

UNITED STATES
PATENT AND TRADEMARK OFFICE





Where is China going on IP?

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Road Map

- Top China IP Issues, including trends and developments
- Takeaways



Top 3 China IP impediments for U.S. right holders

- Brand protection
- Enforcement
- Technology issues

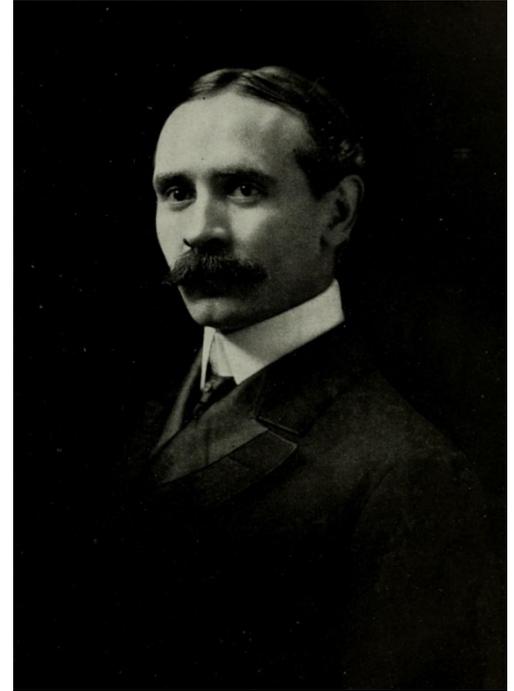
Brand protection

- Difficulties in protecting trademarks: squatting and hoarding
- Counterfeiting

U.S. position on protection of trademarks in China one hundred years ago

“It is the view of our Government that the judicial protection of American trade marks in China, against the infringement or dealing in infringements by Chinese vendors, is an absolute treaty obligation undertaken by the Chinese Government which cannot be suffered to be questioned.”

- Paul S. Reinch, U.S. Minister to China, June 16, 1915



Source: “Westel W. Willoughby, Foreign Rights and Interests in China 180-81 (1920) (quoting a Letter of the U.S. Minister to China , Paul S. Reinch, to the American Consul-General at Shanghai).



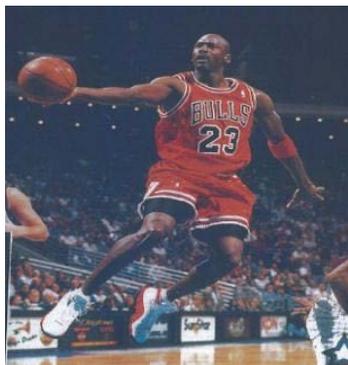


Most common China IP problem: bad faith trademarks

The practice of filing for trademark registration in bad faith, i.e., with the...

(1) Intent to deceive or confuse consumer as to the source of the goods or services; or	(2) Intent to trade off the good will or reputation of the owner of the mark; or
(3) Intent to extort money from the true owner for rights in the mark; or	(4) Intent to block entry into the market or to increase the cost of entry for a competitor or potential competitor.

Examples of Bad Faith Filings



Michael Jordan in a NBA game on December 10, 1999



Qiaodan Sports' design trademark



One of Qiaodan Sport's 6,000 storefronts in China



BURBERRY

(Beverages,
Class 32)



CHANEL

(Toilets and faucets,
Class 11)



(Coffee,
Class 30)

Fake specimens of use from China



Reasons why the problem persists

- Poor examination
- Inadequate laws
- Insufficient deterrence



Filing trends

- Trademarks in 2018
 - Applications reached 7,371,000
 - Increase of 28.2% year-on-year
 - Trajectory expected to continue
 - Total number of active registrations: 19,564,000
 - Average Pendency: 6 months
- Copyrights in 2018
 - 3,457,338 registrations, up 28% year-on-year
 - Computer software: 1,104,839 registrations



Recent developments

Trademark Law amendments announced on April 23 (effective Nov 1)

- Art. 4: “Trademarks applied in bad faith and without intent to use shall be refused.”
- Art. 63: Punitive damages raised from 3 to up to 5 times actual losses for serious bad faith infringement
- Art. 63: Statutory damages max for infringement raised from 3 to 5 million RMB
- Art. 63: Proper disposal of confiscated counterfeits. No return to commercial channels after removal of trademark
- Art 68: Administrative and judicial punishment for agencies involved in bad faith acts





Recent developments

Draft provisions on standardizing applications for registration of trademarks (CNIPA Feb and SAMR Aug 2019)

- Developed to curb bad faith trademark registrations, including squatting and hoarding
- Bad faith applications without the intent to use will be refused
- Registrations cannot harm prior rights. Third party right to cancel registrations that violate Provisions (regardless of when registered)
- Penalties include cancellation of registration, blacklisting offenders (including agents), inclusion in social credit information system and possible criminal prosecution.





Recent developments

New Ecommerce Law (Jan 2019)

- Safe harbor for ISPs
- Counter notice halts takedown procedures and may be abused by sellers
- Strict liability for inaccurate notices
- Draft Tort Liability Chapter of the Civil Code contains similar provisions

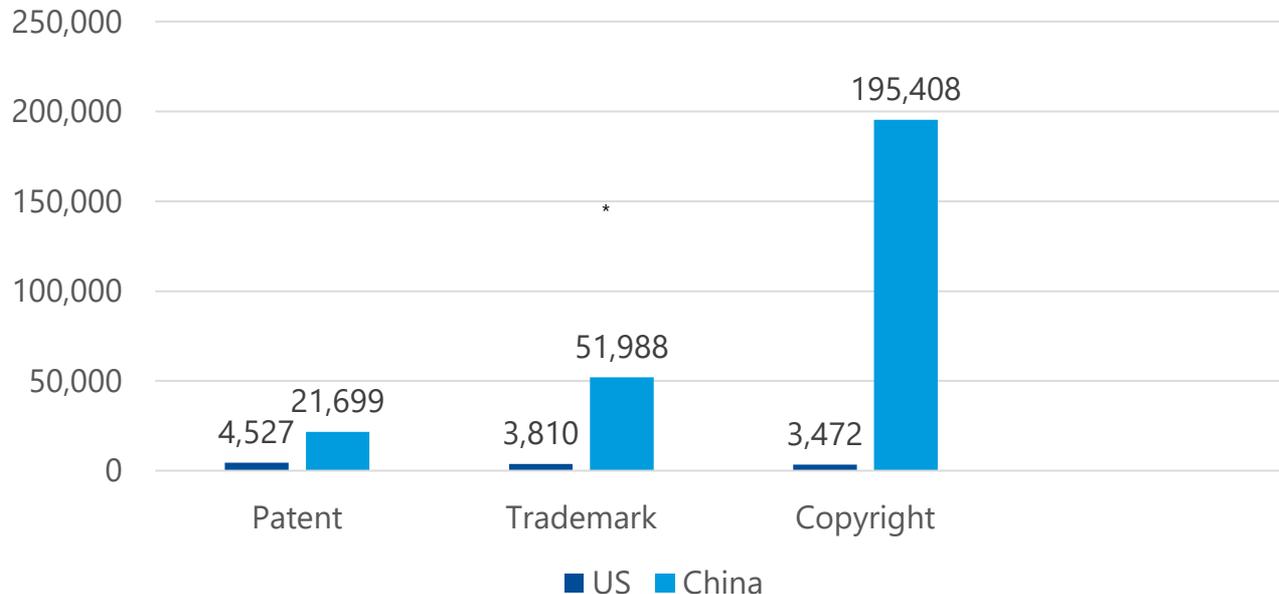
Enforcement

Two-track enforcement system

- Administrative enforcement primarily through State Administration of Market Regulation (SAMR)
- Judicial enforcement
 - Specialized IP courts established in Beijing, Shanghai, Guangzhou
 - IP Tribunals set up throughout multiple provinces and cities/municipalities
 - Newly established internet courts in Hangzhou, Beijing and Guangzhou

China is the most IP litigious society in the world

283,414 First Instance Civil IP Cases in 2018



Foreign participation in IP cases

Year	Total Concluded First Instance Civil IP Cases	With Foreign Parties	Foreign Percentage
2010	41,718	1,369	3.3%
2011	58,201	1,321	2.3%
2012	83,850	1,439	1.7%
2013	88,286	1,697	1.9%
2014	94,501	1,716	1.8%
2015	101,324	1,327	1.3%
2016	131,813	1,667	1.3%

Year	Total Concluded First Instance Administrative IP Cases	With Foreign Parties	Foreign Percentage
2010	2,391	1,004	42.0%
2011	2,470	1,237	50.1%
2012	2,899	1,349	46.5%
2013	2,901	1,312	45.2%
2014	4,887	2,237	45.8%
2015	10,926	4,928	45.1%
2016	6,250	2,394	38.3%

Source: Annual Reports by China's Supreme People's Court

Enforcement concerns

- Low damage awards and lack of deterrent mechanisms such as punitive damages
- Difficulties in collecting and preserving evidence
- Unfeasible criminal thresholds for initiating criminal enforcement
- Risks of enforcement may outweigh benefit to right holders
- Deficient preliminary injunctive relief
- Growing emphasis on administrative enforcement, including social credit and public shaming system
- Inconsistent nationwide application of the law caused in part by lack of transparency, protectionism, and pressures on independent judiciary

Recent developments

New National Appellate IP Court established this year within the Supreme People's Court (SPC) in Beijing

- Nationwide jurisdiction over appeals of patent and technical IP cases
- No jurisdiction over trademarks, business trade secrets, non-software copyright cases, or IP related criminal cases (unless these cases also include anti-monopoly claims)
- This jurisdiction was previously held by multiple provincial and municipal high courts.

Recent developments

Patent Law amendments relating to enforcement (Jan 2019)

- Punitive damages of up to five times actual losses for willful infringement
- Statutory damages increased to RMB 100,00 to RMB 5 million
- Burden shifting to prove damages
- Internet service providers jointly liable for infringement of patented products online if they fail to prevent infringement after receiving an order from court or CNIPA
- Increases powers of the administrative patent enforcement authorities, including ex officio authority to bring patent infringement cases
- No patent linkage or partial design protection





Recent developments

NDRC memorandum of cooperation signed by 38 Chinese agencies to strengthen punishment of IP infringement (Dec 2018)

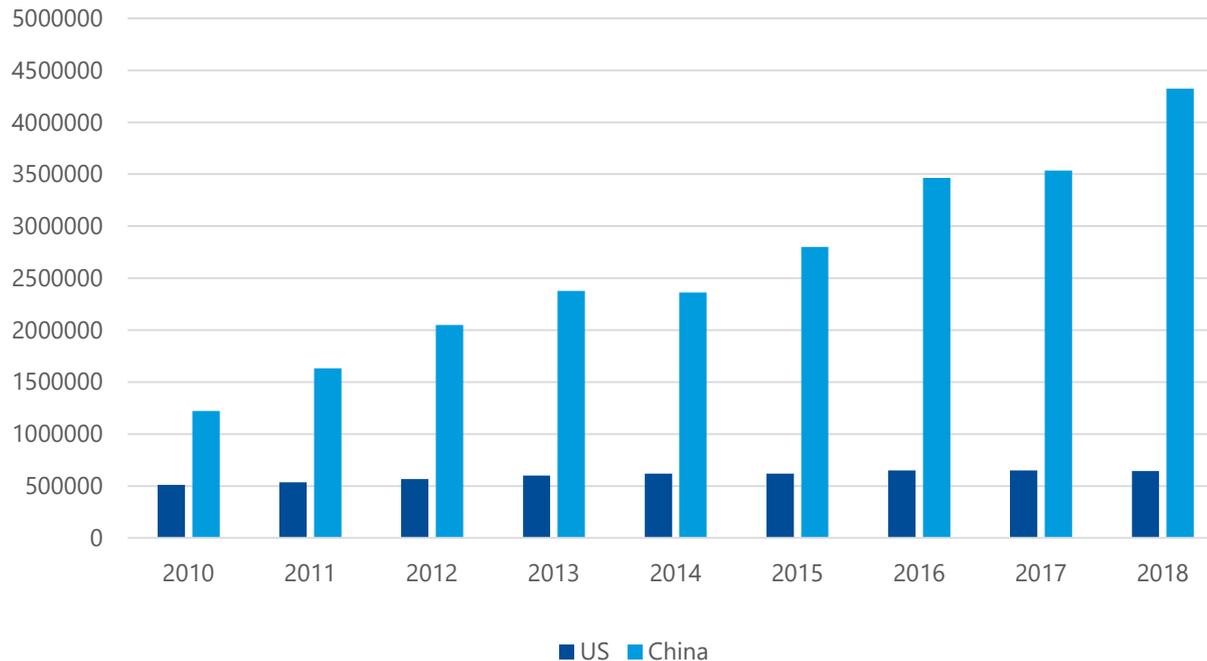
- Applies “social credit system” to 6 types of dishonest conduct
- Examples of dishonest conduct include repeated acts of patent infringement, providing false documents to CNIPA
- Disciplinary action includes restrictions to social benefits, travel, restrictions to financing tools

Technology Issues

Impediments to China-U.S. tech transfer

- IPR Protection
 - Nearly 50% of US companies hold back on transferring technology into China due to IPR concerns. Insufficient IPR protection significantly minimizes incentives for technology licensing by innovative companies (foreign and domestic). (Source: USCBC 2014 China Business Environment Survey)
- China Regulation
 - 33% of US companies hold back on transferring technology into China due to unfavorable China regulation of cross-border technology licensing (e.g., TIER). (Source: 2016 USCBC-USPTO Survey of US tech companies in China)

CNIPA receives six times more patent applications than USPTO





What's feeding these numbers?

Chinese government's industrial and innovation policies

- National IP Strategy
 - build a country of strong IP
 - develop China's own technology
 - build IP intensive industries
 - increase the utilization of IP
- Made in China 2025 plan to become dominant in 10 strategic emerging industries and technologies
- Subsidies





Recent developments - subsidies

- Shanghai: 2019 program eliminates subsidies for design patents and UMPs.
 - Subsidies limited to foreign filings and “stable” invention patents that remain valid for 8 years or commercialized through transfer, license or pledge
 - Subsidies for overseas filings:
 - PCT: Up to \$7,400 per application per country
 - Paris Convention: Up to \$5,900 per application
- Shenzhen: 2019 program eliminates subsidies for domestic patent filings and reduces some overseas trademark filings, but increases subsidies for filings through WIPO





Recent developments

Repeal of problematic provisions in Regulations on Administration of Import and Export of Technology (TIER) (March 2019)

- Repeals Art. 24 paragraph 3 (LR bears all liability), Art. 27 (LE right to improve tech) and Art. 29 (prohibits restrictions on LE, e.g., to improve, market, export tech)
- Repealed provisions subject of 2018 WTO dispute and many years of bilateral discussions with China



Recent developments

Amendments to Anti Unfair Competition Law announced on April 23 (effective immediately)

- Art. 9: Adds “electronic intrusion” and violating “duty of confidentiality” to acts of misappropriation
- Art. 9: Expands scope of covered parties, including “natural persons”
- Art. 17: Punitive damages of up to five times actual losses for serious malicious misappropriation
- Art. 17: Statutory damages max raised from 3 to 5 million RMB
- Art. 21: Administrative fines max raised from 500,000 to 1 million RMB plus confiscation of illegal income
- Art. 32: Burden shifting after providing preliminary evidence



Recent developments

Foreign Investment Law (Effective Jan 2020)

- Art. 22: Foreign parties free to negotiate terms of technical cooperation, and “administrative organs and their employees must not force the transfer of technology through administrative measures.”
- Art. 15: Foreign investors will be given equal opportunity to participate in the formulation of standards.
- Most articles lack sufficient details and require further clarification.



Takeaways

- Some improvement in quality and transparency of judicial enforcement
- Increased central government emphasizing IP improvements, particularly in less political areas of trademarks and counterfeiting
- Attempts to address bad faith trademark filings
- Stiffer penalties for patent infringement, trademark infringement, and misappropriation of trade secrets
- Restrictive licensing provisions in TIER removed
- More scrutiny on China IP
- Local protectionism and strategic targeting remains a problem
- High volume of poor quality filings clogging patent and trademark registries



Takeaways

- Unclear how agencies will implement and enforce new regulations or possible trade agreement
- Growing administrative enforcement powers
- Emerging punitive social credit mechanism
- Difficulties enforcing against infringing goods sold online, particularly for SMEs
- Low patent protection for innovative drugs (troublesome post-filing of supplemental data, no patent linkage, regulatory data protection, patent term extension)
- Inadequate enforcement coupled with highly-fluid labor environment resulting in employees poaching and taking trade secrets to competitors
- Lack of transparency, respect for IP and rule of law

China – IPR Toolkit

Intellectual Property

and Assignee hereby accept
properties created during the term
shall include, among other things,
trademark material
devi



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www.uspto.gov/ip toolkit



Link to today's presentations

<http://bit.ly/30mY6Nm>



Thank you!

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