

# Major developments in 2012

Zhang Xu and Eric Su of **HFG** provide an overview of the changes in China's IP laws and practices in the past year, which together signal a concerted effort to strengthen protection

In recent years, more and more attention has been paid to IP development in China both on an international and national scale. There were several important events in legislation, justice and administrative enforcement in 2012. On the macro level, the Government has continued to enhance IP protection, and carried on the severe attitude as seen in The Special Action Plan for Attacking Infringement of Intellectual Property and the Manufacturing and Selling of Fake and Shoddy Commodities in 2011. In enforcement and justice, a number of major IP cases have been dealt with and examined by the NAIC (National Administration for Industry and Commerce), the AQS (Administration for Quality Supervision), the local IPO (Intellectual Property Office), the Copyright Administration, the PSB (Public Security Bureau) and the courts. In general, the government has taken various measures to protect the interests of the owners of intellectual property.

## Legislation

The legislative department and relevant governmental departments brought about the amendment of the three significant IP laws – the

Trademark Law, the Patent Law and the Copyright Law. Through these amendments, we can see the legislators' wish to increase the capacity of the relevant laws and regulations in order to curtail infringement in response to the digital age.

The draft of the fourth amendment to the Trademark Law has been submitted to the standing committee of the National People's Conference. This could result in sound trade marks being protected by law, the procedure of trade mark opposition being modified, and compulsory compensation for infringement being raised to Rmb1 million (\$160,000). To prevent a rush on registrations and hoarding of trade marks, the criterion that applying for a trade mark will be subject to the principle of good faith, will probably be added into the law. The provision of such a principle will discourage a rush on trade mark registration, clear surplus trade marks, and make the trade mark registration system as a whole more coherent.

## Administration

The amendment to the Patent Law has also raised concerns in relation to the Patent Administration Department's specified limits of authority being broadened. These limits include the power to handle patent infringements, the penalty to the infringers and even the amount of compensation and damages. According to the present regulations in Measures for Patent Administrative Law Enforcement, the Patent Administration Department can only judge whether something constitutes an infringement. However, in the past year, the Patent Administration Department's enforcement procedures have been playing an increasingly prominent role. The local Patent Administration Department proves an ideal alternative to mediate and resolve patent infringement: it is quick, low risk, inexpensive, and effective. Comparatively, the judicial remedy to patent infringement in China is inefficient, high risk, and expensive due to a lengthy timescale with various procedures: invalidation of patent rights, patent administrative litigation (including first instance and second instance), and finally civil litigation (including first instance and second instance). In the future, the Patent Administration Department's enforcement procedures will no doubt become a welcome and important alternative for patent owners looking to deal with patent disputes. These procedures also embody one feature of durable IP protection in China: administrative and judicial enforcement as two parallel dispute resolution mechanisms.

The digital age has come, and so further amendments to the Copyright Law are unavoidable, even though it was amended in 2010. In the latest amendment, there are several points of note: (i) in the classification of the work, work of applied art has been raised, and toys, furniture and decorations are listed as the flat (two-dimensional) or solid (three-dimensional) plastic arts with both utility function and aesthetic significance. In addition, it



specifically regulates that the protection period of a copyright is 25 years after the first publication. It can be imagined that in the age of industrial design, these regulations will bring a positive effect to the industry; (2) on the ascription of a work that is created in the course of employment, the principle will be modified from the author enjoying the right and with exception in some specific conditions, to it being in accordance with the agreement between the parties; (3) requirements on the exclusive licensing and record-keeping are added into the Law which have borrowed some measures from the Trademark Law; (4) copyright collective management, technology protection measures and copyright management information are regulated by new provisions; (5) further defining the liability of the network service provider; (6) the maximum compulsory compensation has been raised to Rmb1 million, and a more severe standard of administrative punishment to infringement has been proposed.

## Justice

Regarding judicial practice, enterprises can learn a lot from two trade mark disputes: the ascription of the trade marks iPad and *Wanglaoji*, a famous Chinese tisane). The iPad case has been settled, and the dispute over *Wanglaoji* is ongoing. The two cases remind companies that when applying, transferring, or granting a licence to use a trade mark, besides the legitimate procedure that is subject to the relevant laws and regulations, a brand owner needs to make decisions strategically. The high expenses for the settlement of the iPad case undoubtedly made an impact on the trade mark rights owners, and those

who may rush to register a trade mark. Some companies dream of getting rich overnight by rushing to register a trade mark. But it is important for trade mark owners to think in advance, and make a determination on whether it is necessary to register a trade mark or raise an opposition to another trade mark which has not been used yet with those goods and services. In China, the so-called factory of the world, the threat of trade mark counterfeit and infringement will not be turned around overnight: it must be a joint endeavour of rights owners and government agencies.

In 2012, copyright disputes still occupied a large proportion of IP disputes as a whole. Considering the past few years, the number of infringing acts of the right to network dissemination of information have accelerated. The Supreme Court promulgated Regulations for Several Issues Concerning Trial of the Disputes of Infringement of the Right to Network Dissemination of Information to define what constitutes the infringement responsibility and how to bear the infringement responsibility for a network service provider and an infringer, which guides courts to trial the network tort of copyright in practice. Additionally, cases on the copyright of fonts, a controversial topic, also take place frequently, and local courts differ as to whether fonts enjoy copyright protection or not.

## Other developments

Concerning the development of intellectual property of other types, protection of trade secrets still receives the most attention. However, companies are always at a loss in defending their rights, for



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it is difficult in practice to obtain evidence, and the enforcement authority is not professional when assessing what constitutes a trade secret. Judicial statistics shows that in the past few years, a person or company that raises an action of trade secret usually wishes to totally defeat its competitor, and such cases almost always follow the same pattern: abusing the public power with the excuse of defending its trade secret – firstly to penalise the leaders of the competitor criminally and then to claim for damages through civil procedure. The trend of criminalising trade secrets has aroused intense focus both on the theory and on practice. In anti-unfair competition, the acts of unfair competition which are expressly prohibited by the law have decreased, but



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infringers frequently try to evade the law under the appearance of legitimate acts, that challenges the boundary of the Anti-unfair Competition Law so that more and more cases need to be trialed by applying the regulation of principle in the Anti-unfair Competition Law.

#### **Positive moves**

In the past year, the Chinese Government and its judicial system has kept a positive attitude in protecting intellectual property. Protection measures need to be further strengthened by discouraging rush registration, promoting the quality of intellectual property, and introducing larger penalties to act as a deterrent, so as to maintain a fair competitive market.