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CONSULTANCY & RESEARCH

***The China-Britain Business Council
Intellectual Property Rights Guidelines
(‘The CBBC China IPR Guidelines’)***

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The Guidelines have been edited and compiled by a small team at the China-Britain Business Council. The CBBC IPR team consists of Duncan Levesley, Eugene Chang, Humphrey Keenlyside, Jenny Broughton and Judy Ng. We hope that these Guidelines help UK companies to further develop and succeed within the Chinese market.

Executive Summary

Protecting your intellectual property in China is a challenge. The laws and regulations are still evolving, enforcement is difficult and there is a constant need for vigilance. However, measures can be taken to help protect intellectual property rights and one should not let concerns over IPR prevent potentially lucrative business. These guidelines offer detailed advice to UK businesses on how to minimise the risk of IPR abuse. Of necessity, many of these issues are explained at length in the guidelines. We offer here an executive summary of the key points together with references to the Sections in which they feature.

Planning & Research

Identify and clarify what your IP and trade secrets are (Section 1.2/ Section 2). What are you going to transfer? Is it patent, copyright, trade mark, or trade secrets?

Conduct a risk assessment (Section 3.5). Investigate whether any potentially infringing products are already registered or in existence and the chances of your having to take court action.

Consider what form of vehicle you need in China (Section 4.3). Research which entrance strategy is best for you: Joint Venture (JV) or Wholly Foreign-Owned Enterprise (WFOE), this decision will have a bearing on choices concerning IP protection.

Carefully consider who your business partners should be (Section 4.1). Getting this right can make or break an operation. Research thoroughly the options to find the most suitable partner, whether manufacturer, supplier or distributor. Due diligence (Section 3.5/ Section 4.1) is vital.

Registration (Section 3.2/ Section 4.2/ Section 5.1/ Appendix G)

Make sure that you register all relevant IPR **before** introducing branded goods or services.

For patents, trade marks and domain names China follows the 'first to file' system.

Failing to register may make it difficult, if not impossible to seek administrative or judicial assistance should problems occur.

Include Chinese varieties of the brand (Appendix E).

Patents (Section 2.1/ Appendix G)

Patents must be registered if you want to have protection.

Registration must be through an authorised Chinese patent agency appointed by SIPO (State Intellectual Property Office). It takes about one year to register utility model and design patents. It takes up to three years to register 'innovations'.

Registration is possible for multiple countries including China through the Patent Cooperation Treaty (PCT).

Trade marks (Section 2.2/ Section 2.3/ Appendix G)

Trade marks must be registered on your behalf by a Chinese trade mark agency.

Registration can take up to three years.

Registration is possible for multiple countries including China through the Madrid Agreement.

Copyright (Section 2.4/ Appendix G)

There is a voluntary registration process for copyright. Registration offers benefits (enforceability) but potential disadvantages (loss of confidentiality).

It takes 30 days to register copyright, through the National Copyright Protection Center.

Safeguarding IPR

Get the contracts right (Section 3.3/ Section 4.4). Use contracts with partners and employees (Section 4.5), and licence agreements with OEMs (Section 5.1) to protect IP, ownership, use, access of IP and rights in IP. Build in confidentiality and non-disclosure clauses. Have an English contract with a Chinese translation to avoid confusion.

Vet employees, and monitor activities throughout course of business (Section 4.5)

Carry out regular audits and reviews both of procedures and personnel (Section 3.4/ Section 4.4/ Section 4.8).

Pay particular attention to trade secrets (Section 2.7). Once a secret is leaked to the public or industry, protection is lost, although there is some scope for seeking redress.

Where possible design protection into your technology/ process (Section 4.10).

Create a 'virtual team', comprising suppliers, distributors, agents, local sales team, representative office and managers (both in the UK, China and elsewhere) even customers to guard against theft or abuse of IPR (Section 4.6).

Build up good personal relations with trading partners, commercial counterparts, and relevant authorities at local, provincial and national level (Section 3.4).

Obtaining Redress

For problems with business partners, mediation, settlement and arbitration offer the best options for resolving issues without putting business relationships at risk (Section 4.1).

There are administrative, civil and criminal proceedings' options (Sections 2.8/ Section 5.2/ Appendix A/ Appendix G). The most appropriate will depend on the extent of the abuse and the remedies sought.

Beware of sending warning notices to infringers, since these are often ignored and merely allow infringers to prepare for possible raid actions (Section 5.1).

Evidence gathering (Section 5.3) may require a Chinese notary to be present. Notarisation and legalisation of evidence from outside of China is essential for civil and criminal actions, but generally not for administrative action.

Documents must be translated into Chinese by court-approved translation companies.

Make sure you carry out detailed investigation of infringers, and all aspects of the business (sale, manufacture, logistics and storage). (Section 2.8/ Section 4.7/ Section 5.3/ Danfoss Case Study/ Trademark Infringement Case Study)

It usually takes between 12 months and 18 months to get a judgement in court (and patent cases take longer still).

Criminal proceedings can cost between £7,000 and £35,000. Administrative raids cost £1,000–£5,000, more if police are involved (Section 5.2/ Appendix G)

Lawyers (Section 5.4)

It is often a legal requirement to hire a Chinese lawyer or qualified agent. International law firms can coordinate activities.

1. Introduction

1.1 The Purpose of the CBBC China IPR Guidelines

These Guidelines consist of four main sections and are supplemented by seven Appendices. The four sections have been prepared by a wide cross section of experienced lawyers and IP practitioners based in the UK and China. A few case studies have been included and the whole updating project has been managed by a small editorial team at CBBC (email: ipr@cbbc.org).

The Guidelines are intended to be made freely available to companies of all sizes and are written for people from all disciplines and sectors. They are aimed at UK exporters as much as at foreign investors or companies sourcing from China – indeed, at any enterprise involved in the numerous forms of business now possible in this rapidly developing market. As the frequent meetings, seminars and workshops on China business topics demonstrate, there is still widespread anxiety about intellectual property rights in China, despite the tremendous improvements made by the Chinese government in the past few years. Nevertheless, the double digit growth in trade every year between the UK and China over the past few years plus the UK's prominent position as the largest EU investor in China all show that UK plc has not been put off by the IPR challenges, and that there are practical solutions possible.

The CBBC China IPR Guidelines are not intended to be a substitute for making thorough preparations and taking comprehensive advice from specialists in IPR law, prevention, enforcement and related fields who also have practical China experience. It is hoped that by sharing the considerable experience and best practice contained in these Guidelines, we will offer companies new to the market a useful introduction to developing a China business strategy, assessing IPR risks, understanding what remedies exist and, above all, taking practical measures that will help them avoid problems in the future.

1.2 The Background of IPR in China

China has a long history of invention and has brought many technologies to the world. However, the traditional Chinese approach of sharing knowledge persisted for centuries. Today's Chinese intellectual property laws are comparatively new, with the first intellectual property law drafted in 1982 (compared with the UK, where the Statute of Monopolies was passed in 1623).

The need for a modern, more international style of legal framework came with the economic reform begun in 1978 by Deng Xiaoping's 'Open Door' policy to welcome Western business, leading to the increasing adoption of a market economic system and the liberalisation of trade. China's accession to the World Trade Organisation (WTO) in 2001 has resulted in trading conditions for foreign businesses in China becoming closer to international norms.

Joining the international trading community was crucial for China's growth and prosperity and partly explains the rapid progress and remarkable achievements of IPR law reform during the 1980s and 1990s and the seriousness with which the Chinese government views this subject. China now has a world-class legal framework for IPR, having benefited from the earlier experience and best practice of other countries, and including recent developments such as plant and seed variety rights, and internet copyright issues. However, China's IPR performance continues to be a major issue scrutinised by Western business and there is continuous appraisal by WTO members trading with China.

Why, then, is there a problem? Firstly, it should be said that it is inevitable that the volume of IPR problems appears worst in the fastest growing manufacturing economy in the world. Secondly, reverse engineering and copying has existed for centuries in the West and is not confined to China even now. Thirdly, foreign companies are sometimes ill-prepared or not aware of the full legal protection available when entering the Chinese market. Some may even still be afraid of taking legal action for fear of offending government authorities. All these factors lead to a perception of IPR problems in China which are far worse than the reality.

Nevertheless, despite the comprehensiveness of the laws, many difficulties with Chinese legal processes remain, especially at the local level, as explained later in these Guidelines. But these shortcomings are dwarfed by the disparity between the quality of the laws and the IPR protection available (the 'theory'), and the authorities' limited success in strict enforcement (the 'practice') over the whole country, especially the less developed inland regions. The penalties applied by the courts and administrative authorities are perceived to be low. Up to seven years' imprisonment is possible for a criminal offence in theory; however, Chinese IPR law tends to be seen as a weak deterrent – by both abuser and abused.

However, a raid on a suspected counterfeiter could be carried out by the authorities within a day or so, quicker and cheaper than in the West. Furthermore, the rate of success of foreign companies winning a court case in China is several times higher than in the USA for example, and it is also cheaper and usually quicker to get a ruling.

The Chinese government points to its efforts to improve matters: improved substantive IPR laws, growing public awareness of IPR issues, increasing competence and training of government officials, courts and lawyers, a steadily growing number of successful prosecutions under the criminal law and notorious civil actions successfully brought by both foreign and domestic plaintiffs, and the publication of an annual Action IPR Plan since 2006 (see section 1.4).

The increasing interest of Chinese businesses in protecting their own IPR is one of the most important drivers in the progress that is being made in the battle against IPR theft, with, in recent years, over 80% of new patent applications coming from Chinese companies and well over 90% of IPR court cases in China being between two or more Chinese parties. This will grow in importance as more resources are put into home-grown technology and R&D (to reach 2.5% of GDP by 2020, or soon to exceed £50 billion per year), as required by the 15-year plan for the development of science and technology which was initiated in January 2006. Under this plan, the dependence on imported technology will be limited to a maximum of 30%, down from the current 50%. This deliberate policy focus on technology and 'Chinese' IPR can also lead to pressure on foreign firms to transfer technology or intellectual property. Foreign firms doing business in China must develop a robust business strategy, clarifying what to transfer and how to protect it.

History shows us many 'frontier' situations around the world where the rule of law comes a poor second to pragmatism in times of rapid growth and transition. Lack of IPR enforcement up to Western standards should not be used as an excuse for not entering the market, assuming you have a sound business model in the first place. While it would be wholly unjust to single out China for criticism - there is plenty of IPR abuse in other countries - those doing business there should ensure they are aware of the difficulties, assess the risks and take steps to guard their know-how; and preferably do so before taking business decisions involving China, rather than as an after-thought. There is plenty of evidence to suggest that many foreign companies who have taken such measures are doing good, profitable business in China. It is from this perspective of helping UK companies be 'IPR-ready' that these Guidelines are written. It is important to realise that legalistic solutions are only part of the answer; a complex array of social, cultural, technical and economic factors are involved in changing people's values and attitudes towards IPR theft and the manufacture and buying of fakes.

1.3 China's Action Plan on IPR Protection 2007

The National Working Group for IPR Protection has been set up and consists of several member agencies involved in IPR. The Group presents an annual IPR Protection Action Plan, and the main points summarised from the 2007 plan, are:

- Relevant authorities will draft, formulate and revise 14 laws, regulations, rules and administrative measures on trademark, copyright, patent and customs protection as well as judicial interpretations and guidelines.
- On the enforcement side, 14 dedicated campaigns including 'Fight Piracy Every Day', crackdown on pirated textbooks and teaching supplements and Operation Blue-sky, coupled with standing enforcement programs will be carried out.
- Measures will be put in place to promote self-innovation and IPR inventiveness.
- Institutional building will continue, with the establishment of enforcement coordination, and improvement and standardization of the functions of the IPR Service Centres.
- Continuing publicity measures such as large promotion events, media programming and press conferences will continue. Various training measures in the forms of reading materials, training courses and workshops will target party and government leaderships, grass-roots enforcement agents, corporate and non-corporate organizations and lawmakers as well as university, middle and primary school students.
- International exchange and partnership programmes will continue
- Increased links with business, such as building a business priority watch-directory in the public security system and strengthening IPR protection in state-owned enterprises will be introduced. In addition, several new measures for rights-holders, including regular meetings to consult and coordinate with foreign-invested enterprises, and a hotline and online platform for overseas IPR disputes will be put in place.

1.4 Structure of the Guidelines

In the sections below, Victoria Wang of Rouse and Co, Naazneen Schmittzehe of Hamblins, Edouard Schmitt zur Hohe of S&F and Horace Lam of Lovells have been the main contributors in updating the following sections on how to:

- Understand the various types of IPR in China;
- Assess IPR risks as part of corporate strategy for China;
- Plan for practical avoidance measures;
- Take action if facing infringement problems.

Contact details of these contributors as well as the reviewers and case study authors can be found in Appendix C. We see The CBBC China IPR Guidelines as a continuing attempt to provide companies with practical information that is clear, accurate and up-to-date; above all, it should be relevant to the needs of those doing business in China. Any queries, suggestions or corrections should be directed to the Editor at ipr@cbbc.org for future updates. In particular, we would welcome contributions from readers who have first-hand experience of IPR investigations; infringement, litigation and enforcement so that the Guidelines can be enhanced with further practical case studies.

2. Explanation of IPR Basics

The term intellectual property rights (IPR) refers to various legal proprietary rights that exist in certain creations of the mind, such as inventions, literary and artistic works, and names and images that identify the trade origin of goods and services. The most common categories with which we are familiar in the United Kingdom – patents, copyright, designs, trade marks and confidential information – have equivalents in China. Since joining the World Trade Organisation (WTO) in 2001, China has adopted further legislation governing both the scope and enforcement of IPR. Some typical costs and timelines for each category are given in Appendix F.

In the paragraphs below, we set out the main features of each form of IPR. China's IPR laws are Civil Law based, not Common Law as in the UK. UK-based companies will come across significant differences compared with what they are used to in the UK, whereas the laws are similar to those in Germany (which provided the bulk of the technical assistance for the development of China's IPR laws).

2.1 Patents – inventions, designs and utility models

Patents are the primary vehicle for protecting technology in most technology-based businesses. The basic idea behind the patent system in China is the same as that in the UK: in exchange for publishing details of an invention, the state grants the inventor a monopoly over his invention (i.e. the right to stop another party from unauthorised use of the invention) for a fixed period.

Legislation: The relevant patent legislation in China is the *Patent Law* of 1984 (as amended in 1992 and 2000) and *Regulations for the Implementation of the Patent Law* of 2001. The promulgation date of a new Amended Patent Law is expected in the first half of 2008.

New Amended Patent Law: The promulgation date of a new Amended Patent Law is expected in the first half of 2008. The revisions have not been adopted, but if they are, new viewpoints and principles with respect to the first-to-file requirements, novelty standard and use of patent agents, among others, may be introduced. Notably, under the current law, an invention-creation made in China is required to be first filed in China. However, under the proposed revisions, approval by SIPO (State Intellectual Property Office of PRC) is required if it is first filed outside of China. If an application is filed in a foreign jurisdiction for an invention-creation completed in China without the approval of China's patent administration, no patent right will be granted for the invention-creation if it is later filed in China. Another notable change relates to the novelty standard. Under the current Patent Law if the same or similar technology or design is found in any publication anywhere in the world, or is used or sold only in China (although not published), novelty is lost and the technology or design cannot obtain patent protection. In contrast, under the proposed amendment to the law, if the same or similar technology or design is published, used or sold anywhere in the world (as opposed to just China in the previous law), novelty will be lost. This effectively introduces a requirement of absolute novelty. Another provision of the draft revisions affecting foreigners is the proposed repeal of the article which requires foreigners to use patent agencies appointed by SIPO, and that Chinese applicants who wish to file for a patent abroad must use special agencies. The proposed revisions would allow both foreigners and Chinese nationals to use any patent agent of their choice.

Scope: China's *Patent Law* provides protection for inventions (both products and processes), utility models (creations or improvements to the form, construction or fitting of a product, but not processes; also known as 'minor patents') and designs (the shape, pattern or their combination, or the combination of the colour with the shape or pattern, of a product). This arrangement contrasts with UK legislation, where we have separate enactments dealing with patents (*Patents Act 1997*) and designs (*Copyrights Designs and Patents Act 1988*). Also, the UK has no equivalent protection for utility models, although some other European jurisdictions do.

The significant differences between invention and utility model patents are:

- (1) Invention patents are subject to substantive examination during the application process, whereas utility model patents are simply checked for formalities compliance;
- (2) The inventive step required for invention patents is higher than that required for utility model patents (so utility model patents may be more suitable for small modifications/improvements to existing technology);
- (3) Invention patents last for 20 years whereas utility model patents last for 10 years, as do designs.

This trinity of requirements is clearly analogous to the requirements for patentability under UK law. In addition, Article 25 of China's *Patent Law* excludes from the ambit of patent protection:

- (1) Scientific discoveries;
- (2) Rules and methods for mental activities;
- (3) Methods for the diagnosis, or treatment, of diseases;
- (4) Animal and plant varieties;
- (5) Substances obtained by means of nuclear transformation.

This is a clearer statement of what constitutes excluded subject matter for patent protection than is promulgated in the UK *Patents Act 1977*.

Plant Variety Rights: China is a member state of the International Union for the Protection of New Varieties of Plants and in 1997 enacted the *Regulation on Protection of New Varieties of Plants of PRC*. In general, plant variety rights (PVR) are granted where the requirements for distinctiveness, uniformity, stability, denomination, and novelty are met. Similar to patents, PVR applications are centrally filed and granted by the PVR Office in the Ministry of Agriculture and State Forestry Administration. The term of protection is 20 years for vines, forest trees, fruit trees and ornamental plants, and 15 years for other varieties of plants from the date the PVR was granted.

Requirements for Grant of Patent: Article 22 of China's *Patent Law* provides that any invention/utility model for which a patent may be granted must be novel, inventive and have a practical application. Article 23 provides that any design must be novel. 'Novelty' may be lost if the invention/utility model/design has already been disclosed to third parties without suitable obligations of confidentiality having been imposed.

'First-to-File' System: China follows the 'first-to-file' system for patents which is consistent with the approach adopted in the UK and Europe. This means that the law protects the person who first files an application for a patent, not the person who first invents the product or process. This contrasts with the 'first-to-invent' system used by the USA.

File in China first before filing elsewhere: Article 20 of China's *Patent Law* requires that any Chinese individual or entity (including foreign-invested enterprises) who develops technology in China must file their first domestic patent application in China. Some foreign companies are seeking to bypass this requirement by relying on Article 8 of China's *Patent Law*, which states that where an invention is made under commission of another individual or entity, the party that is to have the right to apply for a patent may be agreed between them.

PCT Filing: The Patent Cooperation Treaty (PCT) is an international patent law treaty administered by the World Intellectual Property Organisation (WIPO) that provides a unified procedure for filing patent applications to protect inventions in each of its contracting states that are party to the treaty. Thus, as an alternative to filing a national patent application with the Chinese State Intellectual Property Office (SIPO) in Beijing, an applicant may file a PCT application in which the applicant can designate countries (including China) where patent protection is desired.

A PCT application requires filing a single international application that complies with one unified set of requirements, whereas if an applicant files patent applications directly with the foreign patent offices, the applicant will have to prepare separate patent applications that comply with the requirements of each office. This helps to expedite the filing process although the patent application will nevertheless be examined for compliance with local requirements when entering the national phase for its designated countries (see further on this below).

The PCT application is filed in one country, typically the patent office of the country in which the applicant is a resident or national, and has the effect of a direct national filing as of the PCT filing date in each PCT contracting state designated by the applicant. However, Article 20 of China's *Patent Law* requires that any Chinese individual or entity (including foreign-invested enterprises) who develops technology in China must file its first PCT application in China. After a PCT application is submitted an international searching authority prepares a preliminary examination report, which is delivered to WIPO and subsequently transmitted to the foreign patent offices designated by the applicant. The National Patent Offices of the designated countries will then examine the patent application for its compliance with the respective office's requirements (at this time, the application may be translated into the local language and / or amended although any amendment must be within the scope of the original application) and either grant or deny the patent application accordingly.

Design patents (in contrast to patents for inventions) are not covered under PCT.

Territorial Protection: Patent rights are territorial. Even if the inventor already has a patent in his home country (or elsewhere) for the same invention/utility model/design, he must apply for a patent in China to enjoy protection there.

Priority: Where an applicant files an application for a patent in China within 12 months of the date of first filing for patent protection for the same subject matter in a foreign country, then he may, on the basis of the principle of national treatment of the right of priority under the *Paris Convention for the Protection of Industrial Property* 1883 (Paris Convention), enjoy a right of priority in relation to the Chinese patent application which dates back to the original foreign filing date. This approach is consistent with UK, European and US patent law. Further, in most countries, if a PCT application that claims a priority right is filed, the applicant has an additional 30 to 32 months from the priority date to decide with which foreign offices to pursue patent rights and still enjoy the priority date. This gives time for the rights holder to evaluate the chances of being granted a patent in remote territories

Applying for a Patent: Under the Chinese *Patent Law*, any foreign individual or enterprise without an office in China and wishing to apply in China for a patent must use an authorised Chinese patent agent to file the application on his behalf. This is in contrast to the position in the UK, where many inventors file patent applications on their own without using patent agents. Patents are filed at SIPO in Beijing. The provincial and other local offices of SIPO are responsible for the administrative enforcement of patents. The fees for patent filing are set out in Appendix F.

Term of Protection: The term of protection for an invention patent is 20 years from the original filing date; for utility and design patents it is 10 years from the original filing date. However, the right to take action on a patent commences from the date that the grant is officially published in SIPO's journal. After the publication of an application for an invention patent, the applicant may require any entity or individual exploiting the invention to pay a fee. With respect to utility model and design patents, the publication and grant date are the same. Therefore, when the subject of the utility and design patent is published, the patent holder has an immediate right to take action on the patent.

There is no substantial examination for design patents in China, so rights holders should be aware of the risk that a design patent will later be invalidated for lack of novelty where registration is sought in China for technology already registered elsewhere outside China.

Infringement: Section 11 of China's *Patent Law* sets out what constitutes infringement. No person may, without the authorisation of the patent owner and for production or business purposes, make, use, sell, offer to sell, or import the patented product, use the patented process, or use, sell, offer to sell, or import any product directly obtained from the patented process. This definition of what constitutes infringement is consistent with the UK/European approach.

Reversal of Burden of Proof for Process Patents: As is the case in the UK, it is for the patent owner to prove that the alleged infringer has infringed his patent. However, Article 57 of China's *Patent Law* contains an interesting provision in relation to patented processes for making new products. This provision reverses the burden of proof for a manufacturer of an identical product. It is for the maker of the identical product in this case to show that his manufacturing process falls outside the claims of the process patent.

Ownership: As in the UK, it is the inventor (subject to other arrangements, as discussed below) who is primarily entitled to apply for a patent.

Employer/Employee Inventions: As between an employer and an employee, again as in the UK, where the invention was made by “a person in execution of the tasks” of his employment or “mainly using the material and technical means” of the employer, the employer (rather than the employee) has the right to apply for the patent and will be the patentee.

1 year Claw-back: Article 6 of the *Patent Law* (read in conjunction with Rule 11 of the *Regulations for the Implementation of the Patent Law*) provides that if a former employee of an organisation makes an invention within one year after the date of his resignation, retirement or change of employment, and that invention relates to his employment duties with his former employer or any other task entrusted to him by his former employer, or was made mainly with the former employer’s money, equipment, spare parts, raw materials or technical means/materials that are not publicly available, his former employer has a right to claim ownership of any patent issued in respect of the invention. This might include inventions begun during the employee’s employment with the former employer but not completed until after termination of his employment.

Agreements in Respect of Patents: As in the UK, the ownership principles set out in China’s *Patent Law* can be superseded by agreement between the relevant parties.

Assignment: Article 10 of China’s *Patent Law* provides that the right to apply for a patent, and the issued patent itself, may be assigned to a third party. However, SIPO must approve any assignment of patent rights by a Chinese individual or entity to a foreigner. Such assignment must also comply with related regulation on technology transfer.

2.2 Registered Trade Marks

Legislation: In China, a trade mark can be protected by registration under the Trade Mark Law of 1982, as revised in 1993 and in 2001. Trade Names are technically distinct and covered under separate legislation.

Scope: China’s Trade Mark Law extends trade mark registration to words, designs, letters, numerals, three-dimensional symbols, colours and colour combinations which are distinctive and not identical or similar to an existing trade mark registration. Certain signs are prohibited in the Trade Mark Law from being used or registered as trade marks, including state names, national flags and emblems, military flags or decorations, names of locations of central state organs, and names or designs of architectural landmarks, among others. A trade mark registration lasts for an initial period of 10 years and is renewable indefinitely for further 10 year periods. Registering a trade mark enables the trade mark owner to prevent others from making unauthorised use of trade marks that are identical with, or similar to, theirs, on identical or similar goods or services.

Madrid System: China joined the Madrid Agreement concerning the International Registration of Marks and the Madrid Protocol (collectively the Madrid System) in 1989. This multi-national system of trade mark registration run by the World Intellectual Property Organization (WIPO) allows an owner of a trade mark in a member country, such as the UK, to apply for trade mark rights in Madrid member countries with a single application. However, acceptance of the mark in each member state that the applicant has designated is not automatic. Each designated country examines the mark under its own trade mark laws. If a country does not object to the application within the set time limits (this is normally 1 year from the date on which the International Bureau notifies the designation to the National Office of the designated country unless the legislation of the designated country provides for a shorter period. The designated country may declare an extension of the time limit to 18 months), the mark will be registered in that country.

First-to-Register: In common with the UK, China operates a 'first-to-register' system. This means that the law protects the person who first registers a trade mark, not the person who first uses it. This system is subject to abuse, particularly in relation to famous foreign brands and foreign brand owners who neglect to register Chinese versions of their trade marks. While the Chinese Trade Mark Office (CTMO) has in the past cancelled such fraudulent trade mark registrations on the grounds that the foreign brand is well-known and the Chinese registrant has registered the trade mark in bad faith, the duration of such cancellation proceedings are lengthy (currently, at least four years).

Applications: As with patent filing, foreign individuals and entities must instruct a Chinese Trade Mark Agent to apply for trade mark registration on their behalf. Applications are made to the CTMO in Beijing and may take at least three years to proceed to registration. During these three years the applicant may not be able to stop others from using the mark. However, if the mark is well-known, the trade mark owner may consider an action based on unfair competition, see section 2.3 for further details.

Oppositions and Appeals: In parallel with the European position, following preliminary approval by the CTMO of an application to register a trade mark, the application is advertised in the *China Trade Marks Gazette* and is open for three months to opposition by interested parties. Applicants can file a response to any opposition and the CTMO will decide the outcome. Applicants and opponents are permitted to appeal to the Trademarks Review and Adjudication Board (TRAB) within 15 days of a decision. Where the applicant is dissatisfied with the TRAB decision, it may seek judicial review by filing an administrative appeal to the People's Court within 30 days of receiving written notification of the TRAB decision.

If you discover that your trade mark is already registered in China, you may challenge a trade mark decision in accordance with Articles 41 through 43 of the Trade Mark Law, which set forth the circumstances under which an interested party may seek administrative review of other decisions made by the CTMO. In general, a request for cancellation of a registered mark must be made within five years from the date of the registration, but where a well-known mark is registered in bad faith, the genuine owner is not restricted by the five-year limitation.

Where the owner of a mark outside of China that is not classified as 'well-known' in China discovers that the mark is already registered in China after the five-year limitation, the owner may still be able to seek cancellation of the trade mark based on grounds of non-use. This may often be the case where trade marks are registered for the purposes of selling the mark itself, rather than for actual use. In addition, the owner may consider the possibility of registering the trade mark since trade marks are registered in respect of the goods and/or services used. Therefore, if the registration in China is for different goods or services the foreign trade mark owner may still be able to register its mark in China.

Revocation for Non-use: A trade mark registration may be revoked if it has not been used in China by the trade mark owner for more than three consecutive years.

Assignment of Registered Trade marks: A registered trade mark may be assigned to a third party, although the assignment must be approved by the CTMO, and the assignee must guarantee the quality of the goods on which the assigned trade mark is used. However, it typically takes six to eight months (based on the current caseload of the CTMO) to obtain this sort of approval.

Licensing of Registered Trade marks: A registered trade mark may be licensed to a third party, but the trade mark owner must continue to monitor, and the assignee must guarantee, the quality of the goods on which the licensed trade mark is used. A copy of the trade mark licence should be recorded with the CTMO before payment of royalties to an overseas licensor. This process would typically take six to eight months (based on the current caseload of the CTMO).

2.3 Unregistered Trade Marks

It is possible to protect an unregistered trade mark in China under China's *Anti – Unfair Competition Law* (which is effectively equivalent to the classic common law tort of 'passing off' under UK law), and under the *Trade Mark Law* if the trade mark has acquired well-known status or reputation. However, this is a particularly complex legal area.

Unfair Competition: To establish a case of unfair competition, the brand owner must first prove that:

- (1) His goods are well-known in China;
- (2) The name, packaging or decoration of the good is unique to him;
- (3) The use by another person of the allegedly infringing name, packaging or decoration is likely to cause confusion as to the origin of the allegedly infringing goods (e.g. that they emanate from the well-known brand owner).

'Decoration' includes the decoration of a place of business, the design of appliances and/or staff uniforms constituting a unique business style. 'Use' includes any commercial use in the Chinese domestic market.

'Well-known' trade mark infringement: Protection is also available to registered and unregistered trade marks that are 'well-known' in China, although application for 'well-known' status must be made in the course of a dispute (opposition, invalidation or infringement proceedings through the CTMO or the courts). Many foreign 'well-known' brands have already recognised, including Prudential, De Beers, Jaguar, Gillette, Du Pont, McDonald's and Cartier.

2.4 Copyright

Legislation: China's copyright law is set out in the *Copyright Law 1990* (as amended in October 2001).

Scope: Copyright protects original works (works created by the author independently and not copied from other works) including:

- (1) Literary works;
- (2) Oral works;
- (3) Musical, dramatic, quyi (traditional Chinese musical art), dance, and choreographic works;
- (4) Works of fine art and architectural works;
- (5) Photographic works;
- (6) Cinematographic works and works expressed by a process analogous to cinematography;
- (7) Drawings of engineering designs, product designs maps, sketches and other graphic works and model works;
- (8) Computer software;
- (9) Other works as provided for in laws and administrative regulations.

Copyright does not protect the following:

- (1) Laws and regulations; official documents (such as government circulars or judicial decisions) and their official translations;
- (2) News reports (not commentary) relating to current affairs;
- (3) Calendars; general numerical tables; and general forms and formulas.

Ownership: Under Chinese law, as under UK law, the author of a work (generally, the individual or corporation responsible for creating the work) will be the first owner of the copyright in the work. However, in contrast to the UK position (where the employer is the first copyright owner of the copyright in a work created by an employee in the course of his employment), Article 16 of China's *Copyright Law* provides that, when a work is made by an employee in the course of his employment, copyright vests with the employee and not the employer. The employer instead has a priority right to exploit the work, and the employee may not within two years of completion of the work authorise a third party to exploit the work in the same manner as his employer. The ownership can, however, be agreed between the employer and the employee by contract.

Registration: As in UK and European legislation, and unlike patents and trade marks, copyright in China is an 'unregistered right' which arises automatically after an original work is created. Registration is not required for the work to be protected. Since China is a member of the Berne Convention for the Protection of Literary and Artistic Works, works of foreign individuals and entities of member countries are also protected. China does, however, operate a voluntary registration system for copyright works. Registration with the Copyright Administration's Copyright Protection Centre is recommended because, when a copyright dispute arises, it can help the copyright owner prove both subsistence and ownership. A copyright registration certificate is also invariably required if the copyright owner wishes to take administrative action through the local Copyright Administration against infringement. Some copyright owners do not record copyright in cases where the subject matter of the work is of a confidential nature.

Software Registration: Protection of computer software is specifically covered by the Regulations on the Protection of Computer Software. Software registration is processed by the Copyright Administration's Computer Software Protection Centre in Beijing. The process takes approximately 40 to 60 days after submission of the application. Copyright registration for software is not mandatory in China in order for copyright to subsist. The advantage of software registration is that in the event that the rights holder needs to enforce its copyright in China, it may be easier to convince the authorities to take action. In addition, in the event of litigation, the court will look at the registration certificate as prima facie evidence of the creation date and ownership of the work. However, one of the disadvantages (or dangers even) of copyright registration is that the confidentiality of the work will not be preserved. In general, software registration requires submission of the first continuous 30 pages and last continuous 30 pages (or the entire code if it consists of less than 60 pages in total) of the computer software's source code, as well as the first continuous 30 pages and last continuous 30 pages (or the whole manual if it consists of less than 60 pages in total) of the computer software's user manual.

Duration: Works of individuals are protected for the life of the author and then until the end of the 50th year after the author's death. Works of corporations, as well as photographic, cinematographic works and works created by a process analogous to cinematography, are protected for 50 years after the year of first publication. Typographical arrangements/designs of books or periodicals are protected until the end of the 10th year after they are first published.

Rights of Copyright Owners: A copyright owner enjoys proprietary rights during the term of copyright protection including the exclusive right to reproduction, distribution, leasing, exhibition, performance, broadcasting, and dissemination over the Internet, adaptation, annotation, compilation, and translation, of the work. A copyright owner also enjoys certain personal rights such as the right to be named as the author, the right to alter his work, and protection against distortion of the work by others, which are not restricted by time. It is, however, important to remember that copyright does not confer a monopoly right. It merely protects the particular expression of an idea. Infringement takes place only when an original work is copied, not if another person independently comes up with the same idea himself.

Exceptions: The *Copyright Law* lists 12 special circumstances in which a third party may use the copyright work of another person without a licence. These include:

- (1) For the purposes of private study, research or entertainment;
- (2) When quoting an appropriate part of the work for demonstrating a point in that work;
- (3) When quoting to report current affairs in newspapers, magazines, or on radio or television;
- (4) When translating or reproducing a small quantity of the work for use by teachers or scientific researchers for teaching or scientific research;
- (5) As part of a performance which is given free of charge;
- (6) When a copy, drawing, photograph or recording of an artistic work is placed or displayed in an outdoor public space;
- (7) Government authorities may use a copyright work in the performance of their official duties.

However, the above uses will only be allowed provided they do not affect the normal use of the work or unreasonably jeopardise the legitimate rights and interests of the copyright owner.

2.5 Domain Names

Registration: The China Internet Network Information Centre (CNNIC) administers the management and registration of the top level domain name, <.cn>. The first to file is entitled to the domain name, whether or not the applicant has any prior rights to the name.

Domain Name Disputes: In China, as elsewhere, the domain name registration system does not require the applicant for a domain name to show a legitimate prior interest in or rights to the name it applies for. However, a trade mark owner is able to challenge a domain name that is the same as, or similar to, its trade mark through the domain name dispute resolution procedure or through civil actions. Domain name disputes are not administered by CNNIC. Any dispute in relation to a <.cn> domain name is dealt with through the Domain Name Dispute Resolution Center (DNDRC) of the China International Economic and Trade Arbitration Commission's (CIETAC), while any dispute in relation to a <.com> domain name is dealt with by organisations accredited by the International Corporation for Assigned Names and Numbers (ICANN). Notably, the DNDRC will not take any dispute more than two years after the registration date of the domain name in dispute. Civil action through the People's Courts is available for disputes in respect of both <.cn> and <.com> domain names and even after the expiry of two years from the domain name's registration date.

The DNDRC procedure usually lasts around 60 days and generally comprises the following steps:

- (1) The DNDRC will review the complaint for administrative compliance and then forward it to the respondent;
- (2) The respondent has 20 days in which to lodge a response;
- (3) A Panellist (or Panellist Group) will be appointed by the DNDRC to make a decision on the complaint;
- (4) The Panellist will forward its decision to the DNDRC within 14 days of being appointed;
- (5) The decision will be delivered by the DNDRC to both parties within 3 days;
- (6) The decision will be implemented within 10 days of issuance of the decision.

In recent years, there have been instances where domain name register companies send bulk e-mails to many international companies notifying them that someone intends to register their marks as internet domains in China through their company and they would like to inform these companies of this before handling the registrations since the said domains appear to be the international companies' names or brands. Such emails may likely be a scam to attract trade mark owners to register through their company as many domain names as possible. Many companies simply ignore such e-mails and find that the said domains are still available for registration even several months after receipt of the e-mail. However, a company receiving such e-mails may want to investigate the source of the e-mail, conduct a domain name search to see if the name is already registered, and analyse its own business strategy to determine if registration in China is appropriate.

2.6 Layout Designs of Integrated Circuits

Legislation: China's *Regulations on the Protection of Layout Design of Integrated Circuits*, effective since October 2001, provide protection for the layout of integrated circuits (IC). The Regulations are similar in some respects to the UK's *Design Right (Semiconductor Topographies) Regulations 1989*, the most significant difference being that the UK right arises automatically whereas acquiring the Chinese right requires registration and payment of a fee to SIPO.

Scope: A 'layout design' of an IC is defined as the 3-dimensional disposition of an IC, consisting of two or more elements with at least one active element and some or all of the interconnections, or such a 3-dimensional disposition prepared for the manufacture of an integrated circuit. In certain respects, the Chinese right appears to be tighter in scope, requiring the inclusion of at least one 'active element' for protection to be afforded.

Registration: Application for protection must be made to SIPO through an authorised agent and the application form must include a copy of the drawing or layout. Where the integrated circuit is commercially available, a sample of the IC must be included.

Ownership: Provisions relating to ownership and assignment are similar to those applying to patents for inventions.

Duration: The duration of protection for the layout design of an IC is 10 years starting from the date of application for registration or from the date of putting it into commercial exploitation anywhere in the world: whichever is the earlier. However, a layout design, whether or not it is registered or put into commercial exploitation, is not protected after 15 years from completion of the layout design.

2.7 Commercial Secrets

As is the case in most countries, the protection of confidential information in a business context (i.e. commercial secrets, including formulas, business methods, recipes, technical specifications, inventions, marketing strategies, client lists, manufacturing techniques, etc) in China depends largely on the owner keeping the information confidential. Protection can last forever provided the proper safeguards have been established and are well maintained. Conversely, if the commercial secret is somehow leaked to the public, or members of a particular industry, then all protection is lost.

Legislation: There is some statutory protection in China for commercial secrets, including in:

- (1) The *Labour Law*;
- (2) The *Anti-Unfair Competition Law*;
- (3) The *Regulation Prohibiting Commercial Secret Infringement*;
- (4) The *Criminal Law*.

However, there may be significant differences between China and the UK as to what will be treated as a commercial secret. It may be wise to raise such issues clearly during negotiations.

Scope: The term 'commercial secrets' is defined in the *Anti-Unfair Competition Law* as technology or business information which is:

- (1) Not available to the public;
- (2) Beneficial to the owner of the commercial secret;

(3) Protected by some measures employed by its owner to keep it confidential.

Confidentiality and Non-compete Provisions: Employers often impose confidentiality and non-compete provisions on employees in order to protect their IPR and commercial secrets upon an employee's departure. Although the inclusion of such provisions was previously permitted, the new *Labour Contract Law*, which came into effect on 1 January 2008, contains certain provisions relating to confidentiality and non-compete obligations that foreign employers should be aware of. Although all existing contracts signed in accordance with the existing *Labour Law* of 1995 will remain in force, it is likely that any clauses that do not comply with mandatory rules under the *Labour Contract Law* will cease to have effect. It may be desirable to incorporate any non-compete clauses in a dedicated non-compete/IPR agreement separate from the main labour employment contract.

Under the new *Labour Contract Law*, non-compete clauses may be included subject to the following:

- (1) They may be included only in contracts with senior management, high-level technical personnel and other employees who are under a specific obligation of confidence;
- (2) Although the geographical restriction can be agreed, the term of the obligation must not exceed two years after termination of employment;
- (3) Employees are entitled to compensation for loss caused by compliance with non-compete obligations.

The *Labour Contract Law* does not provide guidance on compensation levels. However, past judicial practice suggests that any agreed compensation must be reasonable.

Unauthorised Disclosure: In addition to any contractual remedies an employer may have, the *Anti-Unfair Competition Law* prohibits businesses from engaging in any of the following acts:

- (1) Obtaining the commercial secrets of any rightful party by theft, inducement, duress, or other illegal means;
- (2) Disclosing, using or allowing others to use the commercial secrets of any rightful party obtained by illegal means;
- (3) Disclosing, using or allowing others to use commercial secrets in breach of an agreement or the confidentiality requirements imposed by any rightful party.

The provisions of China's *Commercial Secret Regulation* are closely similar to those contained in the *Anti-Unfair Competition Law*. Furthermore, the unauthorised disclosure of commercial secrets may be criminally punishable if the damage exceeds the criminal threshold set out in China's Criminal Law.

Third Party Liability: Third parties (e.g. employers) who obtain, use, or disclose business secrets that they knew, or should have known, have been infringed, will be deemed to have infringed the commercial secrets of the owner. However, there have not been many cases ruling on third party infringement to date.

2.8 Enforcement

In China, a major difference from UK practice lies in enforcement, with a greater variety of possible routes available depending on the nature of the IPR infringed and the method of infringement.

Administrative Enforcement: An IPR owner may file a complaint with various local enforcement authorities:

- The Administration for Industry and Commerce (AIC) in the case of retailers/distributors;
- The Quality Technology Supervision Bureau (TSB) in the case of factories or manufacturing sites for trade mark infringement and unfair competition cases;
- The local offices of the National Copyright Administration or the Ministry of Culture in cases of copyright infringement; and
- SIPO and its local offices in cases of patent infringement.

It is up to the enforcement authority to decide whether to accept the complaint. The level of cooperation offered varies greatly in practice between geographical regions and depends on a variety of factors, including the relationship between the rights holder and the local authority. The AIC and TSB offices tend to be the best resourced and to have the most experience in handling enforcement cases, whereas it is usually difficult to get the local Copyright Administration or Ministry of Culture to act unless the infringement is a very close copy of the original copyright work or they deem that the 'public interest' - a very vague and undefined term - is affected. SIPO enforcement cases are extremely rare.

Once the enforcement authority accepts the complaint, it is empowered to visit the suspected infringers' premises and order the cessation of the infringing activity, question concerned parties, inspect and seal or remove suspected infringing goods and copy documents related to the infringing acts. If on further investigation infringement is proven, the enforcement authority may supervise and arrange destruction of all infringing products, tools and moulds for production of the goods, and/or may impose a fine. A potential disadvantage of this form of enforcement is that there is no compensation directly to the rights holder and the rights holder generally has little or no say on the conduct of the proceedings after the complaint is accepted.

Civil Litigation: The IPR owner can file a civil claim against an infringer in the People's Courts. The People's Courts have the power to order the infringer to cease the infringing act, publish an apology and pay damages.

Criminal Prosecution: Where the damage caused meets the criminal threshold, it is possible to seek relief through the Public Security Bureau (PSB), China's Police Authority. If the PSB's investigation reveals criminal culpability, it will pass the case on to the Public Prosecutor's office for review, and the Public Prosecutor may either conduct further inquiries or decide to indict based on the PSB recommendation. Additionally, once an IPR owner has filed a civil claim against an infringer in the People's Courts, the case can be transferred for criminal prosecution if enough evidence is found against the infringer. Details of criminal thresholds are given in section 5.5

Border Control: China's *Customs IPR Protection Regulations* prohibit the import and export of IPR infringing goods and the Chinese Customs authorities have the power to detain and investigate goods suspected of infringing copyright. If Customs determines that the goods infringe a person's IPR, they may destroy them, and may issue a fine where the importer/exporter "*knew or ought to have known*" that the goods were infringing. IPR owners can lodge a complaint to Customs upon becoming aware of an intended shipment into or out of China of goods infringing their IPR, or they can also record their IPR with the General Administration of Customs, after which the local Customs authorities around China should in theory of their own initiative monitor and notify the copyright owner when a suspected infringing shipment has been uncovered. In practice, however, this is not always the case as the Customs authorities may claim they do not have the skills to determine whether or not there is infringement in any particular case.

Copyright Infringement over the Internet: China's *Regulation on the Protection of the Right to Network Dissemination of Information* explicitly provides that the unauthorised uploading, storing, connecting and searching of copyright works by Internet Content Providers (ICPs) is a violation of the *Copyright Law*. They further provide that Internet Service Providers (ISPs) must, upon notification which must be made in the form prescribed by the copyright owner of infringing activity, locate the infringing ICP, remove or block access to unauthorised content, create a record of the relevant web page, domain name and the ICP owner's contact information. If the ICP wishes to defend the claim of the copyright owner, it may issue a formal response, after which, the ISP must restore access to the content while the Copyright Administration attempts to resolve the dispute. ISPs who ignore written notices from copyright owners of infringing activity will be fined. The Copyright Administration is authorised to follow up with ISPs with the co-operation of the Ministry of Information Industry, which has the power to shut down an infringing website.

3. Strategic Considerations

3.1 Defining the Potential Problems

Virtually all businesses – Chinese and foreign, large and small – and all types of products from food, cosmetics, industrial parts and fittings, high-tech to every-day products – are at risk from piracy, passing off, industrial espionage or some other form of IPR risk in China today. At the same time, legitimate businesses feel the need to compete in the China market and many thrive there.

IPR problems have grown and in this section we will examine China's positive response to the need for enforcement. China has become a major player in the global economy over the last two decades. China's Trade Mark Office (CTMO) is now the world's busiest with 700,000 applications and 260,000 approved marks in the year 2006, and a total of over 2.8 million trademarks on the Register. China has also seen the rise of Chinese companies that are hungry to acquire IP and assert their rights against each other and foreign multi-nationals.

The Chinese market today is booming - brands, technologies, marketing approaches - and unfortunately an equally creative variety of forms of abuse are also flourishing. Outright copying of trademarked goods, packaging, logos and designs - what is usually meant by 'piracy' or 'counterfeiting' - is the most obvious example. A uniquely Chinese variant on trademark piracy is the use of a product name that sounds like a trademark, but is written with different characters than those used in registering the trademark. The nature of the Chinese language and its many homophones (words with similar sounds) unfortunately makes this very easy. (For guidance on this issue, see Appendix E).

Strategically, China with its low cost manufacturing base has meant that beyond rampant copying, businesses in China must also be wary of 'leakage' of trade secrets. This is of particular concern where products might have little or no IPR attached and the only form of protection would be through confidentiality or trade secrets.

This is the most common form of IPR for most companies and the most commonly lost. All this occurs in an environment in which the strength, efficacy and willingness to help of the judicial and administrative authorities at many levels vary tremendously. Local protectionism is still prevalent and the population of a town or district may be entirely devoted to producing pirated goods and therefore local enforcement officials may be reluctant (to put it mildly) to intervene. China rates better than many other developing countries on the Transparency International scale of perceived corruption, but corruption can be found in many places and administrations, at all levels. Despite this risk, many businesses respond to this challenge by putting in place the necessary protection by way of IPR, contracts, attention to IPR matters by all sections of the business, and checks and balances within the supply chain.

Any corporation, whatever its size, has to take the risk of piracy into account and to decide whether it is worthwhile to exploit their IPR in China, where operating costs are low and the size of the market is huge. Although the business and private culture there encourage working relationships rather than relying solely on law, there is a growing solid core of professional judges, administrators, lawyers and others who fight these customs due to a sense of patriotism, professionalism and a clear view of a more flourishing economic and legal system if they succeed.

3.2 IPR Protection and Exploitation Issues

As in most other countries, most forms of IPR require registration in China. As stated in the previous section, copyright can be "recorded" on a voluntary basis, as it can be in the USA, but it may be difficult or impossible to sue for damages if IPR is not registered. Costs of registration for various forms of IPR protection in China are not materially different from those in other major jurisdictions. Most businesses, whether large corporations or SMEs, prioritise amongst their IPR-related products and services, registering the most valuable or those most widely sold and distributed in as many classes as appropriate. They may register others that are likely to increase in importance while choosing not to register soon-to-be-outdated products or others of lesser importance, since the process of registration takes on average two years.

Searching the relevant registers in China is important; to find out if someone else has already registered your marks or other IPR. This assessment should be made before putting your own goods and services on the China market. Equally, you should bear in mind that once a mark is registered in China, you must use it, hence the phrase "use it or lose it"!

Failing to register may make it very difficult, if not impossible, to seek effective administrative or judicial assistance at a later date should problems arise. This is invariably a case where a pennyworth of prevention is worth a pound of cure. In China, as in the West, there are trademark and patent agents who can help with the necessary investigations and registrations. These may be purely Chinese firms or affiliated to various Western law firms and practitioners. Contact details of relevant agencies can be found in the online CBBC China Business Directory at www.cbcc.org/directory/?dir=3.

3.3 Local Representation and Relationships

Never underestimate the value of meeting and getting to know Chinese trading partners, commercial counterparts and relevant authorities at local, provincial and national level. Personal relationships in China are extremely important, not only whilst planning an investment or transaction, but throughout the course of business life there; once in place those on the "ground" represent your eyes and ears.

If you are personally known by your partners then your routine contacts can help head trouble off before a drama becomes a crisis. For example, if you have maintained good relationships with the local authorities over the course of your business dealings – especially when things are going well - and they are aware of (for instance) the jobs created by your business, the technology it shares or its other benefits to the area, they may well move all the more speedily and effectively once problems occur. It is always worth exploring these avenues as they may save significant costs and time or even mean there is no need for formal administrative or judicial intervention.

3.4 Contractual Aspects

Whatever IPR strategy you choose will be more successful if you and your entire organisation treat your IPR from the very beginning as if it is indeed a very valuable asset. For example, keep access to what is secret limited to those who truly need to know. Make confidentiality clauses or agreements a routine part of your contractual negotiations and employment contracts; and then police them as things develop.

Consider too having both an English contract with a Chinese translation attached so there can be no room for misunderstanding. Remember to provide in your IPR clauses that any improvements made to your product during the manufacturing process belong to you. Under Chinese law, such improvements belong to the party that devised those improvements such as, for example, a Chinese licensee or joint venture company, in which case, a transfer of such rights back to the original foreign rights holder may prove necessary. IPR protection can also be built into your contracts by adopting strong contract terms.

You may wish to consider some combination of the following, depending on the nature of the IPR you need to protect: non-compete clauses and non-disclosure agreements (bearing in mind the provisions of local labour-related regulations); provisions in employment contracts covering proprietary information; and the use of indemnity clauses. You might consider requiring, for example, your counterpart to indemnify you against specified losses in the event of (particular types of) infringement; or you might want to ask them to bear the costs of pursuing administrative or judicial remedies against any future infringers. A robust contract may be seen as an unnecessary formality by Chinese management but it serves many purposes: not only the obvious legal aims, but also the goal of ensuring that your partners know that you treat matters seriously. A well-drafted contract is also an excellent business planning tool, as it allows all contract parties to be clear on how they expect their business relationship to work in practice.

Similarly, if you are involved in licensing or other transfer of technology, think carefully about how the use of the technology is to be measured and how royalty flow can be accurately tied to output. Whatever measure you choose, you must audit it – preferably on an unannounced basis as well as in whatever other fashion may be agreed upon – and be seen to take it seriously, rather than relying purely on statements from your licensee. Doing this requires a balance of tact and firmness, but it is a worthwhile balancing act if you are to protect your valuable property.

Whilst negotiating and drafting your contracts carefully, do not forget to take a creative look at your own IPR. If you are transferring know-how or technology, is there a way to supply it that produces tell-tale signs if illicit parts or products are used? Is there a physical or technical way in which customers or end-users can easily be made aware of the presence or absence of the genuine article? Remember too, that on termination of an agreement or business relationship to ensure all tooling is destroyed or return as well as any dies, technical materials, packaging or labelling to prevent any future infringement.

Finally, listen to your entire commercial chain, including suppliers, distributors, and your managers in China, the UK and elsewhere. Enquire of them, if you do not hear from them first, about whether they see counterfeits, passing off or other violations in their segment of the market. Build them into a 'virtual team', all of whom have an interest in spotting and driving out violators. It is important to remember that you will not be able to act on every tit-bit of market information, but you cannot afford to act without it.

3.5 The Risk Assessment Process

IPR is key to many businesses and detailed analysis should be undertaken of the risks involved in your potential China business. For example, in a contemplated acquisition, the stock value of a business may be based to a large degree on its brands. Without conducting an IPR risk assessment or due diligence process it may be impossible to identify the presence of trademark oppositions, the lack of brand registrations, the likelihood of upcoming and costly litigation, or the existence of production of potentially infringing goods. Similarly, the lack of patent protection may result in widespread copying and resulting dilution of the company's worth, while for works subject to copyright, virtually the entire value of a product may be lost if not protected.

The cost of undertaking such risk assessment can be considerable if you are a SME trying to tackle the largest potential market and manufacturing base in the world. In a nutshell the importance of conducting the appropriate research and finding the right business partner whether that is a manufacturer, supplier or distributor cannot be over emphasised. Once a partner has been found, SMEs need to remember that China operates on a first-to-file basis. Even if companies are simply manufacturing in China for export and do not have worldwide registrations for IPR, they should consider China a key jurisdiction in which to register their IPR. Added to this, in order to ensure another layer of protection for SMEs it is important that contracts should adequately encompass all the points mentioned above. Ultimately this may necessitate instructing experts in the field of Chinese IPR protection to provide such services. When weighed against the often obvious lower operating cost for SMEs in China such an investment is a small one. Securing IP rights at the time of entering the Chinese market is crucial and, accordingly, SMEs need to consider the acronym "RAP" which stands for Rights, Agreements and Partners.

IPR risk assessment should also be an essential step in considering any decision on market entry or business expansion: there is no point in launching a glamorous new brand or shiny widget into a new market unless you have taken steps to protect them against copying.

4. Avoiding IPR Problems

4.1 Partners

Don't forget to factor IP properly into your operational and strategic decisions in order to ensure they effectively protect your IPR in China. Whilst your partners can often be the key to success in China, they can also be the cause of many IPR headaches for you too. More than one company has found that the source of the counterfeiting of their products has been their partners, the people they trusted the most in China.

Clearly you shouldn't be suspending your business principles and instincts in China – however persuasive others may be that this is a market where 'special conditions' apply. If being scrupulous in checking out a prospective business partner makes sense elsewhere, it makes even more sense in China given the intellectual property risks to which you may be exposed. Contrary to popular belief, due diligence investigation (or at least, something approaching it) *can* be conducted in China. This sort of work is undertaken by Chinese and international firms which vary in size, as do their fees; you should feel free to ask for quotations, explanations and details of the services they offer. Only reputable and well-established firms should be used.

Do not neglect the more prosaic ways of assessing potential partners: visiting premises, meeting counterparts, seeking and following up references and making use of the usual channels of information about your industry. An informal reference from another company that has worked successfully with the organisation in question may also be reassuring. It may be worth approaching local diplomatic posts or the China-Britain Business Council's China offices for a view of the partner you are assessing. (See Appendix B for the addresses of these organisations).

Internal IP management concentrating on suppliers and partners is now becoming a key focus for many companies in China, indeed often more of a priority than direct enforcement on the ground - it is and should be the first port of call before working with a Chinese partner. Key issues to consider are registering and identifying IPR before the time of entry, identifying trade secrets as an important part of your IP and protecting the same, creating a central database of authorised suppliers and partners, carrying out due diligence to verify your partners and suppliers are not also counterfeiters, including effective IP clauses in your contracts (for example covering ownership and use of IP, termination and return of IP, who has access to your IP, ownership of rights with regards to IP created through joint-development, etc). Even if IPR infringement issues arise, effective ways of dealing with the problems, such as through mediation, settlement, arbitration etc should be planned for so that the problems can be resolved.

4.2 Registering and Identifying your IP

Before starting to work with your partners it is essential to identify what your IP is, and try to protect it as much as possible in China. Your IP does not only touch upon your trademarks, but also to your patents, utility models, designs, the copyright in your manuals, diagrams and training videos.

Trade secrets are also part of your IP and are often overlooked when entering into a partnership. China has a broad scope of what is defined as trade or commercial secret (as already discussed in section 2.7). Trade secrets basically last as long as you continue to keep the information confidential. They can include your marketing strategies, customer lists, contacts, any secret formula, method, or device that gives you an advantage over competitors. Effective agreements need to be put into place with your partners, employees and contractors identifying and protecting your trade secrets. PRC Law sets out criminal liability for the infringement of trade secrets leading to a serious loss.

4.3 Partnership Structures and IP Protection

Once you feel you have found the right commercial partners, follow through by thinking carefully about the structure of your relationship with them. Do not regard this stage of negotiations as planning for problems but rather as planning for success. Envisage the constructive relationship you need and adopt a structure that will support it. (See also the advice on contractual aspects in Section 3.4 above).

One question many potential investors face is which type of structure - joint venture ('JV') or wholly foreign-owned enterprise ('WFOE') - offers their intellectual property assets better protection. There is no easy answer. A JV with the right partner might provide a powerful ally who can prevent, or take timely action against, potential infringements; but many leaks or instances of piracy originate from JV partners. If piracy begins at the 'back door', then might the tighter control inherent in a WFOE be more attractive? But, equally, an independent operation might find itself without influential partners who could be valuable in other ways, especially during the set-up phase.

Best is to vet your partners carefully, develop sound relationships with commercial counterparts and relevant government organisations - and choose a structure that makes good sense from an overall business perspective.

4.4 The Partnership Contract relating to IPR

Drafting and signing an effective contract with your partner including strong IPR clauses is another one of your keys to success. When partners are in the 'honeymoon period' of their relationships contracts are often overlooked or glossed over. A clear and structured contract will make both parties understand their obligations and liabilities and help keep both parties on good terms when issues arise.

Setting out the IP clauses is also an important sign to your partner of the importance and protection of IP in your cooperation. Translation is essential and you should sit down with your partner to review all the key terms and clauses. All operational personnel involved in your IPR should be clear about what is allowed and prohibited in the contractual clauses, not just the top management.

You should seek the advice of a specialist when drafting IP clauses. They should include amongst others: definition of IPR and clarification of ownership (i.e. including tools, moulds, manuals, etc), regulations on ownership and use of IPR created during the partnership, rights of audit before and during the partnership (as well as after its winding down), regulations on sub-licensing and clarification with regards to the disposal of damaged goods/parts or overproduction. At the same time clauses on who deals with IPR infringements should be included as well as termination issues, such as return of any labels, sales records, tools, moulds, manuals, packaging, unused parts, or destroying the same under supervision. Cancellation/return/destruction of certain IPR documentation relating to the partnership should also be considered such as trademark licences. You should then act in accordance with the clauses you insist on including, obvious, but often not done.

Setting out clear dispute resolution procedures including a time limit is also an important aspect of any contract. Mediation is often accepted by Chinese parties and should include time limits and choice of mediators. Choice of laws for resolution should also be considered. PRC Courts are becoming more and more of an option for foreign rights owners as they become more experienced trying IP cases – PRC judges will often push for settlement of the dispute before making a ruling. Evidence collecting will often be the core aspect of any litigation.

4.5 Employees

Just as 'due diligence' checks can now be made in China, so too is the vetting of candidates for employment. Pay particular attention to the key personnel you hire and keep tabs on their activities throughout the course of business: more than one firm has discovered that managers or other highly responsible representatives have caused major commercial headaches and losses – including setting up 'shadow' operations in competition with their employers' business. Frequent staff turnover should also be investigated. If, for example, in a joint venture your partner business 'rotates' its staff through your operations implausibly often, consider whether it is using your JV as a training ground for its staff rather than contributing to a genuine joint going concern.

Establishing and implementing a clear corporate confidentiality policy relating to employees should also be an important consideration. You should publicly define what information is confidential and how your employees should use and disclose it. The consequence for improper use or disclosure should be spelt out clearly and announcements should be made that such use or disclosure can lead to the termination of employment. Termination should immediately occur should it ever happen. At the same time, non-disclosure agreements should be signed with employees who have access to confidential information. A corporate policy should also exist for any IP created by a person during his employment with you. Other aspects of a confidentiality policy should include regular training on the policy, verifying that every employee has read the section on the confidentiality part in their employee handbook, and signs a confirmation they have read, understood and will comply with it. Confidential information should be kept in restricted areas and in clearly marked areas/packaging/binders with clear warnings written on them. Employees should also have an approval process set up before they are able to disclose/copy/use any confidential information.

Exit interviews should also be carried out to make sure leaving employees are not taking confidential information. This is also a good time to remind employees that confidentiality not only extends whilst they are working with you but also after termination. Similarly letters should be sent to the employee's new employer putting them on immediate notice of the new employee's continued obligation not to disclose your trade secrets.

Although these steps may reduce but not eliminate the chance that an employee will leave taking trade secrets, it does help to establish that adequate measures had been taken to protect the trade secrets and that they were seen to be confidential, which will be useful for follow-up enforcement action.

4.6 Customers

Know-how may be leaked through your customers, who are likely to be less vigilant in protecting IPR they do not themselves own. One British company has had reason to suspect a Chinese company of illegally obtaining the source code of its software products through one of its customers, based in a third country.

You should gain the full support of your customers in protecting your IPR. To achieve this you will need, as a basic form of protection, a Non-Disclosure Agreement or NDA; more important still is to maintain communication with your past customers to ensure their continuing support and understanding – and to make sure they know you remain vigilant.

4.7 Intelligence Networks

Use your local sales team or representative office in China as well as external resources - such as specialist investigation firms - to spot possible infringements. Your local sales team and representative office should be seen as your 'eyes and ears' on-the-ground, as no one should know your products and markets better than they do. If IPR abuse is detected, it will be essential to collect evidence in support of possible administrative or legal action (see Section 5 – Halting Abuse and Obtaining Redress).

Agents and distributors, often the main channel to the customer and the market, can provide first-hand monitoring of infringements: after all, they have local knowledge in areas and cities you may never yourself visit as the supplier. Consider the use of incentive schemes to motivate such efforts. You might also provide IP protection training including ways to identify possible counterfeits or other infringement operations.

4.8 The Supply Chain

Many companies – whether they have invested in enterprises in China or make use of outsourcing arrangements – will need to take the plunge in providing local manufacturers with drawings against which to quote (although consideration should always be given to whether it is realistic to ask for a potential supplier to develop its own drawings rather than forwarding yours). Obtaining a number of competitive quotations implies that several potential suppliers are discarded during this process, which is an obvious vulnerability. Using known suppliers, vetting those you do not already know and involving companies involved in managed outsourcing (accessing sub-suppliers on your behalf) are all ways of diminishing this risk. Drawing up NDAs in the case of vulnerable IP and controlling the issuance and return of material is also essential.

There is a real and well-hewn path for authentic products or parts to find their way from subcontractors to counterfeiters. A related abuse is for a genuine product to be overproduced and the excess production re-packaged and sold under another or a similar brand name. You should have agreements with subcontractors about how to handle any overproduction, which should be recorded and notified. Ideally, unannounced audits of production facilities should be performed, as both a preventative and an investigative measure.

Audit is also an important part of working with suppliers. This can include several different factors, from review of IP portfolio to mapping of procedures/personnel involved in the IP to visits to the premises to audit the review, the processes and personnel. Certain firms will set up both regular overt and covert audits to ensure the supply chain is free from abuse. Audits can be done not only before and during cooperation but also at termination, when debriefing on the recovery of the IP should be carried out and a review of the continued confidentiality obligations/liability can be made. Extensive recovery programs should be implemented to ensure that suppliers do not continue to use your IPR once the cooperation is finished.

4.9 Involving Other Parties

Public education efforts have been under way for some years. The government has launched campaigns and has staged seminars across the country. Assisted by foreign organisations, including the European Union, these efforts are aimed at improving the knowledge and awareness of judges, lawyers, administrators, managers, and the public at large.

Companies can contribute to such education programmes. Doing so helps to establish a good rapport with officialdom and especially with the IP authorities. Such a relationship could pay dividends if you are faced with the problem of tackling violations. Such training can be done as part of a large lobbying group, or individual meetings with the relevant enforcement officials on a one-off or regular basis. Training of Customs and Administrative officials can be an effective way to increase the on the ground protection of your registered rights in China.

If you encounter IPR problems and achieve a successful outcome you might consider making the most of your experiences: publishing your story widely - particularly in relevant local industrial journals and publications - can have significant value as a deterrent to potential infringers. Presenting officials with 'thank you' banners is also customary in China for successful raid actions.

Other partners useful in IPR matters in China include the British Embassy in Beijing, which has dedicated personnel specialising on IP issues. Although not there to advise on PRC IP, they can be useful for lobbying or showing support in difficult cases.

Working with Chinese ISPs and B2B sites can also be a good way to target infringements on the Chinese Internet. Once you have registered your necessary documentation and PRC rights with them, sites such as ALIBABA, ECPLAZA, EBAY, and MADE-IN-CHINA, may be able to take down counterfeit goods once they are notified.

4.10 Designing IP Protection into Your Technology

The options available for designing protection into technology will depend on the nature of the product within which it is incorporated. Is it hardware? Is it software? What does it look like? How and where is it made and or assembled? The following examples from the IT hardware supply sector demonstrate manufacturing strategies aimed at designing protection into technology products.

Reservation of Key Components: IT hardware subcontract manufacturing in China is becoming a reality for an increasing number of companies - with all the rewards and risks this entails. Integrating a key component into a product and reserving the manufacture of this component (for example a GaAs-based semiconductors sub-component) under highly secure domestic process conditions has been part of suppliers' manufacturing policies for some time. At present few potential infringers will have access to the key GaAs semiconductor fabrication facilities or processes to produce a marketable copy of the product.

Trade Mark: Infringers frequently fail to distinguish between elements of the product that are necessary to its function, and the proprietary marks of the manufacturer. Finding that an infringer of a product design has also reproduced the manufacturer's trade mark (perhaps embossed on the product) may provide the vital evidence required to instigate infringement proceedings. Strategic use of trademarks can be particularly important where a product design has not been registered and where there are defensive arguments raising the possibility of design convergence.

Source Code Retention: Retaining source code in a secure location with restricted access remains one of the prime tools in protecting a supplier's investment in his software products.

Redundancy: Introducing redundancy into the code, or even encoding your brand name into the software product itself, can provide evidence of unauthorised copying where an infringer has taken steps to disguise the abuse. While this tactic will not prevent infringement, it may be useful for prosecution purposes by establishing the fact that infringement has taken place.

Case Study - Total Brand Security

Chinese Consumer Product//International Brand

Over 20 million products of this company's products are sold per year in the Chinese market and two main problems have become apparent namely;

- (1) The numbers of Counterfeits are increasing in the marketplace
- (2) Parallel traders are repackaging and reselling original products

It is important in protecting products against counterfeiting and the parallel trade to have multilevel layers of security associated with the product. One of the best ways to assure a high level of security is where possible to engage the consumer.

In this case because a large number of products are sold per year it was very important to have on the one side a high security solution but also one that is cost-effective.

After a thorough analysis of the marketplace, distribution channels and brand owner production setup it was decided to implement a two-layer strategy. One layer remains a high security covert feature while the other layer is totally open for the consumer to verify.

The covert feature entailed using high security printing inks as used in the Banknote industry and therefore nearly impossible to replicate. This security ink has in itself two layers of security where one layer is easier to see and known as the "Trojan Horse", but there is an additional higher layer of security. Marketplace designated investigators are trained to look for both of these layers in their constant monitoring of the marketplace.

Consumer verification is carried out using a high security random numbering system that can be verified either online on a dedicated website or through SMS (dedicated telephone number). The random numbers are impossible to replicate by counterfeiters and therefore impossible for mass replication. The system is optimised for mass serialisation, extremely robust and secure, and approved by the U.S. Department of Defence.

The main intention of the brand owner was to step up their brand security protection and force the counterfeiters away from their product and to concentrate on easier targets. The result is a nearly impossible system to replicate and so far no counterfeits have been observed in the marketplace.

Tackling brand security issues often turns out to be quite complicated to implement and therefore it is important to use an experienced company.

Note: This case study was supplied by Total Brand Security Ltd. Costs for these types of solutions depend on the number of security layers installed as well as number of products protected, and range from 0.1 US\$/1000 products to 1.6 US\$/1000 products for more complex cases.

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5. Halting Abuse and Obtaining Redress

5.1 Heading off Legal Action

More and more foreign companies are faced with the fact that their trade marks or other IPR (such as domain names) have already been registered intentionally by a Chinese entity in bad faith, in the hope of negotiating a lucrative transfer price. In the worst case, the Chinese entity may claim that the genuine product violates its formally-registered IPR - a simple way of making the foreign competitor's activities in China more difficult. Related opposition and cancellation proceedings are lengthy (sometimes taking five to eight years), costly and, sometimes, difficult to win. Therefore, before introducing branded goods or services to China (including contracting with an OEM in China) all relevant IPR should be formally protected and registered, including Chinese variants of the brand. Particular attention should be given to the unique sub-classification systems used for trade marks in China.

"Made in China" is now a familiar tag, meaning that nearly all the large foreign companies have licensed OEM operations in China. This can lead to a myriad of legal problems, including in the IPR arena: (i) the business partner hijacking the foreign company's IPR, either during the term of the licence or immediately upon its expiration; (ii) the sale and/or export of unauthorized OEM products through its own distribution channels to domestic or overseas markets. Besides choosing a reliable business partner, it is important to have appropriate licence agreements clearly setting out the legal consequences for such actions, including the parties' rights and responsibilities in case of termination. Such agreements can be made subject to foreign law but the parties may nevertheless need to consider certain mandatory requirements of Chinese law, for example, foreign exchange-related aspects when cross-border royalties are to be paid; and practical issues, such as the feasibility or difficulty in litigating or enforcing an agreement against a Chinese company in China using foreign law. Arbitration is a common dispute resolution option adopted in commercial agreements. Whilst arbitration awards obtained outside of China should be generally enforceable in China (China is a signatory to the New York Convention), many problems are nevertheless reported.

Warning notices sent to infringers asking them to stop their actions often do not lead to the intended result as many Chinese infringers will simply ignore the notices. An IPR owner should carefully consider whether such notices should be sent since they may allow the infringer to prepare for a possible raid action or gather evidence at a later date. In patent cases, such notices may also prompt infringers to initiate non-infringement proceedings at a court of their choice thus putting the patentee in a very disadvantageous position.

5.2 Responding to IPR Abuse – Relevant Authorities

A variety of entities are involved in fighting counterfeiting, including the courts (for all kinds of IPR infringements) and various governmental authorities. This dualism, with both courts and administrative authorities competent to fight infringements, is a characteristic of IPR protection in China. The administrative channel agencies are listed below (for full details see Appendix A).

State Intellectual Property Office (SIPO): patents

State Administration for Industry and Commerce (SAIC): trade marks, anti-unfair competition, anti-counterfeiting

National Copyright Administration (NCA): copyrights

State Food & Drug Administration (SFDA): pharmaceuticals

Ministry of Agriculture and State Administration of Forestry: plant varieties

Ministry of Commerce (MOFCOM): a useful source of IPR advice in its own right and for guidance on which other authorities to contact

Ministry of Information Industry (MII): layout designs of integrated circuits

General Administration of Customs (GAC): cross-border protection

Quality and Technical Supervision Bureau (QTSB): product quality and anti-counterfeiting

Public Security Bureau (PSB): criminal enforcement

Anti-Monopoly Enforcement Agency (AMEA): enforcement of Anti-Monopoly law (effective 1 August 2008), including prohibitions on using "intellectual property rights to exclude or restrict competition"

Administrative enforcement is usually handled by the respective local delegated authorities of the central organisations listed above - such as the local Administrations for Industry and Commerce, Copyright Administrations, etc.

Administrative Authorities: The burden of collecting evidence prior to a successful raid application is usually with the IPR owner. The authorities often lack the manpower to carry out investigations on their own initiative. If sufficient evidence is available and the authority cooperates, a raid action can be planned and carried out in days or sometimes within hours. As stated in Section 5.3 below, one of the key issues is the sufficient prior preparation of evidence (including carrying out relevant investigations of the target entities). The protection of IPR at trade fairs, such as the biannual Canton Fair, if possible will require prior coordination with the relevant authorities and the establishment of contacts. Such contacts, or 'guanxi', are often useful for raising official awareness and permitting speedy action once an infringing product is discovered during a trade fair. It may sometimes be necessary for evidence to be collected by, or in the presence of, a Chinese notary, which must also be arranged beforehand. Attempts to enforce at short notice at trade fairs are not likely to meet with success unless significant preparatory effort has been made.

There is a wide variety of enforcement authorities. Their function depends on the type of the IPR involved as well as on other factors. Sometimes this can be used to the advantage of the IPR owner: if one particular authority does not cooperate as desired (perhaps because of local protectionism) it may be possible to achieve the desired objectives by involving an alternative government agency. For example, trade mark infringement cases can usually be filed with either the SAIC or the QTSB (the latter on the basis that the infringing good which bears the counterfeit mark is of an inferior quality to the genuine product). Similarly, if one type of IPR infringement is difficult to prove - for example in a patent case - but obvious quality defects exist in the counterfeits, it may be possible to act based on product quality and consumer protection rules. If a software copyright case would be hard to bring, a trade mark action based on counterfeited packaging rather than on the copyrighted contents may be possible.

It is important to take note of the scope of power of the different authorities; some authorities have wider powers and some have less. For example, the AIC have the general power to seize or remove the infringing products from the infringer, whilst the IPO on the other hand, only have power to "stock take" the quantity of the infringing products but not to seize or remove them. None of the administrative authorities has powers to award damages to the IPR owner.

In practice, the success of an administrative action, commonly referred to as a "raid action" depends on many factors; some are within the control of the IPR owner and some are not. Prior to conducting a raid action, it is important to assess the situation (both the IPR ownership situation and the infringement situation) comprehensively, set clear goals, secure all necessary evidence and coordinate with the authorities appropriately. Ultimately, enforcement in China needs a creative approach and appropriate prior discussions with the available authorities to determine the best possible channel for enforcement action in each case.

Provided the criminal threshold is met (see section 5.5 for more details), the administrative authorities which initially conducted the administrative action can transfer a case to the PSB and thus, turn an administrative action into a criminal action. In practice, however, such handover of cases is not at all common.

Courts: There have been significant legislative reforms since China's accession to the WTO in 2001. China joined the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty at the end of 2006. The amended TRIPS (Agreement on Trade-Related Aspects of Intellectual Property Right) was also adopted and ratified in China, effective 28 October 2007.

The Supreme People's Court has also issued detailed opinions designating specialised IPR courts and their competencies, as well as new interpretations on IP-specific laws. For example, in February 2007, the Supreme People's Court issued a judicial interpretation regarding the *Anti-Unfair Competition Law*, giving much-needed guidance on several areas of the *UCL*, including "famous" products and trade secrets.

The courts are also gaining more power to enforce their judgments, with the 28 June 2007 adoption of the *First Amendment to the PRC Civil Procedure Law*. The Amendment mainly addresses how to strengthen enforcement of court rulings, including addressing low penalties for failure to comply with court orders, local protectionism, and fraudulent transfers of property, and short time limits to apply for enforcement.

It used to be the case that most IPR owners opted for the administrative enforcement channel since it was typically faster and cheaper. However, in recent years, court proceedings are becoming more and more common especially in technically complicated patent infringement cases, primarily due to the significant improvements to the IP laws and the court system, and the increase in quality of judges. Litigation is essential if compensation is to be sought from the infringer, rather than the fines in administrative proceedings, which revert to the state. The vast majority of IPR litigation in Chinese courts is brought by Chinese plaintiffs – whether against other Chinese infringers, or against foreign firms.

The courts are permitted to order interim injunctions and preservation measures against infringers (including evidence preservation and asset preservation), which can be obtained in the absence of the infringer. These interim measures, if used tactically, can be very useful leverage in litigation. For example, an asset preservation order which freezes an infringer's bank account will put immense financial pressure on an infringer which often ends up bringing the infringer to the negotiation table. The IPR owner which applies for these interim forms of relief will have to post a bond.

Depending on the nature of the case before the court and the complexity of the issues involved, judgments are usually made within 12-18 months after the case is formally accepted by the Court. Patent cases (particularly cases involving invention patents) tend to take longer.

5.3 Getting Evidence

Before any legal action is carried out in an IP infringement case, it is advisable to assess the chances of success of the individual case and compare them to the costs and other risks. A detailed investigation of the infringers, who are becoming more and more sophisticated in their approach, is generally a crucial step. The seller of the infringing products is often not the same as the actual manufacturer or the provider of logistics or storage. Only a concerted action against as many parts of the manufacturing and distribution chain as possible will lead to long-term success.

Manufacturing may sometimes intentionally be split up in smaller units - or even small facilities in individual households spread out over a larger area - to avoid detection and the triggering of criminal prosecution. Comprehensive investigations can be time-consuming, costly and also dangerous. Investigations may also be complicated should the foreign party decide to send warning notices to the infringers before investigating. Various private investigation firms and local agents offer relevant services, which are often coordinated by the lawyer or agent later handling the raid action.

The Chinese courts have a much higher evidence threshold than the administrative authorities. Notarization (the involvement of a public notary to certify valid existence) and legalization (the involvement of an overseas Chinese Embassy or Consulate to authenticate a document) of evidence obtained from outside of China are essential for civil and criminal actions, but generally not for administrative actions. Documents that are in languages other than Chinese need to be translated to Chinese, by court-approved translation companies. Powers of attorneys need to follow the same requirements. Administrative authorities tend to generally take a more relaxed approach on these technical requirements and are often willing to take action despite failure of full compliance of these requirements.

5.4 Choosing a Lawyer or Agent

In certain cases the involvement of a Chinese lawyer or qualified agent to handle a counterfeiting case for a foreign company is a legal requirement. Most foreign companies choose to involve a local lawyer or agent in any event. It may be helpful in some cases to use an international law firm to coordinate activities at various locations in China and act as a one-stop contact point for the foreign company. This not only helps to ease communication problems, especially if a Chinese lawyer or agent without adequate English is involved at a remote location, but more importantly, lawyers at international law firms may better understand the “real” commercial needs and goals of overseas companies better, and be in a better position to formulate a comprehensive and effective strategy.

On the other hand, there are an increasing number of Chinese law firms, particularly in the major cities, who may be able to accommodate overseas companies’ needs. Only meeting them for a frank discussion of your business, their fees and their services can show which course is right for you and ultimately the best value in your case.

Whether meeting a Chinese or international firm, find out whether your case will be handled by someone with the necessary experience and business acumen to meet your needs – if you meet a senior lawyer, is that the person who will actually handle your case? What steps do they recommend you take, or are they simply waiting for your specific instructions? What commitments will they make about the time and manner in which they will respond to your queries or to information you may provide?

5.5 Criminal Enforcement

Criminal prosecution has become an increasingly important tool in achieving a higher deterrent effect in actions against counterfeiters. However the current laws fail to specify clearly how the value of fakes seized (as well as sold) should be calculated in order to determine whether certain standards are satisfied. This is a significant disadvantage given the fact that counterfeiters – for obvious reasons - almost always fail to maintain accurate written records of their transactions.

On 5 April 2007, the Supreme People's Court and the Supreme People's Procuratorate jointly issued a new Interpretation regarding the handling of criminal IP cases. This Interpretation lowered the threshold of criminal liability for copyright piracy -- from possession of 1000 copies to 500 copies for "other serious consequences", and from possession of 5000 copies to 2500 copies for "particularly serious consequences". Nevertheless, the US has initiated a WTO case against China challenging the legal thresholds for launching criminal prosecutions, which the US considers still offer a "safe harbour" for pirates and counterfeiters. Amongst other claims, the US alleged that China seems to lack an effective criminal deterrent to commercial-scale piracy and counterfeiting, contrary to Articles 41 and 61 of the TRIPS Agreement. It remains to be seen how this case will be resolved.

Case Study - A Lesson to Learn

A US gasoline and lubricants brand registered its English trade mark, its Chinese trade mark, and its logo in China in Class 4 for fuels and lubricants. Unbeknownst to the US company, in 1999 a Chinese spark plug manufacturer had obtained one registration for a combination of the English and Chinese trade marks in China in Class 7 for spark plugs.

The Chinese party then undertook the following actions over the next six or seven years:

1. Filed over 15 additional trade mark applications for different variations and combinations of the US company's trade marks, in different classes;
2. Filed at least five domain names, involving different variations and combinations of the US company's trade marks, in English and in Chinese;
3. Manufactured and sold large amounts of spark plugs bearing the US company's trade marks; and
4. Established at least three companies which incorporated the US company's trade marks in the company name, in English and Chinese.

The US company's initial strategy consisted of three prongs:

1. Apply to the Trade Mark Review and Adjudication Board to cancel the Chinese spark plug manufacturer's existing registration for a combination trade mark in Class 7 for spark plugs;
2. Oppose each and every one of the Chinese party's trade mark applications before the Trade Mark Office; and
3. Initiate domain name arbitrations for recovery of the infringing domain names from the Chinese party.

However, the drawbacks of this initial strategy soon became obvious. The administrative actions taken by the US company did not prevent the Chinese party from filing additional applications for trade marks or domain names. Nor did the administrative actions stop the Chinese party from manufacturing and selling branded spark plugs. Finally, the administrative actions did not require the Chinese party to change his infringing company names.

Accordingly, after obtaining a ruling from the Trade Mark Office that its English trade mark, Chinese trade mark, and logo were well-known trade marks in China, the US company proceeded to sue the Chinese party in a Chinese court. To increase pressure, the US company also sued the Chinese party in the US, after the Chinese party attended a trade show in Nevada.

After presenting strong evidence to the Chinese court that its trade marks were well-known trade marks in China -- both today and at the time the Chinese party registered the combination trade mark in 1999 -- the US company reached a very favourable settlement with the Chinese party, including the following components:

1. A cash payment by the Chinese party to the US company;
2. A written apology for past infringement;
3. An undertaking to:
 - a. Stop all infringing actions;

- b. No longer attempt to register similar trade marks or domain names;
 - c. Recall and destroy all infringing products and marketing materials;
 - d. Assign all infringing trade mark applications and domain names to the US company.
 - e. Change all infringing company names.
4. Significant liquidated damages in the event that the Chinese party breaches any of the undertakings; and
5. Joint and several liability for the Chinese individual, together with all relevant companies he established.

The Chinese party has since stood by its undertakings. However, in addition to the US gasoline company's trade marks, they seem to have hijacked and used a number of other companies' trade marks. The same Chinese company is currently facing a similar case from a separate US company, and another Italian company is also considering action.

This case is a good case study of what can happen when a company fails to preemptively register its rights across all possible related goods and services in China. It is also a good example of how a company sometimes needs to take actions in numerous fields -- administrative enforcement, civil litigation, and internationally -- in order to obtain long-lasting and permanent relief in China.

Case Study - Danfoss

With full attention towards the counterfeiting of the company's products, Danfoss A/S worldwide has changed from being a relatively closed company – which is the case for many companies – to being very open with regard to its strategy concerning the battle against pirates violating the rights of the company. We do not hesitate to admit that there is a problem; we approach the issue in a proactive manner; we actively search websites on the internet; we use external partners and we cooperate with other companies – even our keenest competitors – to find a successful solution to the problem.

As a result of this proactive approach, in 2004 we succeeded in identifying a Chinese company, which had, since 2003, manufactured and marketed counterfeit Danfoss products via the internet under the name of Zibo Danfosi Control Instruments Co., Ltd. The company utilised the Chinese way of writing "Danfoss", which Danfoss A/S has registered as a trademark in China for use when manufacturing, marketing and selling a wide range of industrial products. This timely registration of the "Danfoss" trademark turned out to be essential in this case. Danfoss A/S then monitored the company for a long period of time, and it turned out that the products sold by the violating company included copies of existing Danfoss products, look-a-like products and products which are no longer in the Danfoss portfolio. Nevertheless, the website claimed that these products were genuine Danfoss products.

Further investigations showed that both the products and the packing were provided with the Danfoss name and the Danfoss logo. The counterfeit products were of a very varying quality, whereas Danfoss products are very carefully tested before being released to the markets. This testing process, which can last for years, is currently updated, so that Danfoss products are at all times adapted to the market, the customer needs and the existing security and safety demands, and not least it is ensured that with their uniformity the Danfoss products do always meet environmental demands. It is extremely important for a company like Danfoss to live up to the product responsibility that can rightly be expected by the customers.

Danfoss considered this particular violation on the internet and the production of articles under the illegally used name to be so damaging to the Danfoss name and reputation and thus extremely damaging to the Danfoss brand value that – after thorough investigation – we prepared a civil law suit against Zibo Danfosi. This case was tried in the court in Beijing, which upheld the Danfoss A/S claim concerning the serious violation. However, the infringing company did not agree to this, and appealed the case to the Beijing Second Intermediate Peoples Court. This hearing – which was not even attended by the owner of the infringing company – ended with a dismissal of the appeal and once again stated that Zibo Danfosi was obliged to take the following measures:

- Immediate cessation of the violations
- Shut down the website
- Insert an apology in the Legal Daily
- Pay damages to Danfoss amounting to 150,000 RMB (about £10,000)
- Pay the costs of the trial amounting to 20,000 RMB (about £1,300)

These damages were based on a clause on statutory damages in the TM law (with a RMB 500,000 max) which can be used by the courts, so that it is not necessary to establish any evidence of actual loss or gain. Thus Zibo Danfosi was not required to provide a turnover report, so the actual figure Danfoss lost is still unclear.

Finally, Zibo Danfosi appealed the case once again, this time to the Beijing Higher People's Court. The court established that Zibo Danfosi did not have the necessary argumentation or legal documentation for their claims that they did not violate the Danfoss brand and that they did not infringe Danfoss products. The appeal was dismissed once again and Danfoss's position was upheld. This in itself gave us a positive impression of the legal system in China.

Now, the only thing left was to enforce the Beijing Higher People's Court ruling against Zibo Danfosi, which should basically be a simple matter. However, apparently the company had been closed, and the assets had disappeared, as we established that all bank accounts had been emptied. In addition the legally responsible persons had moved to unknown addresses, and all these circumstances made the enforcement difficult.

However, it was possible to insert the apology in the Legal Daily on behalf of a third party, and with the intervention of the WIPO (World Intellectual Property Organisation) Danfoss A/S managed to make the internet provider shut down the violating web address.

In spite of the satisfactory judgment, Zibo Danfosi has still not paid the costs of the trial or damages for the infringements done to Danfoss A/S.

The present standing of the case is that it is still not settled, but for reasons of principle Danfoss A/S will not let it go. In accordance with its anti counterfeit strategy, Danfoss A/S will make sure that the violator is forced to meet the claims of the judgement, although they in no way compensate for the losses that Danfoss A/S has suffered.

Our approach to any future cases will be the same as it was in this case: the Danfoss A/S strategy is clear: We consider counterfeiting to be robbery and no one accepts being robbed – in person or in business!

Case Study - Textile Design Infringement

This case study concerns a UK textile manufacturer that has a considerable reputation in Europe for producing new and attractive designs that are applied to high quality textiles.

The UK manufacturer had not concerned itself with Asian markets until it was invited to attend an International Textile Trade Fair in China. Whilst walking round the fair, its representative came across a stand set up by a Chinese based company displaying an array of textiles, about 80% of which included designs that were identical to those that it had created and sold throughout Europe. On closer inspection, although the designs applied to the textiles on the stand were identical to its own designs, the textiles themselves were of particularly poor quality.

The UK textile manufacturer was concerned that the sale of such poor quality products in the Asian market could adversely reflect on any product launch of its high quality products in Asia. Of more immediate concern, however, was that European textile buyers were attending the fair and might choose to import the poor quality textiles into Europe, thereby affecting the major market for its product. It was therefore important that the stand be removed as soon as possible from the fair.

The representative of the UK textile manufacturer located the organiser of the trade fair and explained the position, pointing out that the designs applied to the Chinese textiles were so similar to its own designs that the similarity was unlikely to be derived from anything other than direct copying. The organiser of the fair was initially reluctant to take any action, and pointed out that without any *prima facie* evidence the organiser could do nothing. The quick-witted UK representative used his hand held computer to access the UK textile manufacturer's website, which included a clear representation of its range of products and showed that they were identical to those displayed by the Chinese company. On the basis of this evidence, the organiser closed down the Chinese company's stand and ejected the representatives of the company from the trade fair.

This was obviously a pleasing resolution to the immediate situation for the UK textile manufacturer.

However, the UK manufacturer could have strengthened their immediate and long-term position if they had registered their designs in China prior to the trade fair. Although they can investigate the possibility of possessing unregistered IP rights in China, and if such unregistered rights were to be found to exist, the UK textile manufacturer could only use these rights in China if they could show that the Chinese company had access to the UK manufacturer's designs and then copied directly from them. Without such access the Chinese company could allege that they arrived at the designs independently, and so any unregistered design rights/copyright could not prevent them continuing their activities in China. In order to assert registered design right infringement in China one does not have to assert copying, but merely show that the designs are the same or substantially similar. Another advantage of obtaining registered design rights is that the owner of such rights is awarded a registration certificate. Such registration certificates may be more persuasive than a company's website when asserting to a trade fair organiser that your intellectual property has been infringed.

Case Study - Trademark Infringement

Counterfeit operations are sophisticated, and companies must face the challenges of the globalised internet age, the administration and legal system and seizure value to effectively enforce IPR.

Today, counterfeit products are manufactured not just in China, but in many countries, and funding, technical expertise, access to raw materials as well as supply chain and product distribution management often come from outside of China, as do many of the bosses of these global counterfeiting operations. They hide in a variety of countries behind the mask of the Internet, and take advantage of global electronic market places and distribution networks that have become enabling technologies for counterfeiters as well as legitimate commerce. These global counterfeiting operations use modern manufacturing and sourcing techniques to assemble multiple components in a single location, obtained both legitimately and illegally from a variety of sources. Often this assembly (and the homes of the masterminds who oversee it) is actually outside of China. Indeed, it is important to understand that counterfeiting rings can source their goods or assemble them anywhere.

Counterfeiting is an organized crime. Counterfeiters are well trained and their activities are well organized. The supply chain of a counterfeiter is run by different parties today and it is more difficult for local authorities or investigators to execute an enforcement action in China.

Seizure value plays a crucial part of the legal proceedings (in both civil and criminal cases) as well as successful enforcement action in China. Many of the criminal proceedings cannot be taken forward in China because the seizure value is lower than RMB50,000 (USD6,760) which is the minimum illegal business volume for a criminal liability on an individual or on a company.

There is no clear definition of the "value" of different semi-finished or finished products in the market. The price/value of a product varies on existing market supply and demand of certain products.

In 2007, I-OnAsia executed a raid on behalf of an ear piece manufacturer in China. The value of most seized products was lower than RMB50,000 (USD6,760) so the counterfeiter did not bear any legal charge on manufacturing counterfeit products. (See Appendix F for references)

In 2005, I-OnAsia team and local authorities raided different warehouses which produced counterfeit components and parts in different locations in southern China. Most of the seized goods were semi-finished products and the total value of the seized goods reached approximately US\$650,000. However, due to the unknown value of most of the goods found in the raid, only US\$100,000 of the seizure value was counted as counterfeit products. Therefore, the legal liability and penalty was lower than the original seized amount. Even though this case brought a successful legal charge to the counterfeiters; it was in fact quite an unsatisfactory result for the brand owner, the local authorities and also our company, as the fine was not high enough to deter counterfeiting activity.

In 2005, I-OnAsia seized several warehouse-produced counterfeit semi-finished products. The counterfeiters are changing their strategies to manufacture the commodities in a supply chain. Therefore, our team did a more comprehensive investigation and raids on different sales points and warehouses instead of focusing on factories only. This was a successful raid since we understand the “seizure value” of the products is very important to our brand owner.

I-OnAsia is a commercial investigation firm based in Asia. Our headquarters are located in Hong Kong and we have 15 offices worldwide including 5 offices in China (Beijing, Shanghai, Guangzhou, Shenzhen and Macau). We have executed hundreds of different raids in China. From case experience, we have found that the best ways to protect IP include:

- Never give out your source files
- Never give out computer graphics files
- Never give out your paper design or graphic

I-OnAsia recommends in-depth and comprehensive investigation of sales points and warehouses in order to understand what the market value of each individual semi-finished or finished product is. We also recommend switching from administration charges to criminal charges, which we believe will help the brand owners to deter the counterfeiters. Last of all, we recommend a thorough investigation of the whole supply chain of the counterfeiters (instead of just shop-fronts) in order to shut counterfeiting rings.

Case Study - Landlord Liability Actions

Landlord liability is not a new concept under the PRC law, but it is noteworthy that the concept of landlord liability has developed considerably in the last few years.

Landlord's Joint Liability

According to Article 130 of the General Principles of the Civil Law, if more than two people jointly conduct infringing activities which cause damages to others, they should bear joint liabilities. In view of IPR protection, under the 1999 Regulation of Guangdong Province on Investigating and Penalizing Illegal Activities of Manufacturing and Selling Counterfeit or Inferior Commodities, providing services to others for manufacturing and selling counterfeits or inferior commodities may be penalized by governmental authorities.

Pursuant to such laws and regulations, if landlords knowingly provide premises, storage or other facilitation to IPR infringers for conducting infringing activities, they may be held bearing joint liabilities of infringement together with the IPR infringers.

Before the 5 luxury brands' action against Silk Street Market in 2005, Shenzhen Intermediate Court had already decided a case confirming landlord's joint liabilities with the infringer.

"BANDAI" is a registered trademark owned by Bandai Co. Ltd. ("Bandai"). In May 2003, Shenzhen Baoan Administration for Industry and Commerce ("AIC") raided the factory of K-mark Industrial Limited (Shenzhen) ("K-mark Shenzhen") for infringing on "BANDAI" trademark. A considerable amount of toy badge making machines bearing the "BANDAI" trademark assembled by Chen Yuanqiong (the factory director of K-mark Shenzhen) were found on the site. According to the investigation by AIC, and such counterfeit BANDAI machines were produced as entrusted by another company, Jun Yu Trade Co. Ltd. ("Jun Yu").

Later, as the owner of "BANDAI" trademark, Bandai (represented by Fangda Partners) brought a civil action against K-mark Shenzhen, Jun Yu and Chen Yuanqiong for trademark infringement with Shenzhen Intermediate People's Court ("Court"). During the litigation, K-mark alleged that the assembly of the fake printing machines was conducted by Chen Yuanqiong as a personal activity instead of a corporate activity.

However, besides confirming the infringement and liabilities of Jun Yu and Chen Yuanqiong, Shenzhen Intermediate Court also confirmed that K-mark Shenzhen directly facilitated Chen Yuanqiong's infringing production by providing her with rented premises, 25 employees and working uniforms and certificates for such employees. Therefore, even though K-mark Shenzhen had charged for the facilitating services, it was still attributable to damaging Bandai's rights and should bear the corresponding civil liabilities in this case.

The joint liability of landlords in IPR infringement cases was further illustrated in the 5 luxury brands' lawsuit against Silk Street Market in 2005. Beijing High Court upheld the previous ruling of Beijing No.2 Intermediate Court that Beijing Xiushui Street Garment Market Company Limited, the landlord of Silk Street Market, should bear joint liability with the individual vendors in the market for knowingly providing premises and facility to the vendors for selling the counterfeit goods.

Landlord's Independent Liability

Although the 5 luxury brands' lawsuit against Silk Street Market was regarded as a landmark case pursuing landlord's liability, in such cases the landlord was pursued for joint and several liabilities only.

There comes the question: can landlords be pursued for IPR infringement liability independently? Actually, the PRC laws and regulations have already given the clear answer to this question: According to Article 50 of the Regulation for the Implementation of the Trademark Law of the People's Republic of China, intentionally providing facilitation conditions such as storage, transportation, mail or concealment, etc. to trademark infringers shall constitute trademark infringement under the PRC Trademark Law. That means landlords can be held to bear trademark infringement liabilities independently if they knowingly provide assistance to trademark infringers.

This doctrine is firstly confirmed in the LV vs. Chaowaimen Case, where, Beijing Chaowaimen Shopping Mall Co., Ltd. ("Chaowaimen"), the landlord of the Chaowaimen Shopping Mall in Beijing was found providing premises to vendors for selling fake LV bags in April 2006.

About half a year prior to Chaowaimen's opening for business, a Beijing Market Ban Notice ("Beijing Market Ban Notice") was issued by Beijing AIC, prohibiting any sale of counterfeits bearing the "LV" brand within Beijing City. Although posting the Beijing Market Ban Notice in its market, Chaowaimen kept on knowingly providing its vendors premises and facility to sell goods counterfeiting LV's trademarks.

LV sent a C&D letter to Chaowaimen and conducted a notary purchase at Chaowaimen before and after sending the C&D letter. The lawsuit was brought by LV (represented by Fangda Partners) against Chaowaimen after LV found that counterfeit LV bags were still being sold in the Shopping Mall even after the C&D letter was sent.

The judgment of this case confirmed that Chaowaimen, as the landlord of the vendors operating in the Chaowaimen Shopping Mall, has the right and obligation to monitor the category and quality of the goods sold by the vendors. In particular, Chaowaimen should be obliged to take timely and effective measures to cease and eliminate the activities of selling counterfeit product in the market.

As confirmed by the Beijing No. 2 Intermediate People's Court, even after receiving LV's warning letter, the sale of counterfeit LV products was still rampant. The notarized purchase of counterfeit products for the second time showed that there were still lots of vendors selling counterfeit LV products in the Chaowaimen Shopping Mall. This showed that Chaowaimen's negligence in monitoring its vendors was rather serious, thus it should be deemed as providing facility to the vendors to sell counterfeit products. Such activities per se infringe on LV's registered trademark right.

The judgment was regarded as a full legal victory for LV in its pursuit of landlord liability. In this case, LV sued the landlord directly without dragging any of the vendors which had sold counterfeit LV products into the litigation. However, the Court still directly imposed liabilities against the landlord and ordered a reasonable amount of compensation. On top of this, Chaowaimen had to expel 9 vendors who had sold counterfeit LV products out of Chaowaimen.

The success of the Chaowaimen case was followed by The North Face Apparel Corp. (represented by Fangda Partners)'s lawsuit against the landlord of Silk Street Market in Beijing. As in the Chaowaimen case, The North Face Apparel Corp. also conducted notarization purchase of counterfeit clothes before and after sending the C&D letter to the landlord of Silk Street Market.

The judgment (currently under appeal by the landlord of Silk Street Market) also confirmed that, as required by the Beijing Market Ban Notice, the landlord of Silk Street Market should fulfil their responsibility of supervising and administrating the vendors in its market. As the landlord failed in checking the source of goods sold in its market and the relevant authorization documents from the brand owners, Beijing No. 2 Intermediate People's Court ruled that the landlord had provided facilitation to the sale of the fake THE NORTH FACE clothes.

Silk Street Market had been held for bearing joint and several liabilities for the vendors' selling of counterfeits in the five luxury brands vs. Silk Street Market Case in April of 2006. However, this case had succeeded in making another progress, i.e. as the landlord, Silk Street Market was held independently liable for its provision of convenience for tenant vendors' sale of fake The North Face jackets.

Landlord's Criminal Liability

There was no clear answer on whether landlords could be prosecuted for IPR infringement until the promulgation of the Interpretation of the Supreme People's Court and the Supreme People's Procuratorate Concerning Some Issues on the Specific Application of Law for Handling Criminal Cases of Infringement upon Intellectual Property Rights ("Interpretation") in 2004.

According to this Interpretation, whoever knowingly provides loans, funds, bank accounts, invoices, certificates, licenses, production and operation places, as well as facility and assistance in producing, storing and import-export agency services shall be deemed an accomplice in the crime of infringing on intellectual property. This Interpretation gives the legal ground for pursuing landlords' criminal liabilities in IPR infringement cases.

The landlord was pursued for criminal liability in the famous Huangpu Customs Case. The case started from a criminal action against Zhang Huai and other individuals who were found manufacturing, distributing and exporting refurbished "NOKIA", "PHILIPS" and "MOTOROLA" branded mobile phones in Luogang District of Guangzhou City. The underground warehouse in this case is located in Guangzhou Free Trade Zone, which is rented from Guangzhou Tianmaxing Warehousing Co., Ltd. ("Tianmaxing").

In the Judgment, besides convicting Zhang Huai and other counterfeiters for the crime of trademark counterfeiting, Beijing No. 2 Intermediate People's Court also ruled that since the Manager of Tianmaxing had clear and full prior knowledge that the above counterfeiters rented its bonded warehouse for refurbishing and illegally assembling mobile phones, yet still intentionally provided the premises and other facility conditions to the counterfeiters such as storage, customs clearance and transportation services, he should also bear the corresponding criminal liability for infringing registered trademarks.

In this case the landlord was convicted due to knowingly leasing the premises to the counterfeiters with prior awareness of the counterfeiting activities and providing facilitation conditions, after the Interpretation came out in the late of 2004. The case judgment drew much media coverage and has been very influential. Along with the other cases above, the judgments have confirmed landlords' civil and criminal liabilities for providing facilities to counterfeiters. Thus IPR owners may put more pressure on landlords, and demand that they take proactive self-policing actions against vendors selling fakes; rather than turn a blind eye to such vendors, assuming it is their responsibility to pay attention to IPR issues, as has often been the case in the past. "Landlord Liability" action may save a lot of resources for IPR owners, helping them to avoid taking fruitless actions targeting small scale vendors.

The above cases demonstrate that China has made substantial developments in pursuing landlord liabilities within the last four years. We look forward to seeing the Chinese government taking more fierce actions against IPR infringers in China in the future.

6. Appendices

Appendix A: Government IPR Organisations in China

State Intellectual Property Office (SIPO) (formerly China Patent Office (CPO))

Patents; coordination of IPR enforcement among PRC authorities and lead office on foreign-related IPR matters

Address: 6 Xitucheng Lu, Jimenqiao, Haidian District, Beijing 100088

Tel: +86 (0)10-6208-3114; Fax: +86 (0)10-6201-9615; Website: www.sipo.gov.cn

State Administration for Industry and Commerce (SAIC)

Trademark infringement; administrative raids

Address: 8 Sanlihe Donglu, Xicheng District, Beijing 100820

Tel: +86 (0)8865-0000; Fax: +86 (0)10-6801-0463; Website: www.saic.gov.cn

China Trademark Office (CTMO)

Trademark registration

Address: 8 Sanlihe Donglu, Xicheng District, Beijing 100820

Tel: +86 (0)10-6802-7820; 6805-2266; Fax: +86 (0)10-6801-3623; Website: www.ctmo.gov.cn or www.saic.gov.cn

National Copyright Administration (NCA), International Division

Copyrights

Address: 85 Dongsu Nandajie, Dongcheng District, Beijing 100703

Tel: +86 (0)10-6512-4433 ext. 2708; Fax: +86 (0)10-6512-7875; Website: www.ncac.gov.cn (no English)

AQSIQ (Administration of Quality Supervision, Inspection and Quarantine)

Primarily patent and trademark issues involving product quality and human health concerns, especially counterfeits

Address 9, Madian East Road Haidian District, Beijing 100088

Tel: +86 (0)10-8226 1890/1694; Fax: +86 (0)10-8226 0221; Website: www.aqsiq.gov.cn

General Administration of Customs (Customs)

Enforcement of Customs-registered IP

Address: 6 Jianguomennei Dajie, Dongcheng District, Beijing 100730

Tel: +86 (0)10-6519-4114; Fax: +86 (0)10-6519-5480; Website: www.customs.gov.cn

Public Security Bureau (PSB)

Raids and criminal cases

Address: 14 E. ChangAn Jie, Beijing 100741

Tel: +86 (0)10-6524-2840; Website: www.mps.gov.cn

National Working Group for Intellectual Property Protection, P.R.C.

Responsible for leading national IPR protection work as a whole, promoting the construction of IPR laws and regulations, setting up the trans-departmental coordination mechanism of IPR law enforcement, dealing with the linkage of administrative law enforcement and criminal justice, and improving the IPR awareness of the general public.

Address: State Office of Intellectual Property Protection, Ministry of Commerce, No.2, East Chang'an Street, Beijing, China (100731)

Website: <http://ipr.mofcom.gov.cn> and www.ipr.gov.cn

Appendix B: CBBC and UKTI IPR Contacts in China

CBBC in China

<p>China-Britain Business Council Beijing The British Centre Room 1001 China Life Tower 16 Chaoyangmenwai Street Beijing 100020 People's Republic of China</p> <p>Tel: 0086 10 8525 1111 Fax: 0086 10 8525 1001 Email: beijing@cbbc.org.cn</p>	<p>China-Britain Business Council Shanghai Unit 1701-2 Westgate Tower 1038 Nanjing Road West Shanghai 200041 People's Republic of China</p> <p>Tel: 0086 21 6218 5183 Fax: 0086 21 6218 5193 Email: shanghai@cbbc.org.cn</p>
<p>China-Britain Business Council Shenyang Room 901, Tower II City Plaza Shenyang 206 Nanjing North Street Heping District Shenyang 110001 People's Republic of China</p> <p>Tel: 0086 24 2334 1600 Fax: 0086 24 2334 1858 Email: shenyang@cbbc.org.cn</p>	<p>China-Britain Business Council Qingdao Room 503, 5th Floor 121 Yan'an San Road Qingdao Shandong 266071 People's Republic of China</p> <p>Tel: 0086 532 386 9772 Fax: 0086 532 386 9329 Email: qingdao@cbbc.org.cn</p>
<p>China-Britain Business Council Nanjing Rm 2514 50 Zhonghua Road Nanjing 210001 People's Republic of China</p> <p>Tel: 0086 25 5231 1740 Fax: 0086 25 5223 3773 Email: nanjing@cbbc.org.cn</p>	<p>China-Britain Business Council Hangzhou A-809 Zhejiang World Trade Centre 122 Shuguang Road Hangzhou Zhejiang 310007 Peoples Republic of China</p> <p>Tel: 0086 571 8763 1069 Fax: 0086 571 8763 0961 Email: hangzhou@cbbc.org.cn</p>
<p>China-Britain Business Council Wuhan Room 1203, Tower 1 New World International Trade Centre 568 Jianshe Avenue Wuhan 430022 People's Republic of China</p> <p>Tel: 0086 27 8577 0989 Fax: 0086 27 8577 0991 Email: wuhan@cbbc.org.cn</p>	<p>China-Britain Business Council Shenzhen Room 1121 Tower A International Chamber of Commerce Fuhua Yi Lu Futian District Shenzhen 518048 People's Republic of China</p> <p>Tel: 0086 755 8219 8148 Fax: 0086 755 8219 3159 Email: shenzhen@cbbc.org.cn</p>

<p>China-Britain Business Council Chengdu 1705B, 17/F, Block A, Times Plaza No. 2 Zongfu Road Chengdu 610016 People's Republic of China</p> <p>Tel: 0086 28 8665 6302 Fax: 0086 28 8665 7296 Email: chengdu@cbbc.org.cn</p>	<p>China-Britain Business Council Chongqing</p> <p>Tel: 0086 23 6787 7011 Fax: 0086 23 6787 7011 Email: chongqing@cbbc.org.cn</p>
<p>China-Britain Business Council Guangzhou</p> <p>Tel: 0086 755 8219 8148 Fax: 0086 755 8219 3159 Email: guangzhou@cbbc.org.cn</p>	

British Chambers of Commerce

<p>British Chamber of Commerce China The British Centre Rm 1001, China Life Tower 16, Chaoyangmenwai Beijing, 100020</p> <p>Tel: 00 8610 8525 1111 Fax: 00 8610 8525 1100 Email: marketing@pek.britcham.org</p>	<p>British Chamber of Commerce Shanghai Unit 1703 Westgate Tower 1038 Nanjing Road Shanghai 200040</p> <p>Tel: 00 8621 6218 5022-27 Fax: 00 8621 6218 5066 Email: ian.crawford@sha.britcham.org</p>
<p>British Chamber of Commerce Guangdong Room 1206, Officer Tower, Guangdong International Hotel 339 Huanshi Donglu Guangzhou 510098</p> <p>Tel: + 86 20 8331 5013 Fax: + 86 20 8331 5016 Email: manager@britchamgd.com</p>	<p>British Chamber of Commerce Chengdu Room 2656,16/F, Times Plaza, No2, Zongfu Road, Chengdu 610016 Sichuan</p> <p>Tel: +86 28 8606 7119 Fax: +86 28 8652 1056 Email: info@britchamswchina.org</p>
<p>Shenzhen Sub-Chamber Room 408, 4/F, International Business Platform C-1 Building, South District of Hi-Tech Industry Park Shenzhen 518057</p> <p>Tel: +86 (0)755 2658 8350 Fax: +86 755 8366 4122 Email: shenzhen@britchamgd.com</p>	<p>British Chamber of Commerce Wuhan Room 1203, Tower I, New World International Trade Center 568 Jianshe Avenue Wuhan 430022</p> <p>Tel: + 86 27 8577 0989 Fax: + 86 27 8577 0991 Email: wuhan@cbbc.org.cn</p>

British Diplomatic Posts

<p>British Embassy Beijing Trade & Investment Section 11 Guang Hua Lu Jian Guo Men Wai Beijing, 100600 The Peoples Republic of China</p> <p>Tel: 00 86 10 5192 4000 Fax: 00 86 10 6532 1937/8/9 Email: commercialmail.beijing@fco.gov.uk</p>	<p>British Consulate General Shanghai Suite 301 Shanghai Centre 1376 Nanjing Xi Lu Shanghai 200040 The Peoples Republic of China</p> <p>Tel: 00 8621 6279 7650 Fax: 00 8621 6279 7651 (General) Fax: 00 8621 6279 7388 (Commercial) Email: commercial.shanghai@fco.gov.uk</p>
<p>British Consulate General Chongqing Suite 2801 Metropolitan Tower 68 Zourong Road Chongqing 40010</p> <p>Tel: + 86 23 6369 1500 Fax: + 86 23 6381 0322 Email: britishconsulategeneral.chongqing@fco.gov.uk</p>	<p>British Consulate General Guangzhou 7/F Guangdong International Hotel 339 Huanshi Dong Lu Guangzhou 510098 The Peoples Republic of China</p> <p>Tel: 00 8620 8314 3000 Fax: 00 8620 8333 6485 Email: Guangzhou.commercial@fco.gov.uk</p>

Appendix C: IPR Contacts participating in the CBBC China IPR Guidelines 2007 update

Contributors

China-Britain Business Council

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Contact: Naazneen Schmittzehe

Address: Roxburghe House, 273-287 Regent Street, London W1B 2AD

Tel: +44 (0)20 7355 6045; Fax: +44 (0)20 7518 9145

Email: nschmittzehe@hamblins.co.uk

Website: www.hamblins.co.uk

Lovells

Contact: Horace Lam

Address: Level 2, Office Tower C2, the Towers, Oriental Plaza, No.1 East Chang An Avenue, Beijing, 100738

Tel: + 86 10 8518 4000; Fax: + 86 10 85181656

Email: horace.lam@lovells.com

Website: www.lovells.com

Rouse International

Contact: Victoria Wang

Address: 11th Floor, Exchange Tower, 1 Harbour Exchange Square, London, E14 9GE

Tel: +44 (0)20 75364100; Fax: +44 (0)20 7536 4200

Email: vwang@iprights.com

Website: www.iprights.com

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Case Studies

A Lesson to Learn – Case Study
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Danfoss A/S - Case Study

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I-on Asia - Case Study

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Landlord Liability Actions – Case Study

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Textile Design Infringement - Case Study

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Total Brand Security - Case Study

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Appendix D: IPR Reference Section

Books

China: An Enforcement Roadmap – UK Intellectual Property Office, 24pp, Apr 2007
China Intellectual Property Law Guide - Asia Business Law, 848pp, Sep 2005
Intellectual Property and Doing Business in China (International Business & Management) – D. Yang, 316pp, May 2003
Intellectual Property Law in China (Max Planck Series on Asian Intellectual Property Law) – [P. Ganea](#) and [T. Pattloch](#), 392pp, July 2005
MIP World IP Contacts Handbook 2006
Practical Guide to IPR Protection in China - How to protect Your Brand, HKTDC, 187pp, Jun 2005
Protecting Intellectual Property Rights in China. A Best Practices Guide - EIA/China Alliance, 28pp, Jan 2003
The Enforcement of Intellectual Property Rights in China – NIE Jianqiang, 531pp, Nov 2006
The Politics of Piracy: Intellectual Property in Contemporary China - [A. C. Mertha](#), 258pp, Sep 2005
WTO, Internationalization and the Intellectual Property Rights Regime in China – KONG Qingjiang, 231pp, Feb 2005
Dragons at your Door: How Chinese Cost Innovation is Disrupting Global Competition (Harvard Business School Press) – Ming Zeng and P. Williamson, 256pp, June 2007

Magazines and other Publications

Asia Law and Practice
China Intellectual Property
China Law and Practice
China Patents and Trademarks
EuroBiz (EU Chamber in China) www.sinomedia.net/eurobiz
Managing Intellectual Property www.managingip.com
Various articles published by investigation agencies, IPR consultants, legal practitioners, academics at law schools/universities, policy-makers and national/international IP organisations
www.chinalawdigest.com – monthly internet publication free for registered subscribers

On-line Databases

China Law net www.ceilaw.com.cn – State Information Centre, in Chinese. Authoritative, but limited search functionality, rather slow. Free search and some free downloads of translated laws.

ChinaAcademicJournal/ EastView – based on Qinghua University China National Knowledge infrastructure databases www.eastview.com

[Chinalawinfo](#) - Chinalawinfo (Chinese version) – complete online database with search functions from the Legal Information Centre, Beijing University. English version www.LawInfoChina.com with laws since 1985. Fee-based service allows the user to obtain the full text versions of new laws and regulations, cases, and gazettes, updated biweekly. Free access to some national statutes and regulations.

[CLROnline](#) - CLROnline was sold to CCH Asia in early 2003. It is a major resource in English reaching as far back as 1979. However, the information provided herein is not as comprehensive or up-to-date as either Chinalawinfo or isinolaw. www.clrsonline.com

[isinolaw](#) - This Hong Kong based bilingual commercial database provides expansive coverage on the laws and regulations of the PRC and Hong Kong for subscribers. Bilingual split screen. www.isinolaw.com

[LexisNexis](#)

[Sinolaw](#) - Sinolaw is the first commercial English online legal service in mainland China. Has evolved into listings of sponsored links in various categories including IPR, www.sinolaw.com

[Westlaw](#)

Websites

<http://en.chinacourt.org> – sponsored by the PRC Supreme Court, some IPR-related new and laws

<http://english.ipr.gov.cn/en/index.shtml> - Chinese govt website on IPR in China, including news, cases, laws and regulations

www.acla.org.cn – All China Lawyers Association website in English and Chinese

www.chinaiprlaw.com/english - some translations of IPR laws up to 2005

www.cnnic.net.cn - Domain name registration CNNIC

www.hq.org/firms-china.html - lawyer lists, by city and area of expertise

www.intute.ac.uk – free online search service for education and research

www.ip-institute.org.uk – Intellectual Property Institute, UK-based non-profit making research organisation for industry, academe, government and legal profession and the general public

www.ipmenu.com/country/china.htm - listings of various IPR resources

www.legal500.com – IPR practitioners in various cities of China

www.patent.com.cn – patent search/retrieval centre of SIPO

www.qbpc.org.cn – Quality Brands Protection Committee

www.worldlawregister.com – directory of lawyers worldwide

Blogs

www.chinalawblog.com

www.chinaiplawblog.com

<http://ipdragon.blogspot.com/>

www.danwei.org/China_IP_Law.html

Appendix E: Trademarks and Trade Names in China – Language Issues

Registering trademarks in China raises a set of issues not faced in many other jurisdictions, due to the nature of the Chinese language. Whether in the form of Mandarin, Cantonese or any of the several other variants or dialects, Chinese is characterised by its large number of homophones, or words that sound the same. For example, there are at least 19 different Chinese characters that are pronounced 'hú'. For a Chinese reader, each of these characters has a completely different and clear meaning – a bit like an English reader encountering the words 'to', 'too', and 'two'. In Chinese speech, each of these syllables will generally occur in combinations or in a context that will make the meaning obvious.

When you come to register a trademark, however, this can be a problem. Foreign words can be written in Chinese in several ways. One common way is to simply 'transliterate' the sounds: thus, 'Smith' could become 'Si-mi-si', written with characters that have no particular meaning other than to represent these sounds, or whose meaning is clearly irrelevant in this context. It is also possible to translate directly the meaning of a foreign name or word. If blessed with a good translator or advertising representative, you may be fortunate enough to derive a brand name or company name in Chinese that both echoes the English word(s) and conveys a relevant meaning. Coca-cola came up with the classic brand name 'ke-kou-ke-le', which is about as close as a Chinese speaker could come to the pronunciation of the soft drink's name and also conveys the approximate meaning 'tasty and fun' when the characters are read.

From the foregoing it can be seen that there may be a plethora of choices for your brand and company names. Another ramification is that you may have to invest far more in developing a Chinese brand and company name than you would in other new markets. The inverse of this, when applied to protecting your intellectual property, is that any prospective pirate may have plenty of possibilities as well. How does this work? Say for example you register your mark in its original English form and also in the Chinese form that you have settled on after taking appropriate advice and considering its implications in the Chinese market. You go ahead and register your mark – perhaps 'Smith Widgets' in English, and 'Si-mi-si' in Chinese characters. Have you sufficiently protected yourself in China with respect to trademarks?

Unfortunately, the answer is probably not. These registrations will not prevent another entrepreneur from producing widgets labelled 'Si-mi-si' in Chinese characters, by choosing one or more characters in this name that are different from those you have registered. To a Chinese eye, the name will *look* different; but to a Chinese ear, it will *sound* identical. This is bad enough as far as consumer and market confusion goes – but it might get even worse. Your illicit competitor can legitimately register that alternate trademark and you would have a hard (and expensive) time opposing him, even supposing that you managed to find out about the pending registration.

What can you do to counter this threat? The first step is to invest adequately in developing an effective Chinese name, brand and presence. If the name is sufficiently unique and well-known it will be easier to defend legally and to manage in the market. Second, when you contemplate trademark registrations, you should consider defensively registering other marks in Chinese that may sound very similar. It is unlikely you can prevent all piracy this way; but the relatively small investment, made at the same time you register your other marks, may block some of the obvious avenues for potential piracy. Brainstorming with your Chinese-language advisers and staff at this stage – together with a modest investment in registering a few extra marks - may prove to be the best way of heading off such problems.

Appendix F: Trademark Infringement Case Study References

Seizure Value, the minimum illegal business volume for a criminal liability on an individual has been reduced from RMB100,000 (USD13,520) / on a company has been reduced from RMB500,000 (USD67,600) to RMB50,000 (USD6,760).

Reference 1:-

Source: Supreme People's Procuratorate of the People's Republic of China (In Chinese)

Reference Link: <http://www.spp.gov.cn/site2006/2006-02-22/00024-338.html>

The Interpretation Concerning Specific Laws Applicable to Intellectual Property Infringing Crimes (I)

(passed at the 1331st Session of the Judicial Council, the Supreme People's Court on 2 November, 2004 and the 28th Session of Procuratorial Council, the Supreme People's Procuratorate on 11 November, 2004, is hereby announced and implementation thereof shall commence on 22 December, 2004.)

For the purpose of punishing intellectual infringing crimes and maintaining socialist market order, in accordance with the Criminal Law, the specific laws applicable to intellectual property infringing crimes are interpreted as follows:

Article 1. Where a trademark identical with a registered trademark is used in respect of identical goods, without license from the proprietor of the registered trademark, any of the circumstances listed below shall be deemed as a crime of counterfeiting a registered trademark serious in nature and imprisonment or detention up to three years and/or a pecuniary penalty shall be imposed under Article 213, the Criminal Law.

1. A circumstance where the illegal business volume exceeds RMB50,000 or the illegal income exceeds RMB30,000;
2. A circumstance where more than two registered trademarks are counterfeited with an illegal business volume in excess of RMB30,000 or an illegal income in excess of RMB20,000; or
3. Other circumstances serious in nature.

Any of the circumstances listed below shall be deemed as a crime of counterfeiting a registered trademark "especially serious in nature" and imprisonment or detention ranging from three years to seven years and a pecuniary penalty shall be imposed under Article 213, the Criminal Law.

1. A circumstance where the illegal business volume exceeds RMB250,000 or the illegal income exceeds RMB150,000;
2. A circumstance where more than two registered trademarks are counterfeited, with an illegal business volume in excess of RMB150,000 or an illegal income in excess of RMB100,000; or
3. Other circumstances especially serious in nature.

Article 2. Where goods counterfeiting a registered trademark are knowingly marketed at a sales volume in excess of RMB50,000, the amount shall be deemed as large under Article 214, the Criminal Law. The case shall be determined as a crime of marketing goods counterfeiting a registered trademark. Imprisonment or detention up to three years and/or a pecuniary penalty shall be imposed.

Where the sales volume exceeds RMB250,000, the amount shall be deemed as significant under Article 214, the Criminal Law. The case shall be determined as a crime of marketing goods counterfeiting a registered trademark. Imprisonment or detention ranging from three years to seven years and a pecuniary penalty shall be imposed.

Article 3. Where the labels of a registered trademark are forged or unilaterally fabricated or where the forged and unilaterally fabricated labels of registered trademarks are marketed, any of the circumstances listed below shall be deemed as a crime of illegally fabricating or marketing labels of a registered trademark serious in nature and imprisonment, detention, or surveillance up to three years and/or a pecuniary penalty shall be imposed under Article 215, the Criminal Law.

1. A circumstance where the number of registered trademark labels forged or unilaterally fabricated or the labels of this kind marketed exceeds 20,000 pieces, where the illegal business volume exceeds RMB50,000, or where the illegal income exceeds RMB30,000;
2. A circumstance where the labels of more than one registered trademark is forged, unilaterally fabricated, or marketed and the number exceeds 10,000 pieces, where the illegal business volume exceeds RMB30,000, or where the illegal income exceeds RMB20,000; or
3. Other circumstances serious in nature.

Any of the circumstances listed below shall be deemed as a crime of illegally fabricating or marketing labels of a registered trademark especially serious in nature and imprisonment ranging from three to seven years and a pecuniary penalty shall be imposed under Article 215, the Criminal Law.

1. A circumstance where the number of registered trademark labels forged or unilaterally fabricated or the labels of this kind marketed exceeds 100,000 pieces, where the illegal business volume exceeds RMB250,000, or where the illegal income exceeds RMB150,000;
2. A circumstance where the labels of more than one registered trademark are forged, unilaterally fabricated, or marketed and the number exceeds 50,000 pieces, where the illegal business volume exceeds RMB150,000, or where the illegal income exceeds RMB100,000; or
3. Other circumstances especially serious in nature.

Appendix G: Typical Costs & Timelines

Patents

Official fees (for each application in RMB, where approximately 15 RMB = £1)

	Invention		Design		Utility Model	
	RMB	GBP*	RMB	GBP*	RMB	GBP*
Application fees	900	60	500	33	500	33
Printing	50	3				
Additional fees of instruction more than 31 pages	50/page	3/page	50/page	3/page	50/page	3/page
Additional fees of instruction more than 300 pages	100/page	7/page	100/page	7/page	100/page	7/page
Claims more than 11	150/each claim	10/each claim	150/each claim	10/each claim	150/each claim	10/each claim
Priority claim fees	80/each claim	5/each claim				
Annual maintenance fees for invention applications	300	20				
Alteration on entries fees: Inventor, applicant: Agent:	200 50	13 3	200 50	13 3	200 50	13 3
Right recovery claim fees	1000	67	1000	67	1000	67
Examination fees for invention	300	20				
Renewal claim fees for each month in first time	300	20	300	20	300	20
Renewal claim fees for each month in second time	2000	133	2000	133	2000	133
Re-examination fees	1000	67	300	20	300	20
Decision claiming fees on obligatory licence	300	20	300	20	300	20

Application cancellation fees	30	2	20	1.33	20	1.33
Fees on declaration of avoidance	3000	200	1500	100	1500	100
Application fees on obligatory licence	300	20			200	13
Registration fees	255	17	205	14	205	14

		Invention		Design		Utility Model		
		RMB	GBP*		RMB	GBP*	RMB	GBP*
Annual Fees	1-3 years:	900	60	1-3 years:	600	40	600	40
	4-6 years:	1200	80	4-5 years:	900	60	900	60
	7-9 years:	2000	133	6-8 years:	1200	80	1200	80
	10-12 years:	4000	267	9-10 years:	2000	133	2000	133
	13-15 years:	6000	400					
	16-20 years:	8000	533					

PCT application into PRC	RMB	GBP*
Grace period fees	1000	67
Translation review fees(pre-examination period)	300	20
Translation review fees(examination period)	1200	80
Recovery fees	900	60
Priority claim alteration fees	300	20

* at 15RMB = 1GBP rounded to the nearest pound

Attorney Fees: there is a fee schedule recommended by All China Patent Attorneys Association. The actual attorney fees will vary from firm to firm.

Time: It will take approximately 2-3 years for innovation, and approximately 1 year for utility model / design to complete.

Trademarks

The trademark registration fee in China is about 4,000-10,000 RMB per mark, per class. This covers all the filing fees and the trademark agency fee (foreign trademark owners must file through a Chinese agent, who charge around £150 per mark, per class excluding filing fees).

It usually takes about 3 years to obtain a trademark registration.

Copyrights

Software may be registered for 300 RMB (filing fees) per item at the National Copyright Protection Center. However for their branch office in Beijing the fees are only 50 RMB. Note that registration requires disclosure of 60 pages of code (the beginning 30 pages and final 30 pages), each page containing at least 50 lines of code. If less than 60 pages all of the code is required.

For items other than software, word articles cost 300 RMB to register. If the item contains both words and pictures the fees are 1,000 RMB for an individual and 2,000 RMB for a company.

Registration requires 30 working days at the National Center, or 20 working days at the Beijing branch.

Domain Names

The registration fee for a domain name will depend on the registration agency used, whether it is done online (in which case registration is completed approximately 10 days after payment of the fee) and the language of the domain name. The annual registration fee can range from 45 RMB to 1200 RMB (approximately £3 to £80).

IPR Investigation

An investigation will cost around 50,000-150,000 RMB per case depending on scope, it usually takes around 1-3 months to complete an investigation.

Administrative Raid

A raid can cost 15'000-75'000 RMB per case; more if police are involved. Organisation and completion of a raid normally takes between 5 to 10 weeks.

Criminal Proceedings

Criminal proceeding can range from 100,000 to 500,000 RMB and above, depending on complexity and if the case is successful. For cases to be resolved it usually takes around 6 months to 2 years.