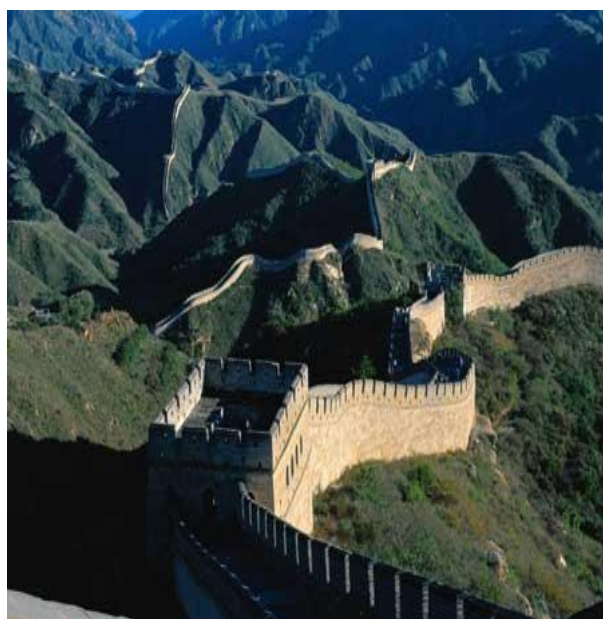
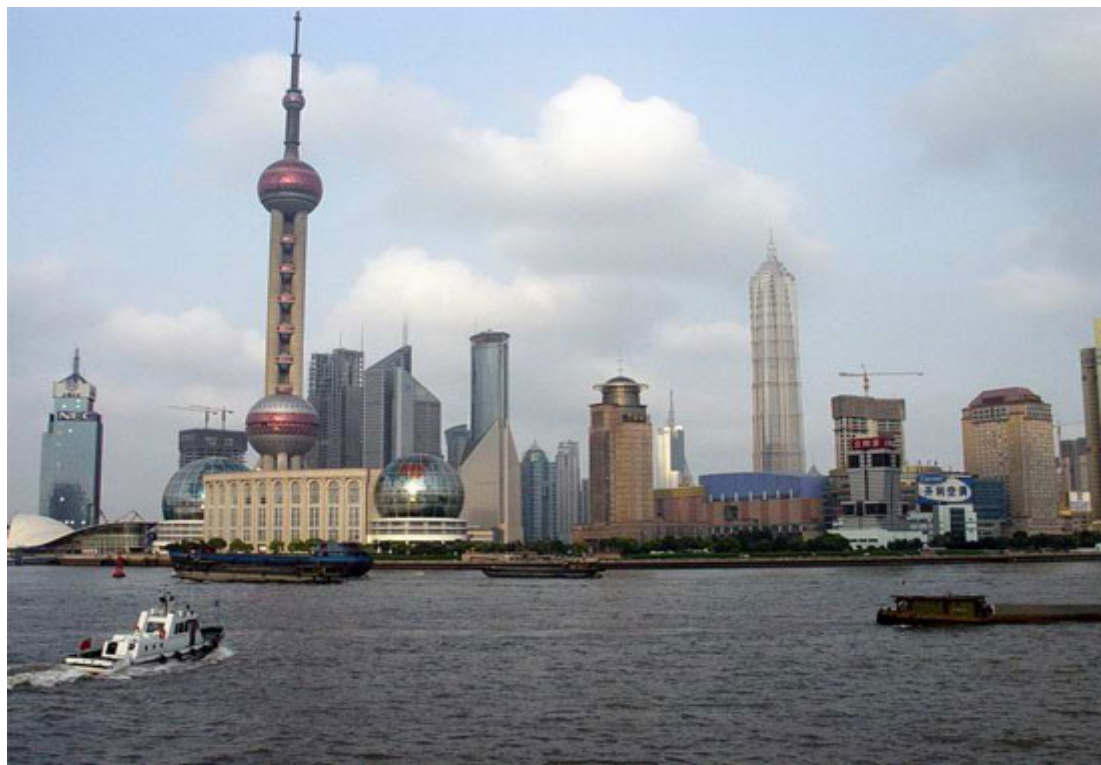


## ***GUIDANCE ON CHINESE IP PRACTICE***

### **GENERAL GUIDANCE ON PROCEDURES FOR AND COMMENTS ON PROSECUTING TRADEMARKS, PATENTS, COPYRIGHTS AND PROTECTING INTELLECTUAL PROPERTY RIGHTS IN CHINA**

BY BILL H. ZHANG IN FEBRUARY, 2009





## **INTRODUCTION**

China Sunbow & Associates, Advisors on Chinese IP & Commercial Laws, is pleased to provide this *Guidance on Chinese Intellectual Property Practice*, as a basic introductory guide for companies and individuals from other countries and regions who may be interested in registering, obtaining and enforcing trademarks, patents and copyrights in the People's Republic of China ("PRC" or "China"). China is one of the world's fastest-growing economies with stable political and social environment, providing unparalleled opportunities for both foreign and local investors. More and more foreign investors are desirous to have their intellectual property rights registered and enforced in China from their global IP strategies. Nevertheless, numerous cultural, legal and governmental regulatory issues separate foreign investors from opportunities to get their IP effectively registered and enforced in China without acquainting themselves with Chinese IP regime and practice. To have a basic knowledge on PRC IP legal regulatory frame is quite important to assure your IP effectively protected in China. For this purpose, we have prepared this Guidance for our foreign clients.

In this Guidance, we will introduce you how the intellectual property legal system, in particular in Chinese trademarks, patents, copyrights as well as their enforcement, works in China. We are trying our best to introduce you how to prosecute trademarks, patents and copyrights and how to protect and enforce your registered trademarks, patents and copyrights in China. We hope this Guidance will be of some assistance to your decisions and strategies for the relevant legal issues concerning the entry and enforcement of your intellectual property rights in China.

This Guidance is prepared and copyrighted by China Sunbow & Associates and may not be copied, translated, transmitted or used for other purposes without our express consents. All the information is not exhaustive but for a general guideline only. We have tried to ensure the accuracy of the information, however the practice will vary from time to time, so we can not take responsibilities for any errors, omissions and any inaccuracies contained within, which do not comply with the then-current practice. This Guidance does not constitute legal advice and receipt thereof does not create an attorney-client relationship. For any particular matters relevant with this Guidance and the laws, regulations and/or the practice discussed therein, you shall consult with us for professional legal advice and we would be pleased to analyze your specific matters in greater details. In case you have any questions, please contact:

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## TRADEMARK



### ➤ DEFINITION OF TRADEMARK AND ITS TYPES

According to the PRC Trademark Law (“Trademark Law”), a trademark, or “mark” shall refer to any visual signs which can distinguish the goods or service of one natural person, legal entity or any other organization from that of others, including any word, phrase, symbol, letters of alphabet, three-dimensional symbols, numerals, product configuration, design, combination of colors, and their combination.

In China, the following types of trademarks are available to be protected:

- *GOODS TRADEMARKS*

They shall refer to those trademarks used in respect of goods. Goods trademarks are the basic trademarks in China.

- *SERVICE MARKS*

They shall refer to those trademarks used in respect of service. Service trademarks are also the basic trademarks in China.

- *COLLECTIVE MARKS*

Collective marks shall mean signs which are registered in the name of entities, associations or other organizations used by the members thereof in their commercial activities to indicate their membership of the organizations.

- *CERTIFICATION MARKS*

Certification marks mean signs which are controlled by organizations capable of supervising some goods or services and used by entities or individual persons outside the organization for their goods or services to certify the origin, material, mode of manufacture, quality or other characteristics of the goods or services.

- *THREE-DIMENSIONAL MARKS AND COLOR TRADEMARKS*

Three-dimensional marks refer to the three-dimensional symbols used in respect of goods and services, and color trademarks are combinations of colors or any combination of the colors, words, devices and other elements. As provided in Article 12 of the Trademark Law, where an application is filed for registration of a three-dimensional sign as a trademark, any shape derived from the goods itself, required for obtaining the technical effect, or giving the goods substantive value, shall not be registered.

- *GEOGRAPHICAL INDICATIONS*

Geographical indications refer to the indications that identify particular goods as originating in a region, where a given



quality, reputation or other characteristic of the goods is essentially attributable to its natural or human factors. Geographical indications are protected through trademark laws in China, since they can be registered as certification marks and collective marks. Up to now, there have been over 100 certification marks with geographical indications therein registered in China, including American “Florida” oranges, Chinese “Kuerle Pear”, “Hami Melon”(Xinjiang Autonomous Region), “Jingdezhen china” (Jiangxi province) and so on.

#### ► UNREGISTRABLE TRADEMARKS

According to the Trademark Law, apart from some geographical names, the following application for registration of trademark shall be declined if those marks are:

- identical with or similar to the previous registered marks for the same or similar goods or services;
- purely descriptive of characteristics, quality or place of origin of the goods or the services to which they are applied;
- having negative social connotations;
- only comprising generic names, designs or models of the goods in respect of which the trademarks are used;
- having direct reference to the quality, main raw materials, function, use, weight, quantity or other features of the goods in respect of which the trademarks are used; or
- lacking distinctive features.

#### ► SIGNS UNUSABLE AS TRADEMARKS

According to Article 10 of the Trademark Law, the following signs shall not be used as trademarks if they are:

- identical with or similar to the State name, national flag, national emblem, military flag, or decorations of the People's Republic of China, with names of the places where the Central and State organs are located or with the names and designs of landmark buildings;
- identical with or similar to the State names, national flags, national emblems or military flags of foreign countries, except that the foreign state government agrees otherwise on the use;
- identical with or similar to the names, flags or emblems or names of international intergovernmental organizations, except that the organizations agree otherwise on the use or that it is not easy for the use to mislead the public;
- identical with or similar to official signs and hallmarks, showing official control or warranty by them, except that the use thereof is otherwise authorized;
- identical with or similar to the symbols, or names of the Red Cross or the Red Crescent;
- having the nature of exaggeration and fraud in advertising goods;
- having the nature of discrimination against any nationality; or
- detrimental to socialist morals or customs or having other unhealthy influences.



► **TIME LENGTHY TO REREGISTER A TRADEMARK**

Generally speaking, in practice, the Trademark Office affiliated with the State Administration for Industry and Commerce (“China Trademark Office” or “CTO”) will normally decide whether or not to accept the application for registering the trademark within 30 months from the date of the application. After accepting the trademark for registration, the CTO will publicize this mark on its own bulletin, leaving three months for the public to challenge this application. In case the challenge is reasonable, this application will usually be delayed or even eventually rejected. If no objections are raised against the application, the CTO will normally grant the permission of the registration for this trademark and issue an official registration certificate to the applicant.

► **VALID TERM FOR A REGISTERED TRADEMARK**

The valid term of a registered trademark shall be ten years, counted from the date of approval of the registration. Where the trademark registrant intends to continue to use the registered trademark beyond the expiration of the valid term, an application for renewal of the registration shall be made within six months before the said expiration. Where no application therefore has been filed within the said period, a grace period of six months may be allowed. If no application has been filed at the expiration and the grace period, the registered trademark shall be cancelled. The valid term of each renewal of registration shall be ten years.

► **TRADEMARK OWNER’S RIGHTS**

In China if a trademark is approved and registered, its owner may enjoy the following exclusive rights, in particular, including but not limited to:

- Right to Use: using the trademark on their goods and services or in other relevant business;
- Right to License: licensing others to use its registered trademark by entering into a license agreement;
- Right to Transfer; transferring its registered trademark to anyone according to law, either paid or unpaid;
- Right to Mortgage: mortgaging its registered trademark for some business;
- Right to Invest: using its registered trademark as an intangible asset for capital contribution for the newly establishing company;
- Right to Be Inherited: having it to be inherited as the incorporeal property to its rightful heir according to the order of inheritance; and
- Restraining Power: prohibiting any one from using any identical or similar trademarks in respect of identical or similar goods and services without permission.

► **CAN FOREIGN INDIVIDUALS OR FOREIGN LEGAL ENTITIES DIRECTLY FILE TRADEMARK APPLICATION?**

No. According to the Trademark Law, different from the application filed by the Chinese individuals or legal entities who can directly file the



applications with CTO or appoint a trademark organization as their agents, any foreign individuals or legal entities intending to apply for the registration of a trademark or for any matters related with trademarks before CTO shall appoint a Chinese trademark organization to act on his agent.

➤ **HOW TO REGISTER A TRADEMARK IN CHINA?**

After CTO accepting the application for trademark registration, the registration will usually go through the following steps: formality check, substantive examination, being preliminarily approved and published, opposition and being approved for registration. During the opposition period for three months from the date of the publication, any person may, within this period, file an opposition against the trademark that has, after examination, been preliminarily approved. Where any party concerned is dissatisfied with the CTO's decision of refusal of the registration application, decision of opposition and decision of cancellation, he or it may apply for a review with the Trademark Review and Adjudication Board ("TRAB"). Where any party concerned considers a registered trademark to be improperly registered, he or it may apply for cancellation of the trademark with TRAB. Where any party concerned is dissatisfied with the decision of the TRAB, he or it may institute administrative proceedings with Beijing No. 1 Intermediate People's Court.

➤ **REQUIREMENTS FOR FILING TRADEMARK APPLICATIONS**

When filing a trademark application with CTO, the following documents and information are required:

- Application Form for Trade/Service Mark Registration, one for each International Class; in color, besides fifteen (15) color reproductions, four (4) black and white reproductions shall also be submitted;
- Basic information about the applicant's name and address, designated class and designated goods or services, etc.;
- An executed power of attorney ("POA") which will not subject to notarization and legalization or consularization; and
- For mark in respect of pharmaceutical products used on human beings, baby foods or dietetic substance adopted for medical use, the applicant shall submit a certificate issued by the competent governmental authority in its home country authorizing the manufacture or marketing of the goods.

➤ **WHEN AND HOW TO FILE APPLICATION FOR IDENTIFYING A TRADEMARK AS WELL-KNOWN TRADEMARK IN CHINA?**

China has currently taken an attitude of passive identification for well-known trademarks, which means only a legal dispute has arisen, can an application for identifying a trademark as a well-known trademark be filed with CTO. In case no legal disputes arising, no authority will accept a request for identification of a well-known trademark.



According to Article 5 of the Regulations for the Implementation of the PRC Trademark Law (“Regulations”), where a dispute arises in the procedures of trademark registration or trademark review and adjudication, the involved party may file a request for identification of a well-known trademark with CTO in an opposition procedure, or with TRAB in a review or cancellation procedure.

According to Article 45 of the Regulations, if the use of a trademark is in violation of the provisions of Article 13 of the PRC Trademark Law, the involved party may request identification for his trademark as well-known trademark with the local administration for industry and commerce which will further report and transfer the request to CTO for final decision and also file a request to stop the use of the trademark which is in violation of Article 13 of the Trademark Law.

Please be importantly noted if the involved party institutes a law suit before a people’s court, it is possible to file a request for identifying his trademark as well-known trademark at that time.

**➤ EVIDENCES REQUIRED FOR IDENTIFYING WELL-KNOWN TRADEMARKS**

According to the Regulations for Identification and Protection of Well-known Trademarks, when filing an application for identification for a well-known trademark, the applicant shall provide the following evidences to

prove that the trademark is well-known:

- Materials showing awareness of the trademark among the relevant public in China;
- Evidences showing the continuous use of the trademark, including those relating to the use, registration history and the areas;
- Evidence showing the duration of time, degree and geographical range of any publicity of the trademark, including, for instance, how and where the advertising and promotion have been carried out, the type of media for such promotion, and advertising expenditures;
- Any records indicating that the trademark applied for has been protected as a well-known trademark, including evidences proving that the trademark has been protected as well-known trademark in any regions within China or other countries/regions; and
- Any other evidences indicating that the trademark is well-known, including the sales revenue, output, profits, taxes and distributing areas for the goods bearing the trademarks for the last three years in China.

**➤ HOW WELL-KNOWN TRADEMARKS SPECIALLY PROTECTED?**

A well-known trademark which has already been officially identified in China can be specially protected in the following aspects:

- The owner of the well-known

trademark which has not yet been registered in China has the right to prevent other parties from registering or using trademarks identical with or similar thereto in connection with same or similar goods.

- The owner of a well-known trademark which has already been registered in China has the right to prevent other parties from registering or using trademarks identical with or similar thereto in connection with dissimilar goods.
- The owner of a well-known trademark which has already been registered has the right to prevent other parties from using words identical with or similar to the well-known trademark as trade name or a domain name.
- The infringer shall bear much heavier liabilities for infringing a well-known trademark.

submitted to the State Intellectual Property Office of China (“CSIPO”) shall be made in Chinese. The standard scientific and technical terms shall be used if there is a prescribed one set forth by the State. Where no generally accepted translation in Chinese can be found for a foreign name or scientific or technical term, the one in the original language shall also be indicated. Where any certificates and certified document submitted are in foreign languages, and where the Patent Office deems it necessary, it may request a Chinese translation of the certificate and the certified document to be submitted within a prescribed time limit.

#### ➤ **REQUIREMENTS FOR FOREIGNERS TO FILE PATENT APPLICATIONS**

According to Articles 18 and 19 of the Chinese Patent Law, where any foreigners, foreign enterprises or other foreign organizations having no habitual residences or business offices in China file an application for a patent in China, the application shall be treated under the Chinese Patent Law in accordance with any agreement concluded between the country to which the applicant belongs and China, or in accordance with any international treaty to which both countries are the party or on the basis of the principle of reciprocity. Where any foreigners, foreign enterprises or other foreign organizations having no habitual residences or business offices in China files an application for a patent in China, or has other patent matters to attend to, in China, it/he shall appoint a patent agency designated by the CSIPO to act as its/his agent. After the revised Patent

## **PATENTS**



#### ➤ **FILING LANGUAGE FOR PATENT APPLICATIONS**

According to Article 4 of the Implementing Regulations of the Chinese Patent Law, any documents



Law takes into effect on October 1, 2009, any duly established Chinese IP firms can represent foreign entities or individuals to handle patent matters before CSIPO on behalf of the foreign entities or individuals.

► **TYPES OF PATENT PROTECTION AVAILABLE**

According to Chinese Patent Law, there are three kinds of patent in China, i.e., the patent for invention which is similar to the utility patent in the USA; the patent for utility model which is similar to the utility model patents in Europe in that it is not substantially examined and the patent for design. Chinese patent regime adopts the First-To-File rule.

*PATENT FOR INVENTION:*

- “Invention” shall mean any new technical solution relating to a product, a process or improvement thereof.
- It shall exclude scientific discoveries, rules and methods for mental activities, methods for the diagnosis or for the treatment of diseases, animal and plant varieties, and substances obtained by means of nuclear transformation and the inventions contrary to the laws of the State or social morality or being detrimental to public interest.
- Its term: 20 years from date of filing or priority date.

*PATENT FOR UTILITY MODEL:*

- “Utility Model” shall mean any new technical solution relating to the shape, the structure or their combination of a product which is fit for practical use.
- In addition to the limitations for patent for invention, it shall exclude methods and chemical compounds.
- Its term: 10 years from date of filing or priority date

*Patent for Design:*

- “Design” shall mean any new design of the shape, the pattern or their combination or the combination of the color with shape or pattern, of a product which creates an aesthetic feeling and is fit for industrial application.
- Its term: 10 years from date of filing or priority date.

► **REQUIREMENTS FOR OBTAINING PATENTS**

According to Article 22 of the Chinese Patent Law, any invention or utility model for which patent rights may be granted shall possess novelty, inventiveness and practical applicability. It is importantly notable that the revised Patent Law has greatly improved the patentability thresholds from relative novelty standard to absolute novelty standard. Under the revised Patent Law,

“*Novelty*” shall mean that, the invention and utility model which is not a prior art, i.e. a publicly known art anywhere in the world including China before the date of filing, and for which no entities or



individuals have previously filed applications with CSIPO describing the identical invention or utility model and was recorded in the patent application documents or patent documents published after the said date of filing

**“Inventiveness”** shall mean that, as compared with the technology existing before the date of filing, the invention has prominent substantive features and represents a notable progress and that the utility model has substantive features and represents progress.

**“Practical applicability”** shall mean that the invention or utility model can be made or used and can produce effective results.

According to Article 23 of the revised Patent Law, only those industrial designs are patentable if (1) they are not the prior designs, i.e. publicly known designs anywhere in the world including China before the date of filing; (2) no entities or individuals have previously filed applications with CSIPO for the identical industrial designs, and was recorded in the patent documents published after the said date of filing; (3) the applied industrial designs, compared with the prior designs or the combination of the characteristics of the prior designs, shall have obvious difference; and (4) the applied industrial designs do not conflict with the prior lawful rights of anyone else obtained before the date of filing. Furthermore, in order to improve the design patent quality, the revised Patent Law provides that those designs which function only as logo for the patterns, colors or their

combination of the plane print products are not patentable either

#### ➤ **HOW LONG DOES IT TAKE TO GET A PATENT IN CHINA?**

China has been working to decrease the time it takes to have a patent issue. The time depends upon the technology involved and the number of applications submitted to CSIPO. At present, generally speaking it may take three to five years for obtaining a patent for invention and it may take four to eighteen months for obtaining a patent for utility model or design in China.

#### ➤ **RIGHTS CONFERRED FOR A PATENT**

According to Article 11 of the Chinese Patent Law, after the grant of the patent rights for an invention or utility model, except where otherwise provided for in the Patent Law, no entity or individual may, without the authorization of the patentee, exploit the patent, that is, to make, use, offer to sell, sell or import the patented product, or use the patented process, and to use, offer to sell, sell or import the product directly obtained by the patented process, for production or business purpose.

After the grant of the patent rights for a design, no entity or individual may, without the authorization of the patentee, exploit the patent, that is, to make, sell, offer to sell or import the product incorporating its/his patented design, for production or business purposes.

#### ➤ **GENERAL INFORMATION AND DOCUMENTS REQUIRED FOR PATENT APPLICATIONS FOR**



## **INVENTION OR FOR UTILITY MODEL**

When filing a patent application for invention or for utility model in China, the following information and documents are required:

- Title of the invention, Specification (description + claims + abstract + drawings if necessary for describing the invention);
- Instruction letter, indicating the title of invention, applicant's name and address, inventor's name and address, the priority date and initial filing number and the country where the initial application was filed (if the priority is claimed). In case of a Japanese applicant, both Japanese and Chinese characters should be given for the names and address, and so does Korean applicant; Both English and Chinese are needed for the applicants located in Hong Kong, Macao, Taiwan and some Asian Countries where Chinese is also used;
- The power of attorney (POA) executed by the applicant(s), which is neither necessarily notarized nor legalized and can be late furnished after filing within the time limit prescribed by the CSIPO, if the application is to be filed through an agency;
- Assignment of Priority Rights, either in the original form of it signed before the Chinese filing date or a notarized or certified

copy of the original, if the applicant for the Chinese application is different from that recorded in the priority document, which shall be submitted to the CSIPO within 3 months from the Chinese filing date;

- The certified priority documents must be filed with the CSIPO within 3 months from the filing date, if any, otherwise the claim of priority shall be deemed not to have been made;
- If one-year priority period is over, the application can still be filed as new application without claiming the conventional priority rights, provided the application first filed in another country is not yet laid open; and
- For a utility model application, method cannot be claimed. And it must include drawings, whereas a patent for invention can include no drawings.

## **► REQUIREMENTS FOR FILING DESIGN PATENT APPLICATIONS**

When filing an application for a patent for a design in China, the following information and documents are required:

- The same as the requirements for filing a patent for invention;
- At least two sets of drawings or photos (front, rear, top, bottom, right and left views) plus a perspective view, if necessary, are required. Size of the drawings shall be 15 X 22 > size > 3 X 8 cm. Instead of the drawings, photo can also be



provided. Additionally four sets of black and white photos should be provided if no color is to be protected. Three sets of color photos and three sets of black and white photos should be provided if color is to be protected. 3 R photos will just do so.

Please be noted that when photos are taken, the article shall be placed on a background of ONE COLOUR. There must be no other article in the background except the one whose design is to be protected. Drawings or photos shall all contain ORTHOGONAL VIEWS.

- A duly executed Power of Attorney (POA) which can be late submitted within two months from the actual Chinese filing date;
- If a priority is claimed (the priority period for an industrial design application is only six months at all), the initial filing number and date and the country where it was filed shall be provided. If a certified priority document can not be provided at the same time, it can be late submitted within three months from the actual Chinese filing date. Please be noted that if the applicant as indicated in the priority document is not the same as the one who files in mainland China, an assignment shall be provided. If the said assignment

is a copy one, it shall be notarized.

➤ **REQUIREMENTS FOR FILING PCT APPLICATION FOR ENTERING INTO CHINESE NATIONAL PHASE**

The following documents are required for a PCT application entering into Chinese National Phase under the Chapter I of PCT:

- PCT Request along with the original specification or the published PCT application;
- Copy of International Search Report;
- Amended claims according to Article 19 of PCT ( if any ); and
- The Power of Attorney (POA) executed by the applicant

The following documents are required for a PCT application entering into Chinese National Phase under the Chapter II of PCT:

- Besides the documents listed above, copy of the International Preliminary Examination Report;
- Amendment to the specification according to Article 34 of the PCT ( if any); and
- Copy of Form PCT/IB/332.

**IMPORTANT NOTICE:**

1. Please be noted that any amendment to the specifications shall be provided if the applicant wants to amend the specifications according to Article 28 and Article 41 of the PCT while the Chinese national phase is entered into.



2. The request for entering into the Chinese national phase shall be filed before the expiration of 30 months from the earliest priority date or the PCT international filing date. Two months grace period may be extended upon payment of surcharge. That is, if the request is not filed within 30 months, it then can be filed within 2 months after the expiration of 30 months.
3. The CSIPO only accepts the specifications in CHINESE. If the International Search Report is established by EPO, JPO or Swedish Patent Office, the CSIPO will deduct 20% of examination fee.
4. Additional official fees will be charged for claims in excess of 10 in the PCT initial application or the published application.
5. The applicant is not required to submit any citation as requested by Article 36 of the Chinese Patent Law when filing a request for examination of the PCT application.

➤ **WHEN A PATENT INFRINGING ACT IS FOUND, TO C TOP THE INFRINGING ACT THROUGH ADMINISTRATIVE WAY OR LITIGATION, WHICH ONE IS BETTER?**

In mainland China, the patentee may choose to take administrative way or litigation to stop a patent infringement. The administrative way has the role of stopping the infringing acts quickly, but the patentee would not have compensation. Through litigation, the patentee can achieve the aims of

stopping infringing acts and getting compensation, but litigation is always costly and time-consuming.

While considering which way to take, the patentee shall take the facts, such as the stability of the patent rights, the sufficiency of the obtained evidence, the amount of the object and the infringer's ability of compensation, into account. In short, in case that the patent involved is for invention (the stability of the patent is better than a patent for utility model), the evidence is sufficient, the amount of object is high and the infringer is able to pay compensation, it is advisable to sue the infringer in a People's Court. In case that the patentability of the invention is at issue, and the infringing company was not well established, it is better to choose the administrative way so as to stop infringing acts quickly.

## **COPYRIGHTS**



➤ **CRITERIA FOR A WORK TO ENJOY COPYRIGHTS PROTECTION AND VALID TERM FOR SUCH PROTECTION**

In China, copyrights protection automatically applies to copyrightable subject matter as soon as the work is



created and no formal registration is required. However the registration of the work with the competent copyright authorities will be beneficial in that such registration provides a direct and preliminary proof of copyrights for the work.

For a work to enjoy copyrights protection in China, it shall meet the following criteria:

- it shall fall within the scopes of literary, artistic or scientific domains;
- it shall be original, but creativeness is not required; and
- it must be able to be fixed in a tangible medium from which it can be perceived, reproduced or communicated, i.e, thoughts and ideas are not protected by copyright law.

However the following works shall not enjoy copyrights protection even if they satisfy the above criteria:

- laws, regulations, resolutions, decisions and orders of State organs, other documents of a legislative, administrative or judicial nature, and their official translations;
- news on current affairs; and
- calendars, numerical tables and forms of general use, and formulas.

The copyrights protection for works of natural persons lasts for 50 years beyond the life of the author, ending on December 31 of the 50<sup>th</sup> years. In case the works are co-created by several authors of natural persons, then the protection shall last for 50 years beyond

the life of the last co-author, ending on December 31 of the 50<sup>th</sup> years. In case the works belong to an organization, the copyrights protection lasts for 50 years from the date of publication, ending on December 31 of the 50<sup>th</sup> years.

### ► **HOW TO REGISTER COPYRIGHTS IN CHINA?**

The Copyright Law of the People's Republic of China protects the following works:

- literary works;
- oral works;
- musical, drama, quyi, dancing;
- fine art, photography;
- movie, television, and video works;
- engineering design, product design with illustrations;
- maps; and
- other works protected by laws and administrative regulations.

Chinese citizens, legal persons or non legal person enjoy copyright for their works whether the works are published or not. A foreign author enjoys copyright under the law for the work first published in China. The works by foreigner published outside of China also enjoys copyright protections pursuant to relevant agreements between the two countries or international treaties to which both are parties.

In December 1994, the State Copyright Bureau issued the Interim Measures for Voluntary Registration of Works, which became effective on January 1, 1995. This was aimed to protect the legitimate rights of copyright owners and users,

and solve disputes arising from copyright ownership. The Measure stipulated that provincial level copyright authorities are responsible for registration of the works by Chinese authors while the State Copyright Bureau handles the registration from overseas authors or copyright owners.

When applying for copyright registration, the following documents shall be submitted:

- application forms;
- identity certificate of applicant (notarization needed);
- introduction of the work;
- a pledge letter of right;
- sample of the work;
- documents showing the copyright, i.e., copyright page and agreement; and
- Power of Attorney.

The copyright authorities shall finish the examination and issue the registration certificate within one month from receiving the application.

### ► **HOW SOFTWARE PROTECTED IN CHINA?**

In China, software is double protected by the PRC Copyright Law and the Regulations on Computer Software Protection (“Software Regulations”), which became effective in January, 2002. In the event of software piracy and infringement, the copyright owner of the software may apply for imposing civil and even criminal liabilities on the infringers through the PRC Copyright Law and/or Software Regulations.

Copyright registration of software with the relevant Chinese authorities is completely voluntary. However the registration is prima facie evidence of copyright ownership for the software. Such registration requires disclosure of the source code, however the software owner may conceal some contents of the source code in case the total registration is more than 60 pages.

Without authorization of the software owner, civil and criminal liabilities may be imposed on the infringer if he:

- reproduces, wholly or in part, the copyrighted software;
- distributes, rents or communicates to the public the copyrighted software through information network;
- circumvents or sabotages, with intent, the technological measures used to protect the copyrighted software;
- removes or alters, with intent, any digital data attached to the copyrighted software; or
- transfers or authorizes others to exploit the copyrighted software.

## **IP PROTECTION IN CHINA**





► **HOW TO PROTECT YOUR  
INTELLECTUAL PROPERTY RIGHTS  
FROM BEING INFRINGED IN CHINA?**

Registering your trademarks and patents in China is just a good beginning for your business, while to protect your registered trademarks and patents from being infringed and counterfeited is more important after your registration.

**INVESTIGATION**

After learning any clues on the infringement or counterfeit to your intellectual property rights, you had better firstly conduct a detailed investigation to the infringer or counterfeiter so as to know the seriousness of the infringement and the infringer's economic situation on their capability of compensating you for their infringement or counterfeit and further decide what measures to take against the infringer or counterfeiter.

**WARNING LETTER AND  
UNDERTAKING LETTER**

If not very serious and it is a slight infringement act for the first time, after learning the fact of infringement, you may firstly ask your intellectual property attorneys to send the infringer an attorney's warning letter demanding the infringer to stop their infringement immediately and sign an undertaking letter promising never to infringe or counterfeit your trademarks or patents again. Once the undertaking letter is signed, it will be a strong evidence, at least evidencing that they had once infringed your intellectual property

rights, even if the infringer do not keep their promises later.

**ADMINISTRATIVE MEASURES**

In China, the Administration for Industry and Commerce (AIC), the Copyrights Office, the Patent Administrative Office as well as the Technical Supervision Bureau (TSB) of different levels are empowered to, separately or jointly, administratively enforce your intellectual property rights upon your complaints with them for the infringers. In the event of enough evidence, these administrative authorities are even empowered to conduct an on-site inspection to the counterfeiter, seize the counterfeited goods and even fine the infringers.

If the on-site inspection by the officials reveals any shipping information, the intellectual property owners can also contact local custom house to prevent the counterfeited goods being shipped out of China.

The infringement acts can be quickly stopped through administrative measures. It is cost-effective and time-saving. However you may not be well compensated from the infringer by filing complaints with the administrative authorities. These protective measures rely on your motivation for preventing infringement act immediately or being equally compensated for your economic losses. If you want to obtain a full economic compensation from the infringer, then you have to take civil actions before the People's Courts.



**CIVIL ACTION BEFORE THE  
PEOPLE'S COURTS**

When enough evidence on the infringement or counterfeit do exist and you have also collected them, if the administrative resolving result is unsatisfying, you may further institute a civil lawsuit against the infringers or the counterfeiters before the competent People's Court though it is time consuming, normally it will take about between six months and one year for such a civil action.

Chinese civil procedures are relatively complex and the final results are not predictable. In case of a trademark or copyright infringement, the plaintiffs normally have to provide enough evidence on the infringement as well as their economic loss they have suffered from such infringement so as to persuade the judges to confirm the infringement and award a favorable judgment to you. However in the event of a patent infringement, when the plaintiffs allege that the infringer has infringed their patent rights when manufacturing their products, the infringers shall provide evidences that the technology they had used to manufacture their products is different from your patented technologies and methods. Even so you have to bear the burden for providing evidence for your economic loss suffering from the infringement.

**CRIMINAL LIABILITY THROUGH  
PUBLIC SECURITY BUREAU**

If serious enough and the above measures are not your final objective,

you may even impose a criminal liability on the infringer through Public Security Bureau ("PSB"). In China, if PSB is on your side, you can save lots of time and energy and your punishment on the infringers will be extremely effective.

According to new regulations, when the value of the goods for infringement is over RMB 50,000 (for individual infringers) or RMB 150,000 (for business entity infringers), a criminal liability may be imposed on the infringers or counterfeiters. If infringement is confirmed by PSB, an imprisonment of maximum seven years may be imposed on the intellectual property criminal offenders.

**PRELIMINARY INJUNCTIONS AND  
EVIDENCE PRESERVATION**

When the infringer is found and it is believed that he may destroy the infringing evidence, transfer or hide the infringing goods before he is inspected or sued, the owner of the relevant intellectual property rights may file an application for preliminary injunction or preserving the relevant infringing evidence before instituting a lawsuit against the infringer before the competent People's Court. If the infringement is obvious and you have enough evidence, preliminary injunctions and evidence preservation are effective tools to enforce and protect your intellectual property rights.

However the People's Court will normally require the party applying for preliminary injunctions or preserving evidence to provide a security equal to the value of the goods to be seized. If



the party seeking for preliminary injunctions fails in the final court judgment, he shall be liable for and compensate the damage caused by such a wrong injunction.

➤ **METHODS FOR CALCULATING THE AMOUNTS OF ECONOMIC COMPENSATIONS FOR IP INFRINGEMENTS**

When calculating the amounts of economic compensations for intellectual property infringements, the infringer may choose between two methods thereof: one is based on the profit made by the infringer during infringement; and the other is based on the losses incurred by the infringer therein. Both may include the appropriate expenses of the infringer for stopping the infringement. If it is difficult to determine the profit or losses, the people's court shall impose an amount of damages of no more than RMB 500,000 on the infringer. The revised Patent Law has now improved this cap to RMB 1,000,000. Further, the reasonable lawyer's fee provided for by the relevant state department may be included into damages.

Thanks for your interesting in our guidance on Chinese intellectual property laws practice. We are happy and eager to work with you soon and assist you managing your business in China.



**ABOUT THE AUTHOR**

**BILL H. ZHANG** is the managing partner of China Sunbow & Associates with extensive experience in cross-border transactions involving China particularly with intellectual property transactions such as patent and trademark prosecution, enforcement, dispute resolution, infringement analysis, due diligence, technology licensing and transfer, as well as in corporate and commercial matters, such as mergers and acquisitions, direct investment in China, joint ventures, international trade, corporate governance and compliance, restructuring and reorganization, labor and employment, and dispute resolutions. He has represented many multi-national companies in the register, prosecution and enforcement of various trademarks, patents and copyrights in China and also counseled them on merging and acquiring Chinese enterprises, making investment, and resolving commercial disputes in China. He has also counseled many foreign invested enterprises on their daily operations in China.

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