

Improvements in IP Protection in China: A Long Term Battle with Counterfeits

By Wang Yan, Senior consultant of Anderson & Anderson LLP, Guangzhou Office

Intellectual property protection is always a hot topic but a hard task faced by the Chinese government and its judicial system. In the past a few years, the environment for intellectual property protection has improved gradually, but problems remain. On the one hand, new laws and regulations are enacted, which strengthen the enforceability of basic intellectual property laws. On the other hand, there are still daily acts of intellectual property infringement; and intellectual property owners still face difficulties in combating counterfeits.

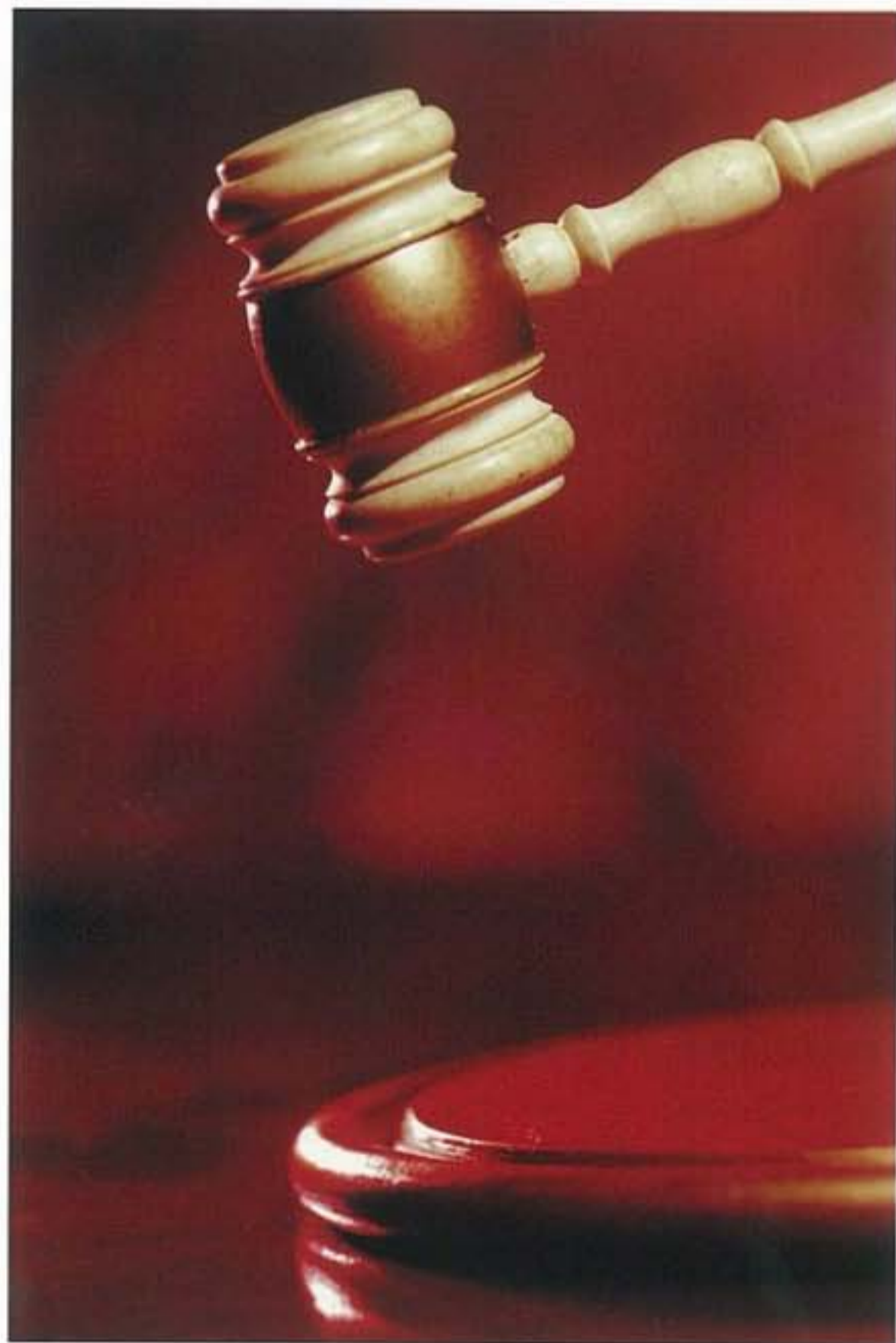
1 Improvements in IP Protection

1.1 New regulations are enacted

In the past three years, the National People's Congress, State Council and the Supreme Court enacted several laws, regulations and judicial interpretations regarding intellectual property protection. Most of the rules and regulations specify or clarify the existing basic laws of copyright, patent and trademark and improve the enforcement mechanism of intellectual property protection in China.

On 1st May, 2009, the Judicial Interpretation on Several Issues relating to Application of Law in Identification and Protection of Well-known Marks ("Judicial Interpretation") came to effect. The Judicial Interpretation aims at standardizing the identification of famous trademarks by the courts, so as to protect the lawful rights and interests of famous trademarks owners.

To prove a trademark is a well-known, the owner needs to prove that the mark has been well-known in the territory in China when the alleged infringements occur, and the following elements shall be considered: (1) the market share, the trading area and the profit margin of the products bearing the mark; (2) the duration of use of the mark; (3) the method, duration, extent, investment and geographical area of the promotion of the mark; (4) records showing the marks that it is protected as well-known mark if available; (5) the reputation of the mark; and (6) other facts that can prove the mark is a well-known mark.



Apart from the Trademark Law, the Patent Law is also under revision. In 2008, a draft of the Revised Patent Law was approved by the State Council. The draft stipulates that compensation for infringement shall include the costs of patent protection paid by the patent owner, such as investigation fees. The new law will also raise the punishment level. The present Patent Law puts a cap of punishment based on the amount of illegal proceeds. The maximum punishment shall not be higher than three times the infringer's illegal proceeds. The standard will be raised to four times illegal proceeds in the new law. If the illegal proceeds cannot be proved, the administrative

penalty by Patent Bureau will be up to RMB 200, 000 in the new draft, rather than RMB 50,000 in the present law. In a civil action, if the property owner has difficulty to prove its loss, the infringer's illegal proceeds, or the patent's license fee, the court has discretion to grant a compensation to the patent owner with an amount from RMB10, 000 to RMB 1 million.

While new laws and regulations are enacted, the law enforcement agencies, such as the Customs, Procurator, and the Administration of Industry and Commerce also took active measures to protect the intellectual property owner's legitimate rights.

Customs in 2008 seized 11,135 batches of importing and exporting counterfeits, with an increase of 49.3% compared to the year of 2007. The local intellectual property offices accepted 1,126 patent cases; and the district Administration of Industry and Commerce handled 56,634 trademark cases, destroying 22,870,000 infringing products.

The courts of different levels also attached more significances to the enforcement of intellectual property infringement cases in 2008. The district courts received 24, 406 new cases of first instance, and 4,759 new cases of second instance in 2008. The Public Security Organs cracked down 1,455 criminal cases, the amount involved of infringing goods added up to RMB 1.65 trillion.

2 Problems remain

However, with all the above mentioned improvements, problems still remain, for which we provide some examples below.

2.1 Difficulties in Substantiating a Criminal Case

More and more intellectual property infringing cases are seen as criminal offences in China. But to prove and substantiate such cases is not easy. For example, when the authorities calculate the value of infringing products, if the resale price is not available, normally they will reevaluate the counterfeits and give it a much lower price, which reduces the possibilities of bringing a criminal case. In the case that traders export the counterfeits overseas, they usually use false names and even if they are caught, the real manufactures of the counterfeits are still at large.

2.2 Shirking Responsibilities by Different Authorities

In China, different administrative departments and agencies, such as Public Security Bureaus, Administration of Industry and Commerce Bureaus, Technical Supervision Bureaus and so

on, all have authority in regulating intellectual property infringements. When an infringing case is reported to one of the above-mentioned agencies, at times the agency shirks its responsibility and pushes the case to other agencies in certain districts.

2.3 Selling of Counterfeit Products via Internet

More and more counterfeit products are sold on the internet, conducted on C2C mode, which makes the identification of the infringer more difficult. Compared with the corporate infringers, the individual infringers are harder to trace, as they usually operate tens of different websites, selling counterfeits under fake IDs.

2.4 Uncertainties on the Disposition of Counterfeit Products

Some intellectual property owners are concerned that counterfeit products are not destroyed but rather resold in the market after they are seized by Customs due to recycling or environmental protection requirements, unless the genuine trademark owners make a request to destroy the counterfeit products which prove to be unsafe to use.

2.5 Foreign Well-Known Marks Are Not Given Same Level Protection as the National Marks

In China, the well-know marks can be certified by the Trademark Bureau or by the courts. The administrative offices publicize the names of well-known marks from time to time. However, in the list, many international well-known marks are not certified as well-known marks in China, such as IBM, Coca-cola, Microsoft, and Sony; while over 300 national registered marks are certified as well-known marks, from Tsingtao beer, Hongtashan cigarettes, to Haier electronics.

This is definitely not an exhaustive list of the difficulties faced by the intellectual property owners in China. For the intellectual property owners in China, there is still a long way to go to protect their legitimate rights in this surging economy.

For more information, please contact:

Anderson & Anderson LLP, Guangzhou Office

Tel: 8620-38392008

Fax: 8620-38392009

Email, anderson@anallp.com

Website: www.anallp.net

Add: Suite 3901, 39/F, Profit Plaza, 76 Huangpu Avenue West, Tianhe District, Guangzhou