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Dears,

A new journal about intellectual property in China and related issues has born. Indeed this issue of CHINA GOSSIP, summary of the year 2012, is the first ever. After this, we will publish a monthly issue and alerts from time to time.

2012 has been a landmark year for intellectual property. Under the old leadership, the legislative authority of China succeeded in having an amendment to the Patent Law and a new Civil Procedural Law enacted. Unfortunately the third amendment to the Trademark Law is still on its way to promulgation and so will be enacted by the new appointed leaders.

The famous IPad case was closed via settlement (and it seems Apple paid 60 million USD for getting back the mark) and China is marking a new record for trademark and patent filings. Anyway several voices raised concerns on bad impact of such huge amount of IP rights in the lack of a real innovation. Chinese companies are thirsty of technology and they are looking abroad for acquisitions.

Last but not least, internationalization of Chinese IP is growing. Numbers will confirm anyway that position of China in international charts is still around No. 20 in the world.

HFG FACTS & FIGURES

- Ranked first tier IP Firm in Shanghai by Legal500
- Nominated first tier in Shanghai by Managing IP;
- Handled 800 new trademark filings and 600 administrative disputes;
- Handled more than 30 patent infringement cases.
- Handled more than 200 trademark infringement cases
- Published 14 articles in renowned professional publications, as with China Business Law Journal (CBLJ), World Intellectual Property Review (WIPR), and Intellectual Property Magazine (IPM);
- Actively involved in INTA, ECTA, IPBC, Marques events.

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AMENDMENT TO THE CIVIL PROCEDURE LAW

The Standing Committee of the National People's Congress (NPC) adopted on August 31st, 2012, the Decision on Amending the Civil Procedure Law ("CPL") of the PRC. The new CPL will enter into effect as of January 1st, 2013.

Herein a few amendments to highlight especially for the consequences in the intellectual property practice:

Jurisdiction

The current CPL held zero tolerance against violation of jurisdiction. Consequently, wrong forum is one of the circumstances because of which the People's Court shall conduct a retrial. According to Article 127(2) of the new CPL, where a party raises no objection to jurisdiction and responds to the action, the court accepting the action shall have jurisdiction. Accordingly, wrong choice of forum is no longer the reason to petition retrial. This new approach respects the will of parties and promotes efficiency as well. IP lawyers might have more chances for "forum shopping".

According to new Article 34, not only parties to contract dispute do have a right to choose the forum by a written agreement, but also parties to *other rights or interest in property*. Additionally, it provides that parties, at their discretion, may choose any court with actual connection with the dispute.

Methods of service and service abroad

After the amendment, the CPL additionally provides new means of service. A court may serve process by fax, email and other means capable of confirming receipt by the person to be served. However, a judgment, ruling and mediation statements shall be served by traditional means.

According to new CPL legal process shall be deemed served on a party having no Chinese residence by post on the expiration of 3 months after the postmark date (Item 6 of Article 267). And according to Item 8 of the same article, legal process shall be deemed served, by public announcement, 3 months after the date of public announcement. Both periods are sharply shortened from 6 to 3 months so as to increase efficiency.

Interim measures (evidence and assets preservation, injunction)

The amendment transplants provisions already existing in Copyright, Patent and Trademark Law, into the Civil Procedure Law. Article 81 CPL now explicitly provides that "where any evidence may be extinguished or may be hard to obtain at a later time, if the circumstances are urgent, an interested party may, before instituting an action or applying for arbitration, apply for evidence preservation..." which means evidence preservation before trail may be applied to unfair competition and anti-trust as well.

Article 100 explicitly introduces injunction: "a people's court may... order certain conduct of the party or prohibit the party from certain conduct upon application of a party..." and article 101 CPL introduces the asset preservation.

However, according to new CPL provisions, the applicant shall provide guarantee deposit for taking any of these measures while according to the mentioned IP laws the deposit is only an option for the judge.

Expert Witness

The amendment first adopts the term "*a person with expertise*" in Article 79 which allows parties invite experts to court to comment or other professional inquiries. Article 78 urges any expert to appear and testify in the court upon a party raises any objection against his opinions. The implication thereof is that any expert is likely subject to cross examination not only by parties but also by other experts.

Evidence (electronic form and deadlines)

According to Article 63, electronic data has been officially admitted as one form of evidence. Although electronic data is generally admissible, the amendment and its future judicial interpretation may unify the standard of admissibility of the electronic evidence.

The new CPL stresses the necessity to file evidence in a timely way. The parties are allowed to provide (new) evidence in the first instance, second instance or retrial judgment within the time limit scheduled by the Court. The evidence filed after the deadline could be regarded as inadmissible. Moreover, a fine can be imposed if evidence is filed after the time limit without explanation or when the explanation is not acceptable. The court is required to issue receipts corresponding to each piece of evidence received.

If a party cannot submit evidence with the time limit, he may apply for an extension.

Moreover, even though the evidence is submitted beyond the time limit, the court may adopt it if the party provides a convincible or reasonable explanation. The Court moreover can impose a fine on the party that delay the filing of evidence without reasons.

Heavier fines for obstructions

Artt.114-115 CPL provided that entities and individuals who refuse to assist in investigation or enforcement may be imposed a fine which is much heavier than it used to be. For individuals, the amount is up to CNY 100,000 comparing to CNY 10,000 before the amendment; for entities it is up to CNY 1million comparing to CNY 300,000 before the amendment.

The new CPL will enter into effect as of January 1st, 2013.

Summary procedure for small claims

According to new CPL Article 162, the first instance adjudication shall be final when the amount of subject matter is no higher than 30% of the previous year's annual average wages of workers in a summary procedure. Moreover, parties to the dispute may voluntarily agree to choose the summary procedure according Article 157(2), while previously was available only to cases meeting statutory requirements, such as relative minor disputes, unambiguous rights and obligations, etc.

Public access to case law (art. 156 CPL)

Before the amendment, a great portion of legally effective judgments or ruling are unavailable to the public, however according to Article 156, the public may access to effective written judgments and rulings expect content involving any national secret, trade secret or individual privacy. In light of all docketed judgments and rulings will be accessible after Jan 1 of 2013, IP practitioners are about to predict their cases with reference to all judicial precedents.

Litigation representative

Article 58 CPL exclude ordinary citizen to serve as representative in litigation. However, the 3rd paragraph of the Article 58 leaves the door open to citizen "recommended by the community" or by "the entity employing a party" or by a "relevant social group". China Trademark Association (CTA) or the All-China Patent Agent Association (ACPAA) might be required to issue statements to entrust trademark attorney and patent to serve as litigation representatives.

Public interest litigation (class action)

The amended Article 55 CPL includes a right for "institutions and relevant organizations" to file litigations where rights and interests of the public are harmed.

THE AMENDMENT TO THE PATENT LAW

Whereas the last version of the PRC Patent Law initially adopted in 1984 entered into force after a major revision in 2009, the State Intellectual Property Office (SIPO) released the fourth draft amendments to the Chinese patent law on 9 August 2012. Released at a time of intense international scrutiny of China's patent regime, SIPO recommended the Patent Law be revised to expand the intensity of punishment and build law enforcement capacity.

Thus, the amendment proposes to enhance the protection of patent rights and crack down on patent infringement activities, by focusing on strengthen patent enforcement and more especially on administrative enforcement. It significantly increases potential penalties for infringement and expanding the authority of courts and administrative officials to investigate and compel production of evidence.

The amendment gives SIPO and patent administration departments more power to administratively enforce the patent laws. Indeed the administrative authority can investigate patent infringement activities suspected of "disturbing the market order". Upon recognition of such conduct, the patent administration departments may order the infringer to stop the infringement, forfeit the illegal earnings, destroy the infringing products, impose a fine on the infringer of up to CNY 200,000, or penalties on those who refuse to cooperate.

Once more, the proposed amendment enables the administrative authority to award damages for losses suffered in an administrative action. Under the current law, administrative officials were empowered to issue only injunctions.

Otherwise, according to the Art. 61 of the draft amendment, the plaintiff in a patent rights litigation case may **request the People's Court to investigate and collect evidence of infringement in the control of the accused.**

In case the accused refuses to provide or transfer such proof or counterfeits or destroys such proof, the Court may take action against the defendant, including compelling it to produce proof or imposing fines.

In addition, under the new art. 65 **the amount of compensation is globally increased.** Where it is difficult to determine the losses suffered by the patentee, the People's Court or the administrative authority may set an amount of compensation of not less than CNY 10,000 and not more than CNY 1,000,000 in light of factors such as the type of the patent right, the nature of the infringing act and the circumstances.

Once more, for the willful patent infringement, the amount of damages shall be tripled and punitive compensation shall be introduced.

The proposed amendments will significantly increase the value of Chinese patents due to better enforcement and the availability of higher damages awards.

SIMPLIFICATION, SEVERITY, STOP ABUSES: THE THREE MAIN POINTS OF THE THIRD REVISION OF CHINA'S TRADEMARK LAW

The Trademark Law of the People's Republic of China was enacted in 1982 and has since been amended twice, in 1993 and 2001.

Today, the third Revision to the PRC Trademark law is coming. These 3rd Amendments retain and build on various novel features which, once enacted, could enhance the efficiency of the trademark prosecution and enforcement process under the current regime.

SIMPLIFICATION: Trademark registrations will become more simple and efficient.

The amendment specifies that when the applicant plans to register a single trademark in different classes, only one application need to be made, *i.e. one application, one trademark, multiple classes*.

This provision should reduce staff workload. In addition, trademark applications may be filed electronically.

Once more, the amendment expands what can be registered as a trademark. Thus, the sounds and single color could be registered. The registration of color will not be longer limited to a combination of colors. Such an addition provides flexibility and presents opportunities to brand owners. However, there is no extension of protection for scents and moving images.

The proposed amendment provides also a simplification in the review procedure. It states that before the Trademark Office grants preliminary approval, applicants may apply for a change in name, address and/or agent, remove one or more classifications for which they have applied, or transfer ownership of the mark.

A proactive cancellation is created. Thus, according to Article 35 of the Amendment, the Trademark Office may cancel *ex officio* the preliminary approval for registration if it finds the application was filed fraudulently, by means of unfair competition or in conflict with the Trademark Law. So, when a trademark application has been preliminary examined, approved and published for potential opposition within 3 months, the CTMO could still decide to withdraw the trademark.

Thank to this article, the office could cancel the fraudulent brand on its own initiative and does not have to wait that an interested person file an opposition. Thereby, a faster intervention could be done against trademark pirates.

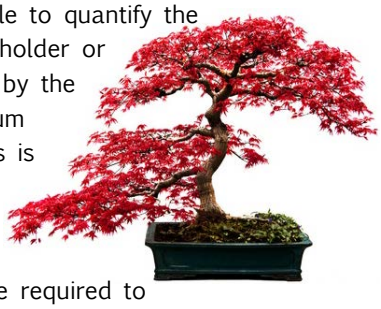
Opposition procedures will be also simplified.

The amendment eliminates one instance in the opposition procedure. In the current system, oppositions are examined by CTMO (Chinese Trademark Office) in the first instance and then by TRAB (Trademark Review and Administration Board) in the second instance. Moreover, any interested party who is not satisfied with the decision issued by TRAB may file an administrative litigation to the People's Court in Beijing within 30 days of the date of receipt of the notice. The new amendment provides that oppositions will be examined by TRAB, and the People's Court will examine appeals. Thus, the draft eliminates one instance to improve the rapidity of the process.

SEVERITY:

The amendment increases statutory damages.

Where it is impossible to quantify the losses of the rights holder or the benefits derived by the infringer, the maximum measure of damages is increased from CNY 500,000 to CNY 1 million.



Infringers will also be required to compensate rights holders for reasonable expenses incurred by them in halting the infringement. Once more, heavier penalties will be imposed for infringements repeated twice or more within five years.

The injured party shall provide evidence of use over the previous 3 years.

In addition, where injured parties apply for damages, they will now be required to provide evidence of use of the registered mark over the previous three years. Article 51 of the revised draft specifies that the concept of trademark 'use' should have "production or operation" as its objective, and that the criteria for determining use is whether it is "sufficient to cause the relevant public to believe that it is being used as a trademark". This provision is important for assessing trademark non-use cancellations (ie, after three years), and underlines that use must not be for just nominal purposes or for the production of small quantities.

An unrecorded trademark license will not be used against third parties.

The amendment clarifies the effect of a failure to record trademark licenses, in that unrecorded licenses will not be enforceable against bona fide third parties, for example between licensees whose rights may conflict.

STOP ABUSES:

The reason and applicant for the opposition will be limited.

The Amendments contain features that seek to address the issue of potential bad faith opposition and the associated burden of having to defend unnecessary opposition proceedings.

The amendment specifies who is eligible to file an opposition within the 3 months of publication of the trademark. Under the current law, anyone is eligible to initiate opposition proceedings. With the new law, only the prior rights holders or interested parties will be allowed to lodge an opposition.

A limitation on the standing required for initiating opposition proceedings will be also imposed. The possible legal grounds to file an opposition are limited to the following: protection of well-know trademarks, liabilities of trademark agent or representative, geographical indications, prior trademark rights, trademark application for identical or similar marks filed on the same day, protection based on other prior rights and registration in bad faith.

Where an opposition is raised to a trademark on the ground of non-compliance on the provision of well-know trademark, liabilities of trademark agent or representative and registration in bad faith, the prior trademark owner may request TRAB to transfer the exclusive right to the opponent.

There will be some new provisions to forbid the malicious registration.

The main new proposals in the draft are:

(1) When an application is made for a trademark for identical or similar goods, which trademark is identical or similar to another party's trademark with prior use in the PRC, and the applicant, due to a contract, business dealings, geographical relationship or other relationship with the other party, is well aware of the existence of its trademark, registration shall not be granted.

Compared to the current Trademark Law, the amended draft provides greater flexibility

(2) If a trademark application copies another's registered trademark that is relatively distinctive on non-identical or non-similar goods and has a significant influence, likely to result in confusion, registration shall not be granted.

These provisions may also serve as grounds for submitting a trademark opposition or cancellation application. This will hopefully help deter the longstanding problem of bad-faith preemptive registration of others' non-registered marks and provide cross-class protection to marks

that are distinctive and have significant influence.

Compared to the current Trademark Law, the amended draft provides greater flexibility and also specific protection against registrations of pirated trademarks.

THE BEST OF IP NEWS IN CHINA 2012

Apple chooses a settlement with Proview,.

Apple Inc has settled a lingering dispute with a local technology company concerning the use of the iPad trademark for the California-based tech giant's popular tablets computers in the Chinese mainland.

Apple has ended their dispute with Proview with a $60 million settlement. The mediation letter was sent to both sides and came into effect on June 25.

However Apple received lawsuits from Zhi Zhen Internet Technology claiming the company is infringing on its voice assistant service patent with Siri, and another lawsuit from Jiangsu Xuebao, which is going after Apple with claims that the company infringed on its trademark of Snow Leopard, the name of an OS Apple released in 2009.

The "Muji case": the Japanese company failed to prove the use of its OEM's trademark

In November 2012, the Supreme People's Court upheld a Beijing Higher Court's decision in an administrative litigation case and rejected Muji's plea to recover its hijacked mark by adducing evidence of use of its mark in the context of OEM manufacturing products for export.

As a reminder, the Japanese company filed the "无印良品" ("Muji" in Chinese characters) trademark in 1999 in several classes. In 2001, the same brand was registered in class 24 by Hainan Nan Hua Co., Ltd. and later assigned to Beijing Mian Tian Co., Ltd. The Japanese brand owner, who does not have a registration for the trademark in class 24 in China, opposed the mark based on its "prior use" of the mark, by evidencing use of the mark on its OEM manufactured export goods.

Muji lost at the administrative level, the China Trademark Office and Trademark Review and Adjudication Board ("TRAB") and thereafter filed an administrative review court appeal in 2009, challenging the TRAB's decision. The Japanese brand owner lost the case in both the first and second instance in 2010.

The Supreme People's Court upheld the Beijing Higher Court's decision and confirmed the registration held by Beijing Mian Tian Co., Ltd. The Court ruled that evidence of such OEM use was not sufficient for the purposes of showing that a mark has been "used and achieved a certain amount of influence in China" as stipulated in Article 31 of the PRC Trademark Law.

Indeed, the Court held that "Article 31 is aimed at preventing hijackings, but not to protect all unregistered marks. Only a mark that has been previously used and achieved a certain amount of influence in China should be prevented for registration as stipulated under Article 31". In order to reach the conclusion that the required elements of "prior use and a certain amount of influence" were not fulfilled, the Court stated that evidencing only the use of a trademark in OEM manufacturing activities in China for export is insufficient.

(Source: China IP Magazine)

The millionth invention patent celebrated by SIPO

On July 16, Mister Tian Lipu, the Commissioner from the State Intellectual Property Office issued a patent certificate on the spot to the Beijing Research Center for Information Technology in Agriculture to mark the 1 millionth invention patent granted in China.

The first patent law took effect in 1985, and the first Chinese patent certificate was issued to China Aerospace Science and Industry Corp in 1986. SIPO has received more than 3 million applications for invention patent since this moment.

Today, the millionth patent came for an invention that uses 3-D technology to help agricultural researchers to assist and analyze crop growth.

The Commissioner declared that "behind the patents are millions of inventors involved in technology research who contributes to improving China's innovation capacity and the country's change to an innovation-driven country".

The number of invention patents has risen at an average annual rate of 26.8 percent in the country since 2001. Indeed, for the only 2011 year, SIPO issued 172,000 invention patent certificates.

(Source: China Daily)

The revised SIPO Administrative Review Procedures entered into force from September 1, 2012

The State Intellectual Property Office issued announcement No. 66, State Intellectual Property Office Administrative Review Procedures (abbr. The Procedures) on July 23, 2012, and the revised procedures entered into force from September 1, 2012, meanwhile, the old procedures was abandoned.

The new procedures included 35 rules. Rule 4 listed the scope of administrative reviews in outline, which may enlarge the scope of acceptance. The new rule explicitly provided that the applicant could apply for an administrative review on procedural decisions relating patent re-examination or invalidation made by Patent Re-examination Board. Thus, the new procedures provide petitioners requesting for re-examination or invalidation more remedies. Moreover, the provision of the old rule 4 that the reconsideration case handled by State Intellectual Property Office should not apply conciliation was deleted. In addition, the new procedures involve some other adaptive medications.

It is understood that purpose for the revision on the procedures to adapt either Implementing Regulations of Administrative Reconsideration Law or the third revisions of Patent Law and Implementing Regulations thereof.

HFG PUBLICATIONS IN 2012

The new face of administrative remedies for patent infringement – by Zhang Xu & Eric Su
A look at draft amendments to the Trademark Law - by Zhang Xu
Shareholders may be liable for brand hijacking - by Irene Zeng & Eric Su
Is your famous foreign brand just another mark lost in translation? - by Fabio Giacopello
PRC's Trademark Law wisely follows the 'first to file' principle - by Fabio Giacopello
IP pro bono? If it feels good, do it -by Nikita Xue
Pharmaceutical firms must take their generic medicine on trademark use - by Eric Su & Daisy Yao
What issues drive infringements of trademark in automotive industry - by Eric Su & Elena Li
The right direction? Amendments to Chinese Trademark Law - by Fabio Giacopello & Zhang Xu
3cc, Bee and a well shuffled deck for a win by trademark rights holder - by Julie Zhao
Rise in quantity, fall in quality: assessing China's patent filings - by Fabio Giacopello
Smart operators think ahead on IP strategies to protect domain names - by Kevin Xu
Trademark Squatting in China - by Fabio Giacopello
Many Dogs will catch the Rabbit - by Fabio Giacopello

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