KANGXIN WINS A TOP 10 IPR CASE FOR 2011
KANGXIN: TOP 2 PCT FILER IN CHINA
KANGXIN’S SEMINAR ON STRATEGIES FOR OVERSEAS PATENT APPLICATIONS
FOR CHINESE ENTERPRISES
MORE PATENTS OWNED BY DOMESTIC HOLDERS IN CHINA
Since its establishment in 1994, Kangxin Partners, P.C. has served a broad range of international and domestic clients, and is one of China’s most experienced and respected intellectual property law firms. Our dedicated professional staff specializes in areas including but not limited to electronics, mechanics and chemistry, making Kangxin a one-stop shop for all your intellectual property needs.

www.kangxin.com
Floor 16, Tower A, InDo Buliding, A48 Zhichun Road,
Haidian District, Beijing 100098, China
Tel: (8610)58731888  Fax : (8610)58731999
Email:global@kangxin.com

Beijing · Changsha · Wenzhou · Shenyang · Hong Kong · Silicon Valley · Munich
CONTENTS

Letter from the Editor in Chief

KANGXIN WINS A TOP 10 IPR CASE FOR 2011

KANGXIN SUCCEEDS IN “BUGSAWAY” TRADEMARK REEXAMINATION
Kangxin Events

BAND 1 OF LEADING CHINESE IP FIRMS BY CHAMBERS AND PARTNERS 04
KANGXIN: TOP 2 PCT FILER IN CHINA 04
KANGXIN’S SEMINAR ON STRATEGIES FOR OVERSEAS PATENT APPLICATIONS FOR CHINESE ENTERPRISES 05
KANGXIN HOSTS PATENT SALON 05

China IP News

CHINA’S INTELLECTUAL PROPERTY CASES ON THE RISE 06
MORE AWARENESS GENERATED ON IPR PROTECTION IN CHINA 06
DRAFT LEGISLATION TARGETS UNFAIR COMPETITION IN CHINA’S INTERNET SECTOR 07
TO PROTECT INTELLECTUAL PROPERTY RIGHTS OF CHINESE CHARACTERS 07

Kangxin Analysis

ANTI-COUNTERFEITING GUIDE IN CHINA 11
QUANTITATIVE ANALYSIS FROM ACTUAL EXAMPLES OF THE ADVANTAGE OF PCT APPLICATION TO THE APPLICANT (PART 1) 17
Dear Readers,

I have had the privilege of writing this section for the past three years. Every issue we produce is a step closer toward achieving the penultimate goal of creating the “perfect IP Journal.” I think that we’ve come as close as possible this time around. This edition is a real winner, a first place finish, the go ahead run. As you might have guessed, I am indeed a fan. And a fan I certainly remain when page after page I am inundated with good news. Smashing good news, actually. The sun is certainly shining in Beijing!

Inside there is a wildly informative article about enforcement in China. This play-by-play provides all the answers, and will assist you in always remaining a step ahead of the IP infringer. I definitely recommend checking it out when you have a moment. Another brilliant read details the outright benefit of utilizing the PCT route. This article speaks directly to the applicant and provides some interesting food for thought when considering how best to protect your patents globally.

What would an IP Journal be without an update on the latest Intellectual Property happenings in China. The Chinese government has taken some aggressive steps to curtail unfair competition in the internet sector, and we’ve provided a copy of the draft legislation for your perusal. There are some detailed updates on IP protection for traditional Chinese medicines, and you can also read about the most recent trends coming from the State Intellectual Property Office – Chinese patent applications are still on the rise!

Kangxin Partners is also flying high, and in some dramatic fashion too! Kangxin was recently recognized as the Top 2 PCT filer in China! This great news can solely be attributed to Kangxin’s belief and dedication to China’s domestic market. Kangxin has always invested in China’s intellectual property growth and continues to provide assistance and resources to local Chinese companies. We are immensely proud of this distinction!

Well, I think that about covers it for this addition of Lighting Creation. It is always a pleasure to share the latest news and updates from our side of the world. We are always interested in contributing articles from our associates around the globe. Is there something interesting happening in your jurisdiction that you would like for our Chinese readers to know about? We would love put your name in lights and publish your article! Drop us a line for further information!

That’s a wrap!

All the best,

Aaron D. Hurvitz
Editor in Chief
KANGXIN WINS A TOP 10 IPR CASE FOR 2011

On April 17, 2012, the Patent Reexamination Board issued its top ten IPR cases for 2011. The top ten cases cover the major IPR fields. One of these cases was a patent invalidation case handled by Kangxin Partners, P.C.

In 2010, Kangxin represented a client in its patent invalidation case which concerned CHONGQING DONGBEN INDUSTRY CO, LTD, the owner of a utility model patent for a “motor tricycle frame”.

Upon investigation, Kangxin found that insufficient proof caused the failure of prior patent invalidation actions. Due to these circumstances, Kangxin recollected evidence, and filed a patent invalidation action on February 12, 2010 against the Patent Reexamination Board of the State Intellectual Property Office.

In the request for invalidation and oral examination, Kangxin argued that some existing technologies had the same functions with this patent application and that any skilled person could easily have combined these technologies without any innovations. Kangxin was able to make several key arguments and provide clear supporting evidence showing that many of the claims had no innovative features.

Having examined carefully, the Patent Reexamination Board finally made its decision and concluded that the patent should be invalidated.

The key points of this case are that you must ensure that you have an accurate understanding of the rules of Patent Law and strictly adhere to it while making a detailed analysis regarding your patent dispute and provide supporting evidence. Moreover, it is important to use the most accurate and closest definition to the comparative documents, appropriately determine the differences between strict technical features of innovation and the criterion of the evaluation, and review the innovation through various combinations.
KANGXIN SUCCEEDS IN “BUGSAWAY” TRADEMARK REEXAMINATION

Kangxin suggested the applicant reapply for registration of the designated 25 class goods without the characters “防虫”. This time it focused on the function of clothes, not the function of prevention of bugs.

We analyzed the function of the designated goods, and used this function to create differences with “BUGSAWAY”. In addition, the Chinese translation “虫子远离” for “BUGSAWAY” did not conform with the Chinese expressing habits, therefore, this trademark was able to show some notable character more than its functions. Furthermore, we and the applicant collected evidence which proved that the notable character had been improved through its use in the market.

In September, the Trademark Review and Adjudication Board made its final decision and agreed to the registration for this trademark.
BAND 1 OF LEADING CHINESE IP FIRMS BY CHAMBERS AND PARTNERS

Kangxin was once again ranked Band 1 by Chambers and Partners in 2012. Chambers and Partners select firms for rankings based on serious, intensive, continuous research and identifies for the world’s leading lawyers and law firms. Therefore, the ranking of Chambers and Partners is known to be the most accurate and the most reliable since it started its rankings system in 1969.

Samson G. Yu, Managing Partner of Kangxin was named a Leading Individuals in IP for the 5th time by Chambers and Partners. Gloria Wu, Partner and Celia Li, Partner were also ranked as Leading Individuals in IP in 2011 and 2012 separately.

KANGXIN: TOP 2 PCT FILER IN CHINA

Managing Intellectual Property has published its 2011 ranking of PCT Applications of the largest IP firms. Kangxin was ranked as the 2nd largest PCT Filer in China. In addition, Kangxin is ranked the 11th largest PCT filer in the world. This is the first time that Kangxin has been named as a Top 15 filer in the world.
KANGXIN’S SEMINAR ON STRATEGIES FOR OVERSEAS PATENT APPLICATIONS FOR CHINESE ENTERPRISES


The event was attended by over 130 high level representatives from more than 80 companies, and intellectual property organizations.

Ms. Catharina Waller from Italy’s Rapisardi Intellectual Property addressed different routes to gain patent protection in Europe. Ms. Yimei Hammond introduced the America Invents Act amendment and analyzed patent protection in the United States. Ms. Yan Ma from the State Nuclear Power Technology Corporation Ltd and Mr. Gary Wu from Kangxin discussed the importance of patent search and the benefits of international applications. The seminar ended with a panel discussion of representatives present reacting to what they had heard, and was followed by an informal question and answer session on the actual problems encountered in corporate patent practice.

KANGXIN HOSTS PATENT SALON

A salon on “FAST AND CHEAP EP PROCEDURES”, was hosted by Kangxin on April 12, 2012. JACOBACCI & PARTNERS S.p.A.’s senior partners Paolo E. Crippa and Corrado Fioravanti gave an excellent speech to over 20 delegates from 15 local companies and our staff during the salon. The speech covered five parts including design protection in Italy, how to reduce time to grant a European patent, how to optimize costs of European prosecution, how to get a “strong” patent, and news about the EP unitary system.

The salon was well received by the audience, who expressed their wish to attend future Kangxin events.
CHINA’S INTELLECTUAL PROPERTY CASES ON THE RISE
Source: http://english.people.com.cn/

China’s intellectual property cases increased significantly and many influential, complicated and new cases appeared, according to the White Paper on Judicial Protection of Intellectual Property 2011 issued by the Supreme People’s Court on April 19, 2012. The White Paper said that China’s intellectual property cases have the following characteristics:

First, the newly received cases increased considerably. In 2011, the local people’s courts had newly received almost 60 thousand first instance civil cases of intellectual property, a growth of about 39 percent year-on-year and 5.7 thousand first instance criminal cases, an increase of 43 percent year-on-year.

Second, the influential, complicated and new cases increased.

Third, the number of patent cases continually rises, involving disputes of proprietary intellectual property rights and prosecution of foreign companies and foreign-owned enterprises.

Fourth, more and more cases involved the business marks.

Fifth, the copyright protection has beyond traditional culture significance and expanded toward the economic significance.

Sixth, with increasingly fierce market competition and diverse commercial activities, more and more market competitions need to be defined and standardized according laws.

Meanwhile, copyright cases increased sharply and occupied over half of the total intellectual property cases. The cyber space has become the main battlefield of copyright protection. Serial cases also increased and copyright issues related to development and application of network techniques have caught high attention from IT industry. Therefore, it is unprecedentedly important to strengthen copyright protection and promote the balance of interests of the new business model development.

MORE AWARENESS GENERATED ON IPR PROTECTION IN CHINA
Source: http://www.china.org.cn/

April 26 marks the International Intellectual Property day. The protection of intellectual property rights or IPR has long been a topic in China. As an increasing number of IPR cases develop, more awareness is being generated on the issue.

Data from China’s Supreme Court, shows that in 2011, the people’s court, at all levels, accepted nearly 60,000 IPR cases with a year-on-year increase of about 38 percent. There were over 7,800 patent cases, at an increased rate of 35 percent from 2010. Trademark cases have also grown at an alarming speed, with 13,000 new cases bumping the numbers up 53 percent year-on-year.
DRAFT LEGISLATION TARGETS UNFAIR COMPETITION IN CHINA’S INTERNET SECTOR
Source: http://www.inhousecommunity.com/

Following the high profile dispute between Tencent and Qihu over the use of their software products last year, the Ministry of Industry and Information Technology (MIIT) issued draft measures regulating unfair competition activities among Internet information service providers for public comment. Jeanette Chan and Sean Li of Paul, Weiss, Rifkind, Wharton & Garrison examine the implications.

Under the draft measures, MIIT has proposed that providers are prohibited from engaging in unfair competition activities, such as offering products that are incompatible with competitors’ products without reasonable grounds or authority, or disturbing the operation, or blocking the information, of competitors’ products or services.

If a provider queries the security or the quality of a competitor’s service, it must test such quality through a reputable third-party organization.

Providers are also prohibited from infringing user rights in certain ways, such as restricting users’ ability to choose other providers’ products or services, arbitrarily installing, operating, upgrading, or uninstalling software on users’ terminals without their consent. Further, providers are prohibited from collecting or storing users’ personal data without explicit legal basis or the users’ consent. If personal data is required for identification or needed for the service to operate, users must be clearly informed of the purposes for which the data will be used. Any unauthorized disclosure of users’ personal data is prohibited.

Providers who violate the draft measures will be subject to penalties of up to RMB1 million and, in serious cases, their business operations may be suspended.

The draft measures reiterate the mechanisms currently available for settling disputes in the Internet information service sector. They reiterate the role of MIIT in its supervision and guidance over the dispute settlement process.

TO PROTECT INTELLECTUAL PROPERTY RIGHTS OF CHINESE CHARACTERS
Source: http://english.peopledaily.com.cn/

On April 23, the Chinese Character Style Association and relevant companies held a conference in Beijing, calling for modifying relevant articles of the Copyright Law (draft) in order to get computer typefaces and Chinese character styles protected by the law. The proposal has led to a lot of discussion among insiders of the industry. A deputy inspector of the Department of Laws and Regulations under the General Administration of Press and Publication of China Gao Si attended the conference and listened to the suggestions.
A new PCT-PPH pilot program began on 1 March 2012 between the Korean Intellectual Property Office (KIPO) and the State Intellectual Property Office of the People’s Republic of China (SIPO). Under this pilot program, faster examination in the national phase in the Republic of Korea and/or China is available on the basis of a PCT application with a positive written opinion from either the ISA or the IPEA, or a positive IPRP (Chapter II), issued within the framework of the PCT by the other participating Office in its capacity as ISA/IPEA.

Further information on the PCT-PPH agreement between KIPO and SIPO is available at:

http://www.sipo.gov.cn/
http://www.kipo.go.kr/

American plastic table manufacturer, Lifetime Products Inc., has won its first victory in its patent litigation in Chinese courts, but the company and its Chinese rival, Zhejiang Bestem Furniture Co. Ltd., continues to argue over other claims.

The Shanghai First Intermediate Court ruled April 20 that Bestem infringed on one of Lifetime’s Chinese patents for blow-molded plastic tables, and ordered the Chinese firm to pay Clearfield, Utah-based Lifetime 200,000 Chinese yuan ($31,800) in compensation.

Lifetime last year won a separate trademark infringement case in Chinese courts against another firm, Zhejiang Lifan Furniture Co. Ltd., for illegally making products with Lifetime’s logo.

But the decision is probably only a partial victory for the American firm.

The patent at issue in the Shanghai court decision deals with a design feature that strengthens corners and edges of the blow molded plastic tables.

The decision requires Bestem to stop infringing, which Lifetime believes means Bestem will have to redesign its mold.
MORE PATENTS OWNED BY DOMESTIC HOLDERS IN CHINA
Source: www.english.news.cn/

As of the end of last year, the number of valid invention patents in China totaled 697,000, including 351,000 belonging to domestic owners, according to an official statement issued Tuesday.

This is the first time that the number of valid domestic invention patents exceeded the number of invention patents in China owned by overseas right holders, said a statement jointly issued by the State Intellectual Property Office (SIPO), the State Administration for Industry and Commerce (SAIC) and the National Copyright Administration at a press conference.

According to the statement, in 2011, China received 1.63 million patent application cases, and 526,000 involved invention patents, the kind bearing the most innovative value.

China’s patent law provides that patents fall into three categories: invention; new design; innovative utility model.

As of the end of March this year, the total number of invention patent applications in China accumulated over the last 20 years stood at about 3 million, said SIPO Director Tian Lipu.

The patent application figure indicates growing public awareness of intellectual property rights (IPR) protection in China, and the number of valid patents reveals the realistic market value of the granted patents, Tian said.

The fact that domestic patents have outnumbered overseas patents in China signifies that China has seen more vigorous domestic innovation. Furthermore, as of the end of 2011, China had received 9.71 million trademark registration applications, and the country led the world in valid registered trademarks by owning 5.51 million trademarks, the statement said.

However, China is still not a "strong country" in the international trademark competition, said Fu Shuangjian, deputy director of the SAIC.

China had over 50 million registered enterprises and small businesses by the end of last year, but only 5.51 million valid trademarks. Only about one in nine businesses owned its own trademark, indicating weak awareness about trademark protection, Fu said.

Also according to the statement, China has stepped up IPR protection with an intensified crackdown on IPR violations and counterfeit goods.

In 2011, police forces in China solved 43,550 cases in a special campaign combating IPR violations and counterfeit products, closing 32,573 illegal sites for such violations and arresting 54,658 criminal suspects.

Moreover, administrative agencies at all levels in China have dealt with 155,900 cases of related violations, and 1,702 cases were transferred to judicial agencies in 2011, the statement said.
IPR PROTECTION NEEDED FOR CHINESE HERBAL MEDICINES

Source: http://english.sipo.gov.cn/

The extraordinary effects of Chinese herbal medicines have fueled foreign interest in launching research projects into this profitable and interesting field in recent years.

Several years ago, a prescription for curing colds that had been passed down through generations of people of the Miao nationality went overseas and was eventually patented by foreign companies,

Bailing Group, a privately-run, listed company based in southwest China’s Guizhou province, focuses on the research and development of Miao medicines. The company sees an annual turnover of about 800 million yuan ($127 million).

As one of the four major production areas for Chinese medicine, Guizhou boasts more than 4,800 kinds of Chinese medicines, 28 of which are under national protection and account for 58.8 percent of all State-protected medicines in China.

Statistics from the Guizhou Provincial Traditional Chinese Medicine Administrative Bureau show that about 1,000 herbal prescriptions from the Miao and Dong nationalities have been collected, but no more than 200 of them have been developed and put into production.

Chinese medicine companies have become aware of the need to apply intellectual property protection to their products since herbal medicines have attracted attention from foreign companies.

Bailing Group, Shenqi Group and Yibai Pharmaceutical Co Ltd, the three major medicine companies in Guizhou, have been granted more than 200 patents to date.

If foreign companies get the prescription or the ingredient of a herbal medicine with patent protection, they can imitate similar medicines without being blamed for patent infringement since herbal medicine can be synthesized in various ways.

After a prescription is granted a patent and its contents are made public, other countries could use the base of the prescription to develop new medicines by using advanced technology, Xia said.

Therefore, not all new medicine is suitable for patent application. For example, the ingredient list of Yunnan Baiyao, a white powder from Yunnan that is used to treat open wounds, is under state secret-recipe protection, according to Xia.

Herbal medicines can survive for hundreds of years, whereas western medicines can be replaced within two decades.

Meanwhile, plentiful biological resources in Guizhou have provided numerous original materials for herbal medicine.

As more and more Chinese herbal medicines have popped up in western markets, an increasing number of foreigners have started to seek information about the Miao medicines.

In response to this growing popularity overseas, the Chinese government issued a regulation on the protection of biological species resources in 2007, aiming to bring the country’s biological species under control and protect them from loss by 2015 as herbal medicines mainly come from these biological species.

However, experts have warned that foreign researchers could obtain herbal medicine information via research centers and with the help of advanced technology even if they can not obtain the species themselves.
ANTI-COUNTERFEITING GUIDE IN CHINA

1. Legal framework

National

The laws governing trademarks in China are as follows:

- the Trademark Law (2001) and the Implementing Regulations of the Trademark Law (2002);
- the Anti-unfair Competition Law (1993);
- the Copyright Law (2001) and the Implementing Regulations of the Copyright Law (2002); and
- the Criminal Law (2009).

The Supreme People’s Court has issued the following judicial interpretations, which also play an important role in legal practice in China:

- the Interpretation of the Supreme Court on Several Issues on the Application of Law in the Trial of Civil Disputes concerning the Protection of Well-Known Trademarks (2009);
- the Interpretation of the Supreme Court on Several Issues on the Application of Law in the Trial of Civil Cases concerning Unfair Competition (2007);
- the Interpretation of the Supreme Court and the Supreme Procuratorate on Issues concerning the Application of Law in Handling Criminal Cases of Infringement of IP Rights (2004);
- the Interpretation of the Supreme Court on Several Issues on the Application of Law in the Trial of Civil Disputes over Copyright (2002); and
- the Interpretation of the Supreme Court on the Application of Law in the Trial of Civil Disputes over Computer Network Domain Names (2001).

International

China is a party to and is bound by the following international treaties:

- the World Trade Organization Agreement on Trade-Related Aspects of Intellectual Property Rights;
- the Paris Convention for the Protection of Industrial Property;
- the Convention Establishing the World Intellectual Property Organization;
- the Madrid Agreement and Madrid Protocol;

---BIOGRAPHY---

Gloria Q. Wu
Partner
Attorney-at-Law

Specialties
Trademark Prosecution
Trademark Dispute Resolution
Domain Name Dispute Resolution

Languages
Chinese, English, French
the Nice Classification (Ninth Edition) for Classification of Goods and Services

2. Border measures

China Customs is capable of conducting enforcement against counterfeit goods using a registered trademark or an unregistered well-known trademark entering or leaving China.

According to the Regulations of Customs Protection for Intellectual Property Rights and its Implementing Methods, border measures for protecting intellectual property rights include the following actions: detention of suspected infringing goods, investigation of infringement, punishment of the exporter and importer of the infringing goods, and confiscation and disposition of the infringing goods.

There are two forms of Customs enforcement, each of which involves a different procedure: (i) enforcement through application and (ii) enforcement ex officio.

According to the Implementation Measures of Regulations of Customs Protection for Intellectual Property Rights as well as No. 31 Notice of the Customs in 2006, the IP right owner may provide general guarantee (minimum RMB 200,000) to the Customs to cover detention applications during the period from the date of approval of general guarantee to December 31 of the same year.

The amount of the general guarantee shall be equal to the total amount of cost of storage and safekeeping incurred by detention of suspected infringing goods by the Customs based on application of the IP right owner the year before; if the IP right owner did not apply for any detention or the total cost of storage and safekeeping did not reach RMB200,000 the year before, the amount of the general guarantee shall be RMB200,000.

The implementation of the General Guarantee rule has substantially improved the efficiency of application for detention of suspected infringing goods.

Administrative action

In a broad sense, an administrative action refers to any enforcement action taken by the Administration of Industry and Commerce (AIC) or the General Administration of Quality Supervision, Inspection and Quarantine of the People’s Republic of China (AQSIQ).

The steps in an administrative action with the AIC and the AQSIQ are as follows:

1.1 Determining the Appropriate Authority

When counterfeit goods relate to a registered Chinese trademark or a well-known unregistered trademark in China, a complaint is filed with the AIC. However, if the counterfeit goods are in relation to a trademark that has not been registered in China and the counterfeiter only forges the right holder’s enterprise name, contact details, and the like, the AQSIQ is the more appropriate authority.

1.2 Preparing the Administrative complaint with the supporting documents.

1.3 The Administrative Action

1.3.1 The agents of the trademark owner will lead the AIC or AQSIQ to the site where the counterfeit goods are manufactured or stored.

1.3.2 If counterfeit goods are found on site, the AIC or AQSIQ will seal and detain the counterfeit goods.

1.3.3 The authority can issue an Administrative Punishment Decision, which can include a disciplinary warning, fine, confiscation of illegal gains or confiscation of unlawful property or things of value, order suspending production or business, temporarily suspend or rescission of business permit or business license, or administrative detention. In the event that the counterfeiter refuses to comply with an order to
stop selling infringing products or does not destroy the infringing products, AIC can issue a penalty of no more than 3 times the illegal gains.

1.3.4 The Administrative Authorities will dispose of the counterfeit goods.

Compared to litigation, administrative actions have many advantages. Firstly, once counterfeiting has been established, the local Administrative Authorities can take immediate action whereas litigation will take a considerably longer time. Secondly, the formality of documents required for an administrative action is less complicated than that required for litigation, and the cost involved in completing an administrative action is usually much lower than litigation.

3. Criminal prosecution

A criminal case can be commenced at any stage where counterfeiting constitutes a crime. Criminal proceedings often follow an investigation by police or the People’s Procuratorate, an administrative action, a civil litigation procedure, or an administrative litigation procedure, whichever reveals criminal levels of counterfeiting.

Pursuant to Article 213 of the Criminal Law of the People’s Republic of China, using an identical trademark on the same goods without the permission of its registered owner shall, in cases of a serious nature, be punished with imprisonment or criminal detention of no longer than three years, and/or fine; and for cases of a more serious nature, with imprisonment of over three years and no longer than seven years, and with fine.

The Interpretation of the Supreme Court and the Supreme Procuratorate on Issues concerning the Application of Law in Handling Criminal Cases of Infringement of IP Rights further specifies the standard for determining whether an infringement is “serious nature” or “more serious nature” as follows:

**Serious Nature:**
1. the amount of illegal business volume being more than RMB 50,000 or that of illegal gains being more than RMB 30,000;
2. forging more than two registered trademarks, the amount of illegal business volume being more than RMB 30,000 or that of illegal gains being more than RMB 20,000;
3. other circumstances of a serious nature.

**More Serious Nature:**
1. the amount of illegal business volume being more than RMB 250,000 or that of illegal gains being more than RMB 150,000;
2. forging more than two registered trademarks, the amount of illegal business volume being more than RMB 150,000 or that of illegal gains being more than RMB 100,000;
3. other circumstances of an especially serious nature.

Criminal proceedings can be initiated by both the public prosecution authority and the rights holder. On the other side, the IP right owner can also file additional pleading to claim civil damages for the injury caused by the counterfeiting conduct, either during the same criminal procedure or initiate a civil procedure independently.

4. Civil enforcement

Article 52 of the Trademark Law provides that the following acts constitute an infringement of the exclusive right to use a registered trademark:

- to use a mark that is identical or similar to a registered trademark in respect of identical or similar goods without the authorization of the rights holder;
- to sell goods in the knowledge that they bear a
counterfeit trademark;

to counterfeit, or to make without authorization, representations of a registered trademark, or to sell such representations

to replace a registered trademark and re-sell the goods without the authorization of the rights holder; or
to cause, in other respects, prejudice to the exclusive right of another person to use a registered trademark.

In the event of such infringement, the rights holder can file a trademark infringement suit before the court.

In general, trademark infringement cases are heard at first instance by the intermediate courts at city level, except in some big cities where the district courts have jurisdiction to hear cases involving trademark disputes. At second instance they are heard by the high courts at the provincial level.

The statute of limitations for instituting civil proceedings is two years from the date on which the rights holder or any interested party knew, or should have known, about the infringing act. However, if the infringement continues for a long time, the court will hear the case even if the action is brought after two years.

Similar to litigations in other fields of law, collecting evidences is always crucial, especially in calculation of damages. On-site investigation is frequently implemented in evidence collection, which is often accompanied with notarized purchase of infringing products. If the sales of infringing products are conducted via internet, it is possible to ask the notary officer to notarize the whole process of online purchase with all the relevant webpages involved.

Preliminary Injunction & Preservation of Evidence

According to Article 57 of the Trademark Law, where a rights holder has evidence that another person is infringing or will infringe its right to use its registered trademark, and that failure to stop the infringement promptly will cause irreparable damage to its legitimate rights and interests, it may file an application for a preliminary injunction and for preservation of evidences before instituting legal proceedings.

According to Interpretation Relating to Application of Law to Preliminary Injunction of Infringement of Exclusive Right to Use Trademark and to Evidence Preservation, in case a trademark registrant or an interested party applies for preliminary injunction, which is accepted by the People's Court and meets the requirement set forth in Article 4 of this Interpretation upon examination, the People's Court shall make an adjudication in writing within 48 hours.

Remedies

According to Article 21 of the Interpretation of the Supreme Court on Several Issues concerning the Application of Law in the Trial of Trademark Civil Disputes, the rights holder is entitled to the following remedies:

· immediate cessation of the infringement;
· confiscation of the counterfeit goods, materials and moulds, and representations of the forged trademark; and
· compensation for damage.

There are three ways to calculate damages according to Chinese law:

· lost profits by the plaintiff due to infringement, which are calculated by multiplying the reduced sales volume of the products by the unit loss per infringing product;
· unjust enrichment by the defendant due to infringement, which is determined by multiplying the sales volume of the infringing products by the unit profit per infringing product; and
where damages cannot be determined by the methods mentioned above, statutory damages determined by the court up to a maximum of Rmb300,000 in regular cases and Rmb500,000 in cases with severe consequences or serious circumstances.

The rights holder shall also be entitled to recover reasonable expenses incurred during the course of enforcement, such as expenses for investigation, transportation, collection of evidence, statutory attorneys’ fees and notarization fees.

5. Anti-counterfeiting online

In most of the online counterfeiting cases, there involve two major issues: 1) domain name dispute, and 2) online counterfeiting.

According to the Rules for CNNIC Domain Name Dispute Resolution Policy (CNDRP) and relevant procedural rules, if any party considers that a registered .CN domain name or Chinese domain name conflicts with its legitimate rights or interests, it may file a complaint to a dispute resolution service provider, i.e. CIETAC Domain Name Dispute Resolution Center.

Support of a Complaint against a registered domain name is subject to the following conditions:

(i) the disputed domain name is identical with or confusingly similar to the Complainant’s name or mark in which the Complaint has civil rights or interests;

(ii) the disputed domain name holder has no right or legitimate interest in respect of the domain name or major part of the domain name;

(iii) the disputed domain name holder has registered or is being used the domain name in bad faith.

Before a Complaint is filed pursuant to this Policy, or during the dispute resolution proceedings, or after the expert Panel has rendered its decision, either party may institute an action concerning the same dispute with the People’s Court at the place where CNNIC ‘s principal office is located or subject to the agreement between the parties, submit the dispute to a Chinese arbitration institution for arbitration.

Once infringement or unfair competition is found, the Court may order the defendant to cease the infringement and/or cancel the domain name, or, at the request of the plaintiff, order that the domain name be transferred to the plaintiff for use. The plaintiff may also claim damages from the defendant for the loss caused by such infringement or unfair competition.

Counterfeits are sold online mainly through auction sites, such as www.taobao.com, www.alibaba.com, www.ebay.com. There are also many independent online sellers which operate their own websites.

In the event of online counterfeiting, the first step is generally to send a warning letter to the seller. Most auction sites have notice and takedown procedures and will generally take down counterfeit goods upon being notified by rights holder; but the problem is that the seller will generally continue to infringe.

Where online sellers ignore the warnings or continue to infringe, it is necessary to conduct an investigation to learn more about the counterfeiter and collect evidence by notarizing the web pages that contain infringing content and the process of purchasing counterfeit goods. This is done in preparation for subsequent AIC action, civil proceedings or criminal prosecution.

6. Preventative measures/strategies

Trademark registration and monitoring

It is always mentioned that “Registration is King” in China, considering the high threshold and difficulty of prove to protect unregistered trademark, which usually needs to be “well-known”. Thus, registration of the trademark as early as possible is always recommended.
Besides, due to the language difference, it would be a wise decision to localize the original English (or other foreign language) trademark by selecting its appropriate Chinese equivalent(s), so that the brand can be more easily remembered and promoted among Chinese consumers.

On the other hand, due to the limitation of examination in similarity of trademarks as well as similarity of goods/services, trademark owners cannot totally rely on the Trademark Office to reject all identical or similar trademarks filed by others on identical or similar goods/services under the official examination standard, instead they must make their own efforts to monitor the newly published trademarks, so as to timely stop similar marks being registered by others.

Market monitoring
Considering the vast geographical area of China, it is usually very difficult to have a nationwide monitor of infringement. However the right holders could work with local attorneys and investigators to form a monitor network to cover at least some major cities where manufacture and sales of counterfeits are likely to take place, and surveys of local markets, fairs and trade shows, as well as online monitoring, should be conducted on a regular basis.

Public resources
AIC authorities play an increasingly important role in anti-counterfeiting and rights holders should participate actively in their efforts.

For example, some AIC offices have set up famous brand protection associations, which are tasked with strengthening cooperation between member enterprises and the authorities, and collaborating in anti-counterfeiting activities.

Some AIC offices have also launched online anti-counterfeiting platforms, where rights holders can record their trademarks and relevant information in the system and submit complaints against counterfeiters online. Officials can communicate promptly online with the rights holder, verify the documentation and arrange a raid. This enhances the efficiency of enforcement action and strengthens the protection afforded to the rights holder.
The Patent Cooperation Treaty (PCT), which was signed in 1970 and entered into force in 1978, has become a major channel for applicants to seek patent protection abroad. Applications under PCT have increased sharply to 164,300 in 2010 while there were very few before. As an option to file applications, PCT offers more advantages than Paris Convention which is more traditional. This Article will perform a systematic quantitative analysis on the advantages of PCT application to applicants, by studying cases taken from practice, which are not limited to “money spent for time saved” as most people would think of the PCT application in normal circumstances. By way of example, this Article will use the State Intellectual Property Office of the People’s Republic of China (“SIPO”) as the receiving office to quantitatively analyze the practical benefits which the applicants will gain from PCT applications by comparison with the Paris Convention and other channels or options in costs, timing, market, confidentiality review, etc.

The applicants may refer to the cases mentioned in this Article to make their right choices in specific circumstances in a more convenient and accurate way.

PCT application, the advantages of PCT to applicants, quantitative analysis from actual examples

A. Case No.1

Background: The Applicant is a U.S. company; one of the inventors is a Chinese citizen; and the invention was made in China. The application is the first application without priority...
and the original data is in English, requiring further completion. The Applicant wishes to file an application in the shortest possible time at the minimum costs, and then claim priority on the basis of that first application. Upon further completion, the final application would be filed to further protect the formal application of patent rights.

The Applicant may choose:

Option A: After a confidentiality review is completed in China, a provisional application will be filed in the United States, and a formal application, to which the protection is intended, will be filed upon further completion, by claiming priority based on such provisional application.

Option B: An ordinary invention patent application will be filed, together with the confidentiality review request, in China, and a formal application, to which the protection is intended, will be filed upon further completion, by claiming priority based on such ordinary application.

Option C: A PCT international application will be filed to SIPO by only paying the transmittal fees, and a formal application, to which the protection is intended, will be filed upon further completion, by claiming priority based on such PCT international application.

Comparative analysis of above three options:

Timing:

Under Option A, a confidentiality review request shall be filed in China which may require the translation of the original data into Chinese first, which usually takes about 1-3 weeks, and then a separate confidentiality review request shall be filed, which requires about 2-4 weeks. Thereafter, a provisional application shall be filed in the U.S. in English, which also requires some additional time to proofread English and Chinese.

Under Option B, the original data shall be translated into Chinese, which usually takes 1-3 weeks.

Under Option C, the English data may be directly used in the filing thus this usually only requires 1-3 working days.

Costs: For the purpose of this analysis, let’s assume that there are 5,000 English words in the application documents.

Under Option A, it is required to translate the original data into Chinese first. Taking a document with 5,000 English words for example, the translation costs would amount to CNY 4,000 at the rate of 80 CNY/100 words. It is assumed that the agent service fees for the filing of a separate confidentiality review request amount to 500 CNY/case. Assuming the agent service fee is $ 500 (generally $ 300-800) in the U.S., the total fees would amount to $ 720, as the government fees for a U.S. provisional application is $ 220.

Under Option B, it is required to translate the original data into Chinese first. Taking a document with 5,000 English words for example, the translation costs would amount to CNY 4,000 at the rate of 80 CNY/100 words. For the filing of an ordinary invention patent application, the government fees are 950 CNY/case, and the agent service fees are 4,500 CNY/case.

Under Option C, the English data may be submitted directly without translation costs, and the Applicant may only pay transmittal fees, i.e., CNY 500, as government fees. In addition, such application is deemed to be withdrawn in the follow-up application and may serve as the basis to claim priority. Furthermore, the agent service fees is assumed to be 5,000 CNY/case.
Whether or not the confidentiality review is required:
Under Option A, a separate confidentiality review request shall be filed in China.
Under Option B, a confidentiality review request shall be filed together with the application.
Under Option C, no confidentiality review request is required, and the confidentiality review is deemed to be passed when the official notice of acceptance is issued.

Whether or not the translation is required:
Chinese translation is required under Option A.
Chinese translation is required under Option B.
Under Option C, no translation is required and the PCT international application may be filed directly.

<table>
<thead>
<tr>
<th>Quantitative Comparison</th>
<th>Preparation Time</th>
<th>Costs</th>
<th>Whether or not the confidentiality review required</th>
<th>Whether or not the translation required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Option A</td>
<td>At least 1-3 weeks for translation; 2-4 weeks for confidentiality review after the translation; 3-7 weeks in total for the first application</td>
<td>CNY 4,500 + USD 720</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Option B</td>
<td>At least 1-3 weeks for the first application</td>
<td>CNY 9,450</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Option C</td>
<td>Only 1-3 weeks for the first application</td>
<td>CNY 5,500</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

In summary, under Option C, the Applicant can achieve the first application through PCT filing in the shortest possible time at the minimum costs, spending only half of the costs under other Options and winning the earliest application date.

B. Case No.2
Background: The Applicant is a Chinese small or medium-sized enterprise which has filed an ordinary invention patent application, and its twelve-month deadline, starting from the priority date, is approaching. The Applicant wishes to file applications in Europe, U.S., Australia, Brazil, South Africa, by claiming priority based on the application filed in China. Currently, the Applicant is lacking funding for the applications, and market conditions for the products are also uncertain.

The Applicant may choose:
Option A: An ordinary application under the Paris Convention will be filed in Europe, U.S., Australia, Brazil, and South Africa, respectively, to claim priority based on the application filed in China.
Option B: A PCT international application will be filed to the receiving office SIPO, to claim priority based on the application filed in China, and, before 30 months
from the priority date upon such application is filed, the Applicant will enter the national phase in Europe, U.S., Australia, Brazil, and South Africa, respectively.

Comparative analysis of above two options:

**Timing:**
Under Option A, if no confidentiality review request is filed for the invention patent application in China on which the priority is based, a separate confidentiality review request, which requires about 2-4 weeks to pass, shall be filed for follow-up applications filed abroad. Once the confidentiality review is passed, applications shall be filed in Europe, U.S., Australia, Brazil, and South Africa, respectively, before the deadline. Normally, depending on the official languages as required by different states, the translation may take 2-4 weeks (for English), or 1-3 additional weeks (for Portuguese, as it is based on the English translation).

In a time when the deadline is approaching while the market conditions are still uncertain, the Applicant must decide whether or not to file patent applications in relevant states within 12 months from the priority date: no application may imply the loss of the opportunity to claim priority, while the opposite would mean that substantial application fees shall be paid immediately.

Under Option B, a PCT international application shall be filed before the deadline, and a decision as to whether or not to finally enter the national phase shall be made before 30 months from the priority date (31 months for Europe, Australia, and South Africa).

The Applicant may decide whether or not to enter the national phase within 30 months from the priority date: in a time when the deadline is approaching while the market conditions are still uncertain, the Applicant may only file a PCT international application firstly, and there are another 18 months to consider whether or not to enter national phase following such application.

**Costs:** For the purpose of this analysis, let's assume that there are 5,000 Chinese characters in the application documents.

Costs to be incurred under both Option A and Option B:
- Translation fees, government fees for applications filed abroad, foreign attorney’s fees, and domestic agent service fees.

Additional costs under Option A:
1. Service fees and courier fees for the preparation and filing of priority document copies: approximately CNY 1,000 for each state, and CNY 5,000 in total for all five states.

2. As the deadline is approaching, rush fees may be charged by the foreign attorneys for the document translation and filing. Taking Brazil for example, rush fees are charge at 30%-50% within 1 week before the deadline, amounting to approximately CNY 2,000 (assuming the rate is 17 USD/100 English words, the rush fees is charged at 30%, and English words are counted as 5,000X1.3 = 6,500 words at minimum).

3. For entering the national phase through the PCT channel, the search fees (charged as government fees) may be waived, as the international search has been performed during the international application stage: EUR 190 in Europe, and USD 130 in U.S. (but the fees (approximately CNY 2,500) in Australia, Brazil, and South Africa is not waived).

There may be agent service fees for a separate confidentiality review.
Additional costs under Option B:

1. Filing of a PCT international application will incur: government fees of CNY10,660 (2,750 +1,130 X 7), and domestic agent service fees of CNY 3,000, totaling CNY 13,660.

To sum up, the costs under Option B would be CNY 4,160 more than Option A.

Additional benefits under Option B:

Under Option B, an international search report may be obtained in the international phase which can be very helpful to follow-up applications in Australia and South Africa. As South African patent can be obtained without substantive examination, the validity of subsequent patents may be challenged, which, however, is less likely to happen after international search.

If the international search report and written opinions point out problems in the application, the Applicant may propose revisions in the international phase, or make corresponding revisions through international preliminary examination procedures, by reference to the search report, and obtain an international preliminary examination report. The first examination opinions for the application filed in Australia will be issued by largely relying on the international search report or preliminary examination report (sometimes, the first examination report is directly based on the international search report). Therefore, it is less costly to make revisions and improvement in the international phase than in the national phase in Australia.

Timing for submission of translations:

Under Option A, the applications shall be filed in the official languages as required by all states: English for U.S., Europe, Australia, and South Africa, and Portuguese for Brazil. As the 12-month deadline starting from the priority date is approaching, the time for the translation is quite limited. Although, in some states, the translation may be subsequently submitted within a certain period of time after the application is filed in a non-official language, the period for submission of translation is usually short (for example, 2 months after filing), and additional costs may be incurred for opinions so postponed.

Under Option B, the translation is required to be submitted when entering the national phase, i.e., 30 months from the priority date (31 months for Europe, Australia, and South Africa), and, in some states, may be subsequently submitted after entering the national phase. Therefore, the Applicant has sufficient time to prepare the translation.

State financial assistance:

In 2009, Ministry of Finance issued “Interim Measures for the Administration of Special Fund for Assistance to Patent Application Filed Abroad”, to grant the state ability to offer financial assistance to eligible small and medium enterprises, institutions and research institutes which file an application abroad through the PCT channel, in an amount up to CNY 500,000 in 5 states per application. Compared with local assistance, the state financial assistance is more vigorous, with wider scope and higher success percentage.

The state financial assistance may be applied for under Option B.

Option B is not eligible for state financial assistance. The channel would be more advantageous from a costs perspective, but, the more the states filed in are, the more obvious the benefits of PCT channel would be.
To sum up, although slightly disadvantageous in terms of costs, Option B has some obvious advantages compared with Option A in several other aspects. In addition, the financial disadvantage under Option B can be offset by applying for state financial assistance. Of course, if the application abroad is filed in a single state, or in multiple states which belong to the same regional patent system, the application under the Paris Convention channel would be more advantageous from a cost perspective, but, the more states to be filed in, the more obvious the benefits of the PCT channel would be.
2012
Ranked in Band 1 of Leading Chinese IP firms
Samson G. Yu ranked in Band 1 of Leading Individuals in IP: Patent Specialist
Ranked in Band 2 of Leading Chinese IP firms for trademarks
Ranked in Silver of Leading Chinese IP firms
Samson G. Yu ranked in Silver of Leading Individuals in IP

2011
Ranked in Band 2 of Leading Chinese IP firms
Ranked in Band 2 of Leading Chinese IP firms for trademarks
Top 2 PCT Filing Firms
Ranked in Band 2 of Leading Chinese IP firms for patents
Samson G. Yu ranked in Band 1 of Leading Individuals in IP

2010
Samson G. Yu ranked in Band 1 of Leading Individuals in IP: Patent Specialist
Gloria Wu ranked in Band 2 of Leading Individuals in IP: Trademark Specialist
Ranked in Band 2 of Leading Chinese IP firms
Top 3 PCT Filing Firms
Ranked in Tier 2 in Chinese IP Firms
Ranked in Tier 2 of Chinese IP Firms
Samson G. Yu and John Wang appointed as Guest Researchers for the Intangible Assets Research Center at the China University of Political Science and Law

2009
Samson G. Yu recognized as Guest Professor
Ranked in Top PCT Filing Firms
Ranked in Tier 2 in Chinese IP Firms
Samson G. Yu named Asialaw Leading Lawyer
Authorized with ISO9001:2000
Samson G. Yu ranked in Band 1 of Leading Individual in IP: Litigation
Samson G. Yu ranked in Band 1 of Leading Individual in IP: Patent Specialist
Ranked in Band 2 of Leading Chinese IP firms

2008
Samson G. Yu named Asialaw Leading Lawyer
Ranked in Tier 1 of Chinese IP law firms
Ranked in Band 1 of Chinese IP firms
Samson G. Yu named in Band 1 of Leading Individuals in Chinese IP field

2007
Samson G. Yu named Asialaw Leading Lawyer
Samson G. Yu named IP Luminaries

2006
Outstanding Chinese IP Firms
Top 10 Chinese IP Firms
Top 10 Clients’ Satisfaction IP firms
Honored for Excellent Customer Service
Samson G. Yu named Asialaw Leading Lawyer
BEIJING OFFICE
Address: Floor 16, Tower A, InDo Building, A48 Zhichun Road, Haidian District, Beijing 100098, P.R. China
Tel: (8610)58731888
Fax: (8610)58731999
E-mail: gsp@kangxin.com
Website: www.kangxin.com

CHANGSHA OFFICE
Address: Suite 1801, Huasheng Building, 420 Furong Centre Road, Tianxin District, Changsha, Hunan Province, P.R. China

WENZHOU OFFICE
Address: Room 201, Floor 2, Wenzhou Service Center of IP, NO.17 Fudong Road, Wenzhou City, 325003, Zhejiang Province, P.R. China

SHENYANG OFFICE
Floor 9, Shengli Building, No.92 Shengli Road, Heping District, Shenyang City,110005, Liaoning Province, P.R. China

HONG KONG OFFICE
Address: Suite 501, Enterprise Place No. 5 Science Park West Avenue Hong Kong Science Park, Hong Kong

GERMANY OFFICE
Address: Elektrastr, 13 D-81925 Munich, Germany

United States
Address: 4115 Blackhawk Plaza Circle, Suite 100 Danville, CA 94506, UNITED STATES.