

# IP ENFORCEMENT STRATEGIES IN CHINA

## 中国实施知识产权的策略

Paul Jones

Jones & Co. 钟保禄律师事务所 Джоунс и Ко.

[www.jonesco-law.ca](http://www.jonesco-law.ca)

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# ANTI-COUNTERFEITING

- China has IP laws that meet international standards
- Chinese courts do enforce IP rights, and particularly IP rights held by foreign parties
- To a large extent the threat to IP from counterfeiters can be costed and managed

# Courts & IP Enforcement

- China has parallel court and administrative options
- Four levels of courts
  - Supreme People's Court – 最高人民法院
  - Higher People's Court – in each province – 高级人民法院
  - Intermediate People's Court – in major cities – 中级人民法院
  - District People's Courts – 基层人民法院

# Courts & IP Enforcement

- Major courts have specialized IP benches
- Foreign cases are usually commenced in the Intermediate level courts.
- Appeals are to the Higher People's Court
- Supreme Court appeals are rare. SPC issues many interpretations of laws.
- 5000 court decisions regarding IP and technology contract disputes now available online in Chinese at: <http://ipr.chinacourt.org>

# Courts & IP Enforcement

## JUDGES

- 中华人民共和国法官法 (Judges Law)
- Adopted 1995, amended 2001
- As in Germany – becoming a judge is usually a career choice made after law school
- 地方保护主义 – local protectionism

# Courts & IP Enforcement

## JUDGES

- 河南省洛阳市中级人民法院 (Henan Province Luoyang City Intermediate People's Court) – Luoyang Seed Case
- Local company breached a contract with a European company and was sued
- To calculate damages the price of the seed had to be determined
- Provincial law had a price cap, national law specified market price

# Courts & IP Enforcement

## JUDGES – Luoyang Seed Case

- 30 year old woman judge relied on the 立法法 (Legislation Law)
- National law applied, upheld on appeal
- *Global Corruption Report 2007* - Transparency International
- “Corruption Perceptions Index” - China’s courts tied for 70th place with Brazil, Egypt, Ghana, India, Mexico, Peru, Saudi Arabia and Senegal.

# Courts & IP Enforcement - Cases

- Starbucks 星巴克 – in Shanghai (2006) and Qingdao (2005)
  - Really a straight forward case of a company name including a registered trade-mark. Most press reports were incorrect. Starbucks won easily.

- Ferrero- Rocher – in Tianjin - 2005

意大利费列罗公司(FERRERO S.p.A.) v. 蒙特莎(张家港)食品有限公司

- Ferrero-Rocher had not registered their Chinese character name and had allowed infringing use by a Chinese dairy for well over ten years.
- Ferrero-Rocher lost at trial and won on appeal, case now under appeal to Supreme People's Court



# Courts & IP Enforcement - Cases

- Ferrero-Rocher – cont'd
  - Commenced action in 2003 under Anti-Unfair Competition Law - 反不正当竞争法
  - Grounds for win in Tianjin Higher People's Court:
    1. In determining whether a mark is well-known regard to be had to foreign and domestic market – Paris Convention
    2. Chinese infringer could not prove independent creation of packaging
    3. Infringer failed to prove that the mark was not well-known in China
    4. Court cited Article 10bis (2) of the Paris Convention in support of the proposition that Article 5(2) of China's Unfair Competition Law should be read liberally.

# Courts & IP Enforcement - Cases

- Ferrero-Rocher – cont'd

3. 根据诚实信用和公认的商业道德准则，知名商品应当是诚实经营的成果。因此，在法律上不能把使用不正当竞争手段获取的经营成果，作为产品知名度的评价依据。( Based on the principles of good faith and recognized business ethics, “well-known” status for a product must be achieved through management’s own efforts. Therefore unfair competition as specified in law cannot be used as a method for management to achieve “well-known” status for a product.)

# Courts & IP Enforcement – Cases

- **Lego Case** 英特莱格公司 (INTERLEGO · AG) v. 可高 (天津) 玩具有限公司, Beijing 2002
  - patent protection on basic brick expired
  - Lego sought protection based on claim of trademark in configuration of basic brick
  - claimed customer confusion with competing bricks
  - generally unsuccessful in Western countries except on narrow labeling grounds
  - In China successful under design patent and copyright law

# Courts & IP Enforcement – Cases

## DAMAGES

浙江华田工业有限公司 v. 雅马哈发动机株式会社 (Zhejiang Huatian Industries, Ltd. v. Yamaha Engine Corporation) April 25, 2007

- Jiangsu Higher People's Court awarded damages of 8.3 million yuan (\$1.1 million USD)

# Courts & IP Enforcement – Cases

## DAMAGES

浙江蓝野酒业有限公司 v. 上海百事可乐饮料有限公司  
(Zhejiang Blue Wild Liquor Company v. Shanghai Pepsi Cola)  
May 24, 2007

- December 14, 2003 Chinese co. applied for the trademark “蓝色风暴” (BLUE STORM) – registered January 24, 2006
- July – August 2005 Pepsi used the same mark in a promotional campaign
- Pepsi won in the court of first instance on grounds that use as a slogan was not use as a trademark
- On appeal Zhejiang Higher People’s Court awarded 3 million yuan (\$393,576.00 USD) to the Chinese company

# Courts & IP Enforcement - Cases

Generally trademarks are more likely to be counterfeited than patents

Pfizer – VIAGRA



最出名的药物万艾可(伟哥、威而钢)

# Pfizer's Trademark Problems

- “VIAGRA” trademark applied for in the U.S. on April 12, 1996
- Viagra was approved for use by the U.S. FDA on March 27, 1998
- May 1998 Guangzhou Welman applied in China for the trademark “伟哥” (wei ge)
- August 1998 Pfizer applied for the same Chinese mark

# Pfizer's Trademark Problems

- July 24, 1998 Pfizer applied for the mark “万艾可” (wan ai ke)
- March 11, 2003 Pfizer applied for the shape and color of the pill as a trademark
- But the Chinese public has come to know the drug as 伟哥, not 万艾可.



# Pfizer's Trademark Problems

辉瑞产品有限公司 v. 北京健康新概念大药房  
有限公司 (Pfizer Products v. Beijing Health

New Concept Big Pharmacy) Beijing Intermediate People's  
Court – December 27, 2006

- Pfizer won based on its registration of the shape and color of the pills

辉瑞产品有限公司 v. 广州威尔曼药业有限公  
司 (Pfizer Products v. Guangzhou Welman)

February 2, 2007

- Pfizer lost its claim that 伟哥 is its famous unregistered mark and unfair competition, and is now appealing

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