

Brief Introduction to Intellectual Property Practices in China

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Table of Contents

1. IP in China
2. IP Acquisition
 - i. Trademark/Cost
 - ii. Patent/Cost
 - iii. Copyright/Cost
3. Intellectual property disputes
 - i. Overall view
 - ii. Administrative proceeding
 - Trademark
 - Copyright
 - Patent
 - Customs
 - Public Security Bureau
 - iii. Litigation before the Court
 - Civil litigation
 - Criminal litigation
 - Case examples

1. IP in China

Similar to many other countries in the world, the primary Intellectual Property rights (IPR), which can be protected and enforced in China are trademarks, patents, know-how (as trade secrets), copyrights and shapes with distinctive characteristics.

In particular it is possible to protect registered trademarks, whilst unregistered trademarks are not protected until recognized as well-known in China.

Chinese patents cover inventions, utility models and industrial designs. Unpatented technologies (if are provided with secrecy know-how) can be protected as trade secrets.

Furthermore a shape of a product can be protected in China as an industrial design or as tridimensional trademark or a copyright. Only in the first case (industrial design) the owner can file validly the application only if he has not used it before (earlier than 6 months). In the other cases (trade mark or copyright) the owner can extend his IPR in any moment.

It is also possible to protect a shape without having filed any application for IPR, but it is quite difficult. We will examine this case later sub. par. 2.

Below first will be faced sub. 1) how to protect the above mentioned IP rights, then sub. 2) IP litigation.

2) IP Acquisition

i. Trademark

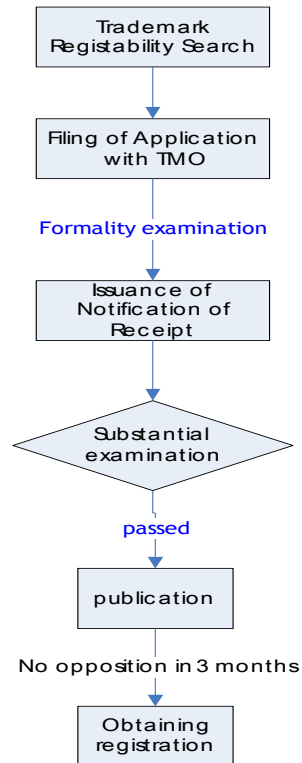
A sign (word, letter(s), color, shape, image) can be registered as a trade mark, for certain products and/or service, but it should be provided with novelty (the same sign should not exist in China before than the priority) and distinctiveness. The trademark application has to be filed at trademark Office ("TMO") within the State Administration of Industry & Commerce ("SAIC"). The TMO's decisions can be appealed in the case of (even partial) refusal by the trademark applicant or by third party (owner of a prior existing registered trademark will play as third party in opposition against other applicant's filing.) before the Trademark Review & Adjudication Board ("TRAB") within the SAIC. The TRAB's decision, can be appealed again before the ordinary Court (Intermediate People's Court at SAIC).

Filing a trademark registration in China has a cost which is similar to European costs but the procedure includes also a search on prior publication (in order to check the novelty requirement).

Generally timing for the TMO to examine an application and to grant the registration will be different for different related goods. Currently examination for application related to foods will take less than 2 years while for most of the other goods usually will last for over 2 years.

In addition to Chinese trademark registration, European companies can also obtain registrations by filing under the Madrid system and having China as the designated country.

A normal trademark registration procedure is illustrated as below:



ii. Patent

- A new and original solution of a problem can be protected as a patent for invention. But it should be provided with novelty and inventiveness.
 - A new model, which confers a more useful application or use to a machine – already existing- can be filed as utility model.
 - Design provided with novelty and individuality can be protected as industrial design.
- All the 3 above IPr should be filed at the Patent Office within the State Intellectual Property Office ("SIPO"). The SIPO Patent Office's decision can be appealed before the Patent Re-examination Board ("PRB") which is also within the SIPO. The PRB's decision can be appealed before the Court, (which is 1st instance proceeding).

The patent term is different depending on different patents. Invention patent enjoys the longest protection, 20 years, while utility models and designs enjoy 10 years protection.

Filing a patent in China will cost definitely less than in Europe

* * *

The following chart illustrates the China invention patent filing procedure:

As China does not protect unpatented designs, the unregistered design owners have to spend huge resources in proving their products reputations (in China) so as to enjoy the protection by unfair competition law but this will be extremely difficult for those that do not have operations in China or not entered Chinese market for long.

Given the situation of above, it will be highly advisable to entrepreneurs thinking of coming to China that, before coming to have designs patented in order to concentrate your resources on penetrating the market.

iii. Copyright

Most copyrights are enforceable in countries of Berne Convention including China.

From the enforcement perspective, however, it is advisable to have copyrights recorded with Chinese authority so as to get released from the burden of documentation provision given that China authorities in enforcement practices usually require the copyright owners to provide copyright related documentations in original notarized and legalized if they are generated from outside China. The reason is that Administrative authorities at different regions have different requirements in terms of evidence level. In Shanghai, for instance, the copyright administration authority requires copyright evidences in original and if they are overseas copyrights that not recorded with China authority, the evidences should be notarized and legalized for use. In judicial enforcement, notarization and legalization is a must according to the judicial interpretation by the Supreme People's Court on evidences for civil proceedings. The judicial interpretations by the Supreme People's Court prevail within all the civil Courts in China and prevail to other administrative authorities because Court is the final authority in review disputes).

Recording a piece of copyright with Chinese authority has a cost similar to the European standard.

3. INTELLECTUAL PROPERTY DISPUTES

i. Overall view

IP related litigations in China can be divided into three categories:

- Civil litigation
- Criminal litigation (public prosecution and private prosecution)
- Administrative procedure (administrative authority as defendant if plaintiff not satisfied with the authority's decision)

The fastest (and cheapest) way (with some limit as we will explain) is the Administrative dispute.

In whatever cases, rights holders may choose to communicate with the infringers in private way, sending a warning letter. This may result helpful in order to prove willful infringement (this may be of some relevance for calculation of damages)

For the right holders that do not have their rights registered in China, private action will be a practicable option, even though it is rare that the alleged violation of IP rights will stop.

ii. Administrative proceeding

Administrative enforcement is one of the characteristics of China's IP enforcement system. China has a large administrative mechanism that covers almost every corner of social activities.

In China the majority of IP related conflicts are solved through administrative venues. Advantages of proceeding through administrative venue are seen as quick actions and less burden in documentations and evidence. Below are listed statistics of IP related cases heard by administrative authorities and judicial authorities in 2005:

IP rights	Enforcement Venue	
	Administrative authorities	Judicial (Court)
Trademark	49,412 ¹ *	1,782 ²
Patent	1,419 ³	2,947 ⁴
Copyright	9,644 ⁵	6,096 ⁶

For IP enforcement related activities, rights holders may need to deal with the following administrative authorities based on different IP categories:

Administrative Authority	Trademark	Patent	Copyright	Unfair Competition
Administration for Industry & Commerce ("AIC")	√			√
Technology Supervision Bureau ("TSB")	√			
Foods & Drug Administration ("FDA")	√			
Tobacco Monopoly Administration ("TMA")	√			
Intellectual Property Office ("IPO")		√		
Copyright Administration			√	
Customs	√	√	√	
Police (Public Security Bureau, "PSB")	√	√	√	

- Trademark

Trademark conflicts count for the majority of IP complaints in China and AIC authority deals with

¹ Statistics of State Administration of Industry & Commerce

² Judge JIANG Zhipei (Chief Judge of No.3 Division, Civil Court, the Supreme People's Court)

³ Statistics of State Intellectual Property Office

⁴ Judge JIANG Zhipei (Chief Judge of No.3 Division, Civil Court, the Supreme People's Court)

⁵ Statistics of State Intellectual Property Office

⁶ Judge JIANG Zhipei (Chief Judge of No.3 Division, Civil Court, the Supreme People's Court)

the majority of trademark conflicts.

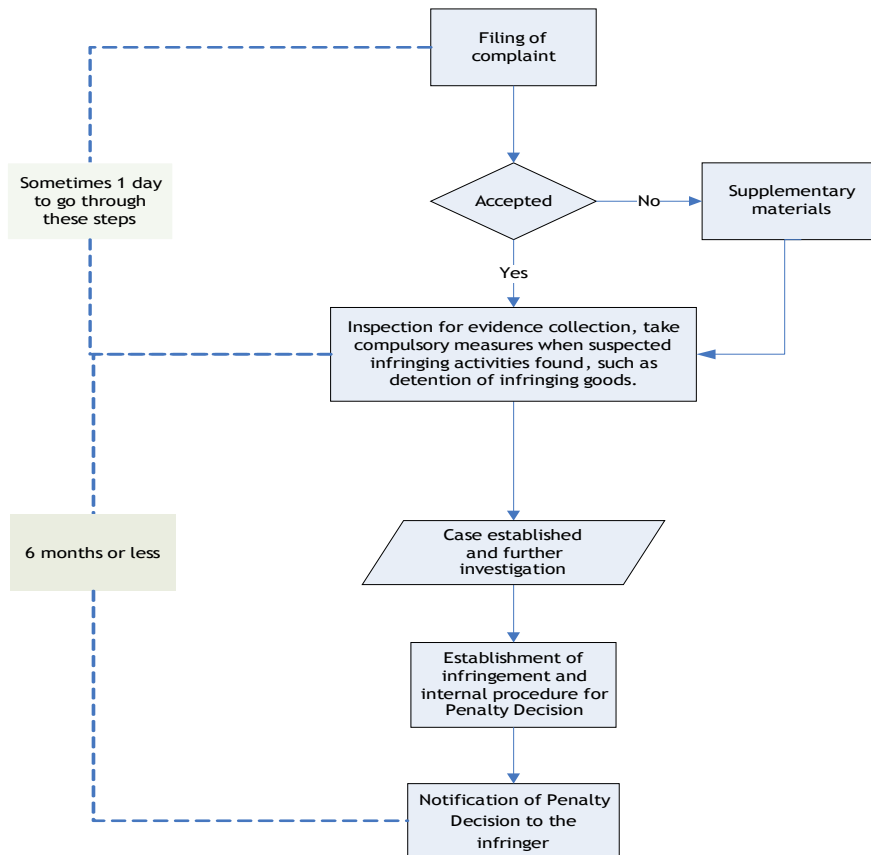
The trademark owner can file a complaint with the AIC authority by providing copy of the trademark registration certificate and preliminary evidence showing the infringement.

The Administrative Authority, after receiving the complaint, will review the case. If they agree that the evidence shows suspected infringement, a law enforcement inspection for evidence collection will be granted even *ex parte*. The Administrative Authority may authorize applicant and its consultants to take part to the inspection in the location where the contested products are located. Usually the inspection takes place without giving any prior information to the alleged infringing company. Then all the relevant suspected infringing or counterfeiting finished products, half-products, packing materials, moulds, labels and so on discovered will be detained. Based on the evidence collection results, different decisions will be made, among which, the most serious one will be penalty decision covering confiscation of infringing goods and imposing of administrative fine. In particular if the inspection proves the infringement, the authority will order an immediate cease and desist order, confiscate all the infringing products and materials, and impose a fine (the fine is compulsory. For instance, the trademark administrative authorities in Shanghai in 2005 handled altogether 1,108 cases related to trademark infringement with a total RMB 10.88 million (approx. € 1.06 million) of administrative fine imposed and 6.51 tons of infringing goods confiscated and destroyed.⁷

Normally that Administrative Authority grants the inspection *ex parte* within 3 days from filing. Final decision should take around 3/6 months. This decision can be appealed either by the owner of IP right or by the alleged infringing company before the Court. The Court will render a decision of 1st instance; if either party disagrees with the Court decision, they have the right to appeal for a 2nd instance – the final the executive decision. In any event even pending the appeal the whole Punishment Decision, which normally includes an immediate cease, confiscation and fine will stay and be effective.

Below is a flow chart briefing the typical trademark administrative enforcement procedure:

⁷ Report on the Intellectual Property Rights Protection in Shanghai in 2005



- Well-known Trademark

If a registered trademark is used by others on goods/services under different class/sub-class, or as trade names, etc., which makes the trademark owner unable to protect his registered trademark on the basis of trademark infringement, the trademark owner can file a complaint with AIC authority requesting recognition of his trademark as well-known.

Well-known trademark recognition aims at expansion of protection to trademarks of high reputations.

Request for well-known trademark (hereinafter WKTM) recognition also can be filed through judicial venue. According to Article 3 of *Regulations of Well-known Trademark Recognition and Protection* issued by State AIC in 2003, the following materials can be provided for requesting a trademark to be WKTM:

- to prove the understanding of relevant public (generally through survey)
- to provide the continuing usage of the said trademark, i.e. the 1st registration time, any renewal record, and how widely the trademark is used;
- to provide the market situation of the products using the said mark, i.e. the advertisement, the promotion activity(generally though invoices)
- to prove whether the said mark has ever recognized as WKTM or protected as WKTM in China before or in other countries; (through Judgment, survey, advertisement even carried

- out abroad)
- to provide as many documents as possible to state the production volume, the sales amount, the taxation status, the distribution area that relating the said trademark.
- Any other document that the trademark owner thinks necessary to show the well-known character of the said trade mark.

- Copyright

Copyright administrative enforcement is similar to trademark in terms of procedures.

- Patent

For patent conflicts, the patent administrative authorities are proved to be less effective in terms of procedure. Furthermore the authorities are not empowered under current laws and regulations to detain the goods that infringe a patent. Usually the patent administrative authorities are playing a role of mediator for settlement between the concerned parties. If a settlement cannot be reached, lawsuit will be the alternative option. In practice, most of the patent proprietors will choose a lawsuit directly instead of referring to the patent administrative authorities. In any event the speediness of procedures before SIPO is quite irreconcilable with patent for invention matters. In particular when issues of infringement by equivalence raise (which are definitely not clear cut procedure which can be easily faced by SIPO) and where normally the intervention of a Court expert is requested.

* * *

In addition to above, two other administrative authorities also play important roles in the IP administrative enforcement.

- Public Security Bureau

The PSB is the criminal investigation authority.

Rights holders can file complaints with the PSB authorities when IP related crimes are suspected. According to China's *Criminal Law*, the following activities may be charged as criminal liabilities:

- Counterfeiting registered trademark
- Counterfeiting patent
- Counterfeiting copyright
- Trade secret infringement

Parallel with starting the action at the PSB authority, other administrative authorities are required by laws to transfer the cases to PSB authority when crimes are suspected during their handling of administrative enforcements.

The PSB will conduct the raid and then they will decide whether to transfer the case to the Public Prosecutor ('PP') basing on their further investigation results, which normally will last 2-3 months. If PP agrees that the counterfeiting activity meets the threshold according to the Criminal Law, he will

initiate the public prosecution against the counterfeiters by raising a lawsuit to the Court, 1st instance. The time from filing the complaint to PSB to the 1st instance decision will vary depending on the case background, and some will last 1 year, and some will 18 months or more.)?

- Customs

Customs is the authority in charge of IP rights protections at the border. The premises for enjoying the Customs' protection are to have your IP rights recorded with Customs administration at the national level, i.e. General Customs Administration ("GCA"). The IP rights recordable are registered trademark, patent, and copyright. By the end of 2005, there are altogether 6,307 titles recorded with GCA.⁸ The Customs protections cover both counterfeit and infringement, i.e. identical or similar.

Once the IP rights are recorded with GCA, the recorded data will be shared among all Customs throughout the country. When the local Customs find suspected goods, they will make contact with the rights holder (or designated agent shown in the recorded data) and the latter should reply to the Customs whether they request to detain the goods or not. If detention is requested, the rights holders need to pay the Customs a bond of a certain amount for the authority to proceed further. Customs protections cover both counterfeit and infringing goods.

Apart from the Customs authority's ex officio actions, the rights holder, when locating a suspected cargo, can request the Customs authorities for particular monitoring of the cargo. The [application should be filed when tracking down that there are suspect counterfeiting goods at customs. Only Customs Recordal Certificate should be provided to the customs if the said IP right is recorded with GCA, otherwise application with GCA for recordal of the said IP right should be filed first.](#) Proofs include information such as number of the suspect container, time of export or declaration with Customs, exporter, etc. The more info is provided, the better chance for the Customs authorities to locate the cargo. Once the application is filed for monitoring the cargo, the Customs authorities will start their monitoring procedures, that is to say the Customs authorities will not refuse the application unless the IP right has not been recorded with the GCA yet.

The Customs is empowered by laws and regulations to confiscate and destroy the counterfeit or infringing goods and to impose fine.

iii. Litigation before the Court

- *Civil Litigation*

In proceedings for infringement of patents for invention technical expertise is admitted and the local judges can resort to two possible alternative solutions. These are:

- the court may invite court experts to provide technical opinions (in this case we have a similar institution to that of our technical expertise);

⁸ Statistics of State Intellectual Property Office

- in this way one or more technical consultants are called to take part as members of the college of judges, in such a way as to contribute to decisions regarding the applications for infringement or the validity of patents which have been made by the parties involved.

The duration of said proceedings is roughly two years; if however the case regards infringement of a patent for invention which includes also technical expertise, this period can be longer. The proceeding in trademark and design matters should last less.

The costs which the party will have to face for the entire first instance proceeding is lower than the average European standard; the costs/judicial taxes will correspond to 1% of the damages requested. [the percentage will vary from 0.5% to 4% upon the damage requested, and the more damage requested, the lower percentage will be implied.]

The total of the damages which the judge may grant correspond to the turnover not realized by the owner of the I.P right as a result of the infringement or to the profits realized by the infringing party. This needs to be clarified. If the rights holder claims so and due evidences provided, the damages can be granted based on the rights holder's loss of profits from the patent infringement. If the rights holder does not claim so or fails to provide sufficient evidences, the damages may correspond to the profits realised by the infringing party.

At times the damages get calculated also on the basis of the royalty which the owner of the I.P. right (owner of the patent, not other types of IP) would have perceived if it had granted a licence for the use of the I.P. right (use of the patent) violated by the infringing party. In this case, however, said royalties may be doubled or even tripled compared to the market average.

If it is impossible to make reference to said data, the court can provide for an equitable condemnation but in this case the figure may not exceed 60 thousand dollars.

The party losing the lawsuit may be condemned to sustain all the costs faced by the other party. These include the costs sustained for ascertaining the existence of infringement as well as those deriving from the technical expert together with all the legal costs. Not only the manufacturer of the contested product can be condemned for infringement and therefore to pay the aforementioned damages but also the Chinese retailer selling infringed products or the Chinese company using the patented material can be subjected to similar condemnation. The latter two, however, will be exonerated from payment of said damages if they can demonstrate that they were unaware of the fact that the product, or machine, was manufactured or sold without the authorization of the owner of the I.P. right.

Since 2001 the preliminary proceeding was applied by the Court. The prerequisites for proceeding before the judicial authority in a preliminary proceeding are:

- I) the ownership of an I.P. right (attaching the certificate which certifies the granting of the patent for invention or utility model or design or trademark);
- II) the infringement (attaching the contested product or a photograph of it and demonstration that said product was launched on the Chinese market or manufactured in China;
- III) irreparable damages.

The court after having verified the existence of all said prerequisites concedes the proceeding for injunction from the manufacture and sale of the contested product, "ex parte within 48 hours" from

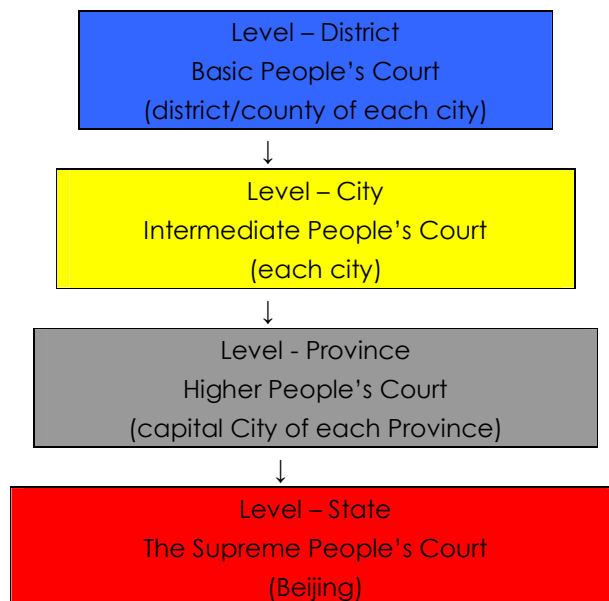
the filing of the application. Often the authority requests that a deposit is paid and this can vary depending on the value of the product which is the object of the injunction.

The full scale litigation for the verification of the infringement and relative damages must be started necessarily within 15 days following the granting of the proceeding for injunction.

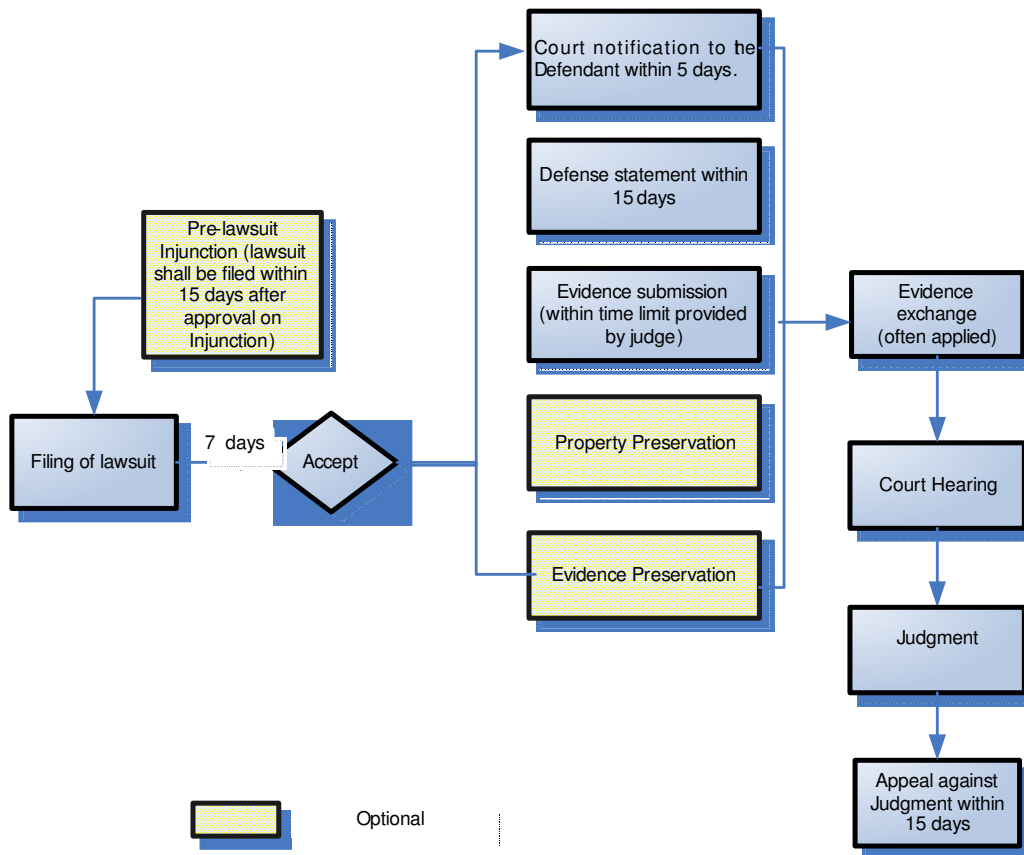
In the following chart the litigation procedure in China is summarised.

All the litigations in China have 2 instances and decisions made in the 2nd instance will be the final that take immediate effect.

China has 4 levels of Court based on the country's administrative division levels. a) Basic People's Court; b) Intermediate People's Court; c) Higher People's Court; d) Supreme People's Court. IP litigation are generally ruled by b) and appealed before c). But for very relevant and delicated IP litigation the first instance is held by c) and the appeal before d).



The following chart briefly illustrates a normal 1st instance civil proceeding:



- **Criminal litigation**

Criminal liability is the most serious among all the liability types. If a suspect is decided guilty, he will be given the following kinds of penalties based on the facts of his criminal activities:

- Imprisonment
- Suspension of imprisonment
- Criminal fine

The activities that can be charged as criminal liabilities are as above mentioned on Page 8.

A public prosecution for criminal liability will involve the following authorities:

- PSB (criminal investigation)
- People's Procuratorate (public prosecution)
- People's Court

After the suspect is established guilty with punishments, rights holders may choose to file civil litigation for remedies which will make it easier to collect evidences showing volume of the criminal activities.

* * *

- **CASE EXAMPLES**

Hereafter are provided some case examples to illustrate the judicial (Court) venue of IP enforcement in China.

1) Trademark – 1 (Starbucks Vs. Xing Ba Ke)



This case involves trademark infringement and conflict between trademark and trade name.

Starbucks Corporation of USA obtained the following trademark registrations in China:

- "Starbucks Coffee Device" (image above) on January 7, 2003;
- "Starbucks" on May 14, 1996;
- "Xing Ba Ke" Chinese characters on February 21, 2000. "Xing Ba Ke" is Starbucks' Chinese version, "Xing" character is the transliteration of "Star" while "Ba Ke" is the pronunciation translation of "bucks".

Starbucks Corporation of USA began presence in China in March 2003 by setting up a Joint Venture Company.

The Defendant, a Shanghai coffee shop, obtained registration of "Xing Ba Ke" Chinese characters as trade name in March 2003. The Defendant used "Xing Ba Ke" Chinese characters and a green/white device logo in operations.

The Starbucks Corporation of USA and its entity in China jointly sued the Defendant for trademark infringement and unfair competition and requested the Court to recognize 6 of their registered trademarks in China including the above as well-known trademarks so as to stop the Defendant from using its trademarks as trade name and in business activities. According to Chinese laws, if trademark owner requests protection of goods/services under different trademark classes, or against trade names, etc. the trademark in question should be recognized as well-known before enjoying the protections.

The 1st instance Court hearing was opened in April 2005 and the 1st instance decision was issued eight months later in December 2005. The issues of the trial are:

- Whether Starbucks' trademarks are well-known in China. According to China laws, factors to be considered in assessment of the reputation should be advertisements, promotions, sales revenues, etc. made in the past three years. Starbucks Corporation only entered China at almost the same time as the Defendant's business operation.

The 1st instance Court held that "Xing Ba Ke" Chinese characters are a combination of transliteration and pronunciation translation of "Starbucks". Starbucks Corporation of USA has been making big investments in promotions. Given the worldwide reputation and the promotions of "Xing Ba Ke" Chinese characters in Chinese-speaking areas, the 6 Starbucks and related trademarks can be recognized as well-known.

- Whether the Defendant's use of "Xing Ba Ke" Chinese characters as trade name is lawful. The Defendant's use of "Xing Ba Ke" Chinese characters as trade name was earlier than the trademark registration of "Xing Ba Ke" Chinese characters.

The 1st instance Court held that the Defendant, as a competitor, should have been aware that they did not have any rights on "Xing Ba ke" characters when registering them as trade name, and confusion had been caused among consumers due to the Defendant's use of "Xing Ba Ke" characters and device logo similar to Starbucks' in business activities.

The 1st instance Court Decision has been appealed.

2) Trademark 2 – (OSRAM Vs. OSRAM)

The German lamps manufacturer OSRAM GmbH ("OSRAM") sued a Chinese manufacturer claiming for a total of RMB 1,000,000 remedies for the Defendant's activities of producing and exporting counterfeit OSRAM products.

Before filing the lawsuit, the Defendant had been located by local AIC authority twice as producing counterfeit OSRAM products. The first time was in March 2005 with a total sales income of RMB 14,853.24, the second was in September 2005 with a total stock value of RMB15,248. The local AIC authorities issued a penalty decision for the above-mentioned counterfeiting activities which imposed a total administrative fine of RMB60,202. Before the AIC authority's issuance of the penalty decision, the Defendant was discovered for a third time producing counterfeit OSRAM products with a total stock volume of 89,400 pieces of finished products, 850 pieces of unused packaging bearing OSRAM trademark, and a set of the counterfeit OSRAM packaging printing plates.

In addition to above counterfeiting activities, the Defendant had been located in 2003 as producing infringing products, and during the relevant procedure, the Defendant pledged to compensate OSRAM with a total of less than RMB 500,000 remedies or remedies at twice of the

total sum of genuine OSRAM products if they were found responsible for infringing activities in future.

The Defendant reached a settlement with OSRAM during the proceedings by paying RMB 500,000 remedies.

3) Trademark – 3 (Toyota Vs. Geely)



Toyota's trademark logo



the Defendant's logo

On the theme of trademark Toyota initiated litigation against a local company for infringement of its trademark with Geely, a local automobile manufacturer (the "Defendant"). We reproduce here on the left the original Toyota trademark and on the right the contested trademark:

The Court did not establish Toyota's claim of trademark infringement on the grounds that the contested mark was sufficiently different from Toyota. In particular, the court observed that whoever purchases a car pays particular attention to the source of the product, its performance, and price because such purchase will involve a significant amount of expense. Before making decision on whether to purchase the car, the consumer will compare the various similar products on the market in a careful manner. Thus the consumer is unlikely to get confused between the Toyota logo and the contested logo.

For above reason the Court was of the opinion that the similarity between the logos does not necessarily lead to consumer confusion nor does it cause consumers to believe there exists any particular commercial relationship between the two manufacturers. This decision is now under appeal.

4) Unfair Competition (Ferrero Rocher Vs. Montresor)

FERRERO S.P.A., the Italian confectionery manufacturer sued its Chinese competitor, Montresor (Zhangjiagang) Foods (the "Defendant"), for unfair competition by copying its Ferrero Rocher chocolate packaging designs.

Ferrero Rocher chocolates came to China in 1984. At the early stage the products were only offered at duty free and airport stores under China's laws and policies at that time. After 1993,

Ferrero Rocher chocolates were launched onto vast mainland Chinese market through its general agent.

The Ferrero Rocher chocolate packages were registered with World Intellectual Property Office ("WIPO") as 3-D trademarks in 1984. WIPO 3-D trademarks are not enforceable in China. In 1986, the two trademarks of "Ferrero Rocher" and its device were registered with the China TMO. FERRERO S.P.A. also registered "Jin Sha" Chinese characters as trademark for Ferrero Rocher chocolates in Taiwan and Hong Kong in 1990 and 1993 respectively but not in mainland China.

The Defendant was set up in 1991, which is a Joint Venture between a Chinese local dairy factory and a Belgian company. The Chinese investor began in 1990 production and distribution of chocolate products using packaging designs similar to Ferrero Rocher and the "Jin Sha" product name in exactly the same Chinese characters with FERRERO S.P.A.'s above mentioned "Jin Sha" trademark. They also obtained trademark registration of the "Jin Sha" Chinese characters in China in 1991. The Defendant also registered "TRESOR DORE" as trademark for the products. Following is a representation of the Ferrero Rocher and below it is the "TRESOR DORE" chocolate.



The Defendant's products enjoyed a big market success and the products were repeatedly granted awards by Chinese industrial associations and at exhibits.

The legal basis of FERRERO S.P.A. is Article 5.2 of China's *Law against Unfair Competition*: "A business operator shall not harm his competitors in market activities by resorting to any of the following unfair means: (2) using on a commodity without authorization a unique name, package, or decoration similar to that of other's famous commodity, thereby confusing the commodity with that famous commodity and leading the consumers to mistake the former for the latter".

The disputes were focused on the reputation of Ferrero Rocher chocolates. The 1st instance Court held that famous product means product having reputation with relevant publics. The reputation among overseas consumers does not necessarily mean that in mainland China and, whether a

product is famous or not, will depend on the actual situation of the product's market in question. The 1st instance Court thus made a decision in favor of the Defendant.

The 2nd instance Court, however, reversed:

- The Court believed the reputation should be assessed based on certain markets at home and overseas, that is to say interpretation of the market should not be limited to the mainland China market;
- The Defendant could not provide proofs showing that the packages in question were designed by themselves, and even the Defendant's Chinese investor began to use the design in 1990, later than FERRERO S.P.A.
- The Court also quoted Article 10 of the Paris Convention for The Protection of Industrial Property ("Paris Convention") saying when an unfair competition activity is prohibited by the Paris Convention, it should be prohibited in China even if the local law does not consider such an activity as unfair competition.

In its Decision made on January 9, 2006, the 2nd instance Court decided a compensation of RMB700,000 to be paid to FERRERO S.P.A.

Due to the many conflicting and insufficient provisions, the 1993 *Unfair Competition Law* is now under amendments.

5) Copyright (Lego Vs. Coko)

In December 2002 the Lego Company won its action against the Chinese manufacturer of Coko products at the Beijing High People's Court, for the reproduction of its building blocks; in particular, Lego contested the reproduction of 53 different models of building blocks manufactured by Coko. The court of Peking ruled that of the 53 different types only 50 were worthy of protection as design because they possessed the requisites of "industrial reproducibility", "artistic quality"; of these 50, 33 were considered to be violated by Coko. Finally Coko was ordered to surrender moulds to the court, which then arranged for their destruction. In addition, the offending company had to publish an official apology in a national Chinese daily newspaper and pay a sum in compensation to the Lego Company.

Below it shows a sample of images of the Concerned Parties' products.



The LEGO Pirate Ship



The Coko Pirate Ship

6) Patent (Kohler Vs. De Fu/Hai Xin)

Kohler, the kitchen and bath products manufacturer, sued Shanghai De Fu (the "Defendant 1") and Zhejiang Hai Xin (the "Defendant 2") for design patent infringement.

Kohler was granted design patent in 1999 for their plumb handle design. The following Figures 1-6 are representations of the design.

Figure 1 - Main view



Figure 3 - bottom view

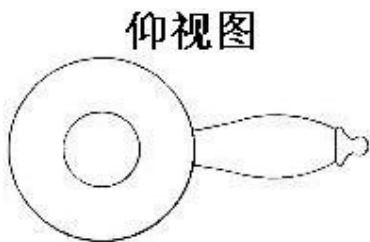


Figure 5 - side view (left)

Figure 2 - 3-D view

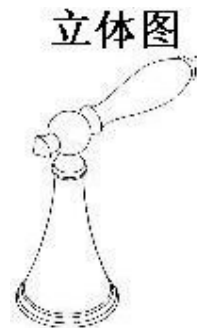


Figure 4 - top view

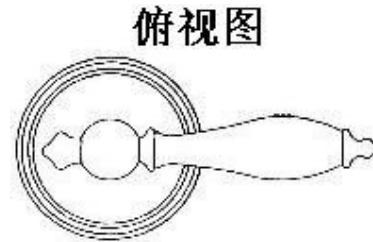
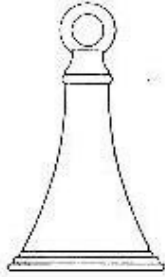
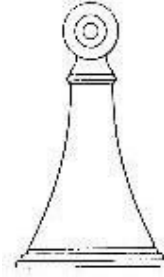


Figure 6 - side view (right)

左视图



右视图



The following Figure 7 is representation of the product in conflict which was manufactured by the Defendant 2.

Figure 7



The Defendant 1 which was located in Shanghai was found distributing the above product. Choosing a favorable jurisdiction, Kohler filed the lawsuit in Shanghai against the two Defendants.

The disputes were focused on the following:

- Whether the design of the product in conflict falls within the protections of the design patent

The Court established that the design of the product in conflict fell within the protections of the design patent.

- Whether the product in conflict was sold

According to the current *Patent Law*, design patent infringement will apply only when the product in conflict is on actual sale, that is to say a commitment for sale should never constitute design patent infringement.

Kohler had made sufficient preparation before filing the lawsuit by notarization of the Defendant 1's sales activities and filing application with the Court for pre-lawsuit evidence preparation where samples of the product in conflict were preserved.

→ Remedies basis

As aforementioned, prior basis for remedies assessments will be the rights holder's loss or the infringer's profits. In this case, the Concerned Parties could not show the profits or the losses resulting from sales of the product in conflict.

According to interpretations of the Supreme People's Court, patent license fee can be taken as basis for remedies should above basis not be available, and if patent license fee basis is not available as well, a statutory remedies at RMB500,000 maximum should be applied.

The Court finally adopted statutory remedies and a total of RMB 150,000 was decided after assessments of the case facts.

Zizhen Bian

Vincenzo Jandoli

[END]