

Protecting and Enforcing Your Intellectual Property in China



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Small Business
Development Centers





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- Adam advises the Office on China-related issues. He recently joined the Office from the Office of the Secretary of Commerce where he served as Senior Advisor on China Policy to Secretaries Locke and Bryson. He has worked on China-related matters for the U.S. government and in the private sector for the last 15 years and is a recognized expert on China's accession to the WTO and the commercial legal development in China. He received his law degree and a Master's Degree in East Asian Studies from Washington University in St. Louis in 1997 and graduated from Georgetown University with a degree in Chinese language in 1994.



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You will learn –

- Why China's counterfeiting and piracy poses a threat to US SMEs (even the US SME that has no intention of going to China)
- A few basics about China's patent, trademark and copyright systems (and how they differ from US systems)
- A few basics about China's enforcement systems (and how they differ from the US enforcement system)
- Why it makes sense to protect IP in China, even when not in China
 - problems of trademark squatting, cybersquatting, patent squatting
 - opportunities for exporting to China to burgeoning middle class
- What the USPTO/USG are doing to better protect US businesses in China



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.
 - Bad actors may have obtained your intellectual property (IP) in China, effectively preventing you from expanding your business to China.



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, accounting for 62 percent or \$124.7 million of the total domestic value of seizures in FY11.

– 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.



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)



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?



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.



Business Considerations

- Do you plan to market your goods/services in China?
- Do you plan to market your goods/services in other foreign markets?
- Do you plan to manufacture in China?
- Do you plan to purchase products/supplies in China?
- Do you attend trade shows, in the U.S. or abroad?



Business Considerations

- How important is intellectual property to your business model?
 - SMEs that rely on IP of all sorts reported higher growth, income and employment than those that do not
 - in some cases as much as 20% more.
 - <http://www.bascap.com/>
- Can your goods or services be copied or imitated?
 - It has been said that, in China, if a product or service can profitably be copied; it will be.



Protecting your IP in China

REMEMBER:

- IP rights – patents and trademarks - are territorial. That means that they must be protected and enforced on a country-by-country basis.
- Use the 3 R's
 1. Registration
 2. Recordation
 3. Remedies



Protecting your IP in China

- Register
- Record
- Remedies



Protecting your IP–Registration

• Patents

- Must file patent applications with State IP Office (SIPO) (China’s patent office)
- SIPO provincial or city-level offices provide administrative enforcement
- Rights are territorial
- China is “first to file” country
- US patent attorney generally will have working relationship with Chinese patent attorney/agent. Also, China is member of Patent Cooperation Treaty (PCT), for “1-stop shopping.”



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



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 English and in Chinese (translation and transliteration)
- Secure other rights such as domain names and company names



Protecting your IP–Registration

Copyright

- Copyright protection arises from the moment of creation.
- Voluntary registration is available in China.
- While registration is voluntary, it may be advantageous because the registration provides proof of ownership in the event of a dispute.
- Registration in China is inexpensive and may be advisable for works important to your business.



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 in the US.
- A similar process exists for Chinese Customs.
 - Trademarks, copyrights, and (even) patents can be recorded with Customs.



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.



Trade Secrets

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



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/intellectual_property/



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



Using Remedies in China

- Unlike U.S., China has “Three Track” Enforcement System
 - Administrative Enforcement (Most Common)
 - Patent, Trademark, Copyright, Trade Secret, etc.
 - Customs
 - Civil Enforcement
 - Criminal Enforcement (Least Common)



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 injunctive-type relief,
- Administrative agency may have other enforcement capabilities.



Administrative Enforcement

DISADVANTAGES:

- “Local Protectionism”,
- Penalties often 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.



Civil Enforcement

ADVANTAGES

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

DISADVANTAGES

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



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.



Criminal Enforcement

DISADVANTAGES:

- Evidentiary standards were lowered several years ago with a Judicial Interpretation, but resource issues (among others) may still make these cases difficult to pursue.
- Difficulties may exist in having administrative cases referred to criminal prosecution.
- Not all IPR infringements are criminalized.



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
- Provisions addressing online copyright piracy, accomplice liability, and the import/export of infringing goods



Problems with the JI Remain

- 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



Recent Statistics

For first 10 months of 2011 --

- 4,544 IP cases accepted for criminal prosecution, up 38% from 2010
- 52,708 IP cases accepted by Chinese civil cases, up 42% from 2010
 - 38,682 cases concluded, up nearly 40% from 2010
 - > 60% civil cases over IPR involve copyright, with most of the remainder involving trademark
- 67,000 administrative actions involving IP, up 20% from 2010
- # of transfers from AICs to PSBs not yet reported (but earlier reports show # of transfers is minute)³⁰



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.



Recent Statistics

- Customs seizures down from 110 million units in 2010 to 95 million in 2011
- Total # seizures down from 20,300 in 2010 to 17,000 in 2011
- ## reflect growing trend of postal shipments of fake goods



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)
 - Strategic & Economic Dialogue
 - Capacity building activities
- Domestic Outreach to U.S. businesses



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 ("CRM")
- Legal Advice from ABA IP experts for SMEs



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 and geographical indications.
 - The National Copyright Administration (NCA) on copyright and related rights, including Internet issues.



USPTO China IP Expertise

- USPTO has a comprehensive and experienced China IPR team, including:
 - Trademark experts
 - Copyright experts
 - Patent experts
 - Enforcement experts
- USPTO has IP attachés in China
 - Beijing
 - Guangzhou
 - Shanghai (starting this month!)



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. They are lists only and should not be considered as recommendations.



USG Help for IPR Right Holders

What We Can Do

- Help companies navigate China's legal system and find USG resources
- Embassies maintain lists 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



The STOPfakes.gov Website

OFFICE OF EXTERNAL AFFAIRS

STOPfakes.gov Your resource for IPR information and assistance

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Find resources to protect your innovations, spur creativity, and market products safely at home and abroad. [Read more](#)

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Learn about intellectual property. What is it? How do I protect it?

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U.S. Government Initiatives
Learn how we are working to improve intellectual property protection and enforcement for our companies in markets around the globe. [Read more](#)

Global Partners
Discover information and tools developed by partner governments, private sector groups, international organizations.

What's New on StopFakes

New and Improved STOPfakes.gov Website Unveiled
The redesigned STOPfakes.gov website offers new resources, improved usability and a helpful tool for assistance from a number of U.S. Government offices standing by to help you protect and enforce your property rights. [Read more](#)

US-China Patent Prosecution Highway Pilot To Launched
"This PPH agreement marks a shining success of the outstanding cooperation by both offices to build and improve the global patent system," said Under Secretary Kappos. [Read more](#)

National IPR Center Releases 2011 IP Threat Report
This comprehensive study details various threats to United States Intellectual Property from criminal activity. Intended to serve as a baseline assessment of the current IPR crime problem. [Read more](#)

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US Government Resources: STOPfakes.gov Website Highlights

- **STOP HOTLINE: 1-866-999-HALT** (or web-based form)
- **IPR Country Toolkits** (including China)
- **DHS – Customs Recordation Tool** (prevent infringing importation)
- **Information about events**, USPTO IP Basics Road Shows, USPTO China IP Road Shows, Commerce (DOC) China IPR Webinars
- **“International IPR Advisory Program”** - American Bar Association (ABA) (1-hour free consultation with expert attorney for China or other listed country)
- **A list of “Who’s Who” in the U.S. Gov’t involved in IP:**
http://www.stopfakes.gov/sf_who.asp



Some Other Useful Resources (continued):

- **USTR Annual Special 301 Reports:** www.ustr.gov (information about countries with problems in IP theft, including China)
- **WIPO Resources:** “Outline of the Legal and Regulatory Framework for Intellectual Property in the People's Republic of China (PRC)”
 - <http://www.wipo.int/wipolex/en/outline/cn.html>
- Information about domain names in generic and country-code top-level domains:
<http://www.wipo.int/amc/en/domains/>
(including .cn extensions for China)



Some Other Useful Resources (continued):

- **EU Transatlantic IPR Portal:** The Department of Commerce and the EU's Directorate General (DG) for Enterprise and Industry developed the Transatlantic IPR Portal to make it easier for SMEs to find and use the resources that both governments have developed. The Portal is accessible via www.STOPfakes.gov or directly at http://ec.europa.eu/enterprise/initiatives/ipr/index_en.htm (then link through to many China-related materials, including the China IPR SME Helpdesk at <http://www.china-iprhelppdesk.eu/>)



Thank You

For further information, please contact:

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