

An overall strategy for fighting counterfeit in China

Beyond the raids and the miserly fines

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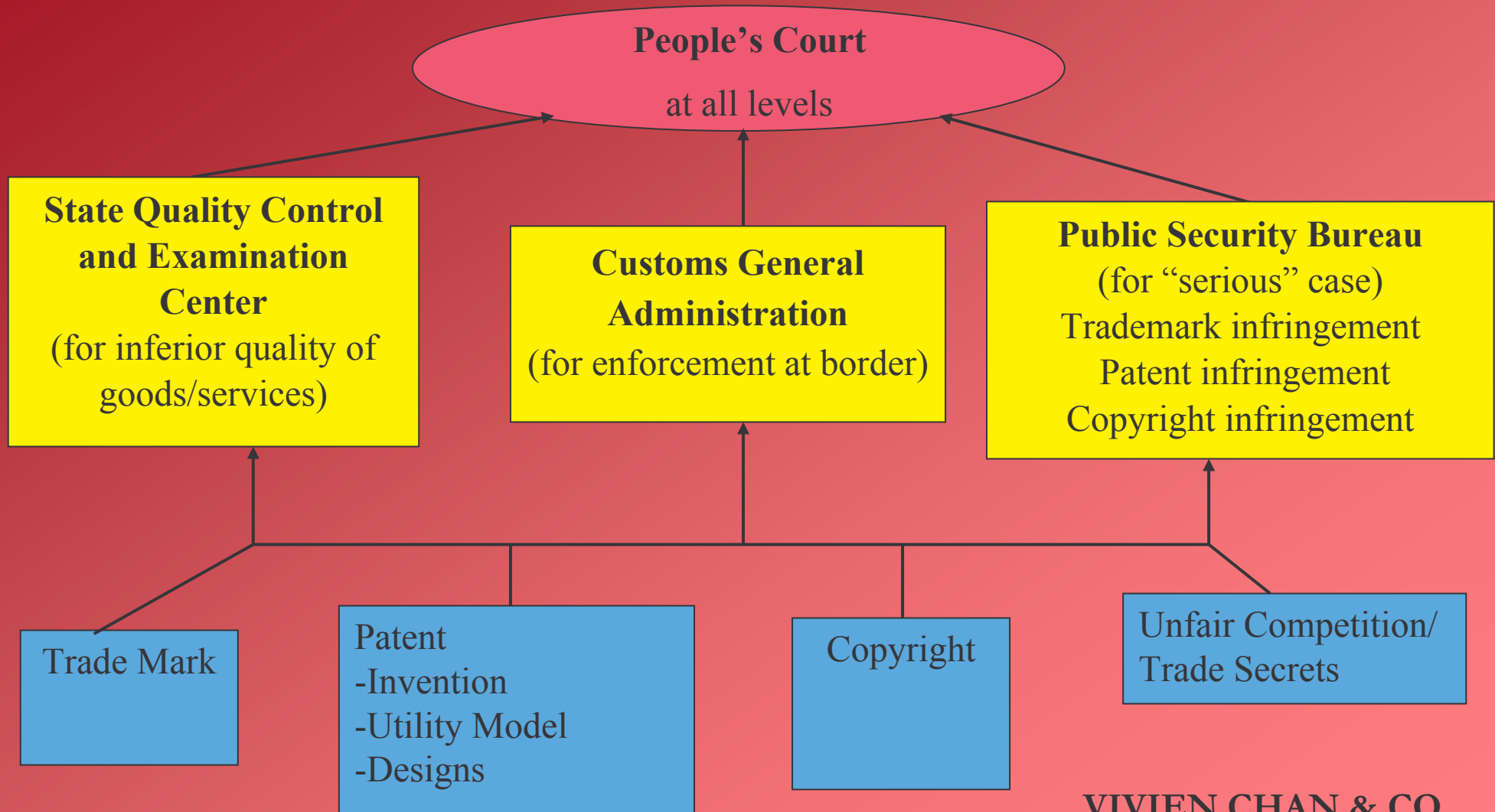
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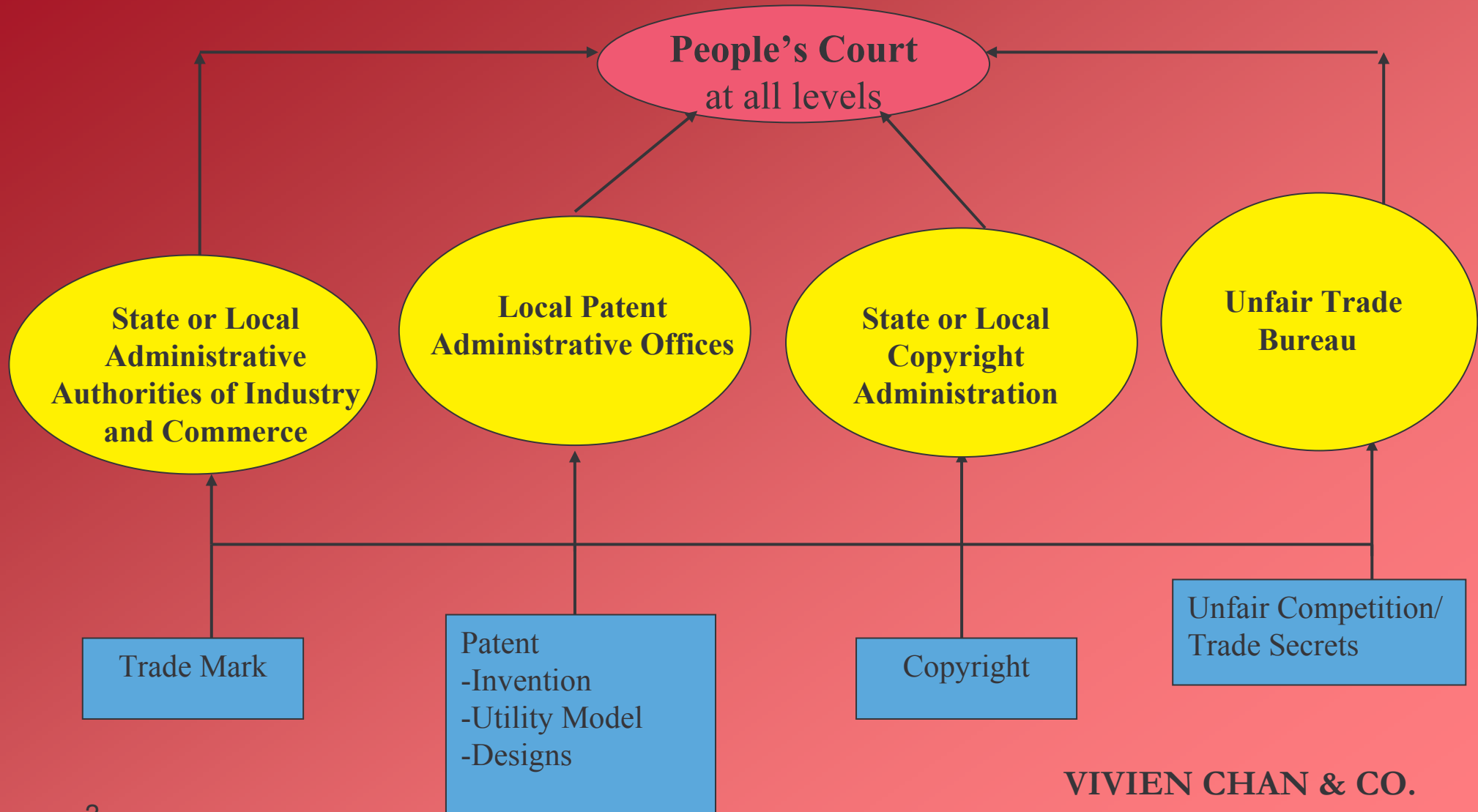
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Possible Enforcement Venues in PRC



Possible Enforcement Venues in PRC(cont'd)



Enforcement Bodies

- **People's Court**

- At place where infringement takes place
- Specialised IP Courts: at each provincial capital city (e.g. Hangzhou, Guangzhou) and large coastal cities (e.g. Shanghai, Ningbo)
- Damages can be awarded
- Judges are more creative
- Private prosecution: jail sentence possible

Enforcement Bodies

- **People's Court: Orders before trial**
 - Pre-action injunction
 - Pre-action order on preservation of property and evidence
 - Made within 48 hours
 - But plaintiff must sue within 15 days

Enforcement Bodies

- **State Quality Control and Examination Center**
 - Inferior quality of goods/ services
 - PRC Product Quality Law: order to cease production and sale, confiscation of goods

Enforcement Bodies

- **Customs General Administration**
 - Prior customs registration required
 - Approximate time for recordal: two months
 - Action at border only
 - Bond from trade mark owner required

Enforcement Bodies

- **Public Security Bureau**

- Wide powers: investigation, search and ‘seal’, administrative injunction, destruction of infringing goods, order compensation, impose fine, order apology, suspension or cancellation of business licence
- Efficient and effective
- No need for bond or guarantee
- Ex parte

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Enforcement Bodies

- **Public Security Bureau**

- **“Serious Case”:**

- Trademark infringement: use of trademark identical to registered mark / sale of goods bearing trademark identical to registered mark
 - Illegal operation of RMB500,000 or above
 - Patent infringement:
 - Amount received – RMB100,000 or above; or
 - Direct economic loss caused to patent holder of RMB 500,000 or above
 - Copyright infringement: reproduction or publication of copyrighted works / sale of infringing copies
 - ‘Relatively large amount received’: RMB100,000 or above
 - ‘Very large amount received’: RMB500,000 or above

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So what should be the strategy?

Go after : the manufacturing source

Aim for : the production lines :

SAIC judgement call

Scope of business license issue

closure

suspension

“specific use” required to close down

implements of manufacture (Art 53 Trademark law)

Go after the dominant retail outlets

and not every retail outlets

- It is not how many raids you do
- It is its effectiveness

The Law : is intention on the part of the retailer required? (Art. 52 & 56 Trademark law)

Infringement – offer for sale of infringing goods, intention not required

BUT retailer would not be held liable for damages IF

- i. Offered for sale without knowing that goods are infringing products;
- ii. Obtained goods lawfully; and
- iii. Able to identify the supplier

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- **The Classic China story of generating counterfeit and promoting yourself into a prime counterfeit target**

**Your leads : your ex distributor
your ex wholesaler
your ex plant manager
your ex staff**

**Your source and leads : your distributor
wholesaler
plant manager
staff**

Choose your geography

Protectionism

Guanxi and how much is it worth ?

The US Foreign Corrupt Practices Act

- **The self appointed Goliath story**
- **NEC Case**

How to use Hong Kong as a Trojan Horse :

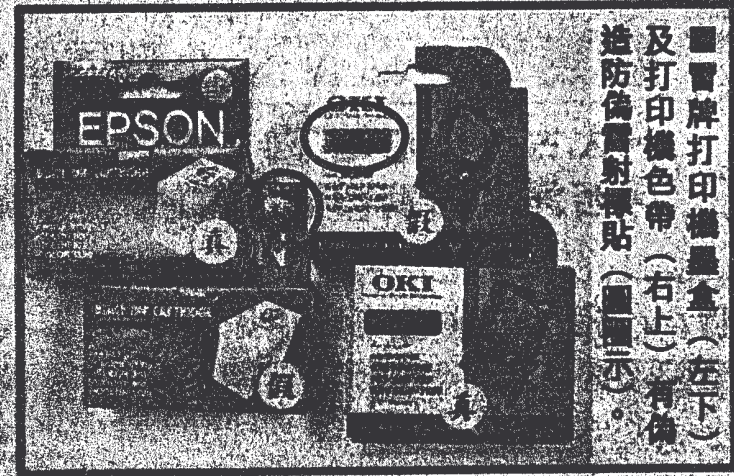
Advantages : certainty : rule of law
: clean government
: possible redress : -
customs
injunctive relief
mereva injunction
garnishee orders
OKI case

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獲檢帶色墨盒印機牌冒

貼標雷射假附 高極程度真仿

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A Chinese Proverb :

**“Guanxi” is only half the answer,
the other half is a good firm of lawyers who
really knows and understand China**

**More importantly, this firm of lawyers
understands you.**

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THANK YOU!