

CHINA'S DRAFT AMENDMENT TO TRADEMARK LAW RELEASED

The Legislative Office Affairs of the State Council released a draft amended Trademark Law for public comment. The Draft includes the following major changes:

1. Allow multi-class applications;
2. Allow registration of sound marks;
3. Allow examiners to issue preliminary rejections;
4. Limit oppositions to interested parties with legitimate prior rights;
5. Increase the severity of punishment for trademark infringement by raising the maximum statutory damages from RMB 500,000 to RMB 1,000,000 (approximately US\$156,000);
6. Provides that owners of famous marks may apply for recognition of their marks, rather than wait for the TMO to issue a list or for results from litigation;
7. Allow geographic marks for certification trademarks and collective trademarks;
8. Require that any plaintiff prove actual use of the trademark (in China) before seeking damages. This is intended to prevent squatters from suing foreign brand owners, but could also have the unintended consequence of preventing foreign owners from suing squatters and pirates.
9. Extend the deadlines to respond to TMO and TRAB decisions from 15 days to 30 days. While better, 30 days is still a very short deadline for foreign applicants.



Work-Around Foreign Investment in China's Online Sector Prohibited for Gaming Companies

A new circular issued in late September by three agencies in charge of an online content industry prohibits the contractual structure used to avoid prohibitions on foreign control of online gaming. The 3 agencies, the General Administration of Press and Publication ("GAPP"), the National Copyright Administration ("NCA") and the National Anti-Pornography and Anti-Illegal Publications Working Group Office ("NAAP"), issued the new rules to strengthen control of gaming in the Chinese Internet space by prohibiting a common contractual method for foreign companies to control Chinese website companies in a structure known as Variable Interest Entities ("VIEs").

Since Internet website operations in the PRC must be majority owned by Chinese nationals, foreign investors can only hold minority interests. Thus the VIE structure was developed to establish contractual control in lieu of equity control. Internet operations, along with broadcasting, natural resources, defense, and other sensitive industries are prohibited to or restricted for foreign investment. The new prohibition recalls the forced divestiture of foreign telecommunications firms in the late 1990's where provincial or municipal approvals for large and profitable foreign investments using the "Zhong zhong wai" structure were overturned by national orders. As the national government seeks to close loopholes explored by foreign investors, the new prohibition may be a sign of future restrictions on work-arounds in other Internet businesses as well.

China's People's Court of Haidian District Becomes the First Basic Court of Beijing Municipality to Hear Cases Relating to Patent Disputes

The People's Court of Haidian District became the first lower-level people's court to be allowed to hear intellectual property disputes. Subject to approval, the People's Court of Haidian District can try cases regarding the simpler disputes of utility models and new design patents.

In China, only selected courts are qualified to handle Intellectual Property cases. The lowest level court qualified to handle such cases currently are the Intermediate Courts. The other types of intellectual property cases to be heard by the People's Court of Haidian District in this experiment include copyrights, trademark rights, trade secrets, technical contracts, franchising contracts, company names (trade names), special logos and domain names of the internet. Cases involving patents of invention will still be reserved to the intermediate level courts of Beijing, as they tend to be more technical and complex. As intellectual property ("IP") concepts have become more familiar to the Chinese public and legal system over the past 20 years, the number of judges competent to analyze IP disputes has increased. We can expect that the experiment in Beijing will be extended to other regions of China, thereby increasing the number of judges able to handle IP cases.

Wang & Wang partner Laura Wen-yu Young spoke at the ABA Annual Meeting in Toronto on trademarks and IP enforcement in China.

China's Further Amendments to the Copyright Law

The National Copyright Administration has started its 3rd amendment of the Copyright Law, and plans to complete a draft of the amendment by year-end. The last amendment to the Copyright Law was made in 2010. In addition, technological advances have affected changes in copyright protection. It is estimated that half of the copyright cases heard by the peoples' courts related to Internet issues. Copyright owners find enforcement of their rights under the present law to be very difficult. In order to win compensation, a copyright holder must prove their actual damages, or the profits of the infringer. Few plaintiffs are able to do so. The maximum statutory penalty in the gravest case of infringement is only RMB500,00 (approx. US\$78,000).

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Legal scholars in China have long proposed increasing the maximum amount of statutory damages. These scholars believe that increasing the maximum amount of statutory damages will better compensate authors and creators for losses and serve as a greater deterrent to infringers. Second, the scope of a compulsory license for fair use may be broadened to give more authority to the Copyright Collective Management Organization. For example:

1. Contents published in newspapers/magazines can be legitimately posted on the Internet and vice versa,
2. Copyright royalties will be paid to the Copyright Collective Management Organization and the Organization will then transfer the money to copyright holders,
3. Punitive provisions will be enforced against those users who refuse to pay the copyright royalty for works they appropriate.

In addition, the new draft will include provisions on the criteria for determining infringement by network servers, and provisions on burdens of proof. With respect to infringement by individual users, specific provisions on temporary reproduction rights and private reproduction rights will be set forth.

Taiwan's Patent Prosecution Highway (PPH) Pilot Program between TIPO and the USPTO

智慧財產權保護

The US Patent and Trademark Office ("USPTO") and Taiwan's Intellectual Property Office ("TIPO") have established a partnership program to accelerate examination of each other's patent applications. The PPH was established to enable an applicant, whose claims are determined to be allowable/patentable in the Office of First Filing (OFF), to have the corresponding application filed in the Office of Second Filing (OSF) advanced out of turn for examination. The OSF will be able to use the search and examination results of the OFF in order to shorten examination time in the OSF. This will benefit applicants by shortening the overall application time in the 2 Patent Offices, and will increase efficiency for each Patent Office.

The PPH pilot program commenced on September 1, 2011 for a one-year trial period. TIPO and USPTO will evaluate the results of the pilot program to determine whether and how the program should be fully implemented after the trial period. Either office may also terminate the PPH pilot program early if the volume of participation exceeds a manageable level, or for any other reason. If the program succeeds, applicants can expect to shorten their waiting time for filing both US and Taiwan applications.