EUTM reform – the sequel

Fans of the EU trade mark (EUTM) will all have enjoyed last year’s trade mark reform package, which starred the notorious Section 28(8) declarations. But did you know that the sequel is released on October 1 this year, and will feature changes affecting examination, oppositions and appeals?

The trailer for “EUTM reform – the sequel” was adopted by the European Commission last Thursday, in the form of the Commission Implementing Regulation and Commission Delegated Regulation. These are due to be published officially by the end of July and will apply from October 1.

This so-called secondary legislation sets out the rules for the reforms that come into effect on that date, as Tomás Eichenberg of the European Commission explained in a session at the INTA Annual Meeting yesterday.

Of most immediate interest to trademark applicants will likely be the new rules on how to apply for non-traditional trademarks following the abolition of the graphical representation requirement. Eichenberg said the rules are designed to provide “flexibility” explaining: “You can still represent your trademark graphically.”

EU IPO has provided guidance on formats that will be accepted (see illustration).

He added that the Delegated Regulation will promote consistency: “It will make office procedures more predictable.” Also on May 17, as part of a codification exercise, the Commission approved a final text for the EUTM Regulation, which comprises 212 articles. That text, which Eichenberg described as “an important new piece of legislation”, is expected to be published in the next few weeks.

The EU IPO is already working on a new version of its Guidelines, taking into account the changes coming in October, and a draft was published last week, as Michael Hawkins of Noerr explained. These address everything from the procedural changes to fee amounts, the renewal date and the filing of priority claims through to the written evidence requirements and the new EU certification mark. An important change, said Hawkins, is that acquired distinctiveness through use may be invoked as a subsidiary claim. “That will hopefully allow the case to be heard first on inherent distinctiveness and if that doesn’t succeed then on acquired distinctiveness,” he said.

There are also important reforms to opposition, cancellation and appeal proceedings, said Hawkins: “There are some interesting changes at all levels of the Office.”

If all that does not sate your appetite for trademark reform, then András Jókutí of the Hungarian IP Offices implemented the changes at all levels of the Office.”

Today’s Users’ Meeting is expected to make office procedures more predictable.” Also on May 17, as part of a codification exercise, the Commission approved a final text for the EUTM Regulation, which comprises 212 articles. That text, which Eichenberg described as “an important new piece of legislation”, is expected to be published in the next few weeks.

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If all that does not sate your appetite for trademark reform, then András Jókutí of the Hungarian IP Office previewed the next instalment, which will see national offices implementing the changes required by the EU Trade Mark Directive over the next few years.

The top 250 women in IP
Managing Intellectual Property’s IP STARS today reveals its annual list of the leading female IP practitioners in private practice worldwide. See the list at managingip.com or at booth F23-25.

The list recognises female IP practitioners in private practice who have performed exceptionally for their clients and firms in the past year. This list is based on the global research for our legal directory IP STARS, the definitive guide to the world’s leading IP firms and practitioners, and follows interviews and surveys of IP practitioners in private practice and in-house.

Managing IP’s third annual Women in IP Global Network Drinks takes place from 2.00 to 4.00 pm today at the Hotel Porta Fina. Men are welcome as guests. Find out more information and reserve your place at managingip.com/wip17.
Avoid horror stories in China

Dan Plane of Simone Intellectual Property Services Asia yesterday gave INTA Annual Meeting attendees the latest advice on protecting brands in China, during the “A Passage out of China – Is It Any Easier?” session.

He compared today’s situation of dealing with pirating to 2001. “Raids were the order of the day back then,” he said. “It was a big problem but companies felt like they were making progress.” He added that civil litigation was very rare back then – “it really wasn’t seen as worthwhile.”

Things have changed greatly since. The most dramatic shift is the growth in online sales. Customs seizures are down. Massive physical markets where counterfeit products sold are less of an issue. Plane said there has also been a step up in the aggressiveness of pirates. “Now pirates will steal a trademark, record it with customs and demand a payoff from the brand owner,” he said.

Plane noted an increase in grey market products, where fake products are mixed with genuine products. “There is a growing tendency by counterfeiters to mix fakes in with real products,” he said. They are priced like genuine products and often authentically proven by forged export documents and overseas receipts. Plane said regular online surveys and trap purchases are required to combat this.

“Investigate the investigators”

China also has a challenging investigation system. Investigators in China come from a range of different professions and backgrounds. Many of them work through stringers. The result, said Plane, is that the investigation is essentially being wholly subcontracted to a third party who is unknown to the brand owner and outside the control of the investigation company.

Plane gave a couple of examples of “horror stories” out of China.

In another horror story, the case of *ABB v CUIPPC*, a large Chinese investigation company was actively trading in counterfeits of its client’s products in Dubai while it was supposed to be conducting enforcement actions on behalf of the brand owner. “We all like to see that someone has paid a price for wrongdoing and in China that means a criminal case,” said Plane.

Tips for enforcement plans include rapidly moving to lobby higher-level AICs to persuade them to order the lower level officials to act or take over handling of the case themselves, and the issuance of a civil suit as soon as it is clear that it’s unlikely an AIC decision is forthcoming.

“IT is very easy for AIC to say this is too tough, you should do a civil action,” said Plane. “And they are increasingly doing so.”
The US Supreme Court yesterday handed down its eagerly anticipated decision in *TC Heartland v Kraft*. The Court reversed the Federal Circuit and held that the proper venue in patent cases is limited to the state of incorporation of the alleged infringer.

The unanimous decision returns the venue guidelines for patent infringement suits to the rule that was established in 1957 by the Court in *Fourco Glass v Transmirror*. It ruled in that case that Section 1400(b) of the patent statute is the sole dicta for venue in patent cases, rejecting the argument that the amended general venue statute, 28 USC Section 1391(c), broadens the definition of “residence” to anywhere that the defendant has a place of business.

Though *TC Heartland* made its way up to the Supreme Court from the District of Delaware, the case has been most closely watched for its impact on the Eastern District of Texas, where one judge heard nearly a quarter of all patent cases in 2016. “Everyone agreed something had to be done,” Q Todd Dickinson, Polsinelli partner and former USPTO director, told Managing IP. “The question is whether this was the right or best thing to be done.”

Dickinson noted that the decision was hardly a surprise, and will be “widely lauded,” but that venue was one of several driving factors for the push for reform. Now that the Court has decided this issue, he is skeptical that there will be a sufficiently strong impetus for legislative change. In the coming months and years, this decision will likely lead to lower filing numbers in the Eastern District of Texas. On the other hand, the District of Delaware, where many companies are incorporated, will probably only get busier.

Not done there, the Supreme Court also yesterday announced it would hear the Patent Trial and Appeal Board case *SAS v Lee*. 

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News from IP offices

An open house session with IP office representatives yesterday provided INTA Annual Meeting registrants with the latest IP developments in their respective countries.

The informal session allowed delegates to tour the room and talk to any of the participating IP offices and ask questions or raise IP concerns. Managing IP first met with USPTO IP attaché for the Middle East and Africa, Aisha Y Salem, now in her fourth year of service, who told us that she has been touring the region lately on capacity-building initiatives, the most recent of which was helping to train the GCC IP Office staff.

IP Australia representatives said that the government is now considering the recommendations of the Productivity Commission’s inquiry into Australia’s IP regime (report published in 2016). Among the recommendations is the decluttering of the register by quickly removing unused trademarks. The government’s response is expected this year.

In January this year the DKPTO launched an enforcement unit to provide initial, basic advice to SMEs facing trademark infringement issues. There is a small fee to pay for this service and the DKPTO hopes to receive more enquiries as the service becomes widely known. DKPTO representatives emphasised that the service is not a substitute for professional legal advice and, as an IP office, it will obviously not take on disputes on behalf of users.

JPO representatives informed those present about the first color trademarks that were granted by the office in March. Practitioners see this as a “positive sign” for brand owners operating in Japan. OAPI Director General Paulin Edou Edou will complete his second tenure in July this year and will be succeeded by Denis Loukou Bossou, who takes up the post on August 1. On the other hand ARIPO’s Director General Fernando dos Santos started his second term in office this year.

The following offices were present: ARIPO, IP Australia, National IP Center of Georgia, OAPI, The Swedish Patent and Registration Office (SPRO), Danish Patent and Trademark Office (DKPTO), UKIPO, USPTO, Japan Patent Office (JPO), IP Office of Paraguay, and the Ugandan IP Office.

Patience is a virtue

Everyone knows if you come to INTA, you are going to have to wait. The line for cabs outside the conference center has been long at busy periods, and yesterday’s metro strike made them even longer. But the prize for craziest wait was surely for Arochi’s party at Shôko Barcelona. Party enthusiasts who did not come early arrived to find a line that kept going and going – round the side of Shôko, over a bridge and almost into the street – more than an hour’s wait for some intrepid party-goers.
UNIVERSAL TRADEMARK & PATENT SERVICES

International Intellectual Property Attorneys

Trademark, Patent, Design, Copyright, Domain name registration, litigation & enforcement services

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85 -The Mall Road, Lahore 54000 Pakistan (Opposite Ferozsons books store / adjacent radio time center)
Email: UnitedTrademark@UnitedTm.com Websites: www.utmip.com and www.unitedip.com

Gulf, Middle East, South & East Asia and African Offices

DUBAI (UAE)
Suites 401-402, Al-Hawai Tower
Sheikh Zayed Road, Dubai
Tel : +971-4-3437 544
Fax: +971-4-3437 546
Email: Dubai@UnitedTm.com

JORDAN (Amman)
Suite 7, 2nd Floor
Chicago Building, Al Abdali
Tel : +962-6-5663088
Fax: +962-6-5663089
Email: Jordan@UnitedTm.com

LEBANON
6th Floor, Burj Al-Ghazai Bldg., Tabaris, Beirut, Lebanon
Tel : +961-1-21 5373
Fax: +961-1-21 5374
Email: Lebanon@UnitedTm.com

OMAN
Suite No. 702, 7th Floor
Oman Commercial Centre, Ruwi
Tel : +968-24-787555, 704788
Fax: +968-24-794467
Email: Oman@UnitedTm.com

QATAR
Villa # 40, Al Amir Street
Al Mirqas Area, Doha, Qatar
Tel : +974-444 3093, 444 3093
Fax: +974-444 7311
Email: Qatar@UnitedTm.com

SAUDI ARABIA
Behind Maktaba Al Shawwaf
30th Street-Olaya, Riyadh 11444
Tel : +966 -11- 4616157, 4655477
Fax: +966 -11- 4616156, 4622134
Email: SaudiArabia@UnitedTm.com

SUDAN (Khartoum)
Flat No.1, 3rd Floor, Al Hurriya St.
Shaik Al Deen Brothers Bldg.
Tel : +249-183-740634
Fax: +249-183-796031
Email: sudan@UnitedTm.com

TANZANIA
Shauri Moyo Area,
Pugu Road
Dar-Es-Salaam
Tel : +255-222862900
Email: Tanzania@UnitedTm.com

YEMEN
6th Floor
Ideal Clinic Building
Hadda Street, Sana'a, Yemen.
Tel: +967 181 9642
Email: yemen@UnitedTm.com
What do you think about the draft Chinese e-commerce law that came out last December?

China realized it is a key moment for law makers to regulate e-commerce. Therefore establishing a regulatory framework in China for governing online trade is an admirable ambition. Because, let’s face it, the scale of counterfeiting in China is still massive and it is reasonable to assume it will only get worse before it gets better. And online counterfeiting appears as one global, enormous and expanding problem.

Counterfeitors based in China are now shipping fakes directly to consumers overseas, thus making enforcement in the destination countries very difficult. [This] does not only concern e-commerce platforms, but intermediaries such as social media, advertising service providers, payment services [and] shippers.

This phenomenon requires China to place even greater attention on the need for solutions to the problem itself.

If it is a fact that China is currently the main origin of counterfeit products seized at foreign borders; at the same time, China is becoming an extensive user of IP and building strong IP policies. We know that there is no real economy based on innovation without a strong IP system. IP protection is only useful when IP enforcement is transparent, predictable, effective [and] efficient.

This is why we believe that the…draft law…is a great opportunity for China to establish a…leadership position regarding the promotion of IP, the fight against counterfeiting, and the protection of both consumers and companies.

Why is the current legal framework, in which it’s up to brand owners to identify violations and take action, insufficient?

For a start, it is clear that the current legal framework is just not working. Proof is: counterfeiting just keeps growing.

The latest global surveys suggest the level of global trade in counterfeits has increased 80% in the last five years. Meanwhile, customs data and anecdotal reports suggest that China is the source of over 80% of fakes sold overseas.

It seems reasonable to assume that the value of counterfeits made in China and sold both domestically and internationally are valued in the hundreds of billions of euros…annually.

The main cause behind the latest increase in trade in fakes is the internet, which offers anonymity to vendors and where traditional methods of monitoring, investigation and en-
forcement have proved completely inadequate.

So once we know that, we have two options: we can either watch and do nothing, or we can find another way – one that encourages all actors to do more, including intermediaries.

Since the current standard of notice and take-down has proved ineffective and outdated, we hope that future drafts of the e-commerce law will introduce a standard of proactive and preventive measures for online intermediaries. This appears to be a necessity on a global level, but first and foremost in China.

**How can brands, anti-counterfeiting organizations, and consumer associations band together to resist or change this draft law?**

We clearly need to do a better job of explaining to law-makers the challenges faced in the markets and in day-to-day enforcement. They need to understand the true scope of the problem and the consequences, both today and in the future, if effective action is not taken now.

It is true that in the past, counterfeiting and other related violations have provided employment and a method for local entrepreneurs to generate capital. However, the Chinese government, society and the economy in general are increasingly damaged by this business in a variety of ways, including:

- lost tax revenues for national and local governments, and by extension sectors of Chinese society that benefit from this income;
- harm to local industry, including large enterprises, SMEs and start-ups – all of which rely on an environment of fair competition in order to support their investments in new products. As suggested above, each dollar or yuan that goes to underground producers and traders in fakes means one less dollar or yuan for enterprises dealing in legitimate goods;
- harm to workers caused by unsafe working conditions, denial of legally-mandated benefits from their employers engaged in counterfeiting, and the lack of job security;
- promotion of criminality, generally, via the use of enormous profits generated from counterfeiting to fund other illegal activity;
- harm to China’s reputation – globally and locally – for innovative and quality goods and security in investment.

I can’t imagine that once lawmakers get to know these facts that they won’t take all the measures they can, to really fight against it.

Foreign governments and companies will have to work more closely with Chinese policy makers, including through providing data on their experiences, technical expertise needed for research projects and suggestions that are firmly rooted in international practice.

**What is going to happen to this draft law? There are rumours that the NPC has decided to re-draft certain provisions. What do you expect to come of this?**

We hope that the NPC will take on board the comments of all stakeholders and make significant changes to the existing draft of the e-commerce law. In tandem, we hope they will also take this opportunity to better understand the scope of the problem and the need for changes in other laws, as well as structural reforms that will better harness administrative enforcement and shift more resources to judicial enforcement, both civil and criminal.

We hope as well that the NPC will recognize that the problem for many industries is concentrated in a handful of cities and provinces, and that encouragement will be given to adopt appropriate action plans now to deal with these regions, and not wait years for new legislation to be introduced. This could, for example, be achieved through the introduction of pilot programs.
After the popularity of last year, .sucks is again giving out t-shirts from its stand with themes including counterfeit.sucks, infringement.sucks and trump.sucks. But it has upped its visual game this year, with the stand sporting a number of arresting images.

DARTS-IP
Reports suggest you can enjoy an interesting experience with a virtual reality headset at this booth.

Sedo
This domain name provider recently launched Italian and Dutch versions of its platform.

TrademarkNow
The service provider told us that it is bringing AI into the world of trademark searching. “It takes 15 seconds to deliver the results,” said a representative.

JTI
JTI’s “The Future of Brands” stand has an “unfair circus” theme, showing the dangers of what it sees as unfair regulation. It includes a wheel of fortune, a fortune teller machine similar to the one in the 1980s movie “Big”, and a brand targets stall where you can take aim at fast food, alcohol, confectionery and soft drinks.

Uniregistry
This California-headquartered domain name service provider has launched a marketplace and an app last year. “With us you can sell, buy and transfer faster and for example you don’t have to wait for 30 to 40 days to do a transfer,” said a representative.

Brandshelter
This service provider told us that it recently enhanced its platform with a monitoring service. A representative told us it has “good pricing, good support and the best interface to manage domain names”.

LexisNexis
The Modern Law of Trade Marks (5th edition) was on display at this publisher’s stand. One of the authors, Christopher Morcom, said the text covers all the recent changes in EU trade mark law.

Oxford University Press
The Future of the Professions, a book about the impact of IT in some professions, was on display at this publisher’s stand. An IP title under its Very Short Introductions series was published this year.

Managing IP
Our stand includes the latest issues of the magazine and our IP Stars handbooks, as well as unique passports for IP Stars who have submitted their details in advance.

IP offices
Offices exhibiting and providing information to users include EUIPO, OAPI and WIPO and the national offices of countries including Spain, Japan, Korea and the UK. The latter includes a display of famous British brands.

CompuMark
The trademark research and brand protection provider is demonstrating new products including its TM go365 Image Search. You can also win an Apple TV or Amazon Echo.

CPS Global
The company is launching a new integrated management system called FILE. It is demonstrating the tool at its booth and inviting early adopters to sign up.

Alt legal/Wolters Kluwer
The two companies are promoting Trademark Navigator, a collaboration between their existing trademark guidance and docketing systems.

Yerra Solutions
Find out about the IP Magic Triangle, a new IP portfolio management tool, at the company’s booth.

Corsearch
To promote its naming app, the company has a dog-naming competition and has even welcomed guide dog demonstrations from Spanish charity ONCE.

IPzen
The provider of cloud-based case management and invoicing services is launching its Patent Portfolio Management Module.

Marksmen
The investigation company boasts “We’re cool” and to prove it promises an IP Spa at its booth.

RWS inovia
Translation and patent filing service provider RWS inovia says it is giving away water bottles at its stand today – which might be useful for anyone who has spent too much time walking about in the Barcelona sun.
A NEW WORLD NEEDS A NEW APPROACH

It’s a whole new world out there. Intellectual property, personal information and intangible assets are increasingly at risk from serious data breaches, theft and fraud as well as fastchanging data protection laws. Today’s innovators require a partner with a set of skills beyond servicing patent, trademark and legal needs. That’s what you get with Zacco. We guide you securely through the whole innovation process, from idea to developed product. Our full range of integrated services guards your technologies and processes to maximise the value of your innovation.

WE CALL IT 360 DEGREE IP PROTECTION
Dámaso Pardo has been running Argentina’s patent and trademark office for almost a year. As he told Michael Loney, he has established a strategic plan with three main goals.
○ Industrial and Intellectual Property
○ Litigation
○ Licensing Enforcement
○ Entertainment and Sport Law
○ Copyrights

<table>
<thead>
<tr>
<th>Name</th>
<th>Email</th>
<th>Phone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enrique A. Diaz</td>
<td><a href="mailto:ediaz@goodrichriquelme.com">ediaz@goodrichriquelme.com</a></td>
<td>(5255) 5525 1422</td>
</tr>
<tr>
<td>Jaime Delgado</td>
<td><a href="mailto:jdelgado@goodrichriquelme.com">jdelgado@goodrichriquelme.com</a></td>
<td>(5255) 5207 5324</td>
</tr>
<tr>
<td>Juan Carlos Suarez</td>
<td><a href="mailto:jcsuarez@goodrichriquelme.com">jcsuarez@goodrichriquelme.com</a></td>
<td>(5255) 5207 9261</td>
</tr>
<tr>
<td>Guillermo Sosa</td>
<td><a href="mailto:gsosa@goodrichriquelme.com">gsosa@goodrichriquelme.com</a></td>
<td>(5255) 5207 7561</td>
</tr>
</tbody>
</table>

E-mail: mailcentral@goodrichriquelme.com
Website: www.goodrichriquelme.com

Paseo de la Reforma 265, M2 Col. y Del. Cuauhtemoc 06500 Ciudad de Mexico.
Tel. (5255) 5533 0040 Fax. (5255) 5533 1107
The truth about conferences

Ever wondered if your peers attend events in the same way that you do? Ahead of the INTA Annual Meeting in Barcelona, IP STARS conducted an online survey. Michael Loney reports

We received 142 responses from 34 different countries to the IP STARS survey on conference-attending habits. The US accounted for 37.1% of answers, followed by the UK, with 15.0%, and France, with 6.4%.

When asked how many IP conferences they personally attend in a typical year, 68.1% said one to three, 25.5% said four to six, 5% said seven to 10, and a hardy 1.4% said more than 10. We asked respondents which specific conferences they attend. The INTA Annual Meeting was the clear favorite, with 90.1% of respondents attending it. Other popular meetings were the INTA Leadership Meeting (41.5%), AIPLA Annual Meeting (13.4%), AIPPI Congress (13.4%), PTMG Annual Conference (12.7%), ECTA Annual Conference (12.0%), MARQUES Annual Conference (12.0%), APAA Annual Conference (9.9%) and FICPI Congress (6.3%).

Respondents were asked what their primary goal was if attending the INTA Annual Meeting in Barcelona. It seems catching up with old friends is the priority – the overwhelming answer, with 75.0%, was to meet existing clients/contacts. Make new clients/contacts was second with 16.4%, learn about latest trademark developments got 4.3%, and “other” got 4.3% (this included answers such as “it is a dual purpose meeting old and new clients/contacts”).
Likelihood of conclusions
We also asked respondents to tell us how likely they were to do 12 specific activities on a scale of “not likely,” “somewhat likely” or “very likely”. Having one-to-one meetings with existing clients/contacts is the most likely activity, with 95.2% of respondents saying this was very likely, 0.8% saying somewhat likely and 4.0% saying it is not likely.

Having one-to-one meetings with potential clients was also a popular activity, with 81.5% of respondents saying it was very likely, 8.9% saying it was somewhat likely and 9.7% saying it was not likely.

Food and drink also feature prominently in trademark practitioners’ plans. Attending receptions/partyd hosted by firms/companies was very likely for 87.3% of respondents, somewhat likely for 7.1% and not likely for 5.6%. Similarly, having group meetings/lunches was very likely for 72.4%, somewhat likely for 20.3% and not likely for 7.3%.

Attending actual INTA activities is less popular, however. When asked how likely they were to attend INTA educational sessions, 23.4% said very likely, 28.2% said somewhat likely and 48.4% said not likely. Attending table topic sessions was very likely for just 16.9%, somewhat likely for 26.3% and not likely for 56.8%.

Attending INTA social events was very likely for 47.6%, somewhat likely for 32.3% and not likely for 20.2%. Attending committee meetings was very likely for 51.2%, somewhat likely for 14.0% and not likely for 34.7%. Visiting the exhibition hall was deemed very likely by 46.3% of respondents, somewhat likely by 36.6% and not likely by 17.1%.

Non-INTA training and sessions do not appear to be much of a pull. Only 5.9% of respondents said they were very likely to attend non-INTA training/sessions (for example, run by IP offices or exhibitors), 27.7% said somewhat likely and 66.4% said not likely.

Trademark professional’s priority claims
We quizzed respondents on the importance of the INTA Annual Meeting for six criteria. Talking to existing clients/contacts was deemed very important by 82.5% of respondents, quite important by 12.4% and not important by 5.1%.

Making new clients/contacts was very important for 68.1%, quite important for 26.5% and not important for 5.1%. Meeting with their own colleagues from other offices was very important for 31.6%, quite important for 22.1% and not important for 46.3%.

Using the INTA Annual Meeting for learning about trademark developments in other countries/regions was deemed very important for 22.2%, quite important for 33.3% and not important for 44.4%. Interestingly, learning about trademark developments in other countries/regions was deemed more important. Some 24.3% of respondents said this was very important, 49.3% said quite important and 26.5% said it was not important.

We also asked respondents how a number of factors affect their views of an IP advisor/firm. It seems the more personalized, the better. An invitation to attend a private dinner was viewed very favorably by 51.1%, somewhat favorably by 28.1% and deemed to have no effect by 20.1%. Likewise, an invitation to schedule a one-on-one meeting was viewed favorably by 47.8% and somewhat favorably by 36.2%.

Other methods were deemed less likely to succeed. An invitation to attend a reception was viewed very favorably by 21.7% and somewhat favorably by 46.4%. An invitation to a meeting in a hotel suite was viewed very favorably by 18.1% and somewhat favorably by 36.2%. An impromptu meeting in or near the conference venue or hotel was viewed very favorably by 17.4% and somewhat favorably by 58.7%.

We also asked respondents whether they had ever done a number of actions as a result of attending a reception/meeting at INTA or other IP conferences. Some 55.8% of respondents said they has given new instruction to an existing IP advisor/firm, 54.4% said they had given instruction to a new advisor/firm, 40.1% said they had given additional (unplanned) work to an existing advisor/firm, 36.7% said they had changed the IP advisor/firm used in a particular jurisdiction, 29.9% said they had renegotiated terms or fees with an existing IP advisor/firm and 19.7% said they had conducted a review of their legal panel for IP work.
Issues in trade mark licensing

Lily Lei and Yuan Yuan of Liu, Shen & Associates explain the complexities of trade mark licensing in China.

What are the most popular types of trade mark licensing in China?

Well, actually it depends.

Unlike the traditional ways of franchising and merchandising, co-branding can [involve] crossover[s] combining two distantly-related products, like Nike+Ipod bringing sports and music together.

Co-branding has been catching more eyeballs of both media and consumers in China as well as in other countries. After all, who could argue with playing Lego toys with Batman miniﬁgures therein, meeting Marvel heroes in Shanghai Disneyland, getting extra bonus[es] or even plane ticket[s] with a credit card jointly launched by China Guangfa Bank and China Southern Airlines, or licking a KFC Crema ice cream out of a Shiroi Koirito cone? As for the two brands, co-branding is usually a win-win strategy with half [the] marketing expense but doubled exposure.

However, as appealing as it is, most co-brandings do not last as long as the other traditional licensing types. Intel processor’s co-branding with Dell and HP computers is an exception, but this is mainly because [a] processor alone does not serve any function and is hard to be advertised on its own.

As compared with co-branding and merchandising, franchising conveys a business model more than [the] mere licensing of IP rights. Along with the attendant trade marks, design patents, know-how and other IP rights, a franchisee is always required to take the business pattern setup by the franchisor so that goods or services of consistent quality and style are secured. For example, a consumer entering 7-11 would expect the food to be not only clean and healthy, but also 7-11-styled, not a burger or fries like McDonalds, although the latter is of equally good quality. Accordingly, franchising is adopted in business[es] like restaurants, beauty salons and supermarkets more often than other types of licensing, where consumers would expect goods and services to be alike or similar.

Merchandising is an old and long-established form of licensing, which is still very active in China today. We can see little girls wearing T-shirts or dresses with different images of Elsa from Frozen every day, and it is reported that Disney has profited much more from merchandising Frozen characters than selling movie tickets and DVDs. When items like mugs, plates, clothes, caps, towels are added with sports teams, universities, well-liked characters, popular stars or trade marks, sales will be instantly boosted despite…the premium price as compared with the same goods without licensed IP rights. The key [to] merchandising is the IP rights per se are so popular that consumers are willing to pay extra.

To sum up, it is hard to say one type of licensing precedes the other in popularity in China. It really depends on which sector the business is in and what [cooperative] relationship the parties can build.

What are the pros and cons of the main types of licensing?

On one hand, when two renowned companies are together in co-branding, they share resources, marketing expenses and even risks while enjoying individual profit margin increased by sales volume. On the other hand, if anything negative from either side happens, both brands will be affected. And two separate brands tend to have different missions and visions, which makes co-branding more likely to fail or be short-lived than other types of licensing. For example, one brand may prefer to advertise the co-branding more to increase sales, while the other brand may think too much advertising of the co-branding would dilute its own brand, and such difference may lead the co-branding to end.

For a franchisor, franchising is a cost-effective and risk-less way to expand business, as the franchisees typically assume costs and risks. And to avoid loss of investment, local franchisees would do diligent [research] to open up new markets for the franchisor. In decades [past], many foreign companies have built up their presence quickly in China by franchising. Successful examples in China include KFC, McDonalds, 7-11, Hilton, Sheraton, and Super 8 Motel…However, much cattle, much care. With the rapid growth, which is a trait of franchising, a franchisor needs extra efforts to keep the train from [running away]. Otherwise, adverse experience from one hotel in China may stop a customer from booking another hotel sharing the same brand in US.

Although profit margin[s] can be enormously increased by merchandising, IP right owners [should] pay more attention to the quality of merchandised items, as products of poor quality may not only decrease the popularity of the merchandised IP rights, but also do harm to reputations built up [over] years. When merchandised products are in large volume[s] and differ in type…quality control can be a real challenge. And target markets may vary a lot with different merchandised IP rights. For example, it is never a good idea to sell Red Sox souvenirs in New York.

Each coin has two sides. [The] [p]ros and cons of each type of licensing [should] be considered before a decision is made.

What are the most important issues for licensors to consider?

First, licensors need to decide if the license [will] be exclusive, non-exclusive or sole, and whether sub-licensing is allowed or not. This is ordinarily based on the relationship [and the] business strategy.

Second, although there is no so-called “naked licensing” in China, China[s]’s Trade Mark Law does require licensors to supervise the quality of licensed goods and services. And licensors would be held jointly liable for [any] problem caused by [poor] quality of licensed goods and services.

Besides quality control, the licensors may also want to have control over the…use [of] the trade mark, the design of packaging and decoration, the prices and the distribution channels, so as to protect the trade mark from dilution, degrading (especially when the licensed trade mark is associated with “[higher] end” [goods]) or other possible harm.
Last but not least, licensors [should] consider requesting the licensees to cooperate in actions defending the licensed trade marks. For example, licensees’ help in collecting evidence is essential [in defending] the mark in non-use cancellation[s].

What are the most important issues for licensees to consider?

First and foremost, licensees [should] always review and evaluate the trade mark to be licensed before licensing. Is the ownership of the licensed trade mark clear and stable? Is there any risk of being accused of infringement? Will the profit and other business benefits be good enough for royalties?

Second, although recording of trade mark license[s] are not mandatory (under China’s) Trade Mark Law, it is prudent to have the license recorded with the Trade Mark Office (CTMO) anyway, which will not only defend the licensees from third parties, but also save time for licensees in future possible inspections.

If the licensees decide to [record their license], it shall be noted that the term of license shall not exceed the valid period of the trade mark registration, and the licensed goods/services shall not go beyond the registered ones. And [this should] be re-filed whenever there is any change in the term of license, contents of licensed goods/services or ownership of the licensed trade mark.

[Third], licensees shall consider whether the license [will] be kept valid after [the] ownership of [the] licensed trade mark is changed. The Supreme Court has provided that [this should happen automatically], unless it is explicitly agreed upon otherwise in the license contract. However, if the licensees choose to keep the license after change of ownership, a clear clause in the contract may save time and money with the new owner of the licensed trade mark. And [if] the licensees choose not to keep the license after [a] change of ownership, the licensees shall consider what compensation [will] be made by the licensees who assign the licensed trade marks during [the] licensing period.

Last, if the licensees record the licensed trade marks with...customs, the licensees shall request [that] the licensors list licensees and their import and export agencies as authorized users with...customs, which may [save] licensees from trivial [problems] in future.

What are the key points for both parties to include in a licensing agreement?

First, both parties shall include the type of license in the agreement, that is, whether it is exclusive, non-exclusive or sole.

Second, quality control is a key point for both parties.

Then basic and general issues like extent and scope of licensed rights, right to sub-license (or not), field of use, territory, manufacturing of products, design of packaging and decoration, payable fees, renewals, terminations, consequences of termination, infringing and counterfeiting, miscellaneous provisions regarding governing law and jurisdiction are key points too. Each of the above points has to be considered thoroughly and addressed adequately. Take payable fees as an example. The agreement [should] address the following questions: How is the licensor to be paid? Lump sum or installment? If the latter, guaranteed minimum royalty, or percentage royalty, or combination of both? If the latter two, should the licensee be required to explain how the royalties are calculated, and does the licensor have [the] right to audit? What is the payment term, annually or quarterly?

Furthermore, obligations and responsibilities of both parties in special situations like change of ownership, bankruptcy are also key points to be included in the agreement too.

To be continued on www.managingip.com

Lily Lei

Lily Changxin Lei is a partner at Liu, Shen & Associates, heading the firm’s trade mark practice. She obtained her BA from the Institute of International Relations, majoring in International Relations and English Literature. Part of her legal training was on a Young Chinese Lawyer’s training scheme at the University of London, Clifford Chance and the Chambers of Christopher Morcom QC. Lily has presented on trade mark issues in China at INTA and at seminars sponsored by corporate clients.

Yuan Yuan

Yuan Yuan is a partner at Liu, Shen & Associates, where she covers trade marks. She holds a Bachelor’s degree in English Literature from Wuhan University and a Master’s in Intellectual Property Law from the Franklin Pierce Law Center (now part of the University of New Hampshire). She trained in US trade mark practice at Birch, Stewart, Kolasch & Birch in 2008.
Yesterday’s receptions

EUIPO
Tweetchap
Grau & Angulo

Dentons
Mauch & Jenkins
Chang Tsai & Partners
Wan-Hui Da

Altius
Vossius & Partner
HGF
Advance China IP

Becerril Coca & Becerril
Fross Zelnick Lehman & Zissu
ABG Patentes

Managing IP will be attending events including the annual IPO, MARQUES, IBA, AIPPI and AIPLA meetings in September and October. See you there!