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CHINA IP Bulletin

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Executive Summary

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PRC regulations regarding well-known trademarks were recently revised, and in most cases strengthened. In this article our IP team describes some of the more important changes and provides insight into what the broader implications of the changes could be. The topics discussed include the designation of jurisdiction, the types of evidence needed to prove well-known trademark status, and under what circumstances well-known trademark status can be obtained.

by Xu Jing and Lisa Willis

Customs Releases New IP Rules

Customs has increased its pursuit of IP infringers by issuing new rules regarding key issues such as revised application documents, renewal of IP registration, detention of suspect goods, and destruction of infringing goods. IP team member Zeng Xue and Peng Kai offer this rundown of the new Customs rules on IP and some insight as to how they will improve enforcement measures.

by Zeng Xue and Peng Kai

NEWS

WIPO Predicts Falling IP Applications

The World Intellectual Property Office (WIPO) predicts that as a result of the global financial crisis, the total number of applications submitted under the Patent Cooperation Treaty ("PCT") will decrease by about 5%. The USA, with the largest number of PCT applications, saw a decrease of 14% in the first half of 2009. By comparison, PCT applications from China increased by 19%, mainly as a result of its continued economic development and the increased awareness of the advantages of PCT protection among Chinese businesses, universities and research institutions.

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Protection of Well-known Trademarks



Recent Changes to the Protection of Well-known Trademarks

In our last IP Bulletin, we discussed China's legal system for the protection of well-known trademarks. Over the past year, several documents have been issued to further clarify various details:

- The Notice of Matters Concerning Jurisdiction over Cases of Civil Disputes Involving Recognition of Well-known Trademarks (the "Notice") issued by the Supreme People's Court (the "SPC") on 5 January 2009 identifies the specific courts that shall have jurisdiction over cases involving litigation of well-known trademarks.
- The SPC's Interpretations on Hearing Civil Dispute with Respect to a Well-Known Trademark (the "Interpretations") of 23 April 2009 further clarify several trial elements for cases involving well-known trademarks, such as the burden of proof and the types of evidence to be considered.
- In the Working Instructions on Recognition of Well-known Trademarks (the "Instructions") of 21 April 2009, the State Administration for Industry and Commerce provides guidelines for the recognition and protection of well-known trademarks in administrative proceedings.

This article discusses the various recent developments in PRC regulations concerning well-known trademarks.

Jurisdiction Issues

Previously, cases involving well-known trademarks could be heard in any intermediate court. The Notice, however, determines that only the intermediate people's court of the capital city of each province and municipality directly under the Central Government have jurisdiction to hear cases involving well-known trademarks. Other courts may not exercise jurisdiction unless expressly authorized by the SPC. It should be noted that the Notice does not affect litigation involving common trademarks where, as before, any intermediate people's court may exercise jurisdiction.

For example, before issuance of the Notice all of the 21 intermediate people's courts in Guangdong Province, the province with the largest amount of intellectual property litigation, had jurisdiction over cases involving well-known trademarks. Now only the intermediate courts of Guangzhou and Shenzhen have such jurisdiction. Given the recent increase in cases involving well-known trademarks, the SPC appears to be taking a more conservative attitude towards the protection of well-known trademarks.

Recognition of Well-known Trademarks

In accordance with Article 14 of the Trademark Law of the People's Republic of China, when deciding whether a trademark is well-known a court should consider how well the trademark is known to the relevant public; how long the trademark has been in use; the period, extent and geographic scope of any publicity of the trademark; and the history of protection of the trademark as a well-known trademark.

For administrative proceedings, the Instructions provide further detail on the kind of evidence that shall be examined. Relevant evidence shall demonstrate

- how well the trademark is known by the public concerned;
- the duration of continuous use of the trademark, including evidence of the history and scope of use and any prior registration of the trademark;
- the duration, scale and geographic scope of any publicity of the trademark, including the relevant materials on the manner of advertisement and promotion, media of publication, quantity of advertisements;
- the history of protection of the trademark as a well-known trademark, whether in China or any other country or region; and

Any other evidence of the fame of the trademark also can be presented, such as information on the output, sales volume, sales income, profits and taxes, and sales regions of the major products using this trademark.

In cases involving civil litigation of a well-known trademark, the Interpretations require trademark owners to provide the following evidence demonstrating the fame of a trademark, including:

- market share, sales regions, profits and taxes etc. of the commodities holding the trademark;
- the duration of continuous use of the trademark;
- manners, duration, extent, capital input and geographic scope of the advertisement and promotion on trademark;
- the history of protection of the trademark as a well-known trademark;
- market reputation enjoyed by the trademark.

Other Provisions of the Interpretations

In order to prevent parties from benefiting from the special protection afforded well-known trademarks when it is not warranted, the Interpretations expressly provide that a court may only rule on whether a trademark is well-known in the following situations:

1. when the case involves the protection of an unregistered, well-known trademark and the products or services at issue are similar

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International Trademark Filings are Down but Domestic Filings are Up

The financial crisis has caused a reduction in the number of applications for international registration of trademarks in January to May 2009. Chinese users filed 712 applications for international registration via the State Trademark Office ("STO"), down 11.2% from the same period in 2008. Foreign users filed 6,018 applications for territorial extension of international registrations via WIPO, down 5.8%. However, domestic trademark registrations are still increasing very rapidly. As of September 15, 2009, China had examined over 1 million trademark applications in 2009, an increase of 153%. China appears to be the world's trademark leader, having the greatest number of trademark applications submitted, trademark applications examined and actual registered trademarks.

First Technology Exchange Opens in Beijing

The China Technology Exchange, the first national technology exchange, was unveiled in Beijing on August 13, 2009, with the Beijing Property Exchange and two other organizations providing an initial investment of RMB 200 million.

Protection of Well-known Trademarks cont.



or identical, or when the case involves the protection of a registered, well-known trademark when the products or services at issue are dissimilar;

2. when the case concerns trademark infringement or unfair competition resulting from conflicts between trademark rights for a well-known trademark and other intellectual property rights, such as trade names or domain names.

3. where the owner of an registered trademark sues the owner of a unregistered, well-known trademark and the defendant counter-argues or counterclaims that its mark predates that of the plaintiff's and that the plaintiff's mark is a later copy, imitation or translation of its well-known trademark.

If a court finds that a defendant's registered trademark has infringed upon a well-known mark, then that court may enjoin the owner of the registered trademark from using its mark (unless the well-known trademark was not well-known when the defendant filed for registration of its mark or if the defendant's mark has been registered for more than five years). The owner of the well-known trademark can also file an

application for cancellation of the infringing registered trademark with the Trademark Review and Adjudication Board.

If a well-known trademark has previously been recognized as such in litigation or administrative proceedings, the court in the present case may stipulate that the trademark is well-known as long the defendant does not challenge this assertion. This benefits the owner of the well-known trademark as it eliminates its burden of proof in the present trial. However, if the defendant challenges the stipulation, the burden remains on the plaintiff to prove that its mark is well-known.

In the past, where a PRC court found that a trademark was well-known, this determination was included in the court's verdict making the decision binding in any subsequent trials concerning the well-known trademark. Now, a court's ruling is no longer a binding part of the verdict but merely a factual issue determined at trial. As a result, the trademark owner must reprove the fact that its trademark is well-known in any future proceedings, except where the defendant does not challenge such fact. The

same holds true for civil lawsuits settled by mediation: the recognition of a mark as well-known shall not be included as a fact in the conciliation document issued by court.

Conclusion

The promulgation of the Interpretations and Instructions appears to be positive as the new regulations provide more clarity for trademark rights holders. However the judiciary appears to be moving in a direction that would make it more difficult for trademark owners to obtain the expanded protection afforded well-known trademarks. The Notice also confirms this trend: while the limited number of courts that can now hear cases involving well-known trademarks will develop more expertise in dealing with these matters, their increased case loads may lead to less attention rather than more.

By Xu Jing and Lisa Willis

New IP Rules from Customs

China Customs Releases New IP Rules

The General Administration of Customs ("GAC" or "Customs") is a ministerial-level governmental agency that oversees all customs activity in mainland China. GAC's responsibilities include interdiction of counterfeit goods and enforcement of intellectual property rights ("IPR"). According to statistics, Customs in 2008 has indicted 11,135 IP infringement cases, the infringing products amounting to about RMB 300 million, up by 49.3% compared to last year.

In order to further improve customs enforcement of IPR in China, on March 3, 2009, the GAC issued Decree No. 183 amending the Rules of the General Administration of Customs of the People's Republic of China for Implementation of the Regulations of the People's Republic of China on Customs Protection of Intellectual Property Rights (the "Rules"), which were promulgated by Decree No. 114 of the GAC on May 25,

2004. Decree No. 183 went into effect on July 1, 2009. The new Rules contain several changes that merit attention.

Application Documents

While the old Rules required the IPR holder to submit a standard application form to GAC when applying for Customs registration of IPR, this form is no longer necessary. However, the new Rules still require the submission of detailed information, such as the name, address and nationality of the IPR holder; detailed information of the registered IPRs; the names of any licensees; and the manufacturer, importer or exporter of the infringing goods, if known.

In addition, under the new Rules, when the IPR holder applies for registration of a utility model patent or design patent, the Patent Assessment Report issued by the State Intellectual Property Office, including the search result and an analysis and evaluation of the search result, is required instead of just a copy of the official utility model search report or a copy of the

design publication as required by the old Rules.

Renewal of Filing

As before, a registration is valid for a period of ten years from the date of approval by GAC (or if the term of protection of the IPR is less than ten years, then the registration period is for a term equal to the duration of IP protection). The IPR holder can file for renewal of the registration six months before its expiration. The new Rules provide that IPR holders do not have to pay a registration fee when applying for renewal or amendment, so long as the registration has not already expired.

The old Rules did not specify a time limit for GAC to decide on renewal. The new Rules, in Article 10, require Customs to issue a decision whether or not to approve a renewal application within 10 working days after receipt of all documentation and to notify the IPR holder of its decision in writing. If the

New IP Rules from Customs cont.



renewal request is not granted, GAC must give the reason for its rejection.

Detention of Suspect Goods

Under the old Rules, Customs was required to immediately notify the IPR holder in writing when it discovered import or export goods that were suspected of infringing upon registered IPR. However, under the new Rules, Customs must first give the consignee or consignor of the suspect goods a chance to provide evidence of legal use of the relevant IPR before detaining the suspect goods and notifying the IPR holder.

Furthermore, under the new Rules, where the IPR holder and the consignees or consignors reach an agreement on the goods suspected of infringement, provide a written application with the relevant agreement attached and request that Customs release the said goods,

Customs may terminate its investigation unless it believes that a crime has been committed. If that is the case, then Customs will refer the matter to the appropriate PSB for investigation.

Disposal of the Infringing Goods

The old and new rules both provide for the following means of disposal of infringing goods: donation of the infringing goods to the relevant public welfare institutions or to the IPR holder with adequate compensation; auction; and destruction. In case of auction, Customs should first solicit opinions from the relevant IPR holder.

Conclusion

We can see from the above comparison that the new Rules emphasize the nature of private IP rights and strengthen those rights by:

- improving Customs protection of IPR via registration,
- strengthening ex officio action available to IPR holders;
- encouraging interested parties to resolve disputes by negotiation, and
- reducing IP enforcement costs.

The new Rules further balance the interests of Customs, IPR holders and consignees/consignors. IPR holders should make full use of PRC Customs protection of IPR, as Customs provides a strong line of defense against counterfeiting and piracy.

By Zeng Xue and Peng Kai

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PRC Patent Law Comes into Effect

The new PRC Patent Law entered into effect on October 1, 2009. The State Intellectual Property Office ("SIPO") published the Transitional Measures for the Implementation of the Revised Patent Law, which state that the new PRC Patent Law only applies to new patent applications and the following types of patent cases submitted after October 1, 2009: (1) compulsory licenses; (2) administrative actions concerning infringement; (3) investigation and disposal of counterfeit patented goods; (4) change of agent. Therefore, the examination criteria, including the absolute novelty requirement for invention and utility model patents and the inventiveness requirement for design patents mandated in the new patent law, only applies to patents applied for after October 1, 2009. Applications made before this date will not be subject to the new criteria.

SAIC Releases Provisions on Enforcement of the Anti-Monopoly Law

In order to better enforce China's first Anti-monopoly Law which came into effect in August 2008, the State Administration of Industry and Commerce ("SAIC") released the Provisions on Procedures for the Administration for Industry and Commerce to Investigate and Tackle Cases in Relation to Monopoly Agreement and Abuse of Market Dominance and Provisions on Procedures for the Administration for Industry and Commerce to Prevent from Abusing Administrative Power to Eliminate or Restrict Competition. The two Provisions provide detailed guidelines for reporting on, investigating, and punishing monopolies and the abuse of administrative power to eliminate or restrict competition, and both went into effect on July 1, 2009.

Software Copyright Registration on the Rise

In the first half of 2009, software registrations rapidly increased. The China Copyright Protection Center received 29,804 applications for copyright registration, up 112.9%, and approved 28,748, up 100.4%.

Online IP Search System Unveiled

China's intellectual property legal search system was launched in Beijing in July 2009. The system includes 140 Chinese legal instruments concerning intellectual property rights, in both Chinese and English.

NCA Issues Revised Implementation Measures

The National Copyright Administration of China ("NCAC") released the Measures for Implementation of the Administrative Punishment of Copyright. The new Measures: 1) expand the scope of acts punishable by NCAC, 2) add three new types of punitive measures (warning, seizure of infringing products and seizure of equipment used for storing and installing infringing products), and 3) provide that Internet-related infringement will be governed by the competent copyright authorities where the infringer is domiciled, where the infringing internet server is located, or where the infringing website is registered.

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