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Legal Protection of Intellectual Property in China

I. Introduction

Every company who entered into the Chinese market and already established business bring their new ideas, their patented products and their famous brands to China to profit from its still increasing potential. And lots of foreign companies have big research and development centers in China too, so that they can create new inventions or designs all the time. But the question is how do you protect this Intellectual Property (IP) from infringements by competitors in China and fight back against imitators. China still has a different culture regarding IP with its specific problems like "trademark squatters" and its own system to register trademarks. As IP is territorial you have to consider a strategy before even breaking into the Chinese market to know how to protect it here. There have been more than 100 000 legal disputes concerning IP in 2013 and foreign companies win around 80 % of them.

The IP environment has also been changing drastically during recent years with the government enacting a new trademark law and forming new, special courts for IP in 2014. In the January of 2017, IP Mediation Center opened in Beijing, for mediating IP disputes and providing greater IP protections.[1] At the same time the amount of applications for new patents and trademarks have kept increasing, reaching an all-time-high in 2015. China's invention patent ownership will increase from 6.3 per 10,000 people in 2015 to 12 in 10,000, and international applications will double to 60,000 from 30,000 in 2015. In the meantime, intellectual property royalties earned abroad will rise from 4.44 billion U.S. dollars in 2015 to 10 billion U.S. dollars in 2020.[2] Therefore, registering your IP is the best way to keep anyone from unauthorized use.

The following is meant to give some information on the relevant Chinese law to protect your Intellectual Property.

II. Registration of Trademarks

1. Definition and Types of Trademarks

Trademarks are used to distinguish the goods and services from different trademark owners. Trademarks are unique names, symbols, or logos which have distinctive characteristics.

Trademarks are categorized into product marks, service marks, certification marks and collective marks. And the elements that can combine a trademark include (Chinese) characters, figures, letters of the alphabet, sound, color combinations, 3-dimensional symbol and their combinations according to the Article 8 of China Trademark Law. A trademark seeking registration shall be so distinctive as to be distinguishable and shall not infringe upon the prior legitimate rights of others.

In China, relatively new is the possibility to register sound trademarks after the latest revision of the Trademark Law (中华人民共和国商标法) in 2013. This is increasingly important to distinguish your brand, so 450 applications have been made by the end of January 2016. It can be very difficult to prove its distinctiveness though, as simple melodies, complete pieces of music or slogans spoken by a human voice are not eligible to be registered. The objective criteria have been laid out in 2014 by the Chinese Trademark Office (CTMO) (国家工商行政管理总局商标局)[3] in "The format and the substantive examination standard of sound trademarks (Trial)" 声音商标形式和实质审查标准(试行). The first to be approved was the application by China Radio International, a national radio station, and its jingle.

A 3-dimensional trademark is a certain shape that is featured on your products or in relation to them. It can be registered, if it, like every trademark, has a distinctiveness to it that makes it enforceable, but it also has to differ from the usual shape of the goods or their packaging. For example the beer producer Heineken registered the 3-dimensional logo on its bottles.

Some non-traditional trademarks like 3D hologram, touch mark, scent mark, motion mark, single colored mark, trade dress mark, which are accepted in USA and Europe, are not eligible for application for registration as a trademark in China yet.

For example, an application lists the strawberry toothbrushes as "toothbrushes impregnated with the scent of strawberries", and Lactona, the company which makes them, formally obtained the trademark in 2007. In a case brought by Louboutin in 2013, the Brussels Court of Appeal found that the company has created a distinctive and recognizable marker of its product in the red sole. The color red is claimed as a feature of the mark.

2. The Chinese Trademark Registration System

To obtain trademark protection in China, an application for a China trademark can be filed through the national registration system or the international registration system. For a national trademark application in China, an application has to be filed at the China Trademark Office by an official agent.

For the international registration, the World Intellectual Property Organization (WIPO)[4] has provided a platform for international registrations among members of the so called "Madrid Agreement"[5]. As China is a member of this agreement, it is possible to file an application for a trademark there using the international registration system. To use the WIPO system for a trademark application in China is nearly useless, because you always need to register your trademarks in a Chinese translation. If you do not, a competitor will register your trademark in a Chinese version which may cause you a lot of trouble later on.

The trademark registration system in China strictly follows the first to file system, and is not a first to use country. The first applicant who files a China trademark application will get the trademark registration in China. This leads to the problem of the notorious so-called "trademark squatters" who register a trademark without the intention of using it, but demand a high price once the true trademark owner tries to enter the Chinese market. So in order to lower the risk of someone else owning your trademark, it is advisable to file a Chinese trademark application as soon as possible.

For registering your trademark it is crucial to apply in the right class of trademarks. China uses, like most countries, the Nice Classification system consisting of 45 classes ranging from different products to services. Those are further divided into sub-classes and several mini-classes, which makes the whole system fairly confusing.

> Class 45 Sub-class 4506 Legal service (13 mini-class)
> 调解/Mediation 450201 仲裁/Arbitration A450205 知识产权咨询/Intellectual Property Consultancy 450206 版权管理/Copyright Management 450207 知识产权许可/Intellectual Property Licensing 450208 为法律咨询目 的监控知识产权/Intellectual Property Monitoring for the Purpose of Legal Advice 450209 法律研究/Legal Research 450210 诉讼服务/Litigation Services 450211 计算机软件许可 法律服务/Computer Software Licensing (Legal Services) 450212 域名注册法律服务/Domain Name Registration (Legal Services) 450213 替代性纠纷解决服务/Alternative Dispute Resolution Services 450214 法律文件准备服务/Legal Document Preparation Services 450221 许可的法律管理/Compliance Management 450223

1 News from article *Intellectual property mediation center opens in Beijing*, China Daily 12/01/2017, http://www.chinadaily.com.cn/china/2017-01/12/content_27938409.htm.
2 From the plan issued by the State Council, which specifies the goals and major tasks for the development of intellectual property during the 13th Five-Year Plan (2016–2020). See http://www.chinadaily.com.cn/china/2017-01/13/content_27950209.htm.
3 http://www.saic.gov.cn/sbjEnglish/.
4 http://www.wipo.int/portal/en/index.html.
5 A multilateral agreement from 1891 that established a mechanism for obtaining trademark protection in all signing countries.

3. Usual Problems

Because of the big linguistic differences between English and Mandarin, you also have to consider a Chinese character version of your brand name. This can either be a real translation or just something phonetically similar. For example the German car manufacturer Volkswagen uses the translation 大众汽车 which means "car for everyone". Its competitor Audi chose the characters 奥迪 that are pronounced as "ao di", but do not have any other meaning in this context. And the toy manufacturer Lego chose 乐高 which is pronounced as "le gao" and means "happy".

Another problem can be the incorporation of non-English, Latin letters, for example "ä", "ö", "ü" or "ß". They are not accepted by the Trademark Office and therefor an official will choose a letter to replace those non-English, Latin letters. This can make your new trademark hard to enforce. An international applicant needs an official agent as a representative to file a trademark application in China according to Article 18 Trademark Law. Once the application has been accepted, the authority will examine the China trademark application thoroughly. These examinations include a formality examination, a distinctiveness examination and a search for prior registered China trademark.

People at China's trademark office usually view acronyms as images and so if your company name is something like AVI and someone else has already registered the company name AVO, there is a very good chance your AVI name will be rejected as conflicting with AVO, because the two names look too much alike.

It might also make sense to register your trade mark as a "well-known trademark", because those enjoy expanded legal protection and commercial benefits. This has also been enhanced in the 2014 revision of China's Trademark Law.

The criteria for being recognized as a "well-known trademark" stated in Article 14 Trademark Law include the awareness of the relevant public of that mark, the duration of its usage, its geographical scope and area of advertisement and the protection in other countries. It is generally believed that the activities in China must last for at least 5 years and extend to no fewer than 10 provinces. Even if it is recognized as a well-known trademark though, it cannot be advertised as such. The first foreign well-known trademark was "Pizza Hut" in 1987.

4. Final Steps

Once the authority's requirements have been fulfilled and all required documents have been submitted, the China trademark application will be published in the Trademark Gazette for opposition purpose. According to Article 30 Trademark Law this opposition period lasts 3 months starting from the publication date.

During the opposition period, any third party who has a prior right can oppose the registration at the Trademark Review and Adjudication Board (TRAB) (商标评审委员会). Therefore, before filing a China trademark application, a proper search for prior China trademarks is advisable. The search will also show the risk of refusal and possible opposition in advance which will be helpful to decide further steps.

According to Chinese Trademark Law Article 33, if no opposition were filed within the said period, the registrant enjoys the exclusive rights of using such trademark for the goods or services designated in China. Any other party who sells or exports identical or related goods bearing the identical or similar trademarks to China would be deemed infringement and legal actions may be taken.

If you have sufficient evidence to prove that you have been using such trademark for a period of time in China and internationally, and that another party is simply copying your trademark and taking advantage of the reputation and fame gained from the trademark, the chance of succeeding the opposition is high.

Category	Type of Proceeding	CTMO/TRAB	Examination Time Limit
Application	Initial examination of trade mark application	CTMO	9 months
	Examination of a refusal appeal	TRAB	9 months
Opposition	Examination of an opposition	CTMO	12 months
	Examination of opposition appeal	TRAB	12 months
Invalidation	Examination of invalidation on absolute grounds filed by any party	TRAB	9 months
	Examination of an appeal from invalidation decision made on absolute grounds on the initiative of the CTMO	TRAB	9 months
	Examination of an invalidation on relative grounds filed by the owner of a prior right or an interested party	TRAB	12 months
Cancellation	Examination of cancellation of a mark that has become generic or non-use of three consecutive years	CTMO	9 months
	Examination of appeal from a cancellation decision by the CTMO	TRAB	9 months

Once registered, a China trademark registration lasts 10 years from the date of registration and can be renewed for periods of 10 years.

After obtaining a China trademark, the trademark owner has to use the trademark inside the territory of China. If the China trademark has not been used within 3 years from the registration date or, later, has not been used for 3 consecutive years, the China trademark may be subject to cancellation known as non use cancellation (see below) according to Article 44 Trademark Law.A

III. Registration with China Customs

If you want to stop counterfeit goods bearing your trademark from leaving China, register your IP again with Chinese Customs.

For instance, according to recently released statistics, Yiwu (Zhejiang Province) has smitten 192 infringement and counterfeiting cases, involving the amount of 2.3218 million yuan. Of which 155 cases involving foreign trademarks, accounting 79.77 % of the total counterfeit infringement cases. Nearly all of the seizures were of goods that infringed registered Chinese trademarks, and that those trademarks had been registered not only with China's Trademark Office but also with Chinese Customs.

1. How To Register Your Trademark In Chinese Customs

So for every company who concerned with counterfeit goods coming from China, it makes sense to register your trademark with Chinese Customs (中华人民共和国海关总署). This is not a legal requirement but a practical one: though China Customs officials have discretion to check every outgoing shipment for trademark infringement against the Trademark Office database, in reality they only check against the Customs database. No separate registration with Customs means no enforcement by Customs.

Registering your trademark with China customs is relatively easy, however, non-Chinese trademark owners must act through a PRC agent. China customs usually requires the following information for customs registration:

- Full name and registered address of the IP owner.
- Contact information, including name, department, address, cell phone number, land-line number, fax number, and email address.
- A "business license".

The "business license" is usually a Certificate of Incorporation or a Certificate of Good Standing, proving to China customs that you exist and are a legitimate business. When lawyers do customs filings, they also provide China customs with Chinese translations of these documents.

Next you have to submit the relevant IP information, typically consisting of the following:

- The IP owner's name.
- The type of registration (domestic or WIPO). Domestic registrations are generally easier and better (see above).

The trademark registration number, class, list of goods, and the time period during which the IP registration is effective.

- A certificate of trademark registration and a photo of your mark. For word marks, a typed copy of the words is *not* sufficient; China customs requires a photograph of the word mark.
- For each trademark, a list of products covered by the trademark and a list of those for which you would like "heightened protection" from Customs. China customs allows you to provide up to 30 items per trademark.
- For each product, the name of the product, a brief description of the product (in Chinese, of course), and a photo clearly showing the product.

Going forward, you are able to modify product information to correspond to the IP owner's updated product line.

You can also provide a list of the names of every entity authorized to use each of the trademarks other than the actual trademark owner (e.g., manufacturer, exporter, importer), the products it is allowed to handle and a time period for which the entity is authorized to use the trademark.

Registration with China Customs generally takes three to five months and can only be done after China's Trademark Office has issued a trademark certificate.

2. The Advantage of Trademark Registration at Chinese Customs

If you register your mark with Customs, they will contact you any time when they discover a shipment of possible infringing goods. At that point you have three working days to request seizure of the goods. Assuming that you have requested seizure (and post a bond), Customs will inspect the goods. If Customs subsequently concludes the goods are infringing, they will invariably either donate the goods to charity (if the infringing mark can be removed) or destroy them entirely. The cost of destruction, and of storing the goods during the inspection process, will be deducted from your bond.

Once customs approves your registration, it is valid for 10 years, but may be renewed for additional ten-year periods.

China customs also allow for registering copyrights and patents, and it's often advisable to do so as part of a comprehensive China IP strategy.

3. Chinese Customs released its IP protection statistics for 2015 at April 26th, 2016

Chinese Custom has adopted protection measures for 25 thousand times, seized 23 thousand batches of shipment involving more than 70 million products. Trademark infringements made up 98 % of the items seized, with copyright and patent infringements combined accounting for the remaining 2 % of seizures. With the development of e-commerce, the postal shipments accounted for 84 % of overall seizures, an increase of 2.7 % from last year.

The destinations of seized items includes 141 countries. The top ten destinations ranked by the batches of shipments are the United States, Brazil, Spain, Italy, France, South Korea, England, Belgium, Russia and Hong Kong. And the top ten destinations ranked by the amount of seizures are Iran, Spain, Pakistani, Belgium, Australia, Indonesia, Nigeria, UAE and Egypt.

There are some typical and big cases. Shanghai Custom has made a seizure of nearly 150 thousand masks bounded for Nigeria that infringed trademark "3M"; Hangzhou Custom made a suizure of 46.400 pairs of famous sneakers bounded for Nigeria and Mozambique.

IV. Registration of Patents

As China is a strong location for research and development, companies apply for more patents every year. In 2016 the State Intellectual Property Office (SIPO) (中华人民共和国 国家知识产权局)[6] accepted over 1.3 million applications for inventions from home and abroad. According to the data announced by SIPO, the most patents were granted, in mainland China, to SGCC (State Grid Corporation of China 国家电网) in 2016, and HUAWEI TECHNOLOGIES CO., LTD. (华为技术有限公司) applied the largest quantity of patents among all the companies in mainland China. According to China's Patent Law (中华人民共和国专利法) you can apply for patents for inven-

6 http://english.sipo.gov.cn/.

tions, which takes two to three years, utility models, which takes about two years and designs, which takes about one year. That is why it makes sense to register your patents before even entering the Chinese market.

1. Types of Patents

a) Invention Patents

Invention patents are technical solutions relating to products, methods or processes and the criteria for their examination are their novelty, inventiveness and technical applicability. For applying for a patent of invention, an application shall be filed first, a request, a description and its abstract, and claims shall be submitted. For invention patents made in China, you need to apply for a confidentially examination if you wish to make the first application outside of China. In China, an invention patent which is applied in other countries before can claim the priority date of first application within 12 months. If there's a invention patent infringement, lawsuits are the most viable option.

According to Article 5 and Article 25 of the China Patent Law, the following items are unpatentable in China:

(1) any invention-creation that is contrary to the laws of the state or social morality or that is detrimental to public interest;

(2) scientific discoveries;

(3) rules and methods for mental activities;

(4) methods for the diagnosis or for the treatment of diseases;

(5) animal and plant varieties;

(6) substances obtained by means of nuclear transformation.

For processes used in producing products referred to in items (4) of the preceding paragraph, patent right may be granted in accordance with the provisions of this Law.

b) Utility Model Patents

Utility model patents are technical solutions, too, but they only relate to the shape, structure, or their combination of products. The same criteria for inventions apply here too, but utility model patents only undergo preliminary examinations to ensure that there are no reasons for their rejection.

Typical case 1: Guangzhou Grandview Crystal Screen Co., Ltd. v. Izumi-Cosmo (Japan) Co., Ltd.

Izumi-Cosmo, a Japanese company who owns a utility model patent in China, filed a lawsuit against a Chinese company, Grandview Crystal Screen Company, for patent infringement. Izumi-Cosmo owns a utility model patent No. 21200420042456.6 in China named as "A kind of removable screen device", and found that the screens which produced and sold by Grandview Crystal Screen Company directly infringed its patent by copying some of their technical features.

The appeal court supported the trail court that Grandview Crystal Screen Company constituted a tort and Izumi-Cosmo won in the end. Although Izumi-Cosmo reduced some of the claims during the second trial, the compensation remained but didn't get less. This case is a good example to show that compensation won't be effected no matter how many claims of right are infringed of the utility model patent. It also showed that if using the prior art plea, the prior art should be an individual and existing one before the application date of the plaintiff's patent, and should not be a combination of several technical solutions.

c) Design Patents

Design patents protect new designs of the shape, pattern or the combination between the color and the shape or pattern of a product, so that the ornamental appearance is concerned only. The criteria for this sort of patent is that it is not similar to or identical with another design, has not been publicly disclosed and does not conflict with the prior rights of someone else. They also only undergo preliminary examinations. In China, a design can be protected only if registered. Registered designs are protected for 10 years from date of filling, and need to be renewed each year.

Typical case 2: Neoplan Bus v. Zhongwei Bus & Coach Group and Zonda Industrial Group et al.

The German bus maker Neoplan Bus (Neoplan) sued Zhongwei Bus & Coach Group, along with its parent company, Zonda Industrial Group, and its agent Beijing Zhongtong Xinghua Vehicle Sales Co., Ltd. for copying its Starliner bus design and infringing its design patent. The Beijing No. 1 Intermediate People's Court, as the trial court, ruled the defendants to pay RMB 21.16 million (about U.S. $3.11 million) in compensation, which made this case one of the biggest design patent infringement cases since China joined the WTO in 2001.

Afterwards, the defendants found that two German magazines, *BUS magazin* and *BUS aktuell,* published the date before Neoplan registered its design patent, already contained that design of Neoplan Bus. That fact showed the design was known among public which meant losing novelty and the design couldn't be granted a patent. Because Zonda got the proof that the design patent of Neoplan was not completely qualified, the design patent in China was ruled invalid. Neoplan lost the case at last.

2. Inventions by Employees

Under Article 6 of the Chinese Patent Law the employer has the right to apply for a patent for one of his employees' inventions, if he or she used the employer's resources or it was made during the time of his or her employment. Of course this applies to improvements to existing patents as well.

These regulations on the other hand require the employer to pay remunerations of no less than 3000 RMB as a reward and 2 % of the profits from the exploitation of the invention to the inventing employee (Article 16), who also has a pre-emptive right to acquire the invention.

3. Procedural Specialties

If an invention is made in China, it no longer has to be registered in China first after the 2008 amendment of the Patent Law. But if an invention from China is to be registered in a foreign country first, a national security review by the Patent Administration Department is required.

Furthermore this amendment adopted the Absolute Novelty Standard. That means that, if you have disclosed the technology you want to register as a patent anywhere in the world to the public, it cannot be registered, as it lacks novelty.

If more than one person register a patent together, all of them have the right to exclusively exploit that patent or license it to third parties, unless they contractually establish other arrangements.

According to Article 19 you also have to employ a legally recognized patent agency in China to apply for a patent for you, if you are a foreign company.

Once approved the patents for inventions have a duration of 20 years, while the patents for utility models and designs each last for 10 years, Article 42.

4. Further Information

As the registration of invention patents takes a lot longer than the other two patent registrations, one strategy to protect your patent as early as possible is to file for registration of all types of patents. The cost might be twice as much, too, but, if the utility model or design patent is granted, it is already protected while you wait for the stricter examination of the invention patent to conclude. When the invention patent is granted, you have to cancel the other ones though.

Utility model patents are especially popular among Chinese companies, in 2015 nearly 5 million utility model patents were granted of which only a

mere 0.9 % were applied for from abroad. Utility model requires lower level of inventiveness than invention patent, but it's quicker, cheaper, and no need of substantive examination in the procedure as well. Because it is fairly easy to register one, they have also been abused to stop foreign companies from entering the Chinese market. An amendment to the Guidelines for Patent Examination (专利审查指南) in 2013 tried to fix this problem by allowing SIPO not only to conduct a formal examination of applications for utility model patents, but also examine whether the technology obviously lacks novelty based on information on prior art for example. The "double track" system provide a way for invention protection.[7] Applicants can file both application for utility model and invention at the same time, as long as stated in the application, and then abandon the utility model upon the grant of the invention patent.

When registering your patent in China, you have to focus on a precise Chinese translation of your patent to ensure its protection.

V. Registration of Copyright

As China is a member of the Berne Convention[8], any copyright hailing from countries that are also signatories to this agreement will be automatically protected in China. However, before direct IPR enforcement can be based on copyright, a registration of the copyright is necessary. In China, this process takes about one month. The National Copyright Administration handled over 2.8 billion registrations between 2011 and 2014. The copyright is protected for its owner's lifetime and another additional 50 years.

Nowadays, the gaming industry are facing pervasive copyright infringement issues. With shifting focus from the computer terminal to mobile devices, the number of intellectual property infringement cases is on the rise. Those infringement behaviors are no longer limited to simply copying source codes and imitating images, but extend to further acts of unfair competition. China now has at least 100,000 small and medium-sized websites that engage in long-term infringement activities related to videos, music, photos, games and software. At the same time, the IP tribunal handled 254 infringement cases involving animations, comics and games in 2015 and the first 10 months of 2016, nearly nine times the total in 2013 and 2014. Hence, registering and keeping an eye on your copyrights, if necessary, can be an important IP issue as well.[9]

VI. Trade Secrets

A different kind of Intellectual Property are trade secrets and although they cannot be registered, they are still protected in China by the Anti-Unfair Competition Law (中华人民共和国反不正当竞争法) and several other provisions on prohibiting infringements upon trade secrets. According to those laws a trade secret has to be:

- Technical or business information that are unknown to the public and competitors,
- Of economic value and practical utility and can bring competitive advantages for the right owner,
- Kept secret with confidentiality measures by its owner.

One of their advantages is that they might last forever while patents run out of time at some point. On the downside they are no longer protected by law once they become public.

Measures to keep your trade secrets secret:

1. Catalog them

In order to better protect your trade secrets you should start by cataloging what your company's trade secrets are. They can be everything like processes, methods, recipes, marketing or product strategies, customer lists, pricing information or materials.

2. Limit Access

The next step is marking important documents and bases as confidential and locking them after business hours. Only personnel that really needs to use them should have access to them.

3. Use IT Security

Another important aspect is the use of IT to protect your secrets. Simple means like password protection, but also using professional encryption or monitoring electronic access and transmissions can provide a lot of security.

4. Train your Employees

One of the biggest threats to trade secrets are usually employees. This might be a disappointed former employee now working for a competitor or just one of your engineers who, being proud of his invention, shares too much information at a conference. One way to minimize risks and ensure secrecy is to train employees about how to handle trade secrets. This includes entry and exit interviews to make sure they understand their confidentiality obligations at any given time.

VII. Using Contracts to Protect your Intellectual Property

Besides registering your IP like trademarks, patents and copyrights it is significant to think about how to protect your IP when entering contracts with other parties. Here are a few points on IP Protection to consider when drafting contracts:

- Sign mutual non-disclosure-agreements (NDA) before even entering negotiations, even though Article 43 of China's Contract Law does not allow a party to use the secrets it has gotten to know during negotiations.
- Rather than standard NDAs, use comprehensive non-disclosure, non-use, non-circumvention agreements that also stop the other party using your IP or directly sell your products without your permission.
- Define the relevant IP regarding the contract with the other party carefully.
- Include possibilities to monitor the other party's use of IP to prevent unauthorized exploitation.
- Make sure the part of the contract concerning your IP remains valid, even if the rest might be challenged.
- Address the ownership of newly created IP within that contract, as China's Patent Law acknowledges deviating agreements.
- Restrict transfers of your IP by the other party.
- Specify what is supposed to happen when the contract comes to an end.

Consideration regarding to these points should be taken into by drafting all kinds of contracts, from contracts with manufacturers to employment contracts.

Contracts involving the transfer of Chinese patents and trademarks also require a recordal at SIPO and CTMO respectively.

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7 According to the Patent Law of the People's Republic of China (中华人民共和国专利法), Article 9.

8 An international agreement that was first signed in 1886 and provides that works from all signing countries enjoy the same copyright protection in the other signing countries like works from there.

9 From article *Gaming industry rife with copyright issues,* China Daily 01/12/2017 page 17, http://www.chinadaily.com.cn/cndy/2017-01/12/content_27930914.htm.

If your company is doing research and development in China, the aforementioned points are relevant for employment contracts in order to ensure your ownership of IP created by your employees and to deal with issues like remunerations under Article 16 of China's Patent Law. Article 23 of China's Labor Contract Law also allows provisions to keep the employer's secrets confidential and competition restrictions, but only in exchange for monthly compensations. When drafting non-compete clauses you should specify in which way the employee cannot compete with your company and which technology or trade secrets should be protected by it.

VIII. Licensing Agreements

One of the most widespread ways in which an outsider get in touch with Intellectual Property of your company is through licensing agreements. Licensing agreements deal with ceding your IP for a certain time for a specific purpose to another company, for example to allow a manufacturer to use your trademark to produce goods for you.

The Chinese Supreme Court recognizes three different versions of licensing agreements as acceptable:

- Exclusive licensing; licensee is the only legal user of the IP for an agreed period, territory and way, even the IP owner cannot use it.
- Sole licensing; licensee is the only legal user of the IP for an agreed period, territory and way, but cannot sub-license the IP to anyone else.
- Non-exclusive licensing; licensee can use the IP for an agreed period, territory and way, but the IP owner can license it to others too.

Some of the usual problems that arise from licensing agreements are that licensees exceed the permitted use of the IP, by producing goods that are not covered by the agreement for example, or sub-license the IP to other parties without authorization.

The points mentioned in the paragraph on using contracts to protect your IP apply to licensing agreements as well. There are still some other points that you should consider though.

You should make sure that you actually own the licensed IP and have it registered in China in order to prevent the other party from registering it itself, resulting in loss of your IP.

When drafting the agreement you should include provisions allowing you to monitor the goods based on the licensed IP to protect your brand's reputation and include detailed provisions on royalties, the currency rates, the taxes that apply and how the payments should be made.

Within three months after signing the agreement, trademark licensing, patent licensing and copyright licensing should be registered with CTMO, SIPO and the Copyright Protection Center respectively. This can provide good evidence for potential disputes in the future.

When the registration for a licensed patent expires, the license agreement is terminated, but, when the registration of a licensed trademark expires, the license agreement may still be in effect, as the Trademark Law recognizes the value of unregistered trademarks.

When licensing your IP to other companies, you also have to realize that Article 55 of China's Anti-Monopoly Law (中华人民共和国反垄断法) states that abusing your IP rights to restrict competition you can be subject to anti-monopoly regulations. This can become a problem, especially when establishing patent pools with other enterprises through licensing. Because of the Prohibition of Abuse of Intellectual Property Rights to Eliminate or Restrict Competition issued by the SAIC on the 7th of April 2015, you can be forced to license your IP to other companies, if the concerning IP is considered essential to compete in the relevant market for other operators and the licensing would not cause unreasonable damage to your company.

Compulsory licensing may also be ordered by the Patent Administration Department, if a patent has not been properly exploited within three years.

1. Managing Intellectual Property Rights Infringements

Violations against IP rights are still very common in China. They may include "trademark squatting", the exportation or sale within China of counterfeit goods produced violating patented designs or inventions. For example the Chinese shopping website Taobao is filled with counterfeit goods.

If you realize that your Intellectual Property has been violated, one of the first steps is to find out exactly in what way has it been violated and how far this violation has spread. Try to find out who is involved and responsible for it and, whether it is a systematic violation.

It makes sense to rely on an experienced partner on location for those investigations, but you should be careful, as some private investigators in China only pretend successful operations against the violators or use illegal methods themselves that might redound upon you.

These are a few strategies against IP rights violators:

2. Administrative Enforcement of IP Rights

If your Intellectual Property has been violated, you can firstly choose the administration route. For example the State Administration for Industry and Commerce (SAIC) (国家工商行政管理总局) takes cases concerning trade secrets and trademarks.

It is possible to stop a competitor selling a product based on your trade secrets and obtain an administrative fine up to 100.000 RMB and the maximum fine for trademark infringement in cases involving over 50.000 RMB in revenue based on infringements is five times the revenue. It can be difficult to convince the AIC to take your case though, if complex technology is involved.

The Copyright Administrative Department will only start an investigation when this has simultaneously caused damage for the "public interest", if your copyright has been infringed upon[10].

If you want to take action against someone else who has registered any of your trademarks, you can demand their cancellation at the Trademark Review and Adjudication Board (TRAB) (商标评审委员会) of the SAIC. These are especially effective weapons against "trademark squatters" that have registered a company's brand or product name as a trademark in China before this company did. This action can be based on one of the following reasons:

a) Non-Use Cancellation

Under Article 44 Trademark Law you can apply for non-use cancellation, if the person who registered the trademark has not used it in three years prior to the application for the cancellation. This use of that trademark has to be actual use that has the purpose of enabling the public to distinguish the providers of goods and services. This includes use on goods, on documents for transactions, in advertising, at exhibitions and other commercial activities. Use by authorized third parties through licensing can be enough, but the mere authorization is not. The trademark may not have to be used in the exact form that it has been registered, but it cannot deviate too much.

The burden of proof in cases of non-use-cancellation regarding earlier usage lies on the first registrant of the disputed trademark. So he or she has to prove that the trademark has been used for commercial purposes in the public within the last three years.

10 Article 48 of the China Copyright Law.

b) Cancellation Based on Prior Rights

You can also ask for registered trademarks to be canceled, if you have a prior right based on Article 32 Trademark Law. The conditions that have to be met are:

– Pre-emptive registration through improper means by "squatter",
– Trademark has been used by another party before, constituting the prior right,
– Trademark used by other party has certain influence.

The success of the cancellation lies in the influence of the trademark. That is for the applicant of the cancellation with a prior right to prove, which is why the applicant should collect as much reliable evidence as possible. As a prior right and usage, the business name of an affiliated company like the foreign parent company can be sufficient, as seen in the 3M case (see below).

c) Cancellation Based on Bad Faith

Another argument to use for the cancellation of a trademark is that the person registering it has done so in "bad faith" and therefor violated Article 7 Trademark Law. This was amended in the last revision of the Trademark Law and is an important new tool to fight back against "trademark squatters", even though it can only be an additional ground for cancellation and does not work by itself. The "squatter's" "bad faith" can be proven for example, if the person has registered numerous unconnected trademarks or shows no intention of really using it.

3. Judicial resolutions

a) Statistics

aa) An overview

According to the work report of the Supreme People's Court of year 2016, IP cases of 2015 totaled 120.000. To give an idea on how IP fits into the court's docket, there were 10.505.731 civil, commercial and IP cases last year, which were 62.86 % of the 16.714.000 case national court docket. Taken on their own, IP cases were about 0.7 % of the national court docket. Although the court does not give a number for foreign related IP cases for 2015, the report notes that foreign related commercial cases totaled 6.079 out of 3.347.000 commercial cases or about 0.18 % percent. This is about one-tenth the percentage of foreign related IP cases in the overall IP docket in 2014 (1.8 %).

bb) Beijing IP Court

Since the establishment at 06.11.2014, Beijing IP Court has accepted 7.918 IP cases until 06.11.2015. Among them, 85 % are first instance cases and 75 % are administrative lawsuits[11].

According to data analyzed by IP House In 2015, the Beijing IP court decided 3.449 administrative IP cases and 1.573 civil IP-related civil litigations. Among these, 3.379 cases concern validity of IPRs granted by the State Agencies, where trademarks, copyright and patents account for 96.4 % of the total. Beijing IP Court enjoys exclusive jurisdiction over administrative decisions on registered IP rights issued by the central authorities.

cc) Other important statistics

Patent cases account for the large majority of civil litigations decided by the Beijing IP court in the first instance (70.56 %), copyright come second (15.38 %), 59 % of which are consisted of software copyright cases, followed by trademarks (only 6.1 %).

According to these IP House data, "only" 1.095 cases (roughly 22 %) involve foreign parties, with the following breakdown: USA (36.07 %), Germany (13.24 %), France (11.32 %), Italy (11.05 %), UK (9.13 %), Japan (6.30 %), Canada (4.20 %), Korea (2.65 %).

The IP House report also provided statistics on average awards of damages as well as the average percentages of support to plaintiffs' claims.

	Invention patent	Utility model	Design
the percentage of damages granted Patent cases (%)	70.58	1.82	27.60
Average supporting rate of claims (%)	52.99	47.20	37.57
Average Damages granted (RMB)	634.795	120.000	303.382

The court showed an average time frame for processing first degree adjudication cases of civil litigation equal to 259 days for patents, 169 days for trademarks and 209 days for copyright cases. The average time decreases to 89 and 80 days, respectively for patent and trademark related cases, in the second degree (appeal).

Here is the statistics about the average duration of first and second instance litigations:

litigation	average duration (day)		
	patent	trademark	copyright
civil (first instance)	259	169	209
civil (second instance)	89	80	63
administrative (first instance)	180	128	

Besides the information above, you should also take the amount of damages granted by IP Court into consideration before you decide whether its worthy to bring up lawsuits in China. The following diagram shows that in 50 % of the IP cases, in which the IP right holders get damages from infringer, the damages paid range from 10.000 to 50.000 RMB. In 15 % of those cases, more than 100.000 RMB damages are granted by the court. Therefore in certain situations a civil litigation could save you money than waste it.

b) Civil Litigation

The most common way to deal with Intellectual Property rights infringements like counterfeiting is civil litigation. That is why China established three special IPR courts in Beijing, Shanghai and Guangzhou in 2014. These IP Courts have exclusive jurisdiction over cases concerning patents, trade secrets, well-known trademarks and decisions made by ministries on license fees. While Shanghai's IP court mostly dealt with cases concerning copyright, most of the cases filed in Guangzhou concerned patents. The courts also employ their own tech research teams sometimes to investigate complex technological matters.

Because of the 2013 amendment of China's Civil Procedure Law (中华人民共和国民事诉讼法) there now is the possibility that a court grants a preliminary injunction against an infringer. This can be useful to achieve a ban on producing or selling counterfeits or have manufacturing machines seized. In order to have it granted, you have to prove that not granting the injunction might lead to irreparable harm and the likelihood of success of the injunction.

Thanks to the current discussion on amendments to the Patent Law, damages for patent infringements could rise from a maximum of 1 million

11 http://www.ipr.gov.cn/article/sjzl/gn/201511/1882334.html.

RMB to a maximum of 5 million RMB. Damages awarded by civil courts tend to be higher than fines imposed by administrative departments.

It is important to note that generally the burden of proof lies on the plaintiff according to Article 64 Civil Procedure Law. That is why gathering evidence by steps like the notarized purchase of counterfeit goods for example is important, when preparing a civil lawsuit against an infringer.

For example in cases concerning trade secrets you have to prove:

- Existence of the trade secret: content of the trade secret, commercial value,
- Ownership of the trade secret,
- Protective measures taken to keep it secret,
- Defendant possesses information that is identical or considerably similar to yours,
- Defendant used improper means to obtain the trade secret (e.g. Obtaining trade secrets by theft or other illegal means),
- Other evidence where appropriate.

Lawsuits based on infringements of trade secrets can only be brought against competitors though and not former employees for example.

The burden of proof is only reversed under Article 61 Patent Law, if the case is concerning a patent for processes of manufacturing. Then the infringer has to prove that a process different from the patented one was used to manufacture goods.

Trade secret disputes are growing rapidly in China and in these types of cases. Maintaining confidentiality of the secrets during court proceedings is always a challenge. It can be helpful to ask for the support of the court in advance regarding evidence preservation, action preservation, and obtaining evidence via the court's official capacity.

Besides lawsuits based on Trademark and Patent Law you can also use China's Anti-Unfair Competition Law to protect your IP. This can be useful, if someone copies the packaging or decoration of your goods that cannot be registered as design patents or trademarks.

In order to be applicant the Anti-Unfair Competition Law the following criteria have to be met:

(1) Your goods have to be considered "well-known merchandising" based on a certain market reputation in China.

(2) The decoration and packaging have to be used to distinguish the origin of the goods and therefor have to be distinctive and advertised for a long time.

(3) The infringing goods have to lead to confusion about the origin of the goods among the public.

c) Administrative Lawsuits

A striking aspect of the 2015 work report of Supreme People's Court is that foreign administrative IP cases, at 45.77 % of the total administrative IP docket (2014), are not only in stark contrast to the civil IP docket, but in an even more extreme contrast with overall foreign-related commercial litigation.

Depending on the nature of IP rights, different particular governmental bodies will be sued. In cases of copyright administrative lawsuits the defendants are usually the central and local copyright administrations. The Trademark Review and Adjudication Board (TRAD 商标评审委员会) is ordinarily the defendant of Trademark administrative lawsuits.

Patent administrative lawsuits in China can be classified into three categories according to the administrative organs that undertake specific administrative acts. The three kinds of defendants are: (1) Chinese State Intellectual Property Office (SIPO); (2) Patent Reexamination Board (专利审查委员会 PRB); (3) a local intellectual property administrative office.

Those having the PRB as the defendant include lawsuits against reexamination decisions and lawsuits against decisions of invalidation made by the PRB. In practice, such lawsuits account for a large proportion of all patent administrative lawsuits.

Beijing IP Court has exclusive jurisdiction over cases in which TRAD and PRB are defendants (because they are located in Beijing city). This is also an explanation why the Beijing IP Court deals with the majority of all IP cases of the three IP courts.

d) Criminal Lawsuits

Criminal lawsuits are another way of dealing with violations of IP rights. According to Articles 213 to 215 of China's Criminal Law (中华人民共和国刑法) the usage of a registered trademark and the sale of goods containing the trademark are criminal offenses in severe cases. Patent infringements only constitute a crime under Article 216, if the patent itself is counterfeited and not if the case involves exploitation of a patent that belongs to someone else. Both patent and trademark infringements can be punished with imprisonment of up to 3 years.

Theft of trade secrets constitutes a crime according to Article 219, if a loss of more than 500.000 RMB is involved. This can result in fines and/or imprisonment for up to seven years in severe cases concerning losses of more than 2.5 million RMB. So, if you suspect the loss of your trade secret to be a crime, you should also inform the local Public Security Bureau.

4. Chinese Trademarks and OEM Manufacturing

There has been a lot of confusion and uncertainty among foreign companies about whether Original Equipment Manufacturing (OEM), the production of equipment for foreign companies solely for export by Chinese companies, can constitute the infringement of a Chinese trademark. This situation can become problematic, if the foreign company has registered the trademark affixed to the products in other countries, but not in China, and another company owns the exact same trademark in China.

Even though the Chinese legal system does not recognize precedents as legally binding, recent judgments by China's Supreme People's Court have helped to clarify this problem. The two cases that contributed most to the topic concerned Muji, a Japanese company, and Pretul, a Mexican company, and deal with two different aspects.

Muji owned the trademark for its Chinese transliteration "WuYinLiangPin" in several classes. When a Chinese company wanted to register the same trademark in a different class that Muji did not own, Muji opposed this on an administrative level and, when the trademark was still registered, appealed this decision over two instances up to the Supreme Court. The Supreme Court decided in 2013 that Muji could not stop the Chinese company from registering the trademark on the basis of its prior use, as Muji only manufactured goods for export in this trademark class, but did not sell them in China itself. The court saw this as a contradiction to the requirement of "a certain amount of influence in China".

In 2010 a Chinese company (Focker) bought the trademark for the name "Pretul" for padlocks in China. A Mexican company (Truper) that owned this trademark in Mexico and other countries contracted a Chinese company (YaHuan) to manufacture padlocks containing the "Pretul" branding for export to Mexico. The trademark was also affixed to the sales packages of the locks. Focker sued YaHuan therefor for trademark infringements in 2011. While the Trial Court and the Zhejiang High Court convicted YaHuan of trademark infringement and ordered it to pay compensations of 80.000 RMB, the Supreme Court ruled in the last instance that YaHuan did not violate Focker's

trademark in November 2015. This was based on the latest revision of the Trademark Law that added that the use of trademarks has to be "to distinguish the origin of commodities". But, as the padlocks made by YaHuan were meant for export only, the Chinese public would not be confused about their origins, so the trademarks were not violated.

This judgment further clarified that so-called OEM production does not constitute IP infringement, which of course is good news for foreign companies using the OEM model, as their risk of unknowingly infringing Chinese trademarks is ultimately quite small. On the other hand it is still advisable to register the concerning trademarks in China as well.

5. Infringements during Exhibitions

As most foreign companies make their first forays into the Chinese market during exhibitions, this is also, where the first violations of your IP rights might occur.

The PRC *Measures Regarding Intellectual Property Rights Protection at Exhibitions and Trade Fairs* covers exhibitions, trade fairs and conventions operating within the realm of trade and technology. On the basis of these regulations, any exhibition lasting longer than three days is obliged to set up an IP complaints office (知识产权投诉机构).

This office should consist of:

– personnel from the exhibition organizer,

– the administrative department of exhibition center,

– the local IPR administrative department.

Its job is to review IPR complaints, investigate accused infringing products and exhibitors, and take necessary actions to prevent infringement activities during the exhibition.

If it is believed that infringement has occurred, office staff can immediately obtain samples of suspected goods as evidence. Complaints received by the office must be passed to the relevant local IP authorities within 24 hours of reporting. The authorities are then required to issue a decision and bring it promptly to the attention of the parties as well as the exhibition organizers. Cases not finalized during the exhibition can be transferred to the relevant authorities for further investigation.

Punishment decisions include orders to cease infringing activities, confiscating or destroying the infringing goods and advertising materials, or imposing fines. Exhibitors that commit infringements twice will be banned from all future exhibitions.

In order to register complaints legitimate certificates of IPR ownership must be submitted along with basic information about the party or parties suspected of committing the infringement and relevant power of attorney (notarized and legalized, which can take a couple of weeks). All documentation should also be provided in Chinese. If you are not personally present at the exhibition, you can entrust an agent with the submission of complaints.

If a patent infringement is suspected, the patentee can lodge a complaint with the sponsor, who will respond with a decision regarding punishment once the claim has been verified.

A patented product that is exhibited by an unauthorized party constitutes infringement through an offer to sell, which, under Chinese patent regulations, entitles the right holder to file a lawsuit. In these situations, the infringed company should secure a notarized statement through an attorney before lodging a formal complaint, to hedge against the possibility of the infringer taking vigilant action that could result in a failure to collect evidence.

An offer to sell is defined as where someone seeks to profit from a product through advertisements, window displays or exhibiting the goods at a show. This violation results in direct losses to the patentee but will also not have any benefit for the infringing party; for this reason courts can only set compensation after consideration of the matter in a lawsuit.

6. Infringements in E-Commerce

As mentioned earlier e-commerce websites in China like Taobao are filled with counterfeit goods and with a turnover of more than one trillion RMB, it can be considered as a major area to fight infringers of IP.

In February 2016 the State Intellectual Property Office (SIPO) has circulated a new official notice covering enforcement against patent infringing products sold on e-commerce platforms in China, which aims to improve the efficiency of infringement determination and link on- and off-line enforcement channels.

So in order to protect your IP on those websites you can file complaints, if you notice infringing activities by e-shops. This is why constant monitoring of those e-commerce websites like Taobao, Alibaba or JD is important. This monitoring can be done by searching for your brand or product names on these websites in both English and Chinese and by keeping an eye out for widely varying prices among the products and large numbers of units for sale.

The mechanisms to take town infringing e-shops on Taobao are only available in Chinese and only protect IP that has been registered with the website itself or registered with Chinese IP authorities. To register your IP with Taobao you have to provide identification (passport/authorization for agents), the company's business license and some proof of Chinese registration of that IP.

Once objective evidence is provided though, the website will shut down the infringing e-shops. The problem however is that Taobao mainly hosts traders and not the manufacturers of counterfeit goods themselves. So, if it shuts down one shop, several others might appear again.

That is why Taobao should rather be seen as a starting point of an investigation. So if you find traders handling big amounts of counterfeit goods you should take a closer look at it, rather than just shutting it down immediately. This might lead you to the counterfeiting factories who then can be prosecuted with other administrative or judicial means. That way a more sustainable protection of your IP is possible and it can also show long term trends for counterfeits of your products.

One example for this strategy is the nutritional supplements producer Amway who started an investigation after finding a trader of counterfeited protein powder who lead them to the factory producing it. When a police raid was conducted, they seized counterfeits with a value of 140 million RMB.

IX. Important Cases

As mentioned above, China is a civil law jurisdiction, so courts do not have to follow precedents, but the following cases still had a significant impact on how courts rule in cases concerning IP issues and should be seen as both, warnings and examples, for companies dealing with IP in China.

1. Michael Bastian

One case, where there was a successful cancellation of a "squatted" trademark, was the case of Michael Bastian, an American fashion designer whose name and its Chinese translation were already registered as trademarks.

When Bastian sued in 2015, the TRAB decided that the initial trademark owner acted in bad faith, as he had been registering numerous trademarks without ever using them.

2. New Balance

The US-sports-brand New Balance is known in China under the the translation "Xin Bailun", but the trademark for "Xin Bailun" had already been registered by a local sales company before New Balance entered the Chinese market. So on the 24th of April 2015 New Balance was fined 98 million RMB for infringement of trademark, which is equal to half of the profits that New Balance earned during its time of infringement. After the first instance, New Balance appealed to the Guangdong High Court but lost again. The Guangdong High Court published the judgement at June 26, 2016, in which New Balance still need to pay compensation but the amount of damages was reduced from 98 million RMB to 5 million RMB. One reason the Guangdong High Court held in deciding to reduce the damages is that New Balance had never used "Xin Bailun" on their packages. In addition, New Balance submitted a brand evaluation report suggesting that the contribution of "Xin Bailun" to its profits from China market was 0.76 %. This means that this Chinese character trademark contributed RMB 1,487,907.97 to New Balance's overall profits from the China market in years 2011 to 2013 and RMB 1,458,149.81 to New Balance's profits from shoes in China for the same period.

3. Pfizer

When Pfizer introduced its erectile dysfunction pill Viagra to the Chinese market in 2000, it failed to also register a Chinese name for the trademark. So after an 11-year battle for the trademark it lost that fight, as Pfizer could not sufficiently prove that it was well-known as "Wei Ge" among its Chinese customers.

4. Castel Wine

The French wine company Castel used the Chinese transliteration "Ka Si Te" for its brand name, but did not register this as a trademark. Later a Chinese competitor however did, so when Castel kept using that transliteration, the Chinese company sued for trademark infringement in 2009.

According to the Article 56 of Trademark Law (revised in 2001) in China, there are three ways to calculate the amount of compensation:

(a) The profit that infringer has earned during the period of infringement.

(b) The loss that the infringed has suffered, including the reasonable expenses that the infringed has paid for stopping the infringement.

(c) If the profit or the loss aforesaid are difficult to calculate, then the court could shall decide the amount of compensation under the circumstances but no more than 500,000 RMB.

Courts in the first and second instances both agreed to calculate the amount of compensation using the revenue and the rate of profit and therefore Castel should pay 33 million RMB for infringement. But then Castel appealed to the Supreme Court and therefore a retrial was opened. In February, 2016, the Supreme Court published deciding to reduce the amount of compensation to 0.5 million RMB (according to A56.c). And the reasons they gave are as follows:

(a) It is not reasonable to use the rate of profit of other companies rather than Castel and its sales company themselves.

(b) The plaintiff could not prove that the profit infringer earned was directly result from infringement. In other words, the plaintiff could not prove that there was causality between the profit and infringement.

(c) The plaintiff could not prove the loss they had suffered.

5. Michael Jackson

In 2014 the trustee of Michael Jackson filed a lawsuit against a Chinese company that had registered his name as a trademark. Even though a dead person has no rights to his or her name in China, the appellate court found that Jackson's name still had economic impact and that the company using his name might lead to confusion among the public, so the registration had to be reversed.

6. Michael Jordan

Michael Jordan was registered as a trademark in China by Nike, but did not register a Chinese transliteration. Qiaodan (乔丹) is a Chinese sportswear manufacturer that registered 乔丹 as a trademark. As 乔丹 is also the Chinese transliteration for "Jordan", Michael Jordan sued Qiaodan for deceiving customers into believing that he endorsed the company. However, the previous court decisions of the TRAB (two trials) dismissed the suit, ruling that there was no sufficient evidence that Qiaodan was really referring to Michael Jordan is a fairly common surname. At the 8th of December 2016, the Supreme Peoples Court ruled that Qiaodan Sports Co. violated Jordan's right to his name 乔丹 and broke provisions in the Trademark Law. But the brand "QIAODAN" and "qiaodan" owned by Qiaodan Sports Co. was ruled legal and do no harm to Michael Jordan's right of name.The previous court decisions against Jordan's legitimate trademark claims should be revoked. This decision is final.

As laid down in Article 31 of the of the 2001 Chinese Trademark Law an application for the registration of a trademark shall not create any prejudice to the prior right of another person, nor unfair means be used to pre-emptively register the trademark of some reputation another person has used.

Although "乔丹" is just a part of Michael Jordan's legal name, "Michael Jeffrey Jordan", in Chinese, 乔丹 is often used by Chinese public when referring to the former American basketball player, and there is already a "stable" link between the name and the specific individual.

In order to prove that the public is likely to be mistaken the goods or services labeled with the disputed trademarks have a specific association (e.g. endorsement or licensing) with that individual, Jordan submitted two properly notarized surveys.

Qiaodan Sports Co. has operated, promoted, and used for many years of its trade name and trademarks, which allows the relevant public to recognize the goods labeled with "乔丹" originated from Qiaodan Sports Co. Nevertheless it is insufficient to prove that the relevant public would not mistake the disputed trademark's goods or services to have specific connection such as endorsement or licensing relationship with the former American basketball player. The objective bad faith of Qiaodan Sports Co. when filing the disputed trademarks is one of the most critical factors this Court considers when determining whether the registration of the disputed trademark damaged Jordan's name right.

At first Qiaodan Sports Co. which was originally named "Fujian Province Jinjiang Citiy Chen Tai Riverside Commodity Factory", cannot provide just and reasonable explanations for filing and registering the disputed trademarks. Moreover Qiaodan Sports Co. orientated its primary business highly related to Michael Jordan's profession and should have certain degree of understanding of Michael Jordan and his fame. Later on Qiaodan Sports Co. registered series of other trademarks like Micheal Jordan's jersey number "23" and especially the name of Michael Jordan's two children, which highlighted its objective bad faith.

However, original court rulings regarding the Pinyin part were upheld by the SPC. Jordan has no exclusive rights to the use of the alphabetic spelling of

"qiaodan" or "QIAODAN". Hence the company is still allowed to use the phonetic spellings of Jordan's Chinese name using the Roman alphabet, however, saying they do not infringe on his right to use his name in the country.

7. Chivas Regal

The whiskey brand Chivas had registered the typical shape of their bottles as a 3D trademark in China. A Chinese whiskey company imitated both Chivas usual branding and the shape of their bottle. So when Chivas sued, a Hangzhou court ordered the Chinese company to pay a 500.000 RMB fine. This was the first case where a 3D trademark was protected this way.

8. Stihl

The chainsaw manufacturer Stihl has a distinctive orange and gray color combination for all of its chainsaws. A Chinese company copied this combination for its chainsaws. Stihl then sued on the grounds of China's Anti-Unfair Competition Law Article 5 that protects "unique trade dresses of famous commodities". The court acknowledged that Stihl's orange and gray color combination constitutes such a unique trade dress and ordered the Chinese company to stop selling their copies. Stihl has since been able to register their color combination as a trademark.

9. Apple

Apple has submitted an application for trademark "IPHONE" in China in 2002. And this trademark registration was in Trademark Class 9 only, covering computer hardware and computer software. However, Xintong Tiandi, a local company in Shenzhen, which sells handbags, mobile phone cases and other leather goods, applied for "IPHONE" in Class 18 for leather products in 2007. Apple raised an objection to CTMO, appealed to TRAB and even filed a lawsuit to court but all failed and the reason is that Apple could not prove the "IPHONE" brand was well-known in China before 2007 since the first iPhone did not arrive in China until October 30, 2009. Ultimately, Apple lost the battle and could not own "IPHONE" by itself in China.

10. BMW

In July 2008 Zhou Leqin established the "Deguo Baoma Group (Int'l) Holding Limited" in China, which is also the translation of "German BMW Group (Int'l) Holding Limited". Furthermore the "BMN" trademark with a logo similar to the "BMW" trademark was registered by this company. Subsequently Deguo Baoma Group authorized Chuangjia, a fashion company, to use the trademark on its products like bags, clothes and shoes. These products have been sold widely since 2009. Over the years Chuangjia made the trademark's look even more closely resemble the original logo of BMW. In accordance to the Shanghai Intellectual Property Court's ruling in 20.01.2016, the trademarks of BMW which registered in China are infringed by these actions. The companies wanted to achieve advantages by BMW's good reputation. Thus the court ordered the two companies to pay a compensation of 3 million yuan ($431,617.41).

11. Watchdata

Watchdata System Company Ldt., a manufacturer of USB keys used as electronic authentication devices in financial services, filed a lawsuit against Hengbao Company Ltd., a manufacturer of USB keys as well, in February 2015. Hengbao was charged with developing and selling many USB key products to "scores of banks across China" while infringing Watchdata's single patent on data encryption technologies. Hengbao claimed that the questioned products and physic identification method in online bank transfers were not protected by Watchdata's patent. On December 8, 2016, the Beijing IP Court found in favor of the patentee Watchdata and ordered Hengbao to pay an unprecedented amount of 50 million RMB (7.2 million USD) for patent infringement. This is the highest damages awarded by Beijing IP Court since its establishment in 2014. It is remarkable that this is the first case, the Beijing IP court awards litigation cost based on attorney fee charge by hour. In this connection the case may set a precedence for future cases. Moreover this case displays a new trend of the Chinese IP courts – "enhancing IP protection by greatly increasing compensation from rights violators, especially those committing bad faith and repetitive violations, so that the cost of IP infringement will no longer be low" (Chen Jinchuan, deputy director of the court).

12. Disney

Disney Enterprises, Inc and Pixar, holders of the copyrights of animated comedies "Cars" and "Cars 2" as well as the character images, sued G-Point in Beijing, and Bluemtv in Xiamen in eastern China's Fujian province, after they found the images, title and posters of animated movie "The Autobots" resembled those of "Cars" and "Cars 2". "The Autobots" screened last July was produced by Bluemtv and released by G-Point. The court said the images of the main characters "K1" and "K2" in "The Autobots" infringed on the copyright of the characters "Lightening McQueen" and "Francesco Bernoulli" in "Cars" and "Cars 2". The court said the Chinese title of the movie has a different meaning to the Disney productions and should not be seen as unfair competition, but the resemblance in the visual effect of the movie's name on the poster constitutes an act of unfair competition, although the overall design of the posters is different. The court ruled an immediate stop to the infringement act and ordered compensation of over 1.35 million yuan ($194,440). Bluemtv was asked to pay 1 million yuan to cover the plantiffs' economic losses, of which G-Point has joint liability for 800,000 yuan. The two companies were also asked to pay 350,000 yuan to cover the legal expenses of the plaintiffs.

About Starke

Starke operates in Beijing (China) and in Düsseldorf, Köln, Essen, Duisburg, Dortmund, Bochum (Germany) through her cooperation partner. Our core competencies are legal advisory, as well as management consultation. We customized our advisory activities to the requirements of internationally active companies and individuals, who need corporate-, IP-, contract-, labor-, and investment advises in China. We are a Trademark Agent licensed by the State Administration for Industry and Commerce (工商总局 SAIC) of the PRC. With several years of experience in Asia we support our clients in every situation. We communicate with our clients in English, Chinese, Japanese or German.

Daniel Albrecht is a German attorney at law and has been running Starke since 2014. He specializes in corporate law, commercial law as well as trademark law and labor law. He also assists his clients in drafting and negotiating complex contract documentations. His first professional encounter with China was in 2004 as a law clerk and he worked at one of the top Chinese law firms in mainland China. He is a Guest Professor for civil law at the China University of Political Science and Law (CUPL) 中国政法大学. In 2016 he was appointed as External Expert for the EU China IPR SME Helpdesk.