

IP Protection for Textile, Apparel, Footwear and Travel Goods



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Outline



- Background
- What Type of Rights Should Be Obtained?
- Enforcement
- Practical Steps



Background

Compared to 2006, the IPR challenges faced by US companies in China in 2007 are:

Embassy Roundtable Survey (Oct. 24, 2007)

- Same: 61% (31 respondents)
- Better: 25% (13 respondents)
- Worse: 14% (7 respondents)
- 13 - no response

USCBC Survey IPR Enforcement in China (Oct. 4, 2007)

- Unchanged: 53%
- Some progress: 40%
- Worse: 8%

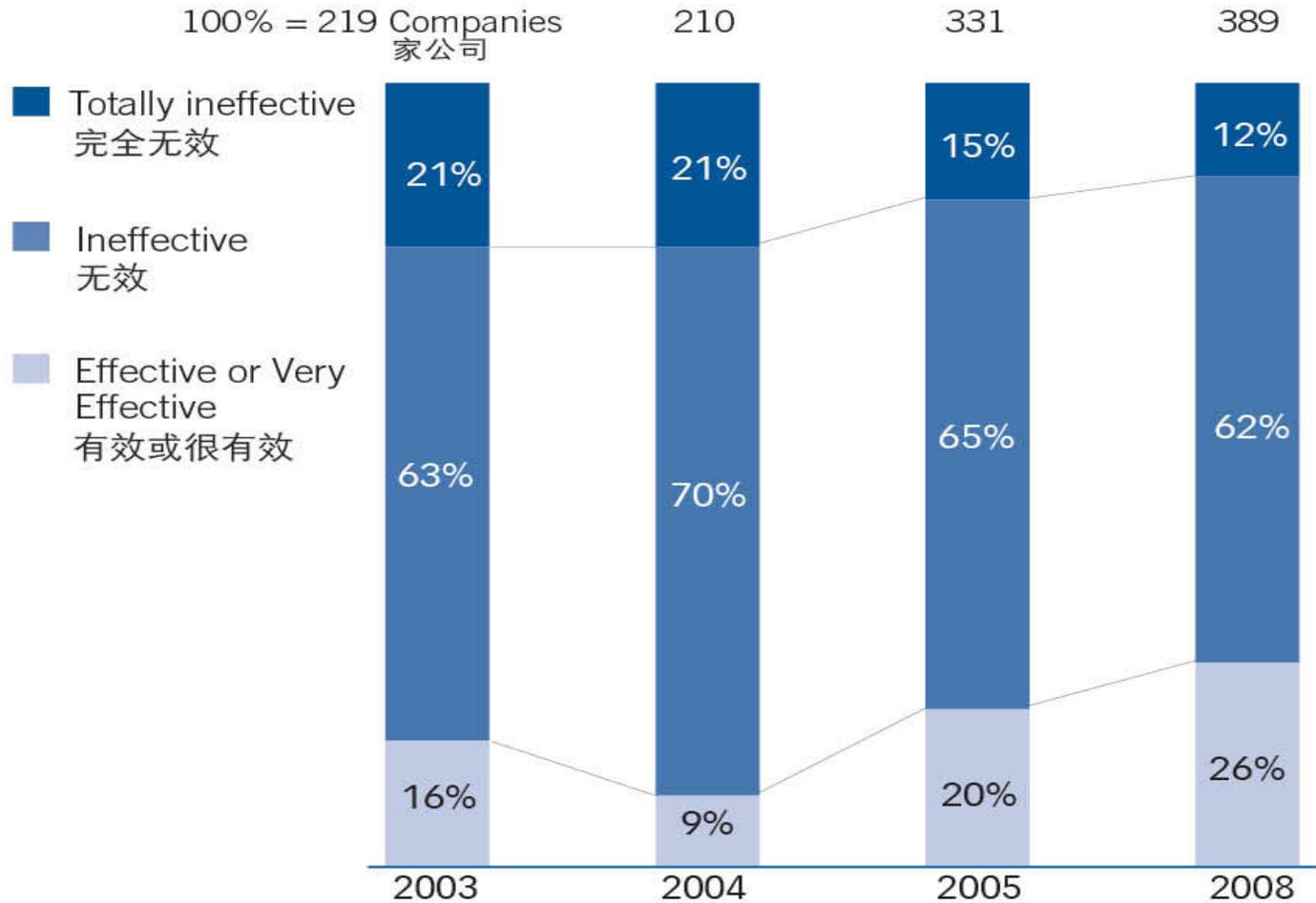
AmCham 2008 Business Climate Survey

IPR Enforcement in China

- Unchanged: 47%
- Improved: 51%
- Worse: 2%



Background-How does industry rate China's enforcement of IPR?



Source: 2003-05 & 2008 AmCham Business Climate Surveys
资料来源：2003-05 与 2008 年中美商会商务环境调查



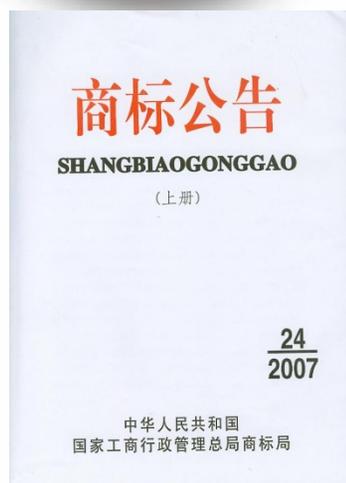
Major Areas of Concern for Industry

- First Place: patent, trademark, civil enforcement, criminal enforcement, administrative enforcement (over 20 respondents)
- Second Place: copyright, trade secret, Customs enforcement, standards & IPR, technology transfer, rule of law, WTO or WIPO issues and market access (over 10 respondents)
- *General trend: appears to be an increasing tendency towards concerns over patents, trade secret protection, technology transfers, and civil remedies without resolution of problems of counterfeiting/piracy.*



What Kind of IPR Can be Obtained in China?

- Trademark (name, logo, color, three dimensional);
- Patent (Invention, Utility Model, Design);
- Copyright;
- Trade Secret;
- Others: Layout-design of Integrated Circuits; New Plant Variety.....



Textile, apparel, footwear and travel goods can enjoy wide protection from many of the above mentioned items. The rights holder needs to consider all available instruments to obtain and enforce its rights.



Trademarks obtain protection in China through registration, NOT USE

1. Direct filing within China Trademark Office (CTMO);
2. Madrid System: *Recommended in case of acquisition in many classes and/or several countries;*
3. TMs if recognized well-known in China can achieve protection without registration. However, recognition is difficult to obtain and expensive. The protection for a WK-TM not registered is limited to identical or similar goods.
4. Domain names; company names need registration.

Word TM

GAP

Device



Word
+Device



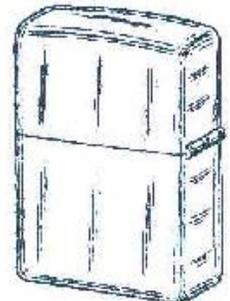
Duracell Color TM



Number TM



Zippo 3D TM





Design Patents

(Rule 2 Imp. Reg. to Patent Law of PRC “Any new design of the shape, the pattern or their combination, or the combination of the color with shape or pattern of a product, which creates aesthetic feeling and is fit for industrial application”)

SAMSONITE



GUCCI



No substantive examination

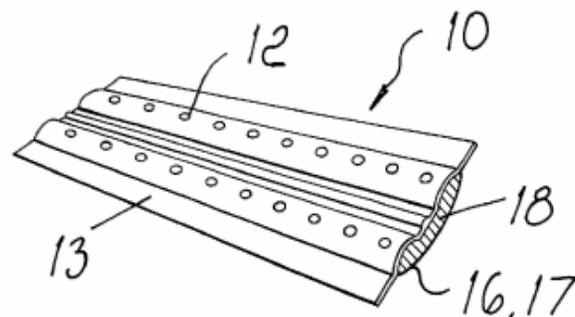


Invention Patents

Imp. Reg. Pat. Law - Rule 2 *“Any technical solution relating to a product, a process or improvement thereof” ... “that possess novelty, inventiveness and practical applicability” (art. 22 – Patent Law).*



WO02058494 - A ventilation device (10) to be applied to items of clothing, which comprises (...)



Substantive examination

Copyright



Art. 3 Copyright Law “(...) (7) product design, ..., sketches and other graphic work and model works”

- Copyright protection is secured automatically upon creation.
- No publication or registration is required, but registration may help in infringement cases.



Trademark Protection

- Administrative - Administrative agencies may be asked for raids actions if someone is making counterfeits/infringing products.
- Civil - Civil suit could be pursued for damages.
- Criminal- Cases of serious trademark counterfeiting can be transferred from administrative authorities to public security (police) for criminal prosecution.



Trademark Protection

The North Face (TNF) vs. Beijing Silk Market (BSM).



The Court held that there was no proof that BSM (after receiving ENF's warning letters) had fulfilled its duty to check the sources of the infringing goods and trademark-usage authorizations. Beijing Intermediate Court adjudicates the market as infringer and 40,000 rmb (\$5,000) should be paid to TNF.

Similar case: Gucci, Prada, Chanel, Louis Vuitton, Burberry vs. Beijing Silk Market (Beijing XiuShui Haosen Clothing Market Co. Ltd.). Beijing High People's Court adjudicated the market operator as infringer and condemned to pay 20,000 rmb to each of the plaintiffs



Trademark vs. Design Patent

LV vs. Mr. Wang



Mr. Wang (in the picture) filed in China as a Design Patent the trademark registered by LV. LV sued Mr. Wang for TM infringement. Wang replied that he filed the design but never used it.

The Court ruled that the act of filing the application for design constituted infringement upon the plaintiff's registered trademark.



Copyright Protection

- Use copyright protection in the garment/textile/footwear/travel goods for:
 - Catalogs and marketing materials
 - Design plans
 - Ornamental features that are physically separable from utilitarian aspects of the design.
- Consider copyright recordal in appropriate circumstances.



Copyright Protection



Jean Paul Gaultier (“JPG”)
vs.
Jiarou Fine Commodity
Chemicals Co. Ltd. (“Jiarou”)



In 1992 JPG designs a perfume bottle with a shape of a female torso (“La Classique”); in 1994 designs the bottle of a perfume for man with a shape of a male torso (“La man”); In 2005 JPG found identical bottle (and packaging on the market) and sued Jarou in Beijing. **In 2006 the First BJ Intermediate People’s Court declared copyright infringement.**

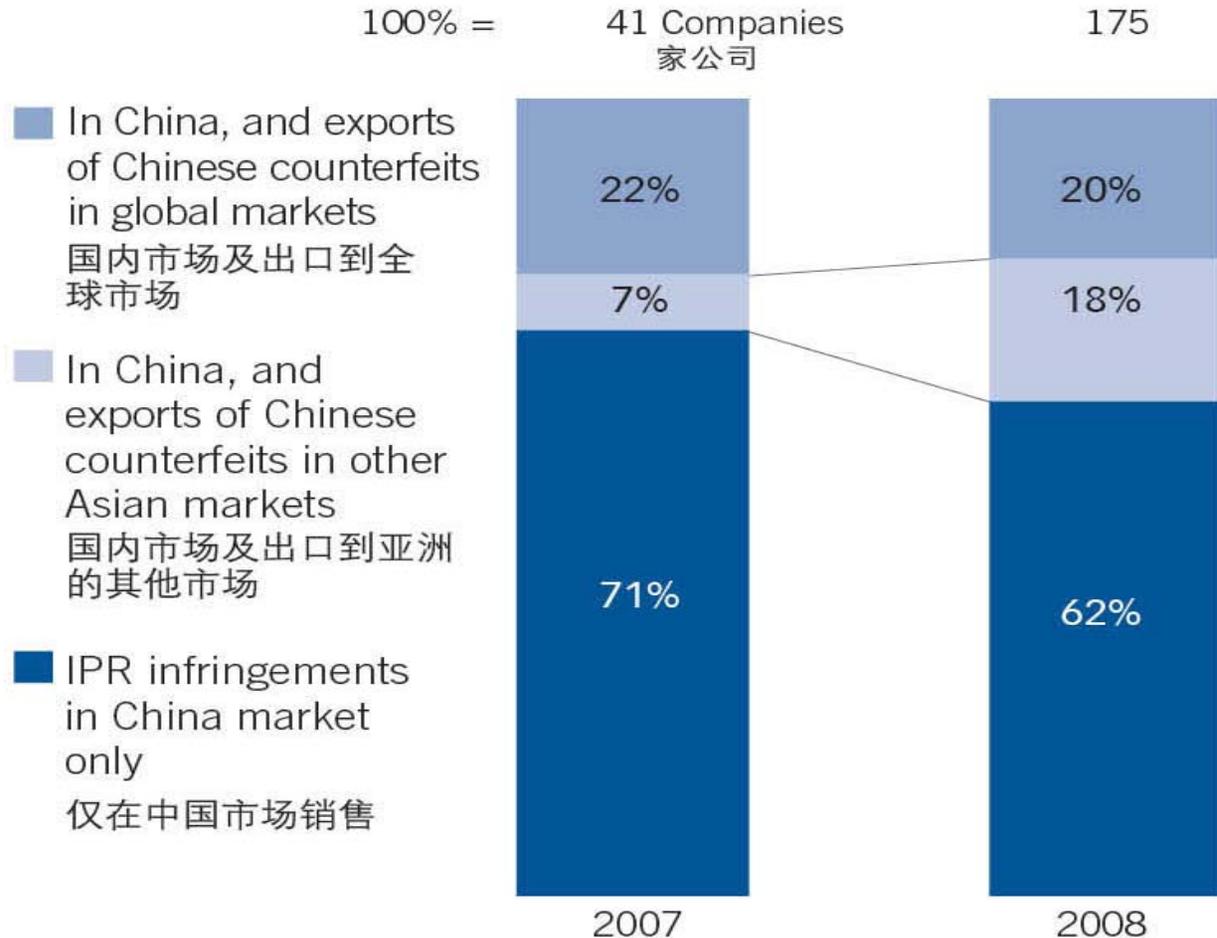


Infringement

- Usually, when we talk about “counterfeit” goods, we are talking about trademark infringing goods. “Pirated” goods infringe copyright.
- At times, copyright protection may overlap with trademark protection.
- Patent protection also may overlap with trademark protection, particularly in the area of designs.
- The scope of what constitutes infringement varies by right, e.g., copyright involves “copying”; trademark may involve “likelihood of confusion”, and patents may involve “equivalents.”



What Is the Breadth of Infringing Products Originating from China



Source: 2007-08 AmCham Business Climate Surveys
资料来源：2007-08 年中美商会商务环境调查



Trends in the IP Infringement in Industry: *World, Global Market, Global Infringement, Global Protection*

Nike mentioned in last calendar year of 2007, 300+ containers were seized in US & European countries. Most of the counterfeit shoes are manufactured in Fujian, most of the containers are shipped from the Chinese ports of Shenzhen, Xiamen & Ningbo

... factory



Civil and Admin. Enforcement in China / Trade Fair and Internet Enforcement Increasing Important

... delivery



Exit Custom and Entry Custom Registration, Monitoring, and Support

... market



Civil and Criminal Enforcement/International Cooperation



Policy Suggestions

IP-Rights protection strategy, no matter in which industry, follows two basic steps: **AQUISITION** and **ENFORCEMENT**



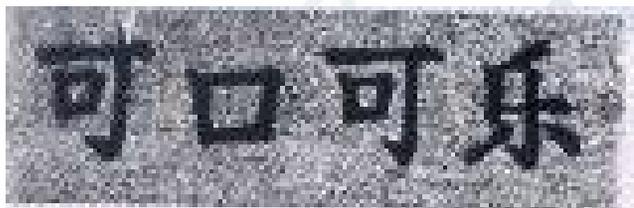
The most of the IP-Rights must be acquired through **filing and registration in China** in which you want be protected.



If the IPR is infringed upon a reaction **(enforcement)** must follow



Examples: Get A Chinese Trademark



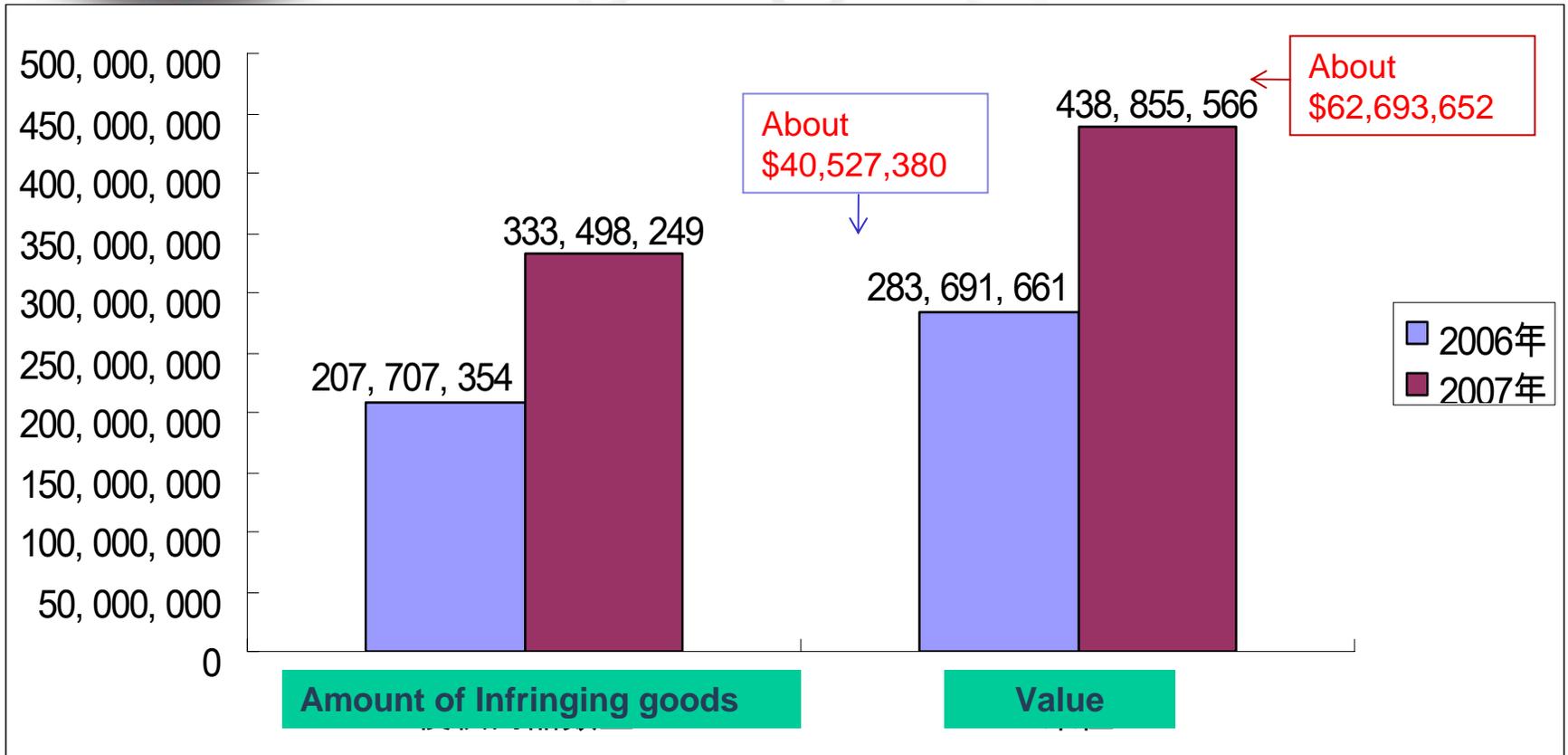


Use Appropriate Procedures (What's Wrong With This





Chinese Customs Seizures





U.S. Customs Seizure Data

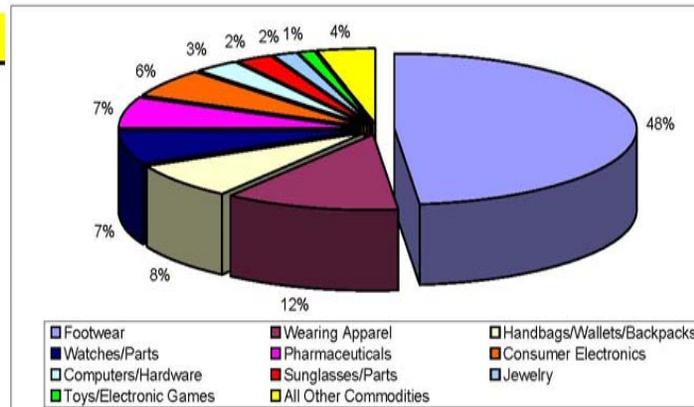
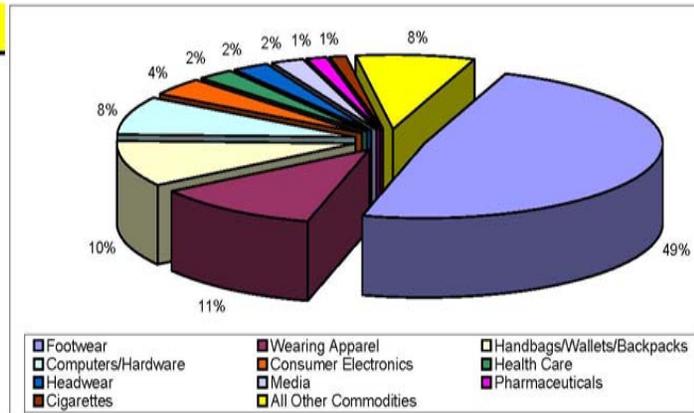
FY 2006	Domestic Value (\$)	Percent of Total
Footwear	61,009,037	49%
Wearing Apparel	14,215,434	11%
Handbags/wallets /backpacks	12,526,539	10%

FY 2007	Domestic Value (\$)	Percent of Total
Footwear	76,397,039	48%
Wearing Apparel	18,332,467	12%
Handbags/wallets /backpacks	12,228,309	8%

FY 2006	Domestic Value	Percent of Total
Footwear	\$ 61,009,037	49%
Wearing Apparel	\$ 14,215,434	11%
Handbags/Wallets/Backpacks	\$ 12,526,539	10%
Computers/Hardware	\$ 10,479,715	8%
Consumer Electronics	\$ 5,149,151	4%
Health Care	\$ 3,076,323	2%
Headwear	\$ 3,023,457	2%
Media	\$ 2,755,572	2%
Pharmaceuticals	\$ 1,722,750	1%
Cigarettes	\$ 1,679,640	1%
All Other Commodities	\$ 9,958,226	8%
Total FY 06 Domestic Value	\$ 125,595,844	
Number of Seizures	10,325	

FY 2007	Domestic Value	Percent of Total
Footwear	\$ 76,397,039	48%
Wearing Apparel	\$ 18,332,467	12%
Handbags/Wallets/Backpacks	\$ 12,228,309	8%
Watches/Parts	\$ 11,600,232	7%
Pharmaceuticals	\$ 10,653,412	7%
Consumer Electronics	\$ 9,495,873	6%
Computers/Hardware	\$ 4,946,734	3%
Sunglasses/Parts	\$ 3,858,715	2%
Jewelry	\$ 2,485,915	2%
Toys/Electronic Games	\$ 1,752,812	1%
All Other Commodities	\$ 6,331,089	4%
Total FY 07 Domestic Value	\$ 158,082,597	
Number of Seizures	9,685	

China





Provisional Measures' Situation in China (2007)

- In 2007, nation-wide courts in China respectively filed and concluded:
 - 134 and 131 preliminary injunction cases, with 76.92% ruling upheld the applicants;
 - 230 and 216 Pre-trial evidence preservation cases, with 87.17% ruling upheld the applicants;
 - 110 and 106 Pre-trial property preservation cases, with 98.10% ruling upheld the applicants.
- ❖ In 2007, nation-wide courts in China respectively filed and concluded 17,877 and 17,395 IPR civil cases of first instance.
- ❖ Only a small percentage were foreign-related



Administrative Enforcement

2007

➤ **Trademark:**

- 50,318 administrative cases; 229 cases transferred for criminal prosecution - accounting for 0.45% of the total & an decrease of 9.1% compared to 252 cases transferred in 2006
- Foreign related trademark cases: 10,320 – an increase of 8% compared to 9,562 cases in 2006 (a continuing increase in absolute terms since at least 2005).

➤ **Copyright:**

- 9,816 administrative punishment; 268 cases transferred for criminal prosecution – an increase of 14% compared to 235 cases transferred in 2006.
- Ministry of Culture “over 20,000” cases in 2007, 399 cases transferred to criminal prosecution.

➤ **Patent:** administrative enforcement less critical.

➤ **Fake and Shoddy Goods/Defective Products:**

- Huge Numbers

➤ **Bottom Line:** China primarily enforces through Admin. Measures. Criminal thresholds and other procedural challenges reduce availability of criminal remedies.



Influence of Administrative System on Injunctions

Administrative Punishment Decision Beijing AIC Xuanwu Branch (2008) No.33

The person concerned (the infringer) should stop infringement immediately...Confiscating and destroying of infringing productsadmin. fine...

北京市工商行政管理局宣武分局 行政处罚决定书

京工商宣处字(2008)33号

当事人:北京人缘物缘财缘超市

注册号:1101042857401

企业住所:北京市宣武区南横街东口危改小区S7号楼2号商业用房

经查:2007年12月4日,当事人在北京市宣武区南横街东口危改小区S7号楼2号商业用房,销售侵犯“红星二锅头”注册商标专用权的白酒。至被查获时,当事人共购进用于销售的侵犯“红星二锅头”注册商标专用权的白酒120瓶,已销售3瓶,非法经营额为780元。上述事实有“北京红星股份有限公司”出具的鉴定结论、当事人陈述材料及现场检查记录等证据佐证。

当事人的上述行为违反了《中华人民共和国商标法》第五十二条第(二)项之规定,属于销售侵犯注册商标专用权的商品的行为。依据《中华人民共和国商标法》第五十三条以及《中华人民共和国商标法实施条例》第五十二条的规定,责令当事人立即停止侵权行为并作出以下行政处罚:

- 1、没收、销毁侵犯“红星二锅头”注册商标专用权的白酒117瓶;
- 2、罚款1560元。

当事人应自收到本处罚决定书之日起15日内到就近银行缴纳罚款。逾期不缴纳,每日按罚款数额的百分之三加处罚款。

如不服本处罚决定,可自收到本处罚决定书之日起六十日内向北京市工商行政管理局或北京市宣武区人民政府申请行政复议;也可以自收到本处罚决定书之日起15日内向人民法院提起行政诉讼。

Source:

http://www.oppo.com.cn/oppo_xwgs/cn/bulletin/?Templ etFlag=13&Year=2008&ClassId=137

2008年3月18日



Practical Suggestions

Rights holders:

- Register early and often, incorporating IP into product development
- Be strategic in acquisition and use of IP rights
- Labor/Supply chain management
 - Trade Secret/Non-Compete Agreements
- Use of anti-counterfeiting technologies
- Work closely with enforcement officials
- Educate distributors
- Use enforcement cost effectively and proactively
- Consider using Customs remedies



Some Contacts- USPTO Resources

- **Beijing**
 - Todd Thurwachter (PTO)
 - Li Jing (enforcement)
 - Zhang Hua (trademark)
 - Xiang Ting (copyright)
 - Ni Dan (admin)
- **Shanghai**
 - Lin Xu (patent/regional issues)
- **Guangzhou**
 - Conrad Wong (PTO)
 - Yang Yan (enforcement)(pending)
 - Jodie Xie (admin)
- **International USPTO Team**
 - Bangkok / New Delhi / Egypt / Moscow / Brazil / Geneva



Contact



- Mark.Cohen@mail.doc.gov
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THANK YOU



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The China Problem – A Perspective

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China was the number one producer of counterfeit products that were seized at the United States border in 2007

CBP and Immigration and Customs Enforcement made 14,675 seizures of counterfeit goods worth more than \$155 million in domestic value in fiscal year 2006.¹

¹ http://www.cbp.gov/xp/cgov/newsroom/news_releases/archives/2007_news_releases/052007/05232007_5.xml

Counterfeit Products Manufactured in China

- Auto parts
- Watches
- Sporting goods
- Shampoo
- Footwear
- Designer apparel
- Medicine
- Medical Devices
- Leather Goods
- Toys
- Batteries



The Chinese Influence Is Not Limited to China

- South Africa
- Canada
- Central America
- Eastern Europe
- Paraguay
- Morocco and the Maghreb



Proactive Steps

- Registration of trademarks with the China Trademark Office
- Register Chinese language versions of trademarks
- Register internet domain names
- Copyright registration with China's National Copyright Administration
- Understand bond requirements
- Participate in training
- Be responsive





■ If you're big enough, have a team on the ground

■ If not, find good Chinese counsel



INTERNATIONAL
TRADE
ADMINISTRATION

Office of Textiles and Apparel

<http://otexa.ita.doc.gov>

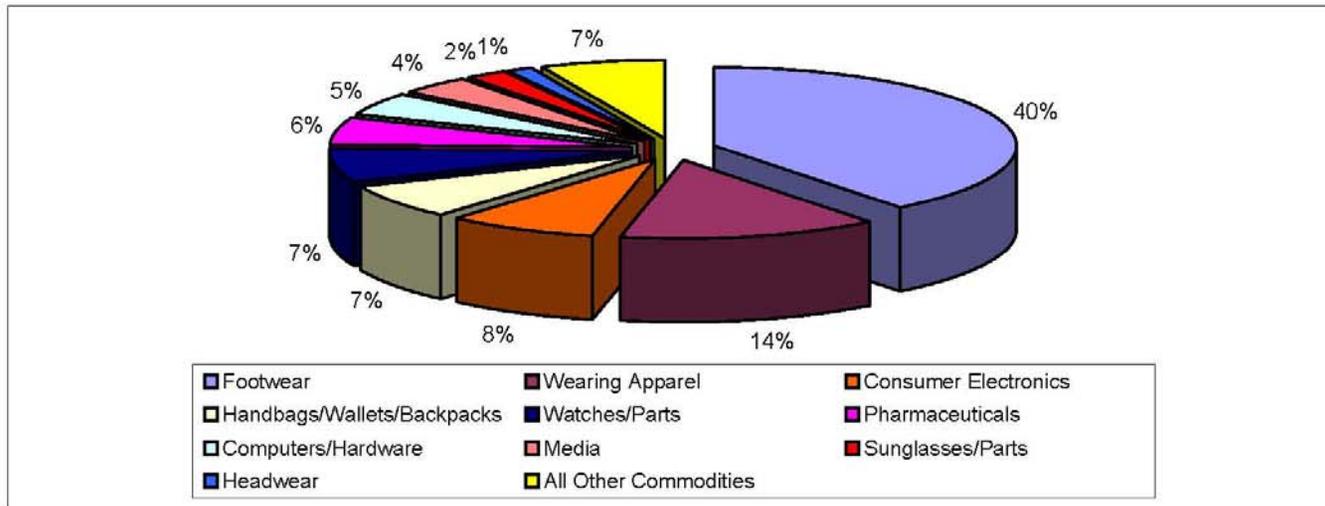
CONTACT INFORMATION FOR OTEXA

OTEXA Phone: 202-482-4058

Anna Flaaten: Anna_Flaaten@ita.doc.gov

Amanda Douglas: Amanda_Douglas@ita.doc.gov

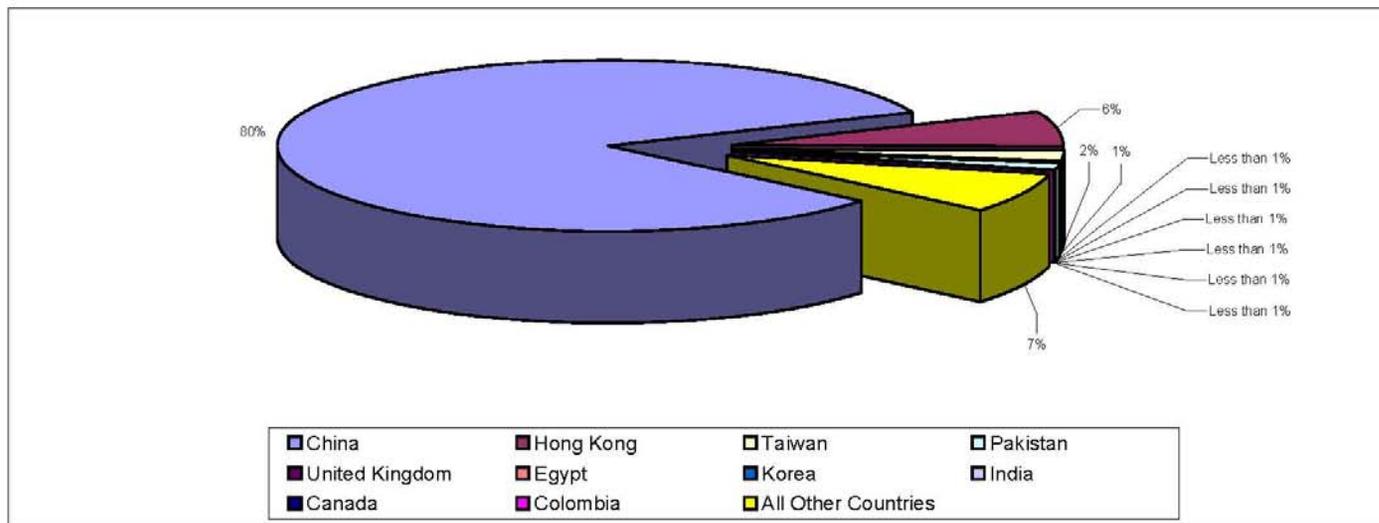
**Department of Homeland Security
U.S. Customs and Border Protection and U.S. Immigration and Customs Enforcement
FY 2007 Top IPR Commodities Seized**



Commodity	Domestic Value	Percent of Total
Footwear	\$ 77,781,415	40%
Wearing Apparel	\$ 27,005,914	14%
Consumer Electronics	\$ 16,041,694	8%
Handbags/Wallets/Backpacks	\$ 14,214,304	7%
Watches/Parts	\$ 13,355,985	7%
Pharmaceuticals	\$ 11,137,578	6%
Computers/Hardware	\$ 9,336,893	5%
Media	\$ 7,884,152	4%
Sunglasses/Parts	\$ 3,951,758	2%
Headwear	\$ 2,902,362	1%
All Other Commodities	\$ 13,142,322	7%
Total FY 07 Domestic Value	\$ 196,754,377	
Number of Seizures	13,657	

Note: **Media** includes motion pictures on tape, laser disc, and DVD; interactive and computer software on CD-ROM; and music on CD or tape. **Consumer Electronics** includes cell phones and accessories, radios, power strips, electrical tools and appliances.

Department of Homeland Security
U.S. Customs and Border Protection and U.S. Immigration and Customs Enforcement
FY 2007 Top Trading Partners for IPR Seizures



Trading Partner	Domestic Value	Percent of Total
China	\$ 158,082,597	80%
Hong Kong	\$ 12,729,121	6%
Taiwan	\$ 3,454,048	2%
Pakistan	\$ 2,530,545	1%
United Kingdom	\$ 1,136,268	Less than 1%
Egypt	\$ 992,895	Less than 1%
Korea	\$ 902,904	Less than 1%
India	\$ 855,231	Less than 1%
Canada	\$ 842,158	Less than 1%
Colombia	\$ 720,699	Less than 1%
All Other Countries	\$ 14,507,911	7%
Total FY 07 Domestic Value	\$ 196,754,377	
Number of Seizures	13,657	

Figures for trading partners are based on country of origin and/or country of export as listed in the seizure report.