

Intellectual Property Rights in China

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Chronology of Laws

- 1982 – Trademark Law (revised 1993 and 2001)
- 1984 – Patent Law (revised 1992, 2000 and 2009)
- 1990 – Copyright Law (revised 2001)
- 1993 – Unfair Competition Law
- 1995 – IPR Customs Regulations
- 2001 – Regulations on Protection of Integrated Circuit Layout Design
- Various Implementing Regulations, Judicial Interpretations, Administrative Notices, etc.

The Challenges of IP Infringement in China

CISCO VS. HUAWEI
THE BATTLE MOVES
TO CHINA (P.18)

BANKS STANDARD
CHARTERED'S BIG
ASIAN GAINS (P.40)

MICROSOFT
BILL GATES TALKS UP
HIS TV STRATEGY (P.54)

the McGraw-Hill Companies

BusinessWeek

July 28, 2008 | \$5.99 | 100 pages

www.businessweek.com



One of these Honda CG125 motorcycles is a Chinese knockoff.*

FAKES!

The global counterfeit business is out of control, targeting everything from computer chips to life-saving medicines. It's getting so bad that even China may need to crack down. BY FREDERICK FOUR (P.40)



*This may vary by region.

GM v Chery



Ferrero Rocher



Starbucks

Starbucks



上海星巴克



IP Hijacking

- Definition: The registration of IP rights by a rogue of another companies rights with a view to usurping the rights or holding them to hostage. Can include legal attacks on the real owner.
- Hijacking involves:
 - Trademarks
 - Design patents
 - Patents
 - Company names
 - Domain names

Italy Dunhill Dress Group (HK) Ltd



France Pierre Cardin Group (HK) Ltd



IP Enforcement Strategies

Strategy

- Understand the problem you need to tackle
 - Increasing sophistication of infringers
 - Just in time production
 - Stock kept off site
 - Front men used to register companies (maybe outside China)
 - Products produced by sub-contractors
 - Shipped to consolidation point
 - Physical delivery never made
 - Payment made off shore
 - Difficulties in getting the police interested
 - No or limited stock
 - Unregistered factory
 - Possibly semi-finished products without trademarks
 - No books and records
 - Products sold overseas
 - Overseas evidence (US Customs seizure) not accepted

Strategy

- Understand the limitations/problems you have:
 - limited \$\$\$
 - not enough manpower
 - infringers/counterfeiters appear to be everywhere
 - objectives of your management
- Devise a combination of enforcement actions that fit your company

Strategy

- Prioritize your targets
 - Big fish: worthy to spend more resources
 - Investigate in-depth
 - sub-contractors, customers, distribution channels
 - Invest in effective enforcement such as criminal actions and litigations
 - Little fish:
 - Quick and cheaper actions
 - keep them under control necessary
 - send a warning message to the market
 - deter potential infringers

Investigations

- Factories
- Wholesale markets
- Retail markets
- Internal investigations: within company, manufacturing and distribution channels
- Informers
- Investigators

Potential Actions

CUSTOMS	CIVIL
ADMINISTRATIVE	CRIMINAL

Enforcing IP Rights in China

- Administrative actions
 - Raid; seizure; administrative restraining orders; fine
- Civil actions
 - Court injunctions; damages
- Criminal actions
 - Imprisonment; fine
- Customs seizures

Administrative Actions

- Choose administrative body
 - AIC, QTSB, NCA, IPO
- Prove IP rights & infringement
- Submit complaint
- Take raid action
- Confirm products infringe
- Obtain decision & penalties
- Take court or criminal action
- Follow Up

IP Litigation in Civil Court

- May be necessary for some actions
- Often used for leverage in multi-jurisdictional disputes
- Evidence collection is vital
 - Courts rely almost exclusively on original documentary evidence
 - Can be very hard to obtain
 - Must be prepared well in advance
 - Administrative/overseas actions can be used to gather evidence
 - Foreign evidence requires notarization and legalization
- Forum shopping very common

Specialist Panels of Courts

- Specialist IP panels of courts
 - Set up in July 1993
 - First panel in Beijing
 - In October 1996, the Supreme People's Court established its own special IP panel
 - By 2004 panels have been established within the Intermediate and Higher People's Courts in major municipalities including Beijing, Shanghai, Guangzhou, Tianjin, etc.

Stages in Civil Proceedings

- Main steps:
 - Issue of the proceedings
 - Filing the claim
 - Filing the defence
 - Pre-trial hearings
 - Trial
 - Judgment
 - Appeal
 - Enforcement

Evidence

- Evidence gathering is very important
- Main form is documentary evidence
- Permissible evidence (Article 63 of the Civil Procedure Law):
 - Documentary evidence
 - Material evidence
 - Video and audio material
 - Testimony of witnesses
 - Statements by litigants
 - Conclusions of experts
 - Records of inspection

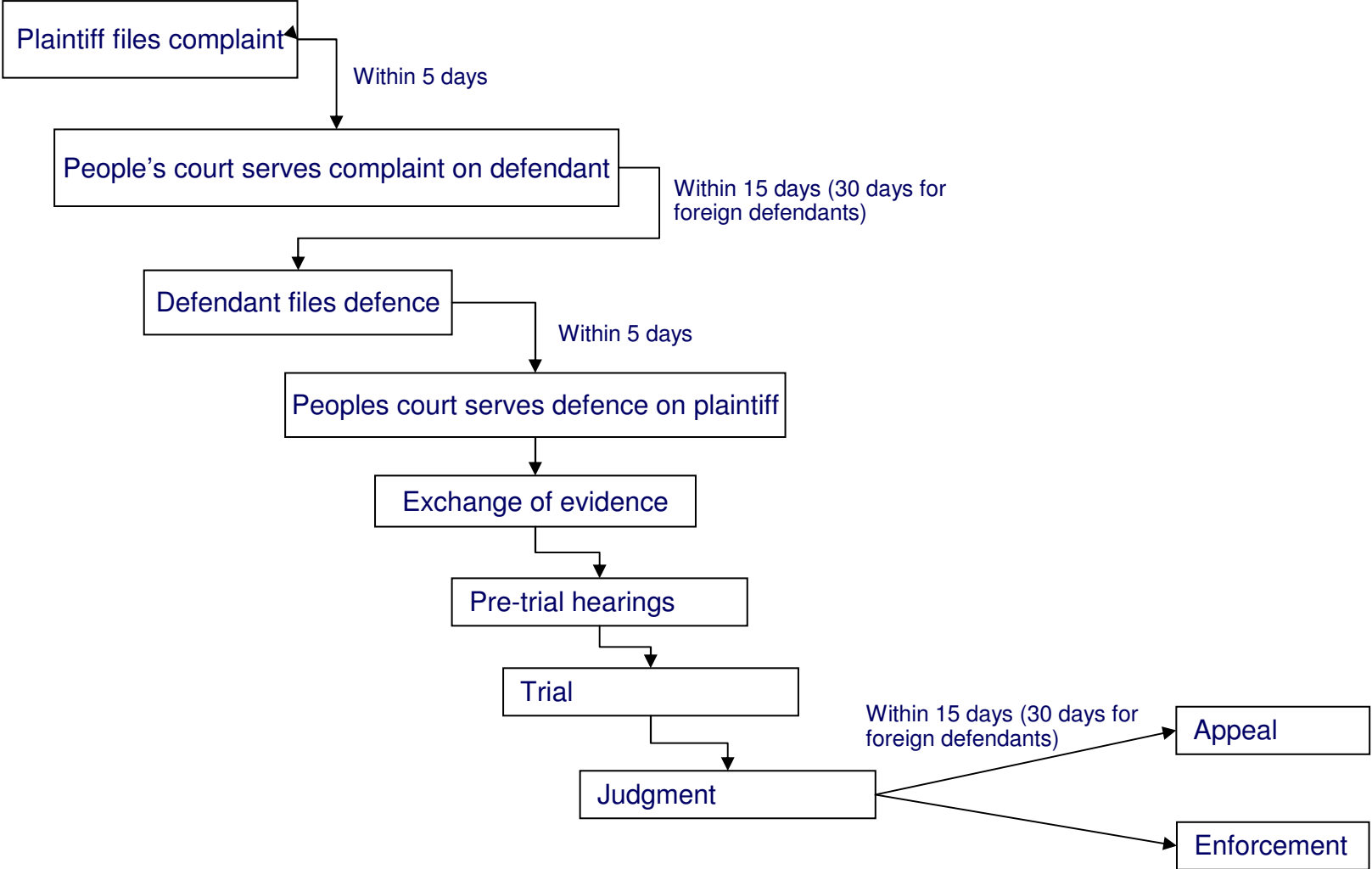
Evidence (Cont'd)

- No formal discovery procedure
- “Best evidence” rule
 - Notarisation and legalisation for evidence obtained overseas
 - Email evidence
 - Non-original documents can be submitted
- Chinese translations
- Vital to have all necessary evidence before issuing proceedings
- Be careful to avoid as far as possible “bad faith” evidence gathering

Preliminary Relief

- Pre-trial injunctions (mostly for IP cases):
 - Infringer is engaging in or about to engage in infringing activities
 - Delay likely to cause irreparable (serious) harm
 - 48 hours to decide if grant injunction
 - Bond / security
 - Institute proceedings within 15 days of Order
- Preservation of evidence order
- Preservation of asset order

Summary of Procedures



Administrative Actions or Civil Actions?

- Complexity of issues
- Time
- Remedies – fine v compensation; restraining orders v Court injunctions
- Local protectionism
- Costs
- Evidence at hand
- For patents particularly:
 - Invalidity challenge
 - May end up in Court in either case

Criminal Actions

- PSB (Public Security Bureau)
- Case transferred from administrative bodies: rare (less than 1%)
- Complaint filed directly with the PSB
- Imprisonment
- Heavy fine
- Lengthy process
- Could be quite costly

Customs Seizures

- Requires registration of rights with Customs
- Court order
- Will act on own volition or on complaint
- Effective action requires good relationships
- Bond

Actions outside China

- Container tracking
- Identifying procurers/middlemen
- Hit the customer
- Actions to obtain evidence
 - Discovery actions in US
 - Anton Piller Order – especially in Hong Kong

The Key to Success

- Understand the system: new, not perfect but improving
- Understand the problem: the infringer and the infringement
- Work with someone who understands your needs and goals, and be able to support you
- Investigations
- Evidence preparation and collection: notarization, legalization, translation, authentication
- **HAVE A STRATEGY:**
 - What is the goal
 - Decide who, when, where to sue
 - Local protectionism
 - Preliminary relief
 - Outside China

For further information
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