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"IP Considerations in China and South-East Asia for the ICT Industry "

China & South-East Asia IPR SME Helpdesk

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Date: 21 March 2018

Welcome to the Webinar!



Helika Jurgenson
Project Officer

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21 March 2018

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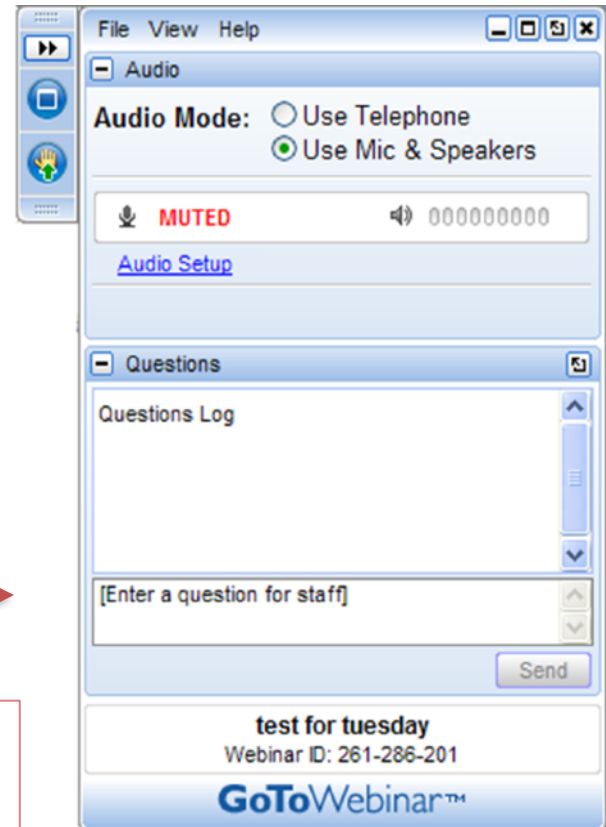
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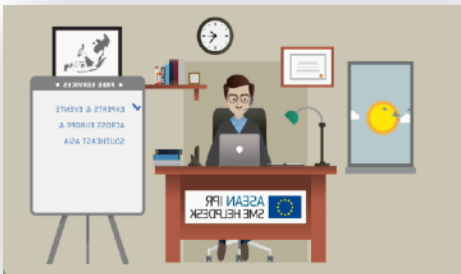


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Speaker's Bios

Name: Mr. Philippe Girard-Foley
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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 ASEAN matters, and has authored several publications on ASEAN IP laws.

Philippe Girard-Foley has received both a civil law and common law education (Paris Sorbonne, Paris Institute of Political Sciences, 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 the Helpdesk network in 2011.

Outline of the Presentation / Agenda

21 March 2018

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What is the ICT Sector ? Is it an industry?

The OECD definition: “a combination of manufacturing and services industries that capture, transmit and display data and information electronically”

- a combination of industries rather than an industry
- including manufacturing and services (usually distinct under the UN International Standard Industrial Classification ISIC)

ICT is more than an industry, a new concept of activity sector

- IT is an industry that uses computers, networking, software and other equipment to manage information
- ICT is an integration of IT with media broadcasting technology, audio and video processing and transmission, and telephony

In other words...

- ICT refers to the integration of telephone and audio/visual networks with computer technology
- ICT is an integration of information technology with communication technology

...or put simply

- the key word is “convergence”
- two simple examples taken from ordinary life:
 - taking pictures with a mobile phone
 - using a television to access the web

ICT and IPR: the challenge

- ICT: 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

The legal perspective

- 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

Intellectual Property strategy must be redefined and adjusted

- 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

Patents and ICT

- Innovation process and cumulative innovation creates fragmentation of IP rights and the emergence of patent thickets [“a dense web of overlapping intellectual property rights that a company must hack its way through in order to actually commercialize new technology.” (Carl Shapiro 2001)]
- Higher than average use of IPR’s by ICT companies (patents especially) leads to more litigation
- Higher than average density of Patent Assertion Entities (PAE’s) aka non-practising entities / patent trolls

Trademarks, copyright, IP bundles and ICT

- 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”

The limits of “bundles”: a Singapore example

- A hardware device or a service can be marketed under a trademark, but how about a software?
- It is possible, such as the registered trade mark “Sherlock” for which Apple Inc. obtained registration in Singapore in respect of computer software (class 9)
- Sherlock is a software application integrated into version 8.5 of the Macintosh operating system, Mac OS.

Usual rules apply to “bundles”

- Sherlock had two primary functions: conducting internet searches and carrying out file search within the Mac OS system
- in spite of this “dematerialised” feature it was granted trademark registration in 1998
- But the ordinary rules applicable to trademarks applied to Sherlock and it was struck off on the grounds of non use (following several consecutive Mac OS updates) by the Intellectual Property Office of Singapore (Bigfoot Internet Ventures Pte Ltd v Apple Inc [2017])

but trademarks may and should be used for IPR protection in the ICT sector

Oracle International Corporation obtained trademark registration in Singapore covering both class 9 for the goods “computer programs included in class 9” and class 16 for the goods “introductory manuals, use manuals and guiding books, all being printed and all relating to the operations of computerised data-based management systems”

Trade secret another tool but only an accessory one in the ICT sector

- “Confidential information” can be protected as “trade secret” as long as the generally accepted criteria are met (intrinsic value, steps to protect...)
- ...which can consist of a method or technique which gives the company over its competitors
- ...which implies action: limit access, keep clear records, use NDAs
- provided this, it is not subject to either registration or time limit

Where dual protection works

With regard especially to ICT

- A dual protection may be available between trade secret and copyright: copyrighted information such as instruction manuals, computer software and databases may be protected by law of confidential information and copyright
- “For example, a computer software developer can commercialise his software while still keeping the underlying software architecture, algorithm and source code confidential” [Source: Intellectual Property Office of Singapore]

...and does not work

- “As a general rule, it is not possible to maintain a patent and ensure non-disclosure of confidential information.
- This is because in return for obtaining a 20-year monopoly to exclude others from making, using or selling the invention, the owner of the invention will have to make full disclosure of the invention during the patent application process”
[Source: Intellectual Property Office of Singapore]

The example of China and ICT

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”

Within an overall “ICT 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

...which includes 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

...not without 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”

The amount of damages for infringement of software copyright keeps rising

- 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 beware of Cybersecurity and personal data protection (not just in China)

- 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 aspects

- 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”

ICT and Open Source

The traditional view of IPR's is also challenged by Open Source Softwares (“OSS”) v/ proprietary software

- Source code available for using, reading, changing or developing further versions of the underlying programming code
- licence agreement:
 - including the source code of the software
 - allowing the licensee to modify the code and develop derived works
 - not restricting selling or giving away the derived software

and Civil Law

- 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”

“ICT” Law also an hybrid

As often in the emergence of a new field of law, “ICT Law” borrows from existing categories but addresses new issues and provides new solutions:

- intellectual property law
- privacy and data protection law
- labour law
- contract law
- public procurement
- regulatory aspects
- ...etc.

Regulatory aspects

Check that the activity requires, qualifies to obtain a license and can benefit from incentives.

South East Asia example: Malaysia computer and related services liberalised in 2009 (with list of activities)

Incentives (equity, immigration, tax, grants) under MSC and MGS status

Licensing and registration:

- network facility providers
- network service providers
- application service providers
- content application service providers



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)



Labour law

- 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...

Procurement

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.

Q&A

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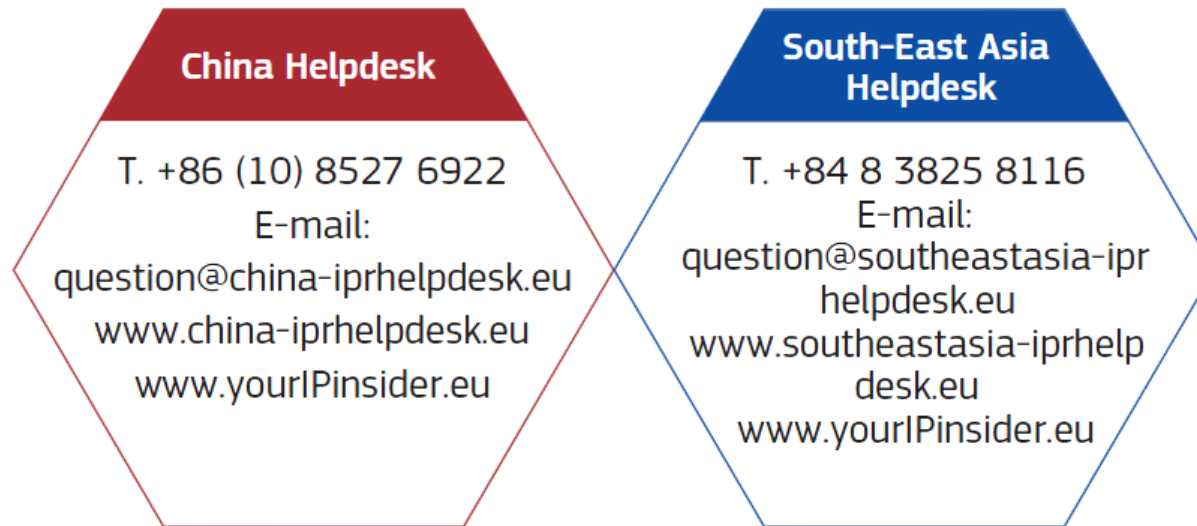
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“KNOW BEFORE YOU GO. WE ARE HERE TO HELP YOU GROW...”

The China and South-East Asia IPR SME Helpdesk provides free, confidential, business-focused advice to European Small and Medium Enterprises (SMEs) relating to IPR in China and South-East-Asia.

To learn about any aspect of intellectual property rights in Vietnam or elsewhere in South East Asia, including

✓Local partners

✓Due diligence

✓IP audits

✓Or to simply learn about the local landscape and adapt your IP plan accordingly - something which can save you EUR in the long term