

# Intellectual Property Basics: A Q&A for Students

China National Intellectual Property Administration  
(CNIPA)



国家知识产权局  
NATIONAL INTELLECTUAL PROPERTY  
ADMINISTRATION, PRC

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# **Foreword**

**F O R E W O R D**

Imagine a world without inventions: there would be no electrical light, no automobiles, telephones or Internet. Likewise, a world without intellectual creation would mean no books, movies or entertainment. The history of human civilization and progress is indeed the history of invention and innovation, as these have profoundly shaped and changed our world and the way we live.

Now imagine a world in which there was no system to protect the rights to those creations, otherwise known as intellectual property (IP). Inventors, innovators, creators and artists would find it very difficult to gain any direct benefit from their creations. Without that protection, they would have little motivation to innovate or create, and society would be far worse off.

As human civilization has evolved, it has continuously innovated, and it has developed a system that can constantly stimulate and reward innovation. In fact, IP systems have existed for hundreds of years. They have inspired major leaps in human innovation that have resulted in faster human development.

IP has played an increasingly important and prominent role in the development of the global economy and the success of the knowledge economy. It has become the driving force for and the institutional guarantee of a country's scientific, technological, economic, social and cultural development. IP also bears witness to a country's competitiveness and overall strength.

Young people are the energetic and creative force that will shape our countries' futures. It is essential, therefore, to help young people understand, respect, create and protect IP, to help cultivate a culture in which IP is respected and allowed to fully play its role of ensuring and stimulating innovation.

The China National Intellectual Property Administration (CNIPA) is a Chinese government agency in charge of IP. It is mainly responsible for protecting intellectual property rights (IPR); building the IP system; registration and administrative decisions on trademarks, industrial designs, patents and geographical indications; and law-enforcement guidance regarding trademarks and patents.

CNIPA attaches great importance to the enhancement of IP awareness, especially among youth. To this end, CNIPA has carried out a variety of activities for example, organizing IP training courses for primary and secondary school students nationwide to encourage youth to innovate independently. CNIPA has also cooperated with the Ministry of Education to guide schools in combining IP education with moral education, the building of a campus culture and theme-based educational activities, so as to enhance young people's awareness of IP and innovation, and to promote a law-abiding attitude among society as a whole. We would be pleased to share China's experiences and results regarding the enhancement of IP awareness among young people, including the sharing of IP educational materials. To this end, with the support of WIPO China Funds-in-Trust, we have compiled this IP book tailored for young people.

The book seeks to cover a wide range of IP and is divided into five chapters covering the basics of: IP, patents, copyright, trademarks and other IP forms. It tries to cover a wide range of intellectual property. It uses a question-and-answer format with 128 Q&As to help young readers to acquire a basic yet comprehensive understanding of the history, types, and general rules of the IP system.

The members of the editorial and drafting group for this book include: Huang Hui, Beijing Justra Intellectual Property Center, Vice Chairman; Wang Ze, Beijing Justra Intellectual Property Center, Director; Yang Minfeng, Beijing Justra Intellectual Property Center, Director of the Research Department; Ma Li, Beijing Justra Intellectual Property Center, Assistant to the Director; Lu Jiehua, Beijing Justra Intellectual Property Center, Assistant to the Director of the Legal Department. The publication was also reviewed by the WIPO Publications Board and by subject experts at WIPO, who provided helpful comments and suggestions.

# Acronyms

|                |   |
|----------------|---|
| <b>BTAP</b>    | Beijing Treaty on Audiovisual Performances                              |
| <b>CBD</b>     | Convention on Biological Diversity                                      |
| <b>CMO</b>     | collective management organization                                      |
| <b>CNIPA</b>   | China National Intellectual Property Administration                     |
| <b>EU</b>      | European Union  |
| <b>GATT</b>    | General Agreement on Tariffs and Trade                                  |
| <b>GI</b>      | geographical indication   |
| <b>IP</b>      | intellectual property   |
| <b>IPC</b>     | International Patent Classification                                     |
| <b>IPR</b>     | intellectual property rights  |
| <b>IT</b>      | information technology  |
| <b>MFN</b>     | most favored nation   |
| <b>PCT</b>     | Patent Cooperation Treaty   |
| <b>PRC</b>     | People's Republic of China  |
| <b>Q&amp;A</b> | questions and answers   |
| <b>TM</b>      | trademark   |
| <b>TRIPS</b>   | Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) |
| <b>U.K.</b>    | United Kingdom  |
| <b>UNESCO</b>  | United Nations Educational, Scientific and Cultural Organization        |
| <b>U.S.</b>    | United States of America  |
| <b>WCT</b>     | WIPO Copyright Treaty   |
| <b>WIPO</b>    | World Intellectual Property Organization                                |
| <b>WPPT</b>    | WIPO Performances and Phonograms Treaty                                 |
| <b>WTO</b>     | World Trade Organization  |

**A C R O N Y M S**

# **Basics of Intellectual Property**

**I N T E L L E C T U A L**

# PROPERTY

## 1. Why do we need an IP system?

Human history is a history of people using their imagination, innovation and creativity to solve problems or express ideas based on existing knowledge. Think about the countless inventions in history, ranging from the Mesopotamian writing system, the Chinese abacus, the Syrian astrolabe, the ancient Indian observatory, the Gutenberg press, to the internal combustion engine, penicillin, herbs and therapies practiced in southern Africa. Add those to the discoveries of the last hundred years (transistors, semiconductors, nanotechnology, recombinant DNA drugs, etc.), and we can conclude that it is the imaginations of creative people around the world that have helped achieve today's level of technological progress.

The intellectual property (IP) system is designed to protect humankind's intellectual achievements, not only at the national level, but also across borders. Many products developed thanks to IP, such as Hollywood movies, French wines and German precision machine tools, have crossed national borders to enter other countries. But if the IP inherent in these products is not protected in other countries, they may be freely counterfeited and plagiarized, to the serious detriment of the right holders. In order to solve the problem of international protection of IP rights, countries enter into international IP treaties to align and harmonize as much as possible their IP regimes.

As a driver of human creativity, IP plays an important role in economic and social progress, as it has "added the fuel of interest to the fire of genius" (Abraham Lincoln).

## 2. What is IP?

It is generally acknowledged that IP is the collective term for creations of the mind and for the commercial goodwill, as vested in business, that can be protected by law. As to exactly what should be protected by IP, laws differ from country to country depending on the understandings of IP regimes. Neither the Convention Establishing the World Intellectual Property Organization (WIPO) nor the Agreement on Trade-Related Aspects of Intellectual Property Rights (the TRIPS Agreement) directly give a definition of IP. Instead, they provide for various categories of rights covered by IP, enumerating them, and adding definitions and provisions as to their scope of protection. Looking at the provisions of various IP treaties, we can find that IP protection involves the following rights and legal relationships: (1) patents, including inventions, utility models (see Question 28), industrial designs (for example, in China) and plant patents (for example, in the U.S.); (2) copyright and related rights; (3) distinctive signs used in commerce, such as trademarks, geographical indications, trade names and trade dress; (4) new plant varieties; (5) layout designs of integrated circuits; (6) trade secrets or undisclosed information; and (7) repression of unfair competition.

## 3. What categories does IP fall into?

There are broadly two ways to classify IP rights. One is to divide IP into copyright (see Question 54) and industrial property, that is, to separate copyright from other forms of IP.

This brings up the question: what is “industrial property”? On the one hand, if you write a book, paint a picture or compose music for your own enjoyment, you author a creative work, which will be regularly considered as protected under an “author’s right” or copyright. On the other hand, a creation of the mind used in industry and commerce proper, as well as in agricultural and extractive industries, may require a different form of protection, and falls under the category of industrial property right.

The other way of classification is to divide IP into creations of the mind and business signs, that is, to separate trademarks and geographical indications (see Question 122) from other forms of IP. According to this classification, the value of a patent originates

from the inventor’s invention and the value of a copyright from the author’s literary and artistic creation, whereas the value of a trademark depends on the goodwill represented by the mark, rather than the creativity behind the mark itself. For example, the “Coca-Cola” trademark is worth billions, but its value is mainly derived from the goodwill amassed by the company in its long-term business operations, instead of from the design of the mark itself.

## 4. What are the characteristics of IP?

Compared with traditional property rights, IP rights are intangible in nature. Moreover, they are exclusive, territorial and time-limited. But, this is true only in a relative sense and does not mean that all types of IP rights have these characteristics. There are some exceptions. For example, as long as it is not disclosed, a trade secret can exist forever in theory, subject to no time limit.

## 5. What is exclusivity of IP?

The IP owner, or IP “right holder,” enjoys exclusivity over that IP. Without the right holder’s permission or without a legal cause, no one is allowed to use the right holder’s IP. In the case of patents and trademarks, exclusivity also means that no two or more identical rights are allowed.

For example, if Company A applies for a patent for a technical solution and is granted a patent, other parties cannot obtain patent protection for the same technical solution. However, it is important to note that the exclusivity concerns the invention that is protected, not the object that embodies the invention. For example, a smartphone that embodies one or several patents will become the property of the buyer once it is sold, but the underlying patents can be used by the right holder to prevent others from making or selling smartphones using the patented invention.

## 6. What is the territoriality principle of IP?

The territoriality of IP refers to the fact that IP is valid only in the country in which the rights are granted or recognized. This means that in principle IP rights

acquired under the laws of a country are valid only in the territory of that country, but not elsewhere.

A company's patents and trademarks granted in Country A do not enjoy protection in Country B unless the two countries are party to a bilateral or multilateral agreement covering IP. As a general rule, for the company's patents and trademarks to be protected in Country B, it must apply for them and obtain grant of protection in Country B. In contrast, no geographical restrictions are imposed on traditional property rights: for tourists who travel the world, wherever they go, the clothes, mobile phones, cameras and other property they carry with them are protected by the laws of the country they are visiting.

## **7. Does IP protection have a time limit?**

IP is protected only for a limited period of time, beyond which it is no longer protected and falls into the public domain. When an IP right expires, everyone may use it with no restrictions from the right holder. This is not true for traditional or tangible property rights. As long as a piece of traditional property exists, it is always protected by law. A family heirloom, if not damaged or sold, may always be passed down to one's descendants and enjoy legal protection.

## **8. Does IP infringement always give rise to criminal liability?**

Not always. Infringement may also lead to civil or administrative liability. Generally speaking, criminal procedures are applied only to penalize commercial-scale trademark counterfeiting and copyright piracy. Penalties for criminal liability are the most severe and should be imposed with great care. Patent infringement is often not included in the scope of protection under criminal law, given the importance of technological progress and the likelihood of unintentional infringement.

As for other IP rights, such as plant variety rights and exclusive rights to layout designs of integrated circuits, there is no international obligation to protect rights through criminal procedures. However, infringement of these two types of IP may constitute other criminal offenses, though criminal penalties are not levied on the grounds of IP protection.

## **9. What remedies are available to redress IP infringement?**

As is the case for traditional property right holders, IP right holders must resort to civil litigation, arbitration or mediation when their rights are infringed. Judicial remedies include injunctions, orders to cease infringement and the award of damages, for example. Before a right holder enters into a formal trial, the court has the right to take appropriate temporary measures. For example, the court may issue interlocutory injunctions if, in its opinion, the infringement may cause irreparable damage to the rights holder, or orders for the preservation of evidence if it believes the evidence risks being destroyed. In addition, damages for the infringement may include reasonable expenses incurred by the right holder, for example attorneys' fees.

In an international trade context, it is likely that an IP-based product is made in one country and exported across a border to another country. Therefore, another important means of IP protection is border measures. The TRIPS Agreement provides, for example, that when right holders have a valid reason to suspect that a counterfeit trademark or pirated goods are likely to be imported, they may apply to competent administrative or judicial authorities with a request that customs officials prevent those goods from being released into circulation. In China, an IP right holder is entitled to request the administrative authority to investigate an alleged infringement, in addition to filing a lawsuit in a court. This approach to parallel administrative and judicial protection is known as the "dual-track system."

## **10. How does the international community coordinate IP protection?**

WIPO is responsible at the international level for coordinating the IP regimes of different countries, and promoting the formation of international legal rules and order in the field of IP protection. The World Trade Organization (WTO) administers the 1994 TRIPS Agreement, concerning trade-related aspects of IP rights. International IP protection can be tracked through three main eras:

(1) The Paris Union and Berne Union era. After the entry into force in the 1880s of the Paris Convention for the Protection of Industrial Property (the Paris Convention) and the Berne Convention for the Protection of Literary



and Artistic Works (the Berne Convention), the countries party to those two conventions formed the Paris Union and the Berne Union to administer the two conventions. Member countries of those two foundational IP treaties have concluded a series of industrial property conventions based on the Paris Convention. The United Nations Educational, Scientific and Cultural Organization (UNESCO) also played an active role in promoting the international protection of copyrights.

(2) The WIPO era. In 1967, contracting parties of the Paris Convention and the Berne Convention signed the Convention Establishing the World Intellectual Property Organization. This led to the establishment of WIPO in 1970, with headquarters in Geneva, Switzerland. In 1974, WIPO became one of the specialized agencies of the United Nations. Since then, more than 20 international treaties have been concluded under the auspices of WIPO, prompting more countries to accede to the Paris Convention and the Berne Convention, and contributing significantly to international IP protection.

(3) The WTO era. It was during the Uruguay Round of negotiations in 1994 that WTO was formed. Initiated by the General Agreement on Tariffs and Trade (GATT) signatory countries, the negotiations concluded a package of agreements, including the TRIPS Agreement, which is administered by WTO. The TRIPS Agreement has had a profound impact on international IP protection, as WTO members must abide by the TRIPS Agreement, which provides for an effective monitoring and dispute settlement mechanism.

## 11. How is IP administered around the world?

IP is administered globally in roughly three models:

(1) The four-in-one model, whereby patents, industrial designs, trademarks and copyright are managed by one administrative body. Of the 192 WIPO members, about 40 percent, including Canada, Russia and the U.K. use this model. In the U.K., for example, the Intellectual Property Office is responsible for the acceptance and registration of patents, trademarks and industrial designs and takes care of copyrights nationwide.

(2) The three-in-one model, which means patents, industrial designs and trademarks are administered by one agency, while copyright is managed separately.

This model is adopted by about half of the WIPO members, including the France, Germany, Japan and the U.S. In the U.S., for example, patent, industrial design and trademark matters are administered by the Patent and Trademark Office of the Department of Commerce (USPTO), while copyright is taken care of by the Copyright Office in the Library of Congress.

(3) The separate-administration model, which treats patents, trademarks and copyright through different agencies. This approach is being followed by a small number of countries, for example Egypt, Greece, Pakistan and Saudi Arabia.

In China, before 2018, patents, trademarks and copyright were administered respectively by the State Intellectual Property Office; the Trademark Office of the State Administration for Industry and Commerce; and, the State Administration of Press, Publication, Radio, Film and Television (the National Copyright Administration). In March 2018, China's State Intellectual Property Office was reorganized to incorporate patents and trademarks, while copyright remains the responsibility of the National Copyright Administration.

## 12. What international treaties comprehensively protect IP rights?

The 1883 Paris Convention applies to industrial property in the broad sense. It includes patents, utility models, industrial designs, trademarks, service marks, trade names, geographical indications and names of origin, and the repression of unfair competition. The Paris Convention does not protect copyright, new plant varieties or exclusive rights to layout designs of integrated circuits.

The 1994 TRIPS Agreement protects a vast array of IP rights, including copyright and related rights, trademarks, geographical indications, industrial designs, patents, layout designs of integrated circuits and undisclosed information.

## 13. What international conventions protect patent rights?

The Patent Cooperation Treaty (PCT) was signed in 1970 to streamline the formalities and procedures of international patent applications, including facilitat-

ing the process of obtaining patent protection in multiple countries.

The Hague Agreement Concerning the International Registration of Industrial Designs (the Hague Agreement), concluded in 1925, seeks to facilitate applications to obtain protection for industrial designs in multiple countries.

The Strasbourg Agreement Concerning the International Patent Classification (the Strasbourg Agreement) was signed in 1971 for the purpose of unifying the international classification of patents.

The Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure (the Budapest Treaty), concluded in 1977, addresses the preservation of microbiological samples involved in patent applications.

#### **14. What international conventions protect copyright and related rights?**

The 1886 Berne Convention protects the rights of authors of literary, artistic and scientific works. The Berne Convention has been updated over the years, and most WIPO member states now belong to the 1971 Act.

The Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (the Rome Convention) was adopted in 1961 to protect the rights of performers, producers of phonograms (i.e. sound recordings) and broadcasting organizations.

The Convention for the Protection of Producers of Phonograms from Unauthorized Duplication of Their Phonograms (the Phonograms Convention or the Convention on Recordings), adopted in 1971, protects the rights of producers of phonograms.

The WIPO Copyright Treaty (WCT), adopted in 1996, updates the protection of the rights of authors of literary, artistic and scientific works for the digital era, especially the rights of communication to the public via the Internet.

The WIPO Performances and Phonograms Treaty (WPPT), adopted in 1996, updates the protection of the

rights of performers and producers of phonograms for the digital era, especially the right of communication to the public via the Internet.

The Beijing Treaty on Audiovisual Performances (the Beijing Treaty), adopted in Beijing, China in June 2012 (not yet in force), is intended to update and expand protection of the rights of performers in audiovisual works for the digital era.

The Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired, or Otherwise Print Disabled (Marrakesh Treaty or MVT) is intended to encourage the adoption and harmonization of limitations and exceptions to allow the creation and cross-border transfer of works in formats accessible to the blind, visually impaired and otherwise print disabled.

#### **15. What international conventions protect trademark rights?**

The Paris Convention contains an important number of provisions for the protection of trademark rights.

The Madrid Agreement Concerning the International Registration of Marks (the Madrid Agreement), concluded in 1891, addresses the issue of international registration of trademarks.

The Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks (the Nice Agreement), adopted in 1957, aims to harmonize the classification of goods and services for trademark registration.

The Vienna Agreement for Establishing an International Classification of the Figurative Elements of Marks (the Vienna Agreement), adopted in 1973, unifies the international classification of figurative elements of trademarks.

The Trademark Law Treaty, signed in 1994, aims to simplify and coordinate national trademark registration systems.

The Singapore Treaty on the Law of Trademarks, signed in 2006, expands the scope of application of the Trademark Law Treaty, and enriches the types of registrable trademarks and registration procedures, thanks to new advances in information and communication technology.

## **16. What international conventions protect other IP rights?**

The International Convention for the Protection of New Varieties of Plants, concluded in 1961, protects rights in new plant varieties.

The Treaty on Intellectual Property in Respect of Integrated Circuits, adopted in 1989, protects exclusive rights to layout designs of integrated circuits.

## **17. What are the basic principles of international IP protection?**

An international IP protection system has gradually formed since the 1880s. Basically, IP is protected internationally on the principles of national treatment, most-favored-nation treatment, independent protection, minimal protection standards, priority, transparency, and the public interest.

## **18. What is the “national treatment” principle?**

As the most basic principle in international IP protection, national treatment requires a country to accord the same protection to the nationals of a foreign country as to its own nationals. Here the term “foreign country” refers not to just any foreign country, but to those members of an international IP treaty, such as the Paris Convention, however. In addition, under the Paris Convention and other international IP treaties, even in the event that a foreigner is not a national of a Paris Convention member, they may enjoy national treatment if they have some kind of a relationship with a member country; for example, if they have a residence or a real and valid business in the territory of the member country.

The principle of national treatment allows foreign nationals the same treatment as nationals on some important substantive issues, but not in all aspects. Foreign nationals are distinguished from nationals with respect to some procedural issues. With regard to patent prosecution, for example, a foreign national without a fixed residence or business premises in the country in which their application is filed must apply through a patent agency, while nationals are not required to do so. Such procedural distinction is made to allow for the difficulty in the service of documents

and for foreigners’ general unfamiliarity with the laws of the country.

## **19. What is the “most-favored-nation (MFN) treatment” principle?**

MFN treatment is a unique principle enshrined in the TRIPS Agreement and represents a traditional principle originating in GATT, and not to be found in any other IP conventions. The principle has been broadly applied, given that a country that wishes to accede to the WTO must sign the TRIPS Agreement, one of the three pillars of the WTO. MFN treatment means that with regard to IP protection, any advantage, favor, privilege or immunity granted by a member to the nationals of any other country shall be accorded immediately and unconditionally to the nationals of all other member states.

The concept of MFN treatment may be easily confused with national treatment. The national treatment principle requires that foreign nationals enjoy the same treatment as the nationals of a country, removing the differences in treatment between foreigners and the nationals of the country. Under the MFN rule, on the other hand, nationals of different foreign countries should be treated consistently. For example, what is accorded to American nationals in a country should also be given to German and Japanese nationals doing business in that country, with no prejudice to nationals of any member countries. The MFN principle aims to iron out differences in treatment among foreign nationals.

## **20. What is the “independent protection” principle?**

This principle means that the acquisition and protection of IP rights in a country are determined under the laws of that country only, and not subject to the influences of other member countries. In patent or trademark prosecution, for example, the fact that a patent is granted in the U.S. does not guarantee it will be granted in China, and vice versa. Similarly, if a patent is invalidated in China, it does not mean that the patent will be invalidated in the U.S. as well.

The principle of independent protection is an embodiment of national sovereignty. A member country may

independently determine whether to grant an IP right as well as the scope of its protection in light of its domestic conditions and national interests.

## **21. What is the “minimal protection standards” principle?**

This principle means that the standards for IP protection stipulated by an international treaty should be the threshold for member countries, and that they may provide for higher degrees or greater extents of protection on a voluntary basis. The international treaty only sets a “minimum obligation.” If a member country offers to assume heavier obligations, it is considered a courtesy, but such obligations should be assumed voluntarily and cannot be imposed on the member country.

Levels of IP protection in a country are closely linked to its economic development. It is unrealistic to require that an underdeveloped country set IP protection standards as high as those of developed countries. Additional IP flexibilities may be needed.

An international treaty is possible only if all parties agree on the acceptable minimal standards through negotiations. There would be no international treaties without compromises or concessions.

## **22. What is the “priority” principle?**

The priority principle forms an important system for the application for and grant of patents and trademarks. The first-to-file rule is used in many countries. An applicant who wishes to obtain an IP right in different countries in a timely manner needs to apply to the relevant bodies in these countries as soon as practical. However, it takes time to prepare and translate application documents, as well as to find the funds for application fees. For this reason, it can be difficult for the applicant to apply to all countries at the same time. If the applicant does not file simultaneously, another party may file the same application preemptively. In order to solve this problem, the Paris Convention lays down a priority system, whereby applicants for inventions, utility models, industrial designs or trademarks filed in one member country enjoy priority when they file the same applications in other member countries within a prescribed time limit. That is to say, the first filing date in one member country will be regarded as

the priority date for any subsequent filings in other member countries, and will be used as the start date for prior art searches and the grant of rights, regardless of whether any other party files the same application within the above-mentioned time limit. For example, if an applicant files a patent application in a country on January 5, 2018, and files the same application in another member country on May 7, 2018 then January 5, 2018, will be the priority date for the subsequent filing.

The periods of priority depend on the type of IP: 12 months for inventions and utility models, and six months for industrial designs and trademarks.

## **23. What is the “transparency” principle?**

As one of the bases of the TRIPS Agreement, the transparency principle aims to ensure the stability and predictability of the trading environment. Under the transparency rule, all member countries should enhance transparency in their foreign-trade administration. Universally applicable laws and regulations, trade agreements, court rulings and administrative decisions must be made known, unless such disclosure is detrimental to law enforcement, the public interest or the legitimate business interests of the parties concerned.

## **24. What is the “public interest” principle?**

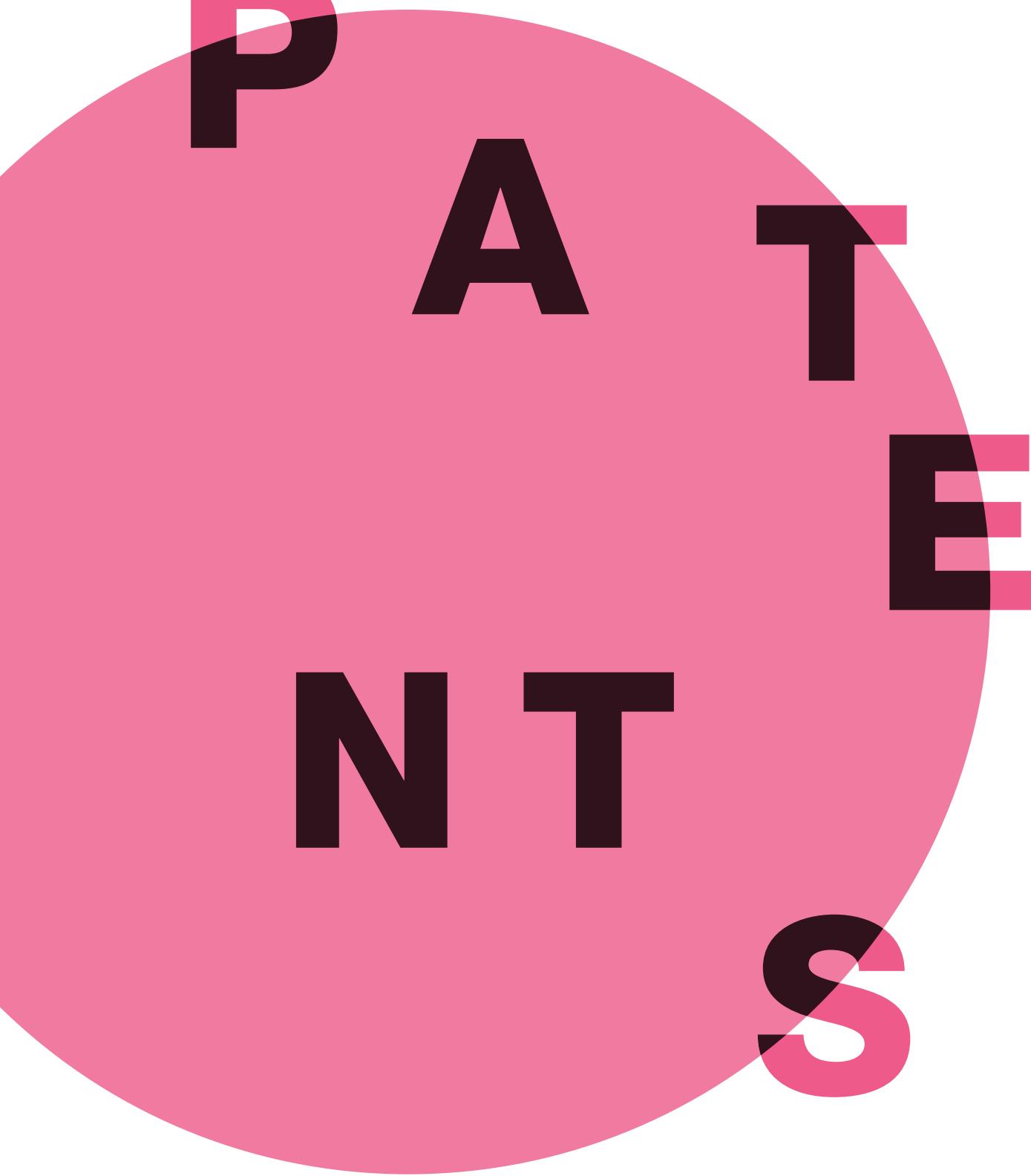
The “public interest” principle means that the protection and exercise of IP rights must be balanced with the public interest, and that a balance must be maintained between the interests of right holders and the general public. In IP conventions, protection of the public interest is often achieved through a system that provides flexibilities in the application of IP rights, such as compulsory licensing of patents and limitations and exceptions to copyright.

In its preamble, the TRIPS Agreement “recogniz[es] the underlying public policy objectives of national systems for the protection of intellectual property, including developmental and technological objectives,” and it “recogniz[es] also the special needs of the least-developed country Members in respect of maximum flexibility in the domestic implementation of laws and

regulations in order to enable them to create a sound and viable technological base.” Article 7 provides that “the protection and enforcement of intellectual property rights should contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations.”



# **Basics of Patent Rights**



**P A T E N T S**

## 25. What is an invention?

In most economically developed countries, such as France, Germany and Japan, patent law protection is limited to inventions. In the Paris Convention, patents are treated on an equal basis with utility models and industrial designs; "patents" refer to invention patents only.

An invention patent seeks to protect the technical solution offered by that invention. A technical solution is an idea for solving, through the application of natural laws, a specific technical problem encountered by people in their work and life. In short, it is a solution that may produce certain effects by applying natural laws and forces. For example, an object placed in water will be buoyed by the water, with the buoyancy equal to the weight of the water displaced by the object. This phenomenon represents a natural law, which is not eligible for patent protection. On the other hand, the design of a ship made by applying this natural law is a technical solution that is eligible for protection.

An invention generally consists of several technical features, including relations between them. For example, to make a sword you have to take a series of steps. First, you refine iron ore into slags, melt the slags into a steel ingot, and press the ingot into a billet. Then, you forge the billet into a steel bar, and make a crude sword out of the steel bar. The crude sword is further sharpened to form the blade. Finally, you engrave a pattern on the blade, polish it and mount a handle to produce a finished sword. These steps themselves are technical features, as are the order of the steps, which cannot be changed at will.

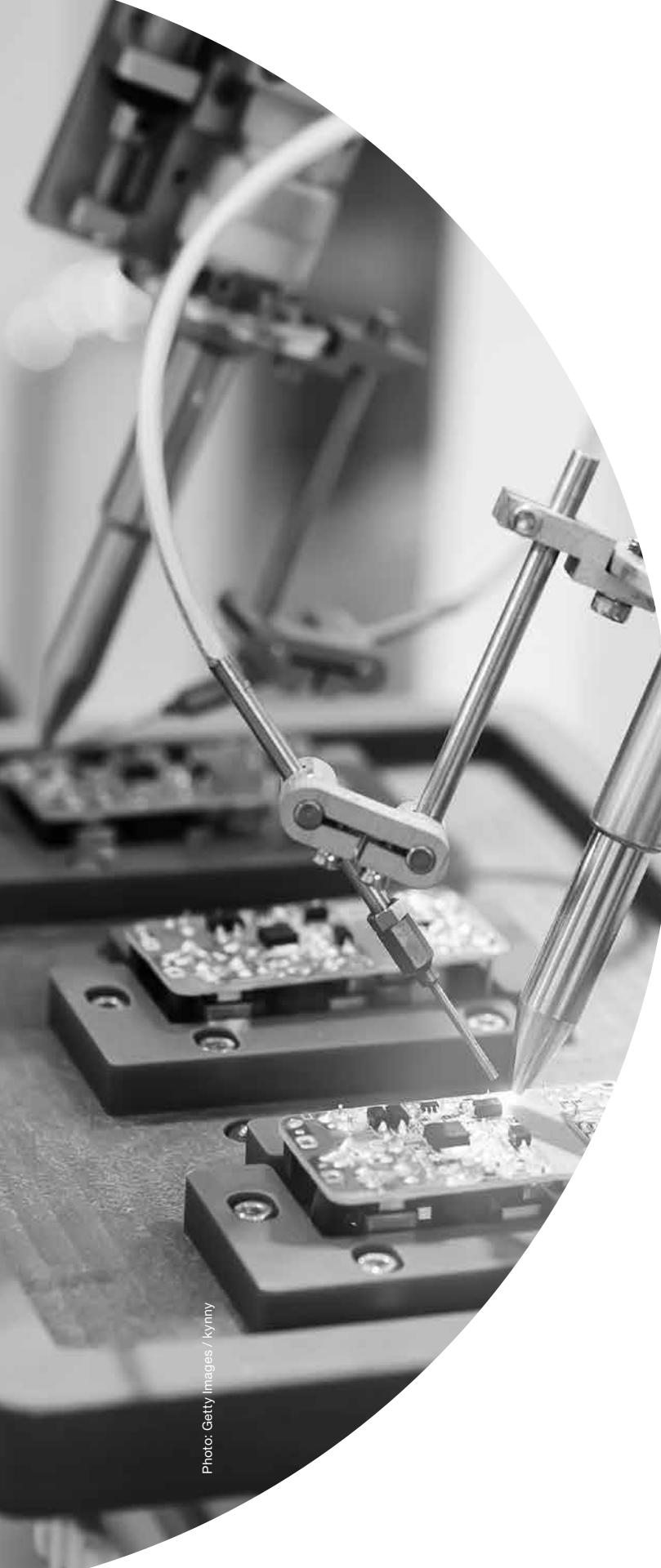


Photo: Getty Images / kynny

## 26. What are patent rights?

Generally speaking, patents are granted to protect inventions. Thanks to different national conditions, what is considered eligible for patent protection and related provisions are not identical across the globe. Under China's Patent Law, for example, scientific discoveries, rules and methods of intellectual activity, diagnosis and treatment of diseases, animal and plant varieties, and substances obtained by nuclear transformation methods are not eligible for patent protection. In Japan, however, new varieties of animals and plants, as well as substances obtained by nuclear transformation methods, can be protected by patents. In the U.S., substances obtained by nuclear transformation are not eligible for patent protection, yet new plant varieties are.

China's patent system includes patents for inventions, utility models and industrial designs. Invention and utility model patents protect technical solutions, while industrial designs protect the shapes, patterns and similar distinguishing attributes of industrial products.

## 27. Are inventions in all fields patentable?

Although the patent system is designed to protect inventions, not all inventions are eligible for patent protection. Countries around the world may, in consideration of operability, public order or industrial policy, draw up a list of objects and/or subject matters excluded from patent protection.

It should be noted that countries do not always see eye to eye about what is in the public interest, and what is considered in the public interest in a country may vary at different times. For example, devices used in gambling can be protected as patents in France, but not in China or Japan.

The grant of a patent does not always mean that the patent-protected product can be freely circulated in the market. Although new models of fighter jets, tanks and artillery are eligible for patent protection, they are not allowed to enter the market. Similarly, a drug needs approval for marketing before it is used to treat diseases, even if it is protected by a patent.

## 28. What is a utility model?

As utility models are not as widely known as patents, the TRIPS Agreement makes no provision for them, though they are covered in the Paris Convention. Although incomplete, statistics indicate that about 57 countries, including China, France, Germany, Japan and the Republic of Korea, maintain a system of utility models. Of those countries, Germany, Japan and the Republic of Korea elect to protect utility models through specialized legislation, while China defines utility models as a type of patent in its Patent Law.

Utility models have emerged to protect small creations that serve certain utilitarian purposes but are not innovative enough to merit the protection afforded to inventions. While both utility models and patents on inventions protect technical solutions, patents on inventions protect products as well as methods for making the products, whereas utility models only protect products in some countries.

Suppose that all existing cups have no handles, which at times makes drinking inconvenient. Now someone invents a cup with a handle, and this new type of cup obviously belongs to innovation. It is very likely, however, that it is not novel enough to qualify as an invention. In this case, it can be protected as a utility model.

## 29. What is an industrial design?

Often simply called “designs,” industrial designs are protected around the world through various legal means. Industrial designs are IP rights that protect the aesthetic appearance of a product; in other words, they protect its form rather than its function, the latter being protected by a patent or utility model. An industrial design may consist of the shape, pattern and/or color of a product; it may contain one of the elements, or a combination of two or three elements. Some countries, such as Japan, have dedicated legislation to protect industrial designs; other countries, such as China, treat industrial designs as patentable solutions; while in some other countries industrial designs can be protected under copyright, if certain requirements are met. Even in those countries in which industrial designs are protected by way of patents, different routes and practices are adopted. For example, China includes protection for inventions, utility models and industrial designs in one Patent Law, while Italy and

Uruguay regulate the protection of utility models and industrial designs through a single piece of legislation, and treat inventions separately.

Where it relates to the appearance of a product, an industrial design must be applied to the product. Certain works of art, calligraphy and photographic works may not be covered by industrial design protection, but in some cases can instead be protected by copyright.

## 30. Can inventions be protected only by patents?

The right holder of a technical creation may seek protection either through the trade secret (undisclosed information) system or through the patent system. Under patent law, right holders have to disclose their creations in exchange for protection, thus making contributions to society, and the invention becomes part of the public domain when the patent expires. The owners of trade secrets, on the other hand, keep their technical solutions confidential and therefore receive weaker protection than that afforded to patent holders.

## 31. How long is the term of patent protection?

Under the TRIPS Agreement, the term of protection shall be no less than 20 years for patents, and no less than 10 years for industrial designs. Patents mentioned in the TRIPS Agreement refer to invention patents. The term of protection is counted from the date of filing an application, not from the date of granting a patent.

Patent prosecution (the process of examining and granting a patent) takes time, sometimes several years. Counted from the filing date, the term of protection that the right holder is finally granted will naturally be greatly shortened if the patent prosecution process lasts a long time. For example, if you spend eight years on prosecution before an invention patent is finally granted, the term of protection will actually be only 12 years.

In practice, many patents cease to have effect before their official expiration dates. That is because an annual fee is required to maintain a patent, and often the fee increases each year. In China, for example, the annual fee for an invention is CNY 900 from the first to

the third year; CNY 1,200 from the fourth to the sixth year; CNY 2,000 from the seventh to the ninth year; CNY 4,000 from the 10<sup>th</sup> to the 12<sup>th</sup> year; CNY 6,000 from the 13<sup>th</sup> to the 15<sup>th</sup> year; and CNY 8,000 from the 16<sup>th</sup> to the 20<sup>th</sup> year. It can be seen that the annual fee is in fact a financial lever that may force patentees to abandon those patents that are of little value to them.

Of course, in addition to abandoning their patent by deciding not to pay the annual fee, patentees may choose to abandon their patent by declaring a waiver. In this case, the patent will cease to have effect before it expires.

### **32. How should ownership of a patent be determined?**

Since the patent system is created to protect inventions, whoever makes the invention should be entitled to apply for a patent (the patentee). If two people work together to make an invention, they should jointly apply for a patent and become patentees. Of course, any person involved must be someone who has made a substantial contribution to the invention. Those who do nothing more than copy drawings, order takeaways or serve coffee for the inventor do not qualify as a patentee.

It should be stressed that agreements between the parties concerned must be respected by the patent system. This is a fundamental principle governing civil activities. If some of the inventors who have collaborated to create an invention decide not to be patentees for any reason, then the rest of the inventors may apply for a patent, if they choose to do so. If any inventor not only refuses to be a patentee themselves, but also strongly objects to the filing of an application because they wish to maintain the invention as a trade secret, then they cannot apply for a patent. This is because applying for a patent necessitates disclosure, which will affect that inventor's interests.

### **33. How should ownership of a commissioned invention be determined?**

If one party sponsors an invention made by another party, ownership of the invention will first be determined by taking into account the agreement, if any, between the two sides. Normally, as the sponsor is in a strong position, the agreement may set forth that the

sponsor owns the invention. If the agreement does not provide for ownership, international practice dictates that the invention belongs to the sponsor. In some countries, such as China, however, in the absence of an agreement the invention belongs to the inventor. Nevertheless, like other countries, China also gives priority to an agreement between the two parties, showing respect for the will of the parties.

### **34. How is ownership of inventions by employees determined?**

In the days of Thomas Edison, most inventions were created by inventors using their own funds, technology and equipment. In modern times, however, with the advancement of science and technology, and rapid economic and social development, an invention often requires input of great amounts of physical and technical resources, as well as the collaboration of many people. Most innovation schemes are sponsored by companies, research institutions, universities and governments, with their staff doing the actual work. In this case, it is crucial to determine to whom the resulting inventions belong.

In some countries, patent laws directly confer on the employer the rights to an invention made by their employees. In some other countries, patent laws confer patent rights to the employee, but they provide for those rights to be assignable, that is, to be given to someone else through an agreement or contract. In fact, despite some legislative gaps between different countries, the effect is essentially the same: the results of technical innovation are eventually attributed to the employer. To balance the interest between the two sides, the employer must give the inventor a reasonable reward or compensation after it acquires the patent rights, and the person who actually creates the invention is entitled to be recorded in patent documents as the inventor even if not maintaining rights in the invention itself.

### **35. What is the novelty requirement for patents?**

As the patent system aims to protect innovation, you have to create something that did not previously exist anywhere in the world to be granted a patent. If a technical solution has already been published in a book or an article, if a product obtained through the



technical solution has been offered for sale on the market, or if the technical solution is otherwise known to the public, it does not meet the novelty requirement. Moreover, considering that a patent is valid only in a prescribed area, “something that did not exist before” can be interpreted in two ways. In one sense, it refers to something that did not exist in a certain country, meaning it has relative novelty. In the other sense, it means it is new all over the world, pointing to its absolute novelty. Nowadays, most countries adopt absolute novelty standards.

In the process of patent prosecution, it is unrealistic to require the applicant to prove that their invention is something that did not exist anywhere in the world before. In practice, after a patent application is accepted, an examiner of the patent office will conduct patent searches to determine whether the application meets the novelty requirement.

### 36. What is the inventiveness requirement for patents?

In the early days of the patent system, only novelty was required to patent an idea. It was later found that novelty alone was not enough. Even though an invention is new, it is inappropriate to patent it if the invention contains few improvements or “technical merits.” To solve this problem, a higher requirement of inventiveness, or non-obviousness, has been introduced to judge the “technical merits” of an invention.

To assess whether a patent application has inventiveness, sometimes called an “inventive step,” one has to go through the following analysis: (1) find a technical solution closest to the application for comparison; (2) identify the differences between the two technical solutions; and (3) evaluate the differences to see whether the differences are easy to discover.

Of the three steps, the last one is the most subjective: no two persons will give the same evaluation. Some detailed rules, therefore, have been developed to reduce such subjectivity, although they vary from country to country. Another way in which this patentability criterion is often expressed is that the invention will meet the inventiveness threshold if it would not have been obvious to a “person skilled in the art,” effectively an expert in that particular technical field. From another perspective, the inventiveness requirement is an important policy lever. If you wish to raise the threshold of patentability, reasonably elevating the inventiveness standard is an effective way.

### **37. What is the utility requirement for patents?**

Utility means that an invention must be useful in industry and have a positive effect. Since patents are industrial property, naturally they must serve some industrial purpose. Some so-called inventions violate the laws of physics, such as the perpetual motion machine contradicting the law of energy conservation. They can never be manufactured and naturally do not meet the utility requirement.

It should be noted that, whereas an invention that cannot be exploited has no utility, this is not the case with an invention that provides low yields. In the past, some epoch-making inventions started off with yields as low as one per thousand. However, yields gradually increase along with technological progress, so low yields do not affect an invention’s utility.

Novelty, inventiveness and utility are the three prerequisites of patentability. When examining a patent application, the examiner usually looks at its utility first. While retrieval search of relevant patents, patent applications and technical literature is necessary to decide on novelty and inventiveness, this does not help in determining utility. For example, examiners may find that a product is effectively a perpetual motion machine by merely reading the application documents carefully. If they are satisfied that the application is void of utility, they will not waste their time on a search.

### **38. What is the “unity of invention” requirement in patents?**

This generally means that a patent application will relate to one invention only but sometimes the applicant creates a group of inventions based on one idea that consists of a new product, a process for making the product, special equipment, and uses of the product. As the group of inventions contains the same idea or the same technical features, they can be claimed in one application.

It should be noted that multiple inventions claimed in one application must share real common technical features. Take a kitchen knife and a car for example, which are both made of metal. It is obviously absurd to claim them in one application on the ground that they have a common feature of being made of metal. The unity of invention requirement also applies to a design patent application. However, a series of cups in different colors, for example, will have the same shape and thus may be claimed in one application as they meet the unity of invention requirement.

The purpose of unity of invention is to prevent an applicant from putting multiple unrelated claims into one application. It may make the examiner’s work easier, as well as help members of the public use patent documents more efficiently. In addition, as application fees are calculated based on the number of applications, the requirement may help prevent evasion of payment obligations by the applicant.

### **39. What information is contained in a patent description?**

As the patent system requires disclosure in exchange for protection, what the invention is about must be disclosed to the public. With regard to the format of patent documents, many countries follow the standards published by WIPO, indicating a series of important information, including name of invention, abstract, date of application, date of publication, application number, publication number, patentee, inventor, examiner, patent agency, patent attorney, and so on.

The abstract appears on the title page and is a summary of the invention, indicating the technical field of the invention, the technical problems to be solved, and its main technical features and uses. Following the title

page are the claims and the description. The claims define the scope of protection of the patent, and the description describes the details of the invention. Since images contain more than words, many applicants attach drawings to the description to explain the invention. If an applicant decides to use drawings, it is advisable to put the most relevant one in the title page.

#### **40. What are patent claims?**

As patents are intangible property, it is important to define their boundaries. In the current patent system, the scope of protection of a patent is determined by a special section within a patent application called the patent claims (which are individually numbered paragraphs), which sets out the process of development from birth to maturity.

In 1474, when the first patent system began in Venice, it was necessary to provide a copy of the product as part of the application. A patent model was also required in the early days of the U.S. system. As more and more inventions emerged, it became impractical to demand patent models. In the 18<sup>th</sup> century, the British patent authority began to require applicants to describe their invention in clear terms. When a patent was issued, a brief description of the invention – the precursor of today's patent claims – would be attached at the end of the patent.

The more detailed a patent claim is and the more technical features are included, the narrower its scope of protection. Claims descending from "a cup," "a glass cup," "a high-stem glass cup," to "a high-stem glass cup with a pattern" represent gradually narrowing scopes of protection. Obtaining no patent protection for a valuable invention as a result of poorly written claims is regrettable. Patent applicants are advised to employ patent attorneys, who are more experienced in writing patent documents, when they want to file their important patent applications.

#### **41. What are the differences between the protection of an invention and an industrial design?**

A product patent prohibits unauthorized manufacture, use, marketing, sale and import of patent-protected goods. A process patent prohibits unauthorized use of

the process, or use, marketing, sale or import of products obtained directly by that process. On the other hand, an industrial design (or design patent) protects the patentee from unauthorized production, sale or import of products that are a copy of that design.

As for what is protected, the scope of protection of a product or process patent is wider than that of an industrial design. While unauthorized use or sale of a patent-protected product or process constitutes patent infringement, the mere use of goods carrying a protected design is not an infringement of the design. This is because the subject matters of the two types of patents are different. An industrial design protects the shape, pattern and color of a product, with the exception of its functions and the underlying technical idea, so that use of such goods is beyond the reach of the design patent.

#### **42. What are independent claims and dependent claims?**

The claims within a patent consist of independent and dependent claims. An independent claim is the broadest of all claims. A dependent claim is a claim following the independent claim that further qualifies the cited claim with additional technical features.

If you regard "a cup" as an independent claim, then narrow its scope by adding more technical features such as "glass," "high stem," and "pattern" you then have the dependent claims "a glass cup," "a high-stem cup," "a cup with a pattern," "a high-stem glass cup," or "a high-stem glass cup with a pattern" whose scope of protection claimed is narrower than that of the independent claim. As the number of technical features increases, the scope of protection shrinks.

As the above example shows, there are many combinations of additional technical features. An experienced patent attorney will seek the maximum scope of protection for an invention through independent claims and reasonably deploy dependent claims to set up multiple defenses. If the independent claim is invalidated for lack of novelty or non-obviousness, new defenses can be established through the dependent claims. Like Russian dolls, even if the outer doll is broken, you may still have smaller ones inside intact.

### 43. What is a patent application?

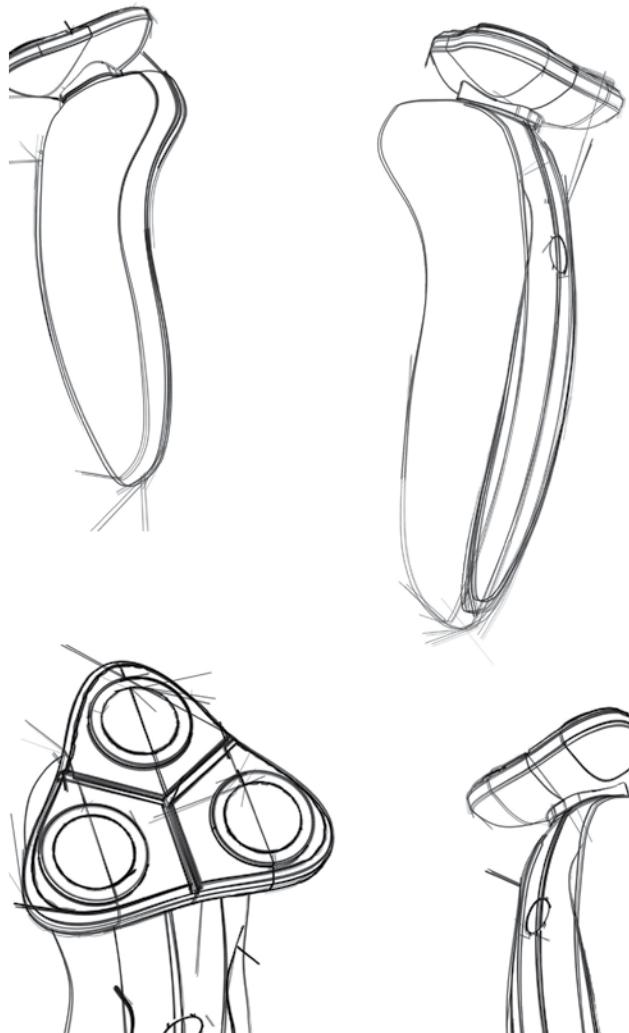
A patent may be seen as a contract between the patent applicant and society at large, by which the applicant discloses their invention in return for legal protection. As a matter of fairness, the scope of protection for the applicant should be consistent with the scope of the disclosure.

The document used by the applicant to disclose the invention is the “application,” whose purpose is to explain and support the claims. It is unfair to protect that which an applicant claims but declines to disclose in the application. Likewise, it is inappropriate to grant a large scope of protection if the applicant only discloses a small part of their invention. For example, a patentee cannot claim patent protection for an entire car if their contribution is limited to a headlight.

Regulations are not uniform across the world on the question of disclosure. For example, the U.S. requires the applicant to disclose the best mode of carrying out the invention, while some other countries allow applicants to reserve some know-how. As long as the invention can be implemented, a less than perfect effect is acceptable.

### 44. What is an abstract in a patent application?

The abstract is a summary of the disclosure contained in the application. It contains the title of the invention or utility model, its technical field, the technical problems to be solved, and its main technical features and uses. As a means of communicating technical information, the abstract cannot be cited as grounds for modifying the description or claims, nor can it be used to explain the scope of protection. The legal status of the abstract is dictated by its characteristics. The abstract is a summary of the disclosure, which inevitably will lead to a loss of some information and unclear boundaries of rights. In a legal context, fuzzy boundaries of rights may easily lead to disputes. An abstract lacking in technical details, therefore, can only be used as reference information.



## 45. What is a patent attorney?

To apply for a patent or to handle other patent matters, it is often necessary to engage a patent attorney. Patents involve technical issues as well as legal and economic ones, requiring specialized knowledge. The average technician is tech-savvy but may be ignorant of patent law. When applying for a patent, you need to consider these questions: Does your invention meet the conditions for a patent? Is it fit for or worthy of patent application? How should the scope of protection be defined to benefit the applicant? Is it necessary to apply for patents overseas? To accurately answer these questions requires expertise in technology, economics and patent law.

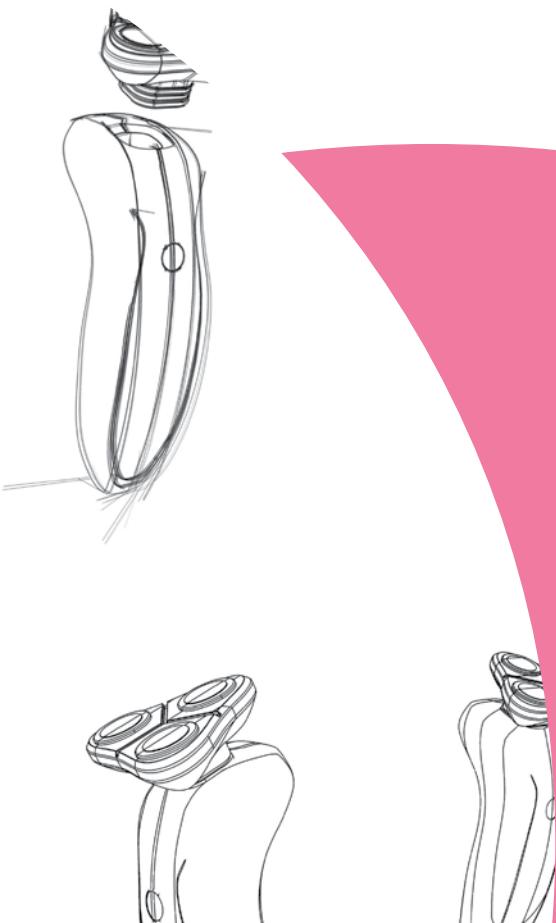
Patent attorneys have received professional training in this field. Not only can they provide advice to applicants, but they can also help them navigate patent matters. Moreover, a patent attorney can conduct the application process according to the requirements of patent laws, thereby reducing the workload at the patent office and speeding up the examination process. This can benefit the applicant and the patent office alike.

## 46. What are the first-to-file and first-to-invent rules?

A patent has to be granted by a patent office which is typically a government agency. When two or more applicants apply for a patent for the same invention, the question of who is to be awarded the patent must be resolved, because the same invention can be protected by only one patent. Looking at legislative history around in the world, there have been two solutions: the patent will go to either whoever first invents, or whoever first files an application. In the past, a few countries, namely Canada, the Philippines and the U.S., adopted the first-to-invent system. Now all of them have turned to the first-to-file system.

The basic principle of the patent system would suggest that the most reasonable solution is to grant a patent to the first inventor. However, the first-to-invent system has the following drawbacks: (1) inventors need to keep all evidence of the time spent on the invention and provide witnesses, which requires a lot of time and money; (2) inventors tend to keep their inventions confidential for a long time, because for them it does not matter if they apply at a later time; (3) patentees of inventions may feel unsafe and not develop their inventions because of the risk of infringing an earlier invention.

Photo: Getty Images / kurtcan



## 47. What are differences between patent registration systems and substantive examination systems?

Each country has its own patent examination system. Worldwide, there are two systems: patent registration and substantive examination.

A patent registration system only looks at whether the format of the application documents meets the requirements and whether their contents are complete. Some patent office grant patents after the applicant has filed the application, in accordance with the regulations, as was practiced previously in the U.K. and U.S. systems. Even today, the registration system is still used with regard to utility models and industrial designs in many countries. In the early days of the patent system, when there were few inventions and patent offices had no systematic classification data to enable examination of the substantive features of an invention, the registration system was adopted in most countries. The biggest advantage of the registration system is simple procedures. The patent office has no need to maintain a large number of examiners, and the examination process is fast. The disadvantage is that low requirements lead to low-quality patents, as applications of no scientific and technological value may be granted.

The substantive examination system for patents, also known as the full examination system, was born in the U.S. in 1836. In addition to checking formality matters in patent applications, substantive examination assesses the novelty, non-obviousness and utility of the invention described in the application. In this way, it can better ensure the quality of a patent, make patent rights more stable and reduce litigation. The shortcoming is that it requires a long time for examination and a large patent examination bureaucracy. For example, in 2017, China had nearly 3.7 million applications for inventions, utility models and industrial designs and an army of more than 11,000 patent examiners!

## 48. What rights are granted to the patentee when a patent is issued?

After a patent is issued, the patentee is entitled to prohibit others from using their patented technology by manufacturing. This includes using, selling and

importing patented products. However, this does not mean that the patentee unquestionably has the right to use their own patented technology. If Hans improves Peter's patent and then patents his own improved technical solution, Peter's implementation of his own patent may infringe Hans's rights.

If Peter's patent is a pie in relation to its scope of protection, then Hans's patent is the meat in the center of the pie. As the meat at once falls into the scopes of protection of Peter's and Hans's patents, Hans would infringe Peter's patent if he uses it, and vice versa. A good way to resolve the dilemma is for them to license each other to use the patents. Whether to charge license fees depends on the relative importance of the patents and their bargaining power.

What's the point of applying for a patent, some might ask, if you cannot be sure to use it? Companies, for example, need a patent reserve; without one they may be in a weaker position to bargain with others. A patent is like the railing of a bridge, whose importance might be ignored when everything is fine. But once it is removed, you may not dare to cross the bridge. If doing business is fighting in a battlefield, patent reserves are the arsenal you can use to defeat your rivals.

The technical solutions that can solve a certain problem are actually very few in number, due to the constraints of natural laws. Only after a company owns some powerful patents outstanding in a certain field can it say it has secured a stronghold in that field. For example, in the field of communication, with the patents of all players intertwined, companies are interlocked in a tangle of overlapping patents. Companies with similar patent strengths will not find it easy to wage war with each other, but sufficient patent reserves will provide safeguards for their business operations.

## 49. What is compulsory licensing of a patent?

Compulsory licensing is an important restriction of patent rights. It is one form of licensing, through which the licensee must pay a reasonable royalty. Those who need compulsory licenses may be competitors of the patentee, and their use of the patent is often prejudicial to the patentee's financial interests. The reason that compulsory licensing of one's competitors is necessary is built on public policy considerations.

Without Thomas Edison, someone else might have invented the electric lamp. In many cases, research and development is like running in a race, where the first to hit the finish line wins all, while others get nothing. If a patentee decides not to implement their patent and grants no license at a reasonable price, it will hinder the progress of science and technology and be detrimental to the public interest. In this case, compulsory licensing (essentially forcing the patent holder to license the technology and providing a reasonable royalty for doing so) is the only way to balance the interests of all parties concerned. For example, if a country is plunged into a state of emergency or is struck by an epidemic disease requiring mass production of a certain patented drug, then compulsory licenses are necessary to enable other qualified companies to make that drug.

To prevent damage to the interests of the patentee, compulsory licenses must be negotiated on a case-by-case basis, and the licensee is forbidden to grant sublicenses. In fact, many countries are extremely cautious about compulsory licensing. For example, no compulsory license has been issued so far in China.

## **50. Why is compulsory licensing not applicable to industrial designs?**

Compulsory licensing applies only to inventions and utility models, not to industrial designs, which relate to aesthetics. That is because there are limited numbers of ways to effectively implement a technical solution. Inventions must obey laws of nature; whether it was Thomas Edison or some other person who eventually invented the electric lamp, the final result should be similar, otherwise it could not be used. If others are denied a patent license, they probably have no other way to solve the problem.

Things are different with an industrial design, as it relates to the shape, pattern or color of a product. We can live without beautiful things, though our life may become boring. Compulsory licensing is a restriction of others' rights and applies only when it is unavoidable. Since we can survive without art, there is no reason to limit the rights of a design right holder. In modern times, it is a fundamental rule to respect others' rights, so compulsory licensing should not be used unless it is absolutely necessary.

## **51. Why could a patent be invalidated after it has been granted?**

A patent is not set in stone after it has been granted: it can be invalidated or have its scope of protection narrowed through a revocation or invalidation procedure.

In the patent examination process, the examiner has only limited time and effort to devote to each patent application, due to the large quantity of applications. For example, in China, the total number of applications for the three types of patents in 2017 exceeded three million. The pressure on the examiners is enormous, and the time spent on an invention by each examiner averages only two days or so. For this reason, the extent of the examiner's job is limited to preliminary screening and designation of scope of protection. Should there be any defect in the designation, it is no surprise that a competitor may come forward to challenge the validity of the patent.

Each year, a huge number of patents are granted in the world, but only a fraction of them actually have high economic value. It is uneconomical to spend great amounts of time to process each application and accurately define the scope of protection. In fact, it is more efficient to conduct preliminary screening in the examination process and allow after-the-event re-designation of the boundaries of some high-value patents through the invalidation procedure.

## **52. What is the International Patent Classification?**

There are volumes of patent documents around the world. Without a scientific classification system, it is difficult for the public to find the needed documents.

The International Patent Classification (IPC) system, established by the Strasbourg Agreement of 1971, provides for a hierarchical system of language-independent symbols for the classification of patents and utility models according to the different areas of technology to which they pertain. IPC classifies all technical fields relating to invention patents by section, class, subclass, main group and subgroup.

- A: Human necessities
- B: Performing operations; transporting

- C: Chemistry; metallurgy
- D: Textiles; paper
- E: Fixed constructions
- F: Mechanical engineering; lighting; heating; weapons; blasting
- G: Physics
- H: Electricity

### **53. What is the International Classification for Industrial Designs?**

In 1968, members of the Paris Convention signed the Locarno Agreement Establishing an International Classification for Industrial Designs (the Locarno Classification), which set standards for industrial design classification. The Locarno Classification uses a two-level structure consisting of classes and subclasses in Arabic numeral order.

The International Classification for Industrial Designs comprises 32 classes:

- Class 1 Foodstuffs
- Class 2 Articles of clothing and haberdashery
- Class 3 Travel goods, cases, parasols and personal belongings, not elsewhere specified
- Class 4 Brushware
- Class 5 Textile piecegoods, artificial and natural sheet material
- Class 6 Furnishing
- Class 7 Household goods, not elsewhere specified
- Class 8 Tools and hardware
- Class 9 Packages and containers for the transport or handling of goods
- Class 10 Clocks and watches and other measuring instruments, checking and signalling instruments
- Class 11 Articles of adornment
- Class 12 Means of transport or hoisting
- Class 13 Equipment for production, distribution or transformation of electricity
- Class 14 Recording, communication or information retrieval equipment
- Class 15 Machines, not elsewhere specified
- Class 16 Photographic, cinematographic and optical apparatus
- Class 17 Musical instruments
- Class 18 Printing and office machinery
- Class 19 Stationery and office equipment, artists' and teaching materials
- Class 20 Sales and advertising equipment, signs

- Class 21 Games, toys, tents and sports goods
- Class 22 Arms, pyrotechnic articles, articles for hunting, fishing and pest killing
- Class 23 Fluid distribution equipment, sanitary, heating, ventilation and air-conditioning equipment, solid fuel
- Class 24 Medical and laboratory equipment
- Class 25 Building units and construction elements
- Class 26 Lighting apparatus
- Class 27 Tobacco and smokers' supplies
- Class 28 Pharmaceutical and cosmetic products, toilet articles and apparatus
- Class 29 Devices and equipment against fire hazards, for accident prevention and for rescue
- Class 30 Articles for the care and handling of animals
- Class 31 Machines and appliances for preparing food or drink, not elsewhere specified
- Class 32 Graphic symbols and logos, surface patterns, ornamentation

Photo: Getty Images / TommL





## **Basics of Copyright**



**C O P Y R I G H T**



## 54. What is copyright?

Generally speaking, copyright protects an author's literary or artistic creations, often referred to as "works." Copyright is the right of the authors and related right holders to their work and related objects, such as writers' copyright in their novels, painters' copyright in their paintings, and photographers' copyright in their photos. Copyright in the narrow sense only refers to the authors' rights to their work. In the broadest sense, the operation of the copyright system also includes the rights enjoyed by performers, audiovisual producers, broadcasters, publishers, and so on, which are referred to in many countries as "related rights" (see Question 55).

According to the Berne Convention, copyrighted literary and artistic works include every kind of production in the literary, scientific and artistic domains, such as books, pamphlets and other writings; lectures, addresses, sermons and other works of the same nature; dramatic or dramatic-musical works; choreographic works and mime entertainment; musical compositions with or without words; cinematographic works to which are assimilated works expressed by a process comparable in certain respects to cinematography; works of drawing, painting, architecture, sculpture, engraving and lithography; photographic works to which are assimilated works expressed by a process comparable in certain respects to photography; works of applied art; and illustrations, maps, plans, sketches and three-dimensional works relative to geography, topography, architecture or science. Newer copyright treaties have added additional types of works to this list, including databases and computer software. While most categories of works must be protected based on the international copyright treaties, protections for some categories of works such as works of applied art is optional.

Copyright protects property rights as well as personal rights. These two concepts are often referred to as economic rights and moral rights. As an old Chinese saying goes, "an article is an expression of the author's character." Indeed, different writers can produce works about the same topic or theme but in different styles, so a work is often seen as an extension of the author's personality. Historically, there were two distinct copyright law systems in the world. One system, represented by the U.K. and the U.S., regarded copyright as a product of public policy that encourages literary and artistic creation, focusing on the protection of the author's property rights. The other, represented by France and Germany, regarded a work as an extension of the author's personality and a reflection of their spirit, focusing on the protection of the author's personal rights. As the major countries of the two systems are members of the Berne Convention and continue to learn from each other, the difference between the two systems is gradually receding.

## 55. What are related rights?

Related rights, or neighboring rights, refer to rights enjoyed by those who are not the authors or creators of the works but who have a close relationship to the works; for example because they disseminate literary or artistic works or because they bring technical and organizational skill to the production of particular expressions of copyrighted works. In international treaties, related rights are enjoyed by performers, producers of phonograms (sound recordings) and broadcasters. Performers give unique interpretations of underlying copyrighted works such as songs or dramatic works; phonogram producers contribute creative, financial and organizational resources to produce and then distribute song recordings (musical work) by one or more performers; and broadcasters bring financial and organizational resources to compiling and distributing the broadcast signal. Some countries also provide related rights for other groups closely related to the preparation and distribution of works, such as publishers. Considering the important roles played by related right holders, it is considered reasonable to grant rights to those who enable the interpretation and fixation of expressions of copyrighted works and contribute to their dissemination, as a way to both recognize and protect their contributions.

In most countries, related rights are protected by IP legislation, either as part of the copyright law or a separate piece of legislation. However in some countries, these rights are protected through labor law, competition law or contract law. Related rights are often subject to limitations and exceptions.

## 56. What is originality in copyright?

Works must be original, or have originality, in order to be protected by copyright.

Originality requires independent creation, which basically means the work cannot be copied from another work. This does not mean that the work has to be particularly novel or unique. Two very similar works based on the same underlying idea or concept may each have copyright protection as long as one was not copied from the other. Authors may also create works based on other authors' works, such as translating an English novel into Chinese, or turning the novel into a film. If the original work is still in its copyright

term then permission is needed before undertaking translations or adaptations.

To be protected and considered original, works must also display some degree of creativity. National copyright laws are not entirely consistent, with some countries setting forth high requirements, and others low requirements. In general, the degree of creativity required is not high.

The level of originality can affect the resolution of disputes about alleged copying, although in practice many works with a low level of originality are not valuable enough to be objects of infringement. In case of litigation involving a highly original work, it is easier to prove plagiarism if another work very much resembles it. The author of a less original work, on the other hand, may need more evidence to prove that similarity is derived from the infringer's copying rather than coincidence. Although the threshold of originality is fairly low, the copyright system can operate smoothly on the whole.

## 57. What rights does copyright comprise?

The question of what rights copyright comprises is one of the most important aspects of the copyright laws of all countries. Thanks to the divergent economic conditions, cultural traditions and perceived values of different countries, however, provisions on copyright vary and are expressed in different ways. Copyright laws of most countries distinguish between moral rights (personal rights) and economic rights (property rights).

Moral rights most commonly include: (1) the right to be known as the author of the work, which is often referred to as "attribution" or "paternity," and (2) the right to the integrity of a work, i.e. the right to prevent distortion of or tampering with the work, when it undermines the fundamental nature of the work (its integrity) and when it damages the author's reputation. They can also include the right to publish a work or deliver it to the public, and the right of modification of a published work.

Economic rights can include: (1) the right of reproduction, in order to make finished works in the same form, such as copying a literary work – this is the core right in property rights; (2) the right of rental, to license temporary use of the originals, or copies of

audiovisual works or computer software to others for a fee; (3) the right of communication of a work to the public through performances, broadcasting, exhibition, and dissemination on the Internet; and, (4) the right to control the creation of derivative works based on the original work, including translations, adaptations and compilations, often referred to as the rights of translation and adaptation.

## **58. What rights do performers enjoy?**

Performers' rights are provided for in international conventions and national copyright laws to recognize their original intellectual labor in their performance activities. Again, performers' rights are divided into moral rights and economic rights. The Rome Convention and the TRIPS Agreement do not address the moral rights of performers, but the WIPO Performances and Phonograms Treaty (WPPT) expressly provides for performers to have the right to claim to be identified with their performances and to object to any distortion, mutilation or other modification of their performances that would be prejudicial to their reputation, with the term of performance protection at least equal to the term of protection of the economic rights.

As set out by the Rome Convention and the WPPT, performers enjoy economic rights to their performances, including the rights to protect live broadcast performances, record their performances, reproduce recordings, and distribute and disseminate performances on the Internet. Performers may grant licenses as regards their performances for remuneration. The term of protection is 50 years, expiring at the end of the 50<sup>th</sup> year of the occurrence of the performance. Of course, performers must obtain permission from the author and pay remuneration to perform the author's works.

## **59. What rights do producers of sound recordings and videos enjoy?**

The rights of the producers of sound recordings (referred to in official texts as "phonograms" and in the industry as "records" no matter what format they are in) are stipulated in international conventions and national laws. According to the Rome Convention, the TRIPS Agreement and WPPT, the phonogram produc-

ers are related right holders whose economic rights include reproduction, distribution, rental and Internet dissemination of sound recordings.

For example, after a record producer, which is often a record company, has produced a sound recording (which may be fixed in the form of a vinyl record, cassette tape, CD, MP3 or other digital file), no other party is allowed to copy, sell, rent, or disseminate on the Internet the recording without the company's permission. In some countries, radio and television stations, shopping malls, and bars must pay a fee to the producer to broadcast the recording. Similarly, phonogram and video producers who intend to make audio and video recordings must have the author's permission to use the underlying copyrighted work, such as a musical work (commonly known as a song) and pay remuneration.

In contrast to the related rights of sound recording producers, the rights of video producers are generally provided for only in certain countries whose legal system is that of "civil law" (as opposed to "common law") and refer to the rights of producers of video recordings that do not constitute audiovisual works because of their low originality.

## **60. What rights does a broadcasting organization enjoy?**

Broadcasting organizations include radio stations and television stations. According to the Rome Convention and the TRIPS Agreement, broadcasting organizations are related-right holders that enjoy the rights to broadcast, and to fix and reproduce works. That is to say, broadcasting organizations have the right to prohibit other broadcasting organizations from broadcasting, recording or reproducing their broadcasts or television programs without permission.

For example, imagine that TV station A enjoys the right to broadcast a certain sporting event. Without TV station A's authorization, TV station B is not allowed to rebroadcast the event broadcast by TV station A, and no other person may record and reproduce the event broadcast by TV station A. (In some countries a single copy may be made by the consumer for personal, non-commercial use.) The TRIPS Agreement provides for a 20-year term of protection for these rights, although some countries, including China, have extended the term of protection to 50 years.

## 61. How long is the term of protection of a work?

The economic rights in copyright last for a limited time, and national rules on the term of protection differ to various degrees. Copyright and related rights treaties set a minimum term for many types of works, but countries may provide longer terms. According to the Berne Convention and the TRIPS Agreement, copyright is protected for the life of the author plus 50 years. In Europe and the U.S., the term of protection has been extended to the life of the author plus 70 years. The term of protection for photographs and works of applied art in the Berne Convention is a minimum of 25 years from the making of the work.

According to the Berne Convention, the term of protection of moral rights granted to an author should be at least the same as the term of protection of economic rights. The TRIPS Agreement does not require mandatory protection for an author's moral rights. In some countries, moral rights are perpetual, and there is thus no provision on the term of protection because it is permanent.

## 62. Is computer software copyrightable?

Internationally, computer software is often eligible for copyright protection. The TRIPS Agreement provides that computer programs, whether in source or object code, shall be protected as literary works.

As a work is automatically protected by copyright when it is created, computer software does not need to be registered for copyright protection. Considering the great value of software, however, right holders often register their work to prove ownership of copyright and to protect the time spent on their work. The advantage of protecting software by copyright is that it is automatic, voluntary registration is easy to obtain, and the work enjoys a long term of protection, equal to the term of protection of literary works, i.e., the life of the author plus 50 years, or 50 years after the work's completion in the event the author is an entity. Copyright protects a work, i.e. the expression of an idea and not the idea itself. Software often has technical functions, which belong to "ideas" that do not fall within the parameters of copyright protection; the right holders cannot preclude others from developing similar software based on the same concept. As

technical functions in software are eligible for patent protection, it is often advisable to protect software by applying for a patent. The assessment of how to protect software through IP rights needs to be made based on the law of each country.

## 63. What is not copyrightable?

Copyright protects original works in the cultural and artistic domains, and originality implies that works created by different persons will never be the same, although they can be quite similar as long as one has not been copied from the other. If a work is so simple that it can appear more or less alike no matter who writes it, it is not covered by copyright due to lack of originality. The title of an article or a book, for example, is generally considered not copyrightable because it is too short. It should be noted that although in some cases national copyright legislation does not explicitly say the title of a work is not copyrightable, in practice it is basically excluded from copyright protection.

The level of originality may vary significantly by jurisdiction. An example is current news stories; in some countries they would not be considered copyrightable while in others they would be protected by copyright (even if they are subject to a copyright exception).

What is protected, however, is not the underlying facts, ideas or principles reflected in a work, but the unique expression of those facts, ideas or principles by a specific author. Thus even if news articles are protected by copyright, many articles can be written by different authors based on the same underlying facts.

It is worth noting that whether or not a work is copyrightable has nothing to do with whether the work is prohibited by law from being published or disseminated. In some countries, pornographic or obscene works are banned, although in theory they can still be protected by copyright. However, it could be difficult to enforce copyright in jurisdictions where the work is illegal or banned, especially if doing so would mean admitting to criminal activity.

## 64. Is a product manual copyrightable?

A product manual is generally composed of a cover design, product drawings with text descriptions,

product functions, technical parameters, uses or operation method, and a back cover. It is often written in plain language and narrative order with little originality. As the threshold of originality in copyright is low, in most cases a product manual is nevertheless copyrightable. The underlying facts and functions being described and illustrated would not be covered by copyright, but the particular expression of them in the text and drawings would be covered.

In a competitive context, plagiarism and imitation are common. However, the victim is often caught in a dilemma: if the alleged infringer plagiarized or imitated the victim's work without using the latter's trademark, the victim cannot claim trademark infringement; likewise, the victim of plagiarism or imitation cannot allege patent infringement if the victim does not own the relevant patent. If your product manual is plagiarized, you may consider accusing the infringer of copyright infringement. Then again, as the level of originality in a product manual is low, plagiarizers may easily get away with infringement accusations if they make significant changes to the manual. Nonetheless, when neither trademark law nor patent law can provide remedies, it is worthwhile to seek protection from copyright law.

## 65. Is folk art copyrightable?

Folk art refers to literary, artistic and scientific works, created by national or ethnic groups, that have been passed down from generation to generation, and constitute a basic part of the national or ethnic group's traditional heritage. This latter may include folklore, poetry, riddles, ethnic songs, ethnic dances, ethnic musical instruments, ceremonies, paintings, sculpture, pottery, embroidery, carpets, clothing, architectural works, etc. The term "traditional cultural expressions" (TCEs) is also used to describe these works.

Many specific expressions of folk art are in theory protected by copyright, as they fall within the scope of copyright protection. For example, the Tunis Model Law on Copyright for Developing Countries (the Tunis Model Law) enacted by Tunis with the help of UNESCO and WIPO, incorporates folk art into the realm of copyright protection. Currently, dozens of countries have legislated to protect folk art in different ways, some of which are based on the Tunis Model Law. WIPO member states are considering the question of protection of traditional cultural expressions through the work of the Intergovernmental Committee

on Traditional Knowledge, Genetic Resources and Folklore (IGC). However, the copyright system may conflict with folk art in many ways. For example, copyright is protected for a limited term, but folk art requires permanent protection as cultural heritage; copyright often protects works that have been fixed in a medium, but folk art is in a state of continuous evolution and is not always fixed. For instance, the Chinese story of the White Snake and Doctor Xu Xian, dating back to the 13<sup>th</sup> century, has undergone constant changes and enrichment in oral narratives over time. Moreover, copyright must be owned by one or more right holders, but folk art belongs to "a particular nationality, ethnic group or community," which are abstract concepts hard to clearly identify. A community may think of a work as the property of the community as a whole rather than its individual members. Considering the characteristics of folk art and their conflicts with the copyright system, a number of countries have chosen to protect folk art through separate legislation.

## 66. What are the differences between copyright and trademark protection?

The fact that copyright protects images and a trademark may comprise an image could give rise to overlapping IP rights. In the case of a device trademark, should the right holder claim copyright infringement, trademark infringement or both? It is necessary to look at the law of each jurisdiction to make this determination. Different answers have important and interesting implications.

To decide whether copyright infringement occurs, a judgment needs to be made as to whether one image is a copy of the other. If the infringer is found to have copied an image that has copyright protection, this act constitutes copyright infringement regardless of the goods on which the infringer places that image. The image is separated from any functional goods on which it has been placed for purposes of the copyright infringement assessment. If the right holder's trademark is registered for shirts, for example, the infringer will infringe the right holder's copyright regardless of what that infringing mark is used on (books, beverages, furniture, etc.).

In some cases copyright infringement may not apply but a trademark infringement claim may be available. If the infringer makes major modifications to a device, then it may not be considered a copy that would

infringe copyright. However, if the device imitates a trademark in both color and form, it would constitute a similar trademark in the sense of trademark law. If the device is used on the same product as the original, it may well constitute trademark infringement.

This case has two dimensions: device and product. Copyright law has an extremely wide coverage of products but is less flexible as regards the device itself. Trademark law, in contrast, can ease the standards on similarity of devices, but requires consideration of the classes of goods involved. In a specific case, whether to claim copyright infringement, trademark infringement, or both (if permitted in that jurisdiction) has to be determined on a case-by-case basis.

## **67. What are the differences between copyright and patent protection?**

Comparison of the two systems shows that the patent system is conducive to the protection of inventions in the field of technology, while the copyright system focuses on the protection of literary and artistic works. As copyrighted works may encompass works about scientific creations protected by patent law, overlapping may occur in this case. With regard to a technical solution, such as a new type of car engine, copyright protection and patent protection reflect entirely different focuses.

If you write a paper on the structure of the car engine and it is published, you are entitled to prohibit others from copying your paper. If, however, someone makes an engine based on your paper and sells it on the market, they do not infringe your copyright.

Conversely, if you apply for and obtain a patent for the engine, you are entitled to prohibit others from producing and selling the engine under patent law. However, if someone writes an article about the structure and performance of the new engine, they are not prohibited from doing so by your patent.

## **68. How is copyright obtained?**

One of the biggest differences between copyright and patents or trademarks is the way in which they are obtained. Copyright is an automatically acquired right. Authors enjoy copyright under the law when they create their

work; the Berne Convention provides that they do not need to go through any registration procedures or obtain any prior approval. While this may save social costs, it may also make it difficult for right holders to enforce their rights.

Registration of a work can provide independent evidence of its completion date and of the identity of the copyright owner. Otherwise when right holders decide to enforce their rights, depending on the nature of the work, they may find it difficult to provide independent evidence of these facts. To solve this problem, voluntary registration systems have been established in many countries. If in the eyes of the right holders a work is important and of high value, they tend to register it. If their country does not have a register, they may decide to register the work in the voluntary registry of another country that is a member of the Berne Convention. Although registration is not a precondition for copyright protection, in many legal systems it may be used as preliminary or presumptive evidence of ownership of the copyright.

## **69. How is the ownership of copyright determined?**

It is a basic principle that copyright naturally belongs to the author of a work, in the interest of protecting human creations. Most national copyright systems provide that only human beings can be authors, although in some systems legal persons such as corporations may be authors or creators, and in even more systems legal persons may acquire copyright ownership. In the many copyright systems that differentiate between copyright and related rights, legal persons such as broadcasters may be related right holders. Despite discussion of allowing animals or robots to be copyright owners, this has generally not been permitted in national legal systems.

International treaties and national copyright laws provide for attribution of copyright in works created under special circumstances. For a work of joint authorship created by two people, for example, both are considered the copyright owners. The elements of some co-authored works are divisible, such as a song whose lyrics and melody may be created and used separately. In this case, the composer and the lyricist each enjoy copyright in their respective parts of the song. In addition, some countries have made particular provisions for attributing copyright in

commissioned works, works made for hire, audiovisual or cinematographic works, and derivative works, each of which will be described below.

## 70. How is the ownership of a commissioned work determined?

Where a person commissions, or invests in, a copyrightable work created by another person, the first principle is that the agreement (if any) between them should be respected according to the principle of “freedom of contract.” Usually, the investor is in a strong position and will claim ownership of the work in the agreement. If the investor has neglected to make a binding agreement, he or she might still own the work according to international practice. However, in some countries, such as China, the copyright of the work belongs to the author in the absence of an agreement. Where the person who commissions the work owns the economic copyright, it is still necessary to consult national law to determine whether he or she may also own the moral rights. In some countries contracts cannot override or terminate the author’s moral rights.

As China and many other jurisdictions also give priority to mutual agreement, and as copyright awareness is growing nowadays, it is rare that the parties concerned will neglect to enter into an agreement. In practice, therefore, this is rarely an issue.

## 71. How is the ownership of a work made for hire determined?

If the author of a work is a company employee, there are two ways to determine who should own the copyright. In traditional common law countries such as the U.K. and the U.S., where copyright has been more focused on property rights, a company that invests in and creates a work can be the original copyright owner or even the author. Generally, in the absence of an agreement to the contrary, the copyright in a work for hire belongs to the company. In traditional civil law countries, such as France and Germany, a work is seen as an extension of the author’s personality and a reflection of the author’s spirit, so only natural persons can be authors. Therefore, the copyright belongs to the author of a work for hire, while the company may exercise or be assigned the copyright by operation of law or based on contractual terms.



Photo: Getty Images / Ridofranz

Photo: Getty Images / JGallone



## 72. Is the person whose name appears on a work necessarily the author?

As copyright arises upon the creation of a work, without any requirement to register the work, determination of who is the copyright owner may be more complex than in patent and trademark cases. Usually, authors will have their name affixed to their work, so initial ownership of the copyright can be established based on authorship. There are cases, however, where the person who actually created a work does not put his or her name on it, while a person who did not participate in the creation does have his or her name appearing on the work. In this case, it may be complicated to decide attribution of copyright. In practice, to deny the authorship of the person whose name is on the work requires strong evidence such as manuscripts, original work, publications, a copyright registration certificate, a certificate issued by a certifying agency, or a contract indicating the author, for example.

Copyright can also be transferred or assigned, so the current copyright owner may not be the initial author, whether or not the initial author's name is on the work. It is important to consult national law regarding transfers and assignments of copyright as the applicable law may vary.

## 73. How is the copyright in a derivative work determined?

A derivative work is a work created based on an original work, with additional expressions that meet the originality requirement, such as an English translation of a Chinese novel, a play script adapted from a novel, or an oil painting drawn based on a photo. The translator, scriptwriter and painter enjoy copyright in their derivative works for their intellectual labor. As a derivative work comes from an original work, it contains the IP of both the original author and the author of the derivative work. Essentially, authors of derivative works enjoy copyright only in the part they have contributed to, which is inseparable from the original work. It follows that the copyright in the derivative work must be limited by the original work. The author of the derivative work needs to obtain permission from the original author, especially to make commercial use of the work, because otherwise the new work would infringe the original author's copyright. Under copyright law, the author of a derivative

work may enjoy copyright in some elements of the work while infringing the rights of the author or rights owner of the original work, if permission to use the original work was not obtained. If a derivative work was created on the basis of multiple prior works, such as a film based on a script, which was previously adapted from a novel, the producer of the film needs permission from both the author of the novel and the scriptwriter. That is to say, the deeper a derivative work is down the value chain, the more licenses are needed.

## 74. How is the copyright in a film determined?

Shooting a film is a complex and systematic intellectual process, requiring the labor of producers, scriptwriters, directors, photographers, actors, stunt designers, film artists, lighting engineers, set designers, and so on. Filmmaking needs huge investment and creative work by every participant. The distribution and screening of a film may bring big profits, but at the same time the film faces huge commercial risks. If the film is treated as a work of joint authorship, then many disputes will inevitably arise over its distribution because the copyright is scattered among too many right holders, to the detriment of the investor.

In light of how copyright is created, it should be acknowledged from the outset that a film is created jointly by the scriptwriter, director, photographer, lyricist, composer, and so on. Considering the producer's huge investment and the commercial operations involved, it is proper to confer the copyright of the film to the producer. In civil law countries, such as Austria, France, Germany and Italy, co-authors are presumed to have assigned or licensed the property rights in the film to the producer. In common law countries, such as Australia, Canada, India, the U.K. and the U.S., the copyright is presumed to belong to the producer, if the scriptwriter, director, photographer, lyricist and composer have not signed any agreement to the contrary with the producer. The law of each national jurisdiction should be consulted to determine how this transfer of rights is handled and what rights may remain with the co-authors.

Concerning the overall copyright in the film and the individual copyright of each author, national copyright laws allow scripts, lyrics and musical works to be used separately. This means that if someone wants to use a film's script or music, they only need to obtain

permission from the scriptwriter or the music composer. In addition, the scriptwriter, director, photographer, lyricist and composer enjoy the right to attribution and remuneration. The film's credit list will show the names of the scriptwriter, directors, etc., as a form of attribution. In some countries, when a film is used as a whole, the director, scriptwriter, composer and other authors still reserve the right to be paid.

The Beijing Treaty on Audiovisual Performances (BTAP) addresses the related rights of performers in films and other audiovisual works. It allows a variety of national systems governing the transfer of the rights of performers to film producers. Performers may also have a continuing right to remuneration.

## 75. Does buying an original work mean you are acquiring the copyright in it?

When you buy the original copy of a painting or a photograph, you may have the illusion that you are acquiring the copyright in that work because it is expensive and because you have taken possession of it. In fact, according to copyright law, acquiring ownership of an original work does not mean the copyright in that work is acquired too.

After you purchase a painting, you have the right as its owner to hang it in the living room for appreciation, or put it on display at an art gallery, or assign it to another person. However, if you sign your name on the painting pretending to be the painter, then you would infringe the painter's authorship. If you have copies of the painting published through a publishing house, it would infringe the author's right of reproduction and distribution.

It is interesting to note that you cannot modify the painting, or you will infringe the painter's right to protect its integrity. However, if you put the painting directly into a stove and burn it, you will not infringe the painter's copyright because you are free to dispose of your property. In addition, the painting carries both the painter's copyright and your property rights. A painter wishing to modify the painting needs your permission, or else your property rights will be infringed.

## 76. Will the creation of works about the same theme by different authors lead to infringement?

Copyright law distinguishes between "an idea and its expressions;" themes belong to ideas and so are not protected by copyright law. The same theme may be expressed in different ways by different people. For example, love is an eternal theme in literature. It is obviously unreasonable that all subsequent love stories constitute infringement after someone wrote the first love story. Both *Romeo and Juliet* by Shakespeare and *Butterfly Lovers* (known as "Liang Shanbo and Zhu Yingtai," one of China's four great folktales) are famous tragic love stories, but they were independent works by different authors.

In contrast, if a work is similar to another in expression rather than theme, for example if paragraphs appear to be copied from another person's novel, then it may constitute infringement. However, since copyright is generated automatically, the right holder needs to prove first that the work was completed earlier than that of the alleged infringer, and then that the infringer had the opportunity to access the work, in order to satisfy the "access plus substantial similarity" condition that applies in many jurisdictions. Only then will it be possible to conclude that the similarity of the infringer's work with the right holder's work was due to plagiarism.

## 77. What is a collective management organization?

Collective management is one option within the copyright system that requires or allows right holders to administer their rights through a collective management organization (CMO).

Managing copyright and related rights individually may not always be realistic. Authors, performers or producers, for instance, cannot contact every single radio station to negotiate licenses and remuneration for the use of their songs. On the other hand, it is not practical for a radio station to seek specific permission from every author, performer and producer for the use of each song. CMOs facilitate rights clearance in the interest of both parties and economic reward for right holders.

Currently, CMOs have been set up in most countries to manage, for instance, the licensing of music, literary works, films, performances, visual art and sound

recordings. As duplicating and communication technologies advance, works are increasingly used in diverse forms and across borders, and it is more and more difficult for right holders to fully understand and control the use of their works. In such circumstances, CMOs are becoming more and more important.

## **78. What should be kept in mind when an author creates a work?**

Copyright owners enjoy multiple rights to their work, but they should not infringe other people's copyrights in creating their own. Authors can create a work without consulting or relying on other works such as by writing a novel, composing a piece of music or compiling a computer program; or they may re-create a work based on another person's work, such as adapting a novel into a script and in turn making a film, and translating a work into other languages. In the former case, the author is prohibited from copying other people's works, not only verbatim but also in a disguised form, for example, replacing some words in another person's work with synonyms. In the latter case, a subsequent created work must be subject to prior copyrights. If you intend to create a film based on the novel *Harry Potter*, you have to ask for permission from the author J.K. Rowling. If a subsequent work incorporates prior copyrights, the use of the subsequent work requires permission of all prior right holders.

As creations of the mind, both patents and copyright-protected works can be improved to form new works, with the subsequent works subject to prior rights. In order to prevent consumer confusion, however, no one is allowed to alter a registered trademark to produce a new mark. In countries where a trademark is substantively examined, obtaining trademark rights means that there exists no prior similar mark. Of course, trademark owners may face threats from other fields, such as prior copyright, name and trade name rights.

## **79. Are photographers entitled to publicly display photos of people that they themselves have photographed?**

When a photographer takes photos of another person, the copyright in the photos is determined according to any agreement between the photographer and the model being photographed. In the absence of

an agreement, the copyright, including the right of display, belongs to the photographer. However, that does not mean that the photographer is entitled to publicly display those photos.

If the agreement does not stipulate the terms of display and use, the photographer will infringe the model's publicity and privacy rights if the photographer exhibits the photos without the model's consent, especially in a commercial context.

In photos of people, there coexist the photographer's copyright and the model's personality rights, including the ability to control the use of his or her likeness, especially for commercial purposes. These rights are expressed in different ways in different national legal systems. They may be characterized as the right of publicity, the right of privacy or even the tort of "passing off". These rights are generally considered to be akin to property rights. In some countries these rights have developed entirely through judge-made case law, while in others, especially civil law jurisdictions, they may be codified in various ways.

Many jurisdictions also limit the ability of a photographer to display or use commercially photographs taken in public places that include persons who happen to be at those places. Consent is often required. Certain exceptions may apply, for example for public figures or when newsworthy events are photographed.

## **80. Does the unauthorized playing of background music in a shopping mall infringe copyright?**

Operators of shopping malls often play background music to create a comfortable environment. However, they are likely to infringe copyright if they do so without permission or without paying royalties.

Copyright is protected for a limited period of time. If the music played at shopping malls is not recent pop music, but works by Bach, Mozart or Beethoven, it is unnecessary to pay royalties to the composers because their copyrights have long expired. However, these works are often performed by well-known contemporary players. In some countries, musicians have some related rights to their performances, and most of these rights are still within the 50-year term of protection. Therefore, the shopping malls may

infringe the players' rights if they do not have the players' permission or pay them royalties. If the shopping malls play sound recordings, they may also infringe the rights of the producers of the sound recordings.

### **81. Is permission from copyright owners needed in order to disseminate their work via the Internet?**

Yes, permission is needed unless a limitation or exception applies in a particular situation. According to WCT and WPPT, as adopted by WIPO member states, the dissemination of other people's works, performances and sound recordings online requires approval of the right holder and payment of relevant fees. The rapid growth of the Internet has made this medium an important channel for users to access literary works, music, films and games. WIPO member states adopted the two Internet treaties (WCT and WPPT) in 1996 after years of discussion. These treaties update copyright and related rights provisions from the Berne and Rome Conventions for the digital era. Since then, national laws have been revised around the world, providing for copyright and related rights concerning dissemination of works using the Internet based on the WCT and WPPT models. Because works can be distributed and accessed quickly by numerous users on the Internet, unauthorized dissemination and use of works on the Internet is rampant, even though national laws stipulate that these activities require permission of the right holders. In fact, Internet-related copyright protection has become a common challenge for the international community. Many countries are tackling the problem at the policy, legislative, law enforcement and technical levels.

### **82. What are the limitations and exceptions to copyright?**

Creative expression including literature, art, music and films are an indispensable part of our lives. In order to meet people's reasonable needs for access and use, and to safeguard the public interest, balancing copyright with certain exceptions is necessary.

The Berne Convention, the TRIPS Agreement and the WIPO Internet Treaties (WCT, WPPT and BTAP) allow members to adopt limitations and exceptions to copyright and related rights, provided that the limitations and exceptions are confined to: (1) certain

special cases, (2) that do not conflict with a normal exploitation of the work, and (3) do not unreasonably prejudice the legitimate interests of the author or right holder. This test is often called the "three-step test." If the conditions are met, use of material otherwise subject to copyright or related rights does not require permission from the right holder or payment of a fee.

Limitations and exceptions tend to fall into two broad categories: (1) general limitations and exceptions, such as fair use and fair dealing, which are applied to different fact patterns as they arise, and (2) specific limitations and exceptions that apply to certain categories of users, uses or both, such as news reporting, educational uses (e.g. as made by educational institutions), non-commercial personal uses, or uses that are allowed for libraries to preserve materials or serve their patrons. Most copyright systems have specific limitations and exceptions. An increasing number also have fair use or fair dealing provisions. These general exceptions were traditionally typical of common law systems although they have now been adopted in some countries with laws based on civil law systems.

As the three-step test is abstract and was designed to allow for the adaptation of copyright and related rights systems to national circumstances, its application varies among countries that have joined the WIPO copyright and related rights treaties. In general, reproduction for personal study, research or appreciation is likely to be permissible based on a limitation or exception. However, if you copy an entire book or download pirated films from the Internet, you commit copyright infringement under the copyright laws of most countries.

### **83. What types of performances are subject to limitations and exceptions?**

In general, some type of license is required for most public performances of different types of works, although for some purposes the license fee might be very low or zero. The factors that affect whether a public performance requires a license vary by national law. In some systems, an exception might apply when the performers do not charge fees and the audience does not pay the performers. In other systems, any gathering beyond immediate family members or a small group of close acquaintances in the home would be considered public, and a license would be

needed for use of works subject to copyright or related rights. It might still be possible to have an exception for other reasons during a public gathering, such as performing music during religious services or patriotic parades. Licensing for the many categories of public performances generally takes place through CMOs.

In cases where performances that are free to the public might be subject to an exception, it is likely that the performances subject to limitations and exceptions if the performers receive money, including travel allowances, appearance fees or non-monetary rewards. Sometimes the audience is not directly charged but there is an indirect payment for the performance. For example, in some restaurants where musicians play music, the cost of the music is incorporated into the food prices and service fees.

#### **84. What is the difference between statutory/mandatory collective licensing and contractual/voluntary collective licensing of copyright-protected works?**

Various types of collective management approaches exist around the world, including statutory/mandatory collective management, as well as contractual/voluntary collective management.

The main difference lies in the nature of rights. In the case of an exclusive right, licensing is based on voluntary mandates, either in total or for the majority of right holders. It is possible to prohibit the use of protected works. Licensing is an essential element of collective management.

In the cases of a mere right to remuneration, which is the essence of a non-voluntary license, exploitation takes place without the consent of right holders, but they have a right to equitable remuneration. Collective management is needed to collect the remuneration and to distribute it to right holders.

Experience shows that various operational systems can function well, depending on the legal, political, economic and social realities, as well as the international obligations of the country concerned.

The nature of the respective CMO systems will also affect the tariffs (sometimes known as “licensing schemes”). When a CMO negotiates tariffs, a key prin-

ciple is that their criteria should be clear, objective and reasonable. The price of the license issued should be fair and equitable. A CMO could, for instance, consider backing up its tariff proposals with independent economic research concerning the economic value of the rights in question in the relevant markets. When assessing the fair value of a CMO’s license, all aspects of the transaction should be taken into account, including the value of the rights and the benefit that collective licensing generates to users by reducing the number of licensing transactions they have to make.

#### **85. What is a copyright notice?**

The copyright notice is used to inform others that the work in question is protected by copyright, with a “©” sign, where “c” stands for copyright. The copyright notice was first set forth in U.S. copyright law and was also provided for in the Universal Copyright Convention.

According to the Berne Convention, enjoyment and enforcement of copyright do not require any formalities, regardless of whether or not a work is protected in the country of origin. In other words, copyright protection is not restricted by or contingent on formalities, such as a copyright notice. Given the practical benefits of providing information about the copyright status of a work and the right holder(s), current international practice is to mark works with a copyright notice to state explicitly that the work is protected by copyright and to identify the copyright holder. With works in digital form this information may also be provided through the metadata associated with the work.

Photo: Getty Images / Svitlana Unuchko



## **Basics of Trademarks**

**T R A D E M A R K S**

## **86. What is a trademark?**

A trademark, or a brand, is a sign used for a good or service to identify the source of the good or service. “Trademark” and “brand” are descriptions of the same thing from different angles. We use “trademark” when we focus on its legal attributes, but “brand” when we talk about marketing. A registered trademark is a legally protected sign. Only after the mark acquires new and rich implications, and is well marketed and accepted by consumers can it become a brand and have brand effects.

To create a strong brand, legal protection is indispensable for the brand owner. Most countries in the world have adopted the registered trademark system; unregistered trademarks enjoy a more limited protection. If a trademark is not registered, it may be coveted by others when it becomes well known. By then it can be difficult to cope with trademark infringers.

## **87. What are the differences between a trademark and a trade name?**

A trade name is used to differentiate one business from another. A trademark is a sign used on goods or services to distinguish them from those of other businesses. Both trade names and trademarks are signs to identify businesses, but not necessarily the goods or services they offer. The distinction becomes more blurred with service companies, because very often the business name is also the name of the service, whereas with products, there is often a difference between the name of the business and the name of the trademark that is used on a specific product. From the perspective of corporate branding and reputation, there is no essential distinction, because both trademarks and trade names carry the goodwill of a company.

In practice, some companies use the same word as their trademark and trade name. For example, the “HAIER” Group also has trademarks in place to protect use of “HAIER” as the name of its refrigerators. The practice is even more common in the services industry. For example, “Quanjude” is at once the trade name of China Quanjude Group, a famous Chinese restaurant featuring roast duck, and a trademark used in its catering services.

## **88. What is trademark use?**

A trademark is a sign used to identify the source of goods. Trademark use means the use of a trademark in places where it can identify the source of goods, such as on the goods themselves; for example, packages, containers, advertisements, and so on. For example, the Great Wall was an ancient defense system and is now a symbol of China. Many companies have registered trademarks that feature the words “Great Wall,” including for lubricants, computers, cars and wine, to name a few. If the name “Great Wall” is used on these products or in advertisements, it points to the various companies that market those products and thus is used in a trademark sense. Used in a written text, in contrast, as in the saying “he who has never been to the Great Wall is not a true man,” “Great Wall” refers to China’s historic defense system itself, not to any company’s trademark. That is to say, the use of “Great Wall” in the text is not trademark use and, consequently, does not fall under the exclusive right conferred by a trademark.

## **89. What types of registered trademarks are there?**

Depending on the object on which a mark is used, registered trademarks can be classified into trademarks as used on goods and service marks as used for services. For example, “Levis” used on jeans is a trademark, whereas “Air China” used for air travel services is a service mark. Trademarks appeared earlier than service marks. In the old days, businesses provided services through their own outlets, which could be identified by their trade names. Products, however, are sold all over the world and need to be identified by trademarks. For this reason, the protection of well-known trademarks in the Paris Convention, adopted in 1883, originally included only trademarks but not service marks.

There are two special types of registered trademark, namely collective marks and certification marks. Collective marks enjoy protection under the Paris Convention, while certification marks are not specifically mentioned by that Convention. Collective marks are registered in the name of a group, association or other organization for use by members of the group. A certification mark is controlled by an organization that is able to certify a given quality of a certain product or service. If a product or service provided by a party meet the standards set by the certifier (or holder of the certification trademark), they are allowed to use the certification mark to “certify” the quality of their product or service.

## **90. What is a well-known trademark?**

The idea of well-known trademarks first appeared in the Paris Convention, but the Convention did not give it a clear definition. The TRIPS Agreement extends the scope of well-known trademarks from trademarks to service marks, but does not define a well-known trademark either. In theoretical terms, a well-known trademark generally refers to a mark that enjoys a high reputation in the market and is well known to the relevant sector of the public.

Under trademark law, protection of a well-known trademark is stronger than that of an ordinary trademark. Most countries require a trademark to be registered to obtain protection. Unregistered trademarks are basically not protected by law unless they have

become somewhat influential through use. Protection of a well-known trademark, however, is not conditioned on registration.

Moreover, the scope of protection of a well-known trademark is greater than that of an ordinary trademark. Suppose A's "Red Bull" trademark has been registered on an "alcohol-free beverage" product, and B uses this trademark on pesticides. Because an alcohol-free beverage is essentially different from pesticides, B's action does not infringe A's trademark rights. However, if A's trademark is a well-known mark, then its use on pesticides may lead people to feel that A's beverage has a pesticide taste, which will adversely affect A's interests. In this case, B's action is likely to dilute the reputation of A's trademark and, thus infringe A's trademark rights.

It should be noted that whether or not a trademark is well known is determined by reference to the relevant sector of the public, not all consumers. Many products have their own specific consumer groups. For example, some brands for specialized sport equipment are only known to those parts of the consuming public interested in that sport or exercising that sport, and arguably unknown to consumers not acquainted with that sport. Their ignorance of those brands does not mean that the trademarks are not well known. Therefore, in judging the popularity of a trademark, specific groups of consumers should be selected as targets of inquiry.

## 91. Must all goods be protected by registered trademarks?

The registration of a trademark is not a condition for its use.

However, using unregistered trademarks carries significant legal risks. In many countries, trademark rights are granted pursuant to the first-to-file rule. That is to say, whoever applies first will be granted the exclusive right to a trademark, regardless of whether it has been in use.

If a company uses an unregistered trademark, there is a risk that it will be preemptively registered by others. In this case, the company can only use its trademark within the original scope and cannot expand its scope of use. In addition, due to lack of sufficient searching, an unregistered trademark may possibly be identical or similar to a registered trademark owned by another person, and thus runs the risk of infringing the trademark rights of others. It takes considerable investment and effort to build a well-known brand using an unregistered trademark. In contrast, after a trademark is registered, the registrant enjoys the exclusive right to use its trademark and keeps its trademark rights stable, because no other organization, individual or group is allowed to use it without authorization.

## 92. What is trademark distinctiveness?

Trademark distinctiveness refers to the features that enable a trademark to distinguish the source of a product or service. If a sign is incapable of identifying the source of a product, it does not function as trademark. Gaining trademark distinctiveness is like running a marathon. It is important to have a certain advantage at the starting line, but it is even more important to keep a business going smoothly.

Neologisms coined by a company, such as "SONY," "Haier" and "Kodak" have inherent distinctiveness unlike existing words like "Apple," "Shell" and "Amazon" and so on. In terms of popularity, however, the "Apple" trademark coinages stand out, demonstrating the importance of hard work in building a brand.

If you've made a mistake when creating a trademark – say, for example, you've breached a prohibitive provision on trademark registration – you are liable to be kicked out of the above-mentioned marathon race. For instance, if a logo trademark is very similar to a national emblem, it cannot be registered and registration will be refused. Even if it is lucky enough to get registered, it will probably be invalidated. This kind of mark is like an old car that hasn't been maintained and that may break down at any time.

It should be noted that trademark distinctiveness is related to the goods and services covered by the trademark. For example, the "Apple" trademark undoubtedly has distinctiveness when used on computers or mobile phones, but no distinctiveness when used on juice, because people would think that "Apple" means that the juice is made of the fruit.

### **93. What is a generic name?**

A generic name in the sense of trademark law refers to a product name established by operation of law or by usage as a generic term. When considering whether a term is generic, national and/or industry standards are considered. If a relevant sector of the public believes that a name is capable of designating a class of goods, it should be considered a generic name established by usage. The fact that a name is listed as a product name in a professional reference book or a dictionary can be used as reference in determining whether a generic term has been established by usage. A generic name is a common name for a particular type of products, incapable of indicating the source of a product. It cannot be protected as a trademark for lack of distinctiveness.

In commerce, it may happen that a trademark owner improperly calls its product by its trademark, and competitors may follow suit, calling their product by that owner's trademark. If the trademark owner neglects to enforce its trademark rights, the trademark may eventually become a generic name for a class of goods. At this point, the trademark loses its core function of identifying the source of a product and, therefore, cannot be used as a trademark any longer.

### **94. What elements can be used as trademarks?**

A trademark helps identify the origin of a product through human senses. People receive messages through the eye, the ear, the nose, etc., but predominantly through the eyes. In reality, trademarks that can be seen are the most common form of trademark. The TRIPS Agreement provides that member countries may require, as a condition of registration, that signs be visually perceptible.

Elements that may be used in a visually perceptible trademark include words, letters, numerals, figurative elements and colors. Of course, a trademark may comprise two or more of these elements. For example, Microsoft's corporate trademark contains a word and a device.

In providing the elements eligible for registration as trademarks, the TRIPS Agreement makes no mention of three-dimensional (3D) signs. However, many countries and territories, such as the European Union (EU), China and the U.S. allow 3D signs to be registered as trademarks. Examples of common 3D trademarks include the Coca-Cola glass bottle, the trade dress of Ferrero Rocher chocolate, and the shape of the Zippo lighter. In practice, the examination of 3D trademarks is often stricter than that of ordinary trademarks, and it may be necessary to show that 3D signs have been used for a long time and have acquired distinctiveness.

As an unconventional trademark, a sound trademark has advantages in sending psychological hints to consumers. Many established companies have their unique sound marks. For example, most consumers are familiar with the lion's roar at the beginning of an MGM film and Motorola's "Hello Moto" sound. China, the EU and its member states, and the U.S. have recognized sound trademarks.

Scent trademarks (as sensed by the nose) are rare. One example is OSEWEZ's plumeria blossom-scented embroidery thread, as approved by the Trademark Trial and Appeal Board of the United States Patent and Trademark Office in 1990.



Photo: Getty Images / Nikada

## 95. Why are some signs excluded from registration as trademarks?

Trademarks are a bridge between consumers and producers, helping consumers associate a product with its origin so that they can correctly choose the goods they wish to buy. A trademark similar to the name of a country or a national emblem, however, is not only incapable of distinguishing sources of products, but is potentially misleading as to the origin of the goods or services, and may be considered detrimental to the dignity of that country. Likewise, a sign implying an insult to other people's religion or racial discrimination cannot be used as a trademark.

Also, signs sending obviously exaggerated or deceptive messages – for example the use of “pure platinum” for a lighter, misleading consumers to believe that the lighter is made of pure platinum – cannot be registered as a trademark.

## 96. How is the scope of protection of trademark rights determined?

A trademark consists of two parts: the sign, and the goods or services represented by the sign. For example, the “Apple” trademark, as used for computers, and the “Apple” trademark, as used for smartphones, are two different trademarks. When applying for a trademark, the applicant needs to decide on both the sign and the goods or services to be covered by the trademark.

However, the scope of protection of a trademark is not limited to the sign and goods recorded in the trademark certificate; if it is not appropriately extended to similar ones, it can be easily bypassed. For example, “OLAY” and “OKLY” are very similar, as are “adidas” and “odidas.” Customer confusion may arise therefore. Looking at another example, both mineral water (from springs) and soda water (normal water with added carbonation) are both drinks, but confusion may easily occur if a registered trademark for mineral water is applied to soda water. To evaluate whether two products are similar, the International Classification of Goods and Services for the Purposes of the Registration of Marks (the Nice Agreement) is widely used.

## 97. How do we know whether a trademark infringes an existing trademark right?

To determine whether a situation constitutes trademark infringement, two aspects are considered: (1) the similarity between the two signs and between the goods covered by the signs, and (2) the likelihood of confusion. If there are two identical trademarks for “Polar Bear,” one for washing powder and the other for refrigerators, they are unlikely to cause confusion because the underlying goods are different. The two marks can coexist peacefully. Two different trademarks, for example, “Huawei” and “Apple,” used on identical goods, namely mobile phones, will not infringe one another either.

In judging whether two trademarks are identical, the standards of “the general attention of the relevant public,” “holistic observation” and “isolated comparison” apply. This approach is essentially a simulation of the way consumers shop. For example, when consumers wish to purchase their favorite brands in a supermarket, they usually look for them based on their visual memory. After they find them, they throw them into their shopping basket without much checking. Consumers of different types of goods do not belong to the same group of people, and their degrees of general attention vary. For example, customers of medical devices, who are generally knowledgeable, and buyers of jewelry will be much more attentive than ordinary shoppers of daily necessities.

In determining the similarities between goods, we should consider factors such as the function, use, industrial sector, sales channel and consumers of the goods. Because both Coca-Cola and mineral water are drinks and are usually placed on the same shelf in a supermarket, they are similar goods. In comparing two types of goods, the Nice Classification of goods and services is a great help. If sufficient evidence suggests that two products, in the opinion of consumers, are somehow connected even though in different classes, then there is a possibility that the Nice Classification may be overruled.

## **98. What is the Nice Classification?**

In order to classify goods and services for the purposes of trademark registration, the Nice Agreement was signed in Nice, France, on June 15, 1957, and came into force on April 8, 1961. The Nice Classification divides goods into 34 classes, and services into 11 classes, which is very convenient for trademark searching and administration. In some countries, such as China and Japan, classes are broken down into groups. Goods in the same group are usually similar goods, and that can help applicants understand similarities and scopes of protection of goods in a more intuitive way.

In China's Similar Goods and Services Table Based on the 11<sup>th</sup> Edition of the Nice Classification (2017), for example, there are 13 groups of similar goods in Class 25 “clothing, footwear, headgear.” In Group 2501 “clothing,” there are dozens of goods including “work overall 250010,” “work clothes 250010,” “sweater 250034,” “pullover 250034,” “shirt 250042,” “short-sleeved shirt 250044,” and “garment \*250045.”

In filing an application, the applicant should fill in a specific goods name, such as “sweater,” instead of the group name “clothing” or the class name “clothing, footwear, headgear.”

## **99. What is the trademark registration principle?**

The importance of trademarks as a nexus between producers and consumers lies in their use rather than registration. A trademark may be used on a product or its package or in its advertisements. In the eyes of many companies, large-scale advertising is an important way to increase the visibility of their trademarks. Now that the use of trademarks is so important, why is trademark ownership determined generally on a first-to-file basis instead of a first-to-use basis under the trademark laws of many countries?

Although it seems rigid to determine trademark ownership on a first-to-file basis at the expense of prior users, the approach lays down clear standards on ownership of trademark rights, thus facilitating trademark administration and litigation should a dispute arise. In contrast, the first-to-use rule favors the rights of prior users, but may make ownership hard to determine. In the case of a dispute, investigation and evidence collection may be a problem. With trademark rights in an unstable state, entrepreneurs will hesitate to invest resources in promoting their trademarks. Overall, the first-to-file approach is more advantageous than first-to-use, and has been adopted by most countries in the world.

## **100. What are formality reviews and substantive reviews of trademarks?**

There are two approaches taken by national trademark authorities to the examination of trademark applications: substantive reviews and formality reviews. In a jurisdiction favoring substantive review, the trademark office examines both the formal and substantive matters of an application. If the application meets the registration requirements, it will be approved for registration; if it does not, it will be rejected. In a jurisdiction using formality review, the trademark office focuses on the formalities of the application documents and procedural matters. Applicants meeting the formality requirements will be granted registration.

Even in countries in which substantive review is adopted, the scope of review varies. In some countries, such as China, Japan and the U.S., the trademark authorities will examine all aspects of a trademark application to find out whether the application violates any prohibitive provisions, as well as whether the application conflicts with any prior registered trademark right. In other parts of the world, such as the EU and its member states, the authorities only examine whether a trademark application is in compliance with prohibitive provisions.

## **101. What are trademark opposition and invalidation systems?**

In many countries, when a trademark application passes the formality review, it will be published before it is finally granted. If a party finds that the application conflicts with any prohibitive provisions of the trademark law, or its rights and interests, it may file an opposition to prevent registration of the trademark. If the interested party misses the opposition procedure deadline and the trademark is successfully registered, it may apply later to invalidate the registered mark.

As regards the enforcement of trademark rights, trademark oppositions are much more effective than invalidation actions. In an opposition procedure, the opposing party is in an advantageous position, as the trademark application has not yet been granted. An invalidation action is a challenge raised after the trademark has been registered. Until the invalidation is successful, the trademark in question is valid. In addition, invalidation of a trademark may be subject to judicial review, which may make the whole process longer.

## **102. What is a trademark agency?**

To apply for a trademark, the applicant may entrust a trademark agency (or representative) to prosecute the application on its behalf. As trademark application is a time-consuming process – it often takes more than a year – and involves complex legal and procedural requirements and many unexpected hurdles, it requires familiarity with the relevant statutory procedures and processes. An experienced trademark agency, which knows trademark review and trial processes and rules, is in a better position to make accurate assessments of a situation and help the

client solve problems. Moreover, if the applicant is not established or domiciled in the country of filing and does not have an address for service, it is compulsory in many countries that the applicant be represented before the office by an agent.

## **103. What are associated trademarks?**

The scope of protection of a trademark concerns both the sign, and the goods and services covered by the sign. To expand the scope of protection of a trademark and prevent others from “taking a free ride” on its reputation, the trademark applicant may apply for a number of similar marks and include more goods into the intended scope of protection.

Associated trademarks refer to a group or series of similar trademarks registered by the trademark owner for identical or similar goods. For example, to protect its “娃哈哈” trademark, China Wahaha Group has also registered the “哈娃娃,” “娃哈哈,” “哈哈娃,” “笑哈哈,” “WAHAHA” and “WA HA HA” trademarks.

## **104. What are defensive trademarks?**

Defensive trademarks are identical marks a trademark owner registers for goods or services in multiple classes. Like a shield against arrows, defensive trademarks are deployed to expand the defensive area of goods and services against potential infringement. For example, China’s Lenovo Group has registered its “LENOVO” trademark in all classes of goods and services.

A trademark owner has a duty to use its trademark. If a trademark has not been used for three consecutive years, it is liable to be cancelled. In many countries, including China, associated trademarks and defensive trademarks are not exempt from the risk of cancellation. If the trademark owner only uses its main trademark, both its associated marks and defensive marks are at risk of being cancelled on the grounds of non-use. Until someone successfully brings a cancellation action, however, all those trademarks remain valid. Defensive trademarks are essentially a strategy by which the trademark owner spends money to stake out the boundary of a safe area.

## **105. How long is the term of protection of trademarks?**

The TRIPS Agreement stipulates that the term of protection of a trademark should not be less than seven years; most commonly, the term of registration is 10 years. In addition, a registered trademark can be renewed indefinitely. Although both patents and trademarks are industrial property, trademarks are renewable, while patents are not.

In essence, trademarks are business signs whose value is derived from the goodwill in their use in commerce. If a trademark is not renewable, it will no longer be protected after it expires, and the substantial investment of the trademark owner will be lost. Market order will be affected too, as consumers cannot buy the brands with which they were previously familiar.

A patent is an intellectual achievement whose value originates from the inventor's creativity, and solutions to a technical problem are often limited. If a patent is endlessly renewable, that would mean that the right holder could monopolize a certain technology indefinitely, which obviously would affect the progress of science and technology, and be detrimental to the public interest.

## **106. Why does a trademark owner have a duty to use its trademark?**

If a patentee, as the proprietor of industrial property, does not use or underutilizes its patent, compulsory licenses may be required as a result, but the patent will not be deprived of legal protection. On the other hand, a trademark owner is obliged to use its trademark. If the trademark is not used for more than three consecutive years, it may be cancelled.

The life of a trademark lies in its use. If it is kept in limbo a long time, it loses its function of identifying the source of goods or services. Although such a trademark may exist in law, it is dead in real life. In addition, in choosing their trademarks, applicants desire nice-sounding, easy-to-remember and recognizable names. Unfortunately, such names are limited, so it is necessary to clean up the trademark register, eliminating those marks that have not been used for a long time, thereby optimizing the resources of trademark registration.

## **107. What are the prior rights that may conflict with trademark rights?**

In a legal system, different rights often conflict with each other, and trademark rights are no exception. Prior rights that may conflict with trademark rights include trade name rights, copyrights, industrial design rights, name rights and portrait rights.

A trademark identifies the source of a product, while a trade name distinguishes businesses, both being business signs. If a party seeks registration of the trade name of a well-known company as a trademark, for example "P&G," it will infringe P&G's trade name rights.

Of the various elements that may be used to create a trademark, figurative elements and music are also objects of copyright protection. If you register a copyrighted work of art or music as a trademark without permission, you will infringe prior copyrights.

A trademark can be a 3D sign, and an industrial design – which is aesthetically pleasing and can be used in industry – is often three-dimensional. Therefore, trademark rights may also conflict with prior industrial design rights.

Name and portrait rights are personality rights. In practice, if someone who is a namesake of a celebrity applies to trademark their own name, the trademark authority may refuse the application on the grounds that it will damage the public interest beyond the realm of fair use or that it conflicts with that celebrity's name.

## **108. What are monopoly licensing, exclusive licensing and general licensing of trademarks?**

A monopoly license is a license by which the trademark owner authorizes only one licensee to use the trademark, and the trademark owner themselves may not use the trademark in a prescribed territory within a specified period of time. An exclusive license authorizes the licensee to use the trademark exclusively, but the trademark owner may continue to use it. With an ordinary license, the trademark owner authorizes the licensee to use the trademark, but the trademark owner reserves the right to use the trademark itself and to authorize other licensees to use it.

Of the three types of licenses, the monopoly license grants the broadest authority to the licensee. When trademark infringement occurs, the law allows the licensee to bring actions on its own, as is the case in many countries, because it suffers the most as the sole user. In the case of an exclusive license, the licensee enjoys fewer rights. It may file a lawsuit jointly with the trademark owner. Only when the trademark owner does not sue can the licensee file a lawsuit alone. In the case of a general license, the licensee is not allowed to sue alone, because it is only one of the licensees, unless it has special authorization from the trademark owner.

## **109. Why is compulsory licensing not applicable to trademarks?**

Compulsory or statutory licensing applies to invention and utility model patents and copyright, but not to trademarks. This is because the subject matters of compulsory licensing should be intellectual creations, while a trademark is in essence a business sign.

Suppose a health crisis breaks out, necessitating mass production of a patented drug owned by Company A. Under the circumstances, compulsory licensing of the drug is justified. But it is not necessary to label the drug produced by a licensee with Company A's trademark. Whether a trademark is used on the drug will not affect the efficacy of the drug. On the contrary, using Company A's trademark on the drug will lead the public to believe that the drug was made by Company A rather than the licensee.

## **110. What is a registered trademark symbol?**

The internationally accepted registered trademark symbol is ®, coming from the English word “register,” indicating that the preceding mark has been registered. Some companies use ™ for “Trade Mark,” to notify that the word or symbol in question is a trademark. It means that it is an unregistered trademark or that a trademark application is pending. In addition, the trademark owner has the right, but not an obligation, to use the registration symbol. This means it may or may not place the symbol next to its trademark.

## **111. What is descriptive trademark use?**

Modern trademark law allows the existence of non-distinctive elements in a trademark, such as “Cola” in “Coca-Cola.” Registration is allowed for elements that are not inherently distinctive if they have acquired distinctiveness through use, such as “Wuliangye,” which originally referred to a liquor distilled from five varieties of grains.

If use of the word “Cola” had been prohibited after the “Coca-Cola” trademark was registered, it would have been detrimental to the public interest, and “Pepsi Cola” would not have appeared. The TRIPS Agreement stipulates that: “Members may provide limited exceptions to the rights conferred by a trademark, such as fair use of descriptive terms, provided that such exceptions take account of the legitimate interests of the owner of the trademark and of third parties.”

It should also be noted that descriptive trademark use is based on the condition that a mark is used on a product in the sense of trademark law. If the use of “Coca-Cola” is not trademark use (indicating the source of a product), descriptive trademark use is out of the question, for example if it is mentioned in a book.

## **112. What is indicative trademark use?**

As a trademark is an important asset and a tool of the trademark owner in market competition, in theory the trademark owner is entitled to prohibit anyone else from using its trademark without permission. In reality, however, some other parties' use of the trademark is justifiable, because they need to use its trademark to provide consumers with information about their products.

Take “Apple” computers for example. Computer vendors, repairers, and parts suppliers dealing in “Apple” products need to use the Apple trademark in order to explain the products they sell or the services they provide. However, if they are unscrupulous – for example, if they are independent dealers pretending to be franchisees or if they sell second-hand computers as new products – they may be crossing the fair-use boundary to infringe the interests of the trademark owner.

### **113. What are the differences between trademark cancellation and invalidation?**

Both cancellation and invalidation of a trademark will result in the loss of trademark rights, but there are significant differences between the two procedures. Cancellation of a trademark is owing to problems in the use of the trademark. For example, if the trademark owner improperly changes the trademark or information about the trademark owner. The consequence is that the trademark rights perish from the date of cancellation. If a trademark was registered on January 13, 2016, and was cancelled due to improper use and the cancellation announced on June 14, 2018, then the trademark rights were extinguished in June 2018.

Invalidation of a trademark occurs because the trademark was flawed at the time of application. A trademark similar to the name of a country may be invalidated because it is detrimental to the public interest. Had the trademark in the previous paragraph been invalidated, it would be deemed to be non-existent from January 2016.

### **114. What is parallel importing?**

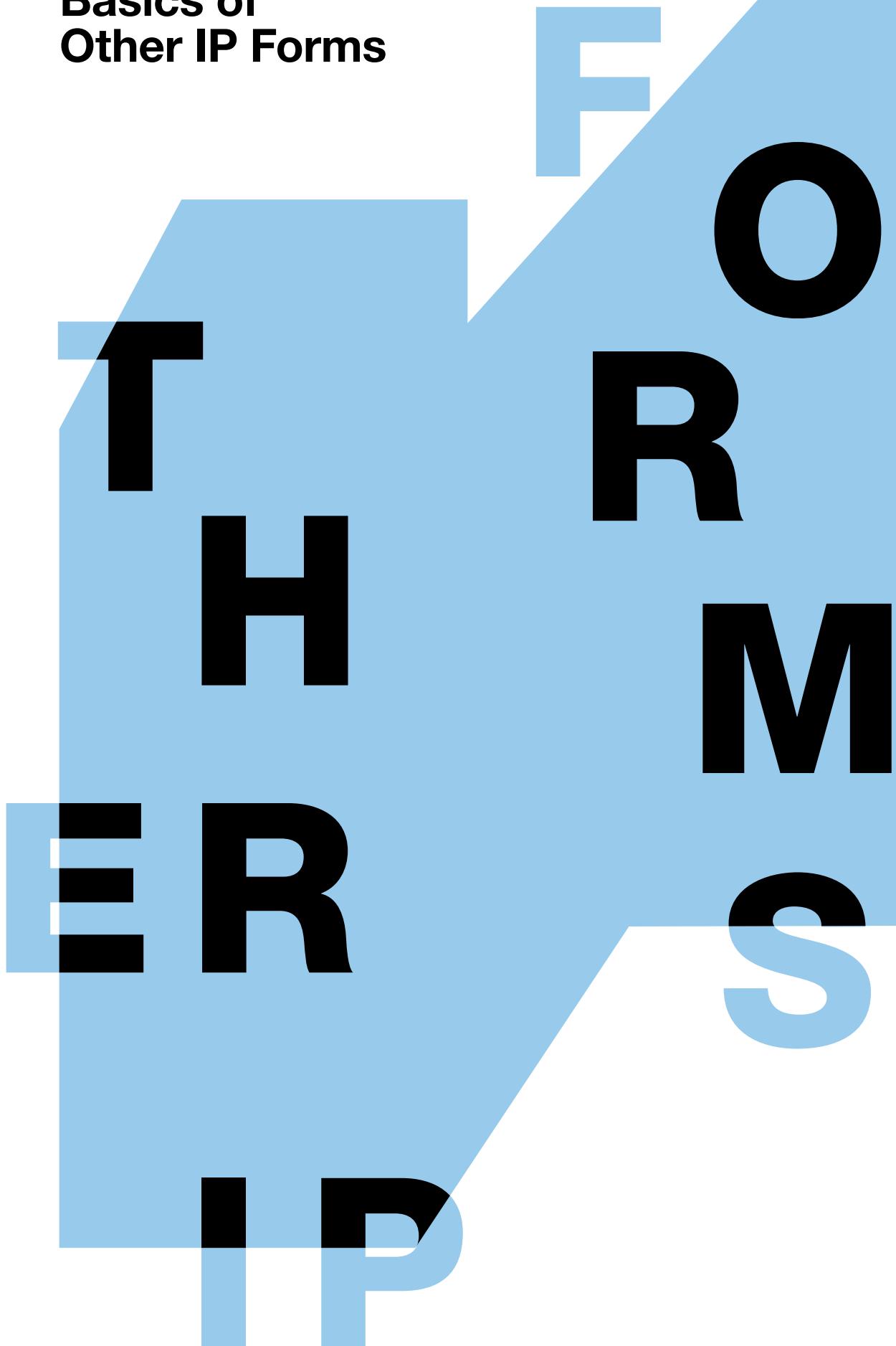
As economic globalization increases, many big brands have established overseas factories to distribute their products globally. Although these products sell under the same trademark, they may differ in technical specifications and pricing. As a result, some traders buy low and sell high, arbitraging between low-price countries and high-price countries. In contrast to counterfeit goods, parallel imported goods are authentic because they originate from the genuine producer and bear authentic trademarks. As this practice is different from the importing of counterfeit products or black-market goods, it is called “parallel importing” or the “gray market.”

Parallel importing is a by-product of the imbalances in regionally partitioned markets. Trademark owning businesses attempt to segment markets using different pricing strategies and reap higher returns as much as possible, and the price gap itself will incentivize the flow of goods from low-price markets to high-price markets. Normally, after the goods are legally sold, the trademark owner can no longer rely on the trademark right in order to intervene in the market; doing otherwise will affect market transactions. This is the theory of exhaustion of rights. However, to date, there is not internationally agreed approach as to the question of exhaustion of trademark rights.

Photo: Getty Images / Xavierarnau



# **Basics of Other IP Forms**



## **115. Why should we protect layout designs of integrated circuits?**

An integrated circuit, also known as a chip or a semiconductor, is a circuit with particular functions. Through semiconductor technology, it integrates a certain number of common electronic components such as resistors, capacitors and transistors, as well as the wiring between them. The integrated circuit is the foundation of the IT industry and the driving force for its rapid development. Its technical level and scale of development have become important indicators of a country's competitiveness and comprehensive strength.

Integrated circuit innovation is embodied in the three-dimensional layout of the components and wires in an integrated circuit, or the so-called integrated circuit layout design. It often takes several years and millions of dollars to independently develop a new super-large integrated circuit. Once it becomes commercially available, however, it costs merely tens of thousands of dollars to reproduce it illegally. Because of its characteristics, the integrated circuit cannot be protected through the current patent or copyright system. Special legislation is needed to protect against and prohibit the illegal imitation of integrated circuit layout designs.

## 116. What are the differences between an integrated circuit layout design and an industrial design?

An integrated circuit layout design is similar to an industrial design in that both are graphic designs. However, there are substantial differences between the two. An industrial design is a design that can be seen from outside, with aesthetic features, while an integrated circuit is installed inside a product, with the primary consideration given to the technical function, which is independent of the locations of the electronic components. The purpose of an integrated circuit design is to increase integration, save materials and reduce energy consumption, and it is difficult for these points to meet the non-obviousness requirement for a patent. For this reason, integrated circuits are not eligible for patent protection.

## 117. What are the differences between integrated circuit layout design and copyright?

Graphic works covered by copyright include the words, graphics or symbols that are used to express the authors' ideas as an extension of their personality. Of the same story, different writers will give completely different descriptions. For example, Chinese wuxia ("martial arts and chivalry") novelists differ in their styles: Jin Yong's writing style is one of grandeur and magnificence, Liang Yusheng's is characterized by elegance and literary profoundness, and Gu Long's features unconventionality and eccentricity.

However, integrated circuits achieve certain electronic functions through electronic components and their wiring. Even if some idea exists behind a design, it must obey related functions, and there is little room for designers to express their personality. Therefore, integrated circuits are not covered by copyright either.

As an independent form of IP right, the integrated circuit layout design right has characteristics that fall between copyright and patents, but lean toward copyright. That is why it is sometimes called "industrial copyright." The copyright system does not exclude others from creating similar works independently, nor does the exclusive right to an integrated circuit layout design.

In terms of intensity of protection, the layout design right is weaker than copyright. It allows others to reverse engineer layout designs, and only prohibits non-creative replications. In other words, appropriate modification of an existing layout design may not constitute infringement. In copyright, however, appropriate modification is not without the risk of infringement.

In addition, the term of protection of a layout design is much shorter than that of copyright. The term of protection of a layout design is 10 years, starting from the date of filing for registration or from the date of commercial exploitation for the first time anywhere in the world. In most countries, the term of protection of a copyrighted work is the author's life plus 50 years after the author's death, or 50 years after the completion of the work if the author is an entity.

## 118. What are "new plant variety" rights?

A new variety of plant can be cultivated artificially or discovered in the wilderness. Varieties under protection must have novelty, distinctness, uniformity and stability. The new plant variety system and the patent system have many aspects in common. That is why new plant varieties were protected by patents in the past in France and Germany. However, because patents involve many fields of technology and new plant variety rights protect only new varieties of plants and have many unique features, most countries protect their new plant varieties through special laws.

After a new variety is granted, no one is allowed to commercially produce or sell the breeding materials without permission. If the new plant variety right is granted, others will not be allowed to cultivate it or sell its seedlings without the consent of the right holder.

## 119. What is the novelty of a new plant variety?

When it was formulated, the new plant variety protection system drew on many aspects of the patent system, but it retained its own characteristics. If an invention is published in an article, used publicly or broadcast on radio or TV, its novelty will be undermined. However, the only way to damage the novelty of a new plant variety is to sell it on the market. This

is due to the unique character of a new plant variety. Access to a written document about a new plant variety alone is not enough to enable a technician to reproduce it. You would have to obtain the seed from the market to breed a new variety.

## **120. What is the distinctness of a new plant variety?**

The “distinctness” of a new plant variety is equivalent to the “inventiveness” of a patent. Different plant varieties have different properties, which cannot be assessed by their “inventiveness.” Therefore, the concept of “distinctness” is introduced. It is necessary for a new variety to be distinctively different from the known varieties.

is produced out of good grapes, as the quality of a wine depends on raw materials and vinification technique. Grape variety, climate, soil, humidity, vineyard management and vinification technology are the six factors that determine the quality of a wine. For example, the Champagne sparkling wine produced in Champagne, France, is famous for its quality and characteristics.

To give another example, Dongtinghu Biluochun, a famous Chinese tea variety, features tea leaves with slender hairs rolled into a snail-like spiral, lasting fresh fragrance and pure taste. Of the Yunnan Pu'er tea varieties, the fermented one has a refined fragrance, features a red liquid color and produces a lasting sweet taste, while the unfermented one exudes pure fragrance, an orange liquid color and long-lasting taste.

## **121. What are uniformity and stability of a new plant variety?**

Uniformity and stability of a new plant variety are similar to the utility of a patent. The patent system requires that it should be possible for an invention with utility to be applied in industry on a large scale. Similarly, it should be possible for a new plant variety to be used on a large scale if it is to be eligible for protection. Therefore, the next generation of a plant variety should be uniform in its characteristics. For example, if the next generation growing out of a red chrysanthemum seed is of multiple colors, it does not meet the uniformity requirement.

In addition, there is the problem of degradation with plant varieties. It takes time to find out whether a variety can maintain stable properties. For example, if a wheat variety has a yield of 750 kg per mu (one Chinese mu is one 15<sup>th</sup> of a hectare) this year but falls to 500 kg in the second year and 400 kg in the third year, clearly it does not meet the stability requirement.

As far as IP rights are concerned, these well-known products whose quality or characteristics are entirely (or predominantly) dependent on the local geographical environments are often represented by their geographical names. Once registered, such a geographical name is known as a “geographical indication” (GI) or the name of the place of origin.

## **123. What are the differences between a GI and a trademark?**

Geographical indications and trademarks are both signs designating the sources of goods. A GI indicates a specific product originating from a specific area that gives the product its unique features and characteristics, whereas a trademark indicates the products or services of a specific company. The reputation of a trademark comes from business operation, publicity and promotion of an enterprise, while the reputation of a GI is derived from the gift of nature and cultural heritage. It is precisely because of this that a trademark can be transferred, while a GI cannot be transferred to others outside the particular region.

## **122. What is a geographical indication?**

The unique features of a place always give special characteristics to its inhabitants. Likewise, many places have their unique specialties. Even the same type of product made in different places may have different flavors. Take wine for example. Good wine

## **124. What is an act of unfair competition?**

Under the Paris Convention, any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition.

The following in particular are prohibited:

- (1) all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor;
- (2) false allegations in the course of trade of such a nature as to discredit the establishment, the goods, or the industrial or commercial activities, of a competitor; and
- (3) indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the goods.

### **125. What is a trade secret?**

A trade secret, also known as undisclosed information, meets the following criteria: (1) it is a secret and unknown to the general public and (2) it has commercial value because of its confidentiality and commercial importance (if it has no value, it cannot become a type of IP right); and (3) the legitimate controller of the information has taken reasonable confidentiality measures.

Generally speaking, most objects of IP protection need to be made public and are thus the objects of patent, trademark and copyright protection. However, the premise for business secrets to obtain protection is their “secrecy,” and the public is not aware of their content. Therefore, in many cases, business secrets have greater competitive advantages and have also attracted growing public attention.

### **126. What are the differences between patent protection and trade secret protection?**

Suppose Company A has obtained a patent for its invention. So long as another person's technology falls within the scope of protection of Company A's patent, it constitutes patent infringement, regardless of whether the infringing technology was developed by that person or copied from Company A's patented technology. The protection of trade secrets is different. One of the important premises for infringement of a trade secret is that the information is obtained in a

manner that violates honest business practices, such as by theft, bribery and so on. When people obtained the technology through their own effort or by reverse engineering, they are not infringing the trade secret.

However, this does not mean that patent protection is superior to the protection of trade secrets in all respects. A patent is protected for a limited term, while in theory a trade secret can be protected permanently, as long as appropriate measures are put in place to keep it confidential. One example is the Coca-Cola formula. Similarly, if the invention seeking protection is a method rather than a product, it will be difficult to obtain evidence of another person's use of the method. The lack of evidence will also make it difficult to enforce one's rights through litigation. In this case, if the method is not easy to obtain, it is more appropriate to protect it as a trade secret. Of course, the premise of trade secret protection is that the technology is a “secret.” If someone else has made the same technology public, then the trade secret will lose its meaning. In addition, if the right holder wants to commercialize its own technology, convert it into shareholdings or license others to use it, then patent protection is more appropriate than trade secret protection. After all, the more people using the technology, the greater the risk the secret will be leaked.

On the whole, various factors should be all taken into account when choosing between patent protection and trade secret protection.

### **127. How should traditional culture be protected?**

What we term a nation's “traditional culture” is those unique aspects of its character that have formed during the evolution of its civilization. Typically, this includes folk literature and art, traditional crafts, and folk customs.

The international community has already reached consensus on the protection of traditional culture, but there has long been debate over what legal model should be adopted for its protection. In particular, there are even greater differences of opinion as to whether it should even be protected through the IP system. In practice, however, traditional culture is protected by copyright, industrial property, unfair competition law, cultural heritage law and/or special rights protection measures. China has enacted the Intangible Cultural Heritage Law to protect traditional culture, for example.

## 128. How does the international community protect genetic resources?

Before the Convention on Biological Diversity (CBD) was adopted in 1992, genetic resources were regarded as the common wealth of humankind and not an object of legal protection. Back then, developed countries used their technological advantages to get genetic resources from developing countries for development and utilization, and they acquired substantial economic benefits from doing so.

The CBD establishes the principle of state sovereignty over genetic resources. Member states can share the benefits arising from the use of genetic resources through “prior informed consent” and “mutually agreed terms.” The Bonn Guidelines on Access to Genetic Resources and Fair and Equitable Sharing of the Benefits Arising Out of Their Utilization (the Bonn Guidelines) passed in 2002 set up a voluntary procedural guide for access to genetic resources, and the fair and equitable sharing of the benefits arising out of their utilization. The Nagoya Protocol adopted in 2010 puts forward clear rules for the collection of organisms and the distribution of specific interests, thus further improving the benefit-sharing mechanism. Some countries have also included protection of genetic resources in their patent systems. For example, Article 5 of China’s Patent Law stipulates that patent rights shall not be granted for invention creations that are accomplished by relying on genetic resources which are obtained or used illegally.

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