



THE CHINA IP BULLETIN
IS PRODUCED
BY

WANG JING & CO.
LAW FIRM

CHINA *IP Bulletin*

YOUR IPR ADVISORS IN CHINA.

Executive Summary

Snapshot of New Law

The Supreme People's Court promulgated the Provisions on Several Issues Concerning the Application of Laws for Trials in Civil Disputes addressing Infringement of Rights to Network Dissemination of Information, which took effect as of January 1, 2013. These Provisions give detailed stipulations on how to define the right of network dissemination of information, how to determine the legal liabilities of the network service providers, the jurisdiction of the court and other issues. Moreover, we notice that the patent insurance pilot project conducted by the State Intellectual Property Right Office is running smoothly.



FAQ

In this edition, a new column "FAQ" is added to provide brief analysis and solutions to questions frequently asked by clients. Questions selected in this edition include the necessity to file trademark license contracts, trademark infringement in the OEM and the protection of the trademarks.

Hot Topic

Since September of 2012, the dispute over the Diaoyu Islands between China and Japan has escalated, and Sino-Japanese relations have suffered as a result. With an anxious and wait-and-see attitude, some Japanese companies have slowed their actions seeking Intellectual Property (IP) protection. Will the deterioration of this diplomatic relationship have any detrimental impact on the administrative and juridical protection for the foreign IPR owner? The Chinese administrative and juridical departments have argued that such concerns are unnecessary.



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A Brief Introduction to the IP Group of WJNCO

WANG JING & CO. was founded by managing partner Mr. Wang Jing, a shipping and insurance law practitioner since the 1980s and widely recognized as a leading expert in the field. Thanks to the continuous efforts of the partners and other members of the Firm over the years, WANG JING & CO. has successfully developed into a full-service law firm, applying and adhering to accepted international principles. WANG JING & CO. offers Clients a level of expertise and ethical practices proven exceptional since its very establishment. The Firm's advanced partnership-style management model encourages a vigorous team spirit and accentuates the advantages of the Firm's language proficiencies in Chinese, English, Japanese, French and Italian. The unparalleled strength of the Firm's shipping and insurance groups is complemented by professional divisions providing a full range of legal services in litigation, arbitration and non-contentious matters, including legal assistance on corporate law, banking law, investment, M&A, company listing, securities, IP rights protection, and real-estate issues. As of 2011, WANG JING & CO. and its 100 practicing attorneys, supported by a professional staff of senior consultants, paralegals, translators, assistants, and secretaries, provide legal services to Clients around the world. Headquartered in Guangzhou, the Firm operates branch offices in Shanghai, Tianjin, Qingdao, Xiamen, Shenzhen, Beijing and correspondent offices in Haikou and Fuzhou to provide Clients with the benefits of promptness, economic efficiency and in-depth knowledge of local conditions.

WANG JING & CO., having realized the increasing importance of intellectual property rights protection in China, established its IP Group which consists of lawyers and patent/trademark agents with a broad range of experience in providing intellectual property rights protection. Close cooperation with specialized patent/trademark agency institutions and authorities has enhanced the IP Group's ability to provide maximum legal protection for Clients' intellectual property rights:



- * Applications for registration and authorization of patents and trademarks;
- * Registration of copyrights, software and integrated circuits layout design;
- * Applications and registration of new plants species;
- * Objection to patent/trademark application, administrative review and litigation on patent/trademark application;



- * Protection of trade secrets such as know-how and operations skills;
- * Contracts for technology development / cooperation / service;
- * Transfer, licensing, and trade of technology, investment in the form of technology;
- * Anti-unfair competition;
- * Protection of trade names and marks of origin;
- * Applications for injunctions to cease infringements, litigation and arbitration;



- * Customs and administrative protection of intellectual property rights;
- * Protection of trade-related intellectual property rights;
- * Protection of domain names and internet-related intellectual property rights.

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The Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law for Trial of Civil Dispute Cases of Infringement on the Right of Network Dissemination of Information took effect as of January 1, 2013.

Along with the rapid development of internet technology and related industries, new commercial modes springing up, the issue of copyright has come to the forefront. The promulgation of these provisions gives guidance to copyright protection in the network environment. In the following areas we will focus on the provisions of how to define the right to network dissemination of information, how to determine the legal liabilities of the network service providers and the jurisdiction of the court.

1. These Provisions, divided acts of communication over information networks into areas of works provided by network users and network services. Depending on the circumstances, a network user infringing upon intellectual property will be directly liable for the infringement and the service provider may be considered indirectly liable as well. On the basis of such division arises the division of the direct infringement liability and the indirect infringement liability with the former corresponding to the work provision action and the latter corresponding to the network service provision action.
2. Pursuant to these Provisions, the provision by the network users or the network service providers, performance, audio and video products with their right to network dissemination of information being enjoyed by other rightful holders through the information network without the permit of the rightful holders will constitute infringement upon the right



to network dissemination of information, unless otherwise provided by the laws or administrative regulations. If the network service providers encourage or help users to infringe the right to network dissemination of information when providing network services, such network service providers shall bear joint and several liability for the network users' infringement on the right to network dissemination of information.

3. These Provisions also specify the jurisdiction of the civil dispute over infringement rights to network dissemination of information. On the basis of the jurisdiction for such cases as proposed in the Interpretation of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Cases Involving Copyright Disputes over Computer Network, and in combination with the juridical practice, these Provisions further provide for that the people's court shall have jurisdiction over cases whereby it is difficult to determine the place of the tortious act or the domicile of the defendant or such place or domicile is located outside the territory of China, and thus the place where the equipment, such as a computer terminal in which the tortious content is discovered by the plaintiff is located may be deemed as the place of tortious act, so that the rightful holder can lodge a lawsuit in China and safeguard its legal rights and interests.

by Xiang Shaoyun

The Patent Insurance Pilot Project Conducted by the State Intellectual Property Right Office is Running Smoothly

To promote the combination of intellectual property rights and financial resources, guaranteeing the realization of value of intellectual property rights, and strengthen the development advantage of enterprise, district and industry innovation, the State Intellectual Property Right Office has named 20 cities, such as Shenyang of Liaoning province, to conduct a patent insurance pilot project. At present, the pilot project is running smoothly. In Chancheng District of Foshan City, 21 patents have been completed, including insurance coverage and all acceptance procedures.

Chancheng District of Foshan City continues to enhance their pilot project. First of all, the district has established a coordinating group lead by the vice district head and designated individuals to spearhead all aspects of the project. Secondly, they have focused on the Implementation Plan for the State Patent Insurance Pilot Project of the Management Measures for Patent Insurance Subsidies in Chancheng District. In addition, they have begun incorporating implementation of the patent insurance into the Overall Plan for the City of Foshan (2013-2020). The Economy Promotion Bureau (the Intellectual Property Right Bureau) of Chancheng District has also entered into a strategic

cooperation agreement for the patent insurance pilot program with local individuals and property insurance companies.

To improve the applicability of insurance procedures 4 insurance plans are being implemented for the enterprise's option with different subject premiums corresponding to different compensation amounts. The maximum compensation may reach a number 90 times higher than that of premiums, reaching up to RMB 1,440,000. Moreover, subsidies will be paid on the basis of the quantity of the patents covered by insurance and insurance time period. As for the working mode, the establishment of patent insurance cooperatives and inquiry groups consisting of patent insurance experts and legal rights safeguarding will provide enterprises with inquiry, evaluation and training services, which will become the platform for enterprises, insurance institutes and agency institutes to educate themselves in the process of protecting patents. In addition, Chancheng district is publicizing aspects of patent insurance through various means in order to enable the public to understand the significance of such insurance and enhance a sense of innovative advantage protection.

by Xiang Shaoyun



Is it necessary to place the trademark license contract on file with the trademark office?

Pursuant to Trademark Laws, if one party is licensing to another party the right to use its registered trademark, the licensor shall submit the trademark license contract to the trademark office to be filed within 3 months as of the execution date of the contract.

The purpose of placing the trademark license contract on file lies in protecting the interests of the licensee. The Interpretation of the Supreme People's Court Concerning the Application of Laws in the Trial of Cases of Civil Disputes over Trademarks provides that where a trademark license contract has not been placed on the archivist files, the validity of the contract shall not be affected unless it has been otherwise stipulated by the parties concerned. A trademark license contract that fails to be placed on the archivist files of the trademark office shall not be used to confront any bona fide third party.

For example, Company A authorizes Company B to exclusively use its trademark but fails to place the contract on the archivist files of the trademark office; thereafter, Company A authorizes Company C to exclusively use its trademark and places the contract on the archivist files of the trademark office, pursuant to the aforesaid Interpretation, the exclusive use right shall belong to Company C and Company B can only claim breach of contract on the basis of the license contract.

Is it an infringement for OEM products to use a trademark which is the same as the domestic registered trademark?

Where the rightful holder of a foreign registered trademark entrusts a domestic factory to manufacture products which bear such trademark and are sold abroad only, i.e. the so-called OEM, if the trademark used on the products is the same or similar to certain registered trademark in China, shall the OEM use of trademark be deemed as infringement? In practice, there are controversial opinions on such issues.

The main stream opinion holds that regardless of whether the products are sold in the Chinese market, the OEM which uses the trademark of others will be considered guilty of infringement. Of course, there are also opinions holding that as far as the Chinese market is concerned, the trademark used on the OEM products are not used in a trademark manner and thus shall not be deemed as infringement.

Recently, more and more people's courts tend to hold that the OEM's use of trademarks in such a manner shall not constitute trademark infringement. The Higher People's Court of Shandong Province rendered a final judgment affirming that the defendant's OEM use of such trademarks shall not constitute trademark infringement. The Supreme People's court hasn't given any opinion on this issue.

The judgment rendered by the Higher People's Court of Shandong Province is good news for the domestic OEM factory, however, the processors still perform necessary examination obligations, including; ensuring that the entrusted owns the registered trademark in the country where the products are sold, entering into a processing contract for OEM with the entrusted and ensuring that all products manufactured under OEM shall be sold abroad.

Can copyrights held by others be registered as trademarks?

In accordance with Article 31 of the Trademark Law, anyone applying for trademark registration may not damage the existing rights of others obtained by priority, including copyright. Generally, the works are protected without regard to the carrier, i.e., as long as a trademark symbol constitutes work protected by copyright law, then it means that the symbol will generally be protected regardless of its commodity or service type. Therefore, to maintain the basic principle of the Trademark Law, only trademark symbols which are highly unique can be deemed protected.

In judicial practice, it is generally considered that works with simple expressive content and low variability, though created independently but expressing similar meaning, will not be protected for lack of uniqueness.

Therefore, whether the works of another can be used as a trademark symbol shall depend on the degree of originality of the works. A work of high originality shall not be used to apply for registered trademark without the license of the rightful holder, while there is no limitation for a work lacking uniqueness.

For example, Company A, a foreign entity, used its work of high originality as a registered trademark abroad, but failed to register it in China, while Company B registered the same trademark in China and made the trademark well known through 10-years of use. Due to the failure to rescind the domestic trademark registered by Company B, Company A applied for copyright registration for the work and then lodged a lawsuit on the ground of copyright infringement. The court, upon trial, held that Company B had infringed upon the copyright of Company A and therefore could no longer use the trademark.

by Xiang Shaoyun

Hot Topic:

Diplomatic Relationship Influence on the Foreign Right Holder's Safeguarding of Intellectual Property Right in China



Since September of 2012, the dispute over the Diaoyu Islands between China and Japan has consistently escalated and Sino-Japanese relationships have suffered as a result. With an anxious and wait-and-see attitude, some Japanese companies have slowed their pace in seeking IP protection. Will the deterioration of the diplomatic relationship have any detrimental impact on the administrative and juridical protection for the foreign IPR owner?

As of September of 2012 our investigation found that anti-Japanese demonstrations had taken place in some Chinese cities. In order to maintain social stability, law-enforcement suspended the investigation and punishment on infringement of Japanese IPR holders. After these events, the Japanese enterprises encountered no hindrance or differential treatment in safeguarding of their intellectual property rights.

As to this issue, we would like to further analyze and demonstrate as follows:

Juridical Protection

A series of IP lawsuits lodged in various regions of China by our firm on behalf of our Japanese clients showed that the case registration, acceptance, trial, judgment rendering and judgment enforcements in various regions all went smoothly and followed procedures as stipulated in the Civil Procedure Law of the People's Republic of China without being influenced by the events related to the Diaoyu Islands. Please refer to the following courts decisions for reference.

Liwan District People's Court of Guangzhou, Guangdong Province

In September 2012, Wang Jing & Co. handled a case registration procedure with Guangzhou Liwan District People's Court on behalf of one of our Japanese clients. Thereafter, the court held trials in October and November respectively and closed the case though active mediation in December. The Japanese enterprise won

the lawsuit and acquired comparatively ideal compensation.

Zhuhai Intermediate People's Court of Guangdong Province

In September 2012, Wang Jing & Co handled a case registration procedure with Zhuhai Intermediate People's Court in early November on behalf of one of our Japanese clients. We received the Case Acceptance Notice on site and the Notice of Closing on 26 November, i.e. the client acquired the compensation as stated in the judgment within one month.

Baoan District People's Court/ Luohu District People's Court/Futian District People's Court of Shenzhen, Guangdong Province

From October 2012 to January 2013, there were a series of cases brought before Baoan District People's Court, Luohu District People's Court and Futian District People's Court by our firm on behalf of our Japanese clients and judgment or rulings were all rendered in a time period corresponding to the pertinent law.

No. 1 People's Court of Dongguan, Guangdong Province

In October 2012, on behalf of one of our Japanese clients, Wang Jing & CO. successfully registered a case with Dongguan No. 1 People's Court. The court, with an objective and effective attitude, held court hearings in early December and closed the case by way of mediation in the end of December. The client acquired an ideal compensation.

Nanning Intermediate People's Court of Guangxi Province

In the end of September 2012, on behalf of one of our Japanese clients, Wang Jing & CO. attended court hearings held by Nanning Intermediate People's Court in a series of cases and received judgments and rulings rendered for related cases in February of 2013.

Kunming Intermediate People's Court of Yunnan Province

In December of 2012, on behalf of one of our Japanese clients, Wang Jing & CO., attended court hearings held by Kunming Intermediate People's Court for two cases and received rulings rendered for related cases in February of 2013.

In view of the cases handled by our firm on behalf of our Japanese clients, we found the events related to Diaoyu Islands brought no negative affect with regard to our Japanese client's ability to safeguard their intellectual property rights. We also communicated with other legal service institutes regarding IP issues and all confirmed that Japanese enterprises' ability to safeguard their intellectual property through legal recourse were not affected by events related to Diaoyu Islands. As for the issue concerning the amount of compensation awarded, it was explained that the court decided the amount of compensation on the basis of the duration and scale of the infringement, the economic power of the defendant as well as the local economic development standard, regardless of the plaintiff's national origin.

Administrative Protection

Article 57 of the *Provisions on the Procedures for Imposition of Administrative Punishments* stipulates that: A handling decision on a case subject to the general procedures shall be made within 90 days as of the case-filing date; where a handling decision on a complicated case cannot be made within the prescribed time limit, such a time limit may be extended for 30 days with the approval of the person in charge of the administrative authority for industry and commerce; where a handling decision on an especially complicated case cannot be made even after such an extension, the relevant meeting of the administrative authority for industry and commerce shall determine whether another extension shall be made through collective deliberation.



The Influence of Diplomatic Relationship on the Foreign Right Holder's Safeguarding of Intellectual Property Right in China

The time of hearing, public announcement and authentication in the course of case handling shall not be counted into the case-handling time limit as mentioned in the preceding paragraph.

Therefore, the *Provisions on the Procedures for Imposition of Administrative Punishments*, from the aspect of administration efficiency and impartial law enforcement, has made practical and necessary stipulations on the case handling time limit for cases involving administrative punishments. Meanwhile, in accordance with the WTO's national treatment principle, the Japanese enterprises have legal support to protect their rights via administrative approaches in China. Thus, the Japanese enterprises need not worry about omission of administrative legal enforcement.

In fact, we have consulted with law enforcement authorities such as the AIC, as well as other agencies, all whom have stated that they have never refused any application submitted by any Japanese enterprise for investigation and punishment of intellectual property infringements; to the contrary, since the Diaoyu Islands Incident, it has been noted Japanese enterprises have filed less complaints regarding IP infringements before the Chinese administrative authorities, which has directly led to the decrease in the number of cases involving administrative punishments. The anti-counterfeiting cases in Changsha, Hunan, in Huadu District, Guangzhou, Guangdong and in Conghua, and Guangdong handled by our law firm on behalf of our Japanese clients have been properly settled with the issuance of administrative punishment notices by the AIC against all infringers.



Authority Publications

On the 21st of March 2013, the Supreme People's Court of PRC published a "Summary on the IPR trials in the recent five years". The Article states that from 2008 to 2012 the numbers of first instance IPR civil cases accepted and concluded by courts nationwide were 245,264 and 237,796 respectively, while the average annual growth rate thereof are 37.57% and 37.41% respectively. 2008 to 2012 resulted in the most rapid case number growth. In 2012, the numbers of first instance IPR civil cases accepted and concluded by courts nationwide were 87,419 and 83,850, which have increased by 45.99% and 44.07% respectively when comparison within the last year. The year 2012 had the most dramatic increase in first instance IPR civil case numbers accepted and concluded since China's entrance into WTO. Therefore, it is apparent that the IPR trials in accordance with legal enforcement have not been affected by the deterioration of the Sino-Japan relations.

The Article also noted that an effort was underway to complete IPR identification standards via judicial examinations on IPR identifications and IPR administrative law enforcement, and to promote the standardization of IPR administrative law enforcement. Therefore, it can be noted that the IPR administrative law enforcement and judicial trials in China, as a two-tier system, has gradually been completed. The People's Courts' and the administrative authorities' capability to protect IPR is gradually being recognized both home and abroad, and the authority and credibility of such protection are growing as well.

To sum up, we have reasons to believe that China, as a member of the WTO, is fully aware of its responsibility and obligation to protect IPR both home and abroad on an equal basis, and to perform in accordance with national standards. All the foreign IP holders, including Japanese enterprises, are encouraged to rest assured the courts are taking necessary measures to combat any infringements and are committed to protecting lawful rights in China in accordance with existing Chinese laws via judicial and administrative approaches.

by Jiang Yuandong / Xiang Shaoyun

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