



China IPR SME Helpdesk

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In collaboration with
Torino Wireless

About the speaker



Over a continuous presence of more than 25 years, Philippe Girard-Foley has helped many European companies protect and defend their IP rights and establish a successful business in Asia, through direct investment, partnership, distributorship, agency, franchising or otherwise. He is a regular speaker at events focusing on China matters, including 'Horizon Chine' with former French PM Jean-Pierre Raffarin, and has authored several publications on China IP laws.

Philippe Girard-Foley has received both a civil law and common law education (Paris Sorbonne, Paris Institute of Political Sciences 'Sciences Po', University of Pennsylvania Law School, CIArb London) and is a member of the Paris Bar from France as well as an associate member of the Victoria Law Institute from Australia. Philippe joined China IPR SME Helpdesk network in 2011.

Overview: protected IPR's

- Patent;
- Trademark;
- Copyright (including software);
- Trade Secret;
- Geographical Indication;
- Others (trade dress/packaging, trade name, new varieties of plants, integrated circuit/semi conductor, etc.)

Patents

- Must file patent applications with State IP Office (SIPO);
- China is “first to file” country;
- Use of registered patent agent or through PCT filing;
- Patents are divided into three types: invention, utility model, and design;
- Utility model and design are essentially issued as an unexamined patent;
- Protection Term: - Invention: 20 years;
- Utility Model/Design: 10 years
- Primary Legal Source: *PRC Patent Law*

Trademarks

- Must file trademark applications with the Chinese Trademark Office (CTO), which is part of the State Administration for Industry and Commerce (SAIC) under CNIPA (China National Intellectual Property Office) a branch of SAMR (State Administration of Market Supervision);
- China does not grant trademark rights based solely on use without registration (“first-to-file” system), except in the case of well-known marks;
- The same trademark, if used for different products, should be registered in a number of appropriate classes;
- The term of a registered trademark is 10 years from the granting by CTO, and may be renewed without limitations;
- Primary Legal Source: *PRC Trademark Law*

Copyright

- Copyright protection is available for all works provided that the work is in any tangible form;
- Copyright works are automatically protected upon their creation, however, the registration with the China Copyright Office gives a significant advantage in the event of future disputes involving the ownership of materials;
- Copyright protection is ordinarily given a term of copyright protection enduring for the author's life plus an additional 50 years after the author's death. For works made for hire, the duration of copyright protections will be 50 years from publication;
 - Primary Legal Source:
 - *PRC Copyright Law*
 - *PRC Software Protection Regulation*

Trade secret

- Conditions:
 - 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.
- Trade secrets do not require registration
- Trade secret protection endures so long as the requirements for protection continue to be met
- Primary Legal Source: *PRC Anti-Unfair Competition Law* (“AUCL”)

- Trade dress (packaging) and Trade Name (business name)
 - Legal Basis: *AUCL*
- Integrated Circuit (semiconductors)
 - Legal Basis: *Regulations on Protection of Integrated Circuit Layout Design*
- New Varieties of Plants
 - Legal Basis: *Regulations on the Protection of New Varieties of Plants*

Enforcement options

- Administrative: Seize or destroy infringing product/mould/equipment, impose fines, confiscation of illegal revenues, but no compensation to the aggrieved party.
Both *ex officio* raid actions and raid per application of brand owners
- Civil: Compensation and injunctions
- Criminal: Jail term for individuals guilty of counterfeiting

Enforcement authorities

- **Administrative Approach:**
State Administration for Industry and Commerce (SAIC)
Technical Supervision Bureau (TSB)
Copyright Bureau
Intellectual Property Office (IPO)
Customs
- **Civil Enforcement:**
Civil Tribunals of the Courts
- **Criminal Prosecution:**
Public Security Bureau” (PSBs) = police
“Procuratorates”= prosecutors
Criminal Tribunals of the Courts

Administrative route: SAIC

1. Raid actions by SAIC

- Legal Basis: Trademark Law
Anti-Unfair Competition Law
- Coverage: Trademark Infringement
Trade Dress Infringement
Trade Name Infringement
Trade Secret Misappropriation
- A primary choice for brand owners when resorting to administrative authorities.

Copyright and patents

2. Copyright Bureau

- Legal Basis: Copyright Law
- Coverage: All copyrightable works, in practice particularly software, video and audio contents (tangibles, such as CD or DVDs, and intangibles, such as those disseminated online), publications... etc.

3. IPO

- Legal Basis: Patent Law
- Coverage: Patented Products

Customs

4. Customs

- Legal Basis: *Regulations on Customs Protection of IPR*
- Coverage of IPRs: ONLY Trademark, Patent, and Copyright
- Customs active only in border areas, but cover both import and export
- Recordal system optional but highly recommended
- Customs has no jurisdiction against factory suppliers
- Bonds compulsory when intercepting goods

Civil enforcement

Trademark Law and Civil Procedure Code offer:

- Compensation
 - Actual harm or infringer profits
 - Statutory damages up to RMB500K (about 50K Euros), or 1000K in patent cases.
 - Vendors can be exempted from compensation by disclosing legitimate source of goods
- “Asset Preservation”
 - Ex-parte seizure of infringer assets
 - Subject to bond
- Preliminary and permanent injunctions
- Destruction of fake goods and production equipment

Evidence

- Evidence gathering
 - No discovery
 - “Evidence preservation” by court
 - Notarized purchase of infringing products
 - Private investigations
 - Leverage administrative enforcement for evidence gathering

How to use the civil route

- Legal proceedings are necessary when the infringement is too complicated for enforcement agencies to handle, it is possible to obtain considerable damages
- As in other country, the courts are the final and most authoritative organ in handling infringement cases
- In theory, the IPR owner may directly start legal proceedings without resorting to administrative authorities first, or take further legal actions after administrative enforcement
- In practice, administrative action should be the first step, and amicable settlement / mediation is encouraged

Criminal action

- Three options for Criminal Complaints:
 - File first with administrative authorities, then seek transfer to PSB
 - Direct complaint to PSB
 - Private prosecution by IP owner with court with evidence obtained in administrative raid or otherwise
- Up to seven years imprisonment and fine
- Numerical thresholds: Value of goods or numbers of goods/copies

Case Study

- A Chinese registered a HK company “*Germany Volkswagen Oil Group*” set up a “*Changchun Volkswagen Lubricating Oil Sales Co., Ltd.*”
- They sold oil products using “*CC Volkswagen*” and “*Germany Volkswagen*”
- Changsha Intermediate Court: awarding RMB 1.6 million as damages plus injunction

IPR and the mobility/connectivity business

- A new concept, cross-border and cumulative by nature
- Intellectual property: a legal system of protection designed for “older” type of industry and commerce, relying on clear and long established concepts

New technology, traditional legal concepts

- How to fit this new sector in the traditional sections of IP: patents, designs, trademarks, copyright and trade secret ?
- Those IPR categories have “ICT” characteristics
- An informal “ICT Law” as emerged as a distinct field of law
- IPR protection strategy must be redefined accordingly

Requires a creative approach

- ICT can be protected not as a whole but by breaking it down into its protectable elements
- has to fit within the known categories of intellectual property
- ICT can more or less fit into the traditional categories of IP since it consists of a solution marketed under a brand (trademark) combining a hardware (patentable) with a software (copyrightable)
- but with its own characteristics

The resort to “bundles”

- Hi-tech companies use IP bundles (ie combination of IPR's) more than average:
 - trademark for the name of the product
 - patent for the associated product
 - copyright for the software source code
- Results in “trademark cluttering”

How it works in China

Software protection is available in China:

- Processes and function claims of modules patentable under the Patent Law
- Computer software and model works (written and graphic) copyrightable under the Copyright Law
- “Secret information” protected as trade secret under the Anti-unfair Competition Law

Constant improvements in China

- The protection of computer software has been enhanced by the Newly Amended Guidelines for Patent Examination that came into force on 1st April 2017
- The New Guidelines allow claims for “Medium & Process of Computer Program” and “Device Claims Comprising Program”

Overall a rather “friendly” legal environment

- Copyright Law
- Implementation Regulations for the Copyright Law
- Interpretation of the People’s Supreme Court on Issues Relating to Application of Law to Adjudication of Cases of Copyright Disputes

Specific regulations

- Regulations on the Protection of Computer Software
- Regulations on the Protection of Information Network Transmission Rights
- Provisions of the Supreme People's Court on Several Issues Concerning the Application of the Law to the Trial of Civil Dispute Cases of Infringement of Information Network Transmission Rights

With support from the Courts

- A general trend as quoted in the Report of the Work of the Supreme People's Court of March 2017: “The Intellectual Property Courts of Beijing, Shanghai and Guangzhou (Canton) are considering applying punitive damages to correct the imbalance between the high cost of defending one's rights and the low cost of infringement”

Amounts of damages on the rise

- Guangzhou Net Easy Computer Co., Ltd. v/ Guangzhou Duoyi Internet Co., Ltd: 15 million renminbi (September 2017)
- Blizzard Entertainment Ltd v/ Shanghai Net EasyNetwork Development Co., Ltd: 4 million renminbi (August 2016)
- SAP Corporation v/ Langze Enterprise Management Consulting (Shanghai) Co.,Ltd: 1.8 million renminbi (July 2016)

But pay attention to data protection

- Circular of the State Council on Issuing the Outline for the Development of Big Data (2015)
- Cybersecurity Law (2017)
- Regulations aimed at the protection of personal information

Cybersecurity law

- Cybersecurity Law [article 41](effective date June 1, 2017):
“Network operators shall abide by the principles of “lawful, justifiable and necessary” when releasing rules for the collection and use of such personal information, expressly notifying the purpose, methods and scope of such collection and use and obtaining the consent of the person whose information is to be collected”

Criminal law

- Ninth Amendment to the Criminal Law [New article 286(a)]: “It is a crime for network service providers not to perform their duties relating to the safety of personal information”
- Cybersecurity Law [article 37]: “The operator of a key information infrastructure shall store personal information and important data wherever collected or generated in the People’s Republic of China, within the territory of the People’s Republic of China”

Civil law aspects

- General Rules of the Civil Law (effective date October 1, 2017): “Natural persons enjoy the right to privacy” (article 110); “Any organisations and individuals who need to obtain personal information of others shall obtain the information according to the Law and shall ensure the information safety. It is not allowed to illegally collect, use, process or transfer the personal information of others. It is illegal to buy and sell, supply or publish the personal information of others”

Look at China standards

- SSO's (Standard Setting Organisation) in Asia:
 - China Communications Standards Association
 - Euro Asian Council for Standardisation
 - ...etc.
-
- Check policy and commitment to licensing patents on “fair, reasonable and non-discriminatory” terms (FRAND)

Adjust HR management

- Adjust the standard assignment clause in employment agreements to include ICT :
- traditional: business plans, data, trademarks, trade names, copyright, patents, drawings and industrial designs
- ICT: software, machine-readable codes and source codes, programming codes
- Check compatibility with employment law, copyright law, patent law...

If procurement contracts...

Ownership and commercialisation of IPR's in contracts with public agencies

- Check the policy regarding ICT contracts, especially default position
- Common assumption is government ownership but there are exceptions for ICT eg New Zealand (supplier should own IP with licences back)
- other positions: license to supplier to use and commercialise the IP, open source...etc.

Big plans for smart connected cities in China

- Integrates more or less all of the following
- More than 300 smart city pilot schemes in PR China with a three key objective: provide energy, move people and things around, keep people safe
- A precursor: Songdo in South Korea launched in 2009 - a purpose-built smart city, under-occupied but a plan for “100 years” ahead (too early?)
- in less developed Asian countries, “partial” smart solutions e.g. Jakarta’s real-time of flooding by reports from Twitter
- In Hong Kong, Kowloon East

Kowloon East in Hong Kong SAR

- sensor analyses the crowd and determines the colour (green or red) of the traffic light
- integrated waste-handling systems replace refuse stations
- drivers are pointed by panels to available parking slots
- time sensors discourage delivery trucks from parking for too long
- ...etc.

“Chinese characteristics”

Opportunities exist for European SME’s which pay attention to “Chinese characteristics”:

- different applications: “in the mainland, you pay for [rented] bicycles using WeChat and everything is recorded. If you park illegally three times you will be fined on the spot...Not only did this improve efficiency, it also improved law enforcement” (Source Councillor Regina Ip Lau-Suk-yee as quoted in South China Morning Post 3rd August 2017)

Hubei province

- Xiongan Green City in Hubei Province (public funding 19 billion US\$) is meant to be “smart” as well as green
- the megacity is supposed to run on renewable energies
- smart solutions will be the answer, for transportation and other energy saving

...in conclusion

- great opportunities for the mobility/connectivity industry in China
- an acceptable level of IP protection
- beware of “transfers of technology” v section 329 Contract Law, “Technology Import and Export Provisions” and other statutes
- a regulated environment vis-a-vis personal data protection

Helpdesk free services

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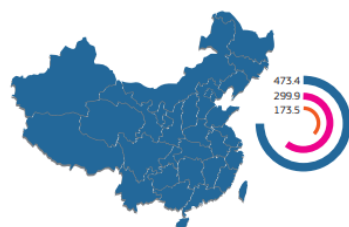
Guides & Factsheets



IP Factsheet: Mainland China



1. THE FACTS: Business in Mainland China for EU Companies (Source: DG Trade)



SIZE OF Market :

- EU exports to Mainland China: EUR 173.5 billion
- EU imports from Mainland China: EUR 299.9 billion
- Total trade in goods: EUR 473.4 billion

- Mainland China is the EU's second largest trading partner, after the USA.
- The EU is China's largest trading partner.

Key INDUSTRY SECTORS:

- EU exports to Mainland China are dominated by machinery and equipment, motor vehicles, aircraft, and chemicals.
- Mainland China's key export items to the EU include machinery and equipment, footwear and clothing, furniture and lamps, and toys.

1 THE FACTS: Business in Mainland China for EU Companies

SIZE of Market
Key INDUSTRY SECTORS

2 IPR in Mainland China for SMEs: BACKGROUND

Intellectual Property Rights for SMEs: Why is this RELEVANT to you?
How does Mainland China's IP legal framework compare to INTERNATIONAL STANDARDS?

3 IP Rights in Mainland China THE BASICS

- A. Copyright
- B. Patents
- C. Trade Marks
- D. Geographical Indications (GIs)
- E. Trade Secrets

4 Using CUSTOMS to block counterfeits

5 Enforcing your IP

Administrative actions
Civil Litigation
Criminal Prosecution

6 RELATED LINKS and Additional Information

Co-funded by:



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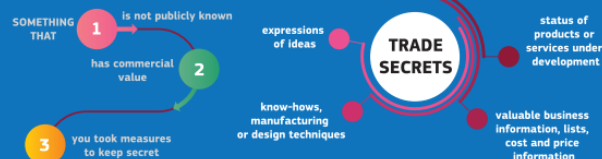
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Protecting Your Trade Secrets in China

Prevention is the key to protection.



WHAT EXACTLY CAN BE A TRADE SECRET



KEEP IT SECRET, KEEP IT SAFE

It is important to remember that once trade secrets become publicly known, they can no longer be protected as trade secrets.



CONFIDENTIAL

DON'T FORGET YOUR EMPLOYEES

Limit access and copying rights to the personnel who actually need it.

Require all employees to sign an employment agreement with strict confidentiality provisions.

Be sure to hold exit-interviews and have them return documents, materials, computers, and files.

Establish an internal management system for trade secrets. Training and clear written guidelines are essential.

DEALING WITH THIRD PARTIES

Business dealings or negotiations with third parties, potential partners, suppliers, contractors, licensees, or customers

monitor your partners, suppliers or licensees to make sure they are complying with your trade secrets protection policy

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