

The holistic
approach to the
protection of
intellectual property
rights in China

Michael Hickman

Partner

Head of Shanghai Office

July 2006

Simmons & Simmons

What is meant by a holistic approach to IP protection?

- Registration of your IP in China is not always sufficient
- Additional steps to consider to protect your IP include
 - employment documentation
 - commercial agreements
 - in the workplace
- Taking a holistic approach better protects your IP and may provide additional avenues for redress should your IP be misappropriated or misused

IP Protection in China

- Requires a co-ordinated strategy including legal protections, work-place security and anti-counterfeiting actions
- Unregistered rights afford limited protection
- Audits can reveal problem areas or gaps
- Well-prepared employment and contractor arrangements can be effective

IP protection is essential in China to avoid dilution of the value of IP through counterfeiting

Trademarks

- Strategic branding and selection of trademarks for use in China is important
- Regulatory, packaging, labelling and advertising issues are also relevant
- Dealing with registry objections, and oppositions and cancellation actions
- Prosecution of trademark infringements

High-profile
trademark
infringement cases
in China are on the
rise

Technology transfers

- Technology import/export licence registration system
- Licences for restricted technologies must be approved
- Registration is required to make payments of licence fees in foreign exchange
- Registration may be refused if terms of licence are not in conformity with regulatory requirements



Managing employment relationships

- Managing employment relationships is a key element in an IP protection strategy
- Restrictive post-termination covenants and confidentiality clauses should be included in employment contracts
- Ongoing disclosure obligations may be appropriate
- Assignment of IP rights from employees to employers



Managing contractor relationships

- Develop a supplier code of conduct
- Restrictive post-termination covenants and confidentiality clauses may be included in contractor documentation
- Appoint a contract manager to ensure compliance
- Right of termination in case of breach



Enforcement

- Counterfeiting is common in China
- Foreign products are often the target
- Investigations and raid actions may be warranted
- Administrative enforcement is often ineffective
- Civil proceedings may be instituted to recover damages
- Can also lobby for criminal prosecution

Administrative
authorities have no
authority to award
damages to the
trade mark owner

Enforcement continued

Grounds for termination and non-exhaustive list of specific examples in the employment contract

- Disciplinary procedures in the employee handbook
- Obligations with respect to confidential information and IP in separate agreements allows an alternative for redress
- Penalty for breach
- Injunctive relief

Commercial agreements

- Events of termination
- Liquidated damages

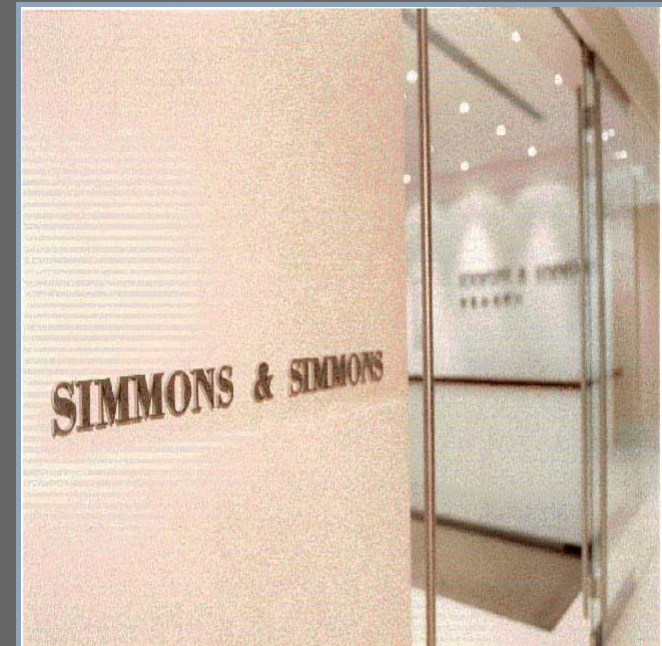
Arrangements in the workplace

Actions include:

- Ensuring confidential information is marked as “confidential” or has similar wording
- Ensuring disclosure of confidential information is restricted to a “need to know basis”
- Restrict access and limit duplication/copying of confidential information
- Establish non-disclosure systems and policies and incorporate those into the employee handbook
- Provide training to employees on non-disclosure systems and policies

Simmons & Simmons

- Global top 10 international law firm
- Over 1,000 lawyers, including over 200 partners - total staff of over 1,850 world wide
- 20 offices globally, including Shanghai, Hong Kong, London, Paris, Tokyo and New York, plus Beijing soon opening
- Hong Kong and Shanghai - over 100 lawyers, including 24 partners



Simmons & Simmons

Simmons & Simmons

- Employment Team of the Year for the fourth year running at the Asian Legal Business Awards 2005 - the only firm ever to win this award since it's inception in 2002
- Michael Hickman is listed as one of the world's leading lawyers in his field - [International Financial Law Review 2006](#)
- Michael Hickman listed as a leading individual for corporate/FDI in China - [Asia Pacific Legal 500, 2005](#)
- Huen Wong wins Managing Partner of the Year Award - [Asian Legal Business Awards 2005](#)