



WAN HUI DA
LAW FIRM&INTELLECTUAL PROPERTY AGENCY



Etat des lieux de la Propriété Intellectuelle en Chine

Mise à Jour
Novembre 2016

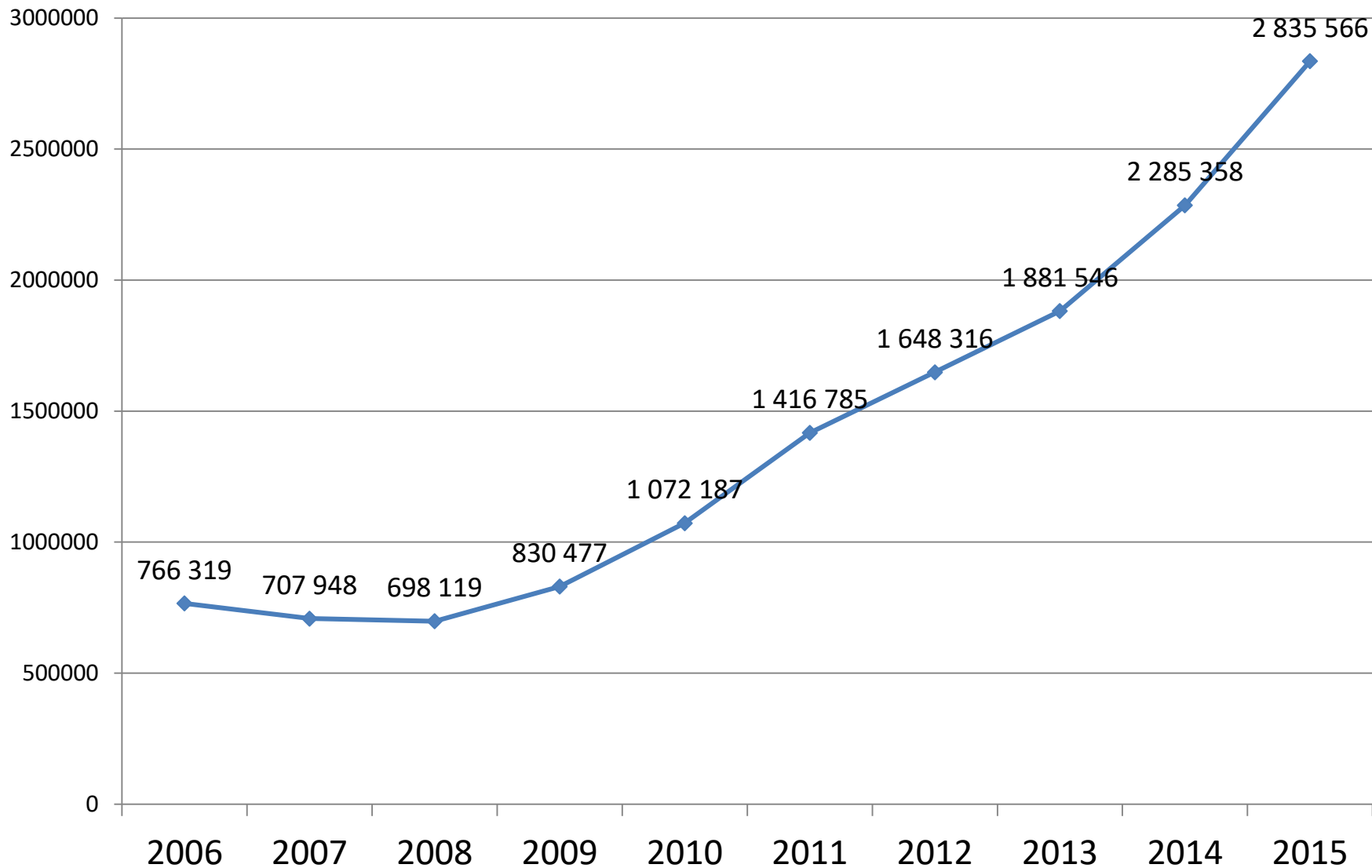
- **Statistiques**
 - **Réforme judiciaire**
 - Rappel (IP Courts)
 - Rôle de la jurisprudence
 - Procédure (écrite ou orale)
 - **Marques (contentieux administratif et civil)**
 - Evolution de la théorie du développement inclusif
 - Questions diverses
 - **Indications Géographiques (enregistrement AQSIQ)**
 - **Internet et contrefaçon : contexte légal et réglementaire (rappel)**
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STATISTIQUES

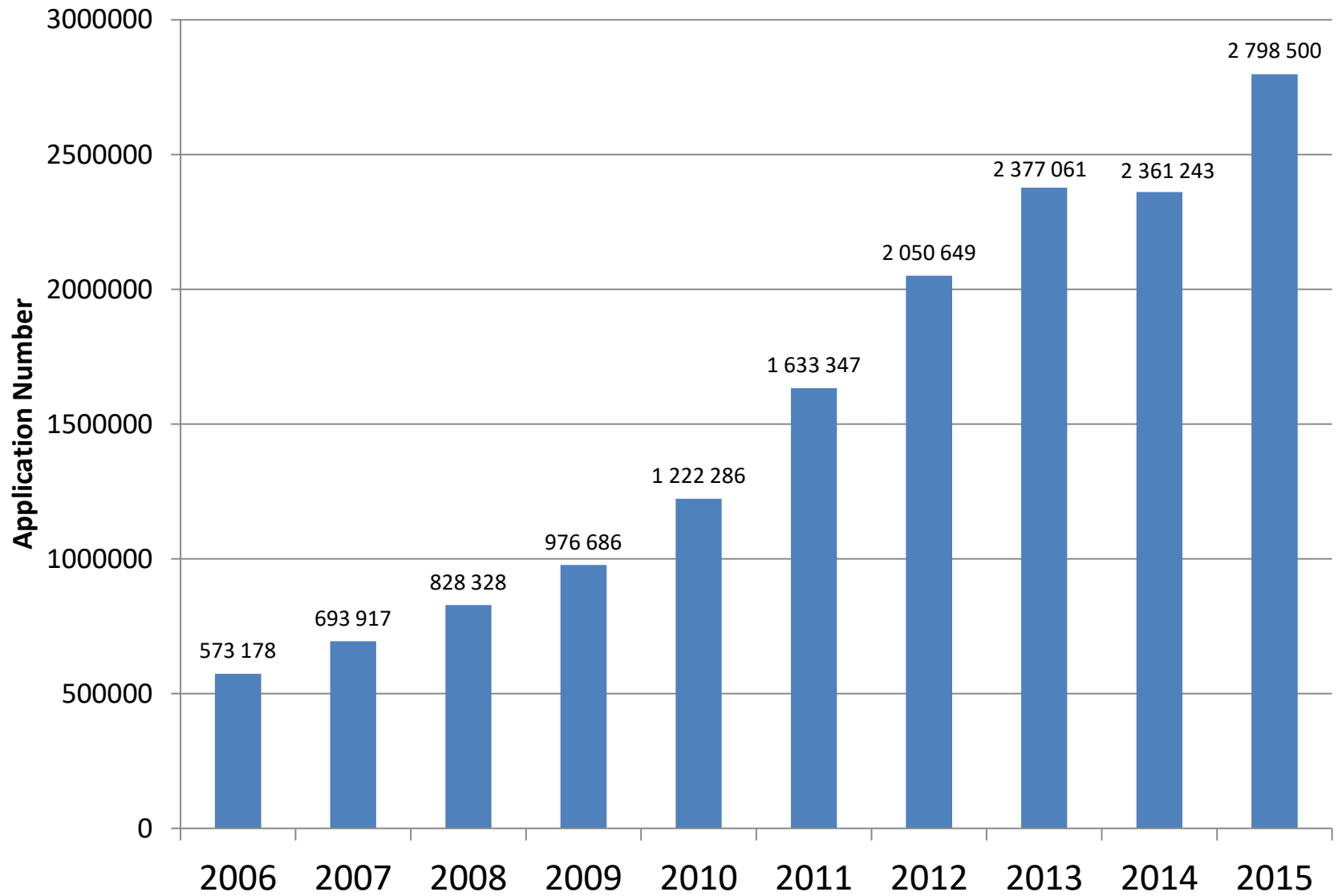
Jugements Propriété Intellectuelle :

JUGEMENTS		2008	2009	2010	2011	2012	2013	2014	2015
Civil	CN/CN	23,518	30,509	41,718	58,201	83,850	88,286	94,501	101,324
	Etranger	1,139	1,361	1,369	1,321	1,429	1,697	1,716	1,327
		5%	4%	3%	2%	2%	2%	2%	1.3%
Pénal		3,326	3,660	3,942	5,504	12,794	9,212	10,803	10,809
Administratif	CN/CN	1,032	1,971	2,391	2,470	2,899	2,901	4,887	10,926
	Etranger	n/a	n/a	815	986	1,127	1,143	1,927	4,348
		n/a	n/a	34%	40%	39%	39%	39%	40%

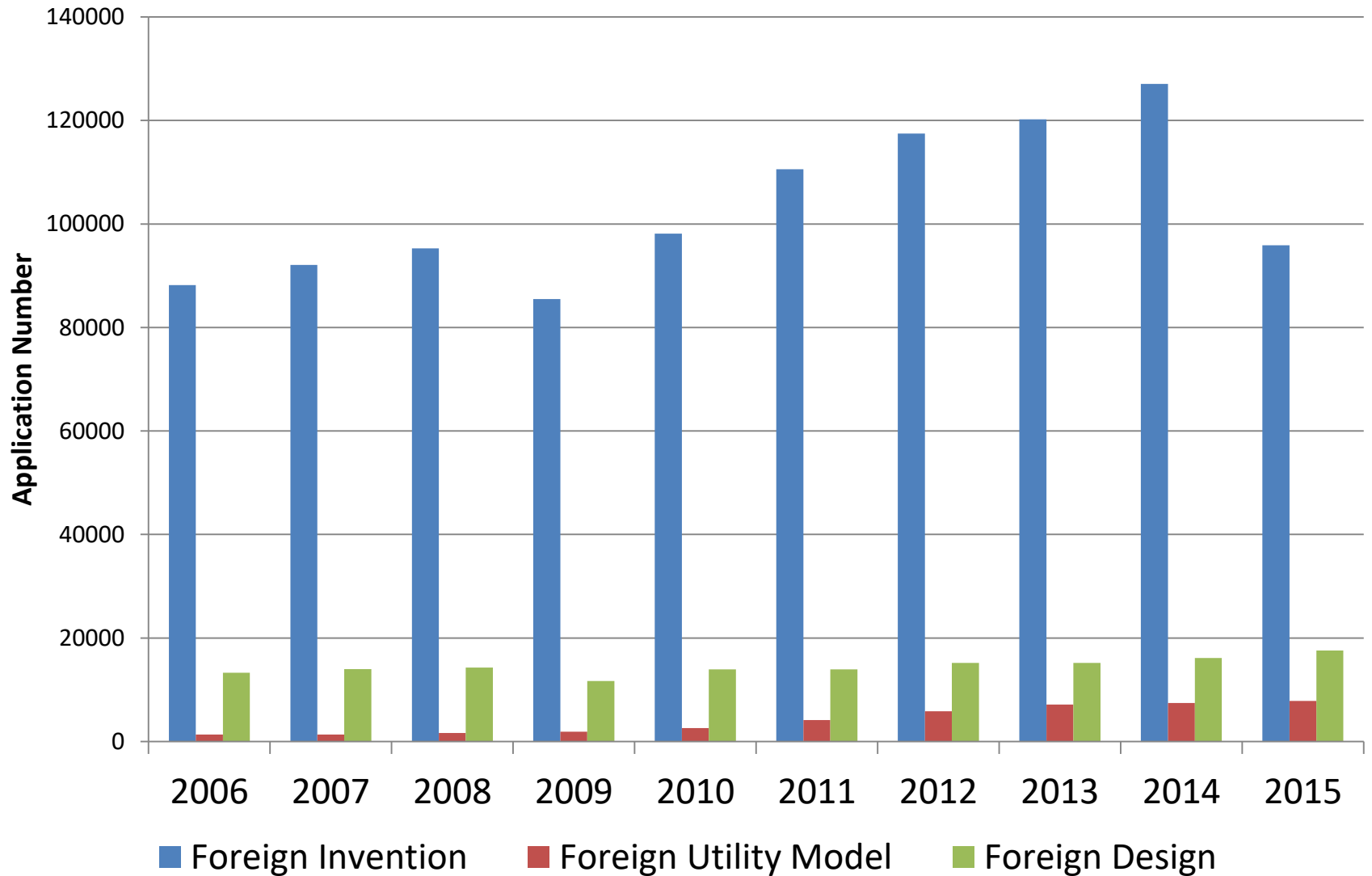
Trademark domestic and foreign (2006-2015)



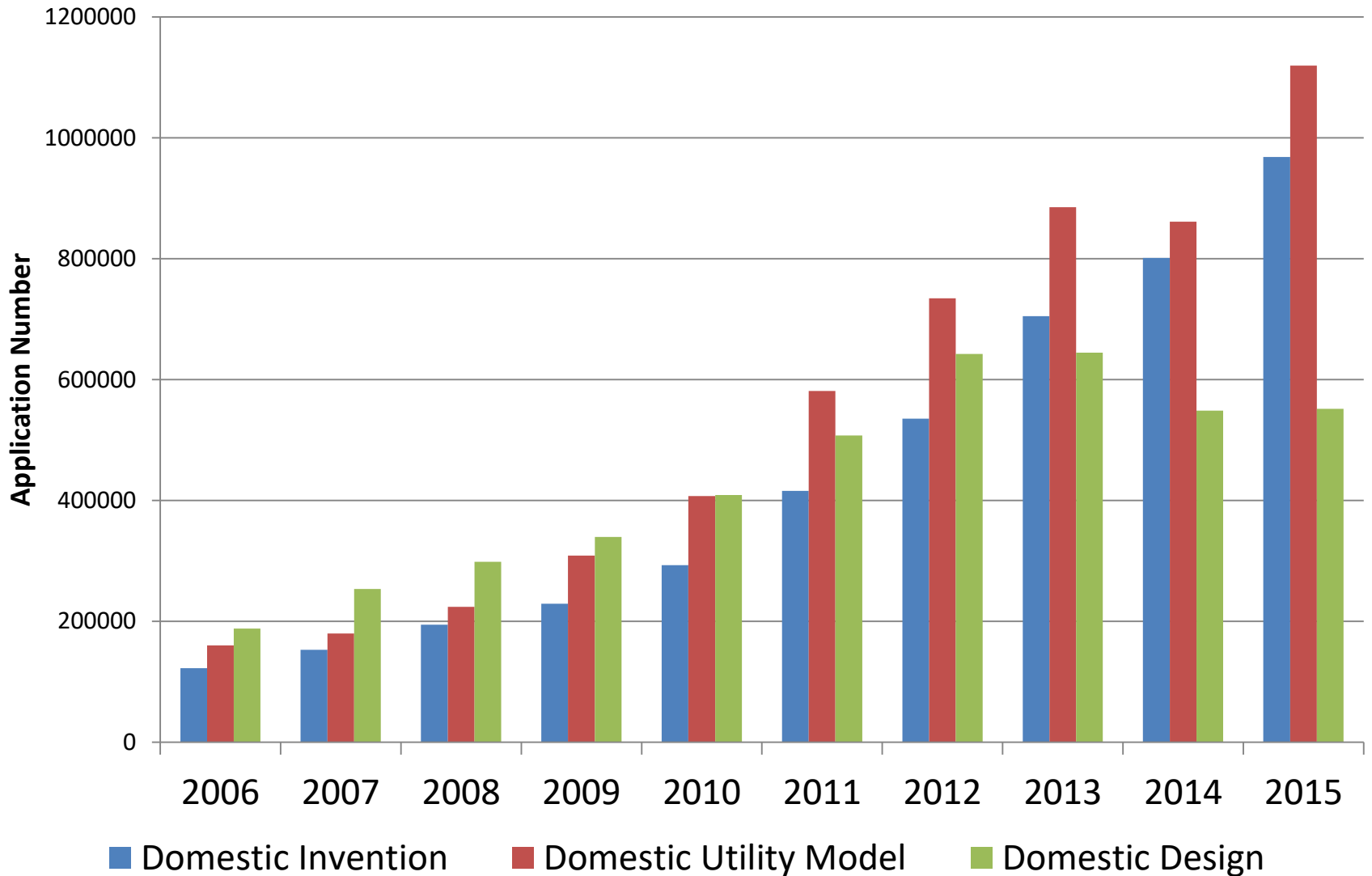
Patent domestic and foreign applications in China (2006-2015)



Foreign Patent Applications Accepted by SIPO (2006-2015)



Domestic Patent Applications Accepted by SIPO (2006-2015)



Réforme judiciaire

The judicial reform

- **Improve the qualification of the judges**
 - **Three categories** of personnel:
 - **Judge** in charge of hearing the case
 - **Assistant judge**
 - **Clerk** (administrative work such as record of the hearing)
 - **Less fully qualified judges**
 - **Beijing** IP Court **45** (**before**, in Beijing ex- IP Intermediate Court, → **100**)
 - **Shanghai** IP Court : **12** judges
 - **Guangzhou** IP Court : **13** judges
 - **Consequence** : **many judges have left** the court
 - Downgraded to "assistant judge"
 - Low chances of promotion
 - Joined law firms or enterprises

The judicial reform

- **The judge is "in charge"**

- The president and the heads of divisions **are directly involved in hearing cases**
 - **Before** they were mainly administrators and **lower judges** heard the cases and **reported**
- The judge who hears a case makes the decision, **without having to report** to the higher level.

- **Exception...The Adjudication Committee**

- They exist in all People's Courts and at each level of jurisdiction
 - Composed of the **President, vice presidents and heads of divisions**
 - Supervises and decides **on important cases**
 - Their deliberations **are state secrets, and are not part of the trial record.**
- *However, Beijing IP Court will innovate*

IP Courts

- **The most visible part of the reform** : (initial idea, a national patent appeal court)
- **Created 31 August, 2014 (trial for 3 years)**
 - Beijing, Shanghai, Guangzhou
- **SPC 31/10/14 : jurisdiction**
 - **First instance** civil litigation
 - *patents, new varieties of plants, trade secrets, layout design of integrated circuits and computer software*
 - *Cases involving the identification of well-known trademarks*
 - **Appeal against administrative decisions**
 - *patents, new varieties of plants, trade secrets, layout design of integrated circuits and computer software, copyrights, trademarks, and unfair competition*
- **Therefore** (in the jurisdiction of an IP court): **civil cases trademarks, copyright, unfair competition start at the basic level**

Beijing IP Court innovative approach

- **SPTL case : publication of a collegiate expert's opinion**

- Shanghai Patent and Trademark Law Office files SPTL (its initials) in class 41 (training services)

- Rejected by CTMO (article 19.4 TM Law)

- “Trademark agencies are *forbidden* to file in their own name an application for the registration of trademarks on *anything else than their services rendered*”.

- Beijing IP Court consults 5 experts → 2 types of opinions :

- One literal (training is not part of a IP agent's service)
 - One more open (training can be considered as part of trademark agent's services)

- Beijing IP Court followed *the literal opinion* and **reproduced the entire expert's opinion in its judgment.**

Beijing IP Court innovative approach

- **Huayuan Pharmaceutical case: public hearing of Adjudicating Committee**
- December 24, 2012, **CTMO issues a "Notice"**
 - **Creating** in class 35 a **new service** called *“retail or wholesale service for medicinal, veterinary and sanitary preparations, and medical devices”*.
 - **Article 4** provided for a **transitional period : January 2013**,
*“trademark applications on identical or similar new services would **be deemed to be made on the same date**, the prior used trademark having priority. In case of same-date use or in case of non-use, the parties concerned shall **negotiate** among themselves. If the negotiation **fails** within the time limit, the **CTMO will decide by casting lots**”*.

Beijing IP Court innovative decisions

- **Three applicants filed the same trademark:**
 - January **4** 2013 : **Huayuan** Company (who filed “Huayuan Pharmaceutical”)
 - January **11**, 2013 : **Jianyiwang** Company who filed the name "Huayuan",
 - January **28**, 2014 : **Yixintang** Company who also applied for "Huayuan".
- **23 October 2014**, CTMO orders the 3 applicants to **negotiate...** and if they fail, announces a decision by casting lots.
- **Huayuan appeals to the Beijing IP Court**, claiming that article 4 of the Notice is illegal
- **Beijing IP Court held a *PUBLIC HEARING of the Adjudicating Committee*** and decided to **revoke** article 4 of the Notice
 - CTMO had the right to create a new category of services
 - But **did not have the right to create such a transitional period**. First filing system is the law.

Beijing IP Court workload

- **Beijing** : receives all the appeals against TRAB and SIPO decisions
 - Takes civil and administrative cases
 - In 2015 : 5,022 cases:
 - » 3,449 administrative (mostly trademarks) and
 - » 1,576 civil cases (mostly copyright)
 - Consequence : high **procedural requirements** to get a case "accepted"
 - Frequent problems concerning the **Powers of Attorney**
- **Pending discussions initiated by WHD to standardize POA**
 - The Court will try to standardize the required formalities
 - Start with France
 - Make a list of questions
 - Answers to be delivered via the French embassy

"Three in One"

- In all People's courts, at all levels (first instance and appeal), IP cases of all type, i.e., civil, administrative or criminal, shall be handled by **one single division** of the court.
- **July 5, 2016 – SPC** : *"Opinion on the Promotion of the "Three in One" for the Trial of Civil, Administrative and Criminal Cases Involving Intellectual Property Rights in Courts Nationwide.*

Distinction between :

- Ordinary cases :
 - trademarks, copyright, technology contracts, franchise and unfair competition. They are those that can be handled, at the first instance level, by **certain basic People's courts**.
- Other cases:
 - **Patents**, new plant varieties, integrated circuit layout designs, **technology secrets** (part of the wider category "trade secrets"), **computer software** (part of the wider category "copyright") and cases that necessitate the recognition of the **well-known trademark** status as well as cases involving monopoly disputes, are to be submitted to the **Intermediate courts**.

"Three in One"

- **Concern :**
 - First instance : **Basic** court →
 - Appeal : **Intermediate** court →
 - "Retrial" : Provincial **High** court.
- **NO national harmonisation** of jurisprudence.
- **Suggestion :**
 - Create **ONE IP Appeal Court**

SPC and jurisprudence

- **Judicial cooperation (IP Key)**
 - **Case law study**
 - IP Key study (China, Germany, France)
 - » *China : publication of " Influential cases"*
 - » *Guiding cases* (selected by SPC, and **binding**)
 - **Project : select (and publish) 50 cases (from and EU and China)**

SPC and jurisprudence

- **Question** : how does SPC view its role ?
- **SPC can be**
 - **Appeal court**, if cases starts at provincial level (not frequent)
 - **Revision (retrial)**
 - **But, when it reviews a judgement, it is not limited to points of law**

SPC and jurisprudence

- "Retrial" is not the same as "cassation"
 - Example : the "Pretul Case" (SPC 26 November 2015)
 - Focker
 - Owns the trademark **PRETUL** in China for "locks"
 - YAHUAN
 - is a **OEM factory** → sells to TRUPER, a Mexican buyer
 - TRUPER
 - Owns an (almost) identical PRETUL in **Mexico**

SPC and jurisprudence

- **Focker**
 - requests **Ningbo customs** to **intercept** a shipment sent by Yahuan
 - Initiates civil action → **Yahuan** before the Intermediate Court of Ningbo
- **Ningbo court → infringement**
 - Stop use of Pretul mark and pay 50,000 Rmb
- **Appeal : High Court of Zhejiang → confirmation**
- **SPC retrial →**
 - The trademark PRETUL **has not been "used"** in the sense of Article 48 of the trademark law,
 - **Since the products were not sold in China...**

Article 48 TM Law:

*"The use of trademarks as mentioned in this Law refers to **affixing** trademarks to commodities, commodity packages or **containers** as well as commodity exchange **documents** or using trademarks to **advertisements**, exhibitions and **other commercial activities to distinguish the origin of the commodities**".*

SPC and jurisprudence

Influence of this decision ?

A few weeks later...

- **Jiangsu high court did not follow the "non use" reasoning of the SPC**
 - Found that the **OEM factory** has a **duty of care**
 - **It should have known** that there was
 - **Conflict about the ownership** of the DONGFENG trademark in Malaysia
 - between Shanghai Diesel and the purchaser of the products in Malaysia
 - **And it acted in bad faith** → therefore **infringement**
 - (better than Pretul, but still wrong...)
- **But the court, added**

*“Generally speaking, it would **be advisable to find the Chinese OEM manufacturer’s act not constituting trademark infringement** if the OEM products are all for exportation and are not intended for distribution in China.”*

SPC and jurisprudence

EU China IPR Working Group – May 2016

- The question concerning the PRETUL case is raised
- Serious concern : **Customs can no longer control** the export of fake goods !
- Answer of the SPC : ***this is only a case... !!?***

Cooperation judiciaire

June 2016 : delegation of Chinese judges to Europe

- Visit Paris (Munich and Rome) : TGI and C. Cass
- Very interested with civil procedure and the "protocole" signed with the Paris Bar

– Objectives :

- Replace oral procedure by written procedure
- Adopt "Principe du contradictoire"

Marques

La théorie du "développement inclusif"

Rappel :

Avril 2010 Opinion SPC (enregistrement des marques)

Article 1 marques en conflit largement utilisées – maintien de l'équilibre du marché

Article 16 : **pour apprécier la similitude il faut tenir compte de la réputation *des deux* marques**

Décembre 2011 Opinion SPC ("développement d'une économie équilibrée")

Article 19 : deux marques largement utilisées → il faut tenir compte des circonstances (historique, parts de marché, subjectif) pour décider de la similarité." **Promouvoir le *développement inclusif***"

Développement inclusif : new developments

Two cases :

1. 3 M vs. 3 N

2. Nei Lian Sheng



vs. Fu Lian Sheng



1. 3M vs. 3N Zhejiang High Court Sept 2015

- **3 M Company** (Minnesota Mining and Manufacturing Company)
- Owns **two trademarks** in class 17 (1996 and 2010)



"thin sheets or strips made from retro-reflective materials"

and

"retro-reflective plastic film, other than for packing (to improve and boost visibility and safety)".

3M vs. 3N

- **Changzhou Hua Wei Advanced Material Co. Ltd**

- Starts using (2007)
(extensive use)



- Files trademark in 2005 "*luminescent sheet and paving*"
 - Preliminarily approved by CTMO (2008)
 - Opposition CTMO approved for certain goods(2011)
 - **TRAB refuses** trademark for all goods (2013)
 - **No appeal**


3M vs. 3N

- **3M starts litigation** (2013)
- 3N argues that it has developed a large market presence
- Huangzhou Intermediate Court : **3,5 M RMB**
- Zhejiang Province High Court (appeal) : **confirmation**

*...in light of the first-to-file doctrine....., **Hua Wei, could not justify its use of a later mark in absence of any sort of prior rights,, if.....** the market share of Hua Wei built from its continuous trademark infringement activities were recognised by the Court, it will undoubtedly **encourage trademark infringers to circumvent liabilities through enlarging infringing scales,** which clearly **contradicts the legislative purpose** and undermines the intent of the Chinese Trademark Law.*

1. Nei Lian Sheng vs. Fu Lian Sheng : SPC Nov 2015

Both in the shoes business

- Nei Lian Sheng owns  trademark since 1983
- Fu Lian Sheng files TM application  in 2009.
 - Preliminarily approved by CTMO (2010)
 - CTMO rejects opposition (2012)
 - TRAB overrules and rejects trademark (2013)
 - Beijing Intermediate Court (July 2014):
 - Argues that long-term extensive use → independent reputation → coexistence OK
 - Court cites SPC Opinion : opposed trademark has established a high market reputation → coexistence OK
 - Appeal to Beijing High Court (December 2014) : reverses decision and rejects trademark
 - **Retrial before SPC →**

Nei Lian Sheng vs. Fu Lian Sheng

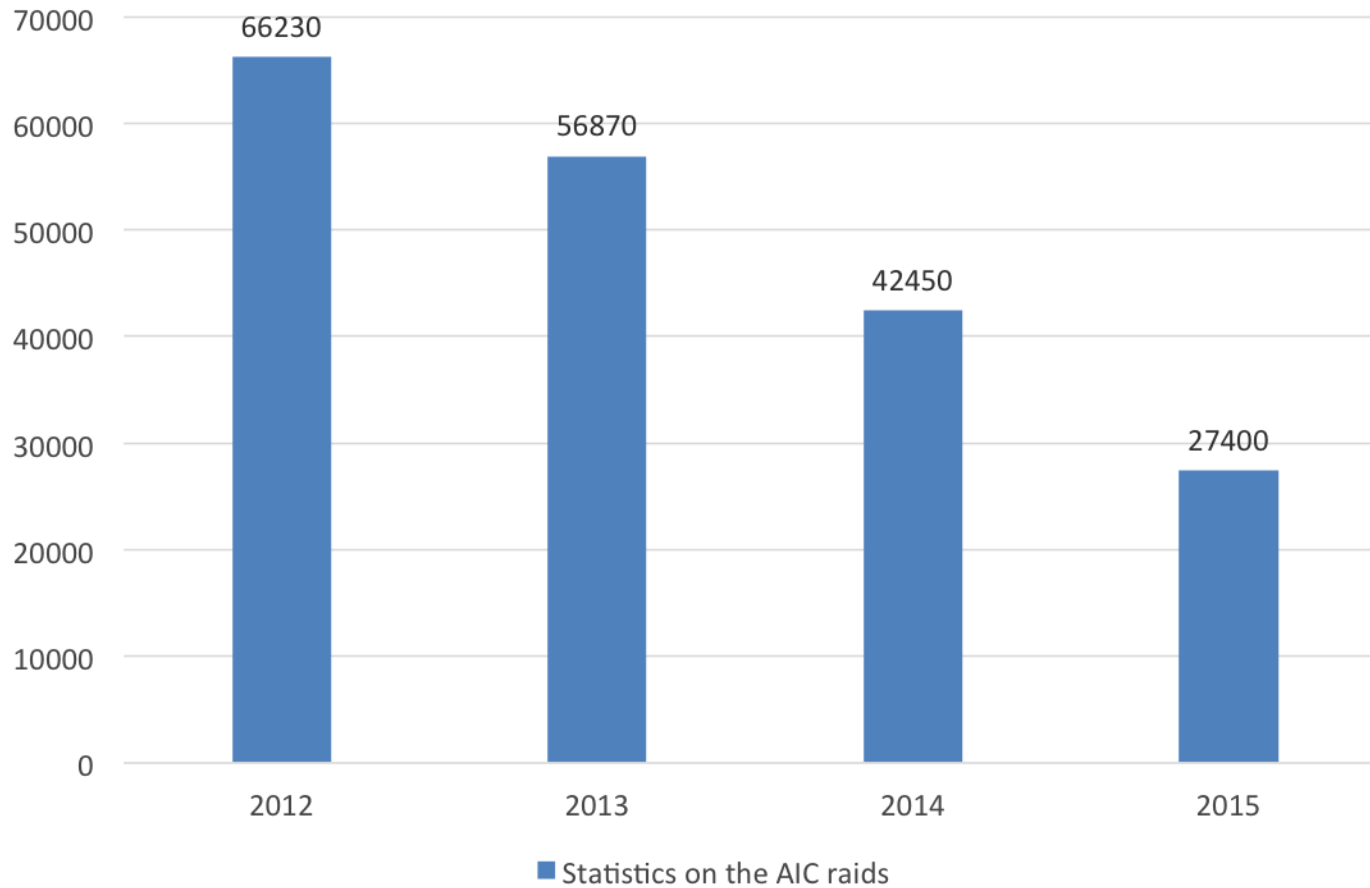
- SPC (November 2015) : in favour of the opponent

- *"Even though the Opposed Mark had formed **certain market size through use**, such use **mostly occurred after the application date of the Opposed Mark** when the said mark had not yet been approved for registration.*
- *"Before extensively using the Opposed Mark, Beijing Fu Lian Sheng, **should** have been fully **aware of the potential legal risks** that its trademark might not be approved for registration due to its similarity with the Cited Mark and **that it might face trademark infringement charge** for using such trademark.*
- *"Beijing Fu Lian Sheng, failed to fulfill **its obligation of reasonable care** and had to bear the adverse consequences.*

-

- Bad faith + market size of opposed mark insufficient
- High reputation of opponent
- NOT PERFECT, BUT IMPROVEMENT

Statistics on the AIC raids



Why such a decrease in the number of raids?

1. The administration is restructured

- Establishment of **Market Supervision Administration**:
 - Different models:
 - Tianjin: AIC (trademarks) + AQSIQ (Quality) + Food & Drug Administration
 - Shenzhen: AIC + AQISQ+ FDA + IP (patents)
 - Shanghai Pudong: IPO responsible for the protection of ALL IPRs (trademark, patent, copyright)
- More attention is paid on **food and drug** security
- AIC is **understaffed**
- Quota of fines is not anymore a factor of performance evaluation

2. More and more difficult to convince the AIC to take an action against:

- A trademark in the course of *examination*
Time limit: Examination : 9 month – Opposition: 12 month
- A trademark in the course of *opposition*
In case of failure in the opposition, the trademark is immediately registered (art. 35.2)
- A distributor claiming “*good faith*” (article 60 TM Law)
The “good faith” distributor is protected by law: the seized product shall be returned back with simple prohibition to sell (art. 60.2)

Trademark registration

- **State Administration for Industry and Commerce : July 2016**

*" Opinion on Pushing forward the Reform to **facilitate Trademark Registration Procedure**"*

In addition to the existing **Beijing cooperation Centre for Trademark examination**

- Creation of **pilot local "trademark application acceptance offices" (formal examination)** (Sichuan and Zhejiang province) :
 - Examination of formalities for accepting applications
- **Examination cooperation centres (substantial examination)** outside Beijing
- **"Sole examiner"** system (applications and oppositions)
 - Instead of referring decision to supervisor
- Fast issuance of **trademark certificate** (stamped copy of record)
- **New categories of goods** (2,500) published by CTMO
- **Collect record of trademark squatting, infringement etc.**

- **SAIC's Opinion should help :**
 - **"Examination of the goods "** (formal examination)
 - only one chance to rectify
 - **"Examination Notice"** (substantial examination)
 - never used
 - **Inconsistent decisions** by examiners
 - Research on other decisions, record of bad faith etc... *GOOD*
 - "Sole examiner system" ... *not so good*

Other issues

- **Other issues**

- **Non-use cancellation** : use justified on only some goods → CTMO should only maintain trademark justified on such goods and similar goods, instead of rejecting the non-use application. (TRAB and Court practice)
- Trademarks **filed by individuals** : only name and email address - need business identifiers (so as to be able to sue them when they sell **online**)
 - Should be a **reasonable threshold** of information to be provided by plaintiff → then the **Court may take over** and request platform to disclose details.
- Problem of **suing a registered trademark** : restriction should be lifted
- **Foreign related cases are often delayed** (because of time pressure on domestic cases) : should reconsider this 6 month rule
- **Enforcement** of judgment in case of repeat infringement : needs new case
 - Introduce concept of "**astreinte**"

Geographical Indications

- **Administration of Quality Supervision and Inspection and Quarantine - AQSIQ**

- May 16, 2005 *Provisions for the Protection of Products of Geographical Indications*
 - Article 26 " *The AQSIQ shall accept the applications for registration of foreign GI's in the Peoples Republic of China, and accord the protection thereto. **Specific provisions to this effect shall be separately formulated**"*
- 28 March 2016 ***Measures for the Protection of foreign Geographical Indications.***
 - Principle of reciprocity (foreign country and China)
 - **Two examinations :**
 - Formality → publication → oppositions (60 days) → Decision by expert committee organised by AQSIQ
 - **Technical examination : a team of 5 to 7 experts** to inspect place of production...

Online infringement

Legal and regulatory background

- **May 10, 2006 : State Council**

*" Regulation on the Protection of the **Right of Communication** through Information Network"*

- ("right of communication" is part of the **copyright**)
- **Procedure** (articles 14 to 17):
 - Right owner notifies ISP
 - Immediate removal + notification to uploader
 - If uploader disagrees → reinstatement of work → inform uploader
- **"Safe harbour" (no liability)**
 - ISP only provides automatic access
 - Makes clear that space is for the uploader
 - No modification of the work
 - Does not know- *no reason to know* – that infringement is committed
 - No financial benefit from uploading
 - Immediately removes the work upon receipt of notice

- **December 12, 2006 : SPC Interpretation**

"Interpretation on certain issues related to the Application of the Law to cases involving computer network copyright disputes"

- **Liability of the ISP**

- "Clearly aware" that an act of infringement is committed
OR
- Fails to take measures after receipt of the notice
OR
- Refuses to provide information concerning the uploader

- **December 2009 : TORT LAW**
 - **Article 36**
 - Applies to all IP violations
 - ISP liability if :
 - Does not remedy the infringement after being notified by right owner
 - Is *aware* that an infringement is committed and *does not take measures to stop it*

- **31 May, 2010: SAIC**

"Interim Measures for the Administration of Online Commodity Transactions and Relevant Services"

- Article 20 to 31 : Obligations of ISP who operates and Online Trading Platform
 - Verify identity of each user
 - Set up a checking and monitoring system
 - Report all violations (including IP violations) to the local AIC
 - Protect trademarks and other IP rights,
 - Take measures according to article 36 of Tort Law

- **24 April, 2011: Shanghai Higher People's Court**
E-Land vs. Tao Bao

The Court ruled :

- Tao Bao ***could not ignore*** that the seller was committing repeat trademark violations
 - *The seller **did not challenge** the claim of the IP owner*
- Has taken no efficient measures to stop it
- **Jointly liable with the seller**

- **26 November 2012 : SPC**

*"Rules on Several Issues Concerning the Application of the Law to disputes related to the infringement of **the right of communication** over information networks"*

- Concerns **Copyright**

- The burden of proof of "safe harbour" lies on the ISP
- Definition of "passive knowledge" concept : "*ought to know*"
 - ISO ability to manage information
 - Type and visibility of the work
 - proactive action by ISP to promote the work
 - Any steps taken to prevent infringement
 - Any reasonable measures to address repeat infringement
 - Whether ISP derives income from uploaded work
- ISP is expected to take **effective measures to detect** infringement

- **NOTE** : no more obligation to disclose details of uploader

- **28 December, 2012 : Beijing High Court**

"Clarification on Several issues concerning the Trial of Electronic Commerce-related Intellectual Property Infringement Disputes"

- Circumstances where an ISP **knows**, or, **ought to know** → **joint liability**
 - **ISP derives income** from the sales
 - Offer is displayed in a **prominent** manner on the website
 - **Prices obviously very low**

HOWEVER...

- In the **draft** of this clarification (20 October, 2012)
 - Absence of counterclaim by the seller = admission of infringement
 - Mandatory disclosure of whereabouts of seller
 - **Deleted...**

- **1st May, 2014 : SAIC**

"Implementing regulations of the Trademark law"

Article 57 TM Law :

"Any of the following acts shall be an infringement of the exclusive right to use a registered trademark:**(6) to intentionally provide a person with conveniences for such person's infringement of the trademark of another person or facilitate such person's infringement of the trademark of another person;...**"

– **Article 75 Implementing regulations :**

*" The provision to others of storage, transportation, delivery, printing services, concealing, business premises **or Internet commodity trading platform** constitutes the act of "intentionally providing a person with conveniences for such person's infringement of the trademark of another person" as provided in article **57.6** of the Trademark Law"*

- **17 November, 2015 : Zhejiang High Court**

"Weihai Zaigle vs. Tmall & Jinshide"

- **Tmall jointly liable** with infringer (patent)
- Based on article 36(2) of the Tort law
 - Since **patent is complex**, not necessary to immediately delete
 - **However**, necessary to notify and **transfer the complaining material** to the seller
 - Tmall **refused**
 - 50,000 rmb damages

- **24 April, 2016 : Beijing High Court**

"Guidelines for the adjudication of Network-related IP Cases"

- Very similar to the "clarification"

- **E-Commerce law**

Draft submitted to the Congress in August 2016

Will govern all aspects of E-Commerce...

Concerning IP protection,

- Xue Jun, a member of the draft group as well as professor in Peking University, indicated that :
 - the **trading platform's responsibility shall be defined by how it is involved in the trading.**
 - As the E-Commerce Law is based on the Tort Law where a network user has used network services to commit a tortious act, **the infringed party shall have the right to notify** the network service provider (the trading platform) to adopt the requisite measures such as **deletion, shielding, breaking of hyperlinks, etc.**
 - Where the network service provider (the trading platform) **fails to adopt the requisite measures** promptly upon notification, it shall bear **joint liability** with the network user in respect of the extended damages.

- **E-Commerce law**

- **Article 21 [Joint tort]**

- *The act, or an Internet Service Provider **to participates** in an infringing act committed by another person others via the Internet, or **to instigate and assist others to commit infringing acts**, shall constitute a joint tort and the Internet Service Provided shall bear joint liability with the other doer. Criminal liability shall be born pursuant to laws if constituting crime.*

- **Article 22 [Tort of intellectual property]**

- *An Electronic business operator providing content service, who **is fully aware** that Internet users commit infringing acts via the Internet, or **who is notified in writing** by the right holder but still **does not take measures** to delete, block and disconnect the infringing content in order to eliminate if the infringing consequences, shall bear **the joint liability** with the Internet users.*

Thank you !



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