China IPR Toolkit

STOPfakes.gov

UNITED STATES
PATENT AND TRADEMARK OFFICE

uspto

STOPfakes.gov

China Intellectual Property Rights Toolkit

Contents

China's intellectual property environment 1
Trademarks 2
Patents 7
Copyrights 9
Trade secrets and unfair competition 11
IP enforcement 13
Other resources 17

This toolkit was prepared by the United States Patent and Trademark Office, a participating agency in www.STOPfakes.gov. STOPfakes.gov is a one-stop shop providing U.S. government tools and resources on the protection and enforcement of intellectual property (IP) rights. The federal agencies behind www.STOPfakes.gov have developed a number of resources to educate and assist businesses, particularly small and medium-sized enterprises, as well as consumers, government officials, and the general public.

This toolkit is intended to provide general guidance for businesses and practitioners in better understanding the basics of the IP landscape in China. It is distributed with the understanding that the authors, editors, and publisher are not engaged in rendering legal, accounting, or other professional services. Nothing in this toolkit should be understood as legal advice. When legal or other expert assistance is required, the services of a competent professional should be sought. This report contains information that was current as of the date of publication. Whereas every effort has been made to make it as complete and accurate as possible, readers should be aware that all information that is contained herein is subject to change without notice. The images used in this toolkit are for educational purposes only.

Published October 2019.

UNITED STATES
PATENT AND TRADEMARK OFFICE
uspto

CHINA'S INTELLECTUAL PROPERTY ENVIRONMENT

U.S. Companies doing business in China face a range of challenges in protecting and enforcing their intellectual property (IP). Companies planning to do business in China should understand that the U.S. and Chinese IP legal systems are different and that registration of rights in the United States does not automatically confer rights in China. It is important to become familiar with the differences between the two systems and to develop and implement a comprehensive strategy for protecting your IP in China. This toolkit provides a starting point for developing an understanding of the challenges you may face in protecting and enforcing IP in China, and it may be helpful for developing a China IP strategy.

A multilayered IP portfolio can provide synergistic protection and compensate for gaps in China's IP system.

Chinese government agencies with IP-related responsibilities

China's system for granting, enforcing, and adjudicating IP rights relies on a variety of administrative and judicial bodies. The different roles of these bodies are discussed throughout this toolkit. The following identifies principal responsibilities.

- The **National Intellectual Property Administration** (CNIPA) examines and decides on applications for patents, trademarks, geographical indications, and layout designs of integrated circuits. CNIPA also includes administrative bodies that decide requests to invalidate patents and to reverse decisions by patent and trademark examiners. CNIPA's trademark-related work is conducted by its Trademark Office and its patent work by its Patent Office.
- The **Copyright Protection Center of China** (CPCC) issues copyright registrations.
- The **National Copyright Administration of the People's Republic of China** (NCAC) is responsible for the administrative enforcement of copyrights. For example, a copyright owner can initiate an administrative proceeding against an alleged infringer at NCAC. In addition, NCAC supervises the CPCC.
- The **State Administration for Market Regulation** (SAMR) is responsible for administrative enforcement of patents and trademarks.[1] For example, a patent owner can initiate an administrative proceeding against an infringer at SAMR. (In some jurisdictions, including Shanghai, this authority still resides with the local IP offices).
- The **General Administration of Customs of China** (GACC) enforces patents, trademarks, and copyrights at China's borders.
- The **Ministry of Public Security** and its local bureaus investigate certain criminal infringement cases, and the Supreme People's Procuratorate and its local branches prosecute certain criminal infringement cases.
- Court cases involving IP are heard both by China's regular courts and by three recently established specialized IP courts. An Internet Court hears cases involving the online sale of infringing goods, and the Supreme People's Court includes a National Appellate IP Court, which considers appeals of patent cases and other complex IP-related cases from lower courts.

General considerations for protecting IP rights in China

The following may be helpful in protecting IP rights in China:

- Create a basketful of IP rights, including patents, trade secrets, trademarks, and copyrights. A multilayered IP portfolio can provide synergistic protection and compensate for gaps in China's IP system.
- Develop an IP strategy with enforcement in mind. The strategy could involve hiring a competent local IP attorney who can provide a full range of services. Such services should include not only registration of rights but also monitoring, investigation, and enforcement work.

1 In China, IP owners can choose between enforcing their rights administratively, that is, through administrative agencies, or judicially, through the courts. For more information about administrative enforcement generally and about SAMR's role in particular, please see the discussion about IP enforcement, in particular, page 13.

- Customize your strategy according to your needs. Your strategy may differ depending on the nature of your business and your IP rights and on your plans for doing business in China. To be successful in China, you should plan carefully. Begin by considering the general strategies and best practices identified in this toolkit.
- Instill in your China-based workforce a sense of IP ownership, and make IP protection the responsibility of your entire China team.
- Keep good records. IP enforcement in China generally requires original documentary evidence (for example, certificates of registration) to establish rights and provide a basis for enforcement.
- Take advantage of U.S. government resources, including the China Team at the U.S. Patent and Trademark Office (USPTO) headquarters in Alexandria, Virginia, and the USPTO's IP attachés posted in China. They can offer assistance and information on protecting and enforcing IP rights; finding local help; and addressing problems with Chinese counterparts, including advocating for rights holders under exceptional circumstances. (See link to their contact information in the "Other Resources" section of this toolkit).

TRADEMARKS

What is a trademark?

A *trademark* is a word, phrase, symbol, and/or design that identifies and distinguishes the source of the goods of one party from those of others. A *service mark* is a word, phrase, symbol, and/or design that identifies and distinguishes the source of a service rather than a good. Some examples of each include brand names, slogans, and logos. The term "trademark" is often used in a general sense to refer to both trademarks and service marks.

Unlike the United States, which grants priority to trademark owners based on their use of a trademark, China is a "first-to-file" jurisdiction: A party can obtain ownership of a trademark merely by filing an application to register it and is not required to show evidence of use. Article 8 of China's Trademark Law lists the types of signs that may serve as trademarks: any signs, including words, graphs, letters, numbers, three-dimensional symbols, color combinations, and sounds, or any combination thereof, that are capable of distinguishing the goods or services.

In addition to trademarks and service mark registrations, you may also file to register certification marks and collective marks. *Certification marks* are symbols controlled by organizations that have the ability to oversee certain products or services, and they are used by companies or individuals to indicate the original place of manufacture, the raw materials used, the method of manufacture, the quality, or other specific features of the product or service associated with the mark. *Collective marks* are symbols registered in the name of groups, associations, or other organizations for use by members to indicate their membership in the organization.

A mark is generally eligible for trademark registration in China if it is distinctive, is easily distinguishable, does not conflict with prior lawful rights obtained by a third party,

China is a "first-to-file" jurisdiction: a party can obtain ownership of a trademark merely by filing an application to register it and is not required to show evidence of use.

and is not otherwise prohibited by the Trademark Law. Under China's Trademark Law, symbols that cannot be registered as trademarks include ones that are the same as or similar to the state name, national flag, national emblem, or military flags or military decorations, not only of China but also of other countries and international intergovernmental organizations, unless approved by the relevant country or organization. Other marks that cannot be registered include ones that discriminate against any nationality, are detrimental to socialist morals or customs, have so-called "unhealthy influences," or lack sufficient distinctiveness. For a list of prohibited marks, refer to China's current Trademark Law.

The term of protection in China for a trademark is 10 years, commencing from the date of registration. A trademark may be renewed indefinitely, subject to the payment of a renewal fee every 10 years.

In the United States, trade dress is protectable under the trademark law. Although certain elements of trade dress, such as 3-D marks, may be eligible for protection under China's Trademark Law, trade dress is protected primarily through the Anti–Unfair Competition Law (see the "Trade Dress" section below).

How to obtain trademarks in China

Because rights are determined according to priority in filing, be sure to file as early as possible with the Trademark Office of CNIPA, using the following steps:

Step 1: Determination of eligibility

- A mark is eligible for trademark registration if it is distinctive, does not conflict with the prior lawful rights obtained by a third party, and is not otherwise prohibited by the Trademark Law. A China trademark agent or lawyer may provide advice as to whether a trademark is eligible for registration.

Step 2: Selection of trademark agent

- Under China's Trademark Law, foreigners or foreign enterprises must work with a China trademark agent or an organization that is qualified to practice before the Trademark Office. However, if a foreign enterprise has a presence in China, it is not required to use such agents and may apply directly to the Trademark Office. Many still choose to use a trademark agent to assist in the process.
- Your U.S. trademark attorney may have a global network of attorneys and agents, including in China, who will be able to assist in the filing of any trademark application, including under the Madrid Protocol (Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks).
- Certified China trademark agents typically prepare the application, conduct a pre-application trademark search, and submit the application.

Step 3: Selection of classes

- In China, as in the United States, trademarks are administratively categorized into classes of goods or services following the International Classification of Goods and Services for the Purposes of the Registration of Marks under the Nice Agreement. Unlike the United States, China further categorizes goods and services into similarity subclasses (China's Classification Chart).
- An agent or lawyer may provide advice regarding classification. A trademark must be registered in connection with at least one particular class of goods. In addition, a trademark agent or lawyer may advise you to register your mark not only in classes that pertain to your particular products or services but also in other classes and subclasses, both as a hedge against bad-faith actors who may seek to register your mark and in case you later expand into other goods or services.

Step 4: Performance of preapplication trademark search

- A preliminary trademark search is necessary to ensure that there are no prior conflicting registrations. Normally, a registered trademark agent or attorney can do this search using a database on China's official Trademark Office website (http://sbj.cnipa.gov.cn/). Note the following:
  - Not all firms conduct these searches automatically when you retain them; you should specify that you want this done.
  - The preliminary searches may be costly and time consuming.
  - The database that the attorney or agent may search is not the official register and does not include pending applications.

Step 5: Submission of application to the Trademark Office

- Trademark applications must include a trademark application form, a power of attorney form, and a certificate of incorporation or business license if the applicant is a company.
- In addition to the required forms, the application must include a number of trademark specimens. A trademark agent or attorney will inform the applicant of the appropriate number.
- All documents must be submitted in the Chinese language. Documents submitted in languages other than Chinese are deemed "not to have been submitted" to the Trademark Office.
- As an alternative to filing an application directly with the Trademark Office, consider extending your U.S. application or registration into China through the Madrid Protocol, which can be done through the USPTO.[2]

Step 6: Application for priority registration under international agreement

- China and the United States are members of the Paris Convention for the Protection of Industrial Property ("Paris Convention"). The Paris Convention provides that under certain circumstances, trademark owners from Paris Convention member countries who apply to register their marks in their home countries and subsequently apply to register the same mark in other Paris countries are deemed to have filed the later

2 Note that a downside of using the Madrid Protocol is that it could result in the Trademark Office misclassifying the goods in your application. As noted, the Trademark Office classifies goods into both classes and *subclasses*, but the Madrid system does not provide subclasses. Therefore, there is no opportunity for you to specify a subclass in a Madrid filing, and the Trademark Office may, in the absence of a direction from you, choose an incorrect subclass.

applications on the same date as their home country filings. That "priority filing date" is available if the subsequent applications are filed within six months from the date of the home filings.

- An applicant who claims priority in its application before the China Trademark Office must state so in writing at the time when the first application is filed in China.
- In addition, within three months, the applicant must also submit a copy of the first application filed in its home country.

Step 7: China Trademark Office review

- The Trademark Office will review the trademark application materials to ensure that they are complete and comply with all the application requirements and that the trademark meets the criteria for eligibility for registration.

Step 8: Preliminary approval and publication in the Trademark Gazette, request to amend application, or rejection of application

- If the Trademark Office determines that the application packet is complete and that no other similar or identical trademark is currently registered or pending, it will grant preliminary approval and publish the trademark in the *Trademark Gazette*. The public at large will then have three months to challenge the application to register the trademark.
- If the Trademark Office decides that the application needs to be amended (for example, if the applied goods are not submitted in standard language contained in the Classification Chart), it will notify the applicant in writing. The applicant must amend the application within 15 days of receipt of the notification from the Trademark Office. The applicant has only one chance to amend, and if the amendment is rejected again by the Trademark Office, or if it is not filed within the time limits, the application as a whole will be rejected. A rejection based on a failure to sufficiently amend an application can be appealed internally, by filing for administrative reconsideration at the Trademark Office through the Trademark Review and Adjudication Board.
- If the Trademark Office rejects the application on substantive grounds (for example, if the trademark is found to be similar to an existing registered trademark), it must notify the applicant of the rejection in writing. Within 15 days of receipt of the rejection, the applicant may request administrative review by the Trademark Review and Adjudication Board. If the applicant is dissatisfied with the board's decision, it may seek judicial review by filing an administrative appeal to the Beijing IP Court within 30 days of receiving written notification of the board's decision.

Step 9: Registration

- If no third party opposes the mark during the three-month opposition period, the Trademark Office will register the trademark and publish notice of the registration in the *Trademark Gazette*.

Opposition to preliminary approval of registration

If the Trademark Office preliminarily approved someone else's application to register a trademark that you believe infringes your mark, you may file an opposition to the registration of that mark. This must be done within three months of publication of preliminary approval in the *Trademark Gazette*. The Application for Trademark Opposition must be submitted in duplicate and must set out the relevant information.

Thereafter, the parties are entitled to provide additional information within strict time limits (three months). A company's use of an experienced trademark attorney to advise on filing an opposition is important.

Invalidation of registered trademark

You may ask the Trademark Office to invalidate a registration of a trademark that you believe infringes your mark. Such requests must be filed within five years from the day the registration is issued.[3] The Trademark Office will issue its decision on the invalidation request within 12 months, and either party can appeal the decision to the Beijing IP Court within 30 days of receiving the decision.

What constitutes infringement of your trademark in China

Under China's law, *once you register your trademark*, a third party can be found to have infringed your mark if he or she does any of the following:

- Uses a trademark that is *identical* to yours in connection with *identical goods* without your authorization;
- Uses a trademark that is *similar* to yours in connection with *identical goods* without your authorization, if that use is likely to cause confusion;

3 The five-year limitation does not apply if the registration was obtained in bad faith or if the registered mark is similar to a trademark that CNIP determined to be "well known."

- Uses a trademark that is *identical or similar* to yours without your authorization in connection with *similar goods*, if that use is likely to cause confusion;
- Sells goods that infringe your exclusive right to use the trademark;
- Forges or manufactures representations of your trademark (for example, on tags, labels, or stickers) or sells those representations without your authorization;
- Affixes your trademark on other products and then sells those products, all without your authorization;
- Helps others to infringe your mark, or deliberately creates conditions that facilitate the infringement of your trademark; or
- Carries out other acts that result in harm to your exclusive right to use your registered trademark.

Obtaining domain name registrations in China

You may wish to protect your trademarks and trade names as domain names, both so that you can use your mark in that manner and to prevent others from improperly registering your mark as a domain name. Domain names are granted on a first-to-file basis.

Registration of a trademark with a ".cn" (China) extension is handled by a domain name registrar, not by the Trademark Office.

Developing a domain name strategy involves both business decisions and legal implications. Again, working with Chinese attorneys, either directly or through your U.S. trademark attorney, will help you develop your strategy.

As with trademarks, file as early as possible.

Challenging third-party domain name registrations in China

If a third party registers a domain name that you believe infringes your trademark (or is otherwise improper), you can challenge the registration in China in one of two ways:

- Through dispute resolution conducted by an arbitration center, such as the China Internet Network Information Center (CNNIC) or the Hong Kong International Arbitration Center (HKIAC); or
- By filing a dispute with the People's Court, claiming infringement or unfair competition.

Arbitration is generally the easier and cheaper of the two options, and CNNIC and HKIAC tend to be relatively sympathetic to trademark owners. If the domain name includes the ".cn" country code top-level domain (TLD), arbitration through CNNIC is available only if requested within three years of the registration of the domain name.

Trade dress—protection for product and service shapes, packaging, and decoration

What is trade dress?

Trade dress is the overall commercial image (look and feel) of a product or service, which indicates or identifies the source of the product or service and distinguishes it from those of others. It may include the design or configuration of a product, the packaging of goods, and/or the décor or environment in which services are provided. Trade dress can consist of elements such as size, shape, color, or texture to the extent that such elements are not functional.

How to obtain trade dress protection in China

China's Anti–Unfair Competition Law (AUCL) provides protection against the unauthorized use of names, packaging, or decorations that are identical or similar to those of famous products. The AUCL can therefore provide legal grounds for opposing unauthorized copying of the distinctive packaging or shapes of popular products.

This protection has been extended to the design elements of a retail store, employee uniforms, and other distinctive components of a business's overall image. However, enforcement authorities will not protect the look and feel of a product or retail environment if the elements for which protection are sought result from the nature of the product itself, are functional, or add material value to the product.

Parties who believe that their distinctive product shapes, packaging, or business image has been used by third parties without authorization may seek redress through either administrative enforcement or civil enforcement via China's court system.

Administrative enforcement

- Under the 2017 amendment to the AUCL, businesses whose trade dress has been infringed may file a complaint with the relevant administrative enforcement authority.
- As with cases involving trade secrets (see later discussion), enforcement officials are empowered to conduct broad investigations into cases of alleged infringement, including conducting raids, making copies of relevant documentation, seizing or freezing relevant assets, and interviewing individuals under investigation.
- Upon making a determination that infringement has occurred under the AUCL, the administrative enforcement authority may issue an injunction against further use of the relevant goods, may seize the infringing goods for destruction, and may issue a fine.

- The fine is calculated on the basis of the amount of illegal profits earned by the infringer. In cases where profits exceed RMB 50,000 (approximately US$8,000 in 2018), the fine may be as high as five times the amount of the illegal profits. In cases where illegal profits are less than RMB 50,000, or in cases where no illegal profits are earned, the fine may not exceed RMB 250,000 (approximately US$40,000 in 2018).

Civil enforcement

- Under the 2017 amendment to the AUCL, businesses harmed by infringement of their product shape, product packaging, retail store design, and so on may seek redress in China's court system.
- If a court determines that infringement has occurred, it may award compensation equal to the amount of harm suffered. If such harm is difficult to calculate, the court may award compensation equivalent to the illegal gains made by the infringing party. This compensation may include reasonable costs expended to stop the infringement (for example, legal fees).
- If the foregoing methods of calculating compensation are ineffective or inapplicable, the court may award statutory damages of up to RMB 3 million (US$470,000 in 2018).

Tips for protecting your trademarks in China

The following tips may be useful in seeking to protect your trademarks in China:

- Trademarks are territorial, meaning that rights to a trademark in one country do not necessarily confer rights in other countries. Because a U.S. registration does not provide protection in China, you should apply to secure the rights to your brand in China as early as possible.
- China's strict adherence to a first-to-file system (see above) has resulted in third parties filing first in bad faith to prevent legitimate brand owners from registering their marks. Because it can be difficult to cancel these registrations, you should monitor your marks in China and address any bad-faith filing early. Monitoring can be accomplished by periodically conducting searches of China's public searchable trademark database or by hiring companies that specialize in monitoring trademark filings. Those companies may have enhanced, software-based methods of spotting trademarks that might be missed during ordinary database searches.
- You should file your trademarks early to avoid bad-faith filers and to arm yourself with rights to pursue infringers and counterfeiters.

Other preventive measures include the following:

- File defensive applications covering all classes of goods and services that you may sell in the future or that may cause consumer confusion.
- Consider filing a Chinese-language version of the mark.
- Consider filing in Hong Kong, Macao, and Taiwan, as well as in Singapore and other neighboring countries.
- Maintain ownership of your registrations within your company rather than having a local distributor or business partner arrange for registration and maintenance of your trademark.
- Record your Chinese trademark registrations and authorized distributors with the General Administration of Customs of the People's Republic of China (China Customs) through its free online IPR protection platform (at http://english.customs.gov.cn/zscqbh/main.html-page=04.htm). After you are registered, China Customs can proactively monitor your brand and seize counterfeits that are imported into or exported from China (see "IP Enforcement" on pages 13-16).
- Conclude and register trademark licensing contracts.
- Ensure that a trademark agent or law firm monitors the *Trademark Gazette* for applications for similar marks so that you can oppose an application or seek to cancel a registration.
- Monitor the market for infringing products.
- Consider filing even if you are only manufacturing in China but do not have present plans to sell in the China market.
- There may be avenues other than the trademark laws for protecting your trademark rights. For example, a company logo can be protected by both trademark and copyright. A copyright in the company logo can be used as a "prior right" under China's Trademark Law to oppose or cancel bad-faith trademark registrations.
- China provides enhanced protection for marks that are deemed to be "well-known." For example, such marks may be given priority over similar marks that were previously registered in bad faith. However, note that it is generally difficult for foreign rights holders to have their marks designated as well-known.

PATENTS

What is a patent?

A patent for an invention is the grant of a property right from the government to the inventor to prevent others, for a limited duration of time, from using, making, offering for sale, selling, or importing the invention without the patent owner's consent. China's National Intellectual Property Administration (CNIPA) is the government authority that receives and examines patent applications.

CNIPA grants three types of patents—invention patents, utility model patents, and design patents:

- An *invention patent* is similar to a utility patent in the United States. It protects technical solutions, chemical compounds, and processes that are new, useful, and nonobvious. The term of protection is 20 years from the filing date (or the priority date, if priority is claimed).
- A *utility model patent* protects products with new shapes, structural physical features, or a combination thereof. Methods of production or chemical compounds are not protected by a utility model patent. The term of protection is 10 years from the filing date.
- A *design patent* protects the shape, pattern, and color, or a combination thereof, of a product and is similar to a design patent in the United States. The term of protection is 10 years from the filing date (or the priority date, if priority is claimed).

China's Patent Law provides that the following are not eligible for patent protection:

- Scientific discoveries
- Rules and methods for intellectual activities
- Methods for the diagnosis or treatment of diseases
- Animal or plant varieties
- Substances obtained by means of nuclear transformation
- Designs that are used mainly for marking a pattern, a color, or a combination of the two, on prints

How to obtain patents in China

When deciding whether to apply for a patent in China, companies should consider the following:

- Patents are territorial; only a Chinese patent has the potential to protect against infringement in China.
- Both design and utility model patent applications are reviewed only for compliance with application formalities and are not examined for substance, so registration is easier and quicker than for invention patents. However, the lack of substantive examination may also lead to the issuance of poor-quality patents.
- Invention patents undergo a rigorous examination process, which may take years.
- When a foreigner, foreign enterprise, or any other foreign organization that has no official residence or business office in China applies for a patent in China, it must do so through a registered Chinese patent agent

> Foreign patent applicants who do not maintain business offices in China are required to submit their applications through legally registered Chinese patent agents.

Use the following steps to register a patent:

Step 1: Obtain a qualified patent attorney

Now that many companies are seeking to market their products globally, seeking patent protection in multiple countries is important. Because disclosure (inadvertent or otherwise) in one country may result in a loss of patentability in others, inventors should obtain legal advice as early in the process as possible. Residents of Patent Cooperation Treaty (PCT) member states (which include the United States, China, and more than 150 other countries) may file an international patent application that can reduce the complexity and cost of overseas filings and allow the applicant greater time to decide in which countries to file. Your U.S. patent counsel will be able to help you navigate these complicated matters, including filing through the PCT. In addition, your U.S. patent counsel will likely have a global network of patent attorneys and agents and can help you select appropriate Chinese counsel and agents, as needed.

Step 2: Determine whether you have a priority claim

China and the United States are members of the Paris Convention for the Protection of Industrial Property ("Paris Convention"). The Paris Convention provides that an applicant who has filed a patent application in his or her home country, may, within one year of that filing, file subsequent patent applications in another country that is a member of the Paris Convention, claiming the filing date of the first application. For invention and utility model patents, the applicant can first file an application in his or her home country and then file a second application in China within 12

months, claiming the priority date of the first application. For design patents, that period is six months. Priority filing dates allow an inventor to avoid the possibilities (1) that a patent in one country could be granted to someone else in a foreign country and (2) that disclosure in one country subsequent to filing an application could render an invention part of the prior art and thus unable to be patented in other countries.

Step 3: Select a reputable Chinese patent agent

Foreign patent applicants who do not maintain business offices in China are required to submit their applications through legally registered Chinese patent agents. Your U.S. patent attorney may be able to refer you to a Chinese patent agent. Ideally, the patent agent you select should be familiar with the technology or subject area of the patent.

Step 4: Prepare the required paperwork

Chinese patent applications, like most patent applications, are complicated and must be supported by substantial documentation. The applications must be in Chinese and must include a patent specification (an abstract, description, claims, and any relevant drawings) Design patent applications must include drawings or photographs of the design.

If an applicant has filed an international patent application under the PCT that designates China, the applicant must provide a Chinese translation of the application within 30 months of the priority date.

Step 5: Submit the application

Applicants can file their applications with CNIPA in Beijing by hand delivery or by post, or they can file via the CNIPA's representative offices located in provincial intellectual property offices.[4] Applicants can also file electronically via the government website of CNIPA (http://cponline.sipo.gov.cn/).

Step 6: Preliminary examination

After it receives the application, CNIPA will conduct a preliminary examination to determine whether the statutory filing requirements have been met. If yes, and if the patent being applied for is a utility model or design, no further examination is conducted, and the patent is issued. If the application is for an invention patent, then, following a request by the applicant, CNIPA will conduct a substantive examination.

Step 7: Reexamination

If the patent application is rejected, the applicant can seek reexamination of its application by the Patent Reexamination Board (PRB) within three months of being notified of the rejection. The applicant can likewise appeal determinations of the PRB by instituting legal proceedings at the Beijing IP Court. Those decisions can in turn be appealed to the National Appellate Intellectual Property Court of the Supreme People's Court.

Tips for protecting your patents in China

China allows patent applicants to apply for both invention and utility model patents for the same invention, so applicants should consider filing an invention patent and a utility model patent simultaneously for the same subject matter. If you are first granted a utility model patent and thereafter an invention patent, you would be required to abandon the utility model patent. The benefit of applying for both is that you are likely to be granted utility model protection shortly after filing and, thereafter, to enjoy the benefits of the longer 20-year protection of the invention patent.

- Claims relating to business methods are now eligible for patent protection if they include sufficient technical elements in addition to business rules or methods.
- Pure software programs cannot be protected under China's Patent Law. However, software programs combined with a medium or hardware can be protected.
- Consider that the decision to seek a patent may have significant consequences. For example, if a patent is sought but not obtained or is granted and then invalidated, the subject matter may have become public, meaning that trade secret protection may also be unavailable.
- Ensure that your patent application is translated into Chinese when filing in China. U.S. companies often do not obtain accurate translations, and submission of faulty translations can render a patent vulnerable to invalidation. In addition, such patents can be difficult to enforce. Your U.S. attorney can help ensure your use of appropriate professionals to translate patent documents, including the patent's claims and specifications.
- If you wish to obtain your patent protection in multiple countries, consider filing an international patent application under the PCT naming China as a designated state. You can file a PCT application with the USPTO. You will then have up to 30 months to initiate the national phase procedure with CNIPA.
- Unlike the U.S. procedure, China Customs will record patents (in addition to registered trademarks and copyrights). Therefore, consider whether the recordation of design patents would be helpful in preventing the export from or import into China of infringing products.

4 Local intellectual property offices at the provincial and municipal levels are responsible for administrative enforcement but not for examination, and therefore those offices have no role in the prosecution process.

COPYRIGHTS

What is a copyright?

A *copyright* protects "original works of authorship," including literary, dramatic, musical, and artistic works. The authority responsible for the registration of copyrights in China is the National Copyright Administration of the People's Republic of China (NCAC). Registration of a copyright is not a prerequisite to obtaining protection in China, as in the United States and most other jurisdictions, but voluntary registration is available in China and confers important advantages. By completing a simple registration procedure, you will be granted a certificate that can serve as proof of your ownership of the copyright in your work if a dispute should arise later. The advantages of registration and the procedure for filing an application for registration are discussed below.

China's Copyright Law enumerates the types of works eligible for copyright protection: (1) written works; (2) oral works; (3) musical, dramatic, and choreographic works; (4) works of fine art and architecture; (5) photographic works; (6) cinematographic works; (7) graphic works, such as engineering drawings and product designs as well as maps and sketches; (8) computer software; and (9) other works as provided for in laws and regulations.

A work must be original and capable of being reproduced in a tangible form in order to be protected in China, as in the United States. Originality requires (1) independent creation and (2) a minimum level of creativity.

Copyright owners in China are granted both economic and moral rights. *Moral rights* are rights connected to the personality of the author, such as the right of attribution (the right to have the author's name mentioned in connection with a work). *Economic rights* give authors the authority to exploit their work commercially. China's Copyright Law enumerates these economic rights, which consist of rights of reproduction, distribution, rental (for movies and software), exhibition (for works of fine art, photographs, and films), public performance, broadcasting, adaptation, translation, compilation, and "other rights."

Certain works cannot be protected by copyright in China under its Copyright Law. Written works such as news reports, laws, regulations, administrative and court decisions, and other works created by government entities to inform the public, as well as calendars, forms, tables, databases, and formulas, are excluded from copyright protection. However, compilations can be protected to the extent that the selection and arrangement of content is original.

Copyright in China, as in the United States, protects only the expression of ideas and not the ideas themselves.

> Copyright protection in China arises automatically when an original work is created, even if the work is created outside China.

Thus, a detailed written description about a company's internet business model could be protected by copyright, but the business model itself, and the ideas behind it, could not be protected.

The term of protection in China for individual authors is the life of the author plus 50 years. For legal entities, the term is 50 years from first publication of the work. The protection period for moral rights is perpetual. Note that the terms of protection for economic rights in China are less than those provided in the United States.

Advantages of copyright registration

As in the United States and most other countries, copyright protection in China arises automatically when an original work is created, even if the work is created outside China, as long as the author is from a member state of the Berne Convention for the Protection of Literary and Artistic Works ("Berne Convention"). The United States and China are both members of the Berne Convention, which now includes 186 contracting parties around the world. Copyright protection arises on the date the original work is created. For example, if an author writes a book in the United States, the book receives automatic copyright protection in China as soon as it is created. Although copyright is an automatic right, registration confers important advantages.

Registration is highly recommended for easier enforcement. A Chinese registration certificate can be used as evidence of ownership if an infringement occurs. When a copyright complaint is filed, a common source of delay is the need for authorities to determine the legitimate owner of the copyright, particularly for U.S. and other foreign works. Providing evidence in a format familiar to Chinese government officials will expedite their work. Use of a Chinese certificate of registration is procedurally more efficient because U.S. certificates must be translated, notarized, and legalized. Counterfeiters in China often use photos, designs, content, and marketing materials copied from the copyright holder's website. A Chinese copyright registration will provide proof of ownership and save time and money in case of a dispute.

Recordation with China Customs of copyright registrations also may help prevent the export of infringing goods or pirated works from China or, conversely, the import of such goods or works into China.

How to file a copyright registration

Authors can voluntarily register their copyrights with the provincial-level copyright administration or the Beijing-based Copyright Protection Center of China (CPCC). The NCAC has delegated responsibilities for registration to the CPCC. For software, the CPCC is the only entity authorized by the NCAC to register copyrights. An applicant may create a user account at www.ccopyright.com.cn and complete the registration form online, which must then be mailed to the CPCC.

Applications for copyright registration are typically processed within several months after the CPCC accepts the application, provided that all required documents are included. Otherwise, the registration process will take longer because of the need to submit supplementary documents. Registration is free.

Note that for software, parts of source code may be redacted in the copyright registration to protect trade secrets.

Tips for protecting your copyrights

- Record your copyright agreements, such as software licenses, with the CPCC, which will provide a public record of your rights. In some instances, this record may be required to collect royalties.
- Copyright holders may enforce their copyrights through administrative, civil, criminal, and customs avenues. The NCAC and local copyright administrative departments are primarily responsible for administrative enforcement. Although not empowered to award damages, the NCAC and local copyright administrative departments may order infringers to stop their infringement of the copyright, confiscate their illegal income, confiscate and destroy the pirated works and the equipment and materials used to manufacture those works, and issue fines. Also, unlike in the United States, copyright holders may directly pursue criminal enforcement by submitting a complaint and supporting evidence to the People's Court or Public Security Bureau (police) if the scale of the infringement is large enough to constitute a crime. A "criminal act" includes acts for the purpose of making a profit, as described in Article 217 of the Criminal Law, and includes the following scenarios: (1) if the amount of illegal proceeds (profits) are not less than RMB 30,000 (US$5,000), (2) if more than 500 copies of third-party works have been disseminated, (3) if third parties' works have been disseminated with an actual click number of 50,000 or more, and (4) in other circumstances.[5] The advice of experienced counsel should be sought if criminal copyright infringement is suspected.
- Under Chinese law, a copyright holder may also request that an internet service provider disable links or internet access to allegedly infringing works. The 2006 Regulations on the Protection of the Right of Communication through Information Network are similar to the 1998 Digital Millennium Copyright Act in the United States, requiring internet service providers to remove infringing content from their networks when notified by a copyright owner.
- In practice, all applications, complaints, and requests submitted to Chinese authorities should be in Chinese. In addition, all relevant documents and evidence should include a Chinese translation.
- Copyright can form an important part of an IP protection strategy, both as the primary protection for content and as a supplementary tool to enforce alongside other kinds of IP. For example, a company logo can be protected by both trademark and copyright law. A copyright registration of the company logo can be used as a "prior right" under China's Trademark Law to oppose or cancel bad-faith trademark registrations and as a basis for taking down infringing stores on e-commerce platforms.
- The work-made-for-hire doctrine in China is different from that in the United States. In China, the copyright of certain works created by an employee will belong to the employee, subject to a period of mandatory licensing to the employer. If you employ personnel in China, note that, unlike in the United States where employment is often at will, China's employment system is largely based on contracts. However, China's Copyright Law contains default provisions governing the allocation of rights between employers and employees and between commissioning and commissioned parties in the absence of a contract. This issue, along with many others, should be explored with attorneys skilled in employment, IP, and contract law in China.

5 Criminal acts of copyright infringement are described in Article 217 of the Criminal Law and in the "Supreme People's Court, Supreme People's Procuratorate and Ministry of Public Security Promulgated Opinions on Certain Issues Concerning the Application of Laws for Handling Criminal Cases of Infringement of Intellectual Property Rights" issued in 2011. These opinions set out important elements for internet and related criminal cases.

TRADE SECRETS AND UNFAIR COMPETITION

China's Anti–Unfair Competition Law (AUCL), recently amended in 2017, addresses a wide range of unlawful business conduct, including infringement of product shape and packaging, infringement of enterprise and domain names, false and misleading advertising, bribery, and misappropriation of trade secrets, among other prohibited business activities.

As with China's core IP laws, enforcement against trade secret misappropriation and several of the unlawful business activities covered by the AUCL may be carried out through China's three enforcement channels: administrative enforcement, civil enforcement, and criminal enforcement. The local offices of the newly formed State Administration for Market Regulation (SAMR) are entrusted with carrying out the administrative enforcement of the AUCL.

U.S. companies are deeply concerned about the lack of adequate protection for trade secrets in China. According to recent surveys, those concerns are the main reason given by nearly 50 percent of U.S. technology companies that have held back on transferring their technology into China.

What is a trade secret?

A *trade secret* in China is defined as technical and business information that (1) is unknown to the public, (2) has commercial value, and (3) is subject to confidentiality measures taken by its owner.

This definition is arguably narrower than that found in U.S. law under the federal Defend Trade Secrets Act of 2016, which covers "all forms and types of financial, business, scientific, technical, economic, or engineering information," as long as the owner has taken "reasonable measures" to keep the information secret and this information "derives independent economic value, actual or potential, from not being generally known to" someone who would benefit from its disclosure or use.

In practice, however, China's definition of *trade secret* covers a wide range of commercially valuable confidential information, including formulas, business plans, and manufacturing techniques. No registration with Chinese authorities is required for protection of a company's trade secrets.

Under the 2017 amendment to the AUCL, *misappropriation of a trade secret* is defined as follows:

- Acquisition of a trade secret by theft, bribery, deception, intimidation, or other improper means;
- Disclosure, use, or provision to third parties for their use of a trade secret obtained by theft, bribery, deception, intimidation, or other improper means; or
- Disclosure, use, or provision to third parties for their use of a trade secret in one's possession, in violation of an agreement or the requirement by its owner that the trade secret be kept confidential.

U.S. companies are deeply concerned about the lack of adequate protection for trade secrets in China.

Those familiar with the relatively broad circumstances under which U.S. courts may conclude that trade secret misappropriation occurred may find China's definition of misappropriation more limited in scope.

How to obtain trade secret protection in China

Administrative enforcement

- Under the 2017 amendment to the AUCL, businesses whose trade secrets have been stolen may file a complaint with the relevant administrative enforcement authority.
- These officials are empowered to conduct broad investigations into cases of alleged trade secret misappropriation, including (1) raiding the business location of the entity or person allegedly responsible for the misappropriation; (2) reviewing and making copies of relevant documentation, including sales records, accounting books, and so on; (3) seizing or freezing relevant assets; and (4) interviewing individuals under investigation.
- Upon making a determination that misappropriation has occurred, the administrative enforcement authority may issue an injunction against further use or disclosure of the relevant trade secret and may issue a fine of up to RMB 500,000 (approximately US$80,000 in 2018). In particularly egregious cases, and where certain factors are met, the fine may be increased to RMB 3 million (approximately US$470,000 in 2018).
- In general, administrative enforcement officials are unlikely to have the requisite level of expertise to address complex trade secret disputes. To date, they have been most effective in handling straightforward trademark and patent infringement cases.
- In addition, administrative enforcement bureaus lack the ability to award compensation to the company whose trade secret has been disclosed. Instead, the money from the fines is transferred to the administrative agency's coffers.

Civil enforcement

- Under the 2017 amendment to the AUCL, businesses harmed by trade secret misappropriation may seek redress in China's court system.
- If a court determines that misappropriation has occurred, it may award compensation to the trade secret holder equal to the amount of harm suffered. If such harm is difficult to calculate, the court may award compensation equivalent to the illegal gains made by the misappropriating party. This compensation may include reasonable costs expended to stop the misappropriating party (for example, legal fees).
- If the foregoing methods of calculating compensation are ineffective or inapplicable, the court may award statutory damages of up to RMB 3 million (approximately US$470,000 in 2018).
- Businesses should consider the following issues when bringing trade secret cases in Chinese courts:
    - China does not have a discovery process, and obtaining evidence from the accused is very difficult.
    - All evidence and documentation, including power of attorney forms, will need to be notarized and legalized before submission. This procedure is time consuming and potentially costly.
    - Chinese IP litigation moves very quickly; first-instance cases generally take between 8 and 12 months.
    - There is a risk that a court hearing will lead to further disclosure of trade secrets. Thus, you should work with local counsel to choose and monitor the court carefully.

Criminal enforcement

- Under China's Criminal Law, misappropriation of a trade secret may be deemed a crime when the trade secret holder has suffered "serious losses"—that is, losses of RMB 500,000 (approximately US$80,000 in 2018) or greater. Under such circumstances, the court may impose a prison sentence of up to three years in addition to a fine.
- In cases where a trade secret holder has suffered losses of over RMB 2 million (approximately US$315,000 in 2018), the court may impose a prison sentence of between three to seven years in addition to a fine.
- Chinese police officials may require a trade secret owner to provide the full set of incriminating evidence before they will accept a case. Thus, businesses generally must conduct substantial investigations to gather relevant evidence in advance of seeking police assistance.

Tips for protecting your trade secrets in China

Trade secrets are best protected through good business practices. These practices include strong physical measures (such as locked cabinets and server rooms) and technical measures (for example, multifactor authentication, mobile device management, and data-loss prevention software) to limit and monitor access to trade secret information. Useful steps include the following:

- Identify and categorize your trade secrets to understand which are most valuable, and then develop a program that prioritizes resources for protecting them. If a trade secret is vital to your company, significant resources and care should be devoted to its protection.
- Focus on human resources by finding and developing trust in the workforce to prevent breaches.
- Run background checks on key employees and include nondisclosure and nonuse obligations in contracts.
- Share proprietary information with employees on a need-to-know basis.
- Establish written policies for trade secret management, and educate employees about those policies.
    - Track data flows and file transfers, and closely monitor the entry and exit of storage devices, laptops, mobile devices, and so on.
- Carefully select and closely monitor Chinese manufacturers and business partners.
    - Conduct comprehensive due diligence before choosing a partner.
    - Select partners that have brand images and reputations of their own and experience protecting their own IP.
    - Manage supplier, vendor, and distributor relationships through multiple personnel to prevent local staff members from cultivating a comprehensive personal network.
    - Secure your IP in China before exploring possible business relationships with others.
- Control the production process.
    - Compartmentalize the production process and design products and packaging (and the equipment that produces them) so that they are difficult to copy.

- Consider keeping vital designs or latest-generation technologies in the United States.
- Classify and mark information according to IP sensitivity, laying out which employees have what level of access to the information.
- Consider incorporating into the production process overt and covert technologies and techniques that are difficult to copy, such as chemicals, films and foils, codes, holograms, inks, labels, papers, and odors.
- Consider including digital rights management and robust licensing terms containing anti-reverse-engineering provisions in object codes given to customers.

- Use nondisclosure agreements (NDAs). Chinese courts are more experienced in handling contract disputes. Breach of contract can be a more effective cause of action than misappropriation of a trade secret.
  - NDAs should include secrecy and nonuse obligations, audit rights, and provisions for post-relationship control.
  - NDAs with Chinese employees should be separate from labor contracts to avoid mandatory labor arbitration.
  - NDAs should be governed by Chinese law and written in the Chinese language.

IP ENFORCEMENT

As seen in the discussions about trademarks, trade dress, patents, copyrights, and trade secrets, China enforces its IP laws judicially and administratively. Administrative enforcement is conducted by IP enforcement offices and by Customs authorities. Judicial enforcement is conducted through China's court system on the basis of either civil or criminal complaints. In this section, we look more closely at China's enforcement system.

Rights holders should discuss the benefits and drawbacks of administrative enforcement with qualified local counsel.

Administrative enforcement

An IP owner in China may enforce its rights through administrative proceedings by requesting that the local administrative authority begin an investigation and stop the infringing conduct. When infringement is confirmed, the administrative authority can confiscate infringing goods, seize and destroy equipment used for producing infringing goods, and levy fines on infringers. However, the administrative authority cannot award compensation to the IP owners. Administrative decisions can be appealed internally for reconsideration or to the courts for judicial review.

The State Administration for Market Regulation (SAMR), which was established in 2018 as part of a restructuring of the IP agencies, is China's preeminent IP protection and enforcement agency, addressing patent, trademark, trade secret, and unfair competition matters. It is also responsible for market-access, competition, and antitrust matter and is expected to have jurisdiction over administrative IP enforcement for patents, trademarks, unfair competition, and trade secrets, but not copyrights.

Before the reorganization, the National Copyright Administration of the People's Republic of China (NCAC) held administrative enforcement authority for copyrights and was under the jurisdiction of the State Council. NCAC is expected to maintain that authority.

Strengths and challenges

There may be advantages to pursuing administrative remedies, including the following:

- Easy accessibility
- Low cost
- Prompt injunctive relief
- Agencies with relevant expertise

However, the administrative enforcement regime also has shortcomings, including the following:

- No compensatory or punitive damages
- Low, non-deterrent fines
- Lack of complete transparency and control
- Limited deterrence
- Possible local protectionism

- Limited geographic jurisdiction (that is, injunctions limited by jurisdiction)

Rights holders should discuss the benefits and drawbacks of administrative enforcement with qualified local counsel to determine an appropriate enforcement strategy and to obtain advice regarding the procedures for filing complaints with administrative authorities.

Civil enforcement

Courts and the judiciary

Rights holders can pursue civil actions in the People's Courts. China has established IP tribunals at four levels of the People's Courts: (1) the Supreme People's Court; (2) provincial-level High People's Courts; (3) municipal-level Intermediate People's Courts; and (4) certain Primary People's Courts and other courts at the municipal level. With China's three-in-one judicial adjudication system, many of these IP tribunals can hear civil, administrative, and criminal IP causes of action.

Specialized IP courts and IP tribunals

In 2014, China established specialized IP courts in Beijing, Guangzhou, and Shanghai with cross-regional jurisdiction and exclusive jurisdiction over technologically complex civil IP cases. These courts sit at the same level as the Intermediate People's Courts and can hear both civil and administrative IP cases. However, criminal cases still remain within the jurisdiction of the general courts.

The specialized IP courts have exclusive jurisdiction as follows:

1. The IP courts, generally, have jurisdiction in the first instance over the following:
    a. Civil and administrative cases involving patents, new varieties of plants, layout designs of integrated circuits, technical secrets, and computer software;
    b. Administrative cases involving copyrights, trademarks, and unfair competition against decisions made by organs of the State Council or by county-level or above-county-level local governments; and
    c. Civil cases involving recognition of well-known trademarks.
2. The Guangzhou IP Court has cross-regional jurisdiction over civil and administrative cases involving patents, new varieties of plants, layout designs of integrated circuits, technical secrets, and computer software and over civil cases involving recognition of well-known trademarks within the territory of Guangdong Province.
3. The Beijing IP Court has exclusive jurisdiction in the first instance concerning appeals from the following:
    a. Decisions by organs of the State Council regarding the grant or validity of IP rights including patents, trademarks, new varieties of plants, and layout designs of integrated circuits;
    b. Decisions by organs of the State Council regarding issuance of compulsory licenses, compulsory license fees, or rewards involving patents, new varieties of plants, and layout designs of integrated circuits; and
    c. Other administrative acts by organs of the State Council regarding granting or validity of IP rights.
4. The IP courts have jurisdiction to review first-instance judgments or decisions made by basic-level courts regarding copyrights, trademarks, technical contracts, and unfair competition in their territorial jurisdiction.
5. The High People's Courts have jurisdiction over appeals against judgments or decisions made by the IP courts and intermediate-level courts within their territorial jurisdiction.
6. A case that includes matters within paragraphs 1.a. or 1.b. above and matters within the jurisdiction of other courts shall be tried by the IP courts.

Beginning in 2017, China established new, cross-regional IP tribunals in 10 provinces and 2 municipalities throughout the country. (Note that the tribunals rank below the specialized IP courts). As of July 2018, there were a total of 3 IP courts and 16 cross-regional IP tribunals. These IP tribunals have first-instance jurisdiction over significant IP matters, similar to the authority of the IP courts. Rights holders should check with qualified local counsel to determine whether a potential dispute may be heard by a cross-regional IP tribunal.

National Appellate Intellectual Property Court

On January 1, 2019, China opened a National Appellate Intellectual Property Court (the Appellate IP Court) within the Supreme People's Court in Beijing. The Appellate IP Court has nationwide jurisdiction over appeals of patent and other complex technical IP cases. This jurisdiction was previously held by multiple provincial and municipal high courts.

For civil cases, the Appellate IP Court has jurisdiction over appeals of first-instance court decisions regarding invention or utility model patents, new varieties of plants, integrated circuit layout designs, technical secrets, computer software, and antimonopoly cases. For administrative law cases (that is, judicial review of decisions of administrative agencies), the same jurisdiction applies except that the court's jurisdiction over administrative patent cases

includes design patents in addition to invention and utility model patents. The Appellate IP Court, however, does not have jurisdiction over trademarks, commercial secrets, or non-software copyright cases, or IP-related criminal cases, unless these cases also include antimonopoly claims. These cases will continue to be heard by provincial and municipal appeals courts. Decisions by the Appellate IP Court are subject to the Supreme People's Court's Trial Supervision Procedure, which permits the Supreme People's Court to reexamine or retry cases even if the appeal period has expired.

The purpose of the Appellate IP Court as stated by the Supreme People's Court is to protect innovation, create a sound business environment, and ensure uniformity of legal decisions. As with China's other specialized IP courts and tribunals, the new Appellate IP Court is a designated pilot that is required to report to the National People's Congress on implementation three years from the date of the court's formation.

Strengths and challenges

The benefits of pursuing civil enforcement actions include the following:

- Compensatory damages available to right holder
- Specialized judiciary trained in intellectual property rights
- Availability of some injunctive remedies
- Right to appeal to higher courts
- Possible timeliness

The shortcomings of pursuing civil enforcement actions include the following:

- Expensive litigation costs
- Low damage awards generally
- Lack of judicial independence in many jurisdictions
- Uneven quality of court system outside commercial centers
- Difficulties in collecting damages

Criminal enforcement

An IP owner in China also may enforce its rights through criminal recourse.

Ministry of Public Security and the Supreme People's Procuratorate

China's laws and regulations provide that IP administrative enforcement authorities and China Customs may transfer egregious IP infringement cases to the police (the Ministry of Public Security, or national police service, and the Public Security Bureaus) and prosecutors (the Supreme People's Procuratorate, or national criminal prosecution service) for criminal investigation. Under Chinese law, individuals also have the right to prosecute criminal cases (*zì sù*), although this right has been exercised only rarely.

Definition of a crime

China's Criminal Law includes the following within the definition of crimes:

- Counterfeiting
- Sale of goods bearing a counterfeited trademark
- Production or sale of a third party's registered trademark
- Patent counterfeiting (that is, claim of patent ownership of a third-party patent)
- Infringement of copyrights as follows with the purpose of making a profit:
    - Reproducing and distributing written works, musical works, motion pictures, television programs or other visual works, computer software, or other works without permission of the copyright owner
    - Publishing a book when the exclusive right of publication is enjoyed by another person
    - Reproducing and distributing an audio or video recording produced by another person without permission of the producer
    - Producing or selling a work of fine art with a forged signature of another painter

Note that to be considered crimes, the foregoing actions must meet certain "thresholds" as defined in related judicial interpretations and guidelines (for example, illegal profits must exceed RMB 30,000, approximately US$4,400 in 2018). Rights holders should seek advice from competent local counsel to determine whether the infringing actions they encounter would fall under China's Criminal Law.

Supreme People's Procuratorate

The Supreme People's Procuratorate is China's highest prosecutorial body and leads the national criminal prosecution service.

Strengths and challenges

Criminal enforcement in China has several benefits relative to other mechanisms:

- Possibility of higher-deterrent penalty, including higher damages and jail time
- Chance of lower cost than civil litigation
- Possibility for injured party to initiate prosecution

The shortcomings of the criminal enforcement regime include the following:

- High evidentiary standards
- Unclear criteria for referral as a criminal matter from an initial administrative case
- Unclear and shifting valuation thresholds for referral as a criminal matter
- Lack of resources and expertise
- Frequent necessity to conduct investigations and prepare a case file before police will accept a case

Customs

General Administration of Customs of China

Chinese Customs regulations ban both the import and the export of goods that infringe IP rights. China Customs will seize shipments on the basis of a specific complaint filed by a rights holder. The Customs Service also can act if a right holder's patents, trademarks, or copyrights are recorded with the agency. A China Customs certificate of record, documentation that the rights holders' intellectual property registration has been registered with the Customs Service, is valid for 10 years and is renewable for an additional 10 years, as long as the IP right is maintained and remains valid. If an investigation by China Customs uncovers evidence of infringement, China Customs has the authority to confiscate the goods, destroy or remove the infringing goods, and impose fines.

The benefits of Customs enforcement include the following:

- The procedure is inexpensive.
- Suspect goods can be inspected for either import or export.
- Goods are halted in transit.
- Harm caused by export of counterfeit goods is terminated.
- Unlike in the United States, a rights holder can record design patents in addition to registered copyrights and trademarks.

Challenges to Customs enforcement are as follows:

- Only a limited amount of goods being exported can be inspected.
- Customs officials require training for effective enforcement.
- Bond and storage charges may rapidly escalate and become expensive.
- The process does not always address root causes or origins of the problem.

Notice-and-takedown procedures on e-commerce platforms

Notice-and-takedown procedures vary widely from one e-commerce platform to another. IP rights holders should carefully review the policies of each e-commerce platform to obtain specific information on notice-and-takedown procedures. E-commerce platforms generally require Chinese certificates of registration for IP to take down online merchants selling allegedly infringing products in China.

Tips for enforcing IP rights in China

The following are some considerations and challenges for enforcing IP rights:

- Consider the challenges to enforcement in China:
  - Administrative sanctions that are frequently too low to have a deterrent effect
  - Insufficient damages in civil litigation
  - Limited availability of preliminary injunctions and evidentiary preservation orders
  - No discovery system and difficulty collecting evidence, especially in trade secret and online infringement cases
  - Seized counterfeit products and production machinery that are sometimes auctioned back into the commercial stream
- Keep good records. IP enforcement in China generally requires original documentary evidence (for example, certificates of registration to establish rights).
- Hire IP counsel in China who not only have registration experience, but also have familiarity with enforcement, including administrative, civil, and criminal remedies, as well as experience with China Customs and e-commerce notice-and-takedown procedures.

OTHER RESOURCES

U.S. government resources

USPTO China IP attachés

The U.S. Patent and Trademark Office (USPTO) has three IP attachés in China: one in the U.S. Embassy in Beijing, one in the U.S. Consulate General in Shanghai, and one in the U.S. Consulate General in Guangzhou. The IP attachés cannot intervene with Chinese legal or administrative authorities, but they can do the following:

- Advise and assist U.S. companies doing business in China.
- Provide information and training to rights holders.
- Suggest strategies for protecting and enforcing IP rights.
- Find local help.
- Address unique or abnormal issues through Chinese counterparts in exceptional cases.
- Advocate for improvements to the IP system.
- Initiate bilateral dialogues.
- Provide cooperative programs and training.
- Conduct diplomacy.

Website: www.uspto.gov/ipattache

U.S. Patent and Trademark Office

Website: www.uspto.gov

United States International Trade Commission

Website: www.usitc.gov/

STOP: Strategy for Targeting Organized Piracy

The website https://STOPfakes.gov was launched to serve as a one-stop shop for U.S. government tools and resources on IP rights. Through the STOP initiative, the U.S. government educates and assists businesses, particularly small and medium-sized enterprises, as well as consumers, foreign government officials, and the public and empowers U.S. rights holders to protect their IP rights and combat counterfeiting.

U.S. Customs and Border Protection

Website: www.cbp.gov/

U.S. Immigration and Customs Enforcement / Homeland Security Investigations

Website: www.ice.gov/

Office of the United States Trade Representative

Website: https://ustr.gov/

U.S. Intellectual Property Enforcement Coordinator

Website: www.whitehouse.gov/omb/office-u-s-intellectual-property-enforcement-coordinator-ipec/

Computer Crime and Intellectual Property Section (CCIPS), Criminal Division, United States Department of Justice

Website: www.justice.gov/criminal-ccips

Some industry association resources

U.S. Chamber of Commerce

The U.S. Chamber of Commerce is the world's largest business organization, representing the interests of more than 3 million businesses of all sizes, sectors, and regions. The Chamber's China team helps bolster the U.S.–China economic and commercial relationship in a number of key areas and industries, including IP rights, capital markets, and environmental reform.

Website: www.uschamber.com/china

American Chamber of Commerce in the People's Republic of China

The American Chamber of Commerce in the People's Republic of China (AmCham China) is a nonprofit, nongovernmental organization whose membership comprises more than 3,300 individuals from 900 companies operating across China. AmCham China's nationwide mission is to help U.S. companies succeed in China through advocacy, information, networking, and business support services. With offices in Beijing, Dalian, Shenyang, Tianjin, and Wuhan, AmCham China has more than 50 working groups and holds more than 250 events each year.

Website: www.amchamchina.org

American Chamber of Commerce in Shanghai

The American Chamber of Commerce in Shanghai (AmCham Shanghai), known as the "Voice of American Business" in China, was founded in 1915. AmCham Shanghai was the third U.S. chamber of commerce established outside the United States, and it now has more than 3,000 members from 1,500 companies. As a nonprofit, nonpartisan business organization, AmCham Shanghai is committed to the principles of free trade, open markets, private enterprise, and the unrestricted flow of information.

Website: www.amcham-shanghai.org/en/

U.S.–China Business Council

The U.S.–China Business Council (USCBC) is a private, nonpartisan, nonprofit organization of approximately 200 American companies that do business with China. Founded in 1973, USCBC has provided information, advisory, advocacy, and program services to its members for more than four decades. Through its offices in Washington, DC; Beijing; and Shanghai, USCBC serves its members' interests in the United States and China.

Website: www.uschina.org/

Quality Brands Protection Committee

The Quality Brands Protection Committee (QBPC) is a China-based organization located in Beijing and has company members from many countries, including the United States. It works with authorities to improve the effectiveness and transparency of IP policy and legislation, as well as IP enforcement, in China.

Website: www.qbpc.org.cn/

Additional resources

Databases

- CIELA (www.ciela.cn)
  Litigation analysis and trends for Chinese IP judicial cases, by Rouse International
- CNIPR Database (www.en-cnipr.com/)
  Chinese patents and applications, by IP Publishing House (Chinese version: http://search.cnipr.com/)
- Darts-IP (www.darts-ip.com)
  Global IP cases with statistical tools to generate graphical outputs
- IPHouse (http://en.iphouse.cn/)
  IP cases in China (Chinese version: www.iphouse.cn)
- Peking University Law (www.pku.edu.cn/)
  Legal information database established by Peking University Law School
- GBI (www.gbihealth.com)
  Market intelligence information for the pharmaceutical industry
- China Judgments Online (http://wenshu.court.gov.cn/)
  Supreme People's Court of China (Chinese)
- CNKI (http://en.oversea.cnki.net/kns55/default.aspx)
  Chinese academic journals
- Westlaw China (www.westlawchina.com/)

Websites

- Judicial Protection for Intellectual Property (www.chinaiprlaw.cn/)
- IP Dragon (www.ipdragon.org/)
  Collecting, commenting, and sharing information about IP in China
- Intellectual Property Protection in China (www.chinaipr.gov.cn)
  Ministry of Commerce of China
- Intellectual Property Trial Cases Net (http://zscq.court.gov.cn/)
  Website of the Supreme People's Court of China
- China IPR Blog (http://chinaipr.com)
  Blog of China IP issues by Mark Cohen
- China Law Blog (www.chinalawblog.com)
  Blog of China legal issues by Harris Bricken, LLP
- China IP Magazine (www.chinaipmagazine.com/en/)
- China National Intellectual Property Administration (CNIPA) (http://english.sipo.gov.cn/)
- National Copyright Administration of the People's Republic of China (NCAC) (http://en.ncac.gov.cn/).

STOPfakes.gov

UNITED STATES
PATENT AND TRADEMARK OFFICE

uspto