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Guarding your IP and enforcing your rights

IP specialists from Zhong Lun Law Firm discuss various approaches of intellectual property rights protection in China, and outline the relevant government agencies involved and their roles

Issue: May 2010

Keywords (click to search): [\[IP\]](#) [\[Zhong Lun\]](#) [\[guarding\]](#) [\[enforcing\]](#) [\[IP rights\]](#)

The legal framework of China's Intellectual Property (IP) system is becoming increasingly sophisticated. The current focus is on the implementation of the third amendment to its [PRC Patent Law](#) ([中华人民共和国专利法](#)), which came into effect on October 1 2009, and the launch of the latest round of amendments to its [PRC Trademark Law](#) ([中华人民共和国商标法](#)). The number of IP civil cases decided in the Chinese people's courts has continuously hit record levels each year. These activities reflect the PRC government's vision of an innovation-based economy and an ever-maturing domestic market, which inevitably brings about disputes over technology development and ownership.

Handling any IP infringement case in China means maximising the quality and effect of legal proceedings. Selecting the most suitable approach from a variety of options can be a vital step to protecting your IP rights in China.

Three approaches are available to IP owners looking for IP protection in China: judicial enforcement, special PRC administrative action and customs remedy. A traditional method is to resort to judicial enforcement, whereby a complaint is filed through the court system with IP tribunals deciding on possible infringement. The most common approach in China is the special PRC administrative proceedings, whereby various administrative offices can move quickly to seize infringing goods and impose fines upon deciding on an infringement. Finally, the General Administration of the Customs of the PRC has authority to detain and confiscate goods infringing on IP rights (IPR), provided that the IP holder in question has recorded its IP rights with the customs office.

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Judicial enforcement

In 2009, PRC People's Courts issued judgments on about 30,500 patent, trademark and other IP-related first instance cases. This represents an increase of about 30% over 2008, indicating that China may be evolving into a more litigious society for IP cases.

Indeed, a court proceeding is chosen by IP owners in China as a more sophisticated means of enforcement. Compared to special administrative actions, the court is sometimes deemed a real deterrent to repeat infringements, particularly considering that the standard PRC administrative fines are often observed as a cost of doing business and infringers simply get around this by reducing their exposure to large seizures. Judicial proceedings are most critical to battle far-ranging infringements and the handling of complicated cases involving advanced technology.

Generally, an IP litigation case may be filed within the people's court system to resolve the infringement of a patent, trademark or copyright. Other case filings include those from disputes arising out of performing a licence agreement, any dispute over IPR between parties, as well as trade secret or unfair competition matters.

China has maintained IP tribunals in its intermediate people's courts and higher people's courts throughout the country, all of which may impose injunction, award compensation and statutory damages. There are 71 PRC intermediate courts with jurisdiction over the first instance of IP infringement cases. Parties concerned have to prepare for first instance court proceedings, including gathering evidence, selecting the first instance court where the case will be adjudicated and deciding whether to file a preliminary injunction before filing a lawsuit. Essential pieces of evidence include those supporting the plaintiff's IPR, evidence proving an infringement has occurred and evidence justifying the amount of the damage claimed. Determining the jurisdiction of the first instance court may not be easy due to a combination of factors, such as the breadth of locations where infringing products are marketed, and the varied levels of experience and expertise of court judges. If a preliminary injunction is desired, an IP owner needs to present the evidence proving an infringement has occurred, and irreparable damages are likely if such an infringement cannot be stopped immediately.

China has amended its IP laws and regulations in line with the requirements of Trade-Related Aspects of Intellectual Property Rights (TRIPS) since 2001, in order to meet its commitments to the World Trade Organization (WTO). TRIPS provides that a court may award an IP owner appropriate attorney's fees in an IP litigation case. Such an award of attorney's fees was therefore recognised by those IP-related judicial interpretations issued by the Supreme People's Court of China.

Pursuant to the newly-amended Patent Law, a judicial punishment upon patent infringement may be further intensified to the extent that the damages for patent infringement shall include the costs incurred by the patent right holder to safeguard its right, including preventing such infringement. Furthermore, the maximum statutory compensation has been raised to Rmb 1,000,000 for the indemnification of patent counterfeiting in the event of any loss to the patent right holder, where the profits obtained by the patent infringer or the royalties for patent licensing cannot be determined.

In addition, the procedures for pre-trial injunction, asset preservation and evidence conservation have been put in place to give more concrete protection to patent right holders. A trade mark infringing party may also face the maximum statutory compensation of Rmb 1,000,000 when multiple trademark infringements are committed, in accordance with the 2009 draft amendments to the Trademark Law. Such draft amendments aim to render new protections to the owners of unregistered trade marks against preemptive registrations by any party in bad faith, as well as cross-class protection and remedy in favour of select marks that are not recognised as well-known marks yet in China. Some companies doing business in China often use the court proceedings as an efficient mechanism to recognise their marks as PRC well-known marks, provided those companies can establish their cases before people's courts under causes of action of either trade mark infringement or unfair competition.

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Appeals of determinations of special PRC administrative proceedings discussed hereinafter, such as administrative fines, are generally made to Administrative Tribunals of the Supreme People's Court (SPC) of China, while the Criminal Tribunals of the SPC are likely to hear criminal IP cases. For example, those involved in counterfeiting and piracy can be prosecuted by way of criminal enforcement if they have committed any offence before, or if the value of the illicit business or property exceeds certain thresholds.

Special PRC administrative proceedings

Identifying an appropriate administrative route for enforcing your IP rights in China is often confusing, because there are so many government agencies focused on aspects of IPR protections. The major players in administrative enforcement are the State Administration for Industry and Commerce (SAIC), the State Intellectual Property Office (SIPO), the Technology and Science Bureau (TSB), the Administration for Quality Supervision, Inspection and Quarantine (Aqsiq) and the National Copyright Administration (NCA). Other agencies, such as the State Drug Administration or the Ministry of Culture may also play a role in the enforcement process. The typical role of each agency is described below.

In general, administrative actions can be quick and fairly cost-effective. Although administrative agencies usually cannot directly award monetary remedies to an IP owner, they can fine IP infringers, seize infringing goods and equipment used in the manufacture of infringing goods, and inform an IP owner of the source of goods being distributed.

SAIC's trademark office maintains authority over administrative recognition of well-known marks and enforcement of trademark protection. SAIC is the largest agency to ensure effective enforcement of trademark rights in China. Trademark owners are entitled to file a complaint to the local SAIC and seek administrative remedies, or the agency can take an initiative to investigate and seize suspect goods. When an infringement is determined upon the investigation of the case, the SAIC has the power to order the cessation of the sale of the infringing items, further infringement and destruction of infringing marks or products, impose fines and remove machines used to produce counterfeit goods. Furthermore, the SAIC's Fair Trade Bureau handles disputes arising under the *PRC Anti-unfair Competition Law* (中华人民共和国反不正当竞争法), including trade secrets matters.

SIPO is the main body responsible for handling patent infringement and enforcement issues. After an infringement case is established, SIPO or the local intellectual property office may issue an injunction and temporarily stop the patent infringement. Notably, in accordance with the new Patent Law, SIPO has the authority to confiscate illegal proceeds and impose a fine on the infringer up to four times the revenue generated from the infringement. Where no illegal income is involved, SIPO has the authority to fine the infringer as much as Rmb 200,000 for counterfeiting another's patent. In addition, new powers of attachment and the seizure of infringing goods are granted by the new Patent Law which aims to enhance the overall administrative protection of patent rights in China.

TSB also focuses on impeding the manufacturing and production of IP infringing goods, in addition to its trade mark enforcement. Aqsiq is primarily tasked with ensuring Chinese product quality and standards, but it also handles infringement cases concerning registered trade marks when the infringing products are inferior or of shoddy quality.

The administrative enforcement of copyrights in China is often regarded as the most complex among the administrative proceedings. Many agencies have authority to act, including but not limited to the NCA, TSB and some provincial and local enforcement agencies such as the Urban Administration Agency and the Publications, Radio, Telecommunications and Film Bureau. Among these, the NCA is mainly responsible for nation-wide copyright administration, enforcement and coordination with other enforcement agencies. The NCA has the authority to investigate infringement cases, determine remedies and administer foreign-related copyright issues. It is also the only national enforcement agency for the protection of IPR on the Internet. Those copyright administrations may confiscate relevant materials, tools and equipment used to produce the infringing copyright products where the circumstances of copyright infringement are serious, including infringing copyright products exceeding 250 copies or any unauthorised publication of more than 500 copies of literal works for commercial interest. In the latter case, the parties concerned may even face criminal sanctions under the PRC Criminal Law (中华人民共和国刑法).

Customs remedy

Customs regulations in China ban the import and export of IPR infringing goods. The Customs Administration (Customs) is charged with the implementation of such IP protection through border control. During the last five consecutive years, Customs has been voted by the China Association of Foreign Investment Enterprises as the most efficient enforcement agency in protecting IPR.

In order to obtain any remedy from Customs, an IP owner must record its IPR with Customs first, thereby making Customs responsible for monitoring shipments and informing any IP right holders if they discover even potentially infringing goods. The recorded certificate of IPR issued by Customs should be valid for seven years and renewable for an additional seven years. When an IP owner suspects any infringing goods are about to enter or exit China, they may submit a written application to Customs at the suspected point of entry or exit where protection should be sought. When Customs' investigations reveal a case of infringement, it shall have the authority to confiscate the infringing goods, destroy them and/or impose a customs fine. In addition, IPR owners could strategically use such a customs proceeding to collect and preserve infringing evidence acceptable to people's courts even before a court proceeding.

Conclusion

It is clear that IP legal proceedings and enforcements in China are complicated and becoming more complex as China makes steady progress in reshaping its enforcement landscape. The authors welcome your inquiries to discuss the application of the general guidance described in this article to your specific case.

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Helen has provided clients cross-area legal services for her IP practice, including IP rights transfers or licences in foreign investment projects, IP protection by foreign companies, IP development and dispute resolution of IP infringement. She is an able professional with vision and a sharp sense of trends, and a member of the New York Bar Association, Inter-Pacific Bar Association and All China Lawyers Association.

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