

Getting To Grips With China: A Business Imperative For The 21st Century

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Several Issues on the Acquisition and Enforcement of Trademark and Patent Rights in China

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Chairman

East IP

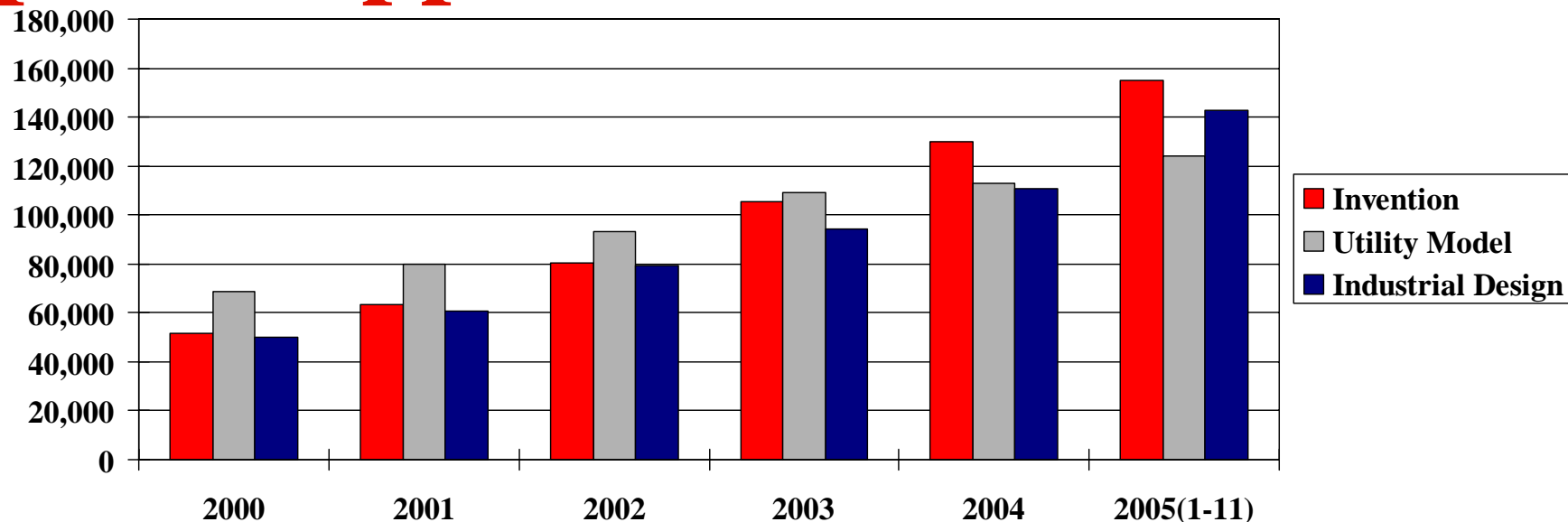
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Trademark Infringement Cases Handled by Administrative Authorities in 2004 & 2005 (Jan. – Jun.)

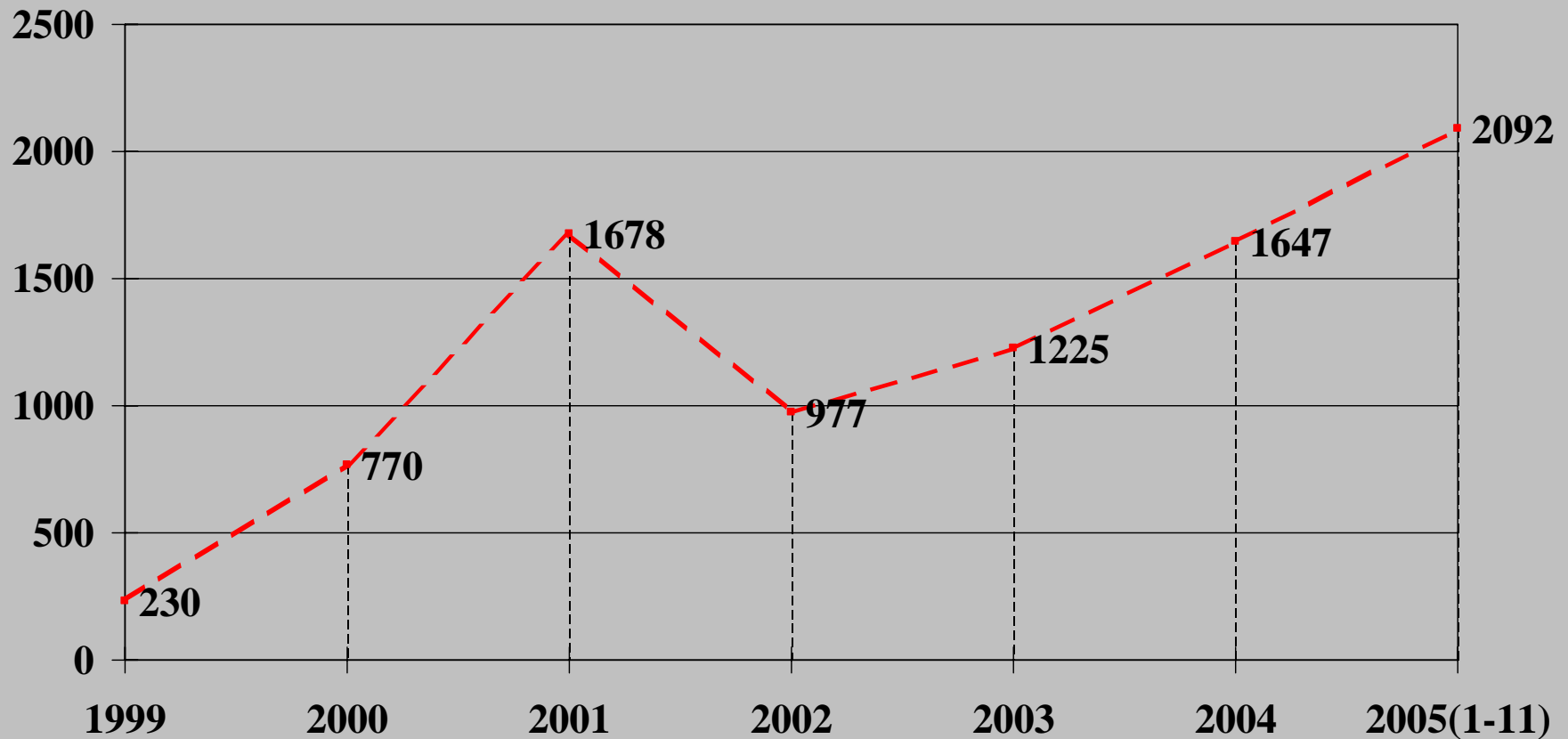
	2004	2005 (Jan.-Jun.)
Total	40,171	18,130
Foreign-related cases	5,401	2,451

Continuing growing of patent application in China



	2002	2003	2004	2005(1-11)
Invention	80,232	105,318	130,133	154,917
Utility Model	93,139	109,115	112,825	124,084
Industrial Design	79,260	94,054	110,849	142,856

PCT Patent Applications in China



Increasing grant of patents in China

Patent	2002	2003	2004	2005 (1-11)
Invention	21,476	37,154	49,360	48,501
	15,605	25,750	31,119	29,768
Utility Model	57,483	68,906	70,623	74,067
Industrial Design	53,442	76,166	70,255	75,248

Red color-application from foreign countries

Several Issues on the Acquisition and Enforcement of Trademark Rights in China

Development of the Chinese Trademark Law

	1983	1993	2001
Scope of protection	trademark	Service mark	3D, collective and certification mark
Eligible applicant	Legal entity	-	Natural person; joint ownership
Prior rights	No	-	Yes
Bad faith registration	No	-	Yes
Well-known mark	No	-	Yes
Priority	No	-	Yes
Judicial review	No	-	Yes
Pre-trial measures	No	-	Yes
Statutory damages	No	-	Yes

Comparison of Trademark Law between US and China

	China	US
Legal system	Civil Law	Common Law
Basis of protection	Registration (Principle) and Use (Exception)	use
Type of registration	Unified Registration	Principle & Supplementary Register
Subject matter	Word, design, letters of an alphabet, numerals, 3-D symbol, combinations of colors, and their combination	Wider (smell, color, etc.)
Enforcement	Administrative and Judicial	Judicial
Classification	Single class	Multi-class
Use requirement	3 years	5-6 years (Affidavit text)
Madrid system	Madrid Agreement, Madrid Protocol	Madrid Protocol

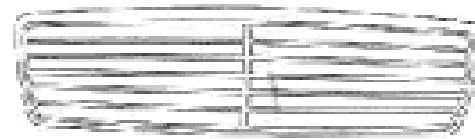
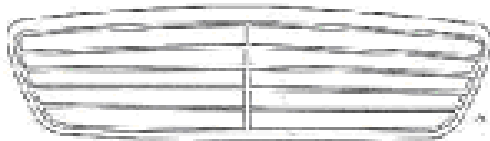
Signs Lacking Inherent Distinctiveness

Paragraph 1, Article 11 of 2001 Trademark Law

- (1) **Generic terms** (signs **ONLY** comprising generic names, designs or models of the goods in respect of which the trademarks are used)
- (2) **Descriptive terms** (signs having direct and **SOLE** reference to the quality, main raw materials, function, use, weight, quantity or other features of the goods in respect of which the trademarks are **used**)
- (3) **Signs lacking distinctiveness** (catch-all provision)

Signs Lacking Inherent Distinctiveness—Case

- (1) **SLIM FAST** (on the drugs in Class 5)
Beijing No. 1 Intermediate Court in 2003
- (2) **e-Disk** (on computer in Class 9)
Beijing High Court in 2005
- (3) **Daimler Chrysler Design Mark** (on automobiles in Class 12)



Beijing No.1 Intermediate Court in 2003

Acquired Distinctiveness Through Use


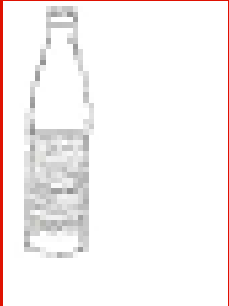
Cases:

- (1) American Standard
- (2) MTV MUSIC TELEVISION and Design



- (3) Coca-Cola Bottles

Coca-Cola Bottle Case

		
CTMO	Not Distinctive (September, 2002)	Not Distinctive (September, 2002)
TRAB	Distinctive (July, 2005)	Not Distinctive (July, 2005)
Court		Not Distinctive

Well-known Trademark Protection

- **Requirement:** Fame in China
- **Registered well-known mark:** cross class protection
- **Unregistered well-known mark:** same class protection

Factors for Recognizing Well-known mark

Article 14 of 2001 Trademark Law:

Account shall be taken of the following factors in establishment of a well-known mark:

- 1) reputation of the mark to the relevant public;
- 2) time for continued use of the mark;
- 3) consecutive time, extent and geographical area of advertisement of the mark;
- 4) records of protection of the mark as a well-known mark; and
- 5) any other factors relevant to the reputation of the mark.

Authorities

Administrative authorities:

- 1) CTMO: opposition / cancellation (3-year-non-use)
- 2) TRAB: appeal / cancellation (well-known mark)
- 3) Local AIC: Infringement

Judicial authorities:

Local intermediate courts (in hundreds)

Note:

- 1) Court may order damages, while administrative authorities may not;
- 2) Judicial review of well-known mark recognition

Well-known Marks Recognized by Administrative Authorities

2005 SAIC Trademark Protection Program

- 30 out of 126 well-known marks recognized are owned by foreign companies

US	13
France	5
Netherlands	3
UK	2
Switzerland	2
Japan	2
Germany	1
Italy	1
BVI	1

Administrative authorities (1)

	Mark	Goods/Services
US	BARBIE(芭比)	Toys (Class 28)
	邦迪	Glutinous adhesive plaster for medical use (Class 5)
	吉列GILLETTE	Razor, razor slice (Class 8)
	雪碧	Non-alcohol beverage (Class 32)
	迪士尼	Public pleasure ground (Class 41)
	MCDONALD'S及M图	Fast food restaurant (Class 42)
	M图	Telecommunications devices(Class 9)
	DU PONT	Chemicals used for industrial, science and technology, photography, agricultural, gardening, and sylvan purpose (Class 1)
	凯悦	Hotel (Class 43)
	绿箭	Chewing gum (Not for medical use) (Class 30)
	美标	Devices used in toilet,bathroom,and kitchen (Class 11)
	达克宁	Anti mildew medicament (Class 5)
采乐	Antimicrobail used for human being (Class 5)	

Administrative authorities (2)

	Mark	Goods/Services
France	LANCOME兰蔻	Cosmetics,Perfume (Class 3)
	MONTAGUT	Cosmetics,Perfume (Class 3)
	花图形	Clothes (Class 25)
	梦特娇	Clothes (Class 25)
	YSL YVES SAINT LAURENT	Clothes (Class 25)
Netherlands	CARTIER卡地亚	Headgear and Jewelry (Class 14)
	F1 FORMULA1	Organization and arrangement of sports race (Class 41)
	飞利浦PHILIPS	Television, semiconductor (Class 9);Lighting device (Class 11)

Administrative authorities (3)

	Mark	Goods/Services
UK	JAGUAR美洲虎图形	Automobiles and spare parts (Class 12)
	DE BEERS戴比尔斯	Diamond and jewelry (Class 14)
Switzerland	帝舵表TUDOR及图	Clocks and watches (Class 14)
	TISSOT T	Clocks and watches (Class 14)
Japan	NISSAN尼桑	Automobiles (Class 12)
	YKK	Zip (Class 26)
Germany	BOSS	Clothes (Class 25)
Italy	FERRARI (法拉利)	Automobiles (Class 12)
BVI	香格里拉SHANGRI-LA	Hotel (Class 42)

Well-known Marks Recognized by Courts

July 2001 – October 2005

9 out of 72 well-known marks recognized are owned by foreign companies

Well-known Mark	Goods/Services	Recognition Time
Rolex	Clock and watch	September 2001
DUPONT	Chemical and industrial products (Classes 1、 3、 5、 11、 17、 21、 22、 26、 30、 31)	November 2001
沃尔玛	Promotions in Class 35	June 2004
霍尼韦尔	Motorcycles, 电流表式发动机、 气门、 水门等 (Classes 1、 7、 9、 41、 42)	September 2005
立邦	(Class 2)	January 2003
快克	Drugs (Class 5)	August 2005
采乐 CAILE	Cosmetics 洗涤品 (Class 3)	June 2005
Safeguard\舒肤佳	Soap (Class)	July 2001
HONYWELL	机械航空 (Class)	November 2004

Trademark Rights Based on Registration

China Trademark Law:

- Principle: Trademark right is based on registration, and only registered marks enjoy protection from the law;
- Exceptions: Unregistered well-known marks and unregistered marks of some reputations may enjoy protection from the law

US Trademark Law:

- Trademark right is based on use (use in commerce and intent to use), use is the precondition of registration.

First to File

Principle: Prior trademark registration and application

Exceptions:

- 1) Unregistered well-known marks
- 2) Unregistered marks of some reputation
- 3) Prior rights (trade name, copyright, patent design, name of a natural person, image, etc.)
- 4) Bad faith (agent or representatives of the trademark holders)

Prior Rights—Laws

Article 9 of 2001 Trademark Law:

- “Any trademark in respect of which an application for registration is filed.... shall not conflict with any prior right acquired by another person”.

Article 31 of 2001 Trademark Law:

- “An application for the registration of a trademark shall not create any prejudice to the prior right of another person....”

Rule 1, Section 3 (Protection of Prior Rights) of 2005

Trademark Examination and Adjudication Standard:

- “Prior right” here does not refer to the registered prior trademark (application or registration), since the registered prior trademark has been set forth by Article 28 of 2001 Trademark Law. It is generally accepted in China that the “prior right” here refers to trade name, copyright, patent design, name of a natural person, image, etc.

Prior Rights—Case 1

Snoopy Carton Design Mark

Appl. No.: 1133305

Application Date: November 26, 1996

Applicant: A local glasses in Guangdong Province, China

Copyright Holder: UNITED FEATURES YNDICATE, INC

Cancellation by TRAB: December 6, 2000



Prior Rights—Case 2

武松打虎图

Applicant: A local company in Shangdong Province, China

Copyright Holder: A Chinese painter

Cancellation by TRAB: February 1997



Madrid Agreement & Madrid Protocol

	Madrid Agreement	Madrid Protocol
Basic Application	Trademark registration	Trademark application and registration
Rejection Period	12 months	18 months
Language	French	English or French

Several Issues on the Acquisition and Enforcement of Patent Rights in China

Development of the Chinese Patent Law

	1984	1992	2000
Pharmaceuticals and Chemicals	No	Yes	Yes
Patent term	15	20	20
Exclusive rights	Manufacture; use; sale	Product from process; import	Offering for sale
Burden of proof	traditional	Reverse burden of proof (process)	Reverse burden of proof (process)
Opposition procedure	Pre-grant	Post-grant	abolishment
Judicial for Utility model and design	No	No	Yes
Preliminary injunction	No	No	Yes

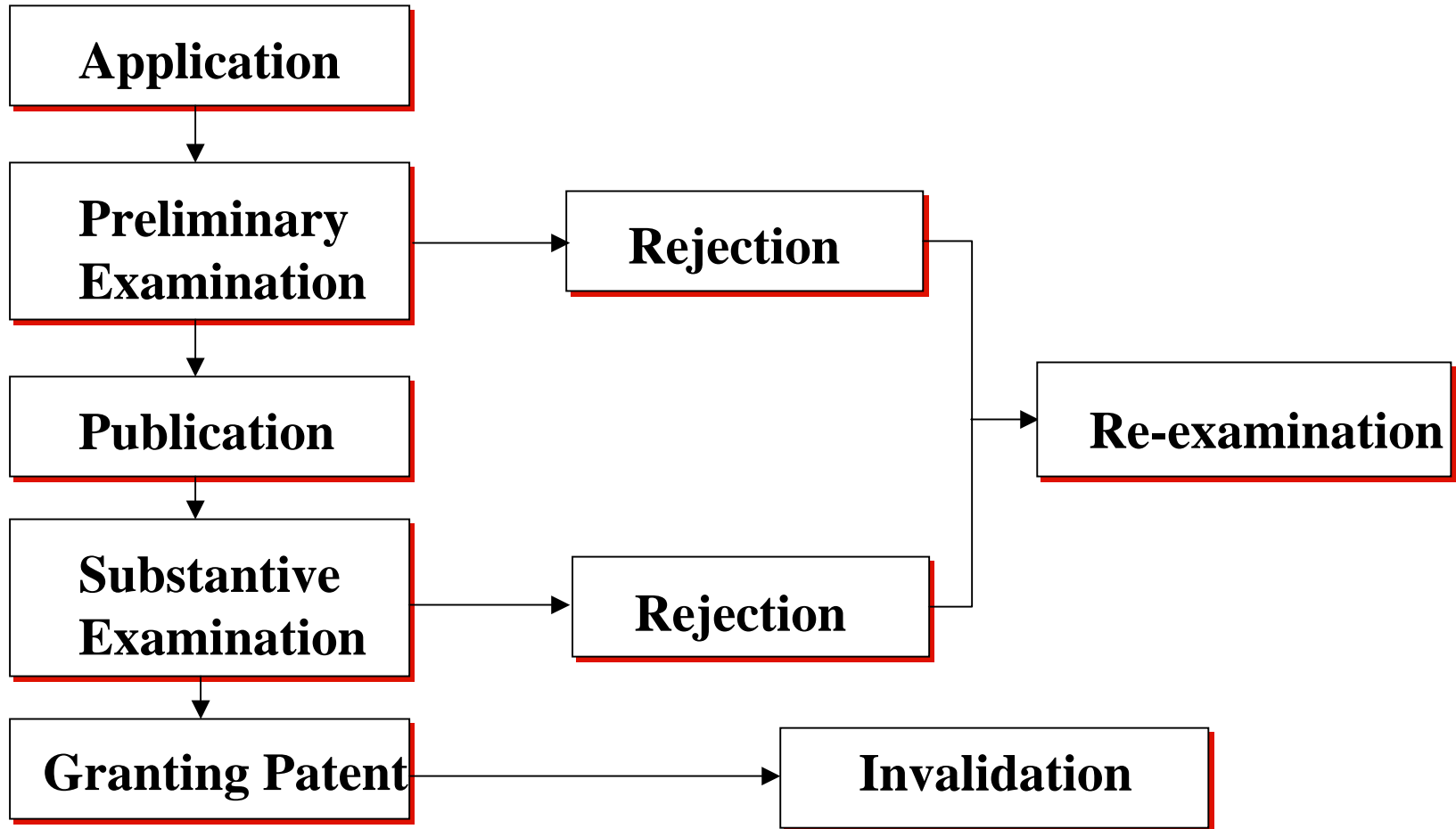
Level of patent protection

	Subject Matter	Compare with TRIPS Agreement
1	Patentable Subject Matter	In principle, same
2	Rights Conferred	Same
3	Terms of Protection	Same
4	Process Patents Burden of Proof	Same
5	Unauthorized License	In principle, same
6	Judicial Review	Same
7	Damages	Same
8	Preliminary Measure	In principle, same
9	Customs Enforcement	More Strict
10	Criminal Procedures	More Strict

Comparison of patent law between US and China

No.	Contents	US	China
1	Subject of patent protection	Very wide	Wide
2	BMP	yes	no
3	Plant, animals patent	yes	no
4	Term extension for drug patent	yes	no
5	Clinical trial data protection	5 years +3	6 years
6	First for file	no	yes
7	Unauthorized license	no	yes
8	Special IP Appeal Court	yes	no
9	Court litigation parties for invalidation	Original parties	PRB-defendant

Patent Acquisition procedure



Novelty

	US	China
Acts leading to losing novelty	(1) publication (2) public use (3) offer for sale	1. publication 2. public use 3. offer for sale
Not losing novelty	within 1 year before the filing date for any kind of publication	within 6 months before the filing date for (1) display at an international exhibition (2) publication at a academic or technical conference (3) unauthorized disclosure

Recommendation: Publication in US before filing patent could lead to losing novelty in China

First to Invent vs. First to File

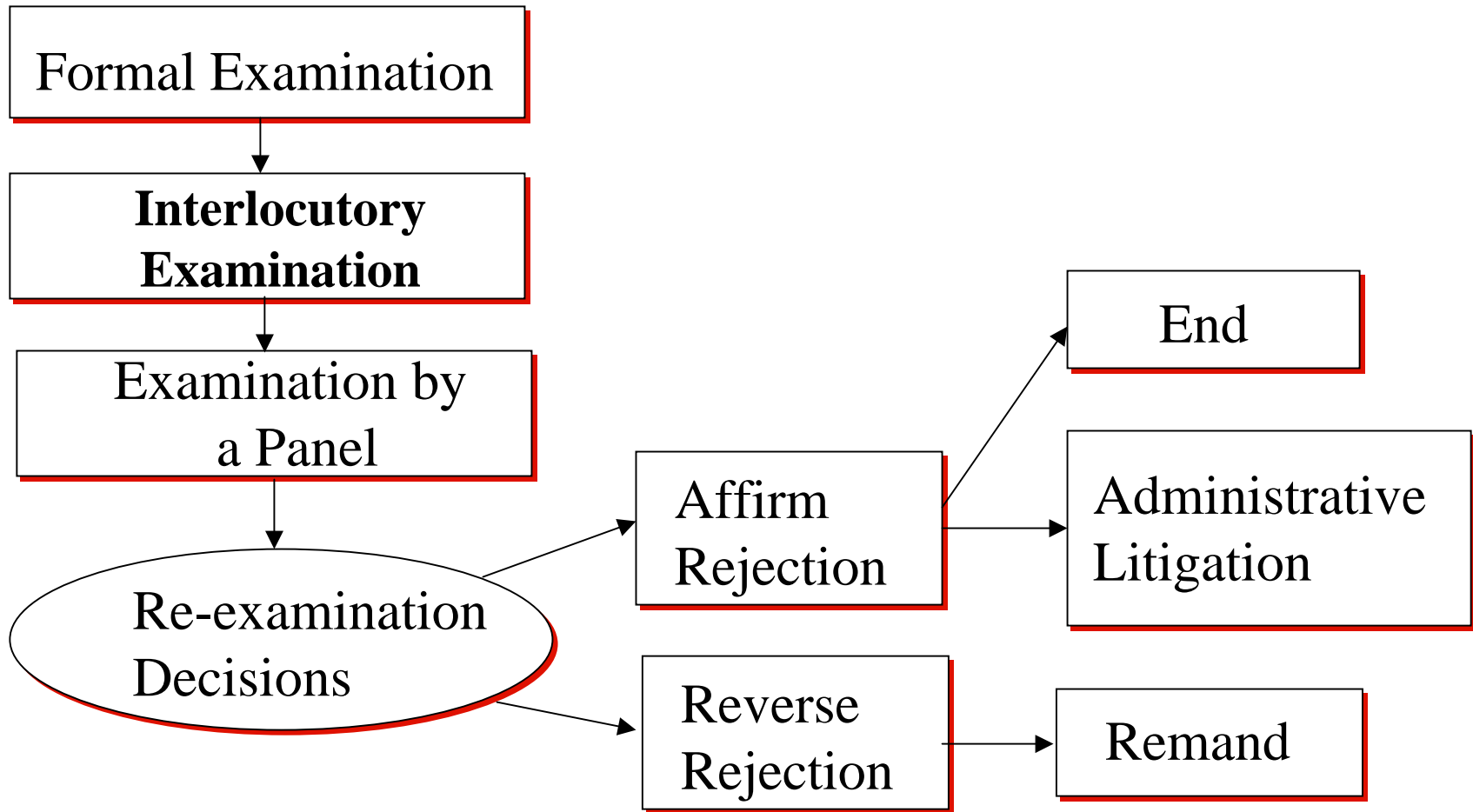
	US	China
Eligible Applicant	Individual inventors	Individual inventors/entities
Patent granted to	First to invent	First to file
Service invention	Need to be assigned to the employers	Employers may directly file patent applications
<p>Recommendation: Attention to priority documents and Appropriate amendments for applicants (assignee), inventors</p>		

Appeal of Rejected Patent Applications

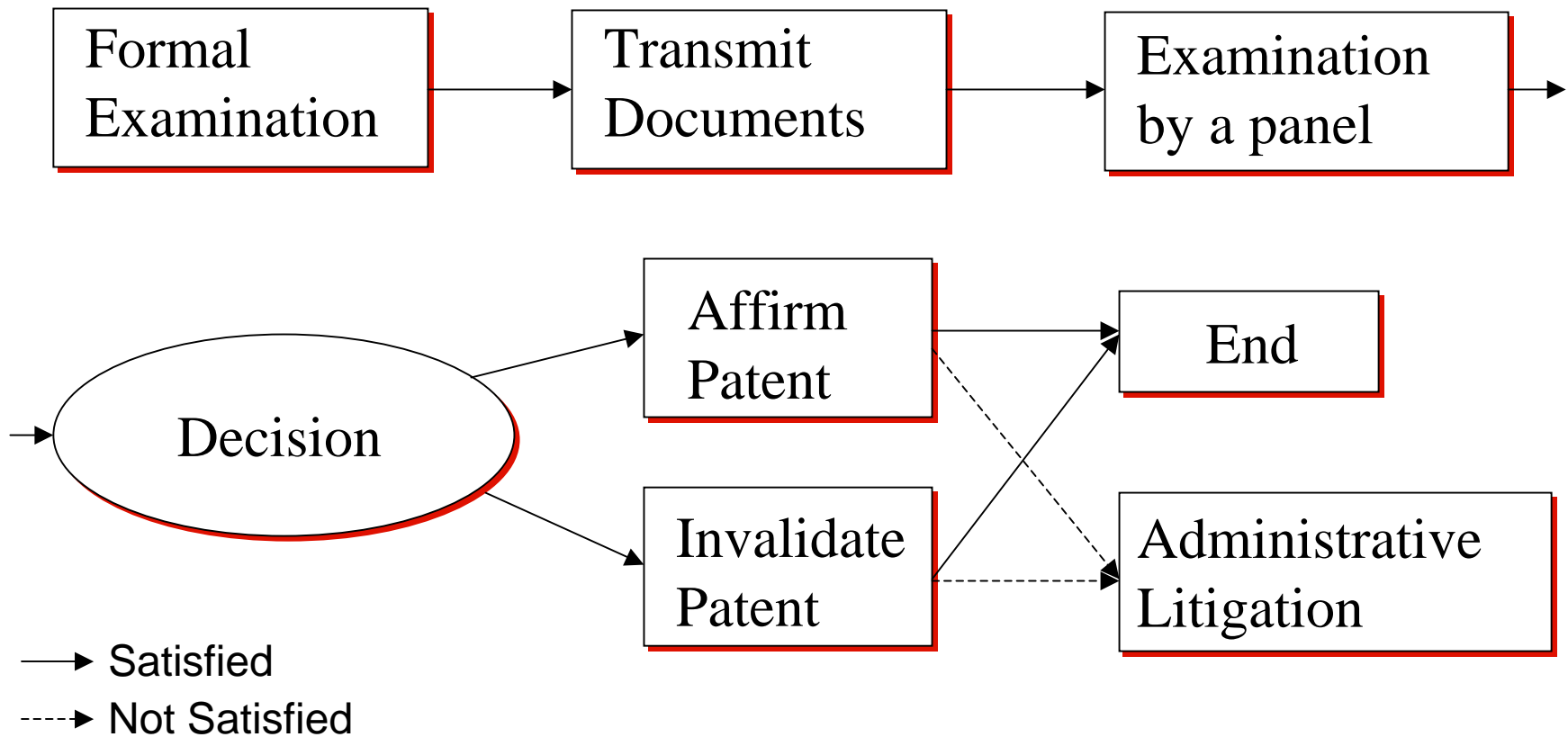
	US	China
Competent government authority	BPAI	PRB
Conditions	Any of the patent claims has been rejected twice	The whole patent application is rejected
Alternatives	Continuation or continuation in part applications (CA or CIP) Request for continuation examination (RCE)	N/A

Recommendation: Special attention to OA from SIPO

Re-examination procedure



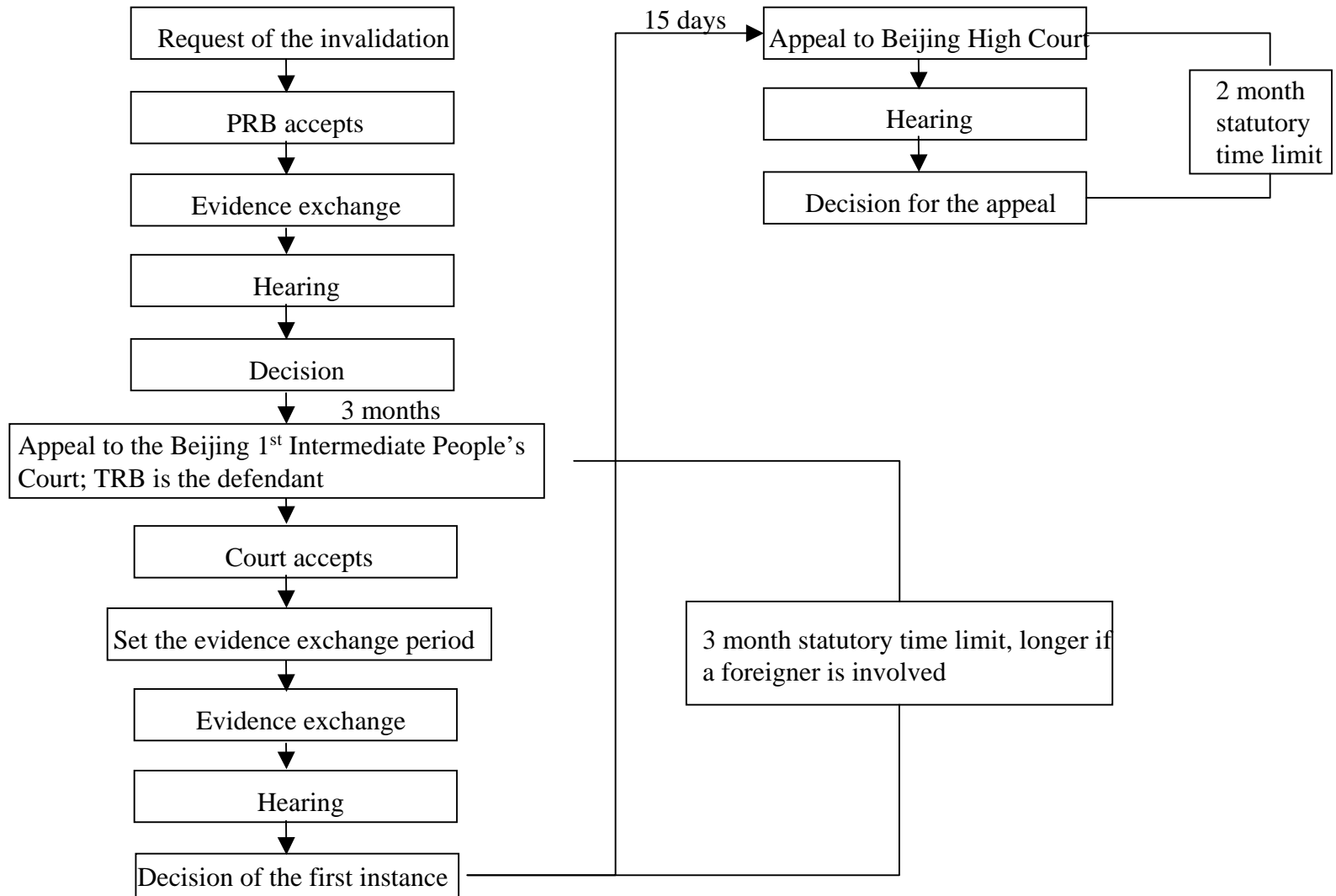
Invalidation procedure



Ground for Invalidation

- Nonpatentable subject matter
- In contrary to the laws or social morality or detrimental to public interest
- No patentability (novelty, inventive step, industrial applicability)
- Description in not sufficiently clear and complete
- Claims are not clear or lack of essential technical features
- Claims are not supported by description
- Amendments beyond scope of disclosure of original application
- Duplication of grant

Flow Chart for Patent Invalidation Hearings



Judicial review of PRB decisions

Cases	1985 - 2001	Affirmed by Court, %	2005 (1-11)
Re-exam.	87	92%	1,447
Invalid.	147	85%	1,948
Total	234	87%	3,395

Suggestion for Judicial review

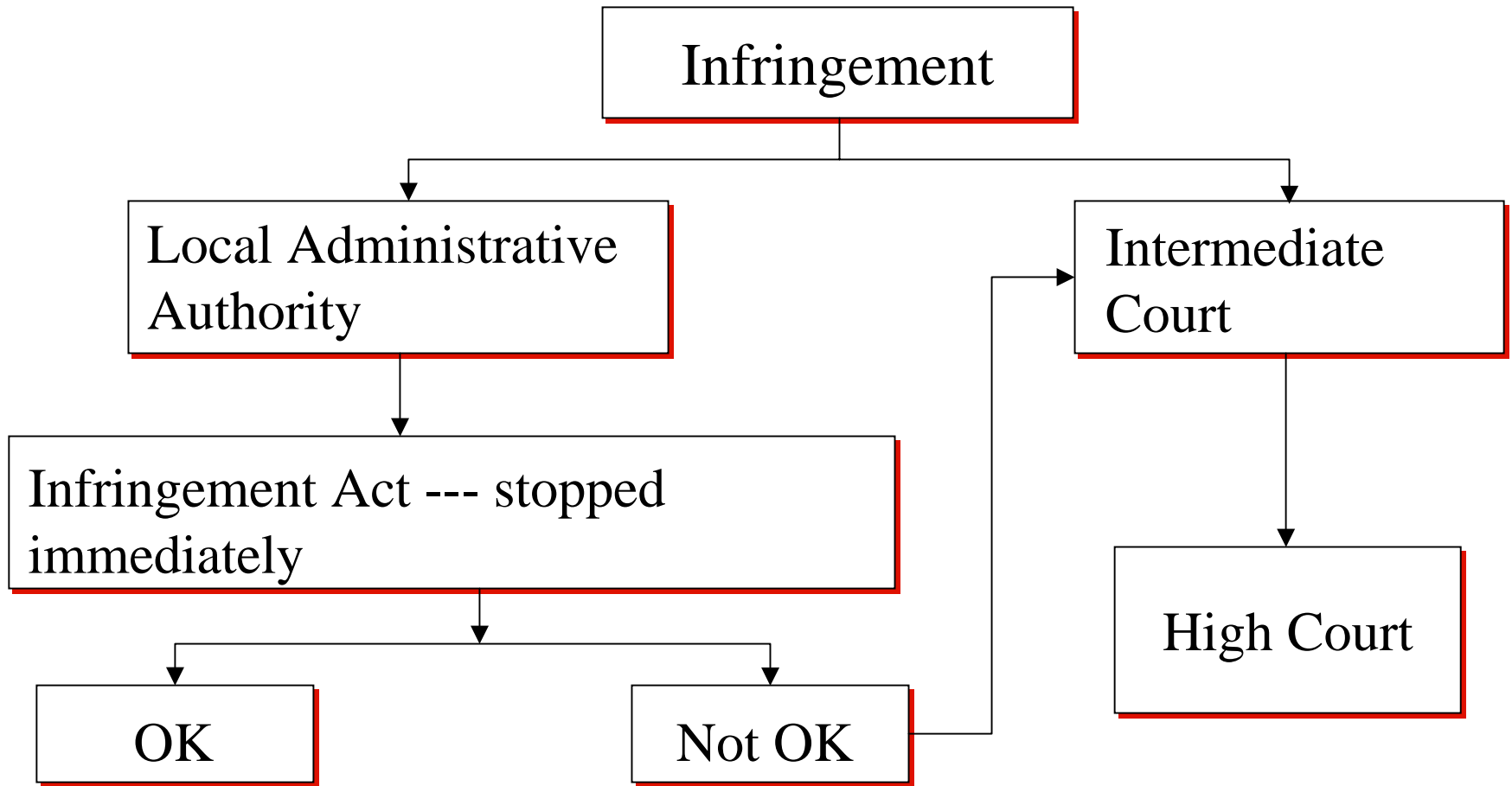
● **Shortcomings of judicial review procedure:**

- Instead of previous plaintiff and defendant, PRB unreasonably become a defendant
- Long procedure for infringement cases if infringer for protecting himself raised invalidation case with the PRB

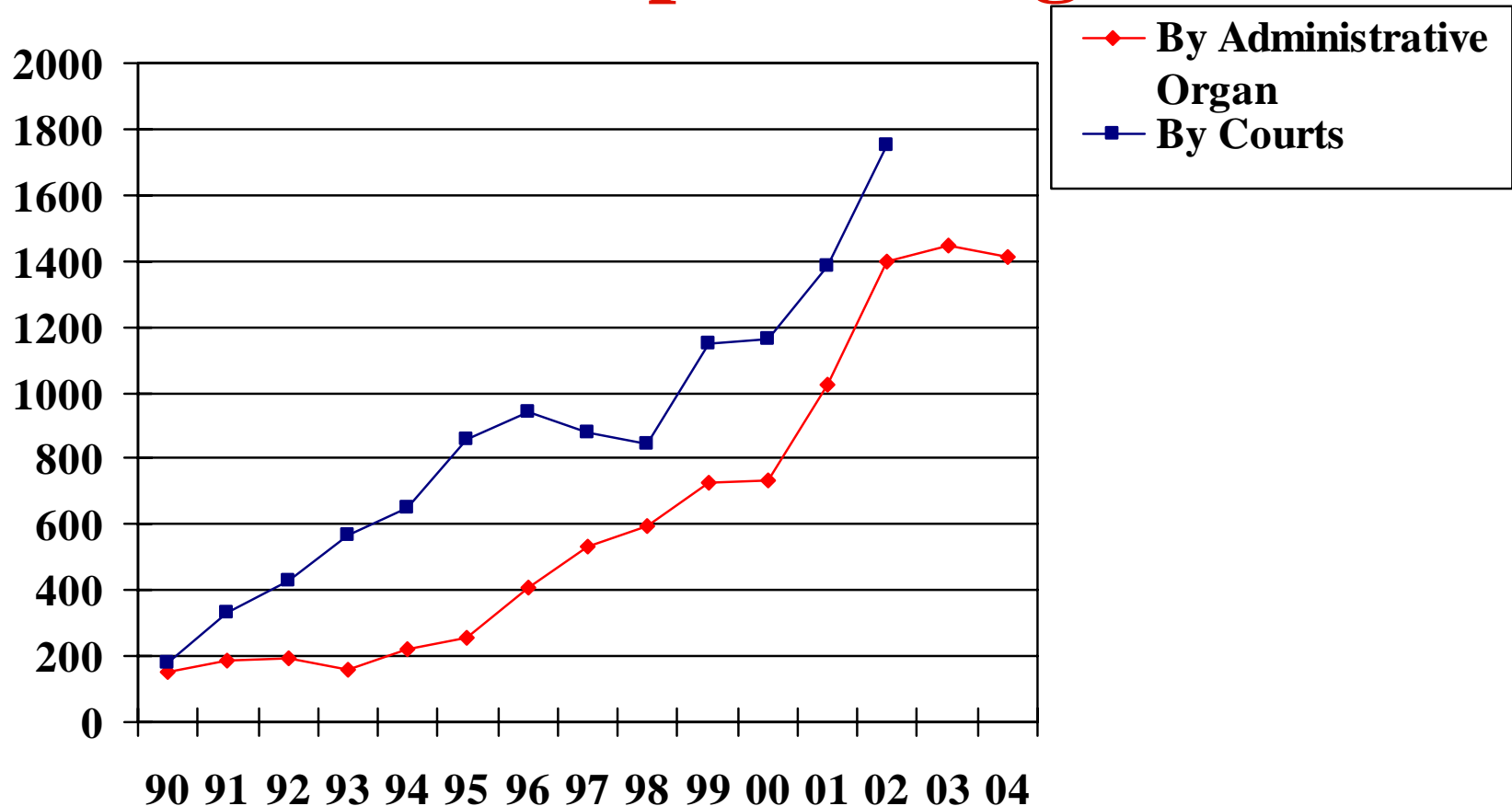
Suggestion:

- 1, Create a special IP appellant court both for infringement and for invalidation
- 2, Both parties remain unchanged during the administrative appeal

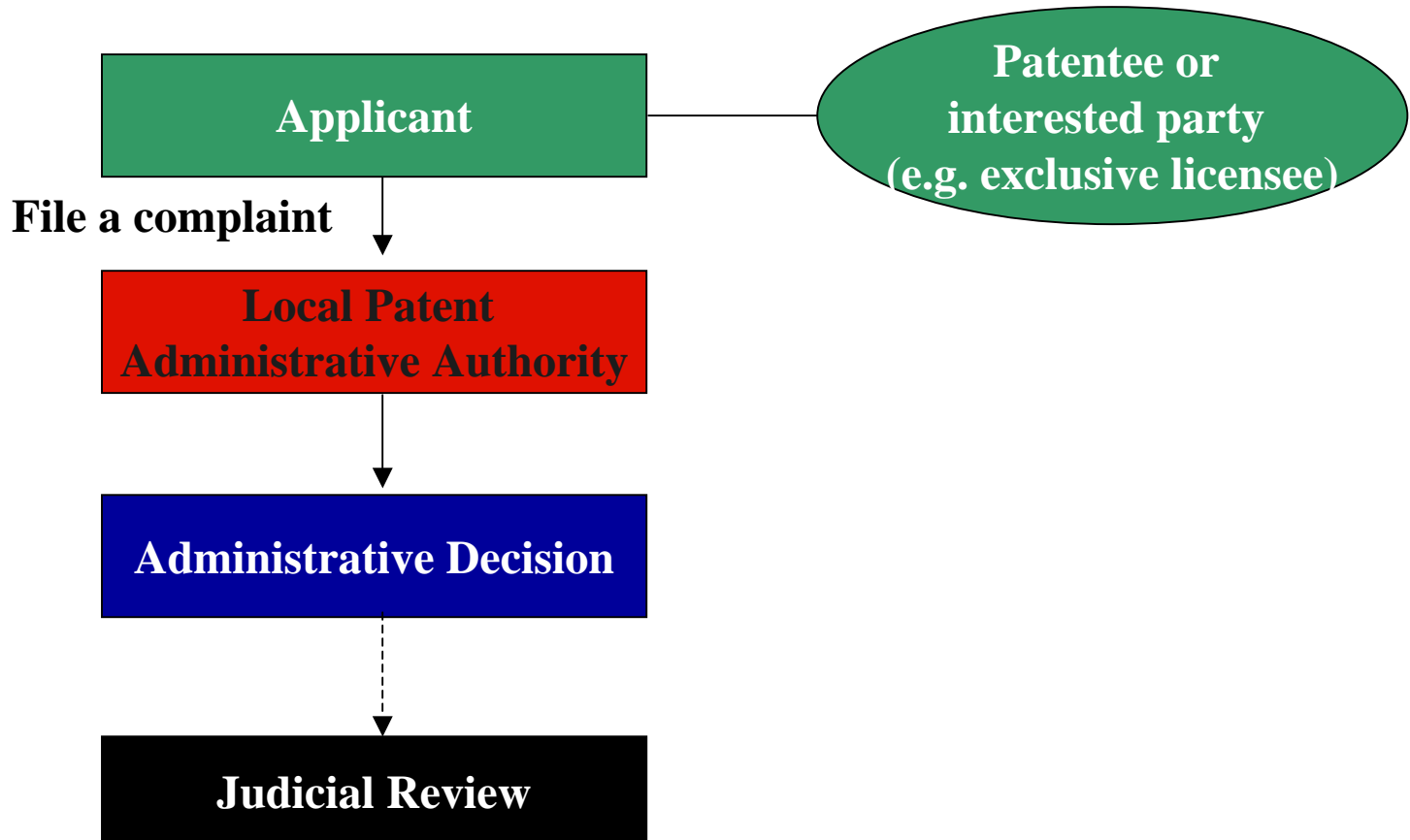
Patent Enforcement Route



Statistics of infringement cases handled by the courts and local administrative patent organs



Administrative Procedure in China



Border measures of China customs

Enforcement Procedure	Customs Act	
	Routine	China
How to initiate the case	IP right holder's Request	Either by IP right holder's request or customs initiative
Contents of inspection	Counterfeit and piracy	Counterfeit, piracy and patent infringement
Direction of inspection	Only import	Both import and export
Other procedures	Generally speaking, identical	

Administrative Remedies

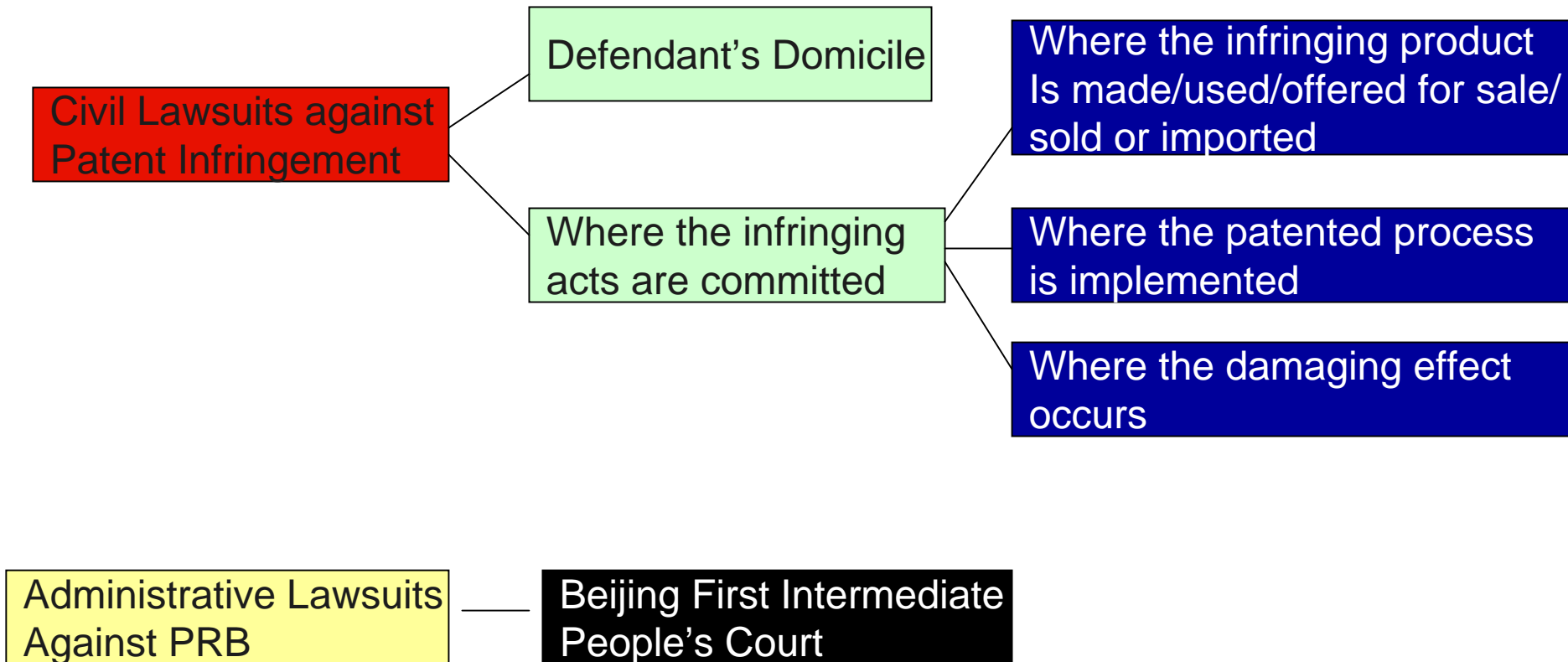
- Cessation of the following infringing acts:
- Manufacturing the infringing products
- Use of a patented process
- The selling/offering for sale/import of the infringing products or products directly obtained by the patented process

Note: damages can not be awarded through administrative procedure

The Chinese Court System for Patent Litigation

Level	Court	No.	Claims RMB		Remarks
			<100 millions	>100millions	
1	Supreme Court	1	Supervise	Second Instance	
2	High Court	31	Second Instance	First Instance	
3	Intermediate Court	~400	First Instance	×	Only 50 Intermediate Courts
4	County Court	~2700	×	×	

Jurisdiction & Venue in Patent-Related Cases



Pre-filing Investigation

- No discovery Procedure; Pre-filing Investigation is necessary
- Typically accomplished by using a local agent or a private investigator through a local law firm
- Common practice: purchasing a sample of the infringing product in a notarized procedure

Burden of Proof in Patent infringement Cases

- Usually on the plaintiff
- On the defendant to prove the alleged infringing process manufacturing identical products is different from the patented process
Case: Glaxo v. South-West Hecheng Pharmaceutical Factory
- Chongqing First Intermediate People's Court ordered the defendant to adduce evidence to prove its process for manufacturing Ondansetron is different from the plaintiff's patented process.

Invalidation Applications Filed during Court Proceedings

- The defendant of a patent infringement case may file invalidation application with PRB
- The local Court may suspend the trial of the infringement case
- PRB decision may be appealed to Beijing First Intermediate People's Court and then Beijing High People's Court
- Different Courts for Infringement Case and Invalidation Case

Damages

- Monetary loss to the patent owner;
- Monetary profits to the infringer as a result of the infringement;
- Up to 3 times a reasonable royalty; or
- RMB 5,000 to RMB 500,000 (\$600 to \$60,000)

In practice, damages are often decided by the first or the fourth method

Criminal Remedies

- The Chinese Criminal Law as amended in 1997 sets out 7 types of IP-related crimes.
- 2004 Supreme Court & Supreme Procuratorate Interpretation of Some Issues Concerning the Concrete Application of Laws in the Handling of Criminal Cases of Infringing Intellectual Property Rights greatly lowered the threshold for imposing criminal liability.

Infringement cases involving Chinese companies

- Intel vs. Via
- Seagate vs. Nanjing patentees
- Cisco vs. HW
- TSMC vs. SMIC
- DSP in mobile phones (China market)
- Motorola vs. Beijing patentees
- Pfizer vs. Chinese companies

Comparison of Administrative with Judicial Enforcement

	Administrative Enforcement	Judicial Enforcement
Advantages	Relatively simple procedures and evidence requirement; less costly and faster	Monetary compensation; less local favoritism; finality of second-instance Court's decision
Disadvantages	Inability of awarding damages; more local favoritism; decisions subject to judicial review	More complicated procedures and high evidence requirement; Relatively slow and costly

Conclusion

- The above analysis shows that it is possible for foreign companies to successfully obtain and enforce their trademark and patent rights in China as long as they comply with the specific requirements set out by the Chinese trademark and patent related laws and regulations. As Chinese trademark and patent systems are different from US in many ways, selection of experienced Chinese patent counsel is the key to protecting industrial property in China.

THANKS!

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