Protecting and enforcing your IP rights in China: Practical solutions from the experts

22\textsuperscript{nd} of June 2009
Helpdesk services

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Business tools

Training/Workshop
Today’s workshop

Six independent sessions
- Prevention of infringement
- Developing an IP strategy
- Using customs to protect your products
- Enforcement of your IP (x2)
- Tradefairs

Enjoy the day!
Session 1 – Protecting your IPR in China
The Pillars of IP Strategy

Willi Vett
Beiten Burkhardt
Status in PRC

- PRC IP legislation is in conformity with the WTO
- PRC is a member of most of the important international treaties concerning IP
- Various IP Programs introduced by the PRC government
- The goal of the PRC government is to create a framework of IP protection in order to create a business environment that will attract innovative foreign direct investment.
- Continuous development of new legislation – new PRC patent law, new trade mark law expected soon
- The Bad: IP Rights infringement still rampant and enforcement problematic
IP Strategy

Company Internal Measures

Legal Measures

Political Measures

Technical Measures

IP-Strategy
Legal Measures – Overview

- **Registration of IP rights**
  Including trademarks, patents, utility models, designs, copyrights, software, domain names, internet keywords, etc.

- **Contract Management**
  Joint Venture Agreements; Employment Agreements; Licensing Agreements with Manufacturers, Distributors, Subsidiaries etc.; Confidentiality Agreements

- **Enforcement of IP Rights**
  Administrative proceedings, civil proceedings and criminal proceeding
What IP Rights should be registered?

<table>
<thead>
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<th>IP Right</th>
<th>Yes</th>
<th>No</th>
<th>Maybe?</th>
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<td>Domain Names and Keywords</td>
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</table>
Merits of Trademark Registration

Trademark Protection

- Exclusive rights to use and exploit trademark for the applied goods or services (Different: Well-known Marks)
- Protection against the registration by third parties of identical or similar marks for identical or similar goods and services
- Provides legal basis for enforcement action against infringers

Dangers of Non-Registration

- Third party / infringer registers trademark in own name
- No basis for enforcement action unless well-known trademark
Registered Patents vs. Unregistered Technological Know How

Problem: Registration of a Patent requires the publication of the invention

- A patent registration in itself will not deter infringers, one still has to enforce the patent rights
- Infringers may only be able to copy a product because the patent registration publishes the invention
- If copy by way of “reverse engineering“ possible → consider patent registration
- If know how need to be published for other reasons (certifications, tenders) → consider patent registration
- Always consider whether keeping know how confidential would provide better protection than registration of the same as a patent.
Enforcement of unregistered IP

Copyrights – Berne Convention

PRC Anti-unfair Competition Law, provides enforcement measures

- for unregistered trademarks – if well-known, high requirements!
- for unregistered technological know how if know how was protected by secrecy measures, in particular confidentiality agreements
- against third parties that obtained confidential information that was protected by secrecy measures
- but does not protection against reverse engineering

ATTENTION: If you do not register technology as a patent right – a third party may do so. Novelty requirements applicable in PRC, but may not be properly considered.
Contract Management

- Joint Venture Agreements
- Employment Agreements
- Licensing Agreements with Manufacturers, Distributors, Subsidiaries etc.
- Confidentiality Agreements
- etc.
Technology Transfer Contract – Categories

- Categories of imported / exported technologies
  - free (all goods that are not restricted or prohibited)
  - restricted (e.g. raw materials from plastic, polyester sections, etc.)
  - prohibited (e.g. arms, explosives of all kinds, lethal poison, etc.)
- Verify with the “Technology Prohibited and Restricted from Export Catalogue” and the “Technology Prohibited and Restricted from Import Catalogue”
- Whether technology is free, restricted or prohibited should be verified in advance on a case-to-case basis
Technology Transfer Contract – Drafting Considerations

- Content: In general licensing of all unregistered IP possible
- Give your licensing agreement a proper name (patent vs. technology)
- Type of license
  - Exclusive license (only licensee)
  - Sole license (licensor and licensee)
  - Non-Exclusive license
- Geographical extent of license
- Royalties
- Warranties
- Laws and Regulations, including obligations for registrations and approvals (see categories)
Enforcement of IP Rights

- Cease & Desist letter by IP right holder or attorney
- Administrative Proceedings
- Civil Court Proceedings
- Criminal Proceedings
- Arbitration
Company Internal Measures

- Development of Management Structure for the implementation of IP Strategy
- Supply Chain Monitoring
- Keeping secrets secret (internally and externally)
- HR Measures
Company Internal Measures – Keeping Secrets Secret

• Secure the R&D Department
• Monitoring of Production
  – Protect information on production facilities and set-up
  – Define responsibilities for certain sections of production line
  – Review and number spare parts, packaging etc. delivered
  – Check numbers of outgoing products and materials
  – Minimise risk of overproduction
  – Properly discharge waste
• Beware of Outsourcing
• Secure entry of persons to facilities
• Server Access Rights
Company Internal Measures – HR Measures

Retaining Employees
- Promotion and development options
- Increase of social security payments / Pension scheme
- Shuttle busses / Company car
- Company outing, team building events, dinners etc.
- (Complimentary) canteen
- Company Kindergarten
- etc.

Screening of employees

Training of Employees (e.g. social engineering audit)

Anti-Corruption Measures

Job Rotation
Technical Measures

• hamper copying (self-destroying black box, clever interfaces, etc.)
• Use of anti-counterfeiting devices
• Increase complexity of the product
• Sell product bundles
• Activation of product by end-user
• De-Standardization (do not use standard components)
• Integrate service modules to products
Political Measures

• Long Term Goal: Influence on Legislation and Execution of the legal System

• Join and active participation in pressure groups and industry associations

• Utilise pressure groups and industry associations to form relationships with competitors to jointly take action against infringers
Thank You for Your Attention
Questions?
Session 2 – Developing an IP Strategy for China
Commercial IP FAQs

Catherine Zheng
Deacons, Hong Kong
Frequently asked IP questions:

1. My company will manufacture the products in China by Chinese vendors, how shall my company protect the technology from being misused by the Chinese vendors?

2. My company will employ employees in China, how shall my company prevent the technology from being disclosed by the employee?

3. How can my company restrain the ex-employees from working for a competitor?

4. My company's employee in China has invented new technology or product, (1) who is the inventor? (2) who is entitled to apply for a patent? (3) where do you need to file the patent first? does the patent has to be filed in China first? (4) does your company need to compensate the employee-inventor? If so, how?

5. My company would like to set up a Research and Development Center in China, (1) how shall we set up such Center? (2) What are the issues to consider?
• Trade secrets and confidentiality
  - What are trade secrets?
  - How to protect trade secrets?

• Employment issues from IP perspective
  - Confidentiality clause
  - Non-infringement warrant
  - Non-compete clause
  - Compensation

• Research and Development in China
  - What are the forms?
  - What are the factors to be considered?
  - Specific requirements
Trade secrets

What are trade secrets?

Definition:

Article 10 of Unfair Competition Law defines:

*Technical and business information that is unknown to the public, which can bring economic benefits, is of practical value, and in respect of which the owner has adopted measures to maintain its confidentiality*

Laws and Regulations:

• Unfair Competition Law (effective on 1 December 1993)
• Regulations on the Protection of Enterprise Trade Secrets of Zhu Hai City (effective on 1 October 1997)
• Regulations on the Protection of Enterprise Trade Secrets of Shenzhen Special Economic Zone (effective on 1 January 1996)
• Regulations on the Protection of Enterprise Trade Secrets of Ningbo City (effective on 1 March 2000)
Trade secrets

Four essential Elements of Trade Secrets:

1. Technical and Business information:

   Technical information: *Inventions, know-how, innovations, product designs and developments, process, programs, software, research reports, drawings, methods, notes, manuals, analysis and etc.*

   Business information: *marketing studies and plans, business decisions, proprietary data, market data, customer and/or supplier information and etc.*
Trade secrets

2. **Secrecy:**
   Not in the public domain

3. **Practical Value:**
   The information has practical or economic values

4. **Preservation of Confidentiality:**
   Certain Measures must be taken to keep the confidentiality of the information, such as:
   - entering into confidentiality agreements with employees and/or non-disclosure agreements with vendors in China
   - Limiting the access of the information to the necessary personnel
   - Marking the information with “CONFIDENTIAL” sign
   - taking preventive measures such as locking the carrier of the confidential information
   - adopting passwords or codes on the confidential information
   - limiting access to the machinery, factory, workshop or any other place
   - any other reasonable measure for safeguarding the confidentiality of information
How to protect trade secrets in China?

1. Confidentiality Agreement with Employees
   - Format: independent or part of the employment agreement
   - Confidentiality obligations are bound by the terms of the agreement
   - Effective upon signing
   - Enforceability

   Typical Terms:
   - Content and scope of Confidential Information
   - Duration of protection
   - Rights and Obligations of the parties
   - Confidentiality fees
   - Non-Compete clause
     A clause to the effect to restrain the employees from engaging in business in competition with the employer after termination of the employment
   - Liabilities on termination of employment
   - Governing Law
   - Jurisdiction of Court
How to protect trade secrets in China?

2. **Non-disclosure Agreement with Vendors**
   - Format: independent or part of the manufacturing agreement
   - Confidentiality obligations are bound by the terms of the agreement
   - Effective upon signing
   - Enforceability

   **Typical Terms:**
   - Content and scope of Confidential Information
   - Duration of protection
   - Rights and Obligations of the parties
   - Warranties of non-infringement of third party’s IP rights
   - Penalty clause
   - Procurement of employees of vendors and third party contractors confidentiality obligation
   - Governing law
   - Jurisdiction of court
Employment issues from IP perspective

Issues of concern:

(a) Confidentiality Obligation  
(b) Non-infringement warrant  
(c) Non-Competition  
(d) Compensation

Laws and Regulations:

- Labour Law (effective on 1 January 1995)  
- PRC Labour Contract Law (effective on 1 January 2008)  
- Patent Law (effective on 1 July 2001, revised patent law will become effective on 1 October 2009)
Employment issues from IP perspective

(a) Confidentiality Clause
Advantage: confidential fees can be built in the salaries

(b) Non-infringement warrant
No unauthorized use of former employer or third party’s rights

(c) Non-Compete Clause
Typical terms:
- Scope of competing business
- Scope of geographical area
- Types of obligation
- Duration of the non-compete restrictions – not exceed 2 years
- Amount of the compensation fee and the payment method
- Liability of breach
Employment issues from IP perspective

(d) Compensation

(i) compensation for inventions made in the course of employment
(ii) compensation for the confidentiality obligation
(iii) compensation for the non-compete obligation
Employment issues from IP perspective

**Compensation for inventions made in the course of employment**

(a) Does employer need to pay for an employee-inventor for the invention?

**Current Patent Law and Implementing Regulations:**

*Article 16 of Patent Law*

An employer should reward the inventor of a service invention originated patent upon the grant of a patent; and should remunerate an inventor upon exploitation of the patent. The extent of remuneration should be reasonable and commensurate with the economic benefit derived from the exploitation of the patent.
Employment issues from IP perspective

(b) How much does the employer needs to pay to the employee-inventor?

State-owned entities:

Reward amount:
RMB 2000 (~US$260) for an invention patent,
RMB500 (~US$65) for a utility model or design.

Remuneration:
no less than 2% of the after-tax profits per year earned from exploitation of the invention or utility model;
no less than 0.2% of the after-tax profits per year earned from exploitation of the design; or
a lump sum of money on the basis of the above percentage.
Employment issues from IP perspective

Non-state-owned entities:

*Xie Wen Nan v. Ming Da Glass (Xia Men) Company Limited*, Intermediate People’s Court of Xiamen, judgement given on 23 July 2005.

New Patent Law and draft Implementing Patent Regulations:

- Removal of "State-owned entities"
- Contract of rewards and remuneration
Employment issues from IP perspective

Compensation for the non-compete obligation

- Monthly basis during the non-compete period or lump sum at the end of employment
- Specific amount or standard of calculation not defined in the Labour Contract Law
  - Shenzhen Regulation: 2/3 of the total compensation to the employee during the last year with the company annually
  - Ningbo or Zhuhai Regulation: 1/2 of the total compensation to the employee during the last year with the company annually
Research and Development in China

Laws and Regulations:

• Notice on Import Duty Policies for Further Encouraging Foreign Investment
• Notice on Relevant Issues Concerning the Establishment of Research and development Centres with Foreign Investment
Research and Development in China

What are the forms?

• Sino-foreign Equity
• Contractual Joint Venture
• Wholly Foreign-Owned Enterprise (WFOE)
• Independent department or a subsidiary company of a foreign investment enterprise
Research and Development in China

What are the factors to be considered?

- Who owns what?
- Co-operation model
- Termination
- Specific requirements
Research and Development in China

Who owns what?

- Which company will provide technology and IP rights?
- Will parties develop further IP rights together?
- Who owns the new IP rights to be developed during the co-operation?
- Will the technology and/or IP rights be assigned, licensed or cross-licensed?
Research and Development in China

Co-operation model

• How will the contributing party of the technology or IP rights be rewarded?
• What are the services to be provided by the parties?
• Who will distribute the developed R&D products?
• Will the developed products be sold in China or overseas?
Termination

- Who will own, use or explore the technology and IP rights generated?
- Termination of cooperation
- Dissolution of the Joint Venture
- Acquisition of party’s interest in the Joint Venture by a third party
Specific requirements

- Regulatory matters specific to certain industries
  - pharmaceutical industry
    - drug production license
    - GMP Certificate
Q&A

Thank you for your participation.

Any Questions?
Questions?
Session 3 – Using customs to protect your product
Customs Proceedings

Willi Vett
Beiten Burkhardt
Topics

• How to register IP with customs

• Overview on customs enforcement procedures

• Communications with customs
How to Register IP With Customs - I

- Registration of IP rights with customs not compulsory => but recommended

- Types of IP rights to be registered:
  - Trademarks
  - Patents (incl. patents for invention, utility patents, design patents)
  - Copyrights

- Registration of IP rights to be filed with GAC in Beijing

- Registration proceedings with GAC takes about 30 days

- Term of customs registration: 10 years or term of IP Right

- Renewal of customs registration: 6 months before expiration
How to Register IP With Customs - II

Documents and information to be filed with GAC

• Complete contact details of IP rights holder
• Documentary evidence and information on IP rights
• Information of eligible users (licenses, manufacturing rights, importers and exporters, etc.)
• Other information on IP rights / relevant goods
• Information on known infringers

At all times with local customs offices:
=> information on shipments of infringing goods
Customs Enforcement Proceedings - III

Application for enforcement proceedings by IP rights holder

• Possible when IP rights holder has knowledge of shipment

• To be filed at local customs office (place of entry/exit)

• Content of application depends on whether IP rights have been registered

• Application should include security
Customs Enforcement Proceedings - II

If local customs offices find infringing goods, then:

• Customs shall notify consignee / consignor for statement

• If customs not satisfied with statement, then notification to IP rights holder

• IP rights holder shall file application within 3 working days

• Application shall include security
Customs Enforcement Proceedings - III

- Customs usually make decision within about 6 months
- Submission for criminal proceedings if infringement exceeds thresholds
- Security payment should then be returned (less deductions)
- Blanket security available
Communications with Customs

• Register IP rights with GAC

• Provide information on goods and IP rights

• “Training” on how to distinguish originals from fakes

• Do not ignore notifications from customs
Thank you very much for your attention.
Protection of Intellectual Property Rights in Hong Kong

Edmond Cheng

Intellectual Property Investigation Bureau
Hong Kong Customs and Excise department
Distinction between Criminal and Civil Liabilities

- **Civil remedies**
  - Infringement of copyright, trade marks, patents, registered designs, etc.

- **Criminal sanctions**
  - Willful copyright piracy and trade mark counterfeiting on a commercial scale
Copyright Ordinance
( Protect Copyright Owners’ Right )

• Sell, possess, import/export an infringing article for trade
  – Fine: HK$50,000 per copy
  – 4 years’ imprisonment

• Possess, import/export an article for making infringing article for trade
  – Fine: HK$500,000
  – 8 years’ imprisonment
Trade Descriptions Ordinance

(Protecting Trademark Owners’ Rights)

• Sell, possess any goods to which a forged trade mark is applied for sale or for any purpose of trade or manufacture
  – Fine: HK$500,000
  – 5 years’ imprisonment
Resource Committed in Enforcement

- Enforcement strength for combating IPR infringement activities in HK Customs:
  - 250 officers in the Intellectual Property Investigation Bureau
  - 150 officers in the Special Task Force
  - 2,000 officers at Boundary Control Points
Investigation Procedure

Complaint

- Customs 24 hours hotline at (852) 25456182
- By post or e-mail (http://www.customs.gov.hk)
- In person
Investigation Procedure

Recordation

- Copyright information
- Trade Mark Certificate
- Samples
- Authorized examiner
- Seizure examination report
Investigation Procedure

Investigation

- Background check
- Onsite investigation
- Surveillance and monitoring
- Undercover operation
- Interrogation
Investigation Procedure

Sufficient Evidence

- Modus operandi
- Examination result
- Documentary proof
- Circumstantial evidence
- Admission on interrogation
- Legal Advice
Investigation Procedure

1. Complaint
2. Recordation
3. Investigation
4. Sufficient Evidence
5. Arrest and Seizure
6. Criminal Prosecution
Enforcement Strategies

- Four levels - manufacture, import / export, distribution and retail

- Strategies
  - Intelligence (self-develop, informer and IPR owners)
  - Pro-active boundary interception
  - Surveillance & in-depth investigation
  - Frequent & repeated raids
Strategy
Multi-pronged Strategy

- No single measure alone can contain the problem

- Need for concurrent action
  - The Holistic Approach

Partnership with IPR Industry
Enforcement
Legislation
International Cooperation
Publicity & Education

Counterfeit
THANK YOU!
Questions?
Session 4 – Effective Enforcement
Enforcing Your Trademark in
China: Well-known or Not Well-
known?

By Luckie Hong
Jones Day
Why do you have to start with trademark protection?

- China has become one of the most developing markets for all the enterprises all around the world

- If your mark has been used by a pirate in China, WHAT will happen?

- Your customers would be CONFUSED and your profits would be damaged.
Why do you have to start with trademark protection?

• NIKE® VS NAiK

• VS

• PUMA® VS FUMA
Why do you have to start with trademark protection?

- In order to overcome the risk of confusion, and even losing your customers in the China market.
Register your trademark in China!

(Trademark Registration Certificate)

Prior use of an unregistered mark does not help you obtain a trademark right, unless you can prove your mark is “well-known” or with a “certain degree of influence”, which is difficult to prove in practice.
Challenges in China for Trademark Owners

• Trademark Piracy

• Trademark Infringement
Trademark Piracy: Enforcement Strategies

- **Opposition**: Pirate applications were approved
- **Cancellation**: TRAB**

*TMO: Trademark Office

**TRAB: Trademark Review & Adjudication Board
Trademark Piracy: Opposition

1. How to discover the pirate application?

Through monitoring the PRC Trademark Gazette (published every week on the TMO website)
PRC Trademark Gazette
(http://sbj.saic.gov.cn/)

(“Trademark Gazette”)
Trademark Piracy : Opposition

2. Who can file an opposition?

---------- Anyone, and not just the companies and the people whose rights are being infringed.
---------- In some cases, it is strategically useful to file an opposition in the name of an apparently unconnected third party to mask your true identity.
Trademark Piracy: Opposition

3. How to file an opposition against an application in the case of dissimilar goods and services?

---------- to claim rights on well-known trademarks.

Case: Lancôme
Trademark Piracy: Cancellation

1. How does the pirate registration surface?
   
   --------- when your own mark application is blocked by the preemptive registration.
Trademark Piracy : Cancellation

2. When to file an action for cancellation?

-------- within FIVE years of the date of the pirate registration,

-------- HOWEVER, the five-years limit is NOT applicable if you can prove your trademarks are well-known, and the pirate registered the mark in bad faith.
3. How to file an action for cancellation against a registration involving dissimilar goods and services?

-------- to claim rights on the grounds of well-known trademarks.

**TRAB:**
Trademark Review and Adjudication Board
Trademark Infringement: Infringement of Registered Marks

1. unauthorized use of an identical or similar mark on the identical or similar goods or services;
2. sale of goods that infringe the registered mark;
3. unauthorized manufacture of representations (labels, etc) of the registered mark, or sale of such representations;
4. substituting the registered mark without the authorization of the registrant and putting back on the market goods bearing such substituted mark; or
5. causing harm to the exclusive right to use the registered mark.

(enterprise name, goods name, trade dress…)
Trademark Infringement: Infringement of Well-known Marks

- What are the advantages of well-known marks?
  
  (Extra Protection)

- Protection of unregistered well-known marks on identical or similar goods

- Protection of registered well-known marks on dissimilar goods
Trademark Infringement:
Infringement of Well-known Marks
• What is the rationale behind the well-known trademark protection?

Confusion vs. Dilution
Trademark Infringement: Infringement of Well-known Marks

- What are the practical views of the dilution doctrine in Chinese courts?

31 of 100 decisions issued by the PRC courts referred to the term “dilution”, among which:

- 21 courts: dilution is a supplement to confusion;
- 10 courts: dilution is independent to confusion.
Trademark Infringement: Infringement of Well-known Marks

• Supreme People’s Court: Is Dilution supplemental to or independent of Confusion?

1) Hangzhou Zhang Xiaoquan v. Shanghai Zhang Xiaoquan (2003);
2) Draft Judicial Interpretation on Well-known Trademark Recognition and Protection (2007);
3) Judicial Interpretation Concerning the Application Of Laws In Civil Cases Regarding Well-Known Trademark Protection (2009)
Trademark Infringement: Infringement of Well-known Marks

• Supreme People’s Court: Is Dilution supplemental to or independent of Confusion?

• “false perception of connection”
How to better protect your trademarks?

1. register your trademark with the Trademark Office in China
2. timely file opposition or cancellation actions if meeting trademark piracy
3. enforce your trademarks vigorously if they were infringed
4. try to obtain well-known status to ensure enhanced protection
5. use a dilution claim as a supplemental but not the only basis to your well-known trademark cases
Thank You!
Professor Peter Yu
Drake University School of Law
Questions?
Session 5 – Enforcement strategies in China
Questions?
JUDICIAL PROTECTION OF IP ENFORCEMENT IN CHINA

Jiang Zhipei, PhD
Fangda Partners
Global financial crisis

New judicial opinion

What will we do...
I. Latest Development of Judicial Protection on Intellectual Property Rights in China
1. Summary of the Court's Trial in 2008

- The Number of Cases Steadily Increases
- The Scope of IP Cases has been Further Broadened
- The Trial System has been further improved
# The Number of Cases Steadily Increases

## Case Number of IP Civil Disputes Docketed (All local courts)

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<tr>
<th>Year</th>
<th>First Instance Trial</th>
<th>Second Instance Trial</th>
<th>Retrial</th>
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<tbody>
<tr>
<td>2007</td>
<td>17,877</td>
<td>2,865</td>
<td>39</td>
</tr>
<tr>
<td>2008</td>
<td>24,406</td>
<td>4,759</td>
<td>102</td>
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### Rate of Increase
- First Instance Trial: 36.52%
- Second Instance Trial: 66.11%
- Retrial: 161.54%

*Table I*
The Number of Cases Steadily Increases

Table II
The Number of Cases Steadily Increases

- Last year the Courts concluded 1139 cases which involve foreigners or foreign companies, which is 70.51% in increase over 2007.
The Number of Cases Steadily Increases

- There are 1,074 IP administrative cases in total docketed at district courts in China for the first instance trial in 2008, representing an increase of 7.29% increase over 2007.

- All the district courts totally concluded 3,326 IP criminal cases for the first instance in 2008. 5,386 offenders were convicted.
The Scope of IP Cases has been Further Broadened

Broaden the scope of civil cases relating to

- franchise
- peculiar marks
- domain name
- trade name
- intellectual property agency and antitrust matters
The Trial System has been further improved

- Supreme People's Court issues a number of judicial interpretations to further clarify the criteria on the applications of law.
- 71 intermediate courts have been delegated jurisdiction over cases concerning patents,
- 38 intermediate courts have been delegated jurisdiction over cases concerning new plant varieties,
- 43 intermediate courts have been delegated jurisdiction over cases concerning layout designs of integrated circuits, and
- 61 district courts have been delegated jurisdiction over certain kind of IP civil cases.
2. New trends of IP legislation

- *Compendium of China National IP Strategy*

- Improve the intellectual property system
- Facilitate the creation and application of intellectual property
- Improve the protections on intellectual property
- Prevent the abuse of intellectual property
- Improve the culture of respecting knowledge
2. New trends of IP legislation

- Amendment to the China Civil Procedure Law

- The revised Civil Procedure Law becomes effective on April 1, 2008.

- Some amendments are made in relation to the “procedure of trial supervision and execution”.

<table>
<thead>
<tr>
<th>Retrial in the Supreme Court</th>
<th>2007 Jan-Dec</th>
<th>2008 Apr-Oct</th>
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<tr>
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<td>95</td>
<td>142</td>
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2. New trends of IP legislation

- Promulgation and Implementation of *Antitrust Law*

  ➢ The *Antitrust Law* becomes effective as of the date of August 1, 2008.

  ➢ Supreme People's Court circulated the notice emphasizing that antitrust cases shall be heard by IP tribunal of courts.
2. New trends of IP legislation

- The Third Amendment to the Patent Law

The third amendment to the Patent Law is a tremendous development of IPR laws in China and the relevant amendments are rather substantial, among which two highlights should be emphasized:

- Firstly, the amended Patent Law provides a stricter requirement on the grant of patent right, and novelty standard is adjusted and improved;

- Secondly, the amended Patent Law provides more severe administrative punishment measures against patent infringements and raises the amount of statutory damages for infringements.
3. How to Stop and Imprison Counterfeiters

- Criminal, administrative, civil remedies

- Accusation
  - Crime of counterfeiting a registered trademark
  - Crime of selling merchandise under a fake trademark
  - Crime of illegally manufacturing, and selling another's registered trademark

- Burden of proof
4. How to obtain compensation

- the proceeds obtained from the infringement during the period of infringement;
- the losses suffered by the infringed due to the infringement during the period of infringement;
- the appropriate compensation up to the statutory maximum based on the nature of the infringing acts.
4. How to obtain compensation

- Reasonable expenses
  - Investigation fee
  - Attorney fee…

- Evidence preservation & Property preservation

- Statutory damages:
  - RMB 500,000 to RMB 1,000,000
5. The Influence of The Foreign Precedents

- Since China is a civil system country, unlike common law jurisdictions such as the United States or England, Chinese courts trial cases according to laws, regulations and judicial interpretations instead of following the precedent cases.

- However, foreign IP precedent cases have drawn great attention among the scholars and legal practitioners in China and arouse lots of debates and discussion. As a matter of fact, foreign IP precedent cases have even influence the establishment of China IP system.
5. The Influence of The Foreign Precedents

- Although Chinese courts can not directly adopt foreign precedent cases, they never overlook the reference use of the foreign precedents in the judicial work, and we are pleased to see that this reference use also plays an important role of our IP legal education and International exchange on IP issues.

- However, if foreign parties are confronted with IP litigations in China, I always advice them to study more about the Chinese IP laws, international IP treaties that China has joined, and IP precedent cases in China. Compared to foreign precedent cases, the above should be more helpful in resolving IPR disputes.
II. Outlook for IP Development in China
Impacts Brought by the Financial Crisis

- Factors supporting the rapid economic development in China have changed.
- The volume of exportation and importation transactions has decreased.
- Our stock markets is in descent.
- More and more factories and companies are running under their production capacity.
- Layoff has become the highest-click-rate word.
New characteristics of IP judicial protection

- Pay more attention on serving central governmental work and its decisions, in order to ensure the development of the economy.

- Enhance convenient for people in the judicial process and increase communication between people and the government offices, keeping honesty of the judicial adjudication and government operation.

- Turn to more mediation work, pursuing harmony and balance.
People’s anxious on the shift in policy

Commitment to strengthening IP rights is being tempered by a desire to protect domestic industry in the economic crisis

The changes is for the time being

Pay much more attention to protect IP rights
Reforms and Changes Occurred in China

- The Supreme People's Court of China is considering establishing Intellectual Property Appellate Court in Beijing.
- More and more qualified legal service professional are growing.
- The improvements and developments of intellectual property protection system will provide a sound legal environment for the stable and rapid economic development of China.
Questions?
Session 6 – Trade Fairs in Europe and Asia
The European Enforcement Directive

Dr. Christopher Heath
European Patent Office
Topics

- Enforcement of Patent Rights in Europe
- A Diversity in Remedies
- Directive 2004/48 and its objectives
- Preliminary Measures
- Obtaining Evidence
- Final Remedies: Auskunftsanspruch and Damages
The Enforcement of Patent Rights in Europe

- Patent Litigation in Europe, particularly where the same patent right for different countries is concerned, has required complicated strategical considerations under the rules of the Brussels Convention (now EC Regulation 44/2001):
  - prohibition of double litigation;
  - cross-border injunctions and "spider in the web'';
  - "Italian (Belgian) torpedos".
A diversity in remedies

- Different European jurisdictions offer different degrees of:
  - Discovery (UK Anton Piller Order; French saisie contrefaçon; Germany/Holland: not available);
  - Expertise and litigation speed (North-South divide);
  - Preliminary remedies (Dutch kort geding)
  - Remedies (German Auskunftsanspruch; low damage compensation in France and Italy).
Directive 2004/48 and its objectives

- The Directive aims at an approximation of the remedies against IP infringement (not just patents) in the EU Member States and requires implementation into national law by 1 May 2006.
- According to the recitals, disparities in enforcement structures are prejudicial to the proper functioning of the internal market.
- Solution: A "high, equivalent and homogenous level of protection in the internal market".
State of Implementation

• **France**: Although the Director of the National Industrial Property Institute announced on Oct. 2, 2006, during a colloquium on EPLA, that the draft bill agreed by all concerned ministers was ready and would shortly go through the Parliament, nothing has moved since.

• **Italy**: A legislative Decree implementing the Directive has been approved by the Italian Government on February 23, 2006.

• **United Kingdom**: The Directive has now been fully implemented within a broader law (Statutory Instruments 2006 No. 1028).

• **Germany**: In September 2006, the Minister of Justice was reviewing a draft bill. The usual process is then to have a final version agreed by various governmental bodies and to send it to the parliament. This is expected to take 6-12 months. However, sources indicate that German courts already base their decisions on certain provisions of the Directive.
Preliminary Measures, Art. 9

- The Directive follows the wording of the TRIPS Agreement both for preliminary injunctions and for interim orders for obtaining evidence.
- Interim injunctions shall be ordered on the balance of probability and on the bases of the available evidence presented by the plaintiff;
- Interim injunctions may be granted *ex parte*.
- Interim injunctions are more important in matter of trade marks than patents
Practice in Selected Member States

• Injunctive relief has become rather commonplace even in patent matters. In **Italy**, it is the only way to achieve a reasonable result (main action takes too long), while in **Germany and the UK**, the main action can be dealt with in about one year, while a request for interim relief may be decided within two weeks. In **France**, injunctive relief is less common due to the saisie contrefaçon.
Obtaining Evidence I

- Requests for obtaining evidence from the other side are of particular relevance in IP disputes.
- Art. 6.1 allows such requests (even *ex parte*) on condition that the available evidence must be presented to specify the claim, the evidence to be obtained must be specified, and confidential information must be protected.
- Art. 7 allows requests for evidence even before initiating a lawsuit. Orders may relate to inspection or seizure of samples.
Obtaining Evidence II

• In the case an *ex parte* request for obtaining evidence has been made, the judge may either:
  • Grant the request on the basis of the available evidence without hearing the other side;
  • Dismiss the request, or
  • order an inter partes hearing.

• For the evidence to be used, the main procedures must be initiated within 31 calendar days.
Practice in Selected Member States

• The French Saisie Contrefaçon: A measure for the right owner to find out if there is a reasonable case of infringement in the first place. A saisie is often more efficient than an interim injunction.

• The UK Search Order: Requires the right owner to show a good case. Can be requested and granted even over the telephone. Very efficient in order to safeguard evidence.
Final Remedies: Auskunftsanspruch, Art. 8

• - Information on the origin and distribution networks of infringing goods may be ordered from those who infringe at a commercial scale.
• - Evidence must be provided on the names of distributors/producers, and on the quantities produced or sold.
Final Remedies: Costs and Damages, Arts. 13, 14

- In order to make a claim for damages more than just the payment of a licence for the past, Art. 13.1 requires damages to be calculated "appropriate to the actual prejudice suffered".
- Basis for calculation may be the patentee's loss, the infringer's profits or an ordinary licensing fee.

- The costs of the lawsuit (including the other side's legal fees) shall be borne by the unsuccessful party.
Practice in Selected Member States

• **Germany and UK**: Choice between own loss, infringer's profits and an ordinary licensing fee.

• **France and Italy**: Difficult to enforce a ruling on infringer's profits.
Outlook

- While the Directive focusses on "best practices", it has not entirely done justice to concerns of abuse, eg by enforcing invalid rights, by enforcing rights that are part of a standard or a dominating position, or by the issue of subsequent invalidation of a right.
IP Enforcement during Trade Fairs and Exhibitions: Toward an International ADR Urgent Enforcement Policy

Giovanni F. Casucci
Law Firm Casucci
ISSUES

Lack of effective judicial enforcement during Exhibitions

- **Timing**
  - Exhibitions frequently last a few days only and during week-ends
    The civil authorities usually do not work during week-ends
- **Safe harbours legal exceptions**
  - In several jurisdictions, civil Inunctions and seizures cannot be granted during the exhibitions but only prior to those.
  - Only criminal intervention are allowed but only for very “clear-cut” cases (identical) - not for look-a-likes or cases with confusing similarity
ISSUES
The solution offered by Frankfurt Messe

Schutz vor Marken- und Produktpiraterie
Protection against brand and product piracy

Tipps und Hilfestellungen
zum Schutz Ihrer Produkte

Some tips and advice
to help you protect your products

messe frankfurt against copying
ISSUES
The solution offered by Frankfurt Messe

- Information
  - a practical guide to inform what to do against copies
  - a list of contacts (authorities and lawyers)

- Deterrence
  - Power to refuse applications from exhibitors that were found infringing IP rights
  - Power to immediately revoke the exhibitors contract and expel infringing exhibitors (after Court decision)
ISSUES
The solution applied by Fiera Milano International Verona Fiere
ISSUES
The solution applied by Fiera Milano International
I
- 8 year experience
  - MACEF: first edition regulated (Sep 2001)
- 2 Exhibitions regulated (3 more next year)
  - MACEF: gift, design and furniture (bi-annual)
  - EXPOCOMFORT: bath design and hydraulics (bi-annual)
ISSUES
The solution applied by Fiera Milano International II

- Contents of the Regulation
  - Informative service
  - Evidence collection procedure
  - Injunction procedure (internal)

- Managers
  - 10 IP experts appointed (lawyers and IP attorneys)
  - on duty all days during the exhibition
ISSUES
The solution applied by Fiera Milano International III

- Advantages
  - fast and reliable IP enforcement
  - limited costs (a fixed fee per intervention)

- Disadvantages
  - risk of lack of evidence/time about validity issues
  - negative effects of an Injunction, if ordered, and subsequently the IP right will be considered null
ISSUES
The solution applied by Fiera Milano International IV

CASES
average 5 for edition

MADE in ITALY - fake
FLOS - fake
HANSGROHE - fake
NICI - fake
PEDROLLO - fake
AERMEC - fake
ILLY - fake
ISSUES
The solution applied by Fiera Milano International

CASES
2006
ISSUES
The solution applied by Verona Fiere VI

CASES
2007
CHINA
Regulation of April 1° 2006:

Complainant (owner of right or agent) → Office in charge of handling complaints → Suspend the display of products suspected of infringement

Personnel of commerce administration departments → Personnel of trademark administration departments → Personnel of copyright administration departments → Personnel of patent administration departments → Personnel of exhibition organisers

Administrative Departments of IP → Making Judgement → Executive sanctions

Complaint materials (see question 5)

Within 24 hours
Study IPR2
www.ipr2.org
PREAMBULE

Current market structure and side line the economy towards increasing interaction of resources that are characterized in volume and frequency by intangible elements, i.e. trademarks, designs and technological innovations. These growing trends determine the competition rules and the market players. The current strategic challenge facing any industry today is how best to use intangible assets for competitive advantage. Industrial and intellectual property is the legal means of protecting such elements. The first international regulations in this respect were issued in Paris at the end of 1880 in order to protect the innovations presented at the large trade fairs. It is evident when an intangible resource is granted the first expression that it needs effective protection against infringements. Fairly provides companies with one of the greatest opportunities for business promotion and companies usually take the chance to present their innovations for the first time. On such an occasion, the first protection the exhibitor has to take, in order to protect its product against violations, is to apply the legal instruments of intellectual and industrial property rights, that is, to register trademarks and patents. This allows the owner to exploit all the different forms of protection, such as design, logotypes, patents and know-how, provided by the legal system by registering infringements to the Judicial Authority. Trademarks and industrial property generally is not sufficient to exclude case of infringement during fair trade. It is evident that exhibitors displaying products that violate another party's rights during the fair is at risk of compensatory damage to the right holder. Any copying and/or counterfeiting of a work must not derive the content or context of the original work. The industrial property must be respected by all parties that have not violated the law.

The Industrial and Intellectual Property Committee (NEMPI)

REGULATIONS

Industrial and Intellectual Property Service

FUTURE

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Questions?