How to Protect your Intellectual Property (IP) in China

Presentations begin at 7:30pm

Edward Sheehan, Corporate Services Manager at RsA Asia Tax Advisors

Matias Zubimendi, IP Business Advisor at China IP SME Helpdesk

Charles Gray, Partner at Kilpatrick, Townsend & Stockton LLP
Event Outline

Opening Statement - Peter Markey, Chairperson at Irish Chamber of Commerce China

Edward Sheehan - Trademarks - A Dog Eat Dog World

Matias Zubimendi - IP Protection at Online Trade Fairs

Charles Gray, IP Enforcement in China

Panel Questions and Answers

Closing Remarks - Ellen-Anan Kier, General Manager at DCCC East- Danish Chamber of Commerce in China

Thank you!
Opening Remarks

Peter Markey,
Chairperson of the Irish Chamber of Commerce
China
EDWARD SHEEHAN

Trademarks:
A Dog Eat Dog World

Corporate Services Manager at RsA Asia Tax Advisors

Edward Sheehan
es@rsa-tax.com
Trademarks:
A Dog Eat Dog World
One Product – Many IP Rights

Beer Brands have multiple forms of IP

- Trademark - “Brewdog”
- Copyright – “brand motto”
- Patent – The beer recipe.
- Trade secret - technical knowhow kept "in-house" and not published. How to pick good hops.
Dear (fake) BrewDog China manager/owner/emperor,

Thank you. It’s not every day someone pays you the compliment of copying what you do. I mean, I’ll admit we were surprised when we saw a picture of the bar you’ve constructed in our image in Changzhou, and maybe a little terrified, but mainly we were peculiarly proud. There’s something that says ‘you’ve made it’ when a weird replica of your craft beer brand is peddling beers through counterfeit taps somewhere in the world’s biggest country. I honestly cannot wait to visit (fake) BrewDog China. Is there a fake James and Martin we can meet? Because that would be awesome.... (continued)
(continued) I know that most organisations might reprimand you, condemn you and maybe even sue you for faking their logo and their bar concept, but speaking as the people normally being slapped on the wrists for rocking the apple cart in this industry, that would smack of hypocrisy.

BrewDog exists to make everyone as passionate about beer as we are, and frankly your choice to build a fake BrewDog bar in Changzhou – rather than a fake McDonald’s, a fake Starbucks or a fake NikeTown – suggests to me that we are getting there...

(continued)
(continued) ... So – thank you Mr. Emperor. And good luck with your fake bar. I’ll be along to visit soon – I’m looking forward to trying the 6AM Saint and the Funk IPA. I do still nurture a small hope, though, that imitation is the starting point for imagination for you.

Bye bye.

(real) James.

*Only last week we opened a real BrewDog bar in Shepherd's Bush, London. You can invest in BrewDog and our 13 real bars at [www.brewdog.com/equityforpunks](http://www.brewdog.com/equityforpunks)*

*We are not sure how you can invest in the Chinese one.*
Can anyone guess the topic of a 2017 Brewdog blog?
At BrewDog we are pretty relaxed about our intellectual property, in fact we have given away all our recipes with DIY Dog. No other brewery has ever taken such an open approach with its intellectual property. Ever. You can download all our recipes here.

But our trademarks are still important - as they are for any independent company. Of course we try to protect them from misuse by others if it will negatively affect our business, because we have jobs to keep, Equity for Punks shareholders to protect and a mission to achieve.
However, it is not just small enterprises that may take advantage IPs, established multinationals frequently feel “inspired” by popular brands.
How may have Brewdog ultimately protected their brand in China?
Two Paths To Register Trademarks
<table>
<thead>
<tr>
<th>BREWDOG</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number</strong></td>
</tr>
<tr>
<td><strong>Nice Class</strong></td>
</tr>
<tr>
<td><strong>Filing date</strong></td>
</tr>
<tr>
<td><strong>Registration date</strong></td>
</tr>
<tr>
<td><strong>Protection term</strong></td>
</tr>
<tr>
<td><strong>Owner’s name</strong></td>
</tr>
<tr>
<td><strong>Owner’s address</strong></td>
</tr>
</tbody>
</table>

| **Goods/services** | - Restaurant and bar services, - Bar and snack bar services, - Provide temporary accommodation, - Provide food and drink, |

| **Published opposition No.** |  |
| **Published registration No.** |  |
| **Color** |  |

| **Records** | 2014-02-01 Territorial extension |
| **Published opposition date** |  |
| **Published registration date** |  |
| **Attorney name** |  |
| **Type of Mark** |  |
| **General mark** |  |
How to File a Trademark Through Madrid System in China

**Conditions Through Madrid System**

You have to be in a member country of the Madrid System; So far, the Madrid Union currently has 106 members.

The blue countries are the African Intellectual Property Organisation. (OAPI)
How to File a Trademark Through Madrid System in China

Conditions Through Madrid System

You have to have a basic registration/application with the local IPO of your local country.
How to File a Trademark Through Madrid System in China

Conditions Through Madrid System

You have to use the exact mark on exact products or services as your basic registration/registration when you file the mark in China through Madrid System.
Procedure of Madrid System Filing to China

1. Complete the application/registration at your local country
2. File the International Registration by designating China with your local IPO
3. The application will be forwarded from local IPO to WIPO
4. The application will be forwarded to CNIPA in China through WIPO
5. CNIPA will decide the mark to be registered or not in China
National Filing
How to File a Trademark Through National Filing in China

Choose your mark & products and services;

Find a local agency;

File with the CTMO ➔ waiting for your filing receipt in 3-4 months

Substantial Examination ➔ Publication ➔ registration ➔ Rejected
Comparison Between Madrid System Filing and National Filing in China

• Both systems have their positives and their drawbacks.

• Companies need to take into account their global IP strategy.

<table>
<thead>
<tr>
<th></th>
<th>Madrid System</th>
<th>National Filing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior Application/Registration</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Membership Requirement</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Timeframe</td>
<td>18 months</td>
<td>12 - 18 Months</td>
</tr>
<tr>
<td>Registration Certificate</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Central Attack</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>
Take -away Message

DEAR BREWDOG COPYCATS: BREWDOG COFOUNDER WRITES OPEN LETTER TO CREATORS OF A FAKE BREWDOG BAR IN CHINA

04.12.2013

James Watt pens open letter to manager of the fake BrewDog bar in China

Dear (fake) BrewDog China manager/owner/emperor,

Thank you. It's not every day someone pays you the compliment of copying what you do. I mean, I'll admit we were surprised when we saw a picture of the bar you've constructed in our image in Changzhou, and maybe a little terrified, but mainly we were peculiarly proud. There's something that says 'you've made it' when a weird replica of your craft beer brand is peddling beers through counterfeit taps somewhere in the world's biggest country. I honestly cannot wait to visit (fake) BrewDog China. Is there a
Is it possible for an applicant from any country to file their mark in China, without their country being a member of an international treaty?

1. Yes, it is possible
2. No, you need to be a member of certain treaties
3. Only companies with addresses in China can file
If my company is registered in Hong Kong, can I use Madrid System?

1. Yes
2. No
Edward Sheehan, Corporate Services Manager at RsA Asia Tax Advisors
Matias Zubimendi, IP Business Advisor at China IP SME Helpdesk
Charles Gray, Partner at Kilpatrick & Townsend

5 mins break

Present

How to Protect your Intellectual Property (IP) in China
Matias Zubimendi
IP Business Advisor
at China IP SME Helpdesk

IP Protections at Online Trade Fairs

www.ipr-hub.eu
www.youripinsider.eu

@chinaipr-hd
@iprchina
@ChinaIPR
IP PROTECTION AT ONLINE TRADE FAIRS

Matias Zubimendi
28 April 2021
China IP SME Helpdesk
Helpdesk Free Services

Enquiry Helpline
question@china-iprhelpdesk.eu

Training Workshops

Website & Blog
https://intellectual-property-helpdesk.ec.europa.eu/

Guides & Factsheets

Webinars
Mr. Matias Zubimendi is the IP Business Advisor at China IP SME Helpdesk, where he advises European SMEs on intellectual property rights matters. Mr. Zubimendi holds a Master’s degree in Chinese Civil and Commercial Law from Peking University as well as a Master’s degree in Intellectual Property Law from Austral University in cooperation with the World Intellectual Property Organisation. Mr. Zubimendi has a strong background in both business development and intellectual property rights protection, having previously worked as a China Business and Legal Consultant at Terragene, where he focused on business development and as a Director of Legal Affairs at Conquer Europe. Previously, he has also worked as a Patent and Trademark Attorney at Phoebus Abogados and Mazzeo & Canet, where he represented SMEs as well as Fortune 500 companies. Mr. Zubimendi has given lectures at various conferences including the Ibero-American Conference on Chinese Studies and published several articles including *The legal protection of intangibles in the video games industry*. As a Professor Assistant, he has also given lectures on Commercial Law and Procedural law, while focusing on Copyright and AI in his research. Mr. Zubimendi is a native Spanish speaker fluent in English.
Table of contents

01 Introduction to online trade fairs
02 Preparation
   - What should I register?
03 During the fair – Collect evidence!
04 During and after the fair
   - IP dispute resolution
05 Takeaway Messages
Introduction to online trade fairs

- Doing business online

1.1 What do online trade fairs offer?
- Product offers
- Conferences
- E-meetings
- Interactive tools
- Videos

1.2 Main IP risks involved
- IP being copied
- Loss of IP

1.3 General advice
- Register your IP in China
- Assign a dedicated team (not only a sales team)
- Learn how to proceed in case of a dispute
- Check your competitors
Preparation
- What should I register?

2.1 What will you display?
- Trade marks
  - Company name
  - Product name
  - Logo
  - Other signs
- Design patents
- Invention patents / utility models
- Copyright
  - Advertisement
  - Photos
  - Drawings
  - Videos

2.2 Trade secrets
- Non-registered IPRs
- Confidential information
  - Need to know rule

2.3 The importance of certificates
- Necessary for proving ownership
- Check with the fair what exactly is needed!
During the fair
- Collect evidence!

3.1 Someone is copying you?
- Collect evidence before acting

3.2 Digital evidence
- Blockchain

3.3 Non-digital evidence
- Notary

3.4 Get the names of the infringers
- Legal name of the company
- National Enterprise Credit Information Publicity System
During and after the fair

- IP dispute resolution methods

4.1 Disputes at trade fairs

- Complaint center
- Process

4.2 What can I achieve?

- Evidence
- Removal of products
- Expulsion of the infringer from the fair

4.3 Further actions

- Regular courts
  - IP courts
- Internet courts
Takeaway messages

✓ Register your IPRs before attending trade fairs
✓ Prepare your IP certificates
✓ Protect your trade secrets

✓ Assign and train your trade fair team
✓ Learn in advance about the IP complaint procedures of the fair
✓ Collect evidence before acting

✓ Contact the China IP SME Helpdesk  question@china-iprhelpdesk.eu
Questions?

HELPLINE
free, fast & confidential
3 days working

question@china-iprhelpdesk.eu

Your feedback is very valuable info for us.
We appreciate if you could share your comments with us.
5 mins break

Present

How to Protect your Intellectual Property (IP) in China
CHARLES GRAY

IP Enforcement in China

Charles Gray, Partner at Kilpatrick, Townsend & Stockton LLP

CharlesWGray @CharlesGray

www.kilpatricktownsend.com
cgray@kilpatricktownsend.com
IP Protection and Enforcement in China
Charles W. Gray
Patent Overview

• In 2019, CNIPA received **4,128,671** patent applications (an 11% increase from 2018)
  • Invention patent applications: 1,542,302 (2018: 1,381,594)
  • Utility model patent applications: 1,874,122 (2018: 1,687,593)
  • Design patent applications: 712,247 (2018: 628,658)

• In 2007, CNIPA received **694,153** patent applications
  • Invention patent applications: 245,161
  • Utility model patent applications: 181,324
  • Design patent applications: 267,668
Patent Overview

• Where is China Headed? China’s National IP Strategy sets a goal of doubling the number of patent filings between 2015 and 2020

• Over the next decade, 7 million patent applications are expected to be filed annually – that is 10x the number of applications filed at the USPTO
  • It appears that China will reach its goals
Focus: Utility Model Patent

• Why file a Utility Model Patent?
  • Generally easy to get a patent issued
    • Limited Examination
    • However, please note that CNIPA has increased the number of office actions issued against utility model patents
    • This is an attempt to increase the quality of patents in China
  • Moderate cost
  • Relatively prompt issuance
    • 6 months to 1 year
  • “Easy to get, tough to invalidate”
    • Over 50% of utility model patents withstand invalidation
Focus: Utility Model Patent

• Why *not* file a utility model application?
  • Only 10 year term vs. 20 year term (invention patent)
  • Invention patents are stronger than utility models (due to the limited substantive examination)
  • Needs an “Evaluation Report” before asserting in litigation
    • Basically a validity determination
• **Tip:** File *both* Invention Patent and Utility Model patent applications simultaneously
  • After the invention patent issues, abandon the utility model
• **Note:** Not an option when claiming priority to a PCT
Focus: Utility Model Patent

- Not subjected to the same rigorous substantive examination as invention patents
  - If the examiner has independent knowledge or has results (e.g. from a PCT search), they can undertake additional substantive examination
  - Looking for something “abnormal” – application is deemed to be of “inferior quality” it will also be subjected to additional examination

- Every incoming utility model patent application is subjected to an “Intelligent Patent Search System”
  - Only the Claims are put into the system
  - Database comprises only Chinese patents
  - The system may miss foreign-issued patents
Grace Period and Compulsory License

• Six-Month Limited Public Disclosure Grace Period
  – International expo organized and/or recognized by Chinese government
  – Academic or technology conference (specified by the government)
  – Unauthorized disclosure by others

• Compulsory License
  – Government can impose if
    – (1) Patentee did not practice 3 years from grant or 4 years from filing; or
    – (2) Deemed to be a legal monopoly
Ownership, Assignment to Foreigner Actors

• Ownership of invention within the scope of employment
  – Default: owned by the employer (right to apply for application, and rights in the issued patent)
  – The compensation to the employee (inventor) can be negotiated

• Assignment of patent rights to foreigner actors
  – Best practices: have a written agreement, register at CNIPA, and publish basic assignment information
Chinese Patent Strategies

• Find the right mix of invention, utility model, design patents
• Consider creating China-only portfolio
• Monitor competitors’ patents and applications
  • Many Chinese companies may completely or partial copy your company’s patent applications that are not filed in China, and obtain an issued utility model patent to your inventions
• File more utility model applications
• Engage Chinese associates directly
  • As with other jurisdictions, not all Chinese attorneys are created equally
  • Make sure your attorneys engage with Examiners
• Do not overlook the importance of Chinese patent protection
  • May be able to use Chinese patents as leverage against Chinese competitors
Possible Enforcement Options

• File suit in Chinese People’s Court
• File petition with local IP Office
• File petition with Customs Enforcement
Where to Bring a Patent Infringement Action

• Basic rule for jurisdiction
  • Personal jurisdiction: where the defendant is located
  • Subject matter jurisdiction: where infringement occurs

• Notarized purchase is a common practice

• How to use evidence originated outside of China requires careful analysis and understanding of the rules of evidence in China
Where to Bring a Patent Infringement Action

• Trial Courts:
  • 3 IP courts (Beijing, Shanghai, and Guangzhou)
  • 20 specialized IP tribunals
  • Traditional intermediate courts in other provinces and Chongqing

• Appeal Court: SPC (Supreme People’s Court)
  • Special IP Tribunal (as of January 1, 2019, analogous to the Federal Circuit in U.S.)

• Re-trial Court: SPC
Rule of Evidence

• **No discovery in China**
  - Must preform extensive pre-trial investigation

• **Burden of proof is borne by plaintiff**
  - Burden of proof is borne by the defendant for a process patent for producing a new product

• **Evidence preservation may occur by court or field investigation by local IPO**

• **Obstruction/withholding of evidence production (SPC’s Judicial Interpretations on Evidence, Art. 75)**
  - It has been proven that a party holds evidence and refuses to present the evidence without an acceptable reason
    - Not available for production
    - Illegal to produce
  - The evidence disadvantages the evidence holder
  - The judge may make a presumption that the evidence supports the other party
  - Witness testimony has significantly less value than in the US
Court Decision, Appeal, and Re-trial

• Trial (first instance) court decision
  • 1-2 day for trial
  • May be appealed within 15 days for a domestic party or within 30 days for a foreign party

• Appeal (second instance) court decision
  • Takes about 6 months from the trial decision
  • Will take effect once upon judgment

• Any party may apply for re-trial by the SPC within 6 months after the decision takes effect
  • Most request will be denied by the SPC
Injunctions

• Preliminary injunction in court ruling
  • Pre-suit injunction
  • In-suit injunction
  • Can then be made permanent

• Preliminary injunction can be executed immediately

• Permanent injunction in a trial court decision may be appealed

• For most cases, courts will grant permanent injunctions naturally after finding infringement
  • Approximately 94% of the time
  • This is the real value for a trial in China
Damages

- Article 65 of the Patent Law

- Actual loss of patentee
- Profits of infringer
- Multiple of royalty
- RMB10k ≤ Statutory damages ≤ RMB1,000k
Damages

- Nationwide from 2008 to 2013
  - Most cases only receive statutory damages
    - 97.25% of the time

- Beijing IP Court
  - In 2015, average damages award was RMB 350,000 (~$50,000)
  - In 2016, average damages award was RMB 1,024,000 (~$146,000)
  - In 2017, average damages award was RMB 1,103,000 (~$157,000)

- New damages changes in the fourth amendment to Chinese Patent Law
  - Upper limit of statutory damages increased to RMB 5,000,000 (~$715,000)
  - Punitive damages may apply
    - 1-3x statutory damages, typically for willful infringement
Relief from Chinese IP Courts

• Pro-Plaintiff
  ▪ Plaintiffs prevailed in roughly 80% of all patent infringement cases
  ▪ In contrast, Germany win rate is approximately 66% and the United States win rate is approximately 60%.

• In China, permanent injunctions were automatically granted in nearly all cases (approximately 94%) where infringement was found
Subject Matter Breakdown

- Mechanical patents, approximately 84%
- Electrical patents, approximately 14%
- Chemical patents, approximately 2%
Litigation Trends: China v. USA
China: Becoming the World’s Largest Battlefield for Patent Disputes

Number of Patent Infringement Actions Filed
(2011-2018)

- **China**
- **USA**
Litigation Trends: Likely Causes

• **Downward U.S. Trend**
  • *Alice*
  • AIA / post-grant review
  • *TC Heartland*

• **Upward China Trend**
  • Specialized IP courts and judges
  • Shorter duration and lower legal costs
  • High likelihood of a permanent injunction
Considerations for Foreign Plaintiffs

• Despite excellent progress, Chinese courts and judges are still working their way up a steep learning curve

• Like everything in China, politics can play a role in the outcome of Court decisions

• The law expressly exempts lawsuits involving foreign parties from litigation duration

• Based on available data, foreign plaintiffs prevail in patent litigations approximately 80% of the time
  – In contrast, Germany win rate is approximately 66% and the United States win rate is approximately 60%
Latest Trends in Chinese Patent Litigation

• **Improved Enforceability**
  
  – More sanctions are introduced against interference of judgment enforcement
    
    – Those failing to fulfil obligations under court judgements are subject to detention or fines, even imprisonment (Article 111, 313 of Civil Procedure Law)
    
    – Enlisted in “List of Bad Faith Entities Subject to Enforcement” for public awareness, marked with bad faith in China’s Social Credit System (yes, China’s social credit score is real!)
Latest Trends in Chinese Patent Litigation

• More Non-Practicing Entities (NPEs)
  – Continuous government support for stronger IP protection has created a pro-patentee environment
  – China’s role as “world factory” further strengthens the impact of patent litigation in China
  – Advantages of China’s patent litigation system
    – Short duration and lower legal costs
    – High likelihood of permanent injunction
    – Specialized IP courts and judges
Duration / Costs of Chinese Litigation

• Petitions filed with the local IPO usually resolved in six months
  • If infringement is not manifest, can defer action to the courts

• Litigations typically require 12 months from complaint filing to verdict

• Appeals typically take around six months from notice of appeal filing
  • Unknown whether this timeframe will hold with new appeal procedure before IP tribunal of the Supreme People’s Court

• Total legal costs per case through appeal (including invalidity challenge) likely less than $500,000.
File Petition with local IP Office

- IPO (Intellectual Property Office)
  - IPOs tend to conduct on-site field investigations
  - IPOs can decide on patent infringement and injunction, but cannot decide on damages
  - Administrative decision, can be appealed to courts
  - Less experienced than courts
  - Typically unwilling to decide on complicated cases
  - Can become an advocate
  - Another good option
    - Underutilized by foreign plaintiffs
File Petition with Customs Enforcement

- Customs office does not judge infringement, nor order injunction or damage, but will execute injunction order of court or IPO

- IP recordation with General Administration of Customs is not compulsory, but recommended

- In practice, infringing goods are typically identified by patentee and reported to the customs office
  - Design patents can be very effective here
Infringing Goods Found

Request & Guarantee

Seize the Goods

Notify Obligee

Preservation Order from the Court?

Notify Consignor/Consignee

Counter Guarantee

Release Goods

Execute the Court Order
Locations

Counsel to innovative companies and brands around the world

We help leaders create, expand, and protect the value of their companies and most prized assets by bringing an equal balance of business acumen, technical skill, and creative thinking to the opportunities and challenges they face.

Anchorage  
Atlanta  
Augusta  
Beijing  
Charlotte  
Dallas  
Denver  

Houston  
Los Angeles  
New York  
Raleigh  
San Diego  
San Francisco  
Seattle  

Shanghai  
Silicon Valley  
Stockholm  
Tokyo  
Walnut Creek  
Washington DC  
Winston-Salem
Thank You
Edward Sheehan, Corporate Services Manager at RsA Asia Tax Advisors

Matias Zubimendi, IP Business Advisor at China IP SME Helpdesk

Charles Gray, Partner at Kilpatrick & Townsend

How to Protect your Intellectual Property (IP) in China
Edward Sheehan, Corporate Services Manager at RsA Asia Tax Advisors
Matias Zubimendi, IP Business Advisor at China IP SME Helpdesk
Charles Gray, Partner at Kilpatrick, Townsend & Stockton LLP
Ellen-Anan Kier,

General Manager at
DCCC East- Danish
Chamber of Commerce in China
THANK YOU!
FIND US ONLINE

@Irish Chamber of Commerce China
www.irishchamber.net
communications@irishchamber.net