Tuesday, October 26
4:30pm-6:00pm

809 - Best Practices for Protecting Your IP in Emerging Markets

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Session 809

Faculty Biographies

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Alex Sousa

Alex Sousa is counsel for Innovalight, a Silicon Valley startup that has developed a portfolio of patented technologies and materials to cost effectively produce solar cells with higher conversion efficiencies. As counsel, he develops, reviews, and negotiates all licensing, consulting, services, sales, supply, and lease agreements. He further directly prepares and prosecutes patent applications in areas such as nanotechnology, organic chemistry, material science, and solid-state physics.

Prior to becoming an attorney, Mr. Sousa was a program manager at a CDMA wireless infrastructure manufacturer, and both a middleware marketing manager and a microprocessor program manager at Hewlett-Packard.

He has a JD from Santa Clara University School of Law, an MBA from the University of Michigan Business School, and a BSME from the United States Military Academy, West Point.

Catherine Sun

Catherine Sun is the managing partner of Foley & Lardner's Shanghai office and chair of the firm's Asia practice. Ms. Sun is a member of the Intellectual Property Litigation and International Practices and the Life Sciences and Entertainment & Media Industry Teams. She works with the firm's clients on IP strategy, counseling and litigation, cross border M&A related IP, international technology transfer, licensing and portfolio management.

Prior to joining Foley, she was with the Shanghai office of an international law firm, where she was head of the China IP Practice. Ms. Sun previously practiced law in the United States at a major national law firm, before returning first to Hong Kong and then to Shanghai to practice intellectual property law. Ms. Sun also practiced intellectual property law in Beijing. While in the United States, Ms. Sun also was an in-house attorney for a high-tech company working on the trans-Pacific interface and served as a student law clerk to the Hon. Randall R. Rader of the United States Court of Appeals for the Federal Circuit.

She is the author of numerous publications on IP-related transactions in China, and has lectured widely and participated in conferences on intellectual property law both in the United States and Asia.

Ms. Sun received her LLM from the George Washington University Law School and earned her LLB from Peking University, with honors.

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The Dynamics of the Intellectual Property (IP) Legislation in China

- Joined the World Intellectual Property Office (WIPO) on June 3rd, 1980
- PRC Trademark law took effect on March 1, 1983
- Joined the World Trade Organization on November 11, 2001
- Third Amendment to the Patent Law effective on October 1, 2009
- Third Amendment to the Trademark Law is pending

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IP Legislation in 2009-10

- The Third Amendment of the Patent Law and Its Implementing Regulations
- Judicial Interpretation on Adjudication of Patent Infringement Cases
- Amendment of the Copyright Law
- Law on Preserving State Secret (Draft Amendment)

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Major Modifications of the Patent Law

- Novelty Standard-worldwide disclosure serve as prior art
- National Security Review
- Joint ownership-consensus to enforce or commercialize required
- Maximum statutory damages increased to RMB1 million
- Statutory inventor compensation applicable to both SOEs and private sectors if no stipulation
- Claim construction, prosecution history estoppel, conditions to file declaratory judgment have been clarified

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Amendment of the Copyright Law (Effective April 1, 2010)

- Removed Article 4 "Prohibited publication cannot be protected" to provide a more consistent wording with the TRIPs, to honor the final decision of the US-China WTO dispute;
- Copyright mortgage requires recordation.

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Technology Transfer

- The Regulations for the Administration of Import and Export of Technology, issued by the State Council clarify procedures for approval and registration of imported technology January 1st 2002- Always changing
  - Established three categories for imported and exported technologies:
    - freely imported and exported technology; no prior application necessary only after the technology has been imported
    - restricted technology; and
    - prohibited technology.
  - Registration - online via the China International Electronic Commerce Network
  - The Ministry of Commerce (MOFCOM) is responsible for registering technology imports for large projects, including projects that need approval from the State Council and projects funded partly by the national budget or by foreign government loans
  - Provincial-level foreign-trade bureaux are in charge of registering other contracts involving the import of freely tradable technology
  - For restricted technology, an application for import license must be filed with MOFCOM, before and after the technology-import contract has been signed and after approval of the license
  - May be required to produce certificate when applying for foreign-exchange settlements, including overseas remittances of royalties

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Licensing Risks in China

- The licensor bears statutory liability for any infringement of third party patents
- The improving party enjoys the right over improvements of licensed technology
- The assignor or licensor must warrant that it is the "lawful holder", or "authorized" assignor or licensor of the technology and that the technology is "complete, error-free, valid, and capable of accomplishing contracted technical objectives"
- Currency and foreign exchange control risks
- Auditing rights by licensor

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Statistics of IP Cases

- 30,626 IP cases were filed in 2009, and 30,509 cases were decided;
- 2009 filed patent cases: 4422; trademark cases: 6906; copyright cases: 15,302; technology contracts: 747; unfair competition: 1282;
- Decided cases related to foreign parties: 1361; related to Taiwan, Macau and Hong Kong: 353;
- Decided IP criminal cases: 3660.

(Source: PRC IP News)

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Landmark IP Cases 09-10

- Patent Case-Strix
- Trademark Case-Pfizer
- Copyright Case-Tomato Garden
- Trade Secret Case-Tianjin Bohai
- Domain Name case-Exxon Mobil

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More Cases Filed Against Foreign Companies

- Chint and Schneider settled in Zhejiang;
- Founder vs. Blizzard in Beijing;
- Xi'an Zhong Dian vs. Microsoft in Xi'an;
- Holley vs. Samsung in Hangzhou.

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How to Enforce IP in China?

- Negotiation
- Mediation
- Arbitration

  Face saving (*mianzi)* still dictates resolution of disputes by non-court actions
- Administrative Actions
- Civil actions
- Criminal actions

  Criminal actions mostly are applicable to trademark and copyright offenses

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Administrative Enforcement

- Agency for Industry and Commerce (AIC) and Technology Supervision Bureau (TSB)
- Suitable for trademark and simple design patent infringement only
- Quicker & Cheaper
- Evidence collection tool
- No damages

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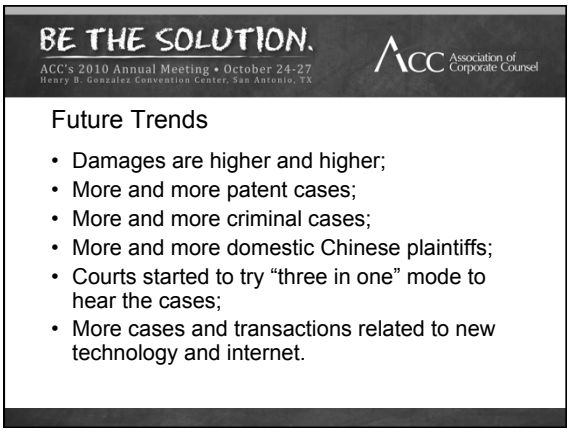
Civil Court Actions vs. Administrative Actions

- Specialized IP courts
- Suitable for copyright & complex patent cases
- Remedies include damages, injunction, and public & private apology
- Unique characteristics:
  - rocket docket
  - very little discovery
  - damages are historically not high



2009-2010 TOP TEN CHINESE IP CASES

Foley & Lardner LLP Shanghai Office[1]

Case No. 1

Chint vs. Schneider, parties finally settled for the largest amount in China's patent litigation history.

April 15th, 2009 marks a historical day in China's patent litigation history. The French company Schneider settled its patent lawsuit with a Zhejiang company Chint at the beginning of the oral hearing conducted at the Zhejiang High People's Court. According to the settlement, Schneider ought to pay Chint monetary compensation in the amount of RMB157.5 million Yuan (approximately US$23 million) within fifteen days, otherwise Chint would have the right to apply for enforcement of the first instance judgment rendered by the Wenzhou Intermediate People's Court against Schneider in the amount of RMB334 million Yuan (approximately US$50 million).

On August 1, 2006, Chint filed a lawsuit in Wenzhou Intermediate People's Court against Schneider and its related parties for patent infringement asking for RMB500,000 Yuan (approximately US$80,000) in damages, a much lower demand in order for the case to be accepted by Wenzhou Court. Then in February 2007, six months later, Chint increased the damages demand to RMB334 million Yuan (approximately US$50 million), without transferring the case to the Zhejiang High People's Court.

The patent at issue, Chinese Patent No. ZL97248479.5 ('479 Patent), was a utility model patent, so called "petite patent" which was filed on November 11, 1997 and granted on June 2, 1999. The '479 Patent covered a high cutting off small circuit breaker with a ten-year validity expiring on November 10, 2007.

The case went through the Chinese Patent Re-examination Board (the "Patent Board") and the trial, almost in parallel with the trial court decision handed down first on September 29, 2007, ordered injunction and compensation in favour of Chint. Before the Zhejiang High People's Court's hearing, the Patent Board handed down a decision upholding the validity of the '479 Patent which did not go through substantive examination upon issuance. The case then settled, hoping to end the ten-year patent battle between the two companies worldwide.

[1] We would like to thank Leo HE and Max Lin, our China Associates for their assistance in preparing this summary.

Case No. 2

Pfizer vs. Wellman, foreign plaintiff lost an extremely popular Chinese translation mark under the first to file regime.

On June 24, 2009, China's Supreme People's Court finally adjudicated that Pfizer lost a Chinese translation mark "伟哥"to Plaintiff Guangzhou Wellman Corp., ending an eleven-year legal battle.

In March 1998, Pfizer's Viagra blue pill came out, which was immediately covered by the Chinese media. Viagra was translated by the Chinese media as Weige "伟哥"meaning "great brother". But Pfizer did not choose "伟哥" as the trademark for the Chinese market, instead translating Viagra as Wanaike "万艾可"meaning "could have ten thousand lovers". With the increasing popularity of "伟哥", more than forty Chinese companies rushed to the Chinese Trademark Office ("CTMO") the same year to apply for "伟哥" trademark registration. One local company called Guangzhou Wellman Corp. won the lottery. When Pfizer realised the value of "伟哥", Wellman's "伟哥"trademark application was already accepted by the CTMO.

On June 22, 2002, "伟哥"mark was published and gazetted for public opposition. On day 89, just one day before the closure of the opposition period, Pfizer filed an opposition. On October 11, 2005, Pfizer filed a lawsuit against Wellman and other pharmaceutical companies claiming for well-known trademark infringement. The case went through Beijing No. 1 Intermediate People's Court, and Beijing High People's Court, finally the Supreme People's Court granted the certiorari to hear the case. The Court basically held that Pfizer has never used or promoted the Chinese mark "伟哥", and only Wellman had. Because China is a first to file regime, without establishing well known status by an unregistered mark before other's trademark filing date, whoever files first has the right to use the trademark. Pfizer could not establish "伟哥" was well known due to its use and promotion in China before 1998, thus, Wellman does not infringe Pfizer's right.

Interestingly, on April 8, 2009, the Chinese Trademark Review and Adjudication Board upheld Pfizer's trademark opposition which seems to be conflicting with the Court decision. It is yet to be seen whether Wellman will ultimately obtain the ownership of the mark.

Case No. 3

Strix vs. Zhejiang JiaTai and Leqing FaDa, a British kettle company was awarded an "unprecedented" RMB 9.1 million Yuan (approximately US$1.3 million) compensation for patent infringement against Chinese small appliances manufacturers.

The case was filed in Beijing in December 2008 by Strix Ltd. - the world's leading manufacturer of electric kettle controls, against two electrical device makers - Zhejiang JiaTai Electrical Appliance Manufacture Co., Ltd. (JiaTai) and Leqing FaDa Electrical Appliance Co., Ltd. (FaDa), and two kettle manufacturers - Zhongshan WeiLing Electrical Appliance Co., Ltd. (WeiLing) and Zhongshan ShunLong Century Electrical Appliance Co., Ltd. (ShunLong), after Strix found that the companies were producing and selling electric control devices containing Strix's patented technology.

The patent in suit entitled "Liquid Heating Vessels" (ZL95194418.5) was filed by Strix through PCT on June 9, 1995 and covers a technology which automatically switches off electric kettles after the water has reached boiling point.

Although the defendant's manufacturing operations are in Guangzhou and Zhejiang, Strix chose to sue in Beijing for a better forum. To bring the lawsuit in Beijing, Strix has demonstrated that the infringing kettles, which were being sold across the country, were also available in Beijing.

In January 2010, the Beijing No. 1 Intermediate People's Court ruled that JiaTai and FaDa should stop producing and selling the two models of electric kettles containing such control devices, and pay damages of RMB 7.1 million Yuan (approximately US$1.04 million) and RMB 2 million Yuan (approximately US$ 294,000) respectively. While the majority of the damages were imposed on the control manufacturers, the court also ordered two kettle manufacturers- WeiLing and ShunLong, who were also involved in the case, to pay substantial damages and to stop the production and sale of two models of electric kettles containing those controls.

In this case, the compensation amount was calculated by the "infringer's illegal income", which is much higher than the maximum statutory damages awarded to the patent right holders.

Case No. 4

Tomato Garden criminal case, copyright infringement of Microsoft Windows XP, where criminal liability was imposed.

The Tomato Garden version of Microsoft Windows XP program (Tomato Garden) was developed by Mr. Hong Lei who deciphered the program's authentication and certification barriers, enhanced the appearance of Windows XP desktop, buttons and certain program interface, and allowed users unrestricted access to certain Microsoft software. The use of Tomato Garden has been widespread in China and the program itself was ranked the second most popular operating system right after the original Windows XP.

Between December 2006 and August 2008, with the assistance of Mr. Hong Lei and other individual defendants, Chengdu Gongruan Network Technology Co., Ltd made various versions of Tomato Garden software, and provided access through public download at tomatolei.com and edudown.cn. While download was free of charge, the company made profit out of advertising. According to the judgment, Gongruan has an illegal income of RMB 2.92 million Yuan (approximately US$ 430,000).

Some defendants were arrested in 2008. On August 20, 2009, the Hu Qiu District People's Court in Su Zhou, Jiangsu Province, adjudicated that the defendants infringed the copyright of Microsoft, so the illegal income of Chengdu Gongruan should be seized and the company should be fined three times of its illegal income, that is, RMB 8.77 million Yuan (approximately US$1.23 million). Two principal individual defendants (including Mr. Hong Lei) were sentenced to jail for three and a half years and fined RMB 1 million Yuan (approximately US$ 147,000). Two subordinate criminal suspects were sentenced to jail for two years and fined RMB 100,000 Yuan (approximately US$ 14,700).

Case No. 5

People vs. Tantian, the first trademark criminal case relating to 2010 Shanghai World Expo.

On October 16, 2010, Shanghai Pudong New District People's Court handed down a judgment of the first trademark criminal case relating to 2010 Shanghai World Expo.

Tantian was one of the defendants. In 2006, Tantian's mother paid for RMB 500,000 Yuan (approximately US$ 73,530) to establish Changzheng Company (the other defendant in the present case; hereafter "Changzheng") pursuing metals and steel business. Tantian was the general manager of Changzheng and in charge daily work. In 2007, Chengzheng became a materials supplier to Shanghai Installation Engineering Co., Ltd. (hereafter "Installation Engineering. In July 2008, Installation Engineering was granted contracts of electrical installation work of certain Expo venues and Changzheng was responsible for supplying steel materials to Installation Engineering.

In December 2008, a man, named Mr. Chen, promoted to sell "Jinzhou" brand galvanized steel pipes to Changzheng. Tantian made a decision to buy ninety tons of these steel pipes with the price of RMB 456,000 Yuan (approximately US $ 67,059) which was obviously lower than the normal market price of "Jinzhou" brand steel pipes. Tantian sold these steel pipes to Installation Engineering for Expo venues buildings. In April 2009, Installation Engineering found that the steel pipes had breaking welding line when conducting random inspection to these steel pipes. Installation Engineering terminated Changzheng's supplier's qualification immediately and sent staff to carry out investigation. In order to verify the authenticity of steel pipes, Installation Engineering invited "Jinzhou" brand steel pipes manufacturer to conduct field verification. After verification by the manufacturer, these steel pipes were identified as counterfeit products. On May 6, 2009, Tantian turned himself into the public security department. On September 9, 2009, a public prosecution was instituted at the Pudong New District People's Court.

The court held that "Jinzhou and its logo" was a registered trademark in China. Jinzhou company was the owner of the registered trademark "Jinzhou and its logo" and their legitimate rights should be protected by law. Defendants, Changzheng and Tantian knowingly sold the products bearing fake trademark with a relatively large sales volume, which had not only infringed trademark right owned by Jinzhou Company, but also destroyed state trademark management system and disturbed the socialist market economic order. Their action had committed crime for selling goods bearing counterfeit registered trademark. Changzheng was a limited liability company which was established legally. Tantian was the general manager of Changzheng and in charge of company's business activities. Tantian signed steel pipe sale contract with Installation Engineering in the name of Changzheng and the earned profit belonging to Changzheng, which constituted enterprise crime under the Chinese Criminal Law . Tantian had repeatedly distributed genuine "Jinzhou" branded steel pipes and knew it well, but he purchased the steel pipes bearing counterfeit "Jinzhou" trademark with obvious low price and further forged certificate of product quality. The above facts specifically showed that Tantian willfully sold the steel pipes bearing counterfeit "Jinzhou" trademark.. Tantian, as the general manager of Changzheng, should bear the criminal liability according to the law.

The court decided that Changzheng committed crime for selling goods bearing counterfeit registered trademark and was punished with a fine of RMB 180,000 Yuan (approximately US $ 26,471); Tantian committed the same crime and was punished with imprisonment of two years and a fine of RMB 180,000 Yuan (approximately US $ 26,471); the seized steel pipes bearing counterfeit “Jinzhou” trademark were confiscated.

Case No. 6

Wuhan Jingyuan vs. Japanese Fujikashui and Huayang, injunctive relief was not granted due to public interest consideration in an environmental sector IP infringement case.

On December 21, 2009, the Supreme People's Court adjudicated that Wuhan Jingyuan Environmental Project Tech Co., Ltd. (hereinafter WUHAN JINGYUAN) won the patent infringement case against Japanese Fujikashui Engineering Co., Ltd. (hereinafter Japan FKK) and Huayang Electricity Co., Ltd. (hereinafter Huayang Company), ending an eight-year legal battle. Japan FKK and Huayang Company should jointly pay WUHAN JINGYUAN RMB 50.6 million Yuan (approximately US$ 7.4 million), the largest patent compensation involving environmental products in China.

The patent in suit (ZL95119389.9) entitled Aeration Sea Water Type Technology for Removing Sulfur from Smoke and Aeration Device was filed by WUHAN JINGYUAN in December 1995, and granted on September 25, 1999. The patent provides core technology to remove sulfur by using sea water, which is a substantial improvement and could reduce the cost by two thirds, compared with the traditional limestone sulfur removal process which consumes lots of more freshwater and energy.

The sulfur removal technology and equipment used by Huayang Company was provided by Japan FKK. According to the agreement between Huayang Company and Japan FKK, there is an indemnification clause stipulating that the Japan FKK should indemnify the Huayang Company for any losses, damages and fines relating to the patent rights of the equipment provided by Japan FKK.

On September 16, 2001, WUHAN JINGYUAN initiated the patent infringement lawsuit before Fujian High People's Court. Subsequently, Japan FKK filed an invalidation request against the patent in suit before the Patent Board. During approximately six years of legal proceedings, WUHAN JINGYUAN successfully defended the validity of the patent in suit before the Patent Board, Beijing Intermediate People's Court and Beijing High People's Court. On May 12, 2008, the Fujian High People's Court made its first instance judgment, ruling that: Japan FKK should cease the infringement and pay RMB 50.6 million Yuan (approximately US$ 7.4 million) to WUHAN JINGYUAN for compensation and Huayang Company should pay certain royalty fees to WUHAN JINGYUAN instead of injunction due to the public interest. The judgment was appealed to the Supreme People's Court. Then, Supreme People's Court made its final decision ruling that the defendants should jointly pay RMB50.6 million Yuan (approximately US$7.4 million) for the patent infringement.

Case No. 7

Michelin Group vs. Tan Guoqiang and Ou Can, parallel import of goods without 3C approval was held to constitute an infringement of the trademark owner's right in China

On April 24, 2009, the Changsha Intermediate People's Court ruled that two individual tire dealers infringed the tire giant Michelin's trademark rights for selling Japanese-made Michelin tires in China without consent from the trademark owner and mandatory China Compulsory Product Certification (3C) approval. This case was regarded as the first trademark parallel import case in China by Chinese media.

The plaintiff, Michelin Group, is the trademark owner of Michelin series trademarks in China. In April 2008, Michelin engaged an agent to have bought Michelin brand tires with notary from the two tire dealers and then initiated the lawsuit seeking injunctive and monetary relief on February 22, 2009. It is notable that the tires in suit bear authentic Japanese-manufacturer Michelin's brand, but without the authorization for sale in China from Michelin. Moreover, the tire has not obtained 3C certification, which is mandatory before tires could be sold in China.

As the parallel imports of trademarked products is not specifically addressed in Chinese law and regulations, the Court focused on whether the sale of parallel imported products will constitute a trademark infringement if the sale in China is not authorized by the trademark right holder and the products do not comply with the 3C requirement. The Court found that the products in question should be inspected and certified in accordance with the 3C system before any import or sales in China market. Thus, the defendant's sales of such tires are illegal and should be forbidden. Further, the Court stated that if any quality or safety issue of the Japanese-made tires arises, the consumers will automatically relate this to Michelin. It is obvious that the defendant's unauthorized sales will damage Michelin's reputation, and then constitute an infringement of its trademark rights. The Court awarded an injunction against the sale of such products and a small amount of compensation to Michelin. The defendants did not appeal.

Case No. 8

Sohu ChangYou vs. Beijing Kylin, an online game copyright case where plaintiff increased damages amount from RMB 1 Yuan to RMB 19 millions Yuan (approximately US $ 2.8 millions) during the suit.

Sohu ChangYou, a NSDAQ listed company, filed a lawsuit against Beijing Kylin Network Information Technology Co.,Ltd. (hereafter "Kylin") for infringement on the copyright of Sohu ChangYou's online game "Dragon Oath " at Beijing Haidian District People's Court on July 7, 2009. Sohu ChangYou alleged that the online games "Genghis Khan" developed and operated by Kylin had copied certain programs of Dragon Oath. .

The plaintiff alleged that the defendant's CEO and its main team were former employees of Sohu ChangYou who had involved in the development of Dragon Oath and had access to the codes of Dragon Oath. Therefore, the defendant has infringed plaintiff's copyright. Sohu ChangYou requested the court to order the defendant to stop running online game "Genghis Khan" immediately, stop copying and transmitting "Genghis Khan" to online users, offer public apology, and pay RMB 1 Yuan as compensation.

On October 19, 2009, the judges in charge of the case went to Kylin to carry out evidence preservation. Based on the evidence disclosed by Sohu ChangYou, at least from the client server, Kylin's "Genghis Khan" was almost the same as Dragon Oath. Further, the client server of "Genghis Khan" even contained certain identical BUGs of the earlier version Dragon Oath. Kylin argued this was because both "Genghis Khan" and "Dragon Oath" used the US open-source engine Ogre. After the evidence preservation, Sohu ChangYou filed an application at the court to raise the compensation demand from RMB 1 Yuan to RMB 19 millions Yuan (approximately US $ 2.8 millions). The case is still pending.

Case No. 9

People vs. Bohai, a trade secret case where an employee stole and disclosed employer's trade secret, causing significant economic losses to employer and committing IP crime.

In September 2006, Tianjin Bohai Iron and Steel Engineering Technology Development Co, Ltd (hereafter "Bohai") was incorporated in Tianjin. After incorporation, Bohai signed a program design contract "AnGang High-performance Cold-rolled Silicon Steel Test Line Project" with AnGang Steel Company. In order to complete the program, Bohai recruited several design experts including Chu Naibing, Chen chunyuan and others who originally worked at WISDRI Engineering & Research Incorporation Limited (hereafter "WISDRI").

In March 2007, Bohai convened a regular meeting. At the meeting, Chu Naibing, Chen chunyuan and others proposed and decided to entrust Liu Xiang who worked at WISDRI to conduct design on two product lines of certain equipment with RMB 100,000 Yuan each (approximately US $ 14,706). After the meeting, Chen chunyuan contacted Liu Xiang directly and Liu Xiang agreed to design accordingly. Afterwards, Liu Xiang changed the drawing names, "TaiGang Cold-rolled Silicon Steel normalization-based Pickling Equipment Design Drawings" and "WuGang Two Silicon-oriented Silicon Steel Hot-drawing Formation Unit Equipment Design Drawings" both of which owned by WISDRI, into "High-performance Cold-rolled Silicon Steel Test Line Project". In addition, Liu Xiang changed the logo on the design drawings to Bohai's logo. Then, Liu Xiang delivered the design drawing to Bohai by Chen chunyuan and received RMB 150,000 Yuan (approximately US $ 22,059) paid by Bohai as a reward.

On September 14, 2009, Wuhan Jianghan District People's court made the first instance judgment. The court held: Bohai used high rewards to induce Liu Xiang to steal and disclose WISDRT's trade secret and used WISDRT's trade secret into its AnGang program directly; Chen chuanyuan, Chu Naibing and others, as Bohai's management, directly involved in obtaining WISDRT's trade secret by unfair method such as inducement; Liu xiang violated confidentiality agreement signed between Liu xiang and WISDRI. The action of Bohai, Chen chunyuan, Chu Naibing, and Liu Xiang caused significant economic losses to the trade secret owner-WISDRI.

The first instance court held that Bohai committed trade secret crime and was sentenced to a fine of RMB 1.6 million Yuan (approximately US $ 235,294); Liu xiang and Chen chunyuan committed trade secret crime and were sentenced to imprisonment for two years and a fine of RMB 800,000 Yuan (approximately US $ 117,647)respectively. Chu Naibing committed trade secret crime and was sentenced to imprisonment for ten months and fourteen days and a fine of RMB 800,000 Yuan (approximately US $ 117,647). All the defendants were not satisfied with the judgment of the first instance court and appealed. On January 5, 2010, Wuhan Intermediate People's court rejected the defendants' appeal and affirmed the judgment of the first instance.

Case No. 10

Exxon Mobil vs. American Mobil International Petroleum Group, registration of internet keyword and domain name may constitute trademark infringement. The infringing internet keyword and domain names were cancelled.

On July 24, 2009, Shanghai Intermediate People's Court made its first instance decision in a trademark infringement and unfair competition action brought by Exxon Mobil against American Mobil International Petroleum Group, a Hong Kong registered company, Xi'an Yanqing Technology Development Co., and Shanghai Songjing Industrial Co. The Court held that the defendants infringed Exxon Mobil's trademark right and engaged in unfair competition due to their registration and misuse of certain internet keyword and domain names, thus awarded Exxon Mobil an injunction and a monetary compensation RMB 500,000 Yuan (approximate US$ 73,209).

Exxon Mobil is the owner of trademark "美孚", which is the Chinese translation for "Mobil" and widely known by relevant public in China. The defendants registered an internet keyword - "美国美孚石油" (American Mobil Petroleum) and two Chinese domain names - "美国美孚石油.中国" and "美国美孚石油.cn" in China. The internet keyword and domain names include Exxon Mobil's Chinese trademark. The Court held that due to the distinctiveness of the two Chinese characters "美孚" in the keyword and domain names, the Chinese characters used in the internet keyword and domain names are similar to Exxon Mobil's Chinese trademark. Because such similarity will confuse consumers to assume certain relationship between the defendants and Exxon Mobil, the defendant infringed Exxon Mobil's trademark right by registering and using similar internet keyword and domain names. The Court further ordered the defendants to cancel the registration of the internet keyword and domain names.

In addition, the Court held that the defendants' conduct constituted unfair competition because they have caused customer's confusion, utilized Exxon Mobil's reputation and breached the business ethics.

A Tale of Two Companies

Hypothetical Fact Pattern

Association of Corporate Counsel Annual Meeting 2010

809 - Best Practices for Protecting Your IP in Emerging Markets

Tuesday, Oct 26 4:30 - 6:00 pm

Typhoon Gaming Technologies (TGT)

TGT is a software company that develops and licenses gaming applications to online content providers and social media websites. It has development facilities both in Sunnyvale, California and in Beijing, China.

After two years of development, TGT has developed a revolutionary massively multiplayer online game platform called "HyperCube", configured to run on interconnected clusters of inexpensive Linux computers. HyperCube has three parts:

"HyperCore" - a runtime software engine, provided to licensees in compiled (i.e., non-human readable) machine code. TGT has recently been granted U.S. Pat. 7,654,321, entitled *Methods for Massively Multiplayer Online Gaming*, and has submitted a corresponding patent application (PCT National Phase) in China.

"HyperMod(s)" - customizable gaming environments for the HyperCore engine that are provided to licensees in source (i.e., human readable) code for localization and customization. Current HyperMods include summer and winter Olympic competition, modern warfare, aerial combat, and fantasy realms.

"HyperAd" - a runtime advertisement delivery system that remotely interacts with the HyperMods by directly inserting advertisements based on the user profile into game play, for example as background billboards or signs.

One very exiting feature of HyperCube is the ability of users to customize their virtual environments by uploading media (e.g., music, images, video) in almost any format, and then share this media with other users. For example, a user can upload a rock music soundtrack that plays in an aerial combat HyperMod.

In addition, HyperCore includes digital rights software that will remove the native media DRM (digital rights management) and then insert TGT developed DRM in order to provide a more robust yet IP protected gaming environment.

TGT expressly forbids its licensees to develop any derivative works from its software, as well as to reverse engineer any compiled code. Furthermore, licenses are forbidden from registering any IP rights, such as patents, on any technology that is derivative of HyperCube.

Couching Panda Media (CPM)

CPM is a Shanghai based internet entertainment portal that wants to license HyperCube from TGT. It has already internally developed several modestly successful games for the local Chinese market. The Chairman of CPM, having personally experienced a demo of HyperCube at the Shanghai World Expo, has decided that exclusively licensing HyperCube will make CPM one of the leading online entertainment companies in China.

However, the general counsel of CPM has received a draft of the licensing agreement and has several concerns.

First, as a software developer itself, CPM may become contaminated by being exposed to the HyperMod source code. That is, it may not be able to develop other online multiplayer games without being accused of infringing on TGT's trade secrets. CPM has plans to develop new games for the Korean and Australian markets.

Second, TGT requires intrusive unannounced audits in order to determine the correct royalty payments.

Third, HyperAd will expose user profile information to TGT, which may violate local privacy law.

Fourth, TGT will own the URL to CPM's HyperCube website, and will license the URL back to CPM.

And fifth, TGT wants to be indemnified for the uploading of any media and for the use of the TGT DRM system.

The companies have set up a meeting next week to discuss the licensing agreement and next steps. What would you advise each company?

Discussion Points

1. With respect to a commercial agreement, what are the general differences between PRC (People's Republic of China) law and US law?

2. Are there any technology import and export control issues related to the HyperCube online game platform?

3. Given PRC foreign exchange control, how will royalties be remitted outside of China?

4. With respect to TGT's '321 patent and corresponding Chinese patent application, what rights does TGT have in the PRC?

5. With respect to trades secrets contained in the HyperMod source code, is there any way for CPM to avoid contamination? Are there limits to the confidentiality period that a PRC court will enforce?

6. Can TGT prevent CPM from developing any derivative works and registering any IP rights regarding HyperCube?

7. Are there any copyright issues related to stripping existing DRM from media that is uploaded into a HyperMod by a user?

8. Can CPM legally share user profile information with TGT? Is CPM required to share the profile information with the PRC government?

9. What should be considered when deciding choice of law/arbitration provisions in the commercial agreement? What are the general differences between different venues (i.e., Beijing, Shanghai, Hong Kong, etc.)?

10. Are TGT's auditing requirements enforceable in the PRC?

11. What would be the best negotiation strategy for each side?

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