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the European Union



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CHINA IPR 
SME HELPDESK

Intellectual Property Rights in China

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Vilnius
April 26, 2010

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Part I: China IPR SME Helpdesk

1. Helpdesk at a glance

- Funded by the European Commission (DG Enterprise and Industry) and implemented by the European Chamber of Commerce in China and Development Solutions
- To support EU small and medium sized enterprises (SMEs) in the protection and enforcement of Intellectual Property Rights (IPR) in or relating to China (trademarks, patents, copyrights, GIs, tech transfer, trade fairs and IP etc.)
- Focus on prevention and first-line advice
- Support through the provision of *free* information and services targeting SME needs

2. Helpdesk services

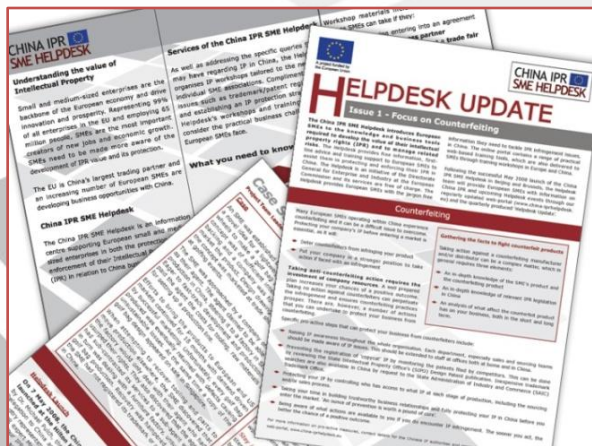
1. Ask A China IPR Question on e-mail, phone or in person enquiries@china-iprhelpdesk.eu

2. Visit the Online Portal www.china-iprhelpdesk.eu

3. E-learning on the website

4. Attend China IPR Events and Workshops

5. Read China IPR Publications



Part II:

Introduction to Intellectual Property Rights in China

1. International Treaties and Conventions

- Paris Convention (March 19, 1985);
- Patent Cooperation Treaty (January 01, 1994);
- Budapest Treaty (July 01, 1995);
- Madrid Agreement (October 10, 1989);
- Protocol of Madrid Agreement (April 01, 1996);
- Berne Convention (October 15, 1992);
- TRIPs Agreement (November 2001);
- Singapore Treaty on the Law of Trademarks (January 29, 2007).

2. Intellectual Property (IP) Rights

- Definition:
IP rights are intangible creations of the mind which can be legally protected
- The most important IP rights are:
 - Patent
 - Patent for Invention
 - Patent for Utility model
 - Patent for Design
 - Trade Secrets / Know-how
 - Trade mark
 - Copyright

www.nipic.com/



3. Patent for Inventions

“**Invention**” refers to a new solution put forward for a product, method or the improvement thereof.

Patents are granted for any inventions which possess

- novelty,
- inventiveness and
- practical applicability.



3. Patent for Inventions (cont.)

- **The “absolute novelty” standard**

- Under the previous Chinese Patent Act: Public use of a product outside China was not prejudicial as to the novelty.

Thereof, the risk of foreign companies was that they may not be permitted to import their products into China, if a Chinese patent for the same product has been granted to a Chinese competitor.

- Recent amendment (October 01, 2009): The absolute novelty standard

3. Patent for Inventions (cont.)

- **“Inventiveness of Invention”** means that, as compared with the existing technology before the date of filing, the invention
 - has prominent substantive features, which means that, regarding to the prior art, it is non-obvious to a person skilled in the relevant field of industry
 - represents a notable progress, which means that the invention may produce useful technical effects as compared with the closest prior art.

3. Patent for Inventions (cont.)

- The concept of “**practical applicability**” means that an invention or utility model for which a patent right has been granted shall be one that can solve a technical problem and be exploited.
- In other words, if the subject matter of the invention is a product, it can be made industrially and solve a technical problem. If it is a process, it can be used industrially and solve a technical problem.

4. Patent for Utility Model

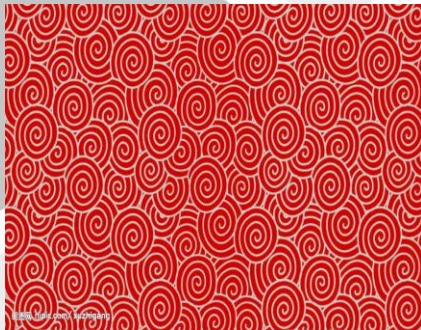
- “**Utility model**” refers to a new practical solution for a product’s form, structure, or the combination thereof.
- A utility model for which a patent right may be granted shall possess
 - novelty (as same as inventions)
 - inventiveness (the standard of inventiveness for the utility model is lower than that for the invention)
 - practical applicability (as same as inventions).

5. Patent for Design

Protection of

Patterns

two-dimensional design



Models

three-dimensional design



5. Patent for Design (cont.)



- Usually, a patent application for a design shall be limited to a single design.
- One of the newly introduced changes to the Patent Act allows, however, correlative designs, for instance, a tee set.

5. Patent for Design (cont.)

- A design patent may be granted after a preliminary examination if the design meets the following conditions:
 - The carrier of a design is a “product” which refers to any article produced by industrial methods.
 - the design has aesthetic appeal, and
 - it is fit for industrial application.
- Substantive requirement of “novelty”: The design shall be substantially different from prior designs or a combination of the features of prior designs.
- unlike the EC Regulation protecting Community designs, Chinese patent law does not require the design to possess an individual character for a design patent grant.

6. Trade secret

- May consist of any formula recipe, pattern, physical device, idea, process, compilation of information or other information
- Examples
 - chemical process for a drug
 - customer list
 - business plan for a new product
 - source code



6. Trade Secret (cont.)

Protection of trade secrets only if

- Trade Secret is not known to the public
- Trade Secret has a certain commercial value
- Trade Secret has practical applicability
- Owner has taken appropriate measures to keep it secret

7. Trademarks

An application for trademark registration may be filed for any visible mark including word, logo, letters, numbers, 3D (three-dimension) signs or combination of colors, or the combination of the elements above mentioned.

Examples

- China Mobile



CHINA MOBILE

» Bank of China



- Air China



7. Trademarks (cont.)

- Word mark



- Logo



- Word mark/logo



- Three-dimensional mark



- Draft amendment:
Voice, smell, etc.

7. Trademarks (cont.)

- Requirements:
 - It must be distinctive
 - It must be „available“
 - It must be legal
 - It must not be functional
 - Validity of a trademark is 10 years, renewable without limitations

8. Copyright

- Copyright law protects the individual creations in the fields of literature, film, drama, science, art and software and exists without any formalities.
- Any work of a foreigner which enjoys copyright under an agreement concluded between the country to which the author belongs and China, or under an international treaty to which both countries are parties, are protected by Chinese Copyright Law.

8. Copyright (cont.)

- The personal rights of authorship, alteration and integrity shall be perpetual.
- The term of protection of the right of publication and of the other property rights is the **lifetime** of the author and **fifty years after his death**, expiring on December 31 of the fiftieth year after his death.
- If the work belongs to a legal entity, the terms of protection is **fifty years from the first publication**.

9. Intellectual Property Rights and Know-How: a Comparison

	Subject matter	Maximum term of protection	How is protection created	Scope of examination	Website
Invention Patent	Technical inventions	20 years	Registration	Material protectability	www.sipo.gov.cn
Utility model	Technical inventions	10 years	Registration	No material protectability	www.sipo.gov.cn
Design patent	Patterns and models	10 years	Registration	No material protectability	www.sipo.gov.cn
Trade Mark	Sign	Unlimited	Registration or use	Absolute and relative grounds for refusal	www.saic.com
Copyright	Individual creations	Lifetime of the author and fifty years after his death	No registration	No examination	n.a.
Know-how	Technical and business know-how	As long as it remains secret	Simultaneously with creation	Examination only in cases of dispute	n.a.

Part III:

Enforcement of IPRs in China

1. Examples of infringement (cont.)



1. Examples of infringement



1. Examples of infringement (cont.)



1. Examples of infringement (cont.)

**Product name:
Orange F9**



1. Examples of infringement (cont.)



2. Examples of product piracy

- Some figures:
- 71% of all plagiarisms in Germany have their origin in China (source: study of VDMA in 3/2008)
- 38% of all product counterfeitings seized by EU customs came from China (10% Thailand, 8% Hongkong)
- 57% of all German companies doing business in China were facing trademark piracy

3. First step(s)

- Choose an (IP) law firm
- Budget
- Instruct private investigation agency
- Review scope of IPR
- Collecting documents/evidences

4. The dual-track system of enforcement

The courts and specific authorities each have a parallel responsibility for the enforcement of IPRs

- Judicial Enforcement
 - 23.518 IP cases in 2008
 - Patent disputes
 - Level: Intermediate courts and above
- Administrative Measures
 - ~56.000 trademark cases and ~12.000 copyright cases
 - “Simple” cases
 - “Local protectionism”

The administrative enforcement of IPRs is often influenced by interests of local governments.

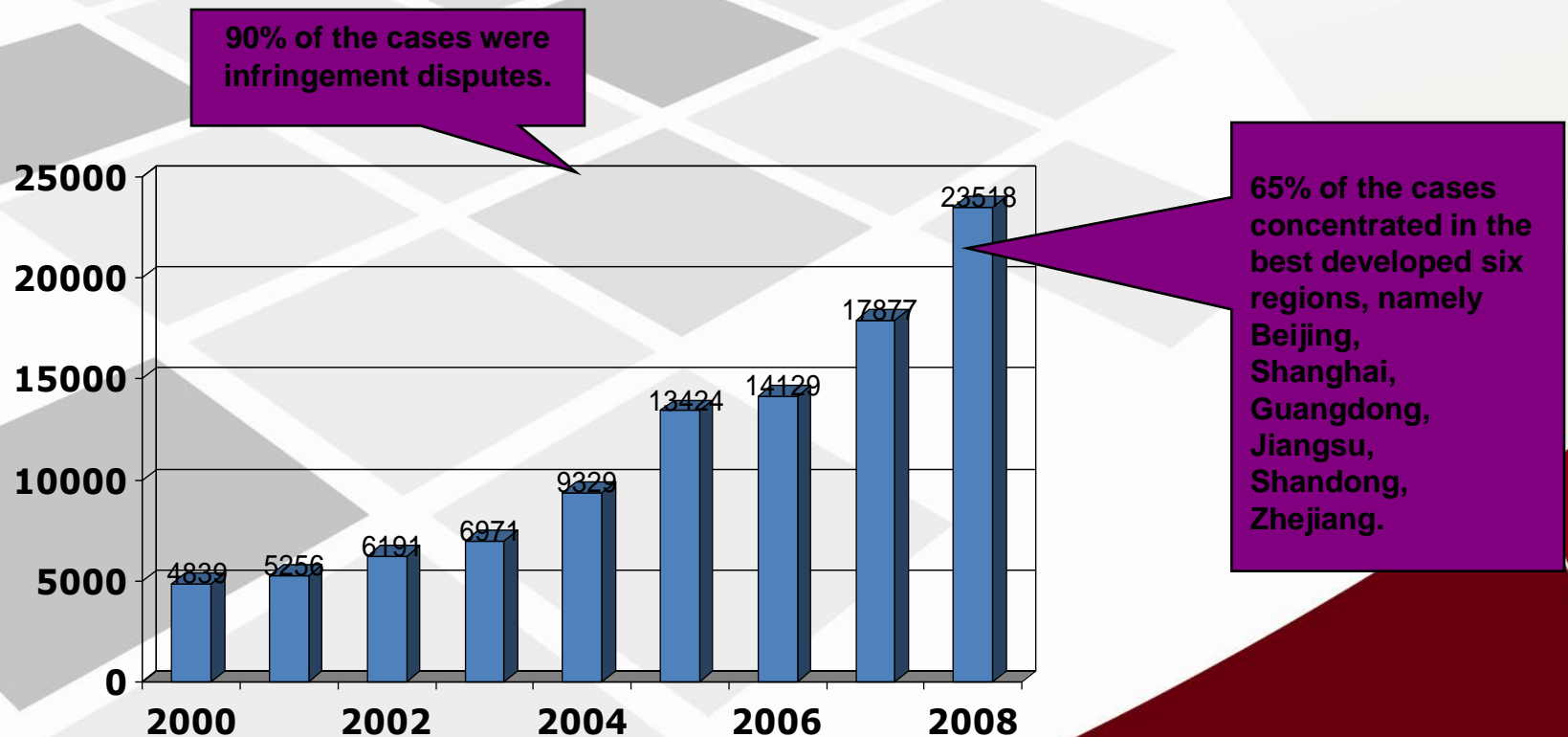
5. Administrative Enforcement

- Administrative Actions
 - Investigate
 - Determine infringement and order to stop infringing activity
 - Seizure and destruction of infringing goods and tools specially used for the manufacture of the infringing goods
 - Mediate compensation for damages caused by the infringement
 - Impose administrative fine
 - Shall transfer case to PSB (Public Security Bureau) for criminal investigation if constitutes a crime

6. The judicial enforcement

IP Litigations decided by Chinese Courts

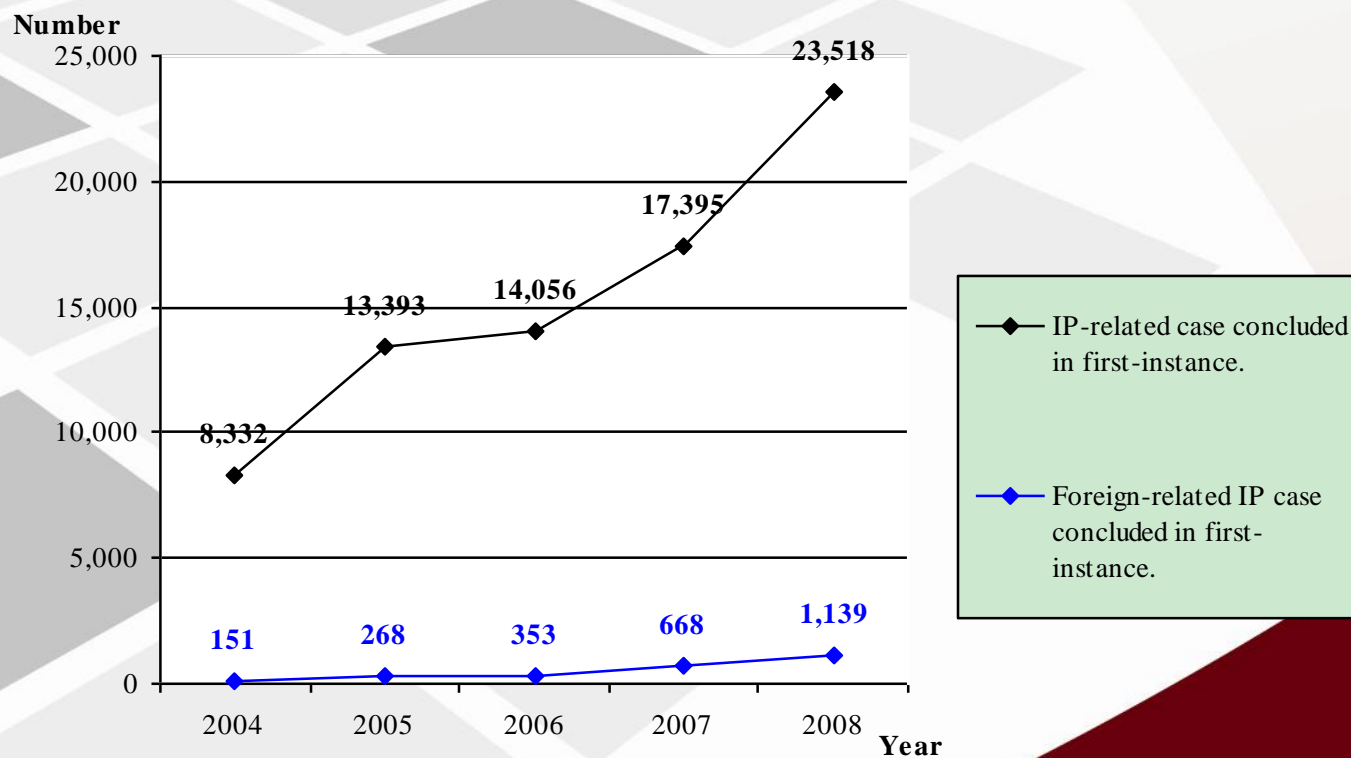
(2000 – 2008)



Source: Annual Reports 2000 – 2008 of SIPO.

6. The judicial enforcement (cont.)

T8. Statistics of IP Civil Cases in China 2004-2008



Source: EU Commission

6. The judicial enforcement (cont.)

- Availability of specialized courts
- Qualification of judges
- Independence of judges
- Jurisdiction
- Execution of a judgement
- Costs
- Duration

6. The judicial enforcement (cont.)

- Mediation
- Preliminary Injunction
- Preservation of assets and/or evidence
- Order to stop infringement
- Order to pay damages
- Public apologize for impairment of commercial goodwill

7. General aspects of IP enforcement

- Li-An / Shou Li
- Evidence:
 - Notarization
 - Quality and amount of evidence varies
 - Often cost driver
 - Chint v. Schneider – Case

8. Damages

- Calculation of Damages
 - lost profits
 - profits made by the infringer
 - reasonable royalty fee (only in patent cases)
 - lump sum compensation / statutory damages (maximum RMB 500,000 -1 mio.)
- Freezing Order

9. Comparison of the judicial and administrative enforcement

- **Judicial enforcement**
 - Long duration and relatively high cost
 - High grade of burden of proof
 - Damages are available
 - Permanent deterrence effect
 - Preferred by owners of invention patents
- **Administrative enforcement**
 - Efficient (timely) and low cost
 - Lower requirements of burden of proof
 - Parties might collect more evidences by administrative measures
 - No damages, but only penalties
 - No guarantee of an effective enforcement of the decisions
 - Preferred by owners of utility models and design patents and other IPRs

Only 8.5% of the cases are involving an invention patent

10. Alternative enforcement measures

- Arbitration
- Customs seizure
- Criminal prosecution

11. Pre-emptive measures

- Non-disclosure agreements
- Marking documents as confidential
- IT security architecture
- Locking of USB ports and CD/DVD driver
- Access control (e.g. access cards)
- Interdiction of cameras, mobile phones
- Video surveillance
- Seperate storage of sensitive/confidential data
- Monitoring of Chinese patent applications



Part IV

Case Study

Case study I: A Know-how Case

- **Keywords:** - enforcement of secret know-how
 - Plaintiff: German company with factory in China
 - Defendant: Former production manager of plaintiff
- Source: Taylor Wessing

1. Facts of the case

- Former production manager with access to secret know-how established competing company
- Products offered are identical
- Instruction of private investigator
- Purchase of infringing product through public notary
- Collecting evidences/documents
- Filing cease and desist claim to use secret know-how

2. Arguments of defendant and taking evidence by court

- Arguments of defendant:
 - Secret know-how of plaintiff does not exist
 - Know-how of defendant is not identical and developed by himself
- Court ordered to obtain an expert opinion to examine the secret-know of plaintiff
 - Plaintiff had to disclose its secret know-how to the experts! (who are under non-disclosure obligation)

Case study II: A Trademark Case

- **Keywords:** - registration of trademarks
 - Plaintiff: European company with specific accessory used in apparel;
 - Defendant: Local Chinese competitors
- Source: China IPR SME Helpdesk

1. Facts of the case

- Accessory was protected by patents and trademarks
 - In China: only a trademark registration existed
 - Chinese competitors copied the accessory
- European company had no legal rights to prevent copying of product itself b/c no patent registration
- Only legal action against competitors who also used original trademark

2. Facts of the case

- Local competitor registered Chinese nickname of European company's product
 - European company forced to pursue cancellation of „nickname trademark“
 - Lengthy and uncertain process
- European company should have further protected its IP by registering also transliteration and nicknames
- More efficient than cancelling, opposing or buying back

Summary

- Filing of IPR applications (essential!)
- Appropriate pre-emptive measures
- Consistent enforcement of IP infringements
 - Courts fair to foreign plaintiffs, but also cases of protectionism
 - High litigation costs
 - Damages relatively low

Any Questions?



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