd.* (“**Chule**”) also used the similar GUI in their “Chubao Input Method Editor”. Both input method editors are downloadable for end mobile phone users. Kingsoft sued Mengjia, Chubao and Chule in 2019 before Shanghai IP Court, seeking injunctions and damages.

In 2019, Mengjia and Chule respectively filed invalidation petitions before CNIPA against ZL426. On the 14<sup>th</sup> of May 2020, CNIPA issued the decisions (No. 44580 and 44582), which invalidated Designs 1-7, but upheld the validity of Designs 8-10 of ZL426.

#### **3.2.4.2. Decision**

The Shanghai IP Court considered that the defendants’ GUIs and the GUI of ZL426 are similar, and a mobile phone was a common design which did not substantively influence the scope of the design. Therefore, mobile phones containing defendants’ GUIs fell within the protection scope of ZL426.

Similar to *Qihoo v Jiangmin* case, there were also arguments that the defendants merely developed and distributed the software to end users to download but they did not manufacture or sell mobile phones in both present cases. However, the Court considered that the hardware, operation system and applications of a product containing GUI would normally be provided by different parties. In both cases, the allegedly infringing GUI designs were incorporated in the allegedly infringing software, and the allegedly infringing GUI designs would definitely appear when the end users were using the software on the mobile phones, which were also actively pursued by the defendants. Therefore, the defendants made substantive and irreplaceable contributions to the appearance of the allegedly infringing GUIs on the mobile phones, and the defendants’ distributions of the software were the main causation of infringement in both cases. In conclusion, the Court determined that the distributions of the software in both cases amounted to patent infringement. Considering the circumstances, the Court ruled on damages and costs of RMB 250,000 against Mengjia, and RMB 350,000 against Chubao and Chule.

#### **3.2.4.3. Analysis**

Although both cases were not tried based on the 4<sup>th</sup> Amendments, as the infringing behaviours occurred in 2019, it reflects the Court’s effort to overcome the obstacle to protect the legitimate right of a GUI patent holder. It is likely that the defendants will appeal against the judgements to Shanghai High Court and it

is difficult to predict the outcome of the appeal. But it would be a welcoming sign if the senior Court could uphold the first instance judgements. If the opinions of Shanghai IP Court are supported in the future judicial interpretations of the Supreme Court of China, it would be a huge progress for protection of GUI in China.

### 3.3. Further required developments of GUI protection in China

Before the 4<sup>th</sup> Amendment, protection of GUI design *per se* was not possible because of the Attachment Requirement, although such restrictions were relaxed to a certain extent pursuant to Order No. 328. It was also not possible for an applicant to file application to protect a portion of a product.

With the implementation of the 4<sup>th</sup> Amendment, partial protection of GUI design becomes possible. This legal development indicates that China design law is gradually narrowing the gap between its design law and the design law of other major jurisdictions, though the gap remains in terms of the Attachment Requirement under the 4<sup>th</sup> Amendment, a requirement that the Courts have tried to repeal in judicial practice.

The CNIPA has also proposed that dashed lines be accepted in a design application. This might further indicate that China is now prepared to completely do away with the Attachment Requirement. The proposal is not yet finalised and the details are not yet known. Another way is to allow statements that disclaim any exclusive rights to one or more features in the design application. However, in the Draft Implementing Regulations (2020) and Draft Patent Examination Guidelines (2021), there is no express provision allowing the use of disclaimer to define the scope of a partial design, although the provision of “other means” in Article 27 of Draft Implementing Regulations (2020) would suggest that China does not exclude the possibility of using a disclaimer.

Though the 4<sup>th</sup> Amendment and the Draft Patent Examination Guidelines (2021) have relaxed the Attachment Requirement, the law has not completely removed it. Bundling with an unspecified electronic device is still required. It would certainly be better for China to abolish the Attachment Requirement entirely in order to enhance the protection in practice, for instance, against the behaviour of merely distributing the software without any physical device as ruled by the Court in *Kingsoft v Mengjia* and *Kingsoft v Chubao*. But it would appear that the Chinese legislation is not yet ready to decouple the GUI design from the physical product entirely, and at least a general term such as an “electronic device” needs to be mentioned in the title of GUI design. Further confirmation by the Supreme Court’s judicial interpretations would be needed.

In addition, as stipulated in Item (11) of Section 7.4, Chapter 3, Part I<sup>76</sup> of the current Patent Examination Guidelines, the pattern shown in display device which is unrelated to human-computer interaction is not patentable. Such requirement of “human-computer

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<sup>76</sup> Correspond to Item (9) of Section 7.4, Chapter 3, Part I of the Draft Patent Examination Guidelines (2021), but the content maintains unamended.



interaction” is an additional requirement that would further restrict the protection of GUI in China, as the applicant must additionally satisfy the “human-computer interaction” requirement. “Human-computer interaction” may be understood as the user of the GUI controlling the device by interacting (or “clicking”) with the device. For example, a wallpaper used on a phone having no function of “human-computer interaction” would therefore not be patentable as a GUI in China. This is not a new provision of the 4<sup>th</sup> Amendment, but it seems this issue is not controversial in China.

### 3.4. Practical advice related to GUI under the 4<sup>th</sup> Amendment

Assuming the proposals in the Draft Patent Examination Guidelines (2021), as mentioned above, in relation to GUI are ultimately accepted, the applicants for GUI designs should be mindful of the following.

First, the applicants should note that even in seeking protection of a GUI, a physical attachment of the GUI design to a device is still necessary at least in the title of the design application, but not in the views. But it is acceptable for the application to be filed using the general term of, for example, “electronic devices”. The product name should generally incorporate the keyword “GUI” or “Graphical User Interface” in the application. The applicants should take care not to apply to merely register with the name of “GUI” or “Graphical User Interface” or else the application may be refused.

Secondly, if necessary, the use of GUI design needs to be clearly stated in the brief description of the design application and should be in line with the use specified in the product name. According to the wording of the Draft Patent Examination Guidelines (2021), it appears that such requirement is not compulsory.

Thirdly, the applicant should also bear in mind that the GUI submitted for patent application must be for “human-computer interaction”. This requirement is likely to be satisfied where the relevant part of the GUI requires inputs or interactions from a user of the GUI in order to specify a function to be carried out, as *per* the general understanding in relation to the term “human-computer interaction”.

Fourthly, the applicants need to consider the best filing strategy to protect its GUI, namely whether to file the GUI with a specific product or with an unspecified “electronic device”. A filing with a specific product may be desirable if the GUI cannot be migrated to other platforms. It is also desirable where both the device and the GUI display novelty. Depending on the needs of the individual applicant, it is possible to claim protection of a part of the GUI, such as the “search bar” of a “mobile payment GUI for electronic devices”.

The selection of different strategies should be based on the balance of patentability and the desirable protection scope. A design patent needs to possess novelty and significant difference over prior designs. The new law on protection of GUI and parts of it offer increased flexibility for protecting GUI in China.

### 3.5. Proposals to the Chinese government



### 3.5.1. Differences between Chinese Patent Law and the international practices (the Hague system) and within the EU

#### 3.5.1.1. Chinese Patent Law and the Hague System

GUI can be registered as an industrial design under the Hague System<sup>77</sup>. The similarities and differences of the requirements under the Hague System and the PRC Patent Law are discussed below.

##### (i) Locarno Classification

The World Intellectual Property Organisation (“WIPO”), which administers the Hague System, applies the “Locarno Classification” in industrial designs registration and publication. Established under the Locarno Agreement, the Locarno Classification comprises a list of goods which constitute industrial designs and the classes and subclasses into which they fall. When registering a design, the contracting parties to the Locarno Agreement are required to “include in the official documents for the deposit or registration of designs, and, if they are officially published, in the publications in question, the numbers of the classes and subclasses of the international classification into which the goods incorporating the designs belong” (Article 2(3), Locarno Agreement)<sup>78</sup>. China is also a party to the Locarno Agreement<sup>79</sup> and such requirement is applicable to China.

GUI falls under the sub-class 14-04 of “screen displays and icons” under class 14 of “recording, telecommunication or data processing equipment” under the Locarno Classification. Other subject matters falling under the same sub-class include graphical symbols for screen display, icons (for computers) and web banners<sup>80</sup>. Therefore, when filing a GUI application, whether to the WIPO or to the CNIPA, sub-class 14-04 must be marked on the application.

##### (ii) Partial design

Under the Hague System, the protection of partial designs is not mandatory for contracting parties. But different jurisdictions are recognising the importance of partial design and have relevant provisions for its protection in place. With the recognition of protection of partial design under the 4<sup>th</sup> Amendment, the Chinese patent law system is finally catching up with the international practice.

<sup>77</sup> <https://www.wipo.int/designs/en/>

<sup>78</sup> <https://www.wipo.int/classifications/locarno/en/preface.html>

<sup>79</sup>

[https://wipolex.wipo.int/en/treaties/ShowResults?start\\_year=ANY&end\\_year=ANY&search\\_what=C&code=ALL&treaty\\_id=14](https://wipolex.wipo.int/en/treaties/ShowResults?start_year=ANY&end_year=ANY&search_what=C&code=ALL&treaty_id=14)

<sup>80</sup>

[https://www.wipo.int/classifications/locarno/locpub/en/fr/?class\\_number=14&explanatory\\_notes=show&id\\_numbers=show&lang=en&menulang=en&mode=loc&notion=&version=20210101](https://www.wipo.int/classifications/locarno/locpub/en/fr/?class_number=14&explanatory_notes=show&id_numbers=show&lang=en&menulang=en&mode=loc&notion=&version=20210101)

The Draft Implementing Regulations (2020) provide similar provisions for filing an application for partial design. Article 27 of the Draft Implementing Regulations (2020) also requires the applicant to indicate the content to be protected by drawing dotted lines in combination with solid lines or by “other means”. These “other means” may arguably include the use of a disclaimer to exclude exclusive rights to one or more features in a design application. However, further clarification from the CNIPA and the Courts on the meaning of “other means” is needed.

As discussed above, GUI still needs to be associated with a device in China, at least in its title, even under the 4<sup>th</sup> Amendment. This may potentially limit the protection of GUI under the Hague System when a design application protection in China is filed based on the international application, and where such international application is not bundled with any physical device. It is still unclear whether merely change of the title may overcome the obstacle in China, which may need to be assessed on a case-by-case basis according to the finalised Patent Examination Guidelines.

### (iii) Substantive and Formal Requirements

The WIPO only conducts an examination as to the formality of the application. Most formality requirements under the Hague System (Geneva Act) have been adopted by the PRC Patent Law. There is no special requirement for registering GUI under the Hague System, except for the identification of the relevant class (as explained above). However, when filing applications and registering GUI in China, the substantive requirements regarding GUI registration under the PRC Patent Law and relevant regulations discussed above shall apply.

#### **3.5.1.2. Chinese Patent Law and EU Practice**

As discussed above, the major difference between the PRC Patent Law and its EU counterparts is that the GUI is required to attach to a physical product in China. This would likely limit the scope of protection of GUI in China, particularly for GUI and intangible products. Additionally, the “human-computer interaction” requirement in China may cause inconsistency between the jurisdictions and an application in China may not go as smooth if, for example, the Chinese design application is filed based on an international design in the jurisdiction where there is not such “human-computer interaction” requirement.

### **3.5.2. Suggested measures to better align with the international and EU practices and to address industrial needs**

#### **3.5.2.1. To align with the Hague System**

The Attachment Requirement for the protection of GUI in China still lingers even under the 4<sup>th</sup> Amendment. To better align with the Hague System, the Chinese

government should consider removing the Attachment Requirement altogether, i.e. removing the requirement of having required to couple a GUI with an electronic device from the requirement on the title and brief description.

### **3.5.2.2. To align with the EU practice**

GUI is protected as a design in itself in many European countries and is also recognised by the EUIPO. For example, both the French National Industrial Property Institute and the EUIPO accept registration of designs for which the indication of product is, for example, “icons [computer]”, or “graphical user interfaces [computer screen display]”, which the Locarno Classification expressly provides for in class 14.04. To better align with the EU practice, the Attachment Requirement under the 4<sup>th</sup> Amendment should be removed, and any GUI application can be filed on its own (without coupling with any electronic device) under the classification of 1404.

## **4. The Hague Agreement**

### **4.1. China’s progress in the accession to Hague Agreement**

#### **4.1.1. Amendments to the law**

China has joined the Hague Agreement which will be in force in China on the 5<sup>th</sup> of May 2022.<sup>81</sup> Before joining the Hague Agreement, it was necessary for China to update its Patent Law. The 4<sup>th</sup> Amendment is accompanied by the corresponding updates in the Draft Implementing Regulations (2020) and Draft Patent Examination Guidelines (2021).

The 4<sup>th</sup> Amendment brought significant changes for industrial design protection in China. It addressed some contradictions between the then PRC Patent Law and the Hague Agreement and eliminate certain legislative obstacles for China to become a contracting state.

Such major changes in the 4<sup>th</sup> Amendment include, amongst others:

- (i) The introduction of protection of partial design in Article 2; and
- (ii) The extension of the protection period from 10 years to 15 years in Article 42.

The main legislative issues concerning industrial design protection in China have now been brought more in line with the practice in the major patent offices internationally. These changes not only prepare China to join the Hague Agreement, but also represent progress in the development and maturity of China’s industrial design protection regime.

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<sup>81</sup> China Joins the Hague System [[https://www.wipo.int/hague/en/news/2022/news\\_0005.html](https://www.wipo.int/hague/en/news/2022/news_0005.html)]

#### 4.1.2. Proposed amendments under the Implementing Regulations of Patent Law

In the Draft Implementing Regulations (2020) published on the 27<sup>th</sup> of November 2020, a new Chapter XI titled “Special Provisions on International Application of Designs”, which the CNIPA marked as preparatory provisions for China’s participation in the Hague Agreement, has been proposed. This Chapter indicates that China is expected to be a contracting party of the Geneva Act.

The Draft Implementing Regulations (2020) will be further discussed in detail in section 3 below.

#### 4.1.3. Proposed amendments under the Patent Examination Guidelines

Published on the 3<sup>rd</sup> of August 2021 for public consultation, the Draft Patent Examination Guidelines (2021) introduces a new Part VI, which stipulates the procedures for submitting international applications for design patent through the filing office, i.e. the CNIPA, in accordance with the Hague Agreement; as well as payment arrangements, and the national procedures for examination.

The proposed amendments paved way for China’s accession to the Hague Agreement by providing the intending applicants with guidance on how to submit design applications via the Hague System.

The Draft Patent Examination Guidelines (2021) will be further discussed in detail in section 3 below.

### 4.2. Comparison between the PRC Draft Patent Implementing Regulations, Draft Patent Examination Guidelines and the Hague Agreement (Geneva Act)<sup>82</sup>

The discussion below will focus on Chapter XI of the Draft Implementing Regulations (2020) and Part VI of the Draft Patent Examination Guidelines (2021) (which are parts added specifically for the purpose of acceding to the Geneva Act) and the Geneva Act. The Draft Implementing Regulations (2020) and Draft Patent Examination Guidelines (2021) are principally in line with the Geneva Act, however, some details in the Geneva Act are not covered.

#### 4.2.1. The filing office

Under Article 2 of Chapter XI of the Draft Implementing Regulations (2020) and Section 2, Chapter 1, Part VI 10 of the Draft Patent Examination Guidelines (2021), the applicant may, at its option, either directly file the international application with the IB or through the CNIPA. This is consistent with Article 4 of the Geneva Act.

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<sup>82</sup> Design update - China edges closer towards joining the Hague system [<https://www.twobirds.com/en/news/articles/2021/china/design-update-china-edges-closer-towards-joining-the-hague-system>]

However, there are extra requirements for filing through the CNIPA. One must comply with the prescribed conditions of CNIPA, in particular, the content in the design shall not be illegal, nor go against the social ethics or harm public interest.

The Draft Patent Examination Guidelines (2021) provides further details by setting out a list of prescribed conditions under Section 2.2.1 as preconditions for submission of an international application through the CNIPA. The conditions as listed include: at least one of the applicants has to have a habitual residence or business office in China; at least one of the applicants has chosen China as the contracting party; to complete the international application in English (if China is a designated country, a Chinese translation can be filed); to use the official forms as prescribed under the Hague Agreement; to include design pictures or photos in the application; and to include the communication method and information in China in the application.

#### 4.2.2. Determination of the filing date and the international registration date

The provisions concerning the determination of the filing date and the international registration date of an international application under the Draft Patent Examination Guidelines (2021) are in line with the Geneva Act.

According to Section 2.2.1, Chapter 1, Part IV of the Draft Patent Examination Guidelines (2021), for international applications filed directly with the IB, the determination of the filing date and international registration date follow the mechanism stated under Articles 9 and 10 of the Geneva Act.

In short, the date of the international registration shall be its filing date, and the filing date of the international application shall be the date on which the IB receives the international application.

Specific to applications filed through the CNIPA, the filing date, and accordingly, the international registration date, shall be the date on which the CNIPA receives the application, provided that the IB receives the said application within one month from that date of receipt by the CNIPA.

#### 4.2.3. Transmittal fee

Under Article 4 of the Geneva Act, when an international application is filed through national offices (i.e. the CNIPA in the present context), the office may require the applicant to pay a transmittal fee for the contracting party's own benefit under such indirect filing, in addition to the prescribed fees set out in the Schedule of Fees to the Geneva Act. However, neither has the Draft Implementing Regulations (2020) nor the Draft Patent Examination Guidelines (2021) expressly addressed the need to pay such transmittal fee.

#### 4.2.4. Examination of international design applications by the CNIPA

After the publication of the international design application by the IB, the CNIPA will conduct an examination on the design application and notify the IB of the examination result<sup>83</sup>.

This provision is consistent with the right of a contracting party under the Hague Agreement to examine an application and refuse the grant of protection if the application does not meet the requirements under the law of the contracting party.

The scope of examination for grant of protection under the Chinese law is listed out in detail under Section 1, Chapter 2, Part VI of the Draft Patent Examination Guidelines (2021), including examination of “obvious substantive defects” under the relevant articles of the PRC Patent Law and the Implementing Regulations; as well as whether the procedures in relation to design patent applications under the Chinese law have been abided by.

Section 2, Chapter 2, Part VI also stipulates that an application shall not be refused on the ground of a form defect. This appears to be generally in line with Article 12 of the Geneva Act.

It should be noted that the entry of an international application into China must be in Chinese, as stipulated under Article 4 of Chapter XI of the Draft Implementing Regulations (2020) and Section 3.3.1, Chapter 1, Part VI of the Draft Patent Examination Guidelines (2021). Further, any foreign applicant without a regular residence or business presence in China must engage a qualified patent attorney as their representative in respect of their application<sup>84</sup>.

#### 4.2.5. Claim to priority

Article 6 of the Geneva Act provides that an international application may claim priority of previous applications filed in or for any contracting party to the Paris Convention or any member of the World Trade Organization.

If the international publication by the IB indicates a priority date is claimed, it is deemed as having met the written declaration for claiming priority in China required by Article 30 of the PRC Patent Law.

However, Article 5, Chapter XI of the Draft Implementing Regulations (2020) and Section 6.2.1.3, Chapter 2, Part VI of the Draft Patent Examination Guidelines (2021) further require a copy of the prior (first) patent application to be submitted to the CNIPA within 2 months from the international publication date. Where there is any inconsistency between the present applicant and the prior applicant, the present applicant must also submit relevant supporting documents to substantiate their entitlement to claim priority from the prior application.

#### 4.2.6. Divisional application

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<sup>83</sup> Article 4, Chapter XI of the Draft Implementing Regulations (2020).

<sup>84</sup> Article 18, PRC Patent Law

Considering the potential different national practices in each jurisdiction regarding unity of invention, if one international application contains two or more designs, the applicant is allowed to file divisional application(s) before the CNIPA within 2 months from the international publication date, subject to additional fees being paid<sup>85</sup>. This provision is in line with Article 13 of the Geneva Act.

#### 4.2.7. Brief description

Consistent with Article 5 of the Geneva Act, a prescribed brief description for any design application is required by the CNIPA under Article 8 of Chapter XI of the Draft Implementing Regulations (2020). Nevertheless, the Draft Implementing Regulations (2020) confirm that if a brief description of the key design features is contained in the international publication, the prescribed brief description required by the CNIPA is deemed as having been met, which is also stated under Section 5.3, Chapter 2, Part VI of Draft Patent Examination Guidelines (2021).

#### 4.2.8. Granting

If the CNIPA does not identify any reason to refuse an application upon examination, it will grant an industrial design patent, notify the IB and publish the decision of grant. The design patent right will be effective upon the publication date by the CNIPA<sup>86</sup>. This is consistent with Article 14 of the Geneva Act.

#### 4.2.9. Change of right

Under Article 11, Chapter XI of the Draft Implementing Regulations (2020), if there is any change of right concerning a registered design, e.g. assignment, in the IB registry, the relevant supporting documents effecting such changes must be provided to the CNIPA.

Section 3.6.1, Chapter 1, Part VI of the Draft Examination Guidelines (2021) further stipulates that the guidelines on transfer of patent right set out in its Section 6.7.2.2, Chapter 1, Part I shall be followed, and the formality requirements for certifying documents under its Section 6.7.2.6 should also be followed. This conforms with Article 16(2) of the Geneva Act, which stipulates that a contracting party may notify the Director General that a recording of changes in the International Register shall not have the effect as if it had been made in the Register of the office of each of the contracting parties concerned until that contracting party has received the documents specified.

<sup>85</sup> Article 7, Chapter XI of the Draft Implementing Regulations (2020)

<sup>86</sup> Article 9-10, Chapter XI of the Draft Implementing Regulations (2020)



#### 4.2.10. Invalidation

Article 15 of the Geneva Act requires the contracting parties to offer an opportunity to the applicant to defend before his registration is invalidated. Article 68(1), Chapter IV of the Draft Implementing Regulations (2020) provides the same right.

The Geneva Act further requires the contracting party to notify the IB on the invalidation. Currently, this is not expressly included in the Draft Implementing Regulations (2020) nor the Draft Patent Examination Guidelines (2021).

### 4.3. Comparison with RCD route for Chinese applicants

Whether Chinese applicants would prefer filing Registered Community Designs (RCDs) via EUIPO or to designate EU via the Hague Agreement route depends entirely on the applicants' perception on the advantages provided by each system.

Regarding application thresholds, to access the Hague route, there are certain pre-application conditions on nationality, domicile or place of business in which an applicant has to fulfil. In addition to being a national of a contracting party under the Hague Agreement, an applicant must have a domicile or habitual residence in the territory of a contracting party and have a real and effective industrial or commercial establishment in the territory of a contracting party. In contrast, there are no restrictions as to nationality, domicile or place of business of an applicant for filing RCDs via EUIPO.

Considering the overall scope of design rights protection, the Hague System provides applicants an opportunity to secure design rights protection in territories of all 76 contracting parties (as of November 2021) by filing one application, whereas direct filing to EUIPO limits the validity of an RCD in 27 countries of the European Union. For registrations which are going to cover more than a couple of countries, the Hague route is well worth consideration to simplify portfolio management and reduce costs. Since any recording of an international registration designating the EU in the international register maintained by the IB of WIPO has the same effect as if it was made in the RCD register, and any publication of an international registration designating the EU in the Bulletin of the International Bureau has the same effect as if it had been published in the RCD Bulletin, ultimately, the decision depends on the applicant's intention, factual circumstances of the applicant and protection needs of each individual Chinese applicant. It is worth noting that whether the design via the Hague route is enforceable in China depends on CNIPA's grant of Chinese patent right. Therefore, the design that enters China via the Hague route has to pass CNIPA's formality review and is subject to post-grant invalidation, if any. Designs which fail to meet the granting conditions in China cannot be enforced against an alleged infringement.

## 5. Unregistered design rights in China

### 5.1. Status of unregistered design in China

#### 5.1.1. Unregistered design is not a patent right in China

According to the 4<sup>th</sup> Amendment, a “design” is any new design of the shape, pattern, or a combination thereof, as well as a combination of the colour, shape and pattern, of the entirety or a portion of a product, which creates an aesthetic feeling and is fit for industrial application. Unlike in the EU, unregistered designs *per se* do not enjoy any patent right protection in China. There are some circumstances where a design subject matter may be protected as a trademark, under copyright law and anti-unfair competition related laws, but there is no uniformity on protection of unregistered design right in China.

### 5.1.2. Difficulties in recognising unregistered designs in China

There are certain drawbacks of not protecting unregistered designs *per se*. The obvious drawback is that a design right holder may need to apply as many designs as possible, as opposed to only filing those having obtained business success, in order to ensure complete protection. This is not only cost-inefficient, but also increase CNIPA’s burden on accepting and reviewing design applications. In addition, the time spent in the application of design patents may delay the launch of the applicant’s product.

While other jurisdictions like the EU are more willing to protect unregistered designs for a short period of time, China implements a wholly different system which values legal certainty and clarity that encourage people to actively protect their own intellectual property through registration.

Failure to duly register designs in China may have huge consequences. The Chinese government is employing the registration system as an effective means to ensure legal compliance. The ultimate aim of the registration system in China, it may be argued, is to reduce uncertainties and potential disputes.

It may also be argued that creation of a new unregistered design right is not an urgent matter for the Chinese government because a design subject matter may still be protected through law relating to copyright, trademark and trade dress protection. Therefore, it does not appear to be likely that China may recognise and protect unregistered design as a separate right any time soon.

### 5.1.3. Alternative protections under the Chinese law for a design subject matter

#### 5.1.3.1. Trademark protection

The PRC Trademark Law offers a possible route of protection of a design subject matter in China. A design subject matter, whether it has already been disclosed or existed in the market or not, may be protected as a regular 2D mark. Under certain circumstances a design subject matter is capable of being registered and protected as a 3D trademark in China as well.

It is however accepted that using trademark law to protect design patent is inherently ineffectual since a trademark is different from a design patent in its nature. Seeking protection of a design subject matter in China under the

trademark law regime has its limitations. Under Article 9 of the PRC Trademark Law, a registered trademark shall possess distinctiveness and also easy to be identified.

Where the owner of a design subject matter seeks to protect the shape of its product as a trademark, under Article 9 of the PRC Trademark Law, an objection based on the argument that the trademark is devoid of any distinctive character may be raised. Where a trader seeks protection of its product represented in the 3D trademark or logo, it is likely that the relevant application for registration would be refused.

Where distinctiveness of a 3D appearance of a product has been acquired through use, for example, by way of substantial sale of the product in China, the restriction under Article 9 of the PRC Trademark Law may be overcome. But this would have to be determined on individual case by taking into consideration of all the relevant circumstances of the case. In the case of *Christian Dior Perfumes LLC v Trademark Review and Adjudication Board*<sup>87</sup>, the applicant successfully argued before the Supreme Court that a perfume bottle should be registered as a 3D trademark on the basis of the distinctiveness acquired through extensive use and marketing. But the registration of the 3D mark was only allowed to the extent of perfumery product protected under class 3, and it was refused to other non-perfumery product.

Further, not all designs are eligible to be registered as a trademark in China. Under Article 12 of the PRC Trademark Law, where a 3D sign merely indicates the shape inherent in the nature of the goods concerned or is only dictated by the need to achieve technical effects or the need to give the goods substantive value, such 3D sign cannot be registered. However, in such case it may also be argued that a design made to such shape may not be registrable.

In addition to the difficulties concerning the requirement of distinctiveness mentioned above, the PRC Trademark Law may not be suitable for protecting complex design.

### **5.1.3.2. Copyright protection**

Any original works of literature, art and science falling within Article 3 of the PRC Copyright Law will be protected if the threshold of originality is satisfied. The copyright owner will also be entitled to personal rights such as the rights of publication, authorship, alteration and integrity, in addition to the property right. In respect of a work of a natural person, copyright protection may cover the lifetime of the author and fifty years after his death; for a work of a legal person,

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<sup>87</sup> (2018) ZUI GAO FA XING ZAI No. 26.

copyright protection begins from the creation of the work and may last for fifty years after the first publication of the work.

As for foreigner's works, it is stated in Article 2 of the PRC Copyright Law that these works are protected by Chinese copyright laws under an agreement between their home country or country of habitual residence and China, or under an international treaty to which both countries are parties, or if the work is first published in any state of an international treaty of which China is member.

Although copyright arises automatically once a work is created, registration of copyright is possible and is also to be encouraged. Application is made to the Copyright Protection Centre of China (the "CPCC"). Once it is registered, a copyright registration certificate will be issued to the copyright owner.

The drawings and sketches of the design are protected by the PRC Copyright Law regardless of whether the design is registered or unregistered. The right holder of a design subject matter may therefore seek copyright protection of its products.

However, an obvious limitation is that whilst a design, once registered, grants a monopoly right, copyright does not. It means that if an alleged infringer can prove to the satisfaction of the Court that he comes up with a similar or even the same design independently, the copyright owner may find it impossible to enforce his copyright.

Further, whilst it is possible for a design subject matter to be protected by a design patent and by copyright, the level of protection offered to the creator of such original design is rather limited, as the requirement of originality must be established for copyright protection. The originality requires that (1) the work is created by the author independently and (2) creativity was involved in the creation of the work.

In China, from time to time a foreign party may find it challenging to prove to the satisfaction of the Court that he is the true copyright owner. This is because a foreign party may find it difficult to produce the notarised evidence of the original sketches of the unregistered design as required by the Court. A foreign party may also fail to recognise the advantage of registering the original works protected by copyright with the CPCC.

### **5.1.3.3. *Anti-unfair competition protection***

There is an increased use of "trade dress" protection for design subject matter in China. Trade dress, though lacking a clear and specific definition under the PRC Anti-Unfair Competition Law, has been used to protect the overall visual outward appearance of a product which enjoys a certain degree of reputation and influence in China.

Article 6 of the PRC Anti-Unfair Competition Law prohibits any acts of confusion in misleading a person into believing that a commodity is offered as another person's commodity or has a particular connection with another person, which includes misleading others into believing that there has been commercial association, authorisation/license, naming right sponsorship, advertising endorsement etc. between one commodity and another as expounded under Article 12 of the 34-clause Draft Anti-unfair Competition JI on the 19<sup>th</sup> of August 2021. The prohibition includes an unauthorised use of a label identical or similar to the name, packaging or decoration of another person's product where such other person's product has certain influence in the relevant market. Article 6 of the PRC Anti-Unfair Competition Law is akin to an action of passing off known in some of the common law jurisdictions, for example, in Hong Kong.

There is therefore a minimal threshold requirement to establish "trade dress" under the PRC Anti-Unfair Competition Law in that the design (or the product made in accordance with the design) must have a certain degree of influence in China. Article 4 of the Draft Anti-unfair Competition JI defined "marks with certain level of influence" under Article 6 of the PRC Anti Unfair Competition Law as "marks that enjoy a certain level of market popularity and can distinguish the origin of a product". Article 5 of the Draft Anti-unfair Competition JI thus listed out situations where the Court would consider a mark unable to distinguish the origin of a product, subject to the mark obtaining salient features/popularity through use. It has been further clarified in the Draft Anti-unfair Competition JI that the burden of proving a design having a certain degree of influence in the market falls on the claimant in alleging an anti-unfair competition act which, in this context, means the entity alleging an infringement on its unregistered design. Therefore, a design subject matter with a certain degree of reputation may potentially be protected if the threshold of "trade dress" protection is met.

To bring proceedings based on infringement of a design subject matter through "trade dress" protection, not only must the claimant prove that the look and feel of his products has certain influence in the market, but he must also go on and prove that the infringing products creates confusion among the relevant consumers.

The requirements for reputation and influence sets a rather high threshold for "trade dress" protection because the Chinese Courts would look into the overall circumstances of the business and the designs for which the protection is sought, for example the market price, quality and quantity of products sold, duration of the sale to the relevant consumers and the investment on advertisements.

In *New Balance v Niu Ba Lun*<sup>88</sup>, the Pudong New Area People's Court in Shanghai handed down its judgment that New Balance was able to prove that its "N" mark

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<sup>88</sup> (2017) HU 0115 MIN CHU No.1798.

constituted a “decoration of influential goods” prior to the defendant’s registration of its italic “N” symbol trademark due to its heavy investments in brand advertising. As such, New Balance’s unregistered design of “N” is protected as a trade dress under the PRC Anti-Unfair Competition Law.

Another noteworthy decision where the Court interpreted trade dress protection in China is *Jaguar Land Rover Ltd v Jiangling Motor Holding Co., Ltd*<sup>89</sup> in which the Beijing IP Court ruled in favour of Land Rover that its shape of vehicles had already acquired fame via long-term publicity, meeting the requirement of “decoration with certain influence” under Article 6 of the PRC Anti-Unfair Competition Law. The defendant was ordered to halt the production of its vehicle and to pay damages to Land Rover.

These cases provide examples that it is possible to rely upon the PRC Anti-Unfair Competition Law to protect an unregistered design in China. Once a claim based on trade dress is established, in principle the Chinese laws do not impose a limitation on the protection period. However, the Courts will review the infringement on a case-by-case basis.

On the other hand, it is difficult to ascertain what level of recognition an undertaking must establish before an action under the PRC Anti-Unfair Competition Law based on trade dress would be successful, as each case turns on its own specific facts. But owners of a design subject matter who have not established any market presence in the relevant market in China or who have just entered the Chinese market may well find it difficult to protect his design subject matter through the PRC Anti-Unfair Competition Law.

In addition, where both brands have established their respective reputations independently, it is even more difficult to prove infringement of trade dress under Article 6 of the PRC Anti-Unfair Competition Law. In a series of cases of *Guangdong JDB Beverage and Food Co., Ltd. v Guangzhou Wanglaoji Health Industry Co. Ltd.*<sup>90</sup> before the Supreme Court, both the claimant and the defendant were using a highly similar trade dress for their own products for a period of time. The Court held that both parties have contributed significantly to the establishment of their respective trade dress and that both parties are entitled to use their own trade dress.

## 5.2. Unregistered design rights

### 5.2.1. Current practice in the EU

Where a design protection in the EU is only desirable for a relatively short period of time, the creator of the design may simply commercialise it directly without registration. Such Unregistered Community Design (“UCD”) is a design which

<sup>89</sup> (2019) JING 73 MIN ZHONG No.2033.

<sup>90</sup> (2015) Min San Zhong Zi No. 2.

complies with the requirements of the CDR and which has been made available to the public by being published, exhibited, used in trade or otherwise disclosed in such a way that, in the normal course of business, could reasonably have become known to the sector concerned within the Community<sup>91</sup>. A UCD is protected for a period of three years from the date on which the design was first made available to the public within the territory of the EU<sup>92</sup>. The protection will lapse after three years and is limited to protection against unauthorised copying.

Protection of unregistered design rights is well-recognised in the EU, though member countries in the EU, for example, France, Spain, Italy and Germany, may not provide for domestic protection of unregistered design right. In *H Gautzsch Grosshandel GmbH & Co KG v Munchener Boulevard Mobel Joseph Duna GmbH*<sup>93</sup>, a case concerning an action for infringement of an unregistered Community design brought by a German company against a German competitor for marketing a similar gazebo manufactured in China, the ECJ provided its interpretation on Articles 7(1) and 11(2) of CDR, clarifying circumstances where an unregistered design is deemed to have been made available to the public.

### 5.2.2. Aspects of the judicial procedure to be kept into account for the protection of unregistered designs

Availability of notarised and legalised evidence is crucial for IP holders to effectively litigate and uphold their IP rights in China. In some other common law jurisdictions, there is detailed procedural law in which the parties would obtain the necessary evidence of the other party's case *via* a pre-trial discovery procedure and interrogatories. These are the procedures where the parties to a litigation are required under the applicable procedural law to disclose to each other all the documents relevant to the dispute or matter in issue.

Like many common law jurisdictions, in China the claimant bears the burden of proof. However, there is in practice generally no formal pre-trial discovery. In the context of intellectual property disputes involving foreign entities where the infringer usually does not bear the burden of proof, it may be very difficult for the foreign claimant to gather sufficient evidence to protect their unregistered designs against infringements. This is particularly so when the Chinese Courts may refuse to accept evidence inferred from other sources, for example, the infringer's online sales volume in public domain, for proving the economic loss suffered by the owner of the design.

Although Article 64 of the PRC Civil Procedure Law empowers the Courts to investigate and collect evidence on a party's application, it has hardly been used until the "Interpretation of the Supreme People's Court on the Application of the Civil

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<sup>91</sup> Article 7 of CDR.

<sup>92</sup> Article 11 of CDR

<sup>93</sup> (C-479/12) [2014] Bus. L.R. 391.



Procedure Law of the People's Republic of China" ("the CPL Interpretation")<sup>94</sup> was adopted in 2015.

Article 112 of the CPL Interpretation, which is an improvement with respect to the previous position, provides that a party may request the Court to order the opposing party to produce specific documentary evidence under his control. Article 24 of Intellectual Property Civil Procedure Evidence Rules effective on the 18<sup>th</sup> of November 2020<sup>95</sup> further extends the scope of application that is no longer limited to documentary evidence.

Another problem is the relatively low quantum of damages awarded in China Courts. This can be explained by two major reasons: (i) a rather high threshold set by the Courts in accepting evidence to prove the economic loss suffered by the IP right owners; and (ii) a general lack of awareness in the public of the value of intangible IP assets.

Combining the difficulties of obtaining sufficient evidence with a possible low quantum of damages even if the claim is successful, this has traditionally forced some foreign claimants to abandon their claims entirely. Where unregistered design right is to be recognised in China, significant changes on the law relating to the quantum of damages should be made. It should, however, be noted that under the new Article 71 of the 4<sup>th</sup> Amendment, the statutory damages have been substantially increased from the previous range of RMB10,000 – RMB 1 million, to the current range of RMB 30,000 – RMB 5 million. A new provision on punitive damages has also been inserted.

Even though the law provides for statutory limits on the amount of damages for infringement, it is possible for the Court to award a higher sum than the statutory amount provided that there is sufficient evidence to prove the loss caused by the infringing act or the profits of the infringing party is obviously higher than the statutory compensation, or it is unreasonable for the infringing party to benefit from the limitation on the statutory compensation limit. This is illustrated in the judgment of *Feitian Technologies v Infosec Technologies*<sup>96</sup>, decided under the previous law. Whilst this first instance judgment was overruled in the second instance because the claims of the patent in dispute were held to be invalid by CNIPA, the first instance judgment reflects the evolving view of the Court in China.

### 5.2.3. Case study in respect of alternative protection for a design subject matter

<sup>94</sup> Interpretation of the Supreme People's Court on the Application of the Civil Procedure Law of the People's Republic of China. [[https://www.spp.gov.cn/spp/flfg/sfjs/201502/t20150205\\_90222.shtml](https://www.spp.gov.cn/spp/flfg/sfjs/201502/t20150205_90222.shtml)]

<sup>95</sup> Intellectual Property Civil Procedure Evidence Rules. [<http://www.court.gov.cn/zixun-xiangqing-272241.html>]

<sup>96</sup> (2015) JING ZHI MIN CHU ZI No.2453.

### **5.2.3.1. *Jaguar Land Rover Limited v Jiangling Motor Holding Co., Ltd - series cases on unfair competition dispute and copyright infringement dispute*<sup>97</sup>**

The claimant, Jaguar Land Rover Limited (“JLR”), first launched its Range Rover Evoque in 2009. The defendant, Jiangling Motor Holding Co., Ltd (“Jiangling”), created its first model of Land Wind X7 in 2014. The designs of these two car models are highly similar. JLR’s design patent over its Range Rover Evoque was invalidated by CNIPA in 2016 because its design had been first disclosed in one of its previous car shows. Jiangling’s design patent for Jiangling’s Land Wind X7 was subsequently invalidated by JLR because of its high level of similarity to Range Rover Evoque.

Despite the invalidation of its registered design in China, in 2016, JLR sued Jiangling in two actions under the PRC Anti-Unfair Competition Law and the PRC Copyright Law respectively before the Beijing Chaoyang District Court. JLR succeeded in the anti-unfair competition suit but failed in the copyright suit. This forms an interesting comparison to the EU case of *Jaguar Land Rover v Creare Form AB*<sup>98</sup>, where the Swedish Patent and Market Court ruled in favour of JLR in recognising the external shape and design of the Jaguar C-type was protected by copyright and that the said copyright was infringed upon by replicas manufactured by a 3<sup>rd</sup> party.

### **5.2.3.2. *Jaguar Land Rover Limited v Jiangling Motor Holding Co., Ltd (2019) JING 73 MIN ZHONG No.2033 on unfair competition dispute***

In the first instance, Beijing Chaoyang District Court ruled in favour of JLR in an unfair competition claim. Jiangling appealed to the Beijing IP Court. In May 2021, Beijing IP Court upheld most of the rulings of the first instance judgment and dismissed Jiangling’s appeal.

There were four key issues under the unfair competition claim in this appeal case before Beijing IP Court: (i) whether the PRC Anti-Unfair Competition Law (2017 version) is applicable in this case; (ii) whether the design of Range Rover Evoque is an influential decoration; (iii) whether Jiangling has committed the acts of unfair competition; and (iv) whether the legal liability determined by the first instance Court was reasonable.

On issue (i), the Beijing IP Court confirmed that Article 10 of the Paris Convention for the Protection of Industrial Property Rights (the “**Convention**”) stipulates that

<sup>97</sup> *Jaguar Land Rover Limited v Jiangling Motor Holding Co., Ltd (2019) JING 73 MIN ZHONG No.2033* in respect of unfair competition dispute; and *Jaguar Land Rover Limited v Jiangling Motor Holding Co., Ltd (2019) JING 73 MIN ZHONG No.2034* in respect of copyright infringement dispute, both before Beijing Chaoyang District Court

<sup>98</sup> PMT 15833-18.

members of the Convention have the obligation to guarantee effective protection against unfair competition. Given that JLR originated from the United Kingdom and the alleged infringement took place in China, and both the United Kingdom and China are members of the Convention, the PRC Anti-Unfair Competition Law was therefore applicable. As the alleged infringement commenced before the amendment of PRC Anti-Unfair Competition Law in 2017, the 2017 version was applicable.

On issue (ii), the Court recognised that “decoration” refers to the arrangement and combination of words, patterns, colours and other elements attached to commodities or their packages for the purpose of identifying and decorating commodities, as well as the overall or partial appearance structure of the commodities with a decorative effect. The Court accepted that the design of Range Rover Evoque was different from the common automobile designs. It was further accepted that the design possessed distinctiveness. The evidence indicated that, in the mind of the relevant public in China, the decoration of Range Rover Evoque was consistently associated with JLR. It was held that the Range Rover Evoque was a design enjoying influence in the China market as shown by its massive and cross-territory advertisements, awards within and outside China and longstanding use of such design and decoration.

On issue (iii), it was held that Jiangling’s Land Wind X7 was very similar in design to the Range Rover Evoque in respect of the overall visual aspect, and as such confusion would likely be caused resulting in misleading amongst the public in China.

On issue (iv), Jiangling was ordered to stop all acts of unfair competition, including manufacturing, displaying, offering for sale and selling the Land Wind X7, and to pay damages and costs of a total of RMB 1.5 million to JLR for its loss.

This decision shows that the Chinese Courts are receptive to the protection of a design subject matter by an action based upon anti-unfair competition if the three criteria under Article 6 of the PRC Anti-Unfair Competition Law are satisfied, namely: (i) the claimant’s product design and decoration is significant and has gained certain influence in China market; (ii) the defendant’s product design is identical or similar to the claimant’s product design; and (iii) use of the defendant’s product design may cause confusion or mislead the relevant public in China.

This judgment also illustrated the importance of maintaining adequate supporting evidence, such as, the relevant design drawings, advertisement and promotional materials, evidence of prior use, sales information, and relevant awards, in order to prove sufficient influence in the Chinese market.

### **5.2.3.3. *Jaguar Land Rover Limited v Jiangling Motor Holding Co., Ltd (2019) JING 73 MIN ZHONG No.2034 on copyright infringement dispute***

In May 2021, Beijing IP Court upheld the first instance judgment which dismissed the copyright claim.

There were three key issues under the copyright claim: (i) whether works of applied art were protected by the PRC Copyright Law and the requirements for such protection; (ii) whether the design and appearance of the Range Rover Evoque was a work protected by the PRC Copyright Law; and (iii) whether Jiangling has infringed the copyright of JLR.

On issue (i), Beijing IP Court confirmed that the work of applied art is not explicitly included in the PRC Copyright Law despite its inclusion in Article 2 of the Berne Convention for the Protection of Literary and Artistic Works. Therefore, the protection of works of applied art would largely depend on the judge's discretion based on the general principles of copyright. A work of applied art will normally be reviewed by the Courts as a special type of artistic work. For a work of applied art to be protected by way of copyright, the artistic quality of the design must be physically or conceptually separated from the utilitarian functional value of the design. The design must also satisfy the originality reaching the aesthetic height that reflects the author's unique creativity and personalised expression.

On issue (ii), Beijing IP Court held that the design of Range Rover Evoque was not generally regarded as an artistic work because most people perceived it as an industrial product rather than an artistic work. The first instance Court further viewed that the utilitarian functional value of Range Rover Evoque design was not separable from its artistic quality, on which the Beijing IP Court made no comments.

On issue (iii), the Court ruled that Jiangling was not liable in copyright infringement claim because JLR's Range Rover Evoque did not constitute a work to be protected under the PRC Copyright Law.

Whilst the design of Range Rover Evoque was not considered as an artistic work protected by copyright in China but an industrial product with its utilitarian functional value inseparable from its artistic quality, the Swedish Patent and Market Court has ruled in favour of JLR in a different claim of copyright infringement by JLR against a replica car manufacturer in *Jaguar Land Rover v Create Form AB*<sup>99</sup>, recognising the external shape and design of the Jaguar C-type was protected by copyright reflecting the creator's free and creative choices

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<sup>99</sup> PMT 15833-18.

despite the technical constraints surrounding its design circumstances under the Swedish Copyright Act.

The two opposite decisions reflect a different approach to originality applied by the Beijing IP Court and Swedish Patent and Market Court. In arriving at its decision, the Swedish Patent and Market Court relied heavily on the ECJ's decisions in *Brompton Bicycle* (C-833/18) and *Cofemel* (C-683/17) regarding the requirements of originality.

In the *Brompton Bicycle* case, the ECJ held that when determining if copyright protection is applicable, originality is the sole requirement to be satisfied. Similarly, in the *Cofemel* case, the ECJ confirmed that for copyright to arise, it is “both necessary and sufficient” that the subject matter at hand is original. It then “follows that a subject matter satisfying the condition of originality may be eligible for copyright protection, even if its realisation has been dictated by technical considerations, provided that its being so dictated has not prevented the author from reflecting his personality in that subject matter, as an expression of free and creative choices”.

Applying the law to the facts, the Swedish Patent and Market Court first noted that the realisation of the car was indeed dictated by technical considerations, i.e. the Jaguar C-Type created by automotive aerodynamist Malcolm Sayer was designed within the framework of the Le Mans competition in 1951. However, it has been decided that the need to design a car to win the Le Mans, while adhering to a distinctly Jaguar style, did not limit Sayer to such an extent that the Jaguar C-Type did not display many significant free and creative choices of his own. The Jaguar C-Type thus qualified for copyright protection.

China implements a different approach to the requirement of originality, therefore, design subject matter proprietors should contemplate the possibility of taking actions by the cause of action of copyright infringement in China.

## Conclusion

A short but succinct conclusion highlighting the practical advices to design right holders and the proposals to Chinese government is provided below.

Table 1: Conclusion

Topics	Practical advice to design right holders	Proposals to the Chinese government
The 4 <sup>th</sup> Amendment of the PRC Patent Law	<p>EU design proprietors may consider including the submission of partial design patent application in China in their application.</p> <p>The domestic priority for design application is available under the 4<sup>th</sup> Amendment. However, design proprietors should note that if the subject matter in a prior application in China has already claimed priority, the prior application will not be eligible as a basis for domestic priority of a subsequent application on the same subject matter.</p> <p>China is potentially a huge market for many design proprietors for commercialisation of their products. Under the 4<sup>th</sup> Amendment, China has provided a more favourable environment for enforcement of design rights. The limitation period within which rights may be enforced has been extended and the amount of damages which may be awarded has been increased. The punitive damages are also available in serious cases of infringement.</p> <p>More options are also available to the right owners to tackle bad faith applications and malicious litigations initiated by squatters under the 4<sup>th</sup> Amendment.</p>	<p>Chinese legislators should consider the following to further align with the relevant international practice:</p> <ul style="list-style-type: none"> <li>• Introducing a 12-month grace period dedicated to design applications, which allows the application and registration for a design patent filed within 12 months of the initial disclosure of the design.</li> <li>• Allowing applications for multiple designs to be included in a single application filed with CNIPA.</li> <li>• Article 11 of the PRC Patent Law can be amended to include the exclusive right to use conferred by a design patent.</li> </ul>
Bad Faith Applications	<p>The good faith principle stipulated in the new Article 20 of the 4<sup>th</sup> Amendment must be borne in mind for the purpose of submitting design applications and seeking enforcement in China. The examples of bad faith set out in the ancillary legislations provide a useful non-exhaustive list against which the bad faith or abusive application will be assessed.</p>	<p>Abusive application is a serious issue in China, which the government has acknowledged. Apart from taking administrative measures to stop abusive applications, it would be equally important to educate the public. In addition, more specific</p>

	<p>Article 20 may be a valuable tool for rightful owner of a design as it can be used as a defence and/or counterclaim for damages against the bad faith litigation initiated by owners of a design registered in bad faith.</p> <p>The rightful owner of a design may also take advantages of the availability of an evaluation report to prevent and/or counterattack hijackings.</p>	<p>criteria on how to assess bad faith applications should be further provided.</p>
Graphical User Interface Protection	<p>Assuming the proposals in the Draft Patent Examination Guidelines (2021) are passed, a design applicant needs to consider the best filing strategy to protect its GUI, namely whether to file the GUI bundled with a specific product or with an unspecified device (e.g. electronic devices). In general, under normal circumstances it would be advisable to file design protection for a GUI bundled with an electronic device. This would ensure the widest protection scope possible under the 4<sup>th</sup> Amendment.</p> <p>The application for protection of partial GUI is also available.</p> <p>In addition, the design applicants should also follow the requirements in respect to the title of application, brief description, and the “human-computer interaction”, etc. as specified in the finalised Patent Examination Guidelines.</p>	<p>The 4<sup>th</sup> Amendment allows protection of GUI with an unspecified electronic device. If the majority of GUI design applications are filed with an unspecified electronic device, the government should consider doing away with the Attachment Requirement altogether in order to shift the protection from device-focused to GUI-focused. The position of Shanghai IP Court repealing the Attachment Requirement in the infringement determination needs to be supported by Supreme Court’s judicial interpretations.</p>
The Hague Agreement	<p>For domestic applicants, China’s accession to the Hague System would eventually open up new opportunities for filing international applications more conveniently with the CNIPA. China’s accession to the Hague system would also enable international applicants to obtain design protection in China more easily.</p>	<p>In order to set out a more comprehensive framework for international registration under the Geneva Act, it is submitted that China could refer to the established rules and guidelines of its counterparts in the EU and further amend the legislative framework. For example, those additional requirements for filing application in China, e.g., the</p>



		human-computer interaction requirement, should be abolished.
Unregistered Design Rights in China	Unregistered design is not a patent right in China and will not be protected <i>per se</i> . Alternative protections under the China law by way of trademark, copyright or anti-unfair competition may be available. Whilst these alternative protections have their limitations, preserving relevant evidence is essential in successfully relying upon these alternative grounds. Businesses should therefore develop internal guidelines and systems to systemically docket evidence of use of the relevant unregistered design in China.	There is no useful proposal which may be made in respect of protecting unregistered design right by itself, as it is unlikely that unregistered design rights may separately be recognised as a separate right in the near future in China.