

Highlights of Amendments to the Chinese Patent Law-2020

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Main contents

Main points in the new Patent Law

- Design (partial design; domestic priority; extended patent term to 15 years);
- Compensation of patent term (compensation for the delay in examination; compensation for new drugs);
- Rewards and remunerations; (stock share or bonus to the inventor);
- Abuse of patent right;
- Enhanced enforcement;
- Shift of burden of prove;
- Protection of drugs (drug patent linkage system).

Abuse of patent right

- Article 20: Application for a patent and exercise of patent rights shall follow the **principle of good faith**. Patent right shall not be abused to damage the public interest or the lawful rights and interests of others.
- Abuse of patent rights to exclude or restrict competition, which constitutes monopolistic behavior, shall be dealt with in accordance with the Anti-Monopoly Law of the People's Republic of China.
- In the current judicial practice, the **abuse of patent rights** is mostly manifested in **malicious litigation**.

Abuse of patent right

- Case 1:
- Shenzhen Jiedian company vs. Shenzhen Laidian company
- Unfair competition law
- Shenzhen Intermediate Court
- Guangdong High Court
- Jiedian and Laidian are all in the area of shared power bank.

Abuse of patent right



Abuse of patent right

- Laidian is the patentee of 6 patents: ZL20152084xxxx.1; ZL20152010xxxx.2; ZL20152010xxxx.7; ZL20158000xxxx.x; ZL20158000xxxx.0; ZL20158000xxxx.9
- On 20170517, Laidian filed a patent infringement lawsuit against Jiedian and Hunan Haiyi E-commerce company with **Shenzhen Intermediate Court** based on the above 6 patents, with a request for evidence preservation. The court approved the request and seized the product of Jiedian.
- On 20170606, Laidian filed a patent infringement lawsuit against Jiedian and Hunan Haiyi E-commerce company with **Beijing IP Court** based on the above 6 patents, with a request for evidence preservation. The court approved the request and seized the product of Jiedian.

Abuse of patent right

- On 20170627, Laidian filed a patent infringement lawsuit against Jiedian and Shenzhen Bulu Food company with **Shenzhen Intermediate Court** based on the above 6 patents, with a request for evidence preservation. The court approved the request and seized the product of Jiedian in Bulu company.
- On 20170712, Laidian filed a patent infringement lawsuit against Jiedian and Shenzhen Haiguimi Food company with **Shenzhen Intermediate Court** based on the above 6 patents, with a request for evidence preservation. The court approved the request and seized the product of Jiedian in Haiguimi company.

Abuse of patent right

- On 20170724, Laidian filed a patent infringement lawsuit against Jiedian and Shenzhen Mr. Xi Food company with **Shenzhen Intermediate Court** based on the above 6 patents.
- Further, on 20170930, Laidian also filed a request for solving patent dispute against Jiedian with **Henan IP office** based on one of the 6 patents.
- On 20180319, Laidian filed another 12 requests for solving patent dispute against Jiedian and its 4 cooperating companies with **Jinan IP office** based on two of the 6 patents.
- The total number of lawsuits filed by Laidian against Jiedian is **5**, the number of cases is **30**.
- The total number of administrative cases filed by Laidian against Jiedian is **more than 20**.

Abuse of patent right

- All the 30 cases are based on the same patent rights, against the same defendant, Jiedian, with same claims, asking the defendant to stop manufacturing, selling, offering to sell, using the infringing product, destroying the infringing product and the model for production.
- Laidian requested **evidence preservation** for all the 30 cases.
- The 24 cases before Shenzhen Intermediate court are all against the same type of product of Jiedian.

Abuse of patent right

- In the 4 lawsuits before Shenzhen Intermediate court, as they are handled by different panels constituted by different judges, Laidian requested evidence preservation in each case, for the same product.
- In each place there is only one Jiedian's product. After this only one product is preserved by the court, Laidian has achieved the effect that **all Jiedian's products are removed from the market** even without the judgement from the court.

Abuse of patent right

- After each time raising the lawsuit, Laidian delivered huge amount of **negative news** to the media, slandering Jiedian, putting negative influence on Jiedian's reputation on the market.
- The legal representative of Laidian, Mr. Yuan Bingsong, delivered **speech** in media conference alleging that “Jiedian's product is definitely infringing, the logic of Jiedian's product is totally identical with Laidian, except its shape and size.”

Abuse of patent right

- Judgement:
- 1, Laidian's activities exceeded the reasonable courses, seeks illegal interests by using judicial and administrative measures as a tool, the principles of honesty and credibility are violated, the order of market is disturbed, the business activities of Jiedian and its cooperating companies are negatively influenced.
- Litigation is used by Laidian as a tool to attack its competitors. Laidian is conducting repetitive litigation in bad faith, and is abusing patent right.
- Laidian's activities constitutes abuse of patent rights, and unfair competition.

Abuse of patent right

- 2, There are huge number of reports for the patent litigation lawsuits and administrative cases in many different newspapers, internet websites, financial reports, in the title like “Jiedian’s products are sealed up immediately after entering Zhengzhou, the owner of Jiedian will lose money of 100 million”.
- Therefore, the information provided by Laidian to the media is **misleading**.
- The speech delivered by legal representative of Laidian exceeded the border of normal business evaluation to the extent that the **reputation of the competitor is damaged**, therefore belongs to fake publicity.
- In view of the above, the activities of Laidian constitutes **unfair competition**.

Abuse of patent right

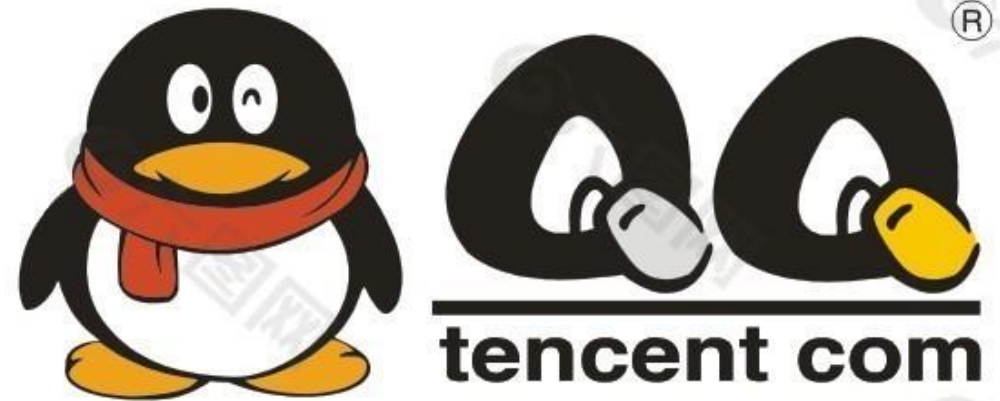
- 3,Orders
- 1)Laidian shall **stop** the activities of unfair competition immediately;
- 2)Laidian shall **apologize** publicly in the main newspapers and websites where the negative news were reported;
- 3)As the plaintiff has not submitted evidence showing the lose of profit due to the activities of Laidian, the court determined an **upper limit of statutory damage** of 5 million RMB according to the Anti-unfair competition Law.

Abuse of patent right

- Case 2:
- Tencent vs. Tan Fawen
- Patent Law; Tort Liability Law
- Tencent company was founded in 1999 and is one of the leading Internet technology companies in China.

Abuse of patent right

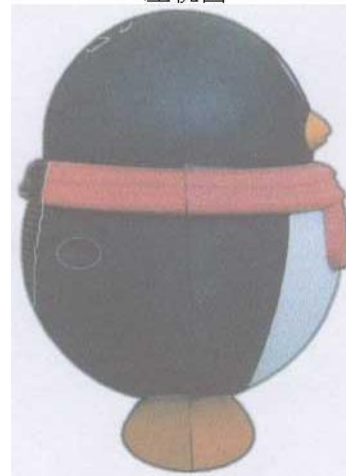
- The logo of Tencent was registered as copyright no. 19-2001-F-488 on 20010620. And was also registered as trademark no. 1915548 on 20021207.



Abuse of patent right

- Mr. Tan Fawen filed a **design application** for loudspeaker on 2008.12.23 and got registered a design patent no. 200830254103.6.
- The publication date is 2010.01.13.

左视图



主视图



立体图



Abuse of patent right

- On 20160225, Tan raised a lawsuit with Shenzhen Intermediate Court against Tencent company and Zhongke company for patent infringement based on design patent no. 200830254103.6. (case no. 236) and claimed a compensation of 900,000 RMB.
- In this case, Tencent licensed the above trademark to Zhongke company. Zhongke company is producing and selling loudspeakers with the logo incorporating the trademark. Tan alleged in the lawsuit that Tencent company and Zhongke company are **infringing its design patent** no. 200830254103.6.

Abuse of patent right

- As a counter action, Tencent filed a **patent invalidation request** against the design patent no. 200830254103.6 before the Patent Reexamination Board on 20160321.
- The Board issued a decision no. 29537 declaring the design patent no. 200830254103.6 to be invalidated as a whole, based on the ground that the captioned design is conflicting with the prior rights, including the above copyright no. 19-2001-F-488 and trademark no. 1915548.
- On 20160805, the court of first instance ruled to dismiss Tan Fawen's prosecution.
- Tencent then filed a **counter lawsuit** against Fan claiming damage due to the malicious litigation by Tan.

Abuse of patent right

- Before case no. 236, there were **2 other cases** (cases no. 348 and no. 349) between Tencent and Fan. In these 2 cases, Tencent filed lawsuits with Shenzhen Futian district court against Tan for copyright and trademark infringement. The lawsuits were based on the fact that the loudspeaker sold by Tan and its company, Aowei company, infringed the above copyright no. 19-2001-F-488 and trademark no. 1915548.
- The two cases were settled between the two parties. Tan agreed to stop infringement and make the compensation. Tan **also agreed to withdraw the design application** no. 200830254103.6 within one month.

Abuse of patent right

- Judgement:
- After the mediation, Tan Fawen not only failed to fulfill his promise, but continued to pay the annual patent fee, and then claimed patent infringement to Tencent, with the intention of causing damage to Tencent's property or reputation. This behavior was **subjective and malicious**, and the **circumstances were bad**.
- In accordance with the provisions of Article 6 of the "**Tort Liability Law**" "The perpetrator shall bear the tort liability for infringement of the civil rights and interests of others due to his fault." and Article 47 of the "**Patent Law**" "The losses caused by others due to the bad faith of the patentee shall be compensated.", Tan Fawen shall bear civil liability for tort damages.

Abuse of patent right

- Calculation of damage
- The losses caused to others by the patentee's malice should include direct losses and indirect losses. When the specific amount of loss cannot be determined, the amount of compensation should be **determined based on the circumstances of the infringement and the degree of maliciousness.**
- In this case, the direct losses include the fee for filing the request for patent invalidation, the attorney fee, the notary fee and the evidence preservation fee.

Abuse of patent right

- The indirect losses include the losses in business due to this lawsuit.
- In case No. 236, both Tan Fawen and Tencent recognized the cooperation between Tencent and Zhongke, but Tencent did not submit evidence of license fees or loss of available benefits. According to business practices, Tencent and Zhongke Cooperation will indeed be affected to some extent by the malicious litigation, and this scenario can be used as a reference factor for determining the amount of compensation.
- The court finally decided an **amount of damage** of 500,000 RMB.

Abuse of patent right

- Malicious litigation is essentially a tort, and its behavior is manifested as an abuse of rights rather than a proper exercise of rights. Its purpose is to obtain illegal or improper benefits, and at the same time cause the counterparty to suffer damages in the litigation, rather than to provide relief to the rights granted by the law.

• Enhanced enforcement

- Enhanced enforcement;
- Article 71:
- The amount of damage for patent infringement shall be determined according to the loss of the patentee or the gain of the infringer due to the infringement; in case that the loss of the patentee or the gain of the infringer is difficult to determine, it shall be reasonably determined taking reference to the multiple of the patent license fee. For **intentional infringement** of patent rights **with serious circumstances**, the amount of compensation may be determined at **one to five times** the amount determined in accordance with the above-mentioned method.
- Where the loss of the patentee, the gain of the infringer and the license fee are all difficult to determine, the court may determine an amount of damage in a range of **30,000-5,000,000 RMB** (**100,000-3,000,000 RMB according to the old law**) based on factors such as the type of patent right, the nature and circumstances of the infringement activities.
- The amount of damage shall also include the reasonable expenses of the patentee for stopping the infringement activities.

• Enhanced enforcement

- Shift of burden of prove
- Article 71:
- For the purpose of determining the amount of damage, in case that the patentee has tried its best to provide evidences, and the accounting books and materials relating to the infringement activities are in the hands of the infringer, **the court may order the infringer to provide these accounting books and materials**. If the infringer **does not provide** or provide fake accounting books and materials, the court may determine the amount of damage based on the claims and the evidences provided by the patentee.

Enhanced enforcement

- The Interpretation of the Supreme Court on the Application of Punitive Damages in the Trial of Intellectual Property Infringement Civil Cases
- Came into effect as of March 3, 2021
- Article 3:
- For the determination of **intentional infringement** of intellectual property rights, the Court shall comprehensively consider factors such as the type of the infringed intellectual property rights, the status of rights and the popularity of related products, the relationship between the defendant and the plaintiff or interested parties.

Enhanced enforcement

- Under the following circumstances, the court can preliminarily determine that the defendant has the **intention** to infringe intellectual property rights:
 - (1) The defendant **continues** to commit the infringing act **after being notified or warned** by the plaintiff or the interested party;
 - (2) The defendant or its legal representative or manager **was** the legal representative, manager or actual controller of the plaintiff or interested party;
 - (3) The defendant has relationships with the plaintiff or the interested parties in **labor, service, cooperation, licensing, distribution, agency, representative**, etc., and has been in contact with the infringed intellectual property rights;
 - (4) The defendant has **business dealings** with the plaintiff or interested parties or negotiated for the conclusion of contracts, etc., and has been in contact with the infringed intellectual property rights;
 - (5) The defendant committed acts of **pirating or counterfeiting** registered trademarks;
 - (6) Other circumstances that can be determined as intentional.

Enhanced enforcement

- Article 4
- For the determination of **serious infringement** of intellectual property rights, the Court shall comprehensively consider factors such as the means and frequency of infringement, the duration, geographical scope, scale, and consequences of the infringement activity, and the behavior of the infringer in the lawsuit.
- If the defendant has the following circumstances, the Court may determine that the circumstances are serious:

Enhanced enforcement

- (1) **After being punished** by an administrative penalty or a court decision for infringement, committing the same or similar infringement **again**;
- (2) Taking the infringement of intellectual property rights **as its business**;
- (3) **Forging, destroying or concealing evidence** of infringement;
- (4) Refusing to perform the ruling concerning **preservation**;
- (5) The **gain** of the infringer or the lose of the right owner is **huge**;
- (6) The infringement activities may endanger **national security, public interests or personal health**;
- (7) Other circumstances that can be determined as serious.

Enhanced enforcement

- Case study
- Guangzhou Tianci company, etc.. vs. Anhui Niuman company and Hua Man, etc.
- Trade secret infringement
- Trade secret concerns production information of Carbomer (Polyacrylic acid)
- Guangzhou IP Court; Supreme Court
- Anti-unfair competition law

Enhanced enforcement

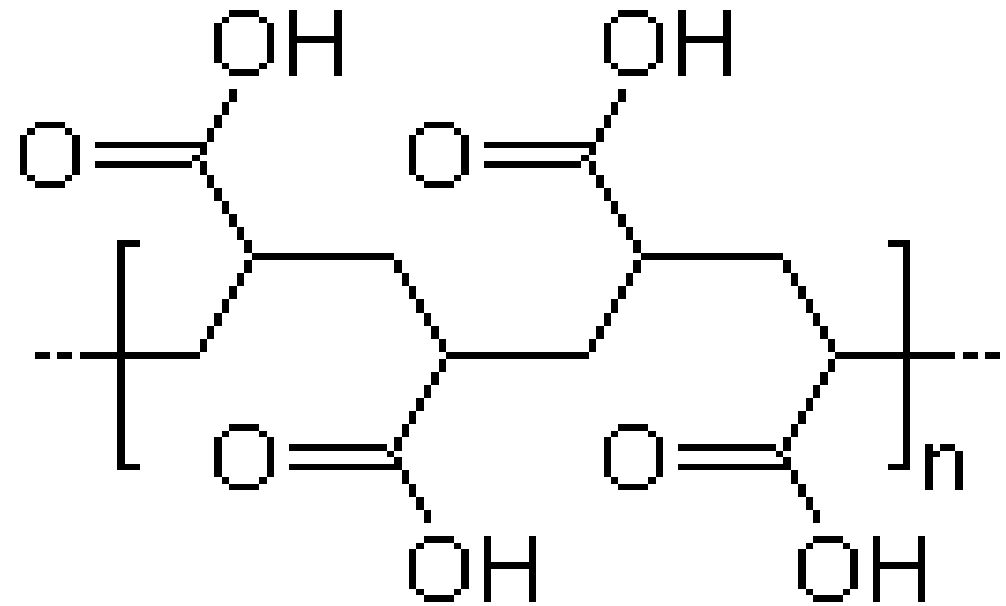
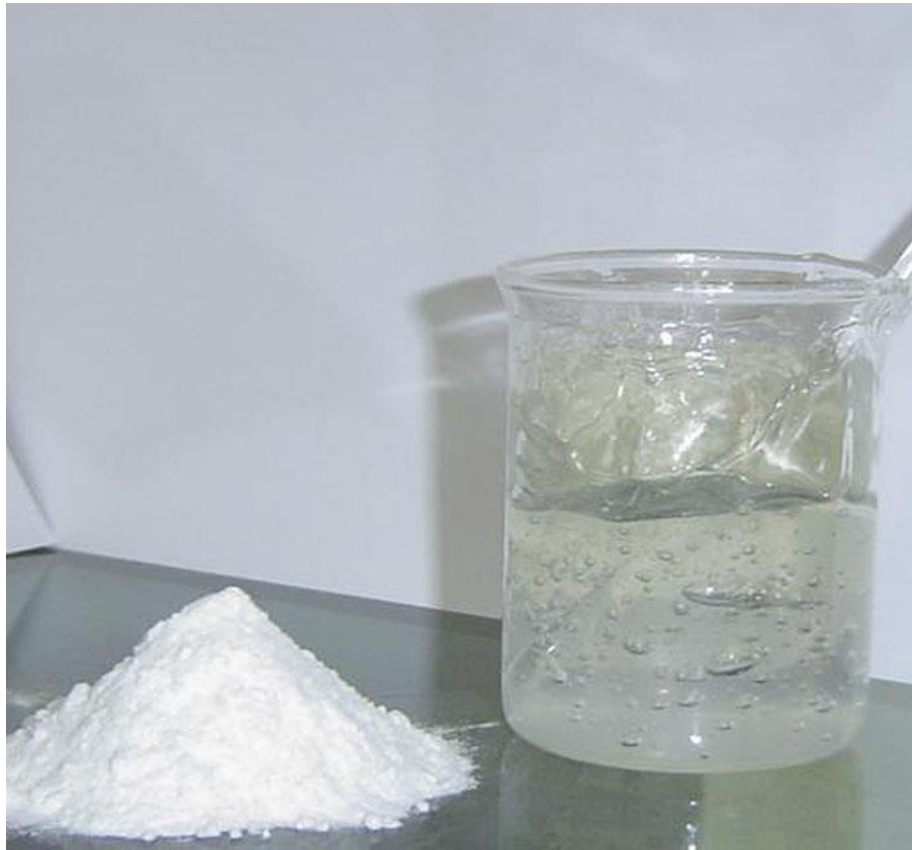
- 1.Determination of intention (Bad faith) and serious circumstances
- 2.Contribution rate of the technical secret
- 3.Can punitive damages apply to part if the total amount of damage cannot be determined?
- 4.Application of law
- amended Anti-Unfair competition law, where punitive damage is introduced for the first time, came into effect on 23.04.2019.
- 5.Opinions from the judges of Supreme court

Enhanced enforcement

- On June 6, 2000, **Guangzhou Tianci Company** was registered and established.
- On October 30, 2007, **Jiujiang Tinci Company** was registered and established, and the sole shareholder is Guangzhou Tinci Company.
- Guangzhou Tianci Company licenses the production technology and intellectual property rights of Kabo products to Jiujiang Tianci Company for use.
- On August 29, 2011, **Anhui Newman Company** was registered and established with Liu Hong as the shareholder and legal representative.

Enhanced enforcement

Carbomer (Polyacrylic acid)



Enhanced enforcement

- From 2012 to 2013, Ms. **Huaman** was the head of Carbomer R&D of Guangzhou Tianci Company and obtained the drawings of the Kabo equipment of Jiujiang Tianci Company. She disclosed the information to Liu Hong and several others. From 2013 to 2019, Anhui Newman Company used the Carbomer production process and equipment technology illegally obtained by Huaman from Tianci Company to produce Carbomer products and sell them to domestic and foreign companies.
- In 2017, both the Tianci companies brought a lawsuit before Guangzhou IP court against Niuman company, Ms. Hua, Mr. Liu and several others for **infringement of trade secret**.

Enhanced enforcement

- According to the request from the plaintiff, the court of first instance obtained data on the export of Carbomer products from Anhui Newman Company from August 2016 to January 2019 from Huangpu Customs, Guangzhou Customs, Ningbo Customs, and Shanghai Customs. According to statistics, from August 2016 to January 2019, Anhui Newman Company exported a total of RMB 934,990 and USD 2,676,707 through the four customs of Huangpu, Guangzhou, Ningbo and Shanghai.

Enhanced enforcement

- The term "trade secrets" as used in this law refers to commercial information such as technical information and business information that are not known to the public, have commercial value, and have been subject to appropriate confidentiality measures taken by the right holder.
- In summary, the court held that the technical information of the Kabo production, process, and equipment claimed by Guangzhou Tianci Company and Jiujiang Tianci Company "is not known to the public, can bring economic benefits to the right holder, has commercial value, and confidential measures are taken by the right holder." are trade secrets stipulated by the Anti-Unfair Competition Law.

Enhanced enforcement

- Trial of related criminal cases
- On January 19, 2018, the **Court of Hukou County**, Jiangxi Province issued a **criminal judgment (2017) No. 49**, concluding that Huaman, Liu Hong and others were guilty of infringement of trade secrets and sentenced to two years and ten months in prison and were fined each for 1 million RMB, and confiscated and destroyed the tools of crime seized by the public security organs and materials involving trade secrets.
- Hua Man and Liu Hong refused to accept and appealed again. On November 21, 2018, the **Intermediate Court of Jiujiang City** issued a **criminal judgment (2018) No. 90**, confirming the facts found in the original judgment and upholding the original judgment. The judgment has become legally effective.
- The effective criminal judgment held that: during the time period when working in Guangzhou Tianci Company, Huaman violated the company's confidentiality regulations, illegally disclosed the original technical information relating to Carbomer production process to Anhui Newman Company. Liu Hong, knowing that Huaman had illegally disclosed to him the trade secrets related to Carbomer but still used it. Both of them caused heavy losses to the right holders of the trade secrets, and the activities of both of them all constitutes a crime of infringing on commercial secrets.

Enhanced enforcement

- According to Article 27 of the "Interpretation of the Supreme Court on Several Issues Concerning the Application of Law in the Trial of Patent Infringement Disputes (2)", in case that the right holder has provided preliminary evidence of the infringer's benefits, which is related to the patent infringement, and the infringer's account books and information are mainly in the hands of the infringer, the Court may order the infringer to provide the account books and information; if the infringer refuses to provide or provides false account books and information without justifiable reasons, the Court may determine the benefits obtained by the infringer as a result of the infringement based on the claims of the right holder and the evidence provided.
- As the plaintiff, Tianci company, has tried its best to collect evidence, the court ordered the defendant, Niuman company to submit the profit data as well as the original accounting books and original receipts and invoices.
- Niuman company submitted its balance sheet and income statement which were produced by themselves. But **refused to submit the original accounting books** and original receipts and invoices on the ground that the number of the documents is huge and the distance between the company and the court is long.

Enhanced enforcement

- According to the third paragraph of Article 17 of the Anti-Unfair Competition Law, the amount of compensation for an operator who has suffered damage due to an act of unfair competition shall be determined based on the actual loss suffered by the infringement; if the actual loss is difficult to calculate, the amount of compensation shall be determined based on the infringer's benefits obtained from the infringement. If the operator maliciously commits an act of infringing on trade secrets and the circumstances are serious, the amount of compensation may be determined from **one to five times** the amount determined in accordance with the above-mentioned method.
- The amount of compensation should also include reasonable expenses paid by the operator to stop the infringement.

Enhanced enforcement

- The size of the penalty multiple is determined by the seriousness of the infringement. The following aspects are related to penalty multiples:
- 1. Anhui Newman Company has continued to infringe since 2014, even during the trial period of the related criminal case or even after the court made a guilty effective verdict, it has never been interrupted, regarding the effective judgment of the court and national law as nothing, and the **subjective maliciousness is serious**.
- 2. Anhui Newman Co., Ltd. has a **huge production scale**, with self-recognized sales exceeding 37 million, and its products are sold in China and exported to more than 20 countries and regions.
- 3. The technical secrets of Guangzhou Tianci Company and Jiujiang Tianci Company infringed by Anhui Newman Company involve the production process, flow and equipment. These technical secrets play a **key role** in the formation of products.
- 4. In this case, the court of first instance ordered Anhui Newman Company to provide profitability data, financial account books and original invoices within a specified period of time. Although Anhui Newman submitted its balance sheet and income statement, it failed to provide financial account books and original invoices due to the large number of documents and the long distance. In this regard, the court of first instance held that the statement of Anhui Newman Company was not justified, and its refusal to provide evidence caused the court of first instance to be unable to find out all the infringement profits, which constituted an **obstacle to the production of evidence** and should bear adverse legal consequences.
- Taking these factors into consideration, it is sufficient to determine that Anhui Newman Company has **malicious infringement** and **the circumstances are serious**, and this case meets the circumstances requirements.

Enhanced enforcement

- Holdings from Guangzhou IP Court:
- Can **punitive damages** still apply if the total amount of damage cannot be determined?
- **Yes.**
- In this case, only the amount of export by Niuman company can be obtained from the Customs, which is accurate and can be confirmed. The total amount of sales cannot be confirmed because Niuman company refused to provide the original accounting books and original receipts and invoices.

Enhanced enforcement

- However, a large number of judicial precedents believe that although it is difficult to accurately determine the actual loss of the right holder or the infringer's profit from infringement, if there is evidence that the actual loss or profit from infringement clearly exceeds the statutory maximum limit of compensation, based on the principle of fairness, the Court can exercise discretion in Discretionary compensation if the statutory compensation is above the maximum limit.
- It can be seen that the calculation base of the amount of compensation may be the actual loss of the right holder, the profit of the infringer, statutory damages, and discretionary damages.
- The base is important, but if we mechanically believe that as long as the full amount of the base cannot be ascertained, punitive damages cannot be applied, this will seriously affect the function of the system and make it easy for malicious infringers to evade legal punishment.
- Based on this, the court of first instance held that since punitive damages can be applied when the full amount of the base is ascertained, **punitive damages can also be applied to a part** when the amount of this part can be determined.

Enhanced enforcement

- According to Article 20 of the "Supreme People's Court's Several Provisions on Application of law in the Trial of Patent Dispute Cases", the actual loss of the right holder can be calculated based on the **total amount of sales reductions** caused by infringement of the patented product multiplied by the reasonable profit of each patented product. If it is difficult to determine the total reduction of the right holder's sales volume, **the infringer's profit from infringement** can be regarded as the right holder's actual loss. The infringer's profit from infringement can be calculated based on the amount of total sales of the infringing product multiplied by the reasonable profit of each infringing product.
- In this case, referring to the calculation method of patent infringement compensation, Anhui Newman Company's infringement profit = its total sales × its product profit per unit. Since profit per unit = unit price × profit rate, the profit from infringement of Anhui Newman Company = its total sales × its profit rate.

Enhanced enforcement

- Anhui Newman Company violated technical secrets and saved R&D costs. Therefore, the gross profit margin of Anhui Newman Company should be higher than that of Jiujiang Tianci Company. In other words, when the gross profit margin of Anhui Newman Company cannot be ascertained, regarding the gross profit margin of Jiujiang Tianci Company as the gross profit margin of Anhui Newman Company does not exceed the scope of reasonable estimation. To sum up, Anhui Newman Company's infringement profit = its total sales × Jiujiang Tianci Company's gross profit margin.
- Since Anhui Newman's self-recognized total sales are 37046171.71 yuan, and the gross profit margin of the fine chemical industry announced by Guangzhou Tianci Company's annual report is used as the gross profit margin of Jiujiang Tianci Company's Cabor production (the average for 2015-2018 is 32.26%), the profit from infringement of Anhui Newman Company = 37,046,171.71 yuan × 32.26% = 11,951,095 yuan.
- Anhui Newman Company's partial infringement profit is 11,951,095 yuan, and punitive damages can be applied to this portion of the profit.
- Considering the above circumstances comprehensively, and for the purpose of finally determining compensation, the court of first instance determined a penalty multiple of 2.5 and took the integer 30 million as the amount of compensation for Anhui Newman Company.

Enhanced enforcement

- First instance (Guangzhou IP Court):
- Guangzhou Intellectual Property Court determined that the alleged activities of the defendants constituted infringement upon the technical secret by the plaintiff. And adopted **2.5 times the punitive damages** in consideration of the infringement intent and circumstances, in an amount of 30 million RMB.
- Guangzhou Tianci Company, Jiujiang Tianci Company, Anhui Newman Company, Hua X and Liu X filed an **appeal** with the **Supreme Court** against the first-instance judgment.

Enhanced enforcement

- During the second instance of the Supreme Court, Tianci company submitted the following **new evidence** to this court: the customs sales data list of Anhui Newman's "Carbomer" products from January 2017 to August 2019, to prove that Anhui Newman **continued to produce and sell** "Carbomer" products **after the judgment of the original trial court**. And Tianci also held that the original trial found of 2.5 times the punitive damages were too low, and that five times the punitive damages should be applied.
- The Supreme Court further found that from February 2019 to August 2019, Anhui Newman Company sold acrylic polymers by water transportation through the Shanghai Customs District, and the sales amount was USD 284,733.

Enhanced enforcement

- The Intellectual Property Tribunal of the Supreme Court held that: “when determining the profit of the infringement, the court of first instance did not consider **the role of the technical secrets** involved in the overall production process of Carbomer products, and also did not fully consider the role of other production factors other than the technical secret in the production process of Carbomer products, which is improper, and this court will correct it in accordance with the law.
- Considering the role of the infringed technical secrets involved in the production process of Carbomer products, this court determines at its discretion that the contribution of the technical secrets involved is **50%**. Therefore, according to the amount determined by the original trial court and taking into account the role of the technical secrets involved in the case, the amount of profit of Anhui Newman Company’s infringement is determined to be an integer of 6 million yuan. ”

Enhanced enforcement

- Holdings from Supreme Court
- 1.contribution of the technical secret;
- There should be a causal relationship between the infringement profit and the infringement. The profit generated by other factors of production should be deducted reasonably, that is, the **contribution rate of the technical secret involved should be considered** when determining the amount of compensation.
- The technical secrets in this case consist of two parts, one is the process part, and the other is the formula part. The defendant's formula has not been found to constitute an infringement, and both the formula and the process have contributed to commercial profits. The logic of technical contribution rate is similar to that of patent infringement litigation. In this case, it is **determined to be 50%** after comprehensive consideration of the case.
- Regarding the infringement profit of Anhui Newman Company, this court determined it as 6 million yuan based on the amount determined by the original court and considering the role of the technical secrets involved in the case. Therefore, although the **multiple of punitive damages** has been **increased to 5 times**, the **total amount of damages has not changed**.

Enhanced enforcement

- 2.Application of law
- The amended Anti-Unfair competition law, where punitive damage is introduced for the first time, **came into effect on 23.04.2019.**
- Article 28 of “the Provisions of the Supreme Court on Several Issues Concerning the Application of Law in the Trial of Civil Cases of trade Secrets Infringement” stipulates that, when the people's courts trial civil cases of infringement of trade secrets, the law at the time of the alleged infringement shall be applied. If the alleged infringement has **occurred before the law is amended and continues after the law is amended, the amended law shall apply.** The second paragraph of Article 29 of the regulations also stipulates that after the implementation of these regulations, the first instance and second instance cases that are being heard by the Court shall apply this regulation.
- The infringement of Anhui Newman Company continued until after April 23, 2019. Therefore, the court of first instance applied the Anti-Unfair Competition Law as amended on April 23, 2019, and there is no impropriety, and the Supreme court confirms it.

Enhanced enforcement

- 3, Regarding the calculation base of punitive damages
- The alleged infringement in this case occurred before April 23, 2019 and lasted until after April 23, 2019. According to the **general principle of non-retroactivity** of the law, **punitive damages** are generally **not applicable to acts that occurred before the amendment of the law**. The **compensation amount shall be calculated in sections** based on April 23, 2019.
- But specific to this case, first of all, Anhui Newman's refusal to provide financial account books and other materials constituted an obstacle to proof. The determined profit from infringement was based on the self-recognized sales of Anhui Newman, which was only part of its infringement profit; secondly, the infringer in this case did not submit evidence to prove the specific profit before and after the legal amendment, which made it **impossible to calculate the sections** based on April 23, 2019. Furthermore, the evidence of the second instance showed that Anhui Newman Company did not stop the infringement after the judgment of the first instance, the behavior is continuous, the scale of infringement is huge and the duration is long. In view of this, the amount of compensation in this case is objectively difficult to calculate in sections.
- Therefore, **the base of punitive damages is not calculated in sections**.

Enhanced enforcement

- 4. taking infringement as the business
- The courts at both levels held that Anhui Newman Company takes infringement as the business, which is a factor of consideration for the seriousness of the circumstances.
- Whether the perpetrator takes infringement as his business can be judged from both subjective and objective aspects. From an objective point of view, the perpetrator has actually committed the infringement, and it is the company's main business and constitutes the main source of profit. From a subjective point of view, the perpetrator, including the company's actual controller and management, knows that his behavior constitutes infringement, but still implements the infringement.

Enhanced enforcement

- 5, Opinions from the judges of Supreme court:
- Correspondence between the multiple of punitive damages and the infringement circumstances
- According to the third paragraph of Article 17 of the Anti-Unfair Competition Law, the amount of punitive damages shall be determined to be one to five times the actual loss of the right holder or the infringer's infringement profit. There is a corresponding relationship between the multiple of punitive damages and the severity of the circumstances, so that it conforms to the principle of proportionality when the law is applied.
- In order to facilitate judicial application and limit the abuse of discretion, **double punitive damages** can be applied when the infringement is determined to be serious, **three times punitive damages** can be applied when the circumstances are more serious, and **four times punitive damages** can be applied when the circumstances are very serious. In extremely serious cases, if it meets the determination requirements of "direct intention, taking infringement as full business, large scale of infringement, long duration, huge loss or profit, and obstacle of proof," **five times punitive damages** can be applied, so that a general correspondence between the multiple of punitive damages and the degree of severity of the infringement circumstance can be constructed.

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Thank you!