

**Track One: Options for Patent Enforcement in "Difficult" Foreign
Countries Such as China**

by

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**Protecting and Enforcing Your
Intellectual Property in China**

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Why care?

- This is not only a problem for US companies doing business in China.
 - Chinese counterfeiters and pirates export to US market.
 - Counterfeiters and pirates market at trade shows.
 - Counterfeiters and pirates may sell to your customers and suppliers.

Scope of the Problem

Chinese counterfeiting and piracy affect you:

- In the United States
 - * China is the largest single source of seizures of infringing products by U.S. Customs.
- In Third Countries
 - * China is a leading source of seizures in the European Union, Japan and in many developing country markets, such as in South America, Southeast Asia, Africa, and the Middle East.

Scope of the Problem

Problem is Widespread.

Counterfeiting (20% or more revenue lost of some products)

Piracy (90% + of movies, motion pictures, software)

Catalyst for Change: WTO

- China joined the WTO on December 11, 2001.
- China agreed to implement the Agreement on the Trade Related Aspects of Intellectual Property (TRIPs) Agreement.
- Does China provide “adequate and effective” intellectual property protection?

Catalyst for Change: WTO

- Good News
 - China has amended its IP laws substantially.
 - The TRIPs Agreement keeps China accountable.
 - Other WTO Members can use TRIPs as leverage with China.
- Bad News
 - Cutting edge legal issues require further legislation.
 - Enforcement of IP laws is weak.

Business Considerations

- Do you plan to market in China?
- Do you plan to serve other foreign markets?
- Do you plan to manufacture in China?
- Do you plan to purchase supplies in China?
- Do you attend large international trade shows?

Business Considerations

- How important is intellectual property to your business model?
- Can your goods or services be copied or imitated?

Protecting your IP in China

REMEMBER:

- IP rights are usually territorial.
- Use the 3 R’s
 1. Registration
 2. Recordation
 3. Remedies

Protecting your IP in China

- Register
- Record
- Remedies

Protecting your IP— Registration

- Patents
 - Must file patent applications with State IP Office (SIPO)
 - Rights are territorial
 - China is “first to file” country
 - Must use registered patent agent

Protecting your IP– Registration

- Trademarks
 - Must file trademark applications with the Chinese Trademark Office (CTO), which is part of the State Administration for Industry and Commerce (SAIC)
 - CTO provides administrative enforcement of trademarks throughout China
- Tips for protecting your trademark
 - Do a trademark search
 - Have the trademark registered in Chinese and English
 - Secure other rights such as domain names, if necessary

Protecting your IP–Registration

- Copyright protection is available for all works at the point that the work is in any tangible form
- There may still be reasons to register.
 - As a US copyright owner, you must register in order to be able to bring suit in federal court for infringement.
 - Registration puts others on notice
 - A US registration may help to provide evidence in Chinese court.

Protecting your IP— Recordation

- You can record your registered trademarks and copyrights with the U.S. Customs and Border Protection (CBP)
- Note: this procedure is not available for patents.
- *This information is recorded (for a fee) and entered into an electronic database accessible by CBP officers across the country. CBP uses the information to actively monitor shipments and prevent the importation or exportation of infringing goods.*
- A similar process exists for Chinese Customs.

Trade Secrets

- Technical and/or management information that is unknown to the public
- Can bring economic benefits and is of practical value, and
- Which the rightful party has adopted measures to maintain its confidentiality.

Protecting your IP—Remedies

- Do you need assistance contacting any U.S. Embassies who may be able to help you find experienced intellectual property attorneys in your country of interest?
- Embassies maintain lawyer lists—as do some trade associations.

Embassy and Consulate Activities

- Ambassador’s IPR Roundtable
- Consulate IPR Events -
 - Guangdong IPR Roundtable
- Commercial Complaint Assistance
- China IPR Toolkit
- Embassy IPR Action Plan
- IPR, Customs and Legal Attaches -
 - Container Security Initiative
- Other -
 - Fourth of July IPR Event
 - Support for USG Delegations

IPR Toolkit - Microsoft Internet Explorer provided by Department of State (XP-1.5)

File Edit View Favorites Tools Help

Address <http://www.usembassy-china.org.cn/ipr/> Links

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美国驻华大使馆
The American Embassy in China

Consulates in China
Consular Districts Map
Chengdu
Guangzhou
Shanghai
Shenyang

The Embassy Visa Info US Citizen Services Policy & Issues Trade & Commerce About the USA

IPR Toolkit

IPR TOOLKIT

- **Ambassador's Message**
- **Protecting your Intellectual Property Rights (IPR) in China: an Overview**
 - China's Current IPR Environment
 - The Best Protection is Prevention
 - China's IPR Enforcement System
 - What the U.S. Government Can Do in IPR Infringement Cases
 - Additional Resources
- **Copyright**
 - Legislation
 - Coverage — What Does Copyright Protect?
 - Registration
 - Market Entry Planning

Local intranet

Handling Commercial Complaints

- Complaints to Commerce, State, US Export Assistance Council and Embassy
- Collect information
- Assemble a team
- Consult technical experts
- Determine possible actions



The screenshot shows a Microsoft Internet Explorer browser window displaying the website <http://www.buyusa.gov/china/en/>. The browser title is "U.S. Commercial Service China: Home - Microsoft Internet Explorer provided by Department of State (XP-1.5)". The website header features the "BUYUSA.GOV" logo and "U.S. Commercial Service" text. A navigation menu on the left includes links for Home, How We Help U.S. Companies, How We Help Chinese Buyers, Business Service Providers in China for U.S. Co.'s, China Trade Shows, Trade Leads, FAQs, Employment Opportunities, Useful Links, Archives, Visitor's Guide, and Contact Us. The main content area is titled "Welcome to U.S. Commercial Service China!" and lists several bullet points: Programs and Services, Information by Industry, China Trade Shows, China Trade Leads, Latest News and Events, Top 10 Tips for Doing Business in China, and Publications and Market Research. Below this, a paragraph states that the U.S. Commercial Service at the U.S. Embassy Beijing assists U.S. companies with U.S. exports to China, emphasizing help for U.S. SMEs. A sidebar on the right contains a search box, a "中文" (Chinese) language option, and a "Local intranet" icon at the bottom.

Options for Patent Enforcement in “Difficult” Foreign Countries Such as China

The screenshot shows a Microsoft Internet Explorer browser window displaying the Trade Compliance Center website. The browser's address bar shows the URL: <http://www.tcc.mac.doc.gov/cgi-bin/dot.cgi?218:54:5b2e1a68ba0ac960d5d0b8b6ca3eea3078e5da56cb9ff3599d2fcae2a2f2a295:0>. The website header includes the 'Export.gov' logo, the text 'TRADE COMPLIANCE CENTER', and a search bar. A navigation menu lists: Report a Barrier | Trade Agreements | Technical Regulation Updates | Country Market Research | Bribery | News | Search TCC.

Report a Trade Barrier
Please fill out the following voluntary form with the requested information regarding the trade barrier you have encountered. Not sure if we can help you? Check this list of some of the **common trade problems that U.S. companies have encountered and we have addressed**. Providing this information is voluntary.

Looking for export assistance? Visit the **Trade Information Center** for export counseling and marketing information.

1. Tell us who you are and how to reach you:

Name:

Company:

Address:

Telephone:

Fax:

Email:

2. Tell us in your own words the problem you are encountering or the question you have. Take as much space as you need.

Local intranet

USG Help for IPR Rights Holders

What They Can Do

- Help companies navigate through China's legal system
- Provide list of attorneys and/or consulting firms
- Monitor and inquire about case status

What They Can't Do

- Provide legal advice
- Advocate on behalf of a company where the company has not pursued legal action
- Try to influence the result of a case under adjudication

USG IPR Contacts

- US Department of State -
 - Beijing: Mark Cohen (CohenMA@state.gov) (seconded from USPTO); Adam Ross (Rossad@State.Gov)
- US Department of Commerce -
 - Beijing – Foreign Commercial Service: Cameron Werker
 - Beijing – Market Access and Compliance:
 - Beijing - Trade Facilitation Office
 - Washington - Office of China Economic Area: Joshua Wu, Ellen Szymanski, Kristine Schlegelmilch
 - Washington - Sector Specific Offices

USG IPR Contacts

- US Patent and Trademark Office -
 - Susan.Anthony@USPTO.Gov - Trademark
 - Jennifer.Ness@USPTO.Gov - Copyright
 - Elaine.Wu@USPTO.Gov - Patent
 - Karen.Hauda@USPTO.Gov - Biotech
 - Timothy.Browning@USPTO.Gov - Enforcement

Section 337 Remedy

If infringing products are being imported into the United States, and the company holds a registered patent, trademark or copyright for the product, you should consider filing a Section 337 complaint with the U.S. International Trade Commission to bar infringing products from entering the United States.

Using Remedies in China

- “Three Track” Chinese Enforcement System
 - Administrative Enforcement (By Far the Majority of All Cases)
 - * Patent, TM, Copyright, Trade Secret, Plant Varieties, etc.
 - * Customs
 - Civil Enforcement
 - Criminal (Least Common)

Administrative Enforcement

- Advantages: Inexpensive, Fast, Local, Expert Agency, Nearly Every IP Right Has An Administrative Agency, Don't Need A Lawyer, May be Able to Obtain an Injunction, Administrative Agency May Have Other Enforcement Capabilities.
- Disadvantages: “Local Protectionism”, Penalties Usually Non-Deterrent, Non-Transparent, Difficult to Transfer to Criminal Prosecution, Limited Geographic Jurisdiction, Can't Reach International Criminal Activity, Damages For Injured Party Not Likely Available.

Recent Statistics

- Trademark—40,171 cases of TM infringement and counterfeiting, 5,494 cases involving foreign right holders; average fine of \$620 per case, 96 cases referred for criminal prosecution
- Copyright—9,691 cases, 158 involving a foreign right holder, 102 cases referred for criminal prosecution.

Civil Enforcement

- Advantages:
 - Specialized judiciary that may be trained in IPR, availability of damages and injunctive remedies, rights of appeal, nationwide jurisdiction.
- Disadvantages:
 - High cost, low damage awards, lack of independence of judiciary in many jurisdictions, and great difficulty in collecting damages, if awarded.

Statistics

- Chinese courts handled a total of 8,832 IP related civil cases in 2004; an increase of 46.82%
- Copyright cases totalled 4,264, an increase of 70.99%
- Cases involving foreign right holders were approximately 5% of total.

Criminal Enforcement

- Advantages: Can be brought by police/prosecutors or injured party; deterrent damages possible (fine and imprisonment), possibility of civil damages in addition to criminal punishment, potentially lower cost than civil litigation. Criminal measures for willful trademark counterfeiting and copyright piracy on a commercial scale are WTO obligations.
- Disadvantages: Evidentiary standards have been lowered with the new Judicial Interpretation, but resource issues may still make these cases difficult to pursue. Not all IPR infringements are criminalized. Difficulties may exist in having administrative cases referred to criminal prosecution.

New Judicial Interpretation

- TM thresholds lowered from RMB 100,000 to RMB 50,000 (\$12,000 to \$6,000)
- Copyright thresholds similarly lowered; number of copies lowered from 5,000 to 1,000
- New provisions addressing online copyright piracy, accomplice liability, and the import/export of infringing goods

Progress to date

- MPS Operation Mountain Eagle from 09/04 targeting large scale and organized counterfeiting and piracy
- Chinese courts report an increase of almost 19% in criminal IP case filings (18.9%)
- National IP campaigns extended through 2005

Problems with the new JI

- Valuation of seized goods
- A “profit generating” requirement for copyright piracy
- A “knowledge” requirement for the sale of counterfeit or pirated goods
- Repeal of “three strikes” rule for repeat offenders

Customs Enforcement

- **Advantages:** Available for Import and Export, Stops Goods in Transit, Inexpensive. Stops the harm caused by export of counterfeit goods.
- **Disadvantages:** Most useful when you know the port the goods are being exported from. Storage charges and other expenses can be high. Customs can only inspect a limited % of goods exported.

Statistics

- 1,052 total seizures in 2004 with a value of more than \$10 million
- 95% of all seizure cases involve TM infringement
- 98% of all seizures are for goods destined for export
- 67% of seizures involve foreign TMs

U.S. Government Efforts

- Ongoing WTO Monitoring
- Multilateral Work at WIPO
- Regional Work in Bodies such as ASEAN, APEC
- Bilateral Work
 - JCCT
 - Continuation of USTR bilateral meetings
 - Extensive IP Training
- Domestic Efforts

Key IPR Events in 2005

- Special 301 Out-Of-Cycle Review
- JCCT IPR Working Group
- JCCT Bilateral
- USTR WTO Report
- Xiamen APEC/Investment Fair
- US Ambassador's Roundtable
- TRIPS Council "End of IPR Year" Review -
 - Transitional Review Mechanism, October/November

USG Reports on IPR in China

- USTR's Special 301 Report -
 - China's Status: Section 306 Monitoring/OCR
- U.S. Embassy-Beijing -
 - National Trade Estimate
 - China Mission IPR Action Plan
- USTR Annual Report on China's WTO Compliance -
 - September Hearings
- Questions Posed at TRIPS Council/Other Fora (See WTO Website)

China Mission IPR Focus in 2005

- Improved IPR Enforcement -
 - Criminal Enforcement - JI Implementation
 - Administrative Enforcement - case transfer
 - Export Controls (General Bonding)
- Improved Market Access for IPR Products
- Macro Strategies - Action/Strategic Plans -
 - Patents (design patents; biotechnology)
 - Trademarks (TM Examination Manual)
 - Copyrights (WIPO Internet Treaties; NCAC Administrative Regulations on ISP Liability)
- Working with Industry
- Special 301, Benchmarking, WTO

Other Multilateral Bodies

- APEC
- ASEAN
- The Trilateral Offices
- World Customs Organization

Office-to-Office Activities

- USPTO has a strong relationship with:
 - The State Intellectual Property Office (SIPO) of China on Patent issues
 - The State Administration for Industry and Commerce (SAIC) and the China Trademark Office (CTO) on issues relating to trademarks, domain names, and geographical indications.
 - The National Copyright Administration (NCA) on copyright and related rights, including Internet issues.

US-China Bilateral Work

- Long bilateral relationship between US and China
- Several bilateral agreements including IP issues dating back to the early 1990s
- Regular bilateral consultations since WTO accession between US and China
- U.S.-China Joint Commission on Commerce and Trade IPR Working Group

Training

- USPTO has conducted many training programs for Chinese officials.
 - In China
 - In the US
 - In the Region
 - By Videoconference
 - On both substantive issues and enforcement.

USPTO China IP Expertise

- USPTO recently appointed an IP attaché to the US Embassy in Beijing.
- USPTO has a comprehensive and experienced China IPR team, including:
 - TM expert
 - Copyright expert
 - Patent expert
 - Enforcement expert
- Mark Cohen will work with government officials to improve Chinese intellectual property laws, regulations and enforcement procedures.

NIPLECC

- Established in 1999
- USPTO Director Co-Chairs
- May develop a new role in combating piracy and counterfeiting in China.

STOP Initiative

- Rightsholders can call 1 (866) 999-HALT
- Multi-agency effort involving:
 - the Commerce Department
 - the Justice Department and
 - the Department of Homeland Security
- Multifaceted effort using each agency's resources to best tackle the problem.

STOP Hotline

- Would you like to speak to U.S. Government experts that can help you devise a strategy to fight back?
- *The company may be directed to the Commerce IPR hotline where Commerce experts can suggest strategies to evaluate IPR problems encountered abroad. Companies can contact the Commerce Department at: 1-866-999-HALT (4258)*

Thank You

For further information, please contact:

US Patent & Trademark Office
Department of External Affairs
(571) 272-9300
1(866) 999-HALT
www.USPTO.gov