



# Harvesting

Intellectual Property • Law • Consultancy

## *Harvesting Review*

**Apr, 2015**

**Fake goods ring that netted 70m yuan is busted**

**Apple wins voice recognition patent case in China**

**United States moves forward to assert U.S. trade rights in disputes with  
China and Indonesia**

**Copycat Apple Watches popular in Fuzhou**



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## Fake goods ring that netted 70m yuan is busted



Shanghai police have arrested 25 suspects on charges of selling counterfeit goods to overseas customers through more than 200 websites.

Officers confiscated more than 60 computers and servers, together with 1.75 million yuan (\$282,000) in cash in an operation launched on April 1. The sums involved amount to 700 million yuan, local media reported.

French luxury brand Louis Vuitton contacted the Shanghai public security bureau after learning there were websites based in China selling fake LV handbags. Some of the counterfeit goods were sent from Shanghai.

Fake goods were offered at 10 to 20 percent of the cost of real ones on the websites meaning a fake LV handbag could be bought for 1,000 to 2,000 yuan while a real one cost 15,000 yuan.

Police discovered more than 200 websites with similar layouts, pictures and descriptions of products during the investigation. They also tracked down a gang of young people.

The gang had set up English-language

websites, selling fake handbags, suitcases, watches and accessories in more than 10 countries including the United States, Canada, Great Britain and Greece. Most of the counterfeits were branded LV, Qian Honghao of Shanghai police told the Shanghai Morning Post.

The suspects launched a company named Tengchuang in Fujian province under the guise of an information technology company in 2009. They rented servers from a tech company in Shanghai and operated the websites from Fujian.

The gang used fake IP addresses pointing to overseas servers, according to police.

Once a website was investigated or complained about by customers, the gang would shut it down and open a new one on another server with a new name, Qian said.

Most suspects are college graduates born in the 1980s and 1990s with backgrounds in IT related areas. The business was registered as a start-up with shares distributed among the leadership and team members, Qian said.

They posted a group photo of more than 30 members on social media which helped police nail nine key members.

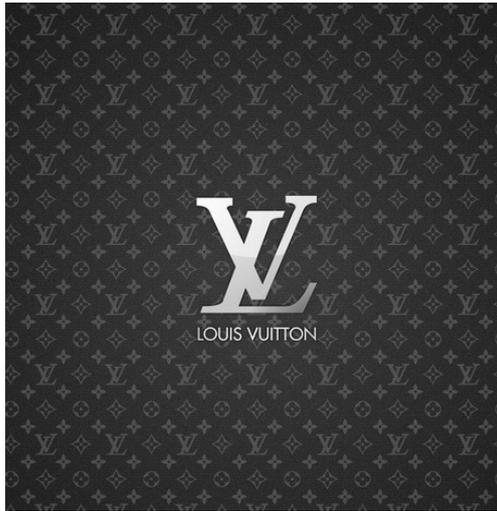
The business had a structure similar to any normal company, including customer service, technology, finance and executive departments.

The gang used pop-windows and Pay-Per-Click on search engines for product promotion.

After receiving payment from customers through international transfers and third party international credit card payment platforms, goods were shipped to cities such as Beijing, Shanghai and Guangzhou.

From there they were sent to overseas destinations in order to make the faked goods appear authentic.

The gang was very clear about their target customers and all the websites were in English and all the customers foreigners, said Qian.



In recent years China has intensified its fight against counterfeiting with people's increasing awareness and protection of intellectual property rights. Police raided more than 200 workshops making and selling fake goods last year alone in a joint campaign with Taobao.com, the largest online retail platform in China, according to a report released by Taobao late last year.

The company has also cooperated with the administration on intellectual property rights protection in Zhejiang province where its headquarters has been based since 2010, having handled over 3,000 cases.

The case remains under investigation.

(Source: [http://www.chinadaily.com.cn/china/2015-04/22/content\\_20510060.htm](http://www.chinadaily.com.cn/china/2015-04/22/content_20510060.htm))

## Inner Mongolia has first national intellectual property demonstration zone

The State Intellectual Property Office has approved Baotou Rare-earth High-tech Zone in North China's Inner Mongolia autonomous region as a national demonstration zone of intellectual property rights.

Baotou Rare-earth High-tech Zone has been striving to improve the protection of intellectual property rights. It achieved remarkable results in intellectual property creation, utilization and protection. The zone's services surrounding intellectual property advanced notably in recent years.

In the past year, the zone had 2,913 effective patents, 75 percent of them were invention patents.

From 2005, the zone fostered 38 intellectual property pilot enterprises, six at the national level. Eight enterprises have built databases, and ten have completed strategic research reports on intellectual property rights.

Just like Baotou Rare-earth High-tech Zone, six other industrial parks were also selected as national intellectual property demonstrations after evaluation.

(Source: [http://www.chinadaily.com.cn/m/innermongolia/2015-04/24/content\\_20532409.htm](http://www.chinadaily.com.cn/m/innermongolia/2015-04/24/content_20532409.htm))

## Apple wins voice recognition patent case in China



Beijing Higher People's Court ruled in favor of Apple Inc on Tuesday over a Chinese government agency and a Shanghai technology company for a patent on voice recognition technology.

The court decision was made after Beijing No 1 Intermediate People's Court ruled last July against Apple, which sued the Patent Review Committee under the State Intellectual Property Office and Shanghai Zhizhen Network Technology Co Ltd, accusing the latter of infringing the copyright on its voice recognition software, Siri.

The patent infringement dispute between Apple and Zhizhen goes back to June 2012, when Zhizhen, developer of speech recognition technology Xiao i Robot, filed a case against Apple for infringement of intellectual property rights, claiming that Siri technology violates its patent for "a type of instant messaging chat robot system."

Xiao i Robot, which began in 2003 as a chat bot for MSN, Yahoo Messenger and other chat programs, has expanded to iOS and Android, where it bears a striking similarity to Siri.

Siri, on the other hand, made its debut with

the release of the iPhone 4S in 2011. It was first developed in 2007 by Siri Inc., a start-up company acquired by Apple in 2010.

No verdict was given after trials at a Shanghai court opened in 2013.

At the same time, Apple applied to the Patent Review Committee under the State Intellectual Property Office to invalidate the Xiao i Robot patent. When the committee supported Xiao i Robot, the US-based tech giant sued the committee and the Shanghai company.

(Source:

[http://www.chinadaily.com.cn/business/tech/2015-04/22/content\\_20503258.htm](http://www.chinadaily.com.cn/business/tech/2015-04/22/content_20503258.htm))

## United States moves forward to assert U.S. trade rights in disputes with China and Indonesia

U.S. Trade Representative Michael Froman announced today that the United States has moved forward in two offensive World Trade Organization (WTO) disputes with China and Indonesia. In both of these disputes, the Office of the U.S. Trade Representative (USTR) is seeking to unlock economic opportunity for American workers, farmers, and businesses of all sizes by challenging policies leading to unfair competition and by removing unwarranted barriers to U.S. exports in key Asian markets.

With regard to China, USTR has requested that the WTO establish a dispute settlement panel concerning China's "Demonstration Bases-Common Service Platform" export subsidy program. This program appears to grant unfair, prohibited export subsidies to

a large range of Chinese manufacturers and producers, from sectors like textiles to agriculture to chemicals to and advanced materials and metals. The WTO will establish this panel, per our request, at the next meeting of the WTO Dispute Settlement Body (DSB) on April 22, 2015.



USTR has also asked that the U.S. panel request filed on March 18, 2015, on Indonesia’s import licensing restrictions be considered by the WTO at the same April 22 meeting. Our dispute against Indonesia challenges a multitude of burdensome import licensing restrictions imposed by Indonesia on horticulture, animals, and animal products. These unfair restrictions are harming American farmers and ranchers working to sell their world-class agricultural products to the 4th most populous country in the world.

“These challenges to harmful Chinese and Indonesian policies underscore that the Obama Administration is determined to assertively enforce U.S. rights under our trade agreements so that we can promote the interests of American workers and businesses of all sizes,” said U.S. Trade Representative Michael Froman. “Under President Obama’s leadership, the United States will continue to hold countries like China and Indonesia to account at the WTO

so we can unlock all the economic opportunities we’ve negotiated in our agreements and help trade deliver for Main Street. Growing Made-in-America exports to support more well-paying jobs here in America is a key component of the President’s Middle-Class Economics agenda, and upholding the high trade standards that the U.S. stands for is vital to that effort.”

## BACKGROUND ON CHINA-DEMONSTRATION BASES:

China appears to be providing export subsidies under the Demonstration Bases-Common Service Platform program and related subsidies to Demonstration Bases. Export subsidies provide an unfair advantage to a vast array of Chinese exporters and are prohibited under WTO rules.

The United States requested consultations with China regarding these prohibited export subsidies on February 11, 2015, and held consultations with China on March 13 and April 1-2. The consultations failed to resolve U.S. concerns, and the United States has decided to move forward by requesting the WTO to establish a dispute settlement panel.

## BACKGROUND ON INDONESIA-IMPORT LICENSING:

Since 2012, Indonesia has maintained unjustified and trade-restrictive licensing regimes for the importation of horticultural products and animals and animal products. In conjunction with its import licensing regimes, Indonesia prohibits the importation of certain products at certain times and restricts the sale of imported products within Indonesia.

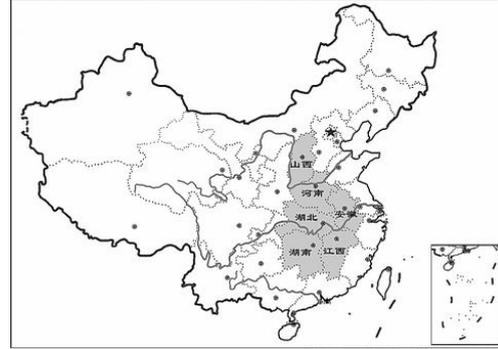
The United States announced the filing of a request for establishment of a WTO panel jointly with New Zealand on March 18, 2015. The United States and New Zealand have now formally requested that the WTO consider their panel requests at the next WTO Dispute Settlement Body meeting on April 22.



(Source:

<https://ustr.gov/about-us/policy-offices/press-office/press-releases/2015/april/united-states-moves-forward-assert-us>)

## Central China city gets tough with piracy



The city of Nanyang, in Henan province, reports, on April 20, that it destroyed a large amount of pirated publications and goods.

It estimates that, from last April to this March, the city has confiscated more than 60,000 pirated items and illegal publications, half of them destroyed by burning them up that day.

The city says that it has been cracking down on intellectual property rights violators and on fake and shoddy goods and has increased local people's awareness of the need to protect intellectual property rights.

Wang Xinhui, head of the piracy special action team, says they are setting up a long-term anti-piracy system and putting emphasis on the need to respect the laws and authorized publications.

(Source:

[http://www.chinadaily.com.cn/m/henan/nanyang/2015-04/22/content\\_20504512.htm](http://www.chinadaily.com.cn/m/henan/nanyang/2015-04/22/content_20504512.htm))

## Domestic brands given new overseas safeguards

New measures were unveiled on Thursday aimed at ensuring the quality of Chinese products sold overseas.

Such merchandise has been increasingly snapped up by foreign customers but remains clouded by concerns over quality and intellectual property rights.

The State Council announced the decision, which involves 10 departments, as part of a nationwide drive to crack down on violations of intellectual property rights and to target producers of counterfeit goods.

A three-year plan will address key products exported to Africa, Arab nations, Latin America and countries and regions along the China-proposed Silk Road Economic Belt and 21st Century Maritime Silk Road—transcontinental initiatives prioritizing unimpeded trade and connectivity.

Cross-border law enforcement coordination will be improved, including monitoring, evidence collection and judicial assistance, according to a State Council document.

The document calls for efforts to further help Chinese companies to invest and operate overseas and to expand product marketing. It also seeks strengthened negotiations and communications on IPR protection, a key issue for Western countries concerned about counterfeit goods.

The document adds that China will improve IPR coordination and cooperation with countries including the United States. It will also draw up and carry out a working plan for such cooperation with the European Union this year.

China became the world's largest exporter

of goods in 2009, and it overtook the US to become the world's largest trading nation in 2013.



Products produced by Chinese companies, including Lenovo and Huawei, have been bought by more foreign consumers, especially in developing countries, according to China's National Image Global Survey 2014.

But Chinese brands are hindered by concerns over low quality and food safety problems, according to the survey, released last month.

Chai Yu, an expert on Latin American economic studies at the Chinese Academy of Social Sciences, said China is aiming to prevent companies from encountering blind competition through continued lowering of prices and quality in the global market.

For example, the Latin American market is a huge one for Chinese products, and improved quality would help to build Chinese brands' reputation and the country's image abroad, Chai said.

Huang Wei, a researcher at the academy's Institute of World Economics and Politics, said the new measures will encourage Chinese enterprises to upgrade business and to guarantee product quality.

The urgency of such a task is highlighted by the announcement of the Silk Road initiatives amid lingering concerns over

dumping of Chinese products, Huang said.

Despite China's progress in recent years, any negative impressions about its products and IPR records cannot be tackled overnight, and the country needs to prove itself through its actions, she said.

(Source:

[http://www.chinadaily.com.cn/business/2015-04/10/content\\_20400184.htm](http://www.chinadaily.com.cn/business/2015-04/10/content_20400184.htm))

## Copycat Apple Watches popular in Fuzhou

Copycats of the Apple Watch have gone on sale in Fuzhou, capital city of Fujian province, shortly after the launch of the Apple Watch by Apple Inc, Fuzhou's local news reported on March 20.



In Fuzhou's Dalijia Mall, a hub for electronic products, various imitation products boast a similar look and function to Apple Watches and are sold at 275 yuan (\$44) each, much cheaper than genuine products.

Two years ago when the blueprint of the Apple Watch was circulated on the Internet, many manufacturers designed their own products resembling the original, said a

manager from an electronics company.

Besides the basic timing function, the copycats can also receive calls and text messages, use the popular messaging apps WeChat and QQ, and play music after connecting to mobile phones.

What's more, the copycats have optimized the battery standby time from the original one day to seven days. The mobile phone connected to the watch can either be iOS or Android.

There is no Apple logo on the imitation products being sold in Fuzhou's market, one of the managers said. The manufacturers have improved their intellectual property rights awareness, and in the future, they may create their own products with better performance.

(Source:

[http://www.chinadaily.com.cn/m/fujian/2015-03/25/content\\_19907335.htm](http://www.chinadaily.com.cn/m/fujian/2015-03/25/content_19907335.htm))



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