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n° 28 News: IP | Beijing IP Court docket statistics and new guidelines vital for foreign litigants

Paul Ranjard, Huimin Qin, Zhigang Zhu,, 17 January 2024, first published by *IAM*

On 19 December 2023 the Beijing IP Court released statistics on its docketed cases from the first 11 months of 2023 and introduced the Guidelines for Handling Supporting Documents Certifying the Subject Qualification in Foreign-Related Cases at a press conference.

Statistics from 2023

From January to November, 24,324 IP cases were docketed in total by the Beijing IP Court, showing a decrease of 7% – in contrast to the average annual growth rate of around 20% – over the past seven years. This marks the first fall since the court's inauguration in 2014.

Given that the Beijing IP Court has exclusive jurisdiction over all China National IP Administration decisions concerning trademarks and patents, it is unsurprising that most of the cases handled by the court are administrative. Of the 24,324 cases docketed from January to November, 5,449 were civil and 18,875 were administrative.

With regard to civil cases, 1,369 were filed directly with the Beijing IP Court at first instance, while the remaining 4,080 were appeals against lower-court decisions and cases concerning other procedural matters. As for administrative cases, 18,867 were submitted at first instance.

Of the total caseload docketed at the first instance, 21.2% were foreign-related (including Hong Kong, Macao and Taiwan). Cases involving France, Germany, Japan, South Korea and the United States made up over 50% of all foreign-related cases.

The court's new guidelines

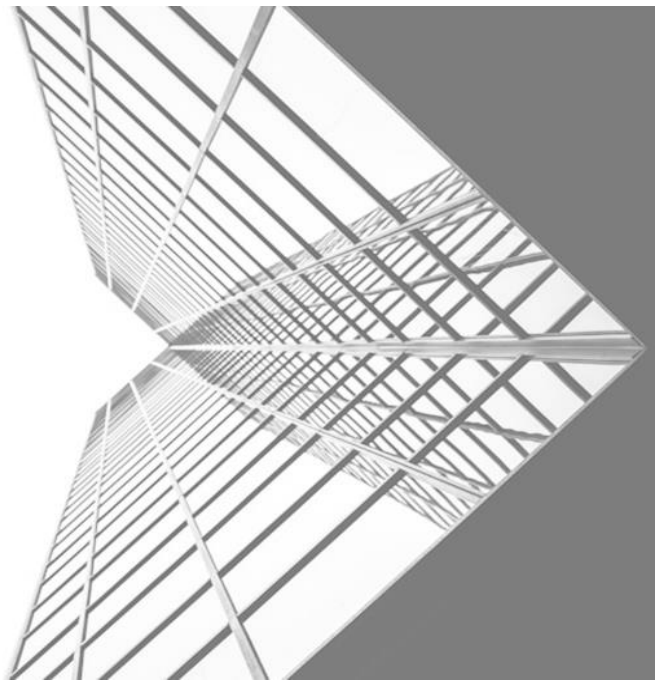
In addition to these statistics, the Beijing IP Court also released its Guidelines for Handling Supporting Documents Certifying the Subject Qualification in Foreign-Related Cases, in which it provides detailed instructions to help foreign litigants establish and submit the set of documents that officially certify their identity and capacity. This clarification effort is a welcome development, especially after China's formal accession to the Apostille Convention in 2023.

The documentation that is required to certify litigants' identity and eligibility varies in different jurisdictions. Since it is impossible to address all of the existing legislation concerning legal forms and corporations' operational rules, the guidelines focus on six countries only: Belgium, France, Germany, Japan, South Korea and the United

States (California and Delaware). For each of these jurisdictions, the guidelines cite the relevant laws and describe, with examples, the content of each certification document that is required.

In addition to proving their identities, foreign litigants must submit a power of attorney in favour of the Chinese attorney who will act in court on their behalf. Since the undersigned of the power of attorney is rarely the litigant's legal representative (it is often a member of staff – authorised by a kind of internal power of attorney), it is necessary to satisfy the court that the undersigned is, indeed, duly authorised. In its guidelines, the Beijing IP Court explains who has the authority to sign a power of attorney on behalf of a company according to local laws and provides templates that litigants can easily follow.

Since 7 November 2023, litigants from contracting states of the Apostille Convention can skip the legalisation procedure – which previously involved the issuing country's authorities and the Chinese Consulate in the litigant's country. Now, litigants may submit the documents with the Apostille, provided by the relevant authority in the country concerned, together with an official translation (see "Apostille Convention marks transformative step forward for foreign IP litigants in China").



n° 52 WHD Case: TN | Michelin dispute sheds light on when similar trade names constitute unfair competition

Binbin Du & Paul Ranjard, 22 November 2023, first published by *IAM*

The Zhejiang High Court has upheld a first-instance decision that determined infringing use of a trade name that constituted unfair competition. The word 'Michelin', which is the name of a French company famous for its tyres, as well as the Michelin Guide, is written '米其林'in Chinese – pronounced 'mi qi lin'. This Chinese name is registered, along with Michelin, in Classes 12 (tyres) and 16 (the guide).

Case background

In 2021 Michelin discovered that a company involved in the canned food industry had changed its name from Zhejiang Huang Yan Second Canned Food Factory to Taizhou Huang Guan Mi Qi Lin Food, in which the 'Mi Qi Lin' part was written '米奇林'. The first and third characters were the same as those that Michelin had chosen, while the second character was different but is pronounced in the exact same way.

This new name therefore contained a very similar element to Michelin in Chinese and Huang Guan used this new name on the packaging of its products and on its online store. Further, Huang Guan was also using the same name as Michelin in Chinese (with the same second character) on one webpage of its online store, and it was found that Huang Guan was even using the full English name "Taizhou Huang Guan Michelin Food Co Ltd" on a third-party platform.

Huang Guan supplied products to two other companies, Zhejiang Taizhou Huang Guan Manor Food and Taizhou Huangyan Zhong Yi Food, which had their own distribution network.

In September 2021 Michelin sued the three companies before the Ningbo Intermediate People's Court on the grounds of unfair competition based on its trademarks '米其林' (Michelin) and MICHELIN, registered in Classes 12 and 16. This was based on Article 58 of the Trademark Law, which states that using a registered or unregistered trademark in an enterprise's trade name in a way that misleads the public constitutes unfair competition, which is to be dealt with according to the Anti-Unfair Competition Law.

Court rulings

Before the court, Huang Guan argued that the use of the identical Chinese name was a clerical error on its part and that the use of the full 'Michelin' was not its responsibility, but an initiative taken by the third-party platform. These arguments were flatly rejected by the court.

Huang Guan also argued that canned food and tyres were different industries, so they were not competitors. It also claimed that its new name had been registered for more

than five years and could therefore not be sued. The other defendants argued that they had merely, according to law, indicated the name of the manufacturer.

In September 2022 the first-instance court issued a judgment determining that the defendants' acts constituted unfair competition (Zhe 02 Min Chu No 1935, 2021). It ordered the three defendants to stop using the infringing company name and demanded that Huang Guan change its registered company name and pay damages of 150,000 yuan. The three defendants appealed and in March 2023, the Zhejiang High Court issued a final judgment upholding the first-instance decision (2022 Zhe Min Zhong No 1327).

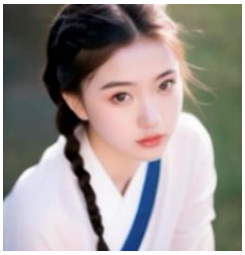
Outcomes and reasoning

This case is typical of enterprise name infringement. The court determined several issues:

- using a mark of another person in a trade name, as stated in Article 58, includes the use of a similar trademark, which constitutes an act of unfair competition;
- when the goods designated by the plaintiff's trademark are different from the defendant's industry, unfair competition may be determined without having to recognise the well-known status of the plaintiff's trademark;
- there was a certain degree of overlap between the consumer groups of both parties, and therefore they were in a competitive relationship;
- rights holders may file civil lawsuits for unfair competition even if the defendant's company name has been registered for more than five years; and
- the other two defendants that had honestly provided the manufacturer's information could not use this as an excuse, but in view of their subjective state of good faith, they were exonerated of the obligation to bear compensation liability.

n° 22 Case: CP | Beijing Internet Court rules that AI-generated content is eligible for copyright protection

Zhigang Zhu and Paul Ranjard, 3 January 2024, first published by *IAM*



The portrait

This portrait is not a photograph, and the girl displayed in the portrait does not exist. It was created by Stable Diffusion – open-source software – under the guidance of Li Yunkai, who then published the portrait on the Internet. When the defendant Liu Yuanchun posted an article using the portrait without Li Yunkai's authorisation, he sued her before the Beijing Internet Court. On 17 November 2023, the Beijing Internet Court ruled in favour of the plaintiff.

The main issue was whether an image generated by AI can be eligible for copyright protection.

Case details

The court ruled that throughout the entire process – from conceptualisation to final selection of the image – Li Yunkai had made intellectual inputs. He had defined the subject and its presentation using prompts to set the parameters for visual layout and composition. The court determined that these choices reflected the plaintiff's personality. Further, the court found that, after obtaining the initial image through input prompts and parameter settings, the plaintiff had continued to add prompts and modify the parameters, constantly adjusting and refining the image until the final version was reached. Therefore, the court rejected the defence based on "mechanical intellectual achievement".

The court went on to elaborate on its perspective on the "new generation of generative artificial intelligence technology", observing that generative AI is changing the way that people create. It is similar to the invention of the camera: before photography was invented, people needed exceptional painting skills to reproduce the objective appearance of objects, whereas today, the powerful and user-friendly camera function in smartphones makes photography accessible to all. However, as long as a photo taken with a smartphone reflects the photographer's creative intellectual input, it still qualifies as photographic work and is protected by copyright law.

Determining the author

According to Article 11 of the Copyright Law, authors are limited to natural persons, legal persons or unincorporated organisations. Therefore, AI models themselves cannot be recognised as authors under Chinese copyright law. The court thus decided that the author is the person who directly made the relevant settings to the AI model according to its needs and choices. The image is the direct result of the plaintiff's intellectual input and reflects the plaintiff's personalised expression. Hence, the plaintiff is the author of the implicated image and holds the copyright to it.

A shift in AI jurisprudence

The eligibility of AI-generated content for copyright protection is a complex and evolving legal and ethical question. Determining this involves factors such as the level of human involvement, creativity and originality in the creation process. This criteria is very similar to the elements that courts consider when determining whether a work is original.

Such analysis in favour of AI has not always been accepted in China's judicial practice. In 2020, the same court ruled against the plaintiff in a case between Feilin Law Firm and Beijing Baidu Wangxun. The law firm had published an article ("Judicial Big Data Analysis Report on the Film and Entertainment Industry - Movie Volume, Beijing Edition") on their WeChat public account, which consisted of both textual and graphical content. On 10 September 2018 Beijing Baidu Wangxun published an article, the content of which was largely identical to the plaintiff's piece, but it omitted sections such as the byline, introduction and search overview. The law firm sued on the grounds of copyright infringement.

The defendant argued that its article was generated by data analysis software and was not created using the plaintiff's intellectual work. In this judgment, the Beijing Internet Court agreed with the defendant, considering that the work needed to be created by a natural person. It further stated that the software developer and user of the software had not produced any creative act in relation to the article in question. Therefore, the AI-generated content did not convey "unique expressive qualities" of either party.

Key takeaways

The decision in this case shows that data analysis and artistic creation are quite different. This likely explains why the same court reached different conclusions in different applications of the copyright law. The discussion on the copyright eligibility of AI-generated content will continue and it will be crucial for experts to monitor how it unfolds.

n° 55 WHD Insights: PT | Strategies for patenting personalised medicine and companion diagnostics in China

Minnan (Miranda) Xie, 5 December 2023, first published by *MIP*

Personalised medicine, which is generally considered analogous to precision medicine, is built on companion diagnostics. A companion diagnostic is a medical device, often an in vitro diagnostic (IVD), that has been primarily used to identify subgroups of patients, including:

- Those who are most likely to benefit from a particular therapeutic product; and
- Those who are likely to be at increased risk of serious side effects as a result of treatment with a particular therapeutic product.

Over the past few years, personalised medicine has received a lot of attention. There has been an increasing number of personalised medicine products authorised in various countries, with recommendations or requirements regarding subgroups of patients. Against this backdrop, patenting personalised medicine or inventions related to companion diagnostics has become a new strategic focus of patentees' patent portfolio construction and part of their 'evergreening' strategy.

In drafting a Chinese patent application for an invention related to personalised medicine or companion diagnostics, patentees need to tread carefully so as to avoid the ineligibility pitfall and to guarantee that the granted patent has a reasonable protection scope.

Avoiding the ineligibility pitfall

Article 25.1(3) of the Chinese Patent Law explicitly provides that "methods for the diagnosis or for the treatment of diseases" are not patentable. However, drugs, medical devices, and diagnostic kits are patentable subject matter in China. Second medical use claims, which protect the repurposing of a known drug, are also patentable in China. Such claims may be drafted as Swiss-type claims, which read "Use of substance X in the manufacture of a medicament for the treatment of disease Y".

Accordingly, a substance for detecting a particular biomarker that is initially used in the diagnosis of a certain disease can use the drafting approach adopted in a second medical use claim in China. Applicants could patent the discovery of a correlation between a biomarker and a disease in the following manner: "Use of a biomarker X detection reagent in the manufacture of a reagent/kit for the diagnosis of disease Y". However, in China, in vitro diagnosis cannot be granted as method claims, which are often drafted as "a method of predicting…", even though the test for the diagnosis is performed on in vitro samples.

Claim construction

Personalised medicine often involves collaboration between the pharmaceutical industry and the in vitro diagnostic industry, with the latter providing information that is essential for the safe and effective use of a drug or biological product manufactured by the former.

Applicants are therefore recommended to draft at least two sets of claims, targeting separately the manufacture of a medicament for treatment and the manufacture of a diagnostic kit for predicting a patient's responsiveness to treatment with a certain medicament. On top of that, applicants could seek to patent other eligible subject matters as system claims or composition claims.

Manufacture of a medicament for treatment

In China, treatment of a disease/a patient in a subgroup is allowed as technical features in Swiss-type claims. Claims may be drafted as follows: “Use of substance X in the manufacture of a medicament for the treatment of disease Y, wherein the disease Y is… [with a certain subgroup feature]” or “Use of substance X in the manufacture of a medicament for the treatment of disease Y in a patient, wherein the patient is determined to have… [with a certain feature]”.

Manufacture of a diagnostic kit

Claims related to an IVD may be drafted as follows: “Use of a biomarker Z detection reagent in the manufacture of a diagnostic kit for predicting a patient's responsiveness to treatment of disease Y with substance X”, or “Use of a biomarker Z detection reagent in the manufacture of a kit for determining the efficacy of substance X therapy for Y disease”.

Other claims

System claims, which usually incorporate computer-related features, could be drafted as “a system for identifying an individual… [e.g., as at risk] of treatment of disease Y with substance X”. In addition, a medical system or composition claim that comprises the biomarker Z detection reagent and substance X could also be allowed.

If the application also involves experimental data that could support the invention of an inhibitor or agonist of target Z (which refers to substance directly or indirectly targeting Z, such as a group of antibodies or compounds) used in combination with substance X to achieve better efficacy, applicants are advised to incorporate into the claims the use of an inhibitor/agonist of target Z in the manufacture of a medicament administered in combination with substance X, and the use of substance X in the manufacture of a medicament administered in combination with an inhibitor/agonist of target Z.

Apart from that, composition comprising an inhibitor/agonist of target Z and substance X could also form one set of claims.

Applicants need to exercise caution and substantiate the features of “inhibitor of Z” or “agonist of Z” and related examples with experimental support, as a feature such as “inhibitor of Z” or “agonist of Z” may trigger rejection for lack of support, especially with examinations growing increasingly stringent in this regard over the past few years.

Amendment of claims

In principle, the China National Intellectual Property Administration (CNIPA) would allow an amendment that transforms a treatment method claim or a diagnosis method claim into a Swiss-type claim, in order to overcome an ineligible subject matter rejection, as long as the amendment does not go beyond the original scope, and thus is not in violation, of Article 33 of the Chinese Patent Law.

However, it is strongly recommended that applicants draft descriptions to the extent that it at least provides support for the amendment of claims with reasonable protection scope, as failure to do so might lead to a granted patent with unsatisfactory protection scope. For example, in prosecuting CN02803495.3, the applicant amended the method claim of “A method for assessing the condition of the gastric mucosa, especially for diagnosing mucosal gastric changes, such as atrophic gastritis, in a subject, by assaying the analytes pepsinogen I (PGI), gastrin and a marker for Helicobacter pylori infection” into product claims (a toolkit/device).

Although the applicant tried to amend the claims without overly restricting the technical features during the examination procedure, the amended claims were found to go beyond the initial scope of disclosure. To overcome the rejection, the applicant made a further restriction over the claims in the re-examination procedure. The application was finally granted with claims, which seems to be overly restricted in China.

Finally, applicants are recommended to seize the opportune time to make voluntary amendments of claims. The Guidelines for Patent Examination mandates that when responding to office actions, amendments proposed by applicants that broaden the protection scope, or add new dependent or independent claims that define a technical scheme and that are not presented in the original set of claims, shall not be allowed.

Therefore, for patent applications entering the Chinese national phase, if applicants desire more flexibility in terms of claim amendment, it would be more advisable to file a voluntary amendment:

- At the time of entering China;
- At the time of requesting a substantive examination; or
- Within three months after receiving the notification of entering a substantive examination.