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Administrative and Criminal Enforcement of Intellectual Property in China

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IP Administrative Enforcement

- **State and Local Administration for Market Regulation: Trademark and Patent Administrative Enforcement**
 - Actions upon filing a complaint with minimal evidence of infringement
 - Ex officio, ad hoc, raid actions
 - Impose administrative penalty (No damage award)
- **National and Local Copyright Administration: Copyright Enforcement**
 - Actions upon filing a complaint by right holder or any third party
 - Increasing thanks to internet content, software related copyright
 - Infringe copyright but also harm public Interest according to Copyright Law and Regulation on Protection of Computer Software
 - Ex officio, ad hoc, raid actions
 - Impose administrative penalty (No damage award)

IP Administrative Enforcement

- **The Customs Authority:**

- Border Protection of Trademark, Patent and Copyright**

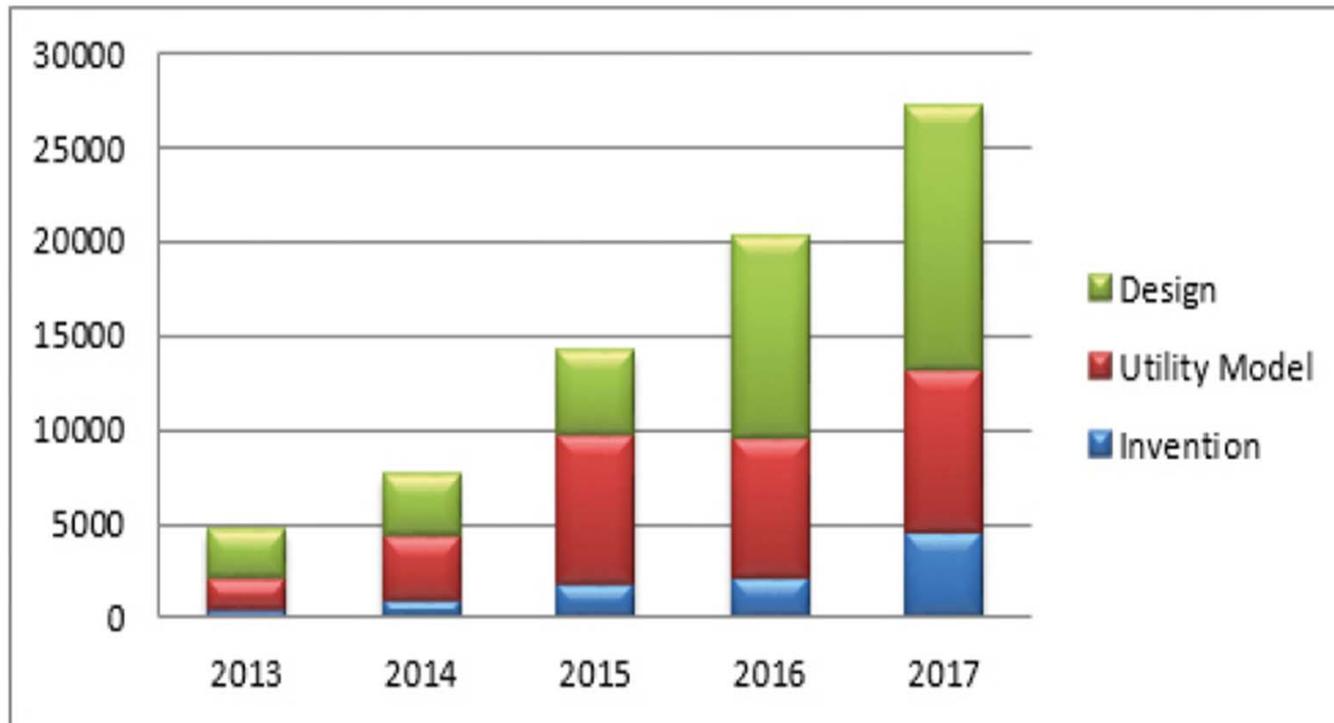
- Powerful tools to stop infringing goods import/export.
 - Border seizure: Most are active protection and ex officio (99.5%).
 - Requirement: IP right customs recordation
 - ✓ Valid up to 10 years.
 - ✓ Only IP right owner can record IP right; licensee is not allowed.
 - ✓ A foreign company must apply through its branch office in China or a Chinese attorney.
 - Can be initiated by request, but if no IP right recordation, the right owner has to bear higher burden of proof and guarantee equivalent to full amount for the value of the goods.
 - E-commerce platform cooperation.
 - Use technology (big data analysis, AI) for investigation.

Insights from Statistics

- **2018 CNIPA Report for IP Protection**
 - Around 77,000 **patent** administrative cases were handled (increased 15.9% compared to 2017). Among which:
 - ✓ 34,000 were patent infringement cases (increased around 22% compared to 2017).
 - ✓ 43,000 were patent passing-off cases.
 - Around 31,000 **trademark** violation cases were handled (valued at a total of 550 million RMB).
 - The first **IC layout design** infringement case was handled.

Insights from Statistics

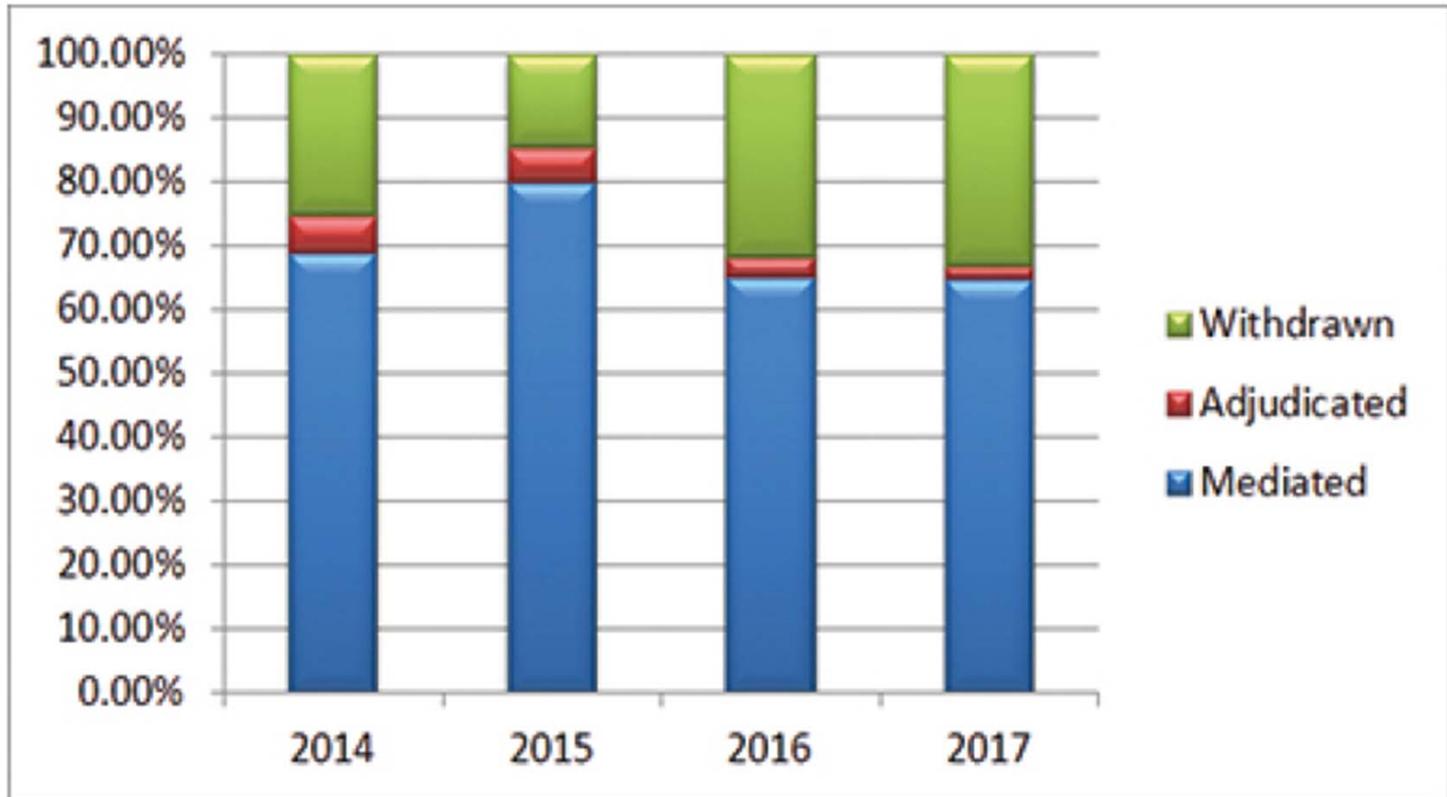
- **Administrative Enforcement for Patent**



Administrative enforcement cases received categorized by types of patents in years 2013-2017

<https://www.managingip.com>

Insights from Statistics



Percentage of administrative enforcement cases categorized by way of closing in years 2014-2017

<https://www.managingip.com>

Insights from Statistics

- **The Customs IP Enforcement**

- Until February 20 2019, there were 45,928 valid IP rights recorded in total, among which **88% are trademark rights**.
- Data released by the General Administration of Customs (GAC) in April 2018 showed:
 - ✓ China Customs seized over 40.94 million articles suspected of IP infringement.
 - ✓ **99.5%** were based on **ex-officio actions**.
 - ✓ **98.48%** of all seizures related to **trademark infringement**.

***Record your IP rights with the Chinese Customs,
they will do the enforcement work for you!***

Strategy for IP Administrative Enforcement

Advantages

- **Cost and Time Efficiency**
 - Ex officio actions and ad hoc raid actions save resources and cost.
 - Administrative authority has time limitation to conclude the cases (Ex: patent cases have to be concluded within 3 months, 1 additional month for complicated cases).
 - Suitable for straightforward patent cases easily to prove infringement and for seeking quick removal of infringing products.
- **Effect of Warning and Frightening**
 - Penalty is effective (millions in RMB fines imposed for past cases).
 - If a crime is suspected, the case will be transferred to judicial authorities for criminal investigation.
- **Use administrative enforcement as a tool to collect evidence and set a stage for civil enforcement.**

Strategy for IP Administrative Enforcement

Potential Pitfalls

- **No hassle of identity documentation as required by the court in civil enforcement for foreign companies???**
- **Limited expertise and experience for handling complicated patent infringement disputes**
 - More design and utility model cases than invention patent cases
- **Regional differences may affect outcome**
 - High demand regions have more resources and experience; IP inactive regions may have influence from local protectionism
- **Mediation is a preferable resolution rather than adjudication**
 - Due to limited resources and tight schedules, mediation may avoid improper or incorrect decisions; particularly for cases that are complicated or have significant social influence.

IP Criminal Enforcement

- **Trademark Counterfeiting**
 - Counterfeiting registered trademark
 - Selling goods bearing counterfeit registered trademark
 - Forging representations of registered trademark
- **Trade Secret Infringement**
- **Defamation**
- **Patent Passing-off**
 - Misrepresenting patent mark or patent numbers of other's patents (protect good will of business)
- **Copyright Infringement**
 - Reproduction, distribution, and transmission through information network

IP Criminal Enforcement

- **Initiate a Criminal Enforcement**
 - **Petition to the Public Security Bureau (the “PSB”)**
 - ✓ Petitioner/IP right holder will need to closely work and have good communication with local PSB.
 - ✓ Once the petition is accepted by the PSB, the petitioner would have little control over the investigation and case development.
 - **Case transfer from the administrative authority or customs to the corresponding criminal agency**
 - ✓ Build up a criminal case while working with the administrative authority on administrative enforcement.

IP Criminal Enforcement

- **Effect**
 - Powerful blow and deterrent to infringement.
 - Dual punishment: imposed on both the entity and the persons directly responsible for the crime.
- **Majority of criminal enforcement is relating to trademark infringement or trademark violation**
 - In 2018, the local people's court at all levels received a total of **4,319** first-instance cases involving IP infringements.
 - ✓ Among which, **4,117** cases were related to trademark infringement (increase 20.20% to 2017).
 - ✓ Copyright infringement was 2nd most common (but only **156** cases).

Take Away Tips

- **Create full coverage of IP protection and variety of IP portfolios**
 - Do not underestimate the power of utility model, design, and trademark registration as well as customs recordation.
- **Form a comprehensive strategy and choose the right types of IP enforcement to achieve your goals**
 - One type of IP enforcement may facilitate other types of IP enforcement.
- **Set eyes, mouth, hands and feet in China**
 - Work with an attorney that knows both US and China business culture and IP practices.
 - Build connection/communication channel with local administrative authority or PSB.

Thank you for your attention!

Questions?

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