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БОРЬБА С ПОДДЕЛКАМИ В КИТАЕ И ЗАРУБЕЖОМ: ПРИМЕРЫ ИЗ ПРАКТИКИ

CASE STUDIES IN FIGHTING FAKES IN CHINA AND INTERNATIONALLY

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11 АПРЕЛЯ 2019 Г.

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Introduction and Overview

1. Preparation – courts, the product or process
2. Collecting the Evidence
3. Going to Court
4. Settlement Agreements

Preparation

How effective are the courts or tribunals in the Jurisdiction?

Enforcement of Contracts –

World Bank – www.doingbusiness.org/EconomyRankings

Based on procedures, time and cost

People's Republic of China - 6th

United States – 16th

Russian Federation – 18th

Canada – 96th

Preparation

Rules of Evidence – Civil law or Common law

Is discovery available?

Do investigate reports have to be notarized?

Do we have contracts – NDAs, LOIs, License Agreements that are properly signed?

Any other third party reports that can be used?

What is the role of the notaries in the jurisdiction?

Preparation

Analysis of the Product

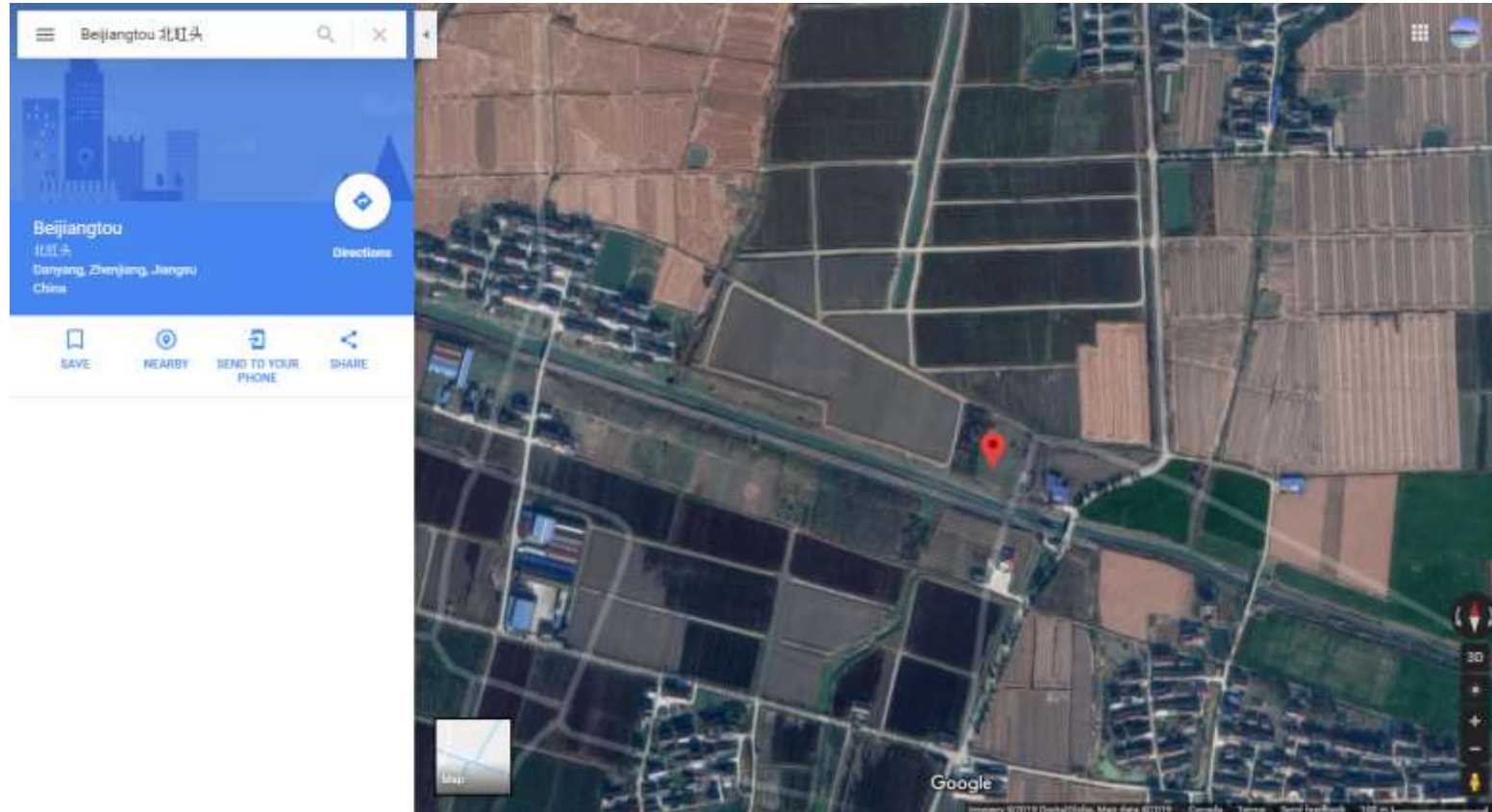
- Are the parts easy and/or inexpensive to manufacture
- If the products are difficult to make, who would own the mold?
- If the patent rights relate to a process, how can use of the process be detected?

Collecting the Evidence

Finding the Factory

- Due diligence reports – works where there are good databases
 - Need names in the local language – Chinese characters
 - In China addresses searches and individual shareholder searches are possible
- Sometimes if you catch a retailer they will disclose their source

Collecting the Evidence



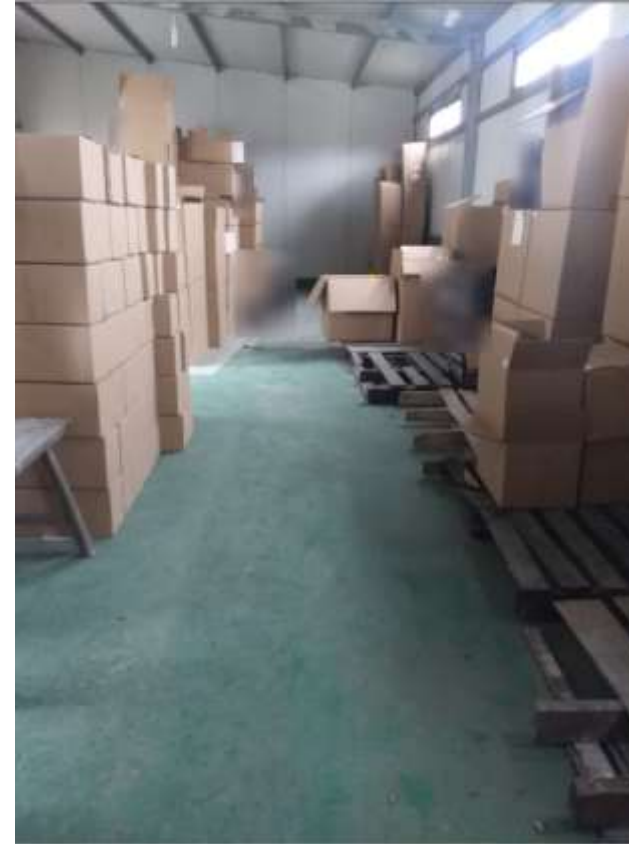
Collecting the Evidence



Collecting the Evidence



Collecting the Evidence



Collecting the Evidence

Conducting the Buy

- Is notarization needed? Of what, the products or just the paperwork?
- Does the supplier have a minimum sale quantity? Samples? Or a container?
- Will they sell domestically or only internationally?

Collecting the Evidence

Conducting the Buy Internationally – The Story of a Sting

- Most dealers do not like to be openly involved in a buy for court proceedings
- Need to plan a sting or fake buy internationally
- Will the foreign evidence be accepted in the infringer's home court?
- Are the notarial rules similar enough?

Collecting the Evidence

Conducting the Buy Internationally – The Story of a Sting

- Infringers may be very wary – Need to convince them that the initial enquiry is not a trap – industry knowledge is key
- If your informant remembers where he met the infringer, the fake purchaser can say that she met them at that trade show
- Need to at least set up a web site for the fake company, and a mailbox
- Then ask the infringer to ship you a catalogue – hopefully it will have the infringing products listed

Collecting the Evidence

Conducting the Buy Internationally – The Story of a Sting

- From the catalogue you plan the order – has to fit your client's budget, but the industry practice is usually at least one full container – deposit amount may be negotiated
- When placing the order, insist on having an inspection preferably in their factory, or at least before shipping in the infringer's home port
- Remember that your client will need to reimburse the dealer for the deposit at a minimum, and maybe for the full cost of the container

Collecting the Evidence

Conducting the Buy Internationally – The Story of a Sting

- If the inspection is not in the factory, may be difficult to prove that the infringer is a manufacturer and not just a dealer
- Also inspections outside of the factory allow the infringer to claim that the products are not theirs
- If the inspection provides sufficient evidence, there is the option of reporting the shipment to customs for seizure.

Collecting the Evidence

Conducting the Buy Internationally – The Story of a Sting

- Alternatively the transaction will need to be completed by shipping the products and paying the full purchase price
- If the customs seizes the shipment, it will be necessary to give them a deposit usually equal to the value of the shipment, and immediately commence an infringement action in the courts.
- If the goods are shipped, what notarization is available in the destination country, how will the counterfeit goods be disposed of?

Going to Court

Strategic Options

- Now that you have the notarized evidence, should a demand letter be sent to the infringer?
- What damages do you wish to claim? Do you have the evidence of any sales volume?

Going to Court

Strategic Options

- For patents there are administrative courts – they are fast, but there are no damages – but the conviction goes on the infringer's record
- Raids can be slow and ineffective
- Courts can grant permanent injunctions and damages – damages are low but they defray costs

Going to Court — Presenting the Evidence in China



在中国打官司- Going to Court in China

F. Proceedings

- File the statement of claim with some of the evidence
- In about a week the court will decide on acceptance and serve the defendant
- Initially the defendant will be given about a month to file its defense and evidence

在中国打官司- Going to Court in China

F. Proceedings

- For domestic cases the decision is to be delivered within six months of the date of acceptance, or an explanation must be given to the Chief Judge of the court
- Difficult cases are also considered by the Adjudicative Committee
- Judges who hear the case may also mediate the case

在中国打官司- Going to Court in China



Settlement Agreements

- With smaller infringers or retailers, brokers and distributors it may be cheaper to settle
- We have had recent success in franchise terminations – key is cross-cultural sensitivity

Settlement Agreements

Issues to consider

- How much inventory do they have, how will it be disposed of
- De-identification requirements – signs, corporate names, social media such as WeChat and Weibo
- To ensure compliances include liquidated damages in the settlement agreement
- Plan inspection(s)

Conclusions

- Know the variations in the laws of the jurisdictions
- Know the industry and protect your sources
- Make a plan and a budget

Conclusions

- Discuss likely remedies with your client
- Obtain client approval on the budget and the remedies
- Settlement needs considerable cross-cultural sensitivity

有问题吗？ - Questions?



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