




WELCOME

*To the Advanced CBA
ReadyTalk Webinar Training
Intellectual Property: China
November 21, 2006
11:00 a.m. Eastern Standard Time*

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Protecting and Enforcing Your Intellectual Property in China

Thomas Sydnor, Attorney-Advisor
United States Patent & Trademark Office
Office of Enforcement

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Thomas Sydnor, Attorney-Advisor
Office of International Relations
United States Patent & Trademark Office

- Tom advises the Office on both international and domestic of implicate copyright law or policy. Until July of 2005, he served the Senate Committee on the Judiciary as Counsel for Intellectual Property and Technology; during his tenure, the Committee enacted or considered numerous bills relating to copyrights and the disputes over peer-to-peer file sharing. Before joining the Committee in 2003, he was in a Special Counsel at the law firm of Arnold & Porter, where he litigated patent and copyright infringement claims and claims under the Administrative Procedure Act. He graduated Order of the Coif from the Duke University School of Law in 1991 and from The Ohio State University with a Bachelor of Arts degree in English in 1987.

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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, and other overseas markets.
 - Counterfeiters and pirates market at trade shows.
 - Counterfeiters and pirates may sell to your customers and suppliers.
 - Counterfeiters and pirates may be selling your products in China, even if you are not in the China market.

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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.

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Scope of the Problem

Problem is Widespread in China.

- Counterfeiting (20% or more revenue lost of some products)
- Piracy (90% + of movies, motion pictures, software)

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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?

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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.

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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?

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Business Considerations

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

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Protecting your IP in China

REMEMBER:

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

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Protecting your IP in China

- Register
- Record
- Remedies

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Protecting your IP-Registration

• Patents

- Must file patent applications with State IP Office (SIPO)
- SIPO Regional Offices provide administrative enforcement
- Rights are territorial
- China is "first to file" country
- Use of registered patent agent.

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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 is the most active TMO in the world
- SAIC's local bureaus provide administrative enforcement of trademarks throughout China

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Protecting your IP-Registration

Tips for Protecting Your Trademarks

- China does not grant trademark rights on use without registration ("first-to-file" system)
- Do a trademark search
- Have the trademark registered in Chinese and English
- Secure other rights such as domain names and company names

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Protecting your IP-Registration

Copyright

- 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.

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Protecting your IP-Recordation

- In the U.S., you can record your registered trademarks and copyrights with the U.S. Customs and Border Protection (CBP)
 - *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.*
 - Note: this procedure is not available for patents.
- A similar process exists for Chinese Customs .
 - Trademarks, copyright and patents can be registered with Customs.

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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.

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Trade Secrets

- Trade secrets do not require registration.
- Principle law regarding trade secrets is “Law to Counter Unfair Competition”
- Principle administrative enforcement agency: Fair Trade Bureau of SAIC.

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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.

http://www.usitc.gov/trade_remedy/int_prop/index.htm

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Section 337 Remedy

PROS

- ITC is required to conclude its investigation in a timely manner
- Effective & speedy remedy compared to court cases

CONS

- Can be very costly meeting ITC deadlines

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Using Remedies in China

- “Three Track” Enforcement System
 - Administrative Enforcement (Most Common)
 - Patent, TM, Copyright, Trade Secret, Plant Varieties, etc.
 - Customs
 - Civil Enforcement
 - Criminal (Least Common)

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Administrative Enforcement

ADVANTAGES:

- Inexpensive and fast,
- Local,
- Expert Agency (nearly every IP right has an administrative agency),
- No lawyer needed,
- May be able to obtain an injunction,
- Administrative agency may have other enforcement capabilities.

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Administrative Enforcement

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.

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Recent Statistics

- Trademark—In 2004, 51,851 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.**

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Civil Enforcement

ADVANTAGES

- Specialized judiciary that may be trained in IPR
- Damages available
- Injunctive remedies
- Rights to appeal
- Nationwide jurisdiction

DISADVANTAGE

- High cost
- Low damage rewards
- Lack of independence of judiciary in many jurisdictions
- Difficulties in collecting damages, if rewarded

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Recent Statistics

- Chinese courts handled a total of 11,468 IP related civil cases in 2005 (Jan-Nov); an increase of 31.9%
 - Copyright cases totaled 5,240.
 - Patent cases totaled 2,491
 - Trademark case totaled 1,482
- Generally cases involving foreign right holders were approximately 5% of total.

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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.

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Criminal Enforcement

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.

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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

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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

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Recent Statistics

- Criminal Cases: Public Security Bureau (PSB, Chinese police) initiated 2,991 IP criminal cases, involving over 5,000 suspects.
- Total value of 2.06 billion Yuan
- 2,661 cases progressing; 261 cases concluded.

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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, other expenses can be high.
- Customs can only inspect a limited % of goods exported.

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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

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U.S. Government Efforts

- Ongoing WTO monitoring
- Multilateral work at World Intellectual Property Office (WIPO)
- Regional work: ASEAN, APEC
- Bilateral Meetings
 - Joint Commission on Commerce and Trade (JCCT)
 - Capacity building activities
- Domestic Outreach to U.S. businesses

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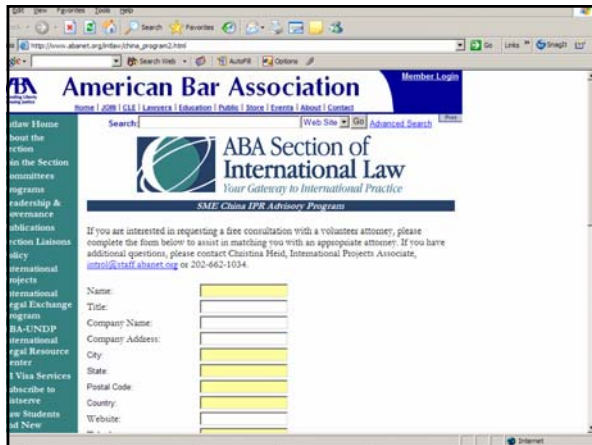


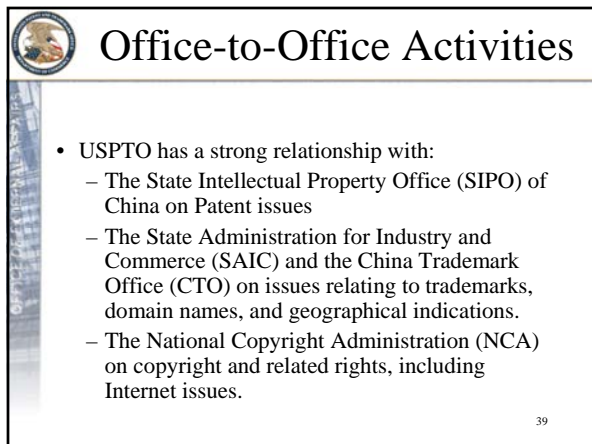
Other USG Efforts

- U.S. Ambassador's Annual IP Roundtable
- JCCT IPR Working Group Meeting established in 2003 led by USPTO and USTR on the U.S. side
- Case Referral Mechanism
- Legal Advice from ABA IP experts for SME's

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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.

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USPTO China IP Expertise

- USPTO has a comprehensive and experienced China IPR team, including:
 - TM expert
 - Copyright expert
 - Patent expert
 - Enforcement expert
- USPTO appointed an IP attaché to the US Embassy in Beijing.
- Two additional IPR Experts (attorneys) will be posted in China this year.

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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.

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USG Help for IPR Rights Holders

What We 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 We 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

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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)*

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Thank You

For further information, please contact:

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

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