



MMLC Group 

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China Update

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Legal News

Intellectual Property

The first sound mark to be approved in China

According to the latest news from the State Administration of Industry and Commerce (SAIC), the first sound trademark in China has been preliminarily examined and published on February 13, 2016, and is planned to become the first sound trademark approved for registration in China. The said trademark is the signature tune of the China Radio International and was applied thereby in 2014. The current Trademark Law which became effective on May 1, 2014, allows sound mark to be registered as trademark. It is reported that the CTO has accepted 450 pieces of sound trademark application by the end of January 2016.

3.5 million Yuan compensation ruled for infringing 3M trademark

A Changzhou company, Changzhou Hua Wei New Materials Co., Ltd. (Defendant), was determined to compensate the 3M Company and its Chinese affiliate (Plaintiffs) 3.5 million Yuan for infringing the Plaintiff's famous "3M" trademark in China.

The Defendant had been manufacturing and using light reflecting sign for auto products with "3N" mark since 2007, and the said products with the "3N" mark had been sold to most parts of China. The Defendant applied to registered the said "3N" mark to the CTO in 2005, however, it was decided not to be approved for registration due to its similarity with the prior registered "3M" trademark by the TRAB in 2013, upon an opposition raised by the Plaintiffs herein. Then, the Plaintiffs brought an infringement lawsuit against the Defendant in Hangzhou Intermediate People's Court to request the Defendant to immediately cease manufacturing and using "3N" mark light reflecting sign for auto product and compensate the Plaintiff economical loss RMB 13,000,000 Yuan as well as reasonable expense to stop such infringement RMB 200,000 Yuan.

BEIJING

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The Hangzhou Court determined the use of “3N” by the Defendant constituted infringement of the trademark right of “3M”, and ruled a compensation amount of 3,500,000 Yuan be paid to the Plaintiff, based on the factors as following: 1) the “3N” mark constitutes similar trademark with the “3M” mark in terms of composing elements and overall appearance, which was also supported by the TRAB decision; 2) given the high distinctiveness and fame of the “3M” trademark, the competitive relationship between the Plaintiffs and the Defendant, as well as both the long-term use of the two marks, the similarity between the said two marks would be sufficient to cause confusion in the market.

More than 35,000 patent administrative law enforcement cases handled in 2015

According to the latest statistics from the SIPO, in 2015, there were 35,844 patent administrative enforcement cases handled, a 46.4% increase year on year. Among them, there were more than 10,000 patent dispute cases, which reached 14,607 cases, including 14,202 patent infringement disputes, a 77.7% increase year on year. There were also 21,237 counterfeit patent cases, a 30.6% increase. Among the 31 provinces (autonomous regions, and municipalities directly under the Central Government), there were 9 provinces handled more than 1000 cases, which are Zhejiang Province (8584), Jiangsu Province (4918), Guangdong Province (3214), Hunan Province (3115), Shandong Province (2747), Henan Province (1448), Hubei Province (1409), Guizhou Province (1346) and Fujian Province (1269).

Patent pledge financing breaks 56 billion Yuan in 2015

The latest news from the SIPO said that a great progress has been made in patent pledge financing in the year of 2015. It is reported that 56 billion Yuan was financed through patent pledging, which has benefited more than 2000 enterprises. According to a sample survey made to 20 pledge-financing projects, there were 3.77 billion Yuan sales and 0.32 billion Yuan profit newly added by the relevant enterprises in 2015. Since the patent pledge financing plays a positive role in broadening financing channels for enterprises and promoting innovation, the SIPO issued an Opinion on Further Promoting IP Right Financing Service Work to fully enhance the policy and guidance of IP right pledge financing work. It is said that seven provinces including Shandong, Guangdong, Zhejiang, Beijing, Fujian, Jiangsu and Sichuan made into top ten provinces/municipalities on both the amount and projects of the pledge financing.

Supreme People’s Court rules OEM for export does not constitute trademark infringement

On November 26, 2015 the Supreme People’s Court rendered a civil judgment which ended a four-year legal battle over the trademark ‘PRETUL’. The case centred on a trademark infringement suit brought against an original equipment manufacturer (OEM) for exported products.

On May 21 2003, a natural person, Xu Haorong, registered the combination trademark ‘PRETUL’ (and device) in Class 6, which was later assigned to Focker Security Products International Limited. Truper Herramientas, a Mexican manufacturer, owned the trademark ‘PRETUL’ and ‘PRETUL’ (oval device) registered in Mexico and many other countries in Classes 6 and 8. In 2010, Truper signed OEM contracts with Pujiang Yuhuan Locks Co., Ltd to manufacture padlocks bearing the ‘PRETUL’ marks.

On January 30 2011, Focker filed a suit against Yahuan before the Ningbo Intermediate Court on the grounds of trademark infringement. Before the court, Yahuan claimed the accused goods were intended solely for export to Mexico without domestic distribution in China, therefore the

trademark was not to be used in the sense stipulated in the Trademark Law, which indicated there would be no confusion caused among Chinese consumers.

The Supreme People's Court affirmed OEM's use of the trademark at issue did not constitute trademark infringement as it did not qualify as 'trademark use' under Article 48 of the Trademark Law 2013. Therefore, the Supreme People's Court overruled the findings at first instance (Ningbo Intermediate Court) and second instance (Zhejiang Hih Court). Under Article 48, the phrase 'to distinguish the origin of the commodities' is to further clarify the concept of trademark use. Therefore, since the padlocks manufacturer by Yahuan were not for distribution in the Chinese market, the 'PRETUL' marks did not fulfill the trademark function of 'distinguishing the origin of commodities' in China. Such marks then are unlikely to cause confusion and misidentification among the relevant public in China between the products to which they are affixed and the source of goods manufactured by Focker. Therefore, there is no practical significance in judging that there is a likelihood of confusion where the trademark involved fails to fulfill its identifying function and does not constitute trademark use in the sense of the Trademark Law.

Burberry Limited dispute over trademark infringement with Chen Kai and Lu Qiumin

Burberry Limited is the owner of a series of registered trademarks 'BURBERRY' in Class 25. On March 20, 2012 it was found that there was sales of counterfeiting commodities bearing the aforementioned registered trademark by Chen Kai and Lu Qiumei. On August 15, 2014, Burberry filed a lawsuit, requesting the court to order the two defendants to pay RMB 1,000,000 as compensation for economic loss and reasonable expense. However, the two defendants argued Burberry had been aware of the infringing acts since March 20, 2012, and that the litigation in August 2014 was beyond the limitation of action.

The Yangpu District People's Court of Shanghai ruled in the first instance that the limitation of action should be calculated starting from the effective date of the court's criminal decision and the litigation of Burberry Limited did not go beyond the limitation. Therefore, the defendants Chen Kai and Lu Qiumei constituted the act of infringing Burberry Limited's exclusive right to use the trademark, and so ordered them to pay a joint compensation of RMB 150,000 for economic loss and RMB 15,000 for reasonable expense to Burberry.

The significance of this case clarifies that the facts of the right holder knowing the infringing acts have entered criminal procedure and assisting in investigation have legal meanings to the limitation of action. Therefore, this determination reasonably defines the causes and legal basis of discontinuance of limitation of action and provides better guarantee to the right holder for safeguarding his right in accordance with the law.

Measures for the Recognition of High and New Technology Enterprises

On January 13, 2016, the State Council decided to further improve the Measures for the Recognition of High and New Technology Enterprises' Status in an executive meeting. It is reported it will incorporate technologies relating to inspection, testing and verification in service industries into the supported scope thereof. It is also decided that the amended Measures will give more support to medium and small sized enterprises, such as broadening verification conditions, simplifying verification process and shortening publishing time, and enlarging supported high-tech fields.

Competition

NDRC releases drafted leniency guideline for horizontal monopoly agreement case

On February 2, the China's National Development and Reform Commission (NDRC) released a draft of the Application Guideline for Leniency in Horizontal Monopoly Agreement for public opinion. In accordance with the drafted guidelines, it only applies to horizontal monopoly agreements, which are reached among undertakings with competing relationships provided in Article 13.1 of the Anti-monopoly Law. It is designed to specify the leniency provided in Article 46.2 of the Anti-monopoly Law, which states that "if the business operator, on its own initiative, reports to the authority for enforcement of the Anti-monopoly Law about the monopoly agreement reached, and provides material evidence, the said authority may, at its discretion, mitigate, or exempt the undertaking from, punishment".

Accordingly, the drafted guideline stipulates that prior to any actions being taken, any undertakings involved in the monopoly agreement may apply for leniency to the anti-monopoly enforcing authorities of the State Council. In case the action is already taken, such undertaking may report to the authority which is in charge of the case. Such report for leniency may be communicated in oral or in written anonymously or in real name. The drafted guideline specifies that the undertaking applies for leniency shall submit a report concerning the monopoly agreement as well as material evidence in detail. In case, the undertaking could not provide all the requested material while applying for leniency, it may submit a preliminary report first and submit supplementary material within no more than 30 days or 60 days under extreme circumstance. In case the enforcement authority considers that there is a monopoly agreement reached upon investigation, the said authority will decide whether to give leniency to the applied undertakings in chronically order of such application as well as suggestions on exemption from punishment. Under normal circumstance, the enforcement authority may give as much as three undertakings leniency in the same case. For the firstly ranked undertaking, it may be given leniency to an 80% reduction of the applicable fine; in case such undertaking applied for leniency prior to action taken by the enforcement authority, it may be exempted from all the fines. For the second ranked undertaking, it may be given a 30% - 50% reduction of the applicable fine; whereas a no more than 30% reduction of fine for the thirdly ranked undertaking.

Dispute Resolution

China to boost security for court officers

The Communist Party's Central Politics and Law Commission have drafted a new directive aimed at protecting the personal safety of judges, prosecutors and their families against intimidation and retaliation on the job. Under the regulation, police will be providing security to judicial staff and their families if they were under threat, which will assist judges and prosecutors in carrying out their duties. Therefore, China has placed a high importance on the safety of its judicial staff in order to regulate violence and threats against public order.

Publishing

New Regulation requires approval for content published online by foreign companies

Starting from March 10, 2016, a new regulation Administrative Regulations on Online Publishing Service co-issued by the State Administration of Press, Publication, Radio, Film and Television

(SGAPPRFT) and the Ministry of Industry and Information Technology (MIIT) will come into effect.

In accordance with Article 10 of the Regulations, Chinese-foreign joint ventures, Chinese-foreign cooperative enterprises and foreign-funded enterprises shall not conduct online publishing services. Meanwhile, it needs to report to the SGAPPRFT for approval in advance, as online publish service providers may cooperate with the enterprises as well as foreign organizations and individuals on online publish service projects. Accordingly, foreign companies and Chinese-foreign joint ventures are not allowed to publish online content without Chinese government's approval. The online content includes words (including digital published books), videos, pictures (including cartoon), music, maps or games on the mainland.

Corporate Law

China implements 3-in-1 certificate reform to simplify administrative procedures

Since October 1, 2015, China has been implementing a 3-in-1 certificate reform nationwide. It means that when enterprises and specialized farmers' cooperatives apply for business registration, they will only apply to the AIC once for a business license with a unified social credit code, instead of applying for a business license from the AIC, tax registration certificate from the Tax Bureau and the organizational code certificate from the Quality and Technology Supervision Bureau separately, as had been done in the past. More specifically, from now on, an investor who wants to establish an enterprise will only fill in one set of application forms and submit them along with other required materials to the AIC once. One enterprise will have a sole unified code and one business license, and all the information about the enterprise will be co-shared online by multiple government authorities, such as the AIC, QTSB and Tax Bureaus. In order to promote the reform more smoothly, a transition period has been set and it requires that the issuance and change of the new business license with the unified code shall be completed prior to the end of 2017. During the said transition period, the original business license is still valid.

Business News

Taiwan Semiconductor Manufacturing Co. to build factory in Nanjing

On February 6, 2016, it is reported that Taiwan Semiconductor Manufacturing Co. plans to invest USD 3 billion to build a factory in Nanjing, which has been approved by the Taiwan economical department. The new factory will be a wafer plant with a total investment of 3 billion USD, which is not only the first wholly-invested factory in mainland by Taiwan twelve-inch wafers factory, but also the biggest investment to mainland ever. It is estimated that the factory will start manufacturing in the second half of 2018, and the monthly capacity is planned to be 20,000 wafers sold to global clients.

China becomes the biggest APAC tech spender

According to a report from ZDNet, it is estimated that the money spend in tech goods and service by users in Asian and Pacific region will be reached a record of 693 billion USD, and China has bypassed Japan becoming the biggest spender in the region. Statistics shows that China spent in the tech field reached 209 billion USD in 2015, which 6 billion USD more than that of Japan. It is estimated that China's spend in the said field will further increase to 224 billion USD.

China leads global wind power market for the first time

According to the Global Wind Energy Council this February, China's wind capacity bypassed EU for the first time. It is said that China added 30.5 gigawatts (GW) to boost its capacity to 145.1 GW last year. In an effort to limit pollution and fight against climate change, China has been encouraging renewable energy production.

China makes tax reduction to boost service trade

On the executive meeting held by the State Council on February 14, it is decided to conduct service trade innovation pilot and promote foreign trade transition. One of the measures to do so is to cut taxes and reduce fees. The State Council has decided that in the pilot area, the 15% income tax rate for tech-advanced enterprises will be promoted to other service enterprises that have high technologies and high added value. By comparing it with the normal income tax rate of 25%, it is expected that a 10% tax cut will make enterprises have more profit, and therefore have the capacity to enlarge export and increase the added value of Chinese exported products and services.

China cuts property transaction taxes

On February 19, 2016, the Ministry of Finance, the State Taxation Bureau and the House and Urban-Rural Development co-issued a document to cut the ratio of deed and business taxes for house transaction in cities except with first-tier cities. According to this new policy, in case of purchasing the only house for family which is above 90 square meters for the first time, it will be levied a deed tax at 1.5 percent of the house price; whereas for house of 90 square meters and under, 1 percent of the house price will be levied. As to the second home purchase, tax rates will be 1 percent for those under 90 square meters and 2 percent for larger homes in cities excluding Beijing, Shanghai, Guangzhou and Shenzhen. Previously the rate was 3 percent, regardless of floor space. In addition, sales of houses held for more than 2 years will be exempt from business tax everywhere except the above-mentioned metropolises. The new policy came into effect on February 22, 2016.

United States imposes 266% Duty on imports of steel from China

The United States has imposed on China a 266% tax on cold-rolled steels sold at unfairly low prices in the United States market. Other countries also facing penalties include Brazil, India, South Korea, Russia, Japan, and the United Kingdom. Domestic producers such as Nucor Corp. and U.S. Steel Corp. filed trade cases accusing several global competitors of unfair subsidies and other illegal trade practices since June 2015. Furthermore, in December 2015, the United States government also found China, India, Italy and South Korea had dumped corrosion-resistant steel in the United States and levied taxes of 256% on imports from China. Therefore, it is an ongoing issue and such duties may not satisfy domestic producers.

United States university opens a branch in China

The University of Arizona has partnered with the Ocean University of China to produce hundreds of new Chinese lawyers conversant with the United States legal system. The dual-degree program may eventually generate more than \$1 million a year in new income for the University of Arizona under a revenue-sharing agreement between the universities.

The program, which is the first of its kind in China, allows students to earn a bachelor's degree from an American law school without leaving home. The operating premise is that millions of students would like a US education but cannot afford to come, therefore the new program takes US education to students who otherwise would not be able to have access. Both countries will benefit from a better understanding of America's economy and their laws, and the new program serves a pressing need for bilingual lawyers competent in both the Chinese and American legal systems.

This update is aimed at keeping our clients and partners informed as to the latest legal and business developments in the Greater China region. Whilst every care has been taken to ensure the accuracy of the information contained in this update, it should not be relied upon for any purpose prior to formal legal advice being obtained.