Corporations, governments and individual consumers across Asia are rapidly expanding their use of cloud-based computing services. While the typical cloud contract may appear simple and straightforward, there are a number of pitfalls that may give rise to various risks and liabilities. Scott Thiel explains.

The rapid development of China’s cloud computing industry has offered great opportunities for foreign cloud computing service providers. Wang Rui and Qiu Shaolin explain how to navigate China’s highly-regulated telecommunications sector.

With at least one study naming India the world’s most-attractive investment destination, the nation is putting its best face forward for foreign investors. IP and commercial lawyers examine just what the country can offer. Gregory Glass reports from Delhi.

Asia IP reports on the changes to Asia’s copyright laws, and identifies some of the region’s leading practices.

In December, more than 1,600 IP buyers and sellers, R&D professionals, financial intermediaries and lawyers came together in Hong Kong for the third Business of IP Asia Forum. Asia IP sat down with several of the speakers to get the latest on IP creation and protection.
Regis Saga Comes to an End in Singapore: Trademark Law Clarified

In the landmark decision of Staywell Hospitality Group v. Starwood Hotels & Resorts Worldwide, the Singapore Court of Appeal was presented with an opportunity to clarify the principles applicable in opposition proceedings and infringement actions. Prithipal Singh and Faizal Shah report from Singapore.

Regular Sections

Opinion

Is India Ready?

India has big plans to lure foreign investors to India. If all goes well, it will be a win-win for everybody.

News Analysis

- China - China to Introduce IP Court.
- Hong Kong - Global Experts Share Tips on Negotiating IP Deals.
- USA - Chinese Seed Thieves Accused of US Trade Secret Theft.
- Global - Beating the Failure to Commercialize.

People & Places

- Australia - Rebekah Gay Joins Herbert Smith Freehills.
- Australia - John Lee to Rejoin Gilbert + Tobin.
- Taiwan - Ming-Wei Lo Promoted at Jones Day.
- Global - INTA Welcomes Meilan Stark as 2014 President and Chair of its Board of Directors.

IP Analysts

Asean - Case Commentary on Guy Neale and others v. Nine Squares.
India - The Nightmare of Section 8.
Big Plans in India

The government is making great efforts to lure foreign investors to India. If all goes well, it will be a win-win for everybody: India has a booming, brand-conscious middle class that wants to consume. Investors from most foreign lands are facing yet another year of anemic growth in their own and other mature markets. It could be a marriage made in heaven or, perhaps, in moksha.

India has made moves in recent years which would indicate it is putting out the welcome mat for foreign direct investment, or FDI. But a glance at the rocky relationship India has with the retail sector shows that some of the moves have not all been all that welcoming.

In 1997, India approved 100% FDI in so-called "cash and carry" wholesale stores. In 2006, 51% FDI was allowed in single-brand retailing, a number which was bumped to 100% in late 2011.

Towards the end of 2012, the government of India finally put into place plans to allow FDI in multi-brand retail stores; international retailers including Carrefour, Tesco and IKEA almost immediately announced plans to start talks on investment proposals with the appropriate ministries, and the government updated its FDI policy in April 2013.

But despite the government’s desire to welcome multi-retail FDI, many Indians disagree, and the multi-retail sector remains elusive for foreign retailers. Large swathes of northern India may now be off limits, as the Aam Aadmi party has declared there will be no FDI in the multi-brand retail segment, blocking international supermarket chains from the lucrative national capital area. All told, more than a dozen states across India have said no to multi-retail FDI, leaving just three prosperous states as likely targets.

If battles over FDI schemes don’t frighten potential investors away, India’s intellectual property regime may. While IP laws have improved significantly in recent years, not all is rosy, says Vikram Grover, principal at Groverlaw in Gurgaon. Piracy and counterfeiting remain rampant in India, both physical and over the internet. “One has to be vigilant with the protection of one’s intellectual property,” Grover says.

Practice at the India Patent Office (IPO) lacks consistency and uniformity, though efforts are underway to harmonize IPO work. The delays in patent application examination are also a problem, although Grover says that the government has recently hired 248 new patent examiners to help reduce the backlog.

But for the hardy foreign prospector, there’s definitely gold in India. Today, even the middle class knows brands like Versace, says Anusuya Nigam, an associate at Singh & Singh in New Delhi. “This is a change in the mentality of Indian consumers,” she says. “Indians used to be sober, traditional and not at all brand-oriented. Young consumers are particularly interested in foreign brands, and foreign brands know how to market this stuff.”
China to Introduce IP Court

At the Third Plenum of the Communist Party of China’s 18th Central Committee, the Decision on Major Issues Concerning Comprehensively Deepening Reforms was released, setting the framework for a number of changes to be made in the country. Among the changes, the government announced plans to establish a specialist court for intellectual property.

The decision specified that the government should enhance the utilization and protection of intellectual property, improve the stipulating mechanisms for technology innovations and explore ways to establish IP courts.

Xiao Caiyuan, senior partner at Guanghe Law Firm in Shenzhen, says that establishing an IP court would improve the level of IP protection in China. “The number of IP cases heard at courts is increasing in China. In 2012, there were nearly 90,000 civil cases heard on IP issues, a 40% increase compared with 2011. Establishing IP courts meets the need of such developing trend by specializing IP trials and unifying judging standards.”

Wang says that it would not be easy to establish such a court. Besides the human, financial and material resources needed, obstacles remain regarding the public’s awareness of IP. “The infringement of IP rights in developed areas, such as the Pearl River delta is rather dominant. Local SMEs make a large profit out of infringement, which in turn increases the local economy by paying more taxes and hiring more labour. Strong IP enforcement would affect the economy, which might not be favourable to local governments.”

While strengthening the power of IP protection, the establishment could also weaken the influence of local administration, says Xiao.

He believes that the influence of the IP court will be greater than other specialist courts, such as China’s military, railway and maritime courts. “The speed with which these courts will be established might be faster than the majority’s expectation. There will be IP courts in developed provinces, such as Guangdong and Jiangsu, in the near future,” Xiao says.

– Amanda Shuai

Hong Kong

Global Experts Share Tips on Negotiating IP Deals

Experts from China, Japan, the United States and Europe gathered in Hong Kong to share tips for licensing in and licensing out technology, highlight legal traps to unwary licensors and licensees and provide practical guidelines on the dos and don’ts of the negotiating process. The seminar, Negotiating an International IP Deal, was sponsored by CPA Global and jointly organized by the Licensing Executives Society China Hong Kong sub-chapter (LESC-HK) and the Hong Kong Trade Development Council.

Johnson Li, an attorney at law at China Patent Agent (HK) in Beijing, said that more Chinese value the importance of IP nowadays. “However, the negotiation process is culturally different from the west. For example, Chinese like to bargain, whereas almost everything has a fixed price in the west, which makes negotiation difficult. Clients should keep their contracts short and concise and, even better, draft good Chinese versions.”

Debra Ashley, a lead lawyer at CPA better, draft good Chinese versions.”

“Establishing an IP court is [moving China] in a direction to a more professional and systematic way of solving IP disputes,” says Liu Mengbin, a partner and vice president at Guangdong Schihead & Partners in Guangzhou. Under the current judicial and administrative system, there are problems of different judging standards, low efficiency and variation of judges’ professional level. Liu says he would be happy to see the improvements made on these issues once the court is established.

“It is a very good proposal to advance the IP industry in China,” says Huang Min, senior partner and head of Intellectual Department of DeHeng (Hefei) Law Offices. Unlike other civil cases, IP cases require a much high level of professionalism. Having independent specialist IP courts could ensure the quality of the hearings and enhance IP protection, he says.

“Establishing IP courts has a positive impact. It shows that the government has the determination to enhance IP protecting in China,” says Wang Tengfeng, founding partner at Guangdong Zhiming Law Firm in Shenzhen.

Global in Gurgaon, discussed the technology licensing aspect in Europe and she reminded participants that “when a licensor lets people download its software for a fee, it is an outright sale, not licensing, so licensors cannot sue for infringement. If licensors want to sue, they first cannot charge single payments. Second, they need to limit their contract terms and conditions.”

Yorikatsu Hohokabe, a senior advisor at Oblon, Spivak, McClelland, Maier & Neustadt in Tokyo said that Japanese are reserved and shy with what he called “Galapagos syndrome,” or self-sufficient thinking. “Unlike the US, a Japanese negotiator might not have the power to make a decision since Japan focuses on teamwork.”

The US, on the other hand, handles things the opposite way. “The US has a litigious culture with lengthy documentation and complex legal system,” said Jocelyn Cho, vice president of global legal at Barclays in California. “Unlike Japan, consensus decision is less common in the US and, more importantly, while the Asian cultures prefer quiet listening in meetings, interruption is expected among Americans to show engagement but not disrespect.”

MS Bharath, a partner at Anand and Anand in Chennai concluded the seminar with a panel discussion. He said that parts of the culture in India are similar to China, as Indians love to bargain. He also said that enforcement has been easier recently since everything is now online and, more importantly, “most Indian courts have mediation centres and courts encourage people to pursue mediation first.”

Approximately 70 IP professionals attended the seminar. Three University of Hong Kong students, Brian Chu, Kate Chan and Larissa Tse, were presented first prize for the second Asia-Pacific Student Business Plan Competition.

– Johnny Chan
Chinese Seed Thieves Accused of US Trade Secret Theft

Six Chinese citizens have been indicted by the US Attorney’s office on charges of conspiracy to steal trade secrets from seed companies in the US states of Iowa and Illinois.

The December 17, 2013, indictment alleges that Mo Hailong and five other men conspired to steal the trade secrets of DuPont Pioneer, Monsanto and LG Seeds and to transport them to China for the benefit of their Beijing-based seed employer, Kings Nower Seed. Mo, who was charged by criminal complaint on December 10, 2013, is accused of stealing trade secrets worth US$30 million to US$40 million.

“We don’t see these types of cases very often, in terms of plant breeders in the midwest,” says Christopher Voci, an IP attorney at Simmons Perrine Moyer Bergman in Cedar Rapids, Iowa. Farms in the midwestern United States produce much of the nation’s grain supply.

Until relatively recently, plant breeding was about cross-breeding: find two plants with the qualities you want and breed for the traits you’re looking for, whether that be drought resistance, pest resistance or something else, Voci tells Asia IP. “But with the rise of genetic modification techniques, you were able to do things much more precisely. Seed companies have been adding an increasing number of genetic modifications. These techniques, while very precise, are also very expensive to do, which makes them prime targets for theft.”

Plant breeders generally have to grow the plants outside, in areas which are open to the public, Voci notes. “If someone knows what they’re looking for, if they know a particular plot of land is owned by Pioneer or Monsanto or under contract to those companies, they can potentially go in there and take the corn they need.”

A criminal complaint alleges that the men stole the corn seeds from fields in Iowa and Illinois between September 2011 and October 2012, representing “several years” worth of research. The Des Moines Register reported that three of the charged men were stopped by the FBI as they attempted to leave the country, two at O’Hare International Airport in Chicago and one at a border crossing with Canada. Each had stolen corn seeds hidden in their luggage and pockets.

Voci says the stolen seed corn was likely destined to be planted in plots in China, where it would reproduce the genetic modifications bred into the corn. “It’s sort of self-replicating,” Voci says. “There’s some chance genetic modifications would be unstable, but for the most part, once the corn is in test plots, it’s pretty certain the genetic modification would be stable and passed from generation to generation. That’s the beauty of genetic modification.”

But self-replication is also a danger for the seed companies, he says, and for that reason, genetically-modified seeds in the US are typically licensed to farmers rather than sold. “One of the terms of the license is that farmers cannot hold back any quantities of corn for future plantings,” Voci says.

Mo, a permanent US resident, faces up to 10 years in prison and a US$5 million fine, officials said.

- Gregory Glass

Global

Beating the Failure to Commercialize

Intellectual properties owned by either research institutes or companies often fail to provide any return on investment on the money invested in the research and development for those assets. Increasingly shareholders and investors are becoming aware of this and requesting that the organizations holding the IP monetize those IP assets that are not strategic or core to their operations.

One of the challenges that many organizations face is that patent monetization is beyond the scope of their normal job, so many of them are now reaching out to specialist companies to help with such monetization, says Jon Rortveit, vice president, acquisitions and licensing at Inventergy, a Silicon Valley, California-based patent investment and licensing company.

Rortveit recently presented an overview of various monetization approaches and how patents are valued at a meeting with business leaders and policy makers in Hong Kong.

Rortveit used his company to illustrate one of the possible business models to monetize IP assets: “Our business is basically to take an asset that is intangible on the balance sheet and make it tangible on the profit and loss statement,” he says. “If done appropriately, companies will experience improved margins and reduced costs via IP commercialization.”

Inventergy and companies like it work with the original patent holder to create portfolios that are believed to have good market potential. Those companies then create and manage licensing programmes on these assets, whose ownership is taken over through giving a combination of direct cash investment and a share in licensing revenues to the patent holder. The revenue brought in by licensing patent is significant and has high margins. In an example given by Rortveit, a company that has 5% net margin will need sales of US$400 million to achieve the same net effect as receiving US$20 million in licensing revenues.

Rortveit also discussed how venture capital investors consider patents and patent applications. In general, he says, there are two types of investors in this field. One type of investor requires a company to have at least some pending patents and a clear IP position before they invest. Investors in this group are often in “IP-rich industries” such as semiconductors or biotech and include corporate investors, such as Samsung Ventures. Generally, 88% of this type of investor’s holdings are in companies with at least pending patents. The other type of investor is those who deliberately do not want patent assets; most of these investors are in the new social media types of markets.

- Amanda Shuai
Rebekah Gay has joined Herbert Smith Freehills in its Sydney office. Gay, a former HSF lawyer, joins from Shelston IP. The practice, which is led by London partner Mark Shillito and in Australia by Sydney partner Sue Gilchrist, currently includes 13 partners and 55 associates globally.

Gay has built a strong practice in all areas of IP litigation with a focus on patent litigation, including pharmaceutical patents utilizing her science/law qualifications. The team has particular experience in successfully managing and coordinating multi-jurisdictional disputes when key IP rights are litigated in parallel proceedings in separate countries. Current high profile examples include acting for Apple in Australia in the Apple v. Samsung cases.

Joel Smith has joined Herbert Smith Freehills in the firm’s Sydney office; the dispute resolution partner and IP specialist has been seconded from London. His practice combines heavyweight contentious and non-contentious IP issues, including advice on protecting rights, licensing and disputes. The move is designed to promote mobility in the partnership and assist integration and globalization of the practice, which has already seen a number of disputes partners move to different regions.

“These appointments reflect the strength of our global IP practice, and will grow our capacity to advise our clients on strategic global IP disputes and transactions,” says Sue Gilchrist, who heads the Herbert Smith Freehills IP practice in Australia.

Josh Simons has joined Thomsons in Adelaide. He began his career at Thomsons before joining Minter Ellison as a partner in 2006. Simons practices competition law with a commercial focus. His areas of expertise include merger clearances, authorizations and notifications, access issues, restrictive trade practices and consumer protection advice. A significant aspect of his practice is representing franchisors in connection with the establishment and development of franchised businesses, and related intellectual property and competition law issues; he acts for many leading franchise networks in relation to both their Australian and international operations, and has assisted Australian franchise systems to expand into many countries across the Americas, Europe, the Middle East and Asia, as well as implementing new franchised, licensing and distribution networks within Australia.

Patent litigator John Lee will join Gilbert + Tobin in early 2014. Lee was previously a lawyer with Gilbert + Tobin, and was most recently leading the law group in Griffith Hack’s Sydney office.

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Michael Williams, head of Gilbert + Tobin’s IP group, described Lee’s appointment as “a major boost to [the firm’s] patent capability.” Lee is also an adjunct lecturer in IP at the University of Sydney.

Ming-Wei Lo has been promoted to partner by Jones Day. Lo, a litigator, advises in a number of different areas, including recent trade secret work on behalf of a public integrated circuits design company and a public computer manufacturer in pursuing criminal claims against their former employees and competitors, resulting in investigations and prosecutions. He also advises on cases arising from the Securities and Exchange Act, on cases in the area of administrative law and litigation disputes involving investment contracts, financing, trust agreements, real estate, and labour issues.

Thomsons has promoted senior associate Matthew Prescott to the firm’s partnership. His experience includes work in software, technology, procurement and intellectual property law; he also has significant experience in privacy, competition law and consumer regulation and franchising.

Prescott has acted for clients including ISPs, telecommunications carriers, ad agencies, cosmetics companies, and franchisors that operate in the retail, food, hospitality, agribusiness and motor vehicle industries. His team manages the trademark portfolios of clients including an international hotel chain headquartered in India, a major Australian oil and gas production company, and a world-renowned organization of educational institutions headquartered in France.

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India has pushed China aside as the world’s most-attractive investment destination, according to a November 2013 study by advisory firm Ernst & Young. In the eighth bi-annual Capital Confidence Barometer, Ernst & Young reported that investors are most likely to invest in India, followed by Brazil, China, Canada and the United States.

China held the top spot in the eighth version of the study, which was released in May 2013.

“India certainly has key advantages over China and has the potential to overtake China in terms of foreign investment,” says Sunil Lai, the Sydney-based executive chairman of Kaden Boriss, a full-service law firm with offices in both Australia and India.

“MNCs can consider India as a good option as the attractions which China offered earlier diminish with its increasing costs and appreciating currency.”

India’s rise is due in part to a sharp depreciation in the rupee the recent opening of new sectors to foreign direct investment (FDI) and a steadily-improving intellectual property regime, say both IP and commercial lawyers in Delhi and Mumbai. The rupee hit a record low against the dollar in August and has remained fragile since.

But India’s increasing attractiveness is also part of recent global trends towards investment in developing nations. An October 2013 study commissioned by Baker & McKenzie notes that, somewhere around 2003, economic growth rates in developing countries picked up and overtook those of the developed world. The study, From Silks and Spices to Dollars and Devices, notes that from that time, “the emerging world [began] catching up with the rich world. During the past 10 years, the share of the world’s economy made up of emerging markets has almost doubled from 23% to 40%.”

The Baker & McKenzie study attributed at least some of the global growth to falling trade barriers, and to rapidly improving communications, IT and transport technology. India has benefited from such improved infrastructure, particularly in the establishment of research and development centres. As recently as 2000, the study reported, less than 300 R&D centers operated by multinational companies existed in India; by 2010, there were more than 1,200.

Will Strong IP Protection Bring Investors?

India offers a welcome respite for potential investors who may have been stung by counterfeiters and other IP thieves elsewhere in Asia. “IP enforcement in India is at par with developed countries,” says Gunjan Paharia, managing partner at ZeusIP in New Delhi. “The Indian government has taken measures to upgrade the existing systems and manpower, IP laws are in consonance with world agreements and conventions, and Indian courts have become IP-savvy and are enforcing the rights of the IP holders.”

India is among the few countries in the region which recognize trans-border reputation and spill-over, says Paharia. “India’s IP regime may be slow, but it is strong enough to uphold the IP rights of domestic business as well as foreign investors. The
only issue with the Indian IP regime is the delays due to a huge backlog."

"In eight years, we have put together a fairly large mass of case law on damages, and we expect patent cases to join soon. Indian courts have found millions of rupees of damages."

- Safir Anand, senior partner, Anand and Anand, Noida

Paharia says that steps are being taken to redress the backlog, which was reportedly 158,000 in August 2013. "Those steps will improve the image of India in the eyes of foreign investors," she says.

Not unlike other countries in the region, the closer you are to a major urban area, the better protection of your intellectual property is likely to be, says Vipul Bhuta, an advocate and patent attorney at Aditya & Associates in Mumbai. "Indian authorities are committed to effective enforcement of IP rights, but the judicial courts and process takes a long time in such matters. Basically, one can expect effective and favourable decisions and action from High Courts in metro cities like Mumbai, Delhi, Chennai, Kolkata, etc., but wherever there is a problem in an internal part of the country in small cities, towns and villages, enforcement is very difficult due to unawaresness and lack of training in such places," Bhuta says.

Dipak Rao, a partner at Rajani, Singhania & Partners in New Delhi says that over the past two or three years, Indian courts "have become aware of IP protection" and "have started taking IP matters differently which has led to expeditious disposal of such matters and have granted remedies wherever necessary."

Not all is rosy, says Vikram Grover, founder of Groverlaw in New Delhi. Piracy and counterfeiting remain rampant in India, both physical and over the internet. "One has to be vigilant with the protection of one's intellectual property," Grover says. Practice at the India Patent Office (IPO) lacks consistency and uniformity, though efforts are underway to harmonize IPO work.

The delays in patent application examination are also a problem, although Grover says that the government has recently hired 248 new patent examiners to help reduce the backlog.

Some 170 copyright and trademark cases with damages have been heard in Indian courts since 2005, another positive sign for investors. "Damages have gone completely across the statute," says Safir Anand, a senior partner at Anand and Anand in Noida. "In eight years, we have put together a fairly large mass of case law on damages, and we expect patent cases to join soon. Indian courts have found millions of rupees of damages."

Perhaps the most important development in the past five years, says Nandan Pendsey, a senior associate at AZB & Partners in Mumbai, is India's accession to the Madrid Protocol, which makes it much easier for foreign investors to protect their marks in India. "Foreign companies are absolutely taking advantage of Madrid and designating India," he says. "But it's less certain how many Indian companies are filing abroad. Madrid is a very good opportunity for Indian trademark owners. Companies may not need to venture abroad now, but in several years, they may." Though difficulties do most assuredly still remain, most lawyers agree the situation is better than it was in the fairly recent past. The improving IP rights enforcement has been a direct response to increased foreign direct investment in India, and has had the benefit of further attracting more foreign investment, says Manisha Singh Nair, a partner at LexOrbis in New Delhi. Nair says that Indian authorities have been giving increased attention to intellectual property protection since the late 1990s and early 2000s, noting that each state in India has appointed officers to combat piracy and counterfeiting, that city police in Delhi, Mumbai, Chennai, Hyderabad, Kolkata, Bangalore and other cities have formed special police forces to handle IP infringement matters and that courts have "invariably granted" interim and permanent injunctions and exemplary damages in case of blatant infringements.

Investors are careful before swimming in strange waters. They hope for another China Effect, but whether it will happen remains to be seen. The country itself is wary of too much foreign investment, and therefore has set up a less convenient process for potential investors.

- Manisha Singh Nair, partner, LexOrbis, New Delhi
IP infringement. “This has been a result of the increase in foreign investment in the country, but it has nonetheless proven beneficial for the nation’s industrial growth,” says Nair. “The judiciary has realized that it must also not only provide protection to the corporations, but also for inclusive development of society and industry. And in doing so, the Court’s decisions have been extremely just and fair. In the long run, this has proven to be an encouragement to foreign investment in the country and to small business owners all over.”

Generally speaking, says Suneeth Katarki, a partner at IndusLaw in Noida, the perception is that India’s IP regime is not weak enough to make investors shy away from entering the market or increasing their exposure. “However in certain areas like pharmaceuticals and bio-technology, investors may be shy of increasing their exposure in India,” he tells Asia IP. “Recent steps to compulsory license expensive drugs owned by multinational drug companies and a recent judgement of the Supreme Court in the Novartis matter disallowing a patent on the basis that it was a mere change of form of a known substance which did not result in any enhancement of therapeutic efficacy are things that pharmaceutical companies have taken note of.”

The Novartis matter, over the company’s Glivec (sometimes spelled Gleevec) cancer drug, is considered to set a precedent in determining the position of India on the patenting of new forms of already known substances. “It is true that the granting of a compulsory license in the case of Bayer’s patent has not been welcomed by patent owners in the international fraternity,” says Mustafa Motiwala, a senior partner at Juris Corp in Mumbai. “These patent owners, having spent considerable time, money and effort on their inventions, feel that the provisions of the compulsory license reduce the protection of their patents. [But] the Indian IP office witnesses a large number of applications filed by foreign corporations, which gives an idea that these organizations are interested in exploring the Indian market.”

When trying to draw foreign investors, India faces competition from many other countries, but has a number of attributes which may put it above its competitors, says Manoj K Singh, founding partner at Singh & Associates in New Delhi. “India attracts investors from throughout the world,” Singh says. “Although many destinations entice investors for investment through mighty and luring incentives, India offers additional advantages over and above the other countries. Devoted and youthful workers along with quality work have always been the strength of the Indian market. [But] intellectual property right creation in India is quiet expensive from the individual’s point of view. A lack of advanced technology is a core reason as to why India is still not able to fully grasp the opportunities prevalent in the world market in relation to IPRs.”

Singh notes that in addition to compulsory licensing, India’s IP regime does continue to face challenges, including trademark infringement and passing off and the particularly prevalent problem of Indian collaborator’s treating the brand as its own. “One of the most common problems faced by foreign collaborators in India is regarding the misuse of the brand by the Indian counterpart. It is the Indian party which starts claiming the brand of the foreign

India certainly has key advantages over China and has the potential to overtake China in terms of foreign investment. MNCs can consider India as a good option as the attractions which China offered earlier diminish with its increasing costs and appreciating currency.

- Sunil Lai, executive chairman, Kaden Boriss, Sydney

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The rich class of the population, in metropolitan cities, has an affinity for global brands and is willing to spend on branded clothes and other goods. This makes India an important consumption hub.

- Vikram Grover, founder, Groverlaw, New Delhi

Dev Robinson, a partner at Amarchand & Mangaldas & Suresh A. Shroff & Co in New Delhi, says it is essential that India get its "judicial eco-system" working. "Good jurisprudence, bad jurisprudence ... every business can deal with that by adjusting their strategies. What they find extremely difficult is no jurisprudence."

Rising Awareness of Brands and IP

India’s consumer culture has changed quickly, due mostly to increased access to the internet and to foreign films and television shows, which have brought awareness of labels and brands to a country where, in the relatively recent past, such brands were mostly unknown, or at least unloved. For the visitor – or potential investor – who hasn’t visited India in a decade, the country’s interest in international brands is astonishing. A recent visit to Mumbai’s High Street Phoenix shopping mall revealed a shopping paradise that could have just as easily been in London, Tokyo or Los Angeles, with Burberry, Chanel, Calvin Klein and Levi stores among others. And High Street Phoenix is merely one of many, many others in India’s largest cities.

The rich class of the population, in metropolitan cities, has an affinity for global brands and is willing to spend on branded clothes and other goods," says Grover. "This makes India an important consumption hub."

One can expect effective and favourable decisions and action from High Courts in metro cities like Mumbai, Delhi, Chennai, and Kolkata, but wherever there is a problem in small cities, towns and villages, enforcement is very difficult due to unawareness and lack of training.

- Vipul Bhuta, advocate and patent agent, Aditya & Associates, Mumbai

Brands were so unimportant in India that just 10 to 15 years ago, Indian conglomerates didn’t even have IP departments, says Jose Madan, a partner at Khaitan & Co in Mumbai. "Now, they all have intellectual property departments staffed with quality lawyers, with those in pharmaceuticals and engineering leading the way."

Gopal Trivedi, an attorney with Chadha & Chadha in Mumbai, agrees that Indian consumers have become more brand-
conscious. “There may be several reasons, including an increase in the number of brands, the entry of foreign products in Indian markets, an increase in spending capacity (to an extent) and recognition of quality associated with a brand. However, I may add that there is still a section of society which is more conscious about the product or the quality rather than the brand.”

Globalization – and the increased access to media from overseas – has led to India’s new-found brand awareness, says Sushant Singh, an advocate at Sushant M Singh & Associates in New Delhi. “The reason for this increase in brand-consciousness is very simple, which is globalization of the economy, the interface of consumers with computers, newer kinds of technology coming their way, shopping malls where all the international brands are available, and movies and cinemas where Indian actors are wearing and subscribing to international brands, coupled with social media where people discuss a lot about international brands,” he says.

Singh notes that technology has played a major role in brand awareness in India. “[The internet] not available earlier, and, therefore, consumers were less aware of international brands. But now, things are becoming approachable to Indian people, which is evident from the fact that the Blackberry mobile phone, which was earlier treated an executive’s phone, is now considered a phone which is even accessible to a common Indian from a lower income group. This brand-consciousness exists at all levels of economy, and not merely in the largest metro areas. It can also be seen in other states of India.”

Despite the economic slowdown, spending on branded goods has remained high and brings on social prestige, says Lai. “This Indian middle class has aspired to be similar to its western counterpart. The clothing, eating and buying habits have all changed, and with the rise in purchasing and social status, spending on branded and luxury items has increased. India has become a huge market for luxury items and brands.”

Even the middle class knows brands like Versace, says Anusuya Nigam, an associate at Singh & Singh in New Delhi. “This is a change in the mentality of Indian consumers,” she says. “Indians used to be sober, traditional and not at all brand-oriented. Young consumers are particularly interested in foreign brands, and foreign brands know how to market this stuff.”

A gap does remain between brand consciousness when it comes to urban and rural Indians, says Bhuta. “Awareness is gradually extending to all levels of society, at least in metro areas and large cities. There is still a vast difference between cities and towns and villages, but we do expect that, over a period of time, awareness will surely spread to other parts of the country.”

As part of a developing economy, Indians – particularly middle class Indians – have found that their power to purchase has increased with more (and better) employment opportunities. “The newly-advanced, highly-educated and urge-to-earn has led to brand consciousness in India’s newly-emerged middle class,” says Manoj Singh. “Though there are three classes of people in any country, it’s the middle class which makes most of the difference.”

But the India’s middle and upper classes only make up part of the country’s population, says Lucy Rana, an IP attorney with SS Rana & Co in New Delhi. “On account of being their economically deprived, brand-consciousness among the lower income population in India is relatively low,” she says. “However, by offering branded products in lesser quantity, like offering FMCG products in sachets, companies are also luring the consumers in the lower-income group. Policies should focus on benefiting the majority of Indian consumers, i.e. the lower income group.”

In a 2011 survey conducted by US-based market research firm Harris Interactive, 74% of the adults surveyed in India said that brand names are important to them when choosing clothing and accessories; 89% said that they believe that good brand names translate to quality products. “In markets such as India, conveying an interest in brand names is paramount, especially when it comes to status symbols like formalwear or weddings,” says Manoj Singh. “Though many Indians have become brand conscious, there has been little demand for domestic brands.”

Although brand awareness has increased, many Indian consumers are not yet fully cognizant of the importance of intellectual property rights, says Raghav Malik, a partner at Lall & Sethi in New Delhi. “People are not exactly aware of what is right and what is wrong. There needs to be more education,” he says, noting that the Federation of Indian Chambers of Commerce and Industry and other groups do work with government bodies to raise awareness among the public.

While India’s conglomerates – massive groups of companies who build, buy or sell nearly everything, such as Tata, Aditya Birla and Mahindra – are as savvy about marketing and brand management as any multinational corporation, most small- and medium-size enterprises (SMEs) have, so far, failed to grasp the importance of protecting their intellectual property, which may be responsible for the lack of Indian brand identity outside of a handful of major brands.

“Conglomerates are very well-known entities in India, with good enforcement strategies, and the protection granted to them has always been favourable due to the well-known nature of the trademarks. However, having said that, it does not imply that the SMEs are deprived of the protection in the court of law or that they are not vigilant in safeguarding their rights in India,” says Sushant Singh. “I am handling several intellectual property cases involving SMEs, and the courts have provided equal protection to SMEs as that of India’s conglomerates, depending upon the strength of their IP rights.”
Although IP offices do witness applications filed by small and medium enterprises, the general level of IP awareness among SMEs leaves much to be desired, says Barasha Pathak, a senior associate at Juris Corp in Mumbai. “It is easy to see that most SMEs in India are not aware of IP protection or IP rights, and that they are infringing the IP rights of others for the lack of knowledge in this field.”

Numerous government and business groups are working to raise awareness of intellectual property among such businesses, including the Federation of Indian Chambers of Commerce and Industry and the Federation of Indian Micro and Small & Medium Enterprises, which has set up intellectual property facilitation centres in Bangalore, Delhi and Hyderabad. The intellectual property facilitation centres specifically aim to build greater awareness among SMEs about IPR related-issues and to provide insights to them on the creation, ownership and protection of intellectual property, says Aneja.

Nair says that her firm is seeing an increase in small enterprises seeking IP protection and driving their growth through invention and innovations. “With the advent of the Madrid system for trademark protection in India, we expect many SMEs in India to go for procurement of IP rights in more countries where they have been exporting the products and services for quite some time,” she says.

Sunita K Sreedharan, an advocate and patent agent at SKS Law Associates in New Delhi, says entrepreneurs and people running startups are becoming more active and more aware of the importance of intellectual property. “They’re quickly learning the importance of patents, trademarks, copyrights and brand management. They’re learning the rules of the game.”

Paharia says that there are other signs that SMEs are becoming more aware of intellectual property rights protection. “Most trademark filings in India are done by Indian entities, while patent filings are done by foreign entities. SMEs are well aware of trademark rights but, with regard to other IP rights, the awareness is still limited.”

**Investors’ Advantage**

Investors see a number of advantages in India, lawyers in Delhi and Mumbai tell Asia IP. While the dollar-rupee exchange rate may be a factor, many lawyers believe India’s other advantages – a large number of well-educated, English-literate workers and generally good government – are at least as important. “India has a surplus of all the above in comparison to China,” one lawyer says.

While lower dollar costs is a big plus point for MNCs considering establishing themselves in India, Bhuta says that the political situation in India is not that favourable at the moment. “India has complex licensing, FDI policies and tax policies, and the high cost of office and other real estate are factors against India at the moment. We hope, with the general election in 2014, the scenario will change drastically,” he says. Economists and lawyers alike say that they expect the investment climate to improve following the 2014 elections, which
will be held before May 31. While the markets have been sluggish recently, says Anjeja, they are expected to react positively once the general elections have taken place. “The stabilization of the political dynamics will surely strengthen the market conditions,” she says.

But no matter the outcome of the coming elections, India has a strong, growing economy that investors are likely to find attractive, says Katakri. “Even in bad times, India grows at about 5%. The long-term fundamentals remain strong. With India’s large and ready to labour workforce, India spending heavily on infrastructure, showcasing its technological prowess as well as cost efficiency – the world’s cheapest car, and cheapest Mars mission – India is not a market that can be ignored. Whether it is services companies (Vodafone) or car companies (Honda), retailers (IKEA) or hospitality majors (Ritz Carlton), there is both an expectation of long term growth, and indications of an investment towards that growth.”

Nair notes that domestic and foreign companies are generally treated equally by the Indian government and courts, which should encourage more FDI. “Encouraging figures of foreign direct investment supports the fact that the Indian IP regime instills confidence in foreign investors in India,” she says. “This has been in response to an increase in protection of intellectual property in the country, not only for its own people but for investors and foreign companies as well.”

She says that India has seen “a slow but steady” increase in foreign investments.

“Investors are careful before swimming in strange waters. They hope for another China Effect, but whether it will happen remains to be seen,” she says. “The country itself is wary of too much foreign investment, and therefore has set up a less convenient process for potential investors.”

Nair says that investors will have to be careful and make sure they abide by the rules and regulations of the country and respect them. “The country is firm in that it will not allow exploitation of its people. Nonetheless there is a strong increase in foreign investment. This tells us investors are eager to invest, but are weighing the risk. Most economists are sure that foreign investment is sure to grow in the country in the times ahead.”

India’s FDI regime has been progressively liberalized, by relaxing the restrictions on foreign investment and simplifying the procedures, says Grover, who notes that 51% FDI was allowed in the multi-brand retail trading sector last year, under the so-called government route of investment. Foreign supermarket chains may now open stores in cities with a minimum population of one million in the country’s 2011 Census. “Besides this, state governments may decide to allow such retail sales outlets in any other cities,” says Grover.

Additionally, Grover says, special economic zones with tax benefits have been established in India, and the processes to set up an representative office in India are two steps less than in China. “One can establish a business in India at a relatively short time scale,” he says.

Telecommunications has recently been opened to 100% FDI, meaning that a foreign-owned entity can own and operate a telecommunications business without any local partners. Commercial lawyers who spoke with Asia IP say that through loosening of investment restrictions, FDI will likely increase in e-commerce activities, such as the selling of insurance and securities; defence; petroleum and natural gas; agricultural activities; railways and civil aviation; single-brand retailing; asset reconstruction; and courier services.

But merely opening up sectors in the FDI policy may not yield desirable results, says Ashwin Julka, managing partner at Remfry & Sagar in Gurgaon. “In addition to opening key sectors, the government will have to work on making entry into our market easier, investments safer and growth steady and predictable,” he tells Asia IP. “At present, the emphasis is on getting meagre investments, which is good, but the government needs to work at ‘inducing investments’ and not merely ‘getting investments.’”

Julkan explains: “Getting FDI is limited to players who already harbour plans of setting up shop in India. The government should simultaneously work towards attracting smaller and medium sized players who did not actually plan on expansion and entering markets such as India. Such investment will not only be long term, growth-endearing and employment-generating but will be greenfield as opposed to brownfield.”

Sushant Singh is generally upbeat about the future of FDI: “One should definitely persuade the foreign investors to invest in India. The continuous upsurge in FDI across industries and sectors has proven that foreign investors have faith in the resilience of Indian markets,” he says, noting that there here has been a significant increase in FDI in telecommunications, construction activities and computer software and hardware over the past few years.

Perhaps Paharia, the Zeus IP lawyer, puts it most succinctly: “India is a huge market, and to shy away from India will be detrimental to the interests of the foreign investors.”  

— Suneeth Katakri, partner, IndusLaw, Noida
The 2014 Asia IP Copyright Survey

A Guide to Asia’s Copyright Laws

Contents

<table>
<thead>
<tr>
<th>Region</th>
<th>Country</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater China</td>
<td>China</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>Hong Kong</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>Macau</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>Taiwan</td>
<td>19</td>
</tr>
<tr>
<td>Central Asia</td>
<td>Kazakhstan</td>
<td>20</td>
</tr>
<tr>
<td>North Asia</td>
<td>Japan</td>
<td>21</td>
</tr>
<tr>
<td></td>
<td>North Korea</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td>South Korea</td>
<td>22</td>
</tr>
<tr>
<td>Southeast Asia</td>
<td>Brunei</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td>Cambodia</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td>East Timor</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>Indonesia</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>Laos</td>
<td>26</td>
</tr>
<tr>
<td></td>
<td>Malaysia</td>
<td>27</td>
</tr>
<tr>
<td></td>
<td>Myanmar</td>
<td>28</td>
</tr>
<tr>
<td></td>
<td>The Philippines</td>
<td>28</td>
</tr>
<tr>
<td></td>
<td>Singapore</td>
<td>31</td>
</tr>
<tr>
<td></td>
<td>Thailand</td>
<td>32</td>
</tr>
<tr>
<td></td>
<td>Vietnam</td>
<td>33</td>
</tr>
<tr>
<td>South Asia</td>
<td>Bangladesh</td>
<td>34</td>
</tr>
<tr>
<td></td>
<td>India</td>
<td>34</td>
</tr>
<tr>
<td></td>
<td>Nepal</td>
<td>36</td>
</tr>
<tr>
<td></td>
<td>Pakistan</td>
<td>36</td>
</tr>
<tr>
<td></td>
<td>Sri Lanka</td>
<td>37</td>
</tr>
<tr>
<td>Oceania</td>
<td>Australia</td>
<td>38</td>
</tr>
<tr>
<td></td>
<td>New Zealand</td>
<td>40</td>
</tr>
</tbody>
</table>

By Johnny Chan, Amanda Shuai and Gregory Glass
Greater China

The third amendment of the current copyright law in China has been underway since 2012. The draft has been sent to the State Council for review and is expected to be released in 2014. Main concerns from the public include the scope of using unlicensed works, compensation for infringement damages and collective management of copyrights.

Public feedback has mostly concerned statutory licensing, collective management of copyrights, the review obligations of network service providers, legal liability for non-exclusive license users, compensation for damages and the registration of copyrights.

Part of the amendment was not welcome by Chinese music composers, as they believe it will diminish their professional rights if passed, says Samson Yu, managing partner at Kangxin Partners in Beijing. Article 46 of the draft stipulates that music producers may use a musical work from another recorded product in their own productions without having to obtain consent from the copyright holder. Such action would be acceptable as long as it has already been published for more than three months. Producers must report the use to relevant government authorities and fairly compensate the original artist. Otherwise, royalties for such use will be collected through collective copyright management organizations.

“The biggest challenge facing copyright owners is low compensation in China,” says Hao Qinfen, chairman at Dragon Intellectual Property in Beijing. He says that the challenge will get better as soon as the newly amended copyright law comes into force.

Vivien Chan, senior partner at Vivien Chan & Co in Hong Kong, says that the issue of infringing activities poses a significant damage to copyright owners. Targeting each individual would have little effect and may not be cost effective. She says that “devising a cost-effective strategy in enforcing the right owner’s rights is crucial in China.”

On March 1, 2013, the Chinese government released and implemented two newly amendments to the Regulation on the Implementation of the Copyright Law and the Regulations on the Protection of the Right of Spreading Information through Network. The changes were mainly related to the punishment of copyright infringement. The maximum fine was increased from Rmb100,000 (US$16,500) to Rmb250,000 (US$41,300) or five times of the illegal income from infringement in the two amendments.

Yu says that putting heavier punishments on infringers shows the Chinese government’s effort in increasing the deterrent level for copyright infringement. “It also increases the obligation of the network service providers, who are significantly meaningless to the copyright protection on Internet.”

On November 29, 2013, Beijing Haidian District Court found Baidu, the leading search engine in China, guilty of infringing the copyright of Youku Tudou’s content. The ruling ordered Baidu to pay Rmb550,000 (US$90,800) in damages compensation.

“Protecting online media is of critical importance, especially as companies such as Youku Tudou spend increasingly large amounts of money for legal licenses,” says Spring Chang, founding partner at Chang Tsi & Partners in Beijing. “However, while the court awarded damages, they amounted to only around 0.1% of the requested compensation.”
Hong Kong’s Copyright Ordinance has been in effect since June 27, 1997. The ordinance protects recognized categories of literary, dramatic, musical and artistic works, as well as films, television broadcasts and cable diffusion, and works made available to the public on the internet. Furthermore, performers of live performances and persons having exclusive recording contracts with performers are also entitled to protection.

Works produced by authors from any place in the world, or works first published anywhere in the world, also qualify for copyright protection in Hong Kong. The work is protected in most countries and territories in the world, through the application of many international copyright conventions in Hong Kong, including the Berne Convention, the Universal Copyright Convention, the Phonograms Convention, the WTO’s Agreement on Trade Related Aspects of Intellectual Property Rights, the World Intellectual Property Organization Copyright Treaty and the WIPO Performances and Phonograms Treaty.

The biggest challenge has been in the area of online infringement. Infringers often hide behind proxies or give fake names and/or addresses for registration, says Henry Wheare, a partner at Hogan Lovells in Hong Kong. He says that certain acts, such as gaining access to copyright works through streaming, do not constitute infringement because no actual copy is made or kept by the user under the current law. “Gaining access to an infringer’s information through intermediaries such as internet service providers, cyber-lockers and website forums through the court is costly and time consuming. At the same time, taking direct infringement actions against such intermediaries can be difficult and may attract negative publicity.”

Gabriela Kennedy, a partner and head of the Asia IP and TMT group at Mayer Brown JSM in Hong Kong, says that some of the biggest challenges in Hong Kong come from a lack of adequate statutory support. In Hong Kong, the right of communication is still not on the statute, she says.

A Copyright (Amendment) Bill was presented to the
legislative council in 2011 to update the law. Under the current
digital economy, the bill was to introduce a technology-neutral
communication right that would make it easier for copyright
owners to take enforcement actions against infringement over
the internet. Concerns were raised on whether parodies would
be caught by the new criminal and civil liability provisions under
the Bill.

Accordingly, the Hong Kong government initiated a public
consultation in July 2013 to ask the public’s views on the
treatment of parody under copyright laws in order to strike a
balance between copyright protection and freedom of expression.
The consultation paper contains three options regarding the
treatment of parody, including exemption from criminal and civil
liabilities, says Wheare. After a four-month consultation, the
government issued a discussion paper in December 2013 that
summarizes the views it received from the public, but there was
no consensus reached to decide which option to adopt.

Wheare says that it is a long way towards remedying the
challenges mentioned above. Passing the Copyright Amendment
Bill 2011 into law provides a right of communication to copyright
owners and clarifies the responsibility of intermediaries such
as internet service providers, he says. “It is hoped that some
proposals for legislative amendment on this subject area and
the re-introduction of the Copyright (Amendment) Bill 2011 will
happen in the near future.”

The Hong Kong Customs and Excise Department set up a new
unit to tackle the sharp rise in criminal activities in cyberspace.
The Electronic Crime Investigation Centre (ECIC) will investigate
cyber crimes and internet piracy. It will be interesting to watch IP
owners seek the ECIC’s assistance in enforcing their rights in the
civil courts, says Jason Carmichael, a partner at Smyth & Co in
Hong Kong. “Where you can involve the relevant regulatory and
investigative agencies, enforcement of civil remedies is usually
less difficult,” he says.

Macau is a special administrative region (SAR) of China, similar in its legal relationship to China
as Hong Kong, although with its own set of laws unrelated to those of either Hong Kong or China.
Where much of Hong Kong’s law is based on that of the United Kingdom, much of Macau’s
law is based on that of Portugal, which handed Macau over to China in 1999.

Like Hong Kong, Macau’s intellectual property rights protection scheme is separate from that of mainland China. Macau is a
member of the World Trade Organization, and many international agreements related to intellectual property protection are
applicable. Macau is not, however, a member of the Berne Convention, although local copyright protection is available through the Intellectual Property Department of the Economic Services Bureau of the Macau SAR Government, which handles and is part of all IP matters in the territory.
Macau’s participation in international copyright law has lagged behind that of Hong Kong and mainland China. In 2012, the Legislative Assembly passed Law 5/2012 to harmonize Macau’s law with WIPO’s Copyright Treaty and the Performances and Phonograms Treaty, both of which were previously ratified by Hong Kong and China. The law, which extends copyright protection to the internet and digital technology, also increases artists’ rights, lawyers say.

Artists, however, still struggle with the payment of royalties, in part, says Bruno Nunes, an attorney at BN Lawyers in Macau, because three separate organizations claim to represent copyright owners. "Their rights will not be effective anytime soon," says Nunes, who says Macau needs to regulate the setup of a copyright society responsible for the representation of artists and to regulate the compensation calculation format. "Right now, that is the major dispute with local entities in regards to payment of copyright: they don’t acknowledge the legitimacy of the existing societies and they dispute the calculation format used by the existing societies."

Ung Kuok Iang, president of the Macau Association of Composers, Authors and Publishers (MACA), one of the SAR’s three copyright societies, told Macau Business Daily that casino-hotels are big users of music who have long refused to pay royalties in Macau.

"Casinos are backed by big international corporations and, in some cases, they have a lot of tricks for not paying," he told the newspaper. "I don’t know why, because we are not charging very much. Maybe it’s a question of strategy for them. Casinos are infringing copyright every day. Some have signed up for concerts, yet they pay royalties only for some of those events. The casinos don’t really feel any pressure to pay because we have never taken any of the operators to court."

Ung says that Macau’s royalty calculation is based on that of Hong Kong. “We base ourselves on the Hong Kong tariff and judge the value of the music being played depending on the venue. For instance, in karaoke, the value is high, because they are selling music and drinks.”

Chen in Taipei.

Article 15: The right to publicly release the work. “The amendment of this article should be articulated independently from Article 16 (the right to indicate the author’s name) and Article 17 (the right to prohibit others from distorting, mutilating, modifying or changing the work),” Chen says.

Article 18: Protection of moral rights of an author who has died or been extinguished. “The amendment of this article will be discussed based upon TIPO’s proposed version in the future,” Chen says.

Another area of concern relates to fair use, and for that reason, TIPO plans to amend Article 48 regarding fair use of libraries, museums, and other cultural institutions open to the public; Article 55 regarding fair use of another person’s work that has been publicly released; Articles 44, 45, and 65 regarding reproduction by government agencies; and Article 51 regarding reproducing works for non-profit use by an individual or a family, adds Chen.

Copyright acts of many countries around the world, especially those provisions governing works created during the course of performing one’s job duties, have been taken as reference and have mostly sustained a juristic person’s capacity as an author, but as provided in Articles 11 and 12 of Taiwan’s copyright act, the employee or the party commissioned is principally the author of the work he/she has completed. TIPO has proposed amendments to those two articles.

“By reference of relevant provisions of copyright acts of other countries and the opinions contributed by related scholars and experts, TIPO suggested two alternative amendments on Article 11 that either the employee or the employer may be the author of works created during the course of performing one’s job duties. TIPO also suggested some minor changes to the wording of Article 12 with respect to works created on commission without changing the principle that the one commissioned to create the work should be the author thereof,” says JK Lin, director at Taiwan International Patent & Law Office in Taipei.

It is advisable to remove the exception provided in the first paragraph of Article 12 of the Copyright Act because in accordance with TIPO’s administrative interpretation, if the commissioned party is a natural person, the commissioning party...
Another challenge is that unlike trademarks and patents, which would rather like to have their works properly protected by laws,” says Chen. “But instead of putting people in jail, copyright owners prosecute, many people are still willing to take the risk, says Even though most infringers are criminally charged by public prosecutors, many people are still willing to take the risk, says Chen. “But instead of putting people in jail, copyright owners would rather like to have their works properly protected by laws.”

Another challenge is that unlike trademarks and patents, which can be filed and registered, copyright is available upon creation of works so “it is always a challenge for copyright owners to prove ownership in civil and/or criminal infringement litigation,” says Ruye-Sen Tsai, a partner at Lee and Li in Taipei. “Besides, the copyright owner also bears the burden to prove that the claimed works are copyrightable. Such a challenge is getting worse since infringers have been more familiar with such issues and will take these as defence.”

Central Asia

KAZAKHSTAN

Intellectual property owners continue to face challenges to their enforcing their IP rights in Kazakhstan. “As a representative of well-known companies that have strong brand protection all over the world, we can note that trademark owners rather often face violation of their trademark rights in Kazakhstan,” says Aigoul Kenjebayeva, managing partner and head of IP and IT for Dentons in Almaty. “Local violators use trademarks to mark fake products, fulfill acts of unfair competition, consumer fraud, inappropriate advertisement and use trademarks in domain names.”

Kenjebayeva says that in most cases, it is challenging for IP owners to prove violations in Kazakhstan and stop infringement since Kazakhstani judges and state authorities can be influenced by political and other factors. “Although the legal chances are high, the court may decide the case based on considerations which are outside of legal framework,” she tells Asia IP. She says that Kazakhstan stills suffers from a bureaucratic hierarchy in the structure and organization of the state authorities.

Moreover, she says, “based on our practice, we would say that the state authorities still do not have sufficient knowledge with respect to intellectual property objects.”

Revisions to the copyright laws in 2013 have, at least theoretically, strengthened protections online. But Alaksiej Lavoncyk, writing on Net Prophet, a blog providing news and analysis on the latest in new media and IT across Central and Eastern Europe and the former Soviet Union, says there is much uncertainty about the new law.

The legal document enforcing changes to the copyright acts, the Kazakhstan Criminal Code, and the Code of Administrative Offences was signed into effect on February 1, 2013, and identifies severe fines or imprisonment for the violation of copyright, Lavoncyk writes.

“For example, the illegal usage of the copyrighted objects (as well as their production, storage, and transfer leading to significant damage), is punishable with a fine of up to US$7,900 or one year restricted freedom. Setting up of a resource to exchange the copyright objects causing significant damage is punishable with a fine of up to US$9,000 or imprisonment. If convicted of a repeat offence, a person found guilty may get up to five years in prison,” he says.

The punishment for the people who are not “causing significant damage” – possibly those who, for example, have downloaded an illegal copy of a movie to watch – will be a warning, Lavoncyk says. In all cases, the tool of the crime (the computer) may be confiscated.

“No doubt, copyright needs to be protected in some form, although I am among those who believe that the copyright term should be decreased from the current dozens of years down to three or, at a maximum, five years. Otherwise there is no incentive for a creator to create,” he says. “What is dangerous here is that implementing copyright protection legislation in former USSR may act upon the proviso of the Article 12 to reach an agreement with the natural person for acting as the author of the work created on commission, Lin says.

“However, if the commissioned party is a juristic person, the exception provided in the first paragraph of Article 12 which refers to Article 11 (not the proviso thereof) shall be applicable and therefore the author of the work created on commission should be the commissioned juristic person or its employee thereof; in that circumstance, the commissioning party is legally unlikely to become an author, but may act upon Article 36 of the Copyright Act to obtain the economic rights of the said work or obtain, in accordance with Article 37 of the Copyright Act, to license for legal practice. In case of works created on commission, however, there will be practicably different results coming from the circumstances where the commissioned party is a juristic person or where the commissioned party is a natural person, which will go against the proviso of Article 12 (the commissioning party may be the author of a work created on commission if an agreement made by and between the commissioning party and the commissioned party so set forth),” adds Lin.

One of the challenges facing local copyright owners is the adjustment of royalty rates. The Supreme Administrative Court rendered a judgment in July 2013 to the effect that the royalty rates provided by the Copyright Collective Management Organization should be adjusted in accordance with the number of times of uses, so as to meet the “users pay” principle and further to secure copyright holders’ rights.

“The judgment stated that the royalty rates should be determined based on the users pay principle. However, copyright management in Taiwan is not collectively controlled by a single organization but by different ones,” Lin says. “That is, users have to pay for using according to the number of times of use and the number of works used provided by different organizations.”

Another huge challenge is online piracy, which has been increasing in recent years and for which effective remedies are insufficient in practice, says Peter Dernbach, a partner at Winkler Partners in Taipei.

To soothe that problem, TIPO floated a proposal in May 2013 to amend the copyright act to allow blocking local access to foreign websites known to be engaging in serious copyright infringement. “TIPO proposed to create an interagency commission, made of 'competent authorities' including perhaps Taiwan’s internet service provider moderator, the National Communications Commission, as well as right holders and other expert groups with the authority to issue administrative orders to ISPs to block access to certain sites,” says Dernbach.

Organizations including TIPO, educational and mass media institutions could also implement a broadcasting programme to teach the public what copyright is and what activities constitute copyright infringement, because the public generally lacks sufficient knowledge about copyright infringement, Chen says.

“The public is not so used to purchasing authorized works, many SMEs incline to selling unauthorized cheap copyrighted works in exchange of taking risk of criminal liabilities charged by public prosecutors.”

Even though most infringers are criminally charged by public prosecutors, many people are still willing to take the risk, says Chen. “But instead of putting people in jail, copyright owners would rather like to have their works properly protected by laws.”

Another challenge is that unlike trademarks and patents, which can be filed and registered, copyright is available upon creation of works so “it is always a challenge for copyright owners to prove ownership in civil and/or criminal infringement litigation,” says Ruey-Sen Tsai, a partner at Lee and Li in Taipei. “Besides, the copyright owner also bears the burden to prove that the claimed works are copyrightable. Such a challenge is getting worse since infringers have been more familiar with such issues and will take these as defence.”

Central Asia

KAZAKHSTAN

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Kenjebayeva says that in most cases, it is challenging for IP owners to prove violations in Kazakhstan and stop infringement since Kazakhstani judges and state authorities can be influenced by political and other factors. “Although the legal chances are high, the court may decide the case based on considerations which are outside of legal framework,” she tells Asia IP. She says that Kazakhstan stills suffers from a bureaucratic hierarchy in the structure and organization of the state authorities.

Moreover, she says, “based on our practice, we would say that the state authorities still do not have sufficient knowledge with respect to intellectual property objects.”

Revisions to the copyright laws in 2013 have, at least theoretically, strengthened protections online. But Alaksiej Lavoncyk, writing on Net Prophet, a blog providing news and analysis on the latest in new media and IT across Central and Eastern Europe and the former Soviet Union, says there is much uncertainty about the new law.

The legal document enforcing changes to the copyright acts, the Kazakhstan Criminal Code, and the Code of Administrative Offences was signed into effect on February 1, 2013, and identifies severe fines or imprisonment for the violation of copyright, Lavoncyk writes.

“For example, the illegal usage of the copyrighted objects (as well as their production, storage, and transfer leading to significant damage), is punishable with a fine of up to US$7,900 or one year restricted freedom. Setting up of a resource to exchange the copyright objects causing significant damage is punishable with a fine of up to US$9,000 or imprisonment. If convicted of a repeat offence, a person found guilty may get up to five years in prison,” he says.

The punishment for the people who are not “causing significant damage” – possibly those who, for example, have downloaded an illegal copy of a movie to watch – will be a warning, Lavoncyk says. In all cases, the tool of the crime (the computer) may be confiscated.

“No doubt, copyright needs to be protected in some form, although I am among those who believe that the copyright term should be decreased from the current dozens of years down to three or, at a maximum, five years. Otherwise there is no incentive for a creator to create,” he says. “What is dangerous here is that implementing copyright protection legislation in former USSR
countries based on legislation from the US and EU will not lead to a better protection of inventors, artists, and movie directors. The practice of law implementation in Belarus or Kazakhstan, for example, is dramatically different from that in the US, just as the places of those countries on the indices of corruption, freedom of the press, and economic freedom would suggest."

North Asia

In response to the increasing demand of digital books and considering the strong desire of the publishing industry to protect paper books and their businesses, the revision of the right of publication has been discussed by a committee organized by the Agency of the Cultural Affairs and the government intends to submit the revision to the Diet (the Japanese parliament) in 2014, says Mitsuko Miyagawa, a partner at TMI Associates in Tokyo.

Under the current law, there are no regulations to protect publishers who publish digital publications. The publishers cannotfile lawsuits against copyright infringement themselves—they have to request the author to file the suit, says Takenori Hiroe, managing partner at Hiroe and Associates in Gifu City.

In addition, on March 2, 2013, a Tokyo District Court deemed that the failure to indicate the names of the authors of the original books as the authors of the books published as separate volumes of the original book constitutes infringement, says Rebecca Chen, a foreign counsel liaison at Sugimura International Patent & Trademark in Tokyo.

While amendments to the Japanese Copyright Act became effective January 1, 2013, “the most critical aspect of the amendments is the criminalization of illegal downloading of copyrighted material,” says Chen. “The revised law carries a punishment of up to two years in prison and a Y2 million (US$19,000) fine.”

Even people who innocently encourage illegal online sharing can be sued, including a case where a copyright owner of a movie sued a person who posted a link to a website where the plaintiff’s movie was uploaded without permission.

The court concluded that posting the link did not constitute copyright infringement or tort by aiding infringement, because it is not apparent that the plaintiff’s movie was posted in the linked website without permission, and because the defendant removed the plaintiff’s movie when he became aware of the fact that the movie was posted without the plaintiff’s permission, Miyagawa says. “The majority of legal professionals hold that the linking to an infringing site does not constitute copyright infringement. However, this case is important because the subject linking is a so-called ‘embedded type’ linking, where you can view the linked movie on the linking site. In Japan, the website where links to infringing sites are collected and posted, is called a ‘reach site,’ and is considered problematic. The regulation on a reach site has been one of the issues of discussions at the Agency of Cultural Affairs.”

Another significant amendment is that cryptographic method such as CSS used for DVD and AACS used for Blu-ray are now included in the technology protection measures and decoding of those works, which is possible through circumvention of cryptographic method, is now illegal even for personal use, says Tomoko Furukawa, a patent attorney at Kawaguti and Partners in Tokyo. "Further, those who sell apparatus and/or programs which enable circumvention of cryptographic method shall also be punished by imprisonment for not more than three years or by a fine not exceeding Y3 million.”

The increased penalty is expected to have some deterrent effect, Miyagawa says, “In fact, the police have actively taken action against copyright infringers online.”

Japan became the 12th nation to join the Trans-Pacific Partnership (TPP) on July 23, 2013, joining countries including the United States, Australia, New Zealand, Malaysia, Vietnam, Singapore and Brunei.

The TPP is a free trade agreement that was established to remove barriers and set standards among the members concerning all key trade and related areas such as IP. With Japan’s entry, the period of copyright protection is likely to be increased from 50 to 70 years after the death of the writer, says Hiroe.

If that extension happens, it is foreseen that orphan works (works with unknown creators) will increase. “I expect Japan will consider making the compulsory license system easier to use to save money and time,” says Miyagawa.

Unauthorized uploading and downloading of music and movie online is the biggest challenge facing copyright owners in Japan, Miyagawa says. “This is not only a domestic challenge because our TV programmes, manga and game software, are illegally uploaded all over the world.”

Copyright owners in Japan often have difficulty proving their damages amount. An aggrieved party has the burden of proof on the amount of damages the party requests, but it is often difficult to prove, says Toshio Kobayashi, an attorney at law at Kobayashi and Todo in Tokyo. “Article 114 of the Japanese copyright law is insufficient. The law should adopt the provision of trouble
Asian IP

NORTH KOREA

For 2014 will be determined after the KRTRA and universities ease the burden on the universities. The level of compensation also exempted universities from payment for 2011 and 2012 to W3,132 (US$3) to W1,300 (US$1) per student. The agreement universities. As a result, the compensation level was lowered from W10 million (US$9,500), and in cases where there has been a deliberate intention to infringe the copyright of another, up to W50 million (US$47,500) can be claimed.

South Korea - Recommended Firms

| Tier 1 | Bae, Kim & Lee  
| Kim & Chang  
| Lee & Ko/First Law  
| Yoon & Yang  
| Yulchon |
| Tier 2 | Cho & Partners  
| Lee International IP & Law Group  
| Shin & Kim  
| You Me Patent & Law Firm  
| YP Lee Mock & Partners |

Protecting copyrights in North Korea remains a significant challenge, as recent appearances by a fake Mickey Mouse and his friends demonstrates, according to a story on the Slate website. The story, written with the assistance of several law professors in the United States, says that while a 2001 North Korean law prohibits infringement of foreign-owned copyrights, the law is useless to Disney, which owns Mickey, Minnie, et. al.; because there is no international court to hear IP disputes between private parties. The story dismisses the possibility of Disney suing in Pyongyang, saying North Korea is “notoriously unfriendly to such claims” – and adds that trade restrictions imposed by the US government would keep the company from hiring or sending attorneys, anyway.

North Korea is a signatory to the Berne Convention, but is not a member of the World Trade Organization. Video games maker Activision has had more luck with its recent claim against North Korea, following the government’s posting of an anti-US propaganda video from YouTube. The video, which showed a young man dreaming about a North Korean space shuttle destroying a city that resembles New York, was actually footage from the Activision game Call of Duty, the BBC reported. The video, which also contained footage of North Korea’s recent rocket launches and an instrumental version of the 1985 charity single We Are The World, carried Korean subtitles reading “Somewhere in the United States, black clouds of smoke are billowing. It seems that the rest of wickedness is ablaze with the first started by itself.”

YouTube removed the video at Activision’s request.

The 2007 amendment to South Korea’s Copyright Act introduced a compensation scheme whereby universities are required to pay a fixed amount of compensation per student for copyrighted works used for educational purposes. The compensation scheme went into effect in 2011, but it has received strong resistance from universities. On November 28, 2013, the Emergency Committee on Compensation for Work Used for Educational Purposes and the Korea Reproduction and Transmission Rights Association (KRTRA) entered into an agreement to lower the compensation level for works used for education purposes with a view to encourage early adoption of the compensation scheme by the universities. As a result, the compensation level was lowered from W3,132 (US$3) to W1,300 (US$1) per student. The agreement also exempted universities from payment for 2011 and 2012 to ease the burden on the universities. The level of compensation for 2014 will be determined after the KRTRA and universities conduct a joint investigation into the actual usage of copyrighted works in universities.

“Once the compensation scheme is adopted by the universities, it is expected that professors will be freed from the hassle of having to seek consent from individual copyright owners for materials that they wish to use in their lectures, which would in turn give the universities a greater competitive edge,” says Young-Hill Liew, a partner at Yulchon in Seoul.

To improve the music industry, the Ministry of Culture, Sports and Tourism has decided to adopt a competition system to the trust management business starting from 2014 and selected the Federation of Korean Music Copyright Holders as a new participant in such system from June 2014, says Jay Yang, head of IP at Kim & Chang in Seoul. “As a consequence of adopting the competition system in the music copyright trust management business, copyright holders will have an opportunity to entrust their copyrights under more favourable conditions, and by enhancing efficiency and transparency in the operation of trust management organizations through competition in good faith, it will positively affect the development of the music copyright industry.”

Other Copyright Act changes are as follows:

The scope of temporarily-stored reproductive works was extended in order to “maintain the balance of protection of copyrighted works against the growing digital era,” says Jae Hoon Kim, head of IP at Lee & Ko in Seoul. “If in accordance with the original conditions of the law, the temporary storage of reproductive works is permitted.”

The clause of fair use of literary works was introduced to allow literary works to be used fairly and without prejudice in areas such as education, reports, reviews and research, Kim says, “as long as they do not conflict with the general uses of the works nor hinder the authors’ rights.”

Many legal commentators, however, have criticized the fair use defence, Kim says. “Discussions are taking place to delete the conditional language – ‘for purposes of news reporting, criticism, education, research, etc.’”

Statutory damages were introduced. “As it is often difficult to prove damages, plaintiffs can now choose to claim statutory damages for immediate relief,” Kim says. “For each work that has been infringed, plaintiffs can claim up to W10 million (US$9,500), and in cases where there has been a deliberate intention to infringe the copyright of another, up to W50 million (US$47,500) can be claimed.”
Article 33’s Clause 2 was added to permit the reproduction of copyrighted materials for use by people with hearing disabilities, says Hoo-Dong Lee, head of IP at Bae, Kim & Lee in Seoul. “Under this new provision, which took effect on October 17, 2013, anyone may convert copyrighted materials into sign language and reproduce, distribute, perform, and/or transmit such materials in sign language for the benefit of people with hearing disabilities.”

The length of copyright protection has been extended from 50 to 70 years after the author’s death. The extension does not apply to works already in the public domain. In other words, the amended Act does not apply to a copyrighted work, in whole or in part, if the term has already expired under the pre-amended Act. Furthermore, if the protection term of a foreign copyrighted work has already expired in its country of origin, the extended term under the amended Act will not be recognized in Korea according to the rule of the shorter term under the Berne Convention. Finally, the extension of protection for neighbouring rights does not apply to broadcasts, and only phonograms and performances will enjoy an extended protection period of 70 years, Yang says. “The above amendments indicate Korea’s willingness to harmonize with the international trend of strengthening copyright protection.”

Illegal downloading and uploading of copyrighted works continue to be the biggest challenge facing copyright owners in the country, says Miyoung Song, a lawyer at Darae Law & IP Firm in Seoul. Another difficulty for copyright holders is the illegal reproduction of software. “Illegal use without obtaining a lawful license, using in excess of the quantity permitted under license, sharing of a network by multiple users without license, and using bundled software in other hardware devices have been rarely resolved,” Yang says. “In addition, the legal definition and concept of ‘cloud computing service’ does not seem to be clear, and no legislation regarding the issue exists. In the process of using copyrighted works through the cloud computing service, reproducing copyrighted works on a cloud server and transmitting copyrighted works on a cloud server to a terminal may occur, so the issue of whether such reproduction or transmission constitutes copyright infringement may arise.”

There is not enough deterrence against copyright infringement due to the modest damages awarded by courts, says Ik Hyun Seo, a partner at Cho & Partners in Seoul. “The adoption of some type of minimum statutory damages and/or enhanced damages for egregious/bad faith copying would certainly create more deterrence and allow right holders to more actively pursue legal claims.”

A new challenge to local copyright owners is portrait infringement. “There has been an increasing number of portrait lawsuits filed by Korean celebrities, but the law is unclear about the scope of photos/images/portrait copyrights (i.e., limits on usage of broadcasts and photographic works),” says Nicholas Park, a partner at Lee International IP & Law in Seoul. The Seoul High Court rendered a ruling on November 28, 2013, whereby music being played in a department store fell under works for “commercial sales,” and thus, such use constituted use of another’s copyright, thereby requiring compensation to the
owner of the music.

“The court stressed that even if music is being used in such a manner whereby the goal is not to sell the music to the general public, if profits are being lost by the owner of such work by the fact that his work is not being used for performances or for commercial sales in the general sense, then, [the playing] of such work must be considered as works for ‘commercial sales,’” says David Kim, a partner at You Me Patent & Law Firm in Seoul.

Another important judgment came on August 22, 2013, in which the Supreme Court found that the defendant, who received an English summary of an original literary work by another and then translated it into Korean and posted online as part of a free service to others, constituted a secondary copyright infringement.

“The court stressed that even if the subject matter is a translation of a summary of an original literary work, if no authorization has been obtained from the owner of such a work, such act will constitute a secondary infringement of copyright,” says Kim.

In 2014, IP lawyers in South Korea expect an increasing number of copyright disputes over mobile software to emerge, says Park.

Southeast Asia

The administration of intellectual property law in Brunei is changing rapidly, as the country’s newly-established intellectual property office opened on June 1, 2013. The Brunei Intellectual Property Office (BruIPO) was set up through a joint effort between the Brunei Economic Development Board (BEDB) and the Attorney General’s Chambers. Transferring authority to BruIPO began with the establishment of the Patent Registry Office on January 1, 2012, under the BEDB, which was followed by the transfer of the Registry of Industrial Designs on October 1, 2012, and the Registry of Trademarks on June 1.

Paduka Hj Ali Apong, chairman of the BEBD and deputy minister at the Prime Minister’s office told the Brunei Times newspaper that Brunei must continue its efforts to protect intellectual property rights.

Brunei - Recommended Firms

Abrahams, Davidson & Co
CCW Partnership
Dr Colin Ong Legal Services
YC Lee & Lee

Cambodia - Recommended Firms

BNG Legal
DFDL Mekong
Gordon & Associates
Patrick Mirandah Co
Siam Premier International

Authorities in Cambodia continue to struggle against a rising tide of counterfeit goods of all sorts of consumer goods, from pirated books and movies to knock-offs of popular fashion and other consumer brands. Lawyers from Bangkok-based Tilleke & Gibbins have worked to curtail IP abuses through work with Cambodia’s Secretariat of the National Committee for Intellectual Property Rights and the Department of Intellectual Property Rights of the Ministry of Commerce to provide training on intellectual property issues for government officials.

Lawyers at the firm say that the seminar was held as a “kick start to tackle the problem of counterfeit goods” in Cambodia, and was aimed at providing knowledge on the methods of detecting counterfeit and imitated goods. The seminar focused on several leading brands which are also clients of the firm, including Diageo, DuPont, Gucci, Rovio Entertainment, and Shiseido, and was intended to help promote cooperation between the private sector and the relevant government authorities concerned with protecting their IP rights.

Managing partner Darani Vachanavuttivong, who was heavily quoted by the media, highlighted that “government commitment alone is not enough,” as the private sector has an important role to play in supporting the work of the government officials.

Most copyright infringement work in Cambodia today surrounds artistic works like songs, movies, etc, says Naryth Hour Hem, managing director at BNG Legal in Phnom Penh. “The Court has ordered several times to seize unauthorized DVDs of Hollywood movies and to ban the sale and purchase of these copyright infringed stuffs,” Hem says.

“IP protection has a direct impact on a country’s economic growth as it encourages innovation, leading to the creation of a knowledge-based economy,” he told the newspaper, noting that establishing BruIPO will promote a “business-friendly ecosystem” that will ensure that the IP rights of small to medium enterprises and multi-national companies are well-protected.

During the November 2013 National Seminar on Awareness on Copyright and Related Rights, the government announced upcoming amendments to the country’s copyright laws intended to increase penalties and enhance enforcement provisions, said Awang Hj Mohd Yusree, assistant solicitor general.

He said that Brunei has already stepped up enforcement initiatives, and, as a result, that Brunei has been removed from the USTR Special 301 Report. Much of the country’s efforts have been in reducing the sale of pirated items, such as CDs and DVDs.

Cambodia also faces significant copyright infringement on computer software and computer programs, Hem says, noting that the software industry, including Microsoft, has found many computers that are being used with unlicensed software.

While not yet a member of the Berne Convention, Hem says that the government is preparing to join the copyright treaty. “There are not enough laws and regulations governing the use of copyright work and a lack of general knowledge concerning
protection and importance of copyright,” Hem says. “There is also a lack of capacity of an enforcement body of copyright.”

There is no trademark office in East Timor, the country is not part of the Berne Convention, and there is no specific law on copyright in this country, reports intellectual property specialist Inventa Timore-Leste.

Following East Timor’s independence from Indonesia in 2002, there was a period where IP assets could be extended from their Indonesian counterparts in order to protect them in the Timorese territory, by means of a re-registration, but this method is no longer valid.

Instead, Inventa says, IP protection has been done in the form of cautionary notices. “The legal validity of the cautionary notice publications is two years, and while there is no IP office the same must be republished every two years,” the firm says. A cautionary notice must be published in an East Timor official newspaper and published in English and Portuguese.

East Timor - Recommended Firms

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In 2013, there was no new legislative and/or regulatory changes related to copyright in Indonesia, but amendments are expected to be published in the near future, says Ibrahim Senen, a partner at DNC Advocates in Jakarta.

Under the proposed amendment, copyright violation will no longer serve as an ordinary crime. It will become a criminal by complaint type of case, says Muzdalifah Lia, a partner at Nurmansyah & Muzdalifah Advocates in Jakarta.

Neeneng Sri Wiyanti, an IP consultant at Pulungan, Wiston & Partners in Jakarta likes the proposal because copyright owners can then monitor their rights in the proper way and with more control.

Other proposed amendments include the establishment of the National Collection Management Office, which shall be the only door for royalty registration and distribution to each and every respective copyright holder, says Freddy Karyadi, a partner at Ali Budiardjo, Nugroho, Reksodiputro in Jakarta. “The Collective Management Office will be strictly regulated in the new Copyright Law.”

Journalists would also be required to obtain approval from every person captured in a picture for publishing, Senen says. “This has raised much concern as it may prevent journalists from publishing images in their media.”

Copying computer software would be allowed under several conditions, according to the proposal, Senen says. “But this is deemed to be against the spirit to combat piracy and rather, provide a leeway for piracy to be conducted.”

Such behaviour should even be seen as patent rather than copyright infringement, says Ir Migni Myriasandra, managing director at Biro Oktroi Roosseno in Jakarta. “Software is currently under the copyright regime, but considering the development of the software industry, we think that it would be better regulated in the patent regime.”

Penalties for all kinds of copyright infringement will likely be increased in the amendment, says Yenny Halim, a partner at Acemark in Jakarta.

Besides the proposed amendments, the Jakarta government has undertaken efforts to enhance IP protection for goods sold in shopping malls or trade centres. To implement the effort, the Jakarta government is launching the programme from December 2013 to February 2014; the Directorate General of Intellectual Property Rights (DGIPR), Ministry of Law and Human Rights, and the Jakarta government will screen any sales of pirated products in trade centres and malls.

Fifteen ministries and state institutions including the DGIPR have also formed a National Team of IPR Infringement Combat and conducted a meeting to strategize getting Indonesia off the United States’ Priority Watch List for excessive IP violation, says Senen.

The fight against piracy remains the biggest challenge facing copyright owners in Indonesia, says Heru Lukito, founder at Heru Lukito & Partners in Jakarta.

Significant recent actions include a raid confiscating six tons of pirated CDs/DVDs from three shops at Glodok, West Jakarta, says Andrew Diamond, a foreign legal consultant at Januar Jahja & Partners in Jakarta. “The Jakarta city government has announced that it would crack down on malls and other establishments that were selling copyright infringing products by threatening to pull their business licenses and invoking landlord liability provisions. If properly followed through, this could be strong.”

Although there are many pirated CDs and VCDs in the market, relevant authorities find it difficult to locate the perpetrators, so pirated products are still abundant in the market, says Iman Sjahputra, an advocate at Iman Sjahputra & Partners in Jakarta. “Moreover, it is difficult to decide the amount of compensation, because the plaintiff does not know the exact income for the actions of the perpetrators of the copyright infringement.”

In civil lawsuits, related amounts of compensation should be determined in the copyright law, Sjahputra says. “Even if the copyright owner is not sure about the profit earned by the offender, the owner should still be able to claim the minimum loss set in law.”

The lack of awareness of the importance of copyright protection is also a contributor to piracy. “This is worsened by the ease of access to websites or other media which provide such pirated products,” Senen says. “The pirated products are also generally much cheaper than the original products, resulting in a bigger wave of attraction to obtain such pirated products.”

Authentic software is a prime target of pirates due to its high cost, says Halim. “Software sharing has become a culture among many locals, which makes enforcement very costly.”

Regardless of the level of public copyright knowledge, it is rare to have the perpetrator convicted, Senen says. “Very often, the perpetrator together with the authorized authority and the owner of an infringed copyright settle matters ‘amicably’ outside the court, leaving no deterrent effect.”

Bribery and corruption within the government or law
enforcement agency create parts of the problem, says Justisiari Perdana Kusumah, managing partner at K&K Advocates in Jakarta. And lengthy processes with authorities often prevents copyright owners from taking action at all.

The time it takes to complete a copyright recordal is usually one year, “which is too long compared to other jurisdictions, especially given that the recordal does not require an ownership examination,” says Somboon Earterasarun, director at Tilleke & Gibbins in Jakarta.

To meet global standards, the employer-employee provision should also be amended, lawyers say. Under the current law, if the work is created under an employment or under an order from the government sector, the employer is entitled to be the copyright holder unless agreed otherwise. However, if the work is created under an employment or under an order between private sectors, the employee is entitled to be the copyright holder unless agreed otherwise.

This provision should be amended to reflect the same interpretation regardless of the nature of the employer, Earterasarun says. “It is as though our current copyright regime differs slightly from those in the European and Asian countries, where the employer is considered to be the copyright holder if the work is created within the scope of employment.”

Improved intellectual property protection in Laos may be on the horizon, lawyers in the region say. At the moment, says Monmany Yaganegi, an IP specialist at Lao Interconsult Co in Vientiane, counterfeit goods are easy to find in the country, in part because Laos finds itself near the bottom of many global brands’ IP protection strategy lists.

“There is infringement in Laos of all well-known brands, but...
the owners tend to ignore it because Laos is a small market, in their view,” says Yaganegi, who notes that IP laws in the country would also be improved by increasing enforcement fines and penalties.

Better IP protection may be in sight, says Khanti Syackaphom, a legal advisor in Singapore-based Rajah & Tann’s Vientiane office. In May 2013, Sitha Phouyavong, Director-General of the Ministry of Science and Technology’s Department of Intellectual Property, spoke at the Lao Consultation Forum on Accession to the Madrid Protocol. Syackaphom said that in his speech, Phouyavong noted that Laos would need to overhaul its intellectual property administration in preparation for the country’s participation in the Madrid Protocol system by 2015.

“It is necessary to protect intellectual property by law to encourage inventiveness and creativity, and to combat intellectual property rights infringement and illegal business practices. This is one of the issues the Laos government will have to tackle in addressing its poverty reduction plans by the year 2020,” the firm reported Phouyavong as saying.

Laos passed new IP laws in 2012, in part to satisfy demands by the United States that the country improve enforcement of IP laws before joining the World Trade Organization.

“We are speeding up the development of the regulations to make the Law on Intellectual Property clearer,” Intellectual Property Department director general Phouyavong told the Vientiane Times newspaper at the time. The amended Law on Intellectual Property was approved by the National Assembly in 2011; the law was promulgated in early 2012.

Copyright protection in Malaysia is governed by the Copyright Act 1987. It was amended and went into force on March 1, 2012, to ensure that the country’s copyright law is consistent and up-to-date with new development and new international standards.

The new act facilitates in fulfilling the requirements for accession to the WIPO Copyright Treaty and WIPO Phonograms and Performances Treaty, says Anita Kaur Gerewal, senior associate at RamRais & Partners in Kuala Lumpur.

Major areas of the amendment include enhancing the existing limitation and exception provisions, expanding the jurisdiction scope of the copyright tribunal; introducing copyright voluntary notification, regulating the licensing body, enhancing the existing provisions on technological protection measures and rights management information, limiting the liabilities of internet service providers, introducing statutory damages strengthening the enforcement powers and introducing anti-camcording provisions.

Among the changes, the introduction of a copyright voluntary notification mechanism has drawn attention from the public, as there was no formal copyright registration system in Malaysia.

In such mechanism, the register serves as preliminary prima facie evidence for the particulars entered, and it may assist the potential applicants in proving copyright ownership. Potential users or licensees of a work may find the register useful as relevant information of a notified work can be found in the register. Only Malaysian citizens or permanent residents of Malaysia can file the notification.

Camcording provisions have been long expected in the country. The amendment created an offence of operating an audiovisual recording device in a screening room to record any film, says Wong Sai Fong, a partner and co-head of intellectual property practice group at Shearn Delamore & Co in Kuala Lumpur. Upon conviction, a maximum fine of RM100,000 (US$30,500) and/or a term of imprisonment up to five years may be imposed, he tells Asia IP.

Regarding issues of online copyright protection, the amendment requires internet service providers (ISPs) to comply with notice and take-down periods in order to limit their liability for infringement by their users, says Wong.

“It is hoped that the liability placed on ISPs under the latest amendments will aid copyright protection, although these provisions are currently untested in the courts,” says Lee Tatt Boon, senior partner and head of the IP division at Skrine in Kuala Lumpur.

A copyright tribunal is available in Malaysia under the Copyright Act. Its function is to grant licenses to produce and publish Malaysian translation of literary works written in other languages and arbitration of disputes relating to use of copyright works.

Generally, the protection under copyright subsists during the life of the author plus 50 years after his death in any literary, musical or artistic work. This duration should increase to life of the author plus 70 years to be in line with longer copyright protection in jurisdictions such as the EU, the US and Singapore, says Lee.

In The New Straits Times Press (Malaysia) v. Admal, Admal claimed that the New Straits Times’ spelling competition “RHB- NST Spell it Right” infringed the copyright of his concept paper for a spelling competition entitled “NST Spell it Right”. The key issue was whether a concept for a competition attracts copyright
protected by copyright,” says Chew. He adds that while a compilation of information may be copyrightable, the compilation itself must have some form of originality. “The decision further reminds that to establish copyright infringement, a substantial part of the original work must be copied and not general, functional or commonplace features.”

Chew says that one of the biggest challenges in Malaysia is establishing and proving copyright ownership in a copyright infringement action. “It is often challenged to adduce a copyright statutory declaration as evidence of prima facie ownership is possible,” says Chew.

Karen Abraham, a partner and co-head of intellectual property practice group at Shearn Delamore & Co in Kuala Lumpur, tells Asia IP that there is more cooperation now between copyright owners and the enforcement officials, within the Ministry of Domestic Trade, Cooperatives and Consumerism as well as the Malaysian Customs. "The enforcement officials are more ready to take actions now based on sufficient proof provided by the copyright owner," she says. As the advances in technology have made pirated goods openly available online, Abraham says that the government needs to be familiar with this grey area as well, in order to curb piracy.

In recognition of Malaysia’s efforts with respect to intellectual property protection and enforcement, with particular regard to copyright legislation amendments that came into force in 2012, the United States removed Malaysia from the Watch List from its Special 301 Report 2012. The country remained off the list in 2013. Abraham tells Asia IP that another big challenge in Malaysia is the ease of access to pirated materials. The government has, in the recent years, cracked down on many large operations involving piracy although much work still needs to be done to protect copyright owners.

In the next 12 months, Malaysia’s involvement in negotiations in the Trans-Pacific Partnership (TPP) agreement will hopefully provide more protection of creative content in the next few months and years to come, says Benjamin J Thompson, managing partner at Thompson Associates in Kuala Lumpur. The TPP agreement is a free trade agreement (FTA) initiative involving 11 countries, including, in addition to Malaysia, Australia, Brunei, New Zealand, Singapore, Vietnam and the United States.

One of the provisions being negotiated is in relation to an extended term for copyright protection, says Wong. “It is anticipated that the term of protection for copyright may be extended if Malaysia becomes a signatory of the TPP agreement.”

International brands have shown intense interest in Myanmar in recent months, following the easing or removal of political sanctions by many countries. Myanmar is in the process of revising its intellectual property laws, many of which are now coming online.

While the existing Myanmar Copyright Act (1914) does not prescribe copyright of other country to be recorded in Myanmar, the government is drafting the bills on IP laws to comply with the ASEAN and WTO agreements on protection of intellectual property, reports the Myanmar Trademark and Patent Law Firm. “In this interim period, international practice is not available and copyright obtained in other countries cannot be enforced in Myanmar,” the firm says.

Pillsbury Winthrop Shaw Pittman lawyers Mark Litvack & Aaron Hutman, writing in a late 2012 Client Alert, noted that there are no procedures for registering foreign copyright in Myanmar. “The Myanmar Copyright Act of 1914 provides for copyright for original literary, dramatic and artistic work if: (a) in the case of a published work, the work was first published within Myanmar; and (b) in the case of an unpublished work, the author was a citizen of Myanmar or ‘within’ Myanmar when the work was created,” they say.

However, there may be strategies to protect IP in lieu of traditional copyright rules. "Companies should determine whether some combination of trademark rules and existing laws such as the Television and Video Law of 1996 may be used to protect certain rights," Litvack and Hutman say. “For example, taking key characters out of video product and protecting said characters via trademark may afford protection of some IP content. This may especially be effective if one is working within an animated world.”

**Myanmar - Recommended Firms**

- DFDL Mekong/Myanmar Thanlwin Legal Services
- Interactive Myanmar
- Kelvin Chia Yangon
- Khine Khine U Law Firm
- Myanmar Trademark and Patent Law Firm
- Patrick Mirandah Co
- Rouse
- Siam Premier International
- The Law Chambers
- U Kyi Win Associates
- U Myint Lwin Law Office
- U Nyunt Tin Associates

On September 19, 2013, the Intellectual Property Office of the Philippines (IPOPHL) formalized its role as an additional receiving office of copyrighted works together with the National Library of
The author, his heirs and assignees may now deposit copyrighted works with IPOPHL. The release of the registration certificate and deposit can also be done by the IPOPHL. Deposit of work may be accomplished by sending two copies of the original work to IPOPHL, or transmitting a copy online or through an electronic storage medium, says Bayani Loste, a junior partner at Fortun Narvasa & Salazar in Manila.

The recent decision from the Supreme Court in *Birkenstock Orthopaedie v. Philippine Shoe Expo Marketing*, stated that the respondent’s copyright for the word “Birkenstock” is of no moment since copyright and trademark are different IPRs that cannot be interchanged. “This is important because many prior users who assert trademarks use their copyright registrations for this purpose,” says Editha Hechanova, managing partner at Hechanova Bugay & Vilchez in Manila.

The Republic Act No. 10372, effective March 22, 2013, incorporates measures that will ensure the country’s compliance with its commitments under the World Intellectual Property Organization Copyright Treaty and the Performances and Phonograms Treaty, collectively known as the WIPO Internet Treaties.

“These amendments also provided for the creation of a Bureau of Copyright, and introduced the concepts of ‘technological measures’ and ‘rights management information’ as strategies to respond to the increasing incidence of internet piracy,” says Pablo Gancayco, senior partner at Gancayco Balasbas & Associates in Manila. “This new law also granted an exemption from securing permission from the publisher or copyright owner of the printed materials if the same are to be reproduced in a format for the exclusive use of the blind or visually impaired.”

The Act also conferred enforcement function and visitorial powers to IPOPHL. IPOPHL assistance can now be sought in case of copyright infringement, but its new powers do not include seizure of infringing products, says Claire Corral, a junior partner at Baranda & Associates in Manila. “To seize items, IPOPHL..."
must still comply with constitutional requirements such as applying for a search warrant, and must be assisted by the police or the National Bureau of Investigation."

With the new powers and interests in fighting piracy, “we expect that a great number of manufacturers and importers of pirated goods would be visited and issued compliance orders,” says Hechanova.

Because of that, IPOPHL could violate constitutional rights of individuals, especially if officers can conduct visits during reasonable hours to businesses engaging in activities violating IP based on report, information or complaint received by the office, Gancayco says. “Based only on report, information or complaint, officers can seemingly disregard constitutional mandates against warrantless searches, seizures and arrests, so this must be changed.”

The Act also extends the liability for copyright infringement beyond sellers and buyers to include landlords, Gancayco says. “Under this amendment, it is sufficient that the building or mall owner is notified about the infringing activity and that he has the right and ability to stop or control the activities and fails to act on the same can be held liable.”

The Act also explicitly allows the designation of societies such as societies of artists, writers, composers, etc., to collectively manage and enforce the economic and moral rights of their respective members, says Corral.

“There will be a rise in the number of collective management organizations (CMO) for copyright holders as they become more conscious about their rights,” says Loste.

Despite the amendment, online piracy still hits the country hard. “As soon as infringers receive cease-and-desist letters, they merely take down their websites and set up new ones,” says Maria Trinidad Villareal, head of IP at Carag, Jamora, Somera & Villareal in Manila. “Also, if the operators are not based in the Philippines, our courts and the IPOPHL’s Bureau of Legal Affairs are unable to acquire jurisdiction over the pirates, so cases cannot be fully prosecuted.”

The situation in physical piracy is slightly better as local pirated goods are hard to come by. “In Manila, the law enforcement agencies have been able to eradicate the presence of pirated goods in upscale shopping centres,” says Loste. But case resolution is still slow. “IPOPHL should be given more resources so that it could engage more lawyers to act as hearing officers to assist in the resolution of IP violation cases.”

Looking towards the future, lawyers note that awareness of IP in the Philippines may one day improve: an act requiring the teaching of IP ownership – particularly copyright law – as part of the curriculum of all primary, secondary and tertiary schools in the Philippines has been proposed.
The Intellectual Property Office of Singapore launched a public consultation in 2013 on its proposed changes to the Copyright Act, which will allow people with reading disabilities greater access to different formats of copyrighted works.

Kok Keng Lau, a partner at Rajah & Tann in Singapore, tells *Asia IP* that the proposed amendments arise out of the country’s implementation of the Marrakesh Treaty, an international agreement by the World Intellectual Property Organization member states, to facilitate access to published works for persons who are blind, visually impaired, or otherwise print disabled.

The proposal includes provisions relating to the cross-border exchange of accessible format copies for persons with reading disabilities. It also seeks to expand the types of formats that the reproduction of such works for research or study purposes would be excluded from the copyright infringement provisions, Lau says.

Andy Leck, managing principal at Baker & McKenzie.Wong & Leow in Singapore, also says that the changes will allow persons with reading disabilities greater access to different formats of copyrighted works.

“The proposed changes will allow those with reading disabilities, and organizations that assist them, more flexibility to create and distribute copies of copyrighted works in accessible formats,” says Soh Kar Liang, a director at Ella Cheong in Singapore.

Similar to other jurisdictions, the rapid growth in the digital world has posed challenges in intellectual property protection, among which online download is a big concern to copyright owners in Singapore. Joyce A Tan, managing partner at Joyce A Tan & Partners in Singapore says that the government is considering implementing access restrictions with respect to torrent sites. “The biggest challenge facing copyright owners in Singapore remains the proliferation of unauthorized digital downloads,” says Leck. He says that with increase in education efforts and
the increase in avenues of accessing authorized products, there is some hope that Singapore will gradually see an improvement in this problem.

In line with the country’s goal of becoming Asia’s IP hub, Stanley Lai, senior counsel at Allen & Gledhill in Singapore, tells Asia IP that the government has a financial scheme on enhancing the copyright protection. Teo Chee Hean, deputy prime minister of Singapore announced that the country will introduce an IP financing scheme to help companies secure funding with their IP assets, where the government will partially underwrite the value of their IP to be used as collateral for bank loans. In his opening address at the Global Forum for Intellectual Property held in Singapore in August 2013, Teo said that the government intended to have this financing scheme available from the first quarter of 2014.

The Copyright Act has been in force in Thailand since 1994. With the development of technology, challenges in copyright protection have amounted in the country.

The copyright office’s refusal to protect 3-D ornamental features in Thailand has posed a challenge to rights owners, causing wide-spread “counterfeittings” of Thai designs, says Franck Fougere, managing partner at Ananda Intellectual Property in Bangkok, who also expresses a concern for the lack of fines deterrence for copyright infringement.

From the perspective of copyright owners, the biggest challenge in Thailand is the lack of effective enforcement measures, says Darani Vachanavuttivong, a partner at Tilleke & Gibbins in Bangkok. Despite the efforts that rights owners and the Thai authorities have made to suppress copyright infringement through existing legal measures, the level of infringement in the country remains high, she says.

Vachanavuttivong says that more effective legal measures...
against copyright infringement are called for, such as legal provisions on the landlord’s or internet service providers’ (ISPs) liability and protection of technological measures. “The authorities in charge of the intellectual property protection have been working to introduce more effective measures. Although the progress is somewhat slow, we are optimistic that we will see continuous improvement in the future.”

The Copyright Act should be amended to stipulate the extent of legal liability for landlords and ISPs that turn a blind eye to infringement that occurs on their land or an internet platform, respectively, Vachanavuttivong says.

The Department of Intellectual Property initiated a new draft of the Copyright Act which was approved by the cabinet on October 9, 2012. The draft will be forwarded to the House of Representatives and then to the Senate for further consideration and approval before becoming law.

“The provisions, as currently drafted, recognize many of the important challenges copyright owners face in the digital age, clarify when exceptions to infringement may exist, and provide new guidance on enforcement through the courts,” said Hassana Chira-apahakul, an attorney-at-law at Tilleke & Gibbins in Bangkok. Several steps remain in the legislative process, and it is unlikely that the Bill will pass into law soon. Nevertheless, cabinet approval marks an important step forward for this legislation, said Chira-apahakul.

The amendments could include a provision addressing unauthorized filming in movie theatres. It adds that no exceptions may be applied to acts of unauthorized filming in movie theatres, if such filming takes place within one year after the work’s initial broadcast in Thailand. The current copyright act has certain exceptions of infringement, including research or study of the work which is not for profit, use for personal benefits, or use for the benefit of judicial proceedings or administrative proceedings by authorized officials or reporting such proceedings.

It will be illegal under the new law if the person avoiding or circumventing the technological protection measures is aware that such action may induce or cause copyright infringement. The amendment defined such measures as “any technology designed to prevent reproduction or to control access to a copyrighted work or a recording of a performance...”

The draft amendment proposes a “double penalty.” When an infringer commits copyright infringement intentionally or with the intent to have the copyright work or a performer’s rights be widely accessible to the public, the law would empower the court to order payment of compensation in an amount not exceeding double the amount of damages incurred, said Chira-apahakul.

If such provisions are enacted, they are expected to significantly improve the suppression of copyright infringement, as landlords and ISPs would become more active in monitoring their space, and they would be more likely to take preventive measures against infringing activities, says Vachanavuttivong.

As the first step of enforcement, copyright owners are often requested to submit a request to an IP assessment organization to obtain a conclusion to confirm the allegedly infringement before they can request enforcement authorities’ help.

Vietnam - Recommended Firms

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Infringement by organizations often causes more serious consequences than infringement by individuals, so the fine levels should be different for the two groups, says Nguyen Duc Xuan, managing partner at Ageless IP in Hanoi.

Sanctioning authorities are empowered by MCST and other specialized inspectors, market management organizations, customs, police, people’s committees and marine police. Nguyen says, “Their authorities of issuing fine decisions are higher than in the previous regulations. That facilitates the enforced agencies to handle infringement quickly and they do not have to transfer it to the higher competent agency in case of high fine.”

Despite the decree, no circular has been issued, Nguyen says. “In Vietnam, circulars are an important type of legal document because they provide specific regulations for implementation of laws and decrees. The circular is expected to come in 2014.”

Before the circular arrives, the biggest challenge facing local copyright owners is low public awareness on copyright. “This is the most dangerous threat that leads to other serious problems in fighting piracy,” Dang says. “People always want to seek the
cheapest products even if they know the products are illegal, and gradually it has become customary to do the wrong thing. This habit is really hard to change if there is no long-term plan.”

A vast majority of copyright owners seem not to know their rights well and don’t understand how they could handle mushrooming piracy, says Dang. “They are not aware of the need of making a move toward the relevant authorities about changing it.”

Approximately 60% of Vietnam Television’s game show programmes are exploited by more than 400 websites, of which the owners gain significant benefits from the number of clicks on the content, says Dang The Duc, managing director at Indochine Counsel in Ho Chi Minh City. “The number of violations handled by courts or authorities is so little because the copyright owners have not yet had sufficient attention in this matter. The copyright enforcement in Vietnam is also weak and ineffective due to the lack of IP professionals.”

Administrative penalties are too low and more criminal penalties are needed to have higher deterrent effects, says Thomas Treutler, managing director at Tilleke & Gibbins in Hanoi.

One way to encourage better enforcement is through closer cooperation among performers and authorities. There are two associations for musicians, the Recording Industry Association of Vietnam and the Vietnam Centre for Protection of Music Copyright, says Sesto Vecchi, managing director at Russin & Vecchi in Ho Chi Minh City. “If there were better and more frequent communication, with the authorities and better training of judges and the industry, some progress might be made.”

Even if copyright owners take actions, the time of civil execution is extremely time-consuming, Dang Thi Hong Thuy says. “When a case is finished, it often takes a long time for courts or administrative authorities to enforce civil judgments, which is extremely disadvantageous to businessmen.”

In terms of an infringement highlight, the case of Le Kieu Nhu, a popular local singer and actress, was the most talked about in 2013. While authors today may appreciate their e-books being sold on Apple’s iTunes, Le took action against it, claiming that Apple had sold her book without her consent since April 2010. On July 8, 2013, her lawyer issued a letter to Apple in California, requesting removal of the book from iTunes along with damages of approximately US$100,000 plus 30% of the revenue earned from the sale of her book. Apple later removed the book from iTunes, says Vecchi.

South Asia

Bangladesh

Bangladesh copyright law comes from the Copyright Act 2000 and the follow-on Copyright Rules 2006. The country is a member of the Universal Copyright Convention, the Berne Convention for the Protection of Literary and Artistic Works and other copyright treaties.

The law provides for civil remedies, including damages; criminal remedies, including imprisonment or a fine, or both; and administrative remedies, including asking the Registrar of copyrights to ban the import of infringing copies into Bangladesh. The copyright office is under the Ministry of Cultural Affairs. The period of copyright protection in Bangladesh is 60 years from the date of its first publication.

Music piracy in Bangladesh runs at an estimated 96%, with copyright theft occurring mostly through illegal downloads and the illegal burning of copies of CDs and DVDs.

The government has been criticized for not doing more to raise the awareness of those living in Bangladesh to the importance of intellectual property laws generally.

In an academic study of IP laws in Bangladesh, AM Shahabuddin, an assistant professor of business at the International Islamic University in Chittagong, said that an IP training institute should be established in Dhaka where training on IP would be organized. The study, “The Impact of Trade Mark on Brand Duplication in Bangladesh,” was published in the European Journal of Business and Management.

“The Government of Bangladesh has been trying to enforce the IP laws strictly. Recently, the government has [held] seminars in major cities in order to inform consumers, police, customs, judiciary [and employees of the Ministries of Commerce and Industry] about the importance of trademarks in business and to train government officials in this regard,” wrote Shahabuddin.

“But whatever role is played by the concerned quarters, the expected result may not be achieved if the government does not provide direct support and assistance as needed.”

India’s copyright law underwent revisions in 2012 with the adoption of the adoption of the Copyright (Amendment) Act, 2012, which was implemented with effect from June 21, 2012 to harmonize the Copyright Act, 1957 with the WIPO Copyright Treaty (WCT) and WIPO Performances and Phonograms Treaty (WPPT).

Mohan Dewan, partner at RK Dewan & Co in Pune, says that significant provisions include:

Protection of lyricists, script writers and composers against exploitation, first owner. After the amendment, even if the artistic, literary, musical or dramatic work has been made for valuable consideration or under a contract of employment, and it is intended to be incorporated in a cinematographic film, the author of such works will still be the first owner of such works.

Limitation of medium or mode of exploitation. Prior to the amendment, the copyright in any work could be assigned completely in respect of all present and future mediums or modes of exploitation. This would lead to the assignee (generally the author) losing out on lucrative royalties that could be obtained from exploitation through a mode or medium that did not exist at the time of assignment; for example, had the lyricists and music composers of old been aware of the scale on which their work would be exploited through the internet, they would certainly have demanded greater royalties.

INDIA

Bangladesh - Recommended Firms

Doulah & Doulah

FM Associates

Dr Kamal Hossain & Associates

H&H Company

Remfry & Son
Piracy remains one of the biggest challenges in India, says Anand Anand, principal at Anand & Anand in Noida. Grover reports that new rules, which clarify and implement portions of the 2012 act, have been made for:...
challenges when it comes to enforcement of their right primarily because the lower judiciary in India is not well-equipped or well-conversant with the field of intellectual property and copyright laws,” Grover tells Asia IP. “In the absence of specialist IP courts, litigation in India is protracted and tends to be expensive. There seems to be no change in the offing.”

Indian court watchers are intrigued by three on-going, connected matters involving the “hot news” doctrine of copyright. The suit was filed on behalf of Star India, a provider of televised entertainment, seeking injunction and damages against content creators (CricBuzz and OnMobile) and telecom operators (Idea) from providing live and contemporaneous cricket match ball-by-ball commentary, scores, score updates, match updates, match alerts etc. as they happen, through its mobile value-added services, in relation to the cricket matches for which Star had acquired rights from the Board in Control for Cricket in India (BCCI).

“In upholding Star India’s contention, the Single Judge of the Delhi High Court relied heavily on the ‘hot news’ doctrine, which states that the defendant’s act ‘of taking material acquired by the skill, organization and money of the complainant and appropriating it and selling it as its own, is trying to reap where it has not sown and would thus constitute unfair competition,’” says Saikrishna Rajagopal, managing partner at Saikrishna & Associates in Noida.

The judge ruled that the significance of the scores lay in their contemporaneity, and allowed third parties to use the scores only after a fifteen minute time lag, he says. “The Division Bench, in appeal, however held against Star on the ground that the rights asserted by Star to generate revenues by disseminating contemporaneous match information is not recognized under statutory law and, consequently, third parties are entitled, as a matter of right, to commercially exploit and monetize such match information.”

“The Division bench further held that the assertion of such a right is pre-empted by virtue of the bar contained in Sec.16 of the Indian Copyright Act, 1957. The Supreme Court of India has stayed the Division Bench order by directing return to the status quo existing on the day of the single judge’s order thereby reverting to the initial order at first instance,” Rajagopal says. “If the Supreme Court decides in favour of Star India, it will be established that a quasi-property right exists in such scores and updates generated and emerging from a cricketing event organized by the BCCI.

There is little news to report on copyright law in Nepal, says Shirshak Ghimire, an associate at Pradhan & Associates in Kathmandu. That is, in large part, because only the decisions of the Supreme Court are reported in Nepal. “The decisions of the District and Appellate Courts are not reported, and there have not been any cases reported concerning copyright related action in 2013,” Ghimire says.

Additionally, Nepal has not had a parliament since May 2012; therefore, no changes to the country’s copyright laws has taken place in the past year. “Since Nepal has only recently elected a Constituent Assembly – which shall be focused upon the enactment of a New Constitution – any such changes [to copyright law] are not expected in the next 12 months, either,” Ghimire tells Asia IP.

Like other developing countries, Nepal struggles with providing adequate copyright protection, says Pratyush Nath Upreti, in a paper published by the KIIT University School of Law in Bhubaneswar, India.

“In order to cope with challenge in copyright area with the introduction of various technologies, the present copyright law of Nepal is insufficient,” Upreti writes. “In recent times, violation of copyright is rampant in the cities. Particularly because of piracy issue, a large number of authors, investors and performers [have become] frustrated in their business.”

Uperti calls for stricter copyright laws in Nepal, including provisions for cinematographic works, encompassment of the provisions of WIPO internet treaties and coordination among enforcing agencies.

“In order to solve the burning issue of piracy, there must be a proper task force to control copyright infringement; [this] can be done through introducing copyright cells in police forces with well-trained officers.”

It is very important for Nepal to create awareness about IP, Uperti says, as it plays an important role in the country’s economy. “Because of lack of copyright awareness and difficulties to access the copyrighted work, it seems that Nepal has still long way to go to have a strong and proper IP regime.”

Nepal - Recommended Firms

| Apex Law Chambers |
| Global Law Associates |
| Pradhan & Associates |
| Solar Law Associates |

In November 2013, Pakistan’s Federal Board of Revenue launched a countrywide action against pirated goods in coordination with the Intellectual Property Organization of Pakistan (IPO Pakistan), says Seema Shahid Mansoor, senior associate at Vellani & Vellani in Karachi.

Prior to that action, few cases of copyright infringement under the IPO Pakistan Act, 2012 had been brought to the courts. “Copyright is the most neglected branch of IP laws in Pakistan and, for various reasons, there are hardly any copyright-related actions filed by copyright owners,” says Salim Hasan, managing partner at Meer & Hasan in Lahore.

There are markets saturated with pirated books and unauthorized photocopying, says Rana Muhammad Ahmad, a partner at Rana Jaz & Partners in Lahore. “All types of books are pirated, from English language novels to fiction and non-fiction trade books to higher education textbooks. The Urdu Bazaars in Karachi and Lahore remain the major sources of pirated books in the country, and were listed by the Office of the United States Trade Representative as ‘notorious markets’ in its review conducted in late 2012.”

People prefer fake books for lower prices, and this is not...
encouraging new publishers to establish businesses here, says Mian Muhibullah Kakakhel, senior advocate at Kakakhel Law Associates in Peshawar.

Besides piracy on tangibles, piracy on intangibles is also growing. With the number of internet users via mobile phones and wireless broadband reaching 15 million according to the Internet Service Providers Association of Pakistan, online piracy could become uncontrollable, says Sultan Ahmad Sheikh, an advocate at Sheikh Brothers in Karachi.

To control piracy, enforcement must be strengthened in a timely manner, but legal proceedings often face delays, says Bilal Shaukat, a partner at RIAALAW in Karachi. "The average life of suit in the High Court of Sindh is between five and seven years."

Although the IPO Pakistan Act 2012 introduces IP tribunals to help reduce proceeding delays, the effectiveness is yet to be seen since it is new, Shaukat says. "Also, it would be desirable for a mandatory time-limit to be prescribed in law."

Copyright infringement demands immediate action or "it lacks the bite to restrain and/or deter further infringement," says Hasan.

Criminal penalties are also far too low, Ahmad says. "In part to remedy this, the Copyright Ordinance should be amended to provide a minimum jail sentence and fine, as well as to complement the World Intellectual Property Organization Copyright Treaty and the WIPO Performances and Phonograms Treaty to include broadcasting and public performance rights for phonogram producers, and providing an exclusive communication to the public right, including the interactive ‘making available’ right."

The amendments should also protect against the act or service of circumventing technological protection measures to prevent unauthorized access of software, adds Ahmad.

The Copyright Ordinance in Pakistan is expected to be amended in 2014, say lawyers.

In 2013, a large Jordanian apparel manufacturer and exporter based in Colombo was raided for using pirated software on their computers, which

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**Pakistan - Recommended Firms**

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<td>Sheikh Brothers</td>
<td>Zain Shaikh and Co</td>
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**SRI LANKA**

Julius and Creasy is one of the oldest civil law firms in Sri Lanka. Founded in 1879, the firm has established itself on rich tradition and the highest professional principles. Julius and Creasy’s wealth of expertise and experience in a wide range of specialized fields of Law enables it to offer innovative legal and business solutions to a diverse, sophisticated and high profile clientele.

Our firm from its inception has been involved in intellectual property work. We are presently handling over 30,000 files of which about 10,000 are current and intellectual property involves both contentious and non-contentious matters. We file a large number of trademark applications for overseas clients being instructed by our associates in several countries including UK, European Union, USA, India, Singapore, Hongkong, Australia, New Zealand, Japan and Korea.

In contentious matters we represent clients both at the National Intellectual Property Office in opposition proceedings and in infringement proceedings before Courts. Infringement proceedings are instituted in the Commercial High Court and where necessary criminal proceedings are also instituted in the Magistrate’s Court.

Although our practice is to a great extent trademarks we have substantial portfolio of patents as well. A large part of this portfolio is related to PCT applications filed in Sri Lanka. We also file number of design applications for overseas clients in Sri Lanka and for Sri Lankan clients overseas through our associates in various countries. We also advise Sri Lankan and overseas company on copy right issues including reviewing of copyright agreements and advise publishers both in Sri Lanka and overseas.

Mr J M Swaminath, holder of LL.B (Ceylon), LLM, M.Phil Colombo and Mrs. Anomi Wanigasekera, holder of LLM (Wales) and Diplomas in Intellectual Property Law, International Trade Law, Banking and Insurance Law of Institute of Advanced Legal Studies of the Incorporated Council of Legal Education are in charge of the Intellectual Property Division of our firm.

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Email: jacey@jfixnet.lk; pts@juliusandreasy.lk
Internet: www.juliusandreasy.com
Copyright registration is not the only thing that needs to be added to the IP laws, says Karunaratna. Sri Lanka’s IP laws need to be amended in order to be on par with the World Intellectual Property Organization Internet Treaties, the Beijing Treaty 2012 and the Marrakesh VIP Treaty 2013, as the provisions under these treaties are very important to both copyright owners and users.

Sudath Perera Associates initiated the raid on behalf of the Business Software Alliance and Microsoft through the Colombo Crimes Division (CCD). Upon initiating a complaint and obtaining a search warrant, the clothing company was raided by the CCD and the law firm provided a team of software technicians to conduct the software audit during which the police found that almost all of the Microsoft Office software in the company (over 250 computers) were unlicensed; the computers were then seized by the CCD. The clothing company contacted the law firm for a settlement after the raid, and the firm successfully made a compensation of US$50,000 to Microsoft, says Sudath Perera, managing partner at the firm.

While a collection agency is needed, a better enforcement team is in a much direr need, because pirated CDs that are produced and imported from elsewhere are a huge matter of concern, adds Swaminathan.

“Copyright protection applies by virtue of the law without the need for registration.”

In view of that, authorities are considering introducing voluntary copyright registration in the next 12 months, Karunaratna says. Copyright registration is not the only thing that needs to be added to the IP laws, says Karunaratna. Sri Lanka’s IP laws need to be amended in order to be on par with the World Intellectual Property Organization Internet Treaties, the Beijing Treaty 2012 and the Marrakesh VIP Treaty 2013, as the provisions under these treaties are very important to both copyright owners and users.

In 2013, the Australian Law Reform Council (ALRC) conducted an enquiry on whether there are adequate and appropriate exceptions to copyright infringement in a digital environment. In June, the ALRC published a discussion paper proposing a wide range of changes to the Australian copyright law, including the introduction of a fair use exception to copyright infringement, the abolition of existing statutory defenses and the introduction of a limit to remedies for copyright infringement of “orphan” works whose authors cannot be identified.

The ALRC proposed that the fair dealing provisions in the current Copyright Act be replaced with a more flexible fair use provision which provides defense for specific materials. “An express statement that a fair use of copyright material does not infringe copyright” should be included in the new fair use provision, the ALRC said.

Although there is no statutory definition of “fair,” the ALRC proposed a non-exhaustive list of factors, along with illustrative uses, to be taken into consideration. The fairness factors include the purpose and character of the use, the nature of the copyright material used, the amount and substantiality of the party used, and the effect of the use upon the potential market for the copyright material.

In the case where the fair use proposal would be rejected, the ALRC suggested that the existing fair dealing exception should be replaced with “for the purpose of professional advice by a legal practitioner, registered patent attorney or registered trademarks attorney.” It further suggested that the fairness factors described above should be considered even if amendments were only made to the fair dealing provisions. In either case, “it is clear from the ALRC discussion paper that this is an area of copyright law where changes are required, though it remains to be seen whether these reform proposals will be made,” says Melinda Upton, group head – intellectual property and technology (Australia) at DLA Piper in Sydney.

A fair use defense would allow courts to develop new exceptions for new circumstances, as the current regime lacks flexibility for new situations, says Greg Chambers, a partner at Phillips Ormonde Fitzpatrick in Melbourne. Such a defense is claimed to allow new creative uses of copyright works, he says. “It would be grounded in the question of whether the proposed

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**Tier 1**

- Julius and Creasy
- Neelakandan & Neelakandan
- Sudath Perera Associates

**Tier 2**

- DL & F de Saram
- FJ&G de Saram
- John Wilson Partners
- Shaam & Associates
- Varners

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**Oceania**

**Australia**

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**Tier 1**

- Allens
- Baker & McKenzie
- Clayton Utz
- Gilbert + Tobin
- King & Wood Mallesons

**Tier 2**

- Ashurst
- Banki Haddock Fiora
- Corrs Chambers Westgarth
- Freehills Patent Attorneys
- Spruson & Ferguson
use would detrimentally affect the commercial interests of the copyright owner.”

Peter Chalk, a partner at Ashurst in Melbourne, agrees that simplification of the law would benefit the copyright regime in Australia and the proposed fair use exception would be one way to arguably assist in simplifying copyright laws. “Many of its provisions have been introduced over time in a piecemeal and ad hoc fashion, to address a particular issue as it has arisen. The current regime lacks flexibility to meet the challenges of our digital economy.” He says that a vast number of exceptions to copyright infringement enacted over the years are no longer suited to the digital environment, nor to the types of uses that people routinely make of copyright works without detrimentally affecting the interests of copyright owners.

The new defense would take some time to evolve, needing a line of case law to develop to see how courts would interpret the new defense, says Chambers. This would be a disadvantage to moving to such a defense. “Copyright owners may not be in favour of such a change if it eats into their rights, but on the other hand, it may legitimize practices, such as some online uses of copyright material, that are impossible to enforce at present.”

Current statutory licenses are provided under the Copyright Act for educational (and other) institutions and for the government. The law allows statutory licensee to use copyright material for certain uses, without the permission of the rights holder. The need for greater flexibility comes along with the development of the digital age.

The ALRC has suggested replacing statutory licenses with voluntary licenses. The proposed license would allow governments, educational institutions and institutions assisting persons with a print disability to negotiate voluntarily the terms of the license and provide for a more flexible arrangement, says Upton. If this change is to be passed, Australia will need to consider amending the Copyright Act regarding free use exceptions for the parties. Certain free use exceptions need to be provided for governments and educational institutions that only operate where the use cannot be licensed, she says.

Based on a proposal put forward to Congress by the United States Copyright Office after an inquiry into orphan works, the ALRC also had suggestions on the remedies to copyright infringement, says Michael Wolnizer, a partner at Davies Collison Cave at Melbourne. It has been proposed that the remedies be limited where an orphan work has been used and a “reasonably diligent search” has been conducted and the rights holder has not been found. “The ALRC considers that this approach will promote the use of orphan works to further education, research and access to cultural heritage, without taking away all the rights of rights holders to their works,” the ALRC said in its discussion paper.

If adopted and enacted, the reforms proposed by the ALRC would have a significant and wide-reaching impact on copyright owners, Wolnizer notes. He says that the introduction of a general fair use exception provides a more flexible defense to copyright infringement, and it may further undermine the content producers’ ability to generate income from exploiting copyright works.

Upton says that she would like to see the Copyright Act amended to ensure a technology neutral act encouraging technological innovation and investment. “This would increase the flexibility of the Act’s application, as well as reducing the familiar risk of technology outpacing the law.”

Enforcement in the digital age has been a major challenge facing copyright owners in Australia. In the case Roadshow Films v. iiNet, the High Court found that the internet service provider iiNet was not liable for authorizing its users’ infringement. The ISP could only terminate users’ accounts if its services had been used to infringe another person’s rights or for illegal purposes, but it could not actually stop users from illegally downloading content. As the judges noted, the existing law on copyright authorization is “not readily suited to enforcing the rights of copyright owners in respect of widespread infringements occasioned by peer-to-peer file sharing.” Upton says that “the decision left copyright owners in a difficult position, as pursuing individuals for copyright infringements associated with illegal downloads is costly and impractical.”

The internet has provided a platform to distribute and share information, including copyright works without a license. With the decision of the case, copyright owners’ attempts to enforce their rights against ISPs for the copyright infringing activities of end-users ultimately failed in Australia, says Chalk. “Copyright owners are finding new ways to disseminate and earn royalties from their works in the digital environment, which make piracy less attractive to internet users.”

Following the decision in the case, the Australian government sponsored roundtables between rights owners and ISPs in an unsuccessful attempt to negotiate a code relating to online
The 2014 Asia IP Copyright Survey

**FEAT URES**

infringement, says Michael Williams, a partner and head of the intellectual group at Gilbert + Tobin. “The change in government in Australia is likely to offer a further opportunity for law reform to deal with widespread online copyright infringement.”

The current law does not address the difficulties content owners face in trying to enforce their copyright in the online context, particularly in circumstances where ISPs are in a better position to take steps to ensure the infringing activity ceases, says Wolnizer. He suggests that a “three strikes and you’re out” model would provide an appropriate balance between the competing interests of ISPs and content owners. The model requires ISPs to warn infringers twice that their account will be terminated if they continue to infringe, and then requires them to terminate that service if the account holder infringes copyright a third time. This approach would need to include safeguards to ensure that ISPs have sufficient information from copyright owners to identify alleged infringers and to rely on the representations made by the content owners that an infringement has taken place, he says.

**NEW ZEALAND**

Under the New Zealand Copyright Act 1994, copyright comes into existence automatically when a work is put into material form. Amendments were made and enacted in 2008 to reflect advances in digital technology, such as media in digital form and communications via the internet. There is no formal system for copyright registration, nor is there any other formality required for securing copyright protection.

New Zealand is a party to various international agreements relating to copyright, including the Berne Convention for the Protection of Literary and Artistic works, the Universal Copyright Convention and the Agreement on the Trade-Related Aspects of Intellectual Property Rights.

In the past year, there have been no significant changes in copyright practice, says Christopher Young, a partner and head of intellectual property at Minter Ellison Rudd Watts in Auckland. However, he says, “legislation permitting parallel imports impacts negatively as it is less straightforward to identify goods that are counterfeit as opposed to legitimate goods being parallel imported.”

There has been tax relief for funding film and TV production which includes New Zealand copyright. This would likely lead to a significant increase in film production work in the country, says Young.

Under the act, the Copyright Tribunal may hear and determine certain disputes about licenses allowing the copying, performing and broadcasting of works. It decides whether the applicant is entitled to a license and on what terms. This only applies where the copyright owner has set up a scheme for licensing the use of copyright works, according to the Copyright Council of New Zealand.

**New Zealand - Recommended Firms**

| Tier 1 | AJ Park  
Baldwins  
Buddle Findlay  
James & Wells  
Simpson Grierson |
| Tier 2 | Bell Gully  
Chapman Tripp  
Henry Hughes  
Hudson Gavin Martin  
Kensington Swan |

AIP
In December, more than 1,600 IP buyers and sellers, R&D professionals, financial intermediaries and lawyers came together in Hong Kong for the third Business of IP Asia Forum. Asia IP sat down with several of the speakers to get the latest on IP creation and protection.

Meeting the Experts

Computer software, the most important part of IP protection at Microsoft, is an intangible asset protected by copyright. “We, as do many other companies in the industry, have invested a lot of resources, money and talent on research and development,” says Winnie Yeung, assistant general counsel, legal and corporate affairs at Microsoft in Hong Kong. “However, pirated copies are available in the market at a rather cheap price. It is a great loss to the company if these assets are not protected.”

Fighting Piracy

“The strategies we take are both carrot and stick,” Yeung says. “On the carrot side, we aim at raising awareness of IP rights protection through promoting and educating the right use of software. All the software they use is under copyright protection. We are trying to educate the public that it is not right to illegally download software online or use the product keys found on the internet. Not only does such action harm us as rights owners, but it also puts the users’ computers at risk, as a lot of pirated software contains virus or malware that can be harmful to their personal information.”

Yeung says that the public knows that stealing tangible assets is not acceptable, but notes that they should know that the same thing applies to intangible assets as well. Through continuous education and awareness campaign, she says, Microsoft hope that users will understand the consequence of using pirated software and learn to respect copyright.

“Speaking of the stick strategy, we would also initiate litigation on appropriate cases against those who refuse to use the genuine copy of the software in order to protect our rights,” she says. “In Hong Kong, it is a criminal offense if someone uses...
pirated software for commercial purpose. We hope that business leaders and IT managers of the companies will know that they will not only face civil cases, but also Customs’ actions against criminal activities.”

At the moment, Yeung says, Hong Kong is undergoing a process of amending its copyright policies to include the protection of online copyright. “We are hoping that the legislation will soon be amended so that ours and other rights owners’ copyright will be better protected,” she says.

Changes Seen
In the past years, the Hong Kong government has put much effort into protecting the software industry. “Several years ago, when I first started to look at the piracy rate in Hong Kong, it was 50%, meaning one of every two sets of software used is pirated. The number has been declining at a healthy rate,” Yeung says.

In China, IP infringement is a rather general problem, she says, not just affecting the software industry. Looking at the level of piracy or at the trends, there has been improvement in recent years, she says. “For instance, the central government has ordered government bodies and state-owned enterprises to use genuine software. These are very positive actions in helping with IP rights protection. It takes time and effort for a consistent and long-term improvement. From Microsoft’s litigation in China, we have seen the courts have had some positive rulings, affirming the rights and penalties incurred. We are on the right track, but there is still a long way to go.

The Business Software Alliance, an NGO that aims at creating a fair international marketplace for the computer software and hardware industries, has reported that China’s illegal software market was worth nearly US$9 billion in 2011 versus a legal market of less than US$3 billion, making its piracy rate 77%.

The cooperation between the government and private sectors resulted in Hong Kong’s consistent improvement on the use of genuine software, Yeung says. The reaction from the enforcement departments would influence the decision business people make, encouraging them to seek proper IP rights protection. “It might sound extreme that using pirated software is a criminal offense that might result in a jail term, but if the penalty is simply money, some business management might consider it as a business cost or risk to take. I believe if there is a successful case to put the infringer in prison, it will serve as a more powerful deterrent to the others,” Yeung says.

Contribution to the Industry
“Besides the education and enforcement programmes we have in place, we realized that many cyber crimes are committed through the malware contained in the pirated software,” Yeung says. “The information we collect can help the government and other law enforcement departments with cyber crimes, such as online fraud, fishing and child pornography. The message we are trying to deliver is that we are not only trying to protect our own rights, but also consumers’ on the internet via information sharing.”

Yeung notes that in the past, Microsoft has cooperated with the FBI, Chinese police and others in fighting against large manufacturers of pirated software. “It is also a contribution from Microsoft, as a stakeholder of the society,” she says. “After all, it is consumers’ confidence in online usage that benefits the industry.”

- Amanda Shuai

Cyrus Shahabi, director of integrated media systems centre at Viterbi School of Engineering at the University of Southern California in Los Angeles, is fighting the war against traffic with his latest mobile application, ClearPath.

Shahabi, who spoke exclusively to Asia IP during Hong Kong’s recent Business of IP Asia Forum, developed this app because he lives over 65 kilometres from his university in Los Angeles and is often late to work even with the help of a navigation system – just like every other American in the city.

He teamed up with PhD student Ugur Demiryurek to come up with the idea in order to offer something that other navigation systems do not have.

The trick of ClearPath is that it can collect up to two-and-a-half years worth of historical traffic data from 9,000 sensors on the roads of Los Angeles to predict traffic conditions even before the driver leaves the house, Shahabi says. “What’s unique is that we utilize a lot of data that’s currently available, including traffic and weather data, and we analyze that so we can predict what’s going to happen in front of you when you leave home.”

ClearPath even collects accident information, he says. “Now you are driving and there’s an accident in front of you, but the accident is 20 minutes away. And you know from historical data that that accident would clear by the time you get there. We can take that into account and send you towards the accident because we think by the time you get there, there won’t be any accident.”

It’s not just about the past and present. ClearPath also deals with the future, as a driver can enter what time he wants to leave
on a specific date, and ClearPath will show the fastest route. “It looks at the entire road network, including surface streets as well as highways, before the driver hits the road.”

In a year or so, Shahabi hopes to launch ClearPath nationwide and overseas, especially cities that have traffic worse than LA’s. Shahabi has already been developing a plan to keep his app from being misused by foreign licensees.

“We cannot control anything once we license out the technology unfortunately,” Shahabi says. “The only thing to prevent it from being misused or idle is to set milestones or, in other words, performance measures, to assess if the licensee is using the technology to target suitable users, earn sufficient revenue, etc.” While monitoring foreign licensees might be a difficult task, Shahabi expects data collection outside of the United States is to be even more so.

In the US, companies such as NAVTEQ and INRIX sell nationwide traffic data – Los Angeles County alone already has more than 10,000 sensors buried in roads to collect data, he says. “We are also subscribed to real-time data aggregated by the LA County Metropolitan Transportation Authority from various agencies such as the LA Police Department and the California Highway Patrol. Collecting traffic data in the US is not a hassle.”

Crowd sourcing can also contribute data to ClearPath, Shahabi says. “Anyone in the public can contribute data online. For example, people can now use Twitter to tweet about accidents, the number of cars in certain roads, etc, to pump up ClearPath’s data.”

On the other hand, such data collection in countries such as China is expected to be very difficult for ClearPath. “Firstly, there are no sensors such as traffic loop detectors buried under any roads, so we can only rely on camera data captured by the closed circuit television cameras,” he says. “However, the cameras are owned by different private and public organizations and they don’t share the data even among themselves – that makes it virtually impossible for us to obtain the full set of data – let alone the bureaucracy.”

Even with the support of the private sector, the public sector might not appreciate the technology or simply not have funding for it, says Shahabi.

The US may be the only country which will have sensors buried under all major roads. CCTV would be cheaper and more than enough, says Shahabi. “The challenge is to scale by moving the video processing as close to cameras as possible to avoid sending full videos to centralized systems.”

While ClearPath is receiving lots of media attention at the moment, Shahabi expects more public attention on university-generated IP in the future.

“Invention disclosure and filing have been strongly encouraged among universities. Many inventions that come out of a university setting are of interest to MNCs such as Google, and those well-known companies’ involvement does help increase the exposure of the brand new IP to many others, which creates a higher chance of joint venture capital or angel investment,” he says.

ClearPath, which boasts a travel-time accuracy of 92%, received more than US$2 million in research funding over the past three years from a variety of industry and US federal agencies.

- Johnny Chan

Tao Zhang
Director, IP Strategy, Huawei
Santa Clara, California

China is ramping up on intellectual property protection, but it is still in the awareness-building phase, says Tao Zhang, director of IP strategy at Huawei in Santa Clara, California. “Educating and advocating the public about the importance of IP protection is very important,” she says. “For local Chinese companies who wish to expand to the global market, they have to be knowledgeable about IP internationally, not just in their own jurisdiction. The IP strategy they develop should be part of their business strategy. Otherwise, the minute they export their product, competitors might start suits to stop their expansion. If IP strategies were ready, they could be in better shape to protect their business by counter-suing or using a larger portfolio that competitors don’t dare sue.”

IP Protection
Speaking about protection, one needs to have an idea, first, Zhang says. “The first important step is to put more resources on R&D to develop products that are worth protecting. Huawei has a rather holistic IP strategy, even among global companies. In 2012, Huawei spent 13% of its revenue, which is US$4.5 billion, on research and development. It is far more than the total amount of money that many American companies spent in years.”

Then, the company will need to consider its short-term and long-term strategies, such as patent applications, licensing and technology transfer. For companies like Huawei that have both hardware and software, the strategies have to be targeted on specific business products. Moreover, the strategies should be flexible to meet the dynamic changes in the business and legal environment. It is key to continuously monitor the market and adjust the IP strategies accordingly, Zhang says.

Patent v. Copyright for Software
Patents protect the fundamental ideas of the software programme, but at a more expensive cost. It takes US$10,000 to US$30,000 to apply for a patent – whose protection period is
limited to 20 years after filing in many jurisdictions. "For a service or product to be patentable, it has to be new, useful and non-obvious," Zhang says. "One of the challenges for patent applications is the determination of such characters. Therefore, prior search is important to make sure that nothing in the prior art is similar to the existing products in the market."

While patents protect the ideas from being used by other people, the scope of copyright protection is rather limited. "Copyright only protects the expression of the idea," she says. "In the case of software, it only protects the code, which can be easily bypassed. One cannot take infringers to court for using the same idea but different codes to write the programme. But, it is immediately effective upon the completion of the work and is protected worldwide with low cost."

A new idea does not necessarily relate to commercialization, Zhang says. "A commonly used strategy is a blocking strategy that protects the company’s ideas and prevents competitors from using the ideas," she says. "The goal is to exclude the ideas from being used by the others. If it is a valuable and long-lasting idea that might be used by competitors, the company should file a patent application."

- Amanda Shuai

Tian Lipu
Former SIPO Commissioner
Beijing

The number of patent application has increased tremendously in China, says Tian Lipu, who was, at the time, commissioner of China’s State Intellectual Property Office. In 2012, the number of invention patent applications exceeded 650,000, a year-to-year increase of 24%. It is expected that total patent applications will reach approximately 2.4 million in 2013. The quantity of patent application in the country is now among the top in the world. However, Tian says, there is still a gap in terms of application quality between China and other developed countries.

On top of encouraging patent applications, the government is also working on increasing the number of granted patents and valid patents, he says. The granted number suggests the level of research and development and technology innovation is increasing, while the valid number indicates the market’s acceptance level of the innovation and its ability to be commercialized and monetized. Valid patents are very important, Tian notes: putting an emphasis on valid patents is a signal to society that the government will not grant patent applications to those with low levels of innovation.

In the outline of the country’s 12th five-year plan, it states that by 2015, every 10,000 people should own 3.3 invention patents. The goal is rather low, Tian says, especially as 20 is the threshold for the region to be an innovative place. Still, he says, it is a very good sign, showing China’s willingness to encourage invention and innovation. "We have achieved the goal two years earlier than planned," he says.

Unlike invention patents, the number of design patent applications has experienced zero growth, compared with the 20% growth rate in the past. This indicates that the quality of the application is now overriding the quantity, as the quality improves as the increase speed slows down, Tian says.

Domestic v. Foreign Application

In the 650,000 invention patent applications, about 80% are domestic and 20% are from abroad. Twenty years ago, the percentage was 30% and 70% respectively, meaning the investment in domestic R&D has increased dramatically. However, Tian says, the number of granted patents filed by foreign applicants is higher as their technology and market research is better than China.

This is still a very nice start, he says. Since 2012, the number of domestic applications has exceeded foreign applications. Enterprises are getting to know the importance of the patent commercialization and industrialization, Tian says.

East v. West in China

Increasing economic development in eastern China has brought along more technology innovation in the area, placing the east relatively ahead of western China. In the short-run, Tian says, it is challenging to keep development levels between the two equal, but the imbalance provides the west with more room for improvement and faster growth rate. While eastern China focuses on IP research and development, the west could work on creating a nice environment of IPR protection, Tian says. Local enterprises can then attract investments and resources from the eastern China or the rest of the world for development.

IP agencies in the east are doing better than those in the west, Tian says, although the general performance still has room for improvement compared with more developed countries. Tian says that SIPO is ready to help educate enterprises, IP engineers, local government officials and IP practitioners and to hold seminars and activities to raise the public’s IP awareness. Moreover, the state government has some favourable policies for IP agents in western China. For instance, when a person from the west with a certain level of professionalism fails the National Patent Agent Qualification Examination, he may still practice in his own province.

- Amanda Shuai
Emerging Trends in Cloud Contracting

Corporations, governments and individual consumers across Asia are rapidly expanding their use of cloud-based computing services. While the typical cloud contract may appear simple and straightforward, there are a number of pitfalls that may give rise to various risks and liabilities. Scott Thiel explains.

For “true” cloud offerings, the contract terms which a user could expect to sign would be very restrictive in terms of the level of risk the supplier would accept.

Why Cloud Contracts Developed The Way They Did

Before going on to look at the nature of the changes and some of the potential reasons for them, it is perhaps worth recapping cloud service providers have been operating in the global market since the mid-2000s, but until recently the services have not been widely-employed in Asia by enterprise users and consumers. However, cloud-based offerings have increasingly become a mainstay of the high-tech businesses. Various cloud-based solutions are now being applied by corporations, individual uses, and even government entities. In March and May, Hong Kong and Singapore, respectively, signed agreements seeking private companies to provide cloud-based offerings to its citizens. However, while the typical cloud contract may appear simple and straightforward, there are a number of pitfalls that may give rise to various risks and liabilities. A lot has been written about cloud contract provisions, both in academic and private practice circles. To begin with, there was one factor that all agreed upon, namely that for “true” cloud offerings (i.e. those offered on a one to many basis, utilizing shared facilities rather than a tailor-made hosted service being extended to a single customer), the contract terms which a user could expect to be asked to sign up to would be very restrictive in terms of the level of contract risk that the supplier would accept. However, in recent months there have been demonstrable signs that this position is shifting.
There was no budget for entering into negotiations with customers, and the general counsel’s role had become an exercise in finding ways to say no when faced with any variation to the standard terms.

standard licence terms for the underlying software products and to then seek to adapt them for access/use remotely (see for example Microsoft’s approach to its Azure suite of service offerings).

Such licence terms would generally already have been drafted in a way that was broadly protective of the supplier’s interests, but would often also have been based on a relatively high initial reward for the supplier, in the form of the (usual) upfront licence payment. In contrast, the cloud-based offering would typically be sold to the customer on the basis of a significantly reduced subscription-based fee. As many contract provisions can be said to relate in some way to the risk-reward balance, so it was argued that the level of risk that the supplier would/should take on under the related cloud services contract should likewise diminish.

Other shifts in contract drafting arose by virtue of the change in the manner in which the cloud services were provided. For example, when a platform is used in common to provide services to multiple clients, it would not be desirable for the supplier to have to seek proactive consents from all its clients prior to making any changes to the underlying systems or software.

As a result, it has become common for cloud suppliers to retain often wide-ranging rights to make changes to the cloud service offering, and often also the policies and even contract terms applicable to it. In an endeavour to keep administration/client handling costs to a minimum, such changes may not even be directly communicated to clients, but instead promulgated via changes to terms accessible via hypertext links.

Still on the topic of costs, I recall a conversation a colleague had with a general counsel (GC) of a well-known cloud services provider around 10 months ago; in discussing the company’s approach to contract negotiations, the GC remarked that with an average deal value of around HK$3,000,000 (US$387,000) and no in-house legal capacity beyond the GC, there was (quite literally) no budget or bandwidth for entering into legal negotiations with customers, and hence the GC’s role had become an exercise in finding polite ways to say no when faced with any proposed variations to their standard terms.

One can readily sympathize with such an approach; when the margins are so low, it does not make much sense to impact them still further by expanding a lot of time and effort in contract negotiations.

The “Take it as it is” Offer

All of the above factors (and more, including a level of immaturity/ignorance on the customer side) gave rise to a common scenario where cloud contract terms became set on the basis of what often amounts to a “take it as it is” offer, i.e. whereby there was little if anything by way of a contractual remedy should things go wrong, or should third party claims be made.

A typical cloud services contract might therefore contain some or all of the following provisions:

- the ability for the supplier to unilaterally vary the scope of services and associated policies;
- a right for the supplier to terminate or suspend the provision of the services on short notice, especially (but not exclusively) if other customers might be being impacted by the issues (if any) at hand;
- limited (if any) warranties, with the sole remedy for any breach being for the supplier to use “reasonable endeavours” to fix the issue but with no fixed timeframe for doing so (and often a disclaimer of any loss suffered by the customer, even if they delay in fixing the problem);
- similarly, little (if any) coverage for potential IP infringement claims, with any indemnity as may be provided in any event being restricted to final awards/settlements in favour of the third party claimant, and not covering any elements of the customer’s own associated costs or business impacts;
- very low limits of liability allied with comprehensive exclusions of some of the very categories of loss which might – in fact – be considered most likely to result from problems with the services (e.g. loss/corruption of data, and loss of profit/revenue);
- limited service levels, subject to extensive caveats and with no (or very limited) associated service credits, and no associated termination or step in rights.

Also of note, a user operating in Hong Kong or Singapore must take special notice to the presence, or the likely absence,
of provisions limiting the physical geographic location of the data. With the imminent implementation of Section 33 of the Personal Data (Privacy) Ordinance in Hong Kong, limiting the transfer of personal data outside of Hong Kong, and the Personal Data Protection Act in Singapore, users of cloud-based offerings must ensure using and storing data on the cloud network is in compliance with the various obligations required by these laws. Otherwise, without any contractual limitation there is no bounds to where in the world or how secure the information is stored in these networks.

The story, however, has not ended there. As heralded at the beginning of this paper, we have in recent months seen a significant increase in both the numbers of cloud services contracts which are being subjected to more intensive negotiation, and also a tangible increase in the scope and nature of the clauses then being amended by agreement between the parties.

In a very real sense, the sands are beginning to shift, and the momentum for the resulting changes seems to be ever increasing.

Shifting Sands

One might therefore query why this should be so. In reality, there is no single overriding cause, but rather a combination of a number of factors, as follows:

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The contracting side of cloud services continues to mature, just as the service offerings themselves do.

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• Customer knowledge. When cloud service offerings first began to make inroads into the procurement patterns and spending in the IT market, many customer/buyer-side entities had a low level of appreciation of what contracting for cloud-based services actually entailed. In many cases, therefore, they were excessively quick to accept at first instance the assertion by their relevant service providers as to why certain provisions “had” to be drafted in a particular way, simply by reason of the fact that what was now being offered was something “as a service,” rather than by way of a more traditional licence model, for example. Now, however, many customers (and their advisors) have become more familiar with what cloud services entail and are therefore better placed to argue their case as to what should – or should not – be changing just because the relevant service is being provided remotely.

• Customer Identity. Early adopters of cloud services (as was previously the case with open source software, for example) tended not to be the larger, more highly-regulated buyers such as those in the public, financial services and pharmaceutical sectors. Inevitably, however, the interest of such big players in what is achievable via the cloud has grown and they have become increasingly enthusiastic adopters of cloud-based solutions. However, such organizations have significant bargaining power and firm expectations as to the kind of contract terms which they expect their suppliers to expect...which will usually be considerably at odds with what standard form cloud service contract terms may have offered!

• Deal size/complexity. Linked to the preceding point, cloud services have rapidly evolved beyond some of the lower value, more “commodity style” offerings which were often the basis of early cloud service offerings, and can now encompass quite complex and indeed business critical functions, also involving substantial outlays by the customer in terms of ongoing services fees. This has inevitably placed the customer focus back on the risk/reward balance, and the related contractual provisions to reflect this.

• Competition. There are increasing numbers of providers now active in the cloud services arena, not just in relation to the promotion of new types of services or offerings, but also competing with some of the longer established players. As competition increases, service providers are inevitably compelled to try to find ways in which to differentiate themselves, and flexibility in relation to contract provisions is certainly one of the options to be considered in this regard. In one recent negotiation we were involved with, one of the bidders for a large cloud deal was substantively undermined in its initial argument that its terms were “absolutely standard” and could not be bettered elsewhere by the fact that the other bidder involved in the bidding process had already indicated root and branch acceptance of the customer’s requested amendments!

What conclusions can we therefore take from this? The reality appears to be that the contracting side of cloud services continues to mature, just as the service offerings themselves continue to do.

There are valid reasons why many of the relevant contract provisions need to be drafted in a manner which may appear odd or even objectionable to someone not familiar with the underlying technical model, but it is equally true that many sets of cloud contract terms have gone further than necessary in terms of passing risk back to the customer.

We believe that the market will “self-adjust” in this regard, and reach a more developed appreciation of new market norms in the course of the next 12-18 months.

We look forward to keeping you apprised of new trends and developments.
China’s Computing Cloud: Key Regulatory Issues

The rapid development of China’s cloud computing industry has offered great opportunities for foreign cloud computing service providers. **Wang Rui** and **Qiu Shaolin** explains how to navigate China’s highly-regulated telecommunications sector.

Cloud computing has become quite a hot topic for discussion over the past few years. However, although recent interest in cloud computing has increased, it is not a completely new type of service. For example, when you send an email through Gmail, or store pictures on social media websites, you are using cloud computing services.

In China, cloud computing services has experienced fast and dynamic growth in recent years. The market value of China’s public cloud computing services for the year of 2012 increased by 73% compared to 2011, and the estimated market value for 2013 is expected to reach Rmb6.3 billion (US$1.04 billion), according to the Message Conveyed by the Investigation Report on the Development of China’s Public Cloud Computing Service (2012) (<中国公共云服务调查报告>传递出的信息 (2012)) issued by the China Academy for Telecommunication Research of the Ministry of Information and Industry Technology (MIIT). The growth of China’s cloud computing industry has aroused great interest among foreign service providers. In May 2013, Microsoft announced that it would add several thousand employees to its work force in China as part of a long-term investment in the cloud computing market. However, since foreign investment in the Chinese cloud computing industry is restricted, there are concerns about the short- and long-term benefits of foreign investment due to the limited participation of foreign investors in the market.

This article will discuss key telecommunication regulatory issues for foreign companies that want to provide cloud computing services in China. The first section will explain the term “cloud computing” and three different types of service models. In the second section, the article will examine the regulation of cloud computing services by foreign companies in China. Lastly, the article will discuss the recent “opening up” of the IDC industry in order to reflect on the current policy trends that regulate foreign related cloud computing services in China.

Defining “Cloud Computing”

Currently, “cloud computing” is a term without a common unequivocal scientific or technical definition. However, it is generally accepted that cloud computing exhibits five essential characteristics: (i) on-demand self-service: a consumer can unilaterally order cloud computing services at any point in time, which becomes available on demand; (ii) broad network access: computing capabilities are available through widespread network accessibility, e.g. phone, tablet, computer; (iii) resource pooling: the computing resources are pooled; (iv) rapid elasticity: computing capabilities can be provisioned and released (sometimes automatically) and are available on an “as needed” basis; (v) measured service: cloud systems control, track and optimize resource use.

These five characteristics are identified and well explained...
in the definition of cloud computing provided by the National Institute of Standards and Technology (NIST). NIST is a non-regulatory agency of the United States Department of Commerce whose official mission is to promote US innovation and industrial competitiveness by advancing measurement science, standards, and technology. According to NIST's definition, cloud computing is defined as "[a] model for enabling convenient, on-demand network access to a shared pool of configurable computing resources (e.g. networks, servers, storage, applications, and services) that can be rapidly provisioned and released with minimal management effort or cloud provider interaction." For example, in the case of software as a cloud computing service, customers can subscribe to the service to receive access to specific business applications from cloud providers (e.g. through an internet browser), depending on their administrative, operational and sales needs. These applications are stored in a "cloud" and operated by cloud providers. As a result, customers do not need to purchase the application software or manage the infrastructure and platform where the applications run, which simplifies maintenance and support for the customer.

### Three Major Service Models

As shown in Table 1, there are three fundamental service models for cloud computing: Infrastructure as a Service (IaaS), Platform as a Service (PaaS) and Software as a Service (SaaS). Each service category may be implemented independently or consumed in combination with other service tiers. In the most basic cloud-service model, IaaS, users may be provided with web-based access to virtual computing resources such as processing power, storage and networks (e.g. Dropbox). The providers of PaaS deliver a computing platform that typically includes a set of development and deployment capabilities (such as an operating system, programming language execution environment, database and web server). A well known example of PaaS is the Google App Engine. Today, SaaS is the most mature area of cloud computing which provides users with complete business applications over the web (e.g. Google Docs).

### China's Telecommunication Regulation on Cloud Computing Services

#### Does a “Cloud Computing Service” License exist?

Currently, there is no specific legislation that directly addresses cloud computing services in China. However, since cloud computing services assist cloud users to store, process and transmit information through a real time network, such as the
internet, the PRC Telecommunications Regulations {中华人民共和国电信条例} (Telecommunications Regulations) (promulgated by the State Council on September 25, 2000) and other related rules will apply to regulate the provision of cloud computing services. Furthermore, a majority of cloud computing services are likely to be categorized as value added telecommunication services (VATS) under the Telecommunications Regulations because such services are provided through basic public network facilities, such as the internet. (According to Article 8 of the Telecommunications Regulations, telecommunication services are classified into two categories, i.e. basic telecommunication services (BTS) and VATS. BTS refers to the provision of basic public network facilities, public data transmission and basic voice communication services, whereas VATS refers to the provision of telecommunication and information services using basic public network facilities.)

In general, telecommunications services are divided into specific service categories, for which a specific license is required, as listed under the Circular of the Ministry of Information Industry on the Readjustment of the Classification Catalogue of Telecommunication Services (信息产业部关于重新调整<电信业务分类目录>的通告) (2003 Classification Catalogue) (Promulgated by MIIT on February 21, 2003 and effective as of April 1, 2003). Since cloud computing is a relatively new concept in China’s telecom sector, it was not included as a specific service category under the 2003 Classification Catalogue. However, if the features of the particular cloud computing services are caught by one or more of the existing service categories under the 2003 Classification Catalogue, the service provider will need to get the corresponding license(s) for operating such services. For example, if the cloud computing services involve the provision of IDC services, an IDC Service license will be required.

The rules are different for cloud computing services that do not fall within the service categories under the 2003 Classification Catalogue. Theoretically, through Article 9 of the Telecommunications Regulations, the service provider will only need to file and record the case with the provincial counterparts of the MIIT before commercially operating the services. According to our anonymous consultation with the MIIT, however, in practice, there is currently no specific procedure in place to fulfill such record-filing requirements, and only a few companies have actually completed the record-filing process with the MIIT. Nevertheless, the information about the aforesaid successful cases for record-filing is not publicly accessible. (In this regard, MIIT issued the draft Administration Provisions for Trial Operation of New Type Telecommunication Services (试办新型电信业务管理办法 (征求意见稿)) on April 27, 2013, seeking public comments, which have not taken effect yet. According to Article 9 of the draft Provisions, as long as the relevant filing-record procedures are duly complied with, for those companies that have obtained a BTS license, the trial operation of new services for providing basic public network facilities, public data transmission and basic voice communication services is permissible, for those companies that have obtained a VATS license, the trial operation of new services for providing telecommunication and information services using basic public network facilities is permissible.

Restrictions on Foreign Investment in the Provision of Cloud Computing Services

In 2001, when entering the WTO, China made commitments related to telecommunication services in Annex 9 (Schedule of Specific Commitments on Services-List of Article II MFN Exemptions) of the Protocol of Accession of the PRC (Annex 9). In this regard, foreign service providers are only permitted to provide the telecommunication services listed in Annex 9 to Chinese customers, unless the Chinese government decides to expand foreign entrance to other service categories. (For example, compared with the Annex 9’s committed service types, the scope of VATS service in the 2003 Classification Catalogue is broader and included several categories such as IDC Service and IP-VPN Service which are not listed in Annex 9.) Furthermore, in order for a foreign service provider to provide any of the services listed in Annex 9 to its Chinese customers, it must first establish a commercial presence in China. Foreign service providers may not provide cross-border telecommunication services to China, regardless of whether the particular service category is open to foreign party.

As such, if a foreign company wants to provide cloud computing services in China, it must establish a foreign invested telecommunication enterprise (FITE) in China, in accordance with the relevant requirements set forth in the Catalogue of Industries for Guiding Foreign Investment {外商投资产业指导目录} (Foreign Investment Catalogue) (the most current version of which was promulgated by the National Development and Reform Commission and the Ministry of Commerce on December 24, 2011, and effective as of January 30, 2012), the Telecommunication Regulations, the Provisions on Administration of Foreign-Invested Telecommunications Enterprises {外商投资电信企业管理规定} (FITE Provisions) (promulgated by the State Council in 2001 and last revised on September 10, 2008) and other related rules. Presently, the proportion of foreign capital investment in FITEs providing BTS should not exceed 49% and for VATS-type FITEs should not exceed 50% in total.

The substantial requirements for establishing a FITE that wants to operate VATS include: (i) the corporate structure of the firm shall be a Sino-foreign equity joint venture; (ii) the proportion of capital invested by the foreign company shall not exceed a total of 50%; (iii) the registered capital shall be more than Rmb10 million (if it wants to provide services nationwide); and (iv) the foreign investor shall have a record of good performance and operating experience in managing value-added telecommunications business.

In the application process, there are a few procedural requirements to be followed. First, the principal Chinese party (Principal Chinese Investor) should obtain the Examination Opinion on Foreign Investment Engaging in Telecommunication Business from the MIIT or its provincial counterparts, which is equivalent to the consent of the Chinese government from the industry regulatory perspective. Second, the Principal Chinese Investor should obtain the Foreign Investment Enterprise Approval Certificate from the Ministry of Commerce or its provincial counterparts. The third step is for the Principal Chinese Investor to apply for the relevant telecommunication service license from the MIIT. Lastly, the proposed FITE should register with the State Administration for Industry and Commerce or its local counterparts to obtain a business license. Once the business license is obtained, the FITE is considered to be duly incorporated under Chinese law, and it must provide telecommunication services in accordance with its operational scope as approved.

In practice, however, the establishment of FITEs in China is relatively restricted. For instance, since the promulgation of the 2003 Classification Catalogue, only around 28 FITEs have managed to obtain the telecommunication license in China so far. Also, the Chinese government is making it increasingly
difficult for FITEs to obtain ICP licenses because of the tightening policies on internet censorship.

**New Trends in the Regulation of Cloud Computing Services in China**

*Proposed Amendment to the 2003 Classification Catalogue*

In line with the rapid progression of the cloud computing industry, and its significance to the global competition of the countries in the era of information, China has made tremendous efforts to promote the development of this industry. In 2012, the Chinese government formed a specific five-year plan for developing cloud computing technology, the Twelfth Five-year Special Plan for Cloud Computing Technology Development of the PRC (中国科技发展“十二五”专项规划). Furthermore, cloud computing services and the relevant equipment are also considered as two key categories under the Guiding Catalogue on Key Products and Services in Strategic Emerging Industries (战略性新兴产业重点产品和服务指导目录) (promulgated by the National Development and Reform Commission on March 7, 2013).

Moreover, the MIIT has strengthened its efforts to regulate the cloud computing industry. To this end, among other things, MIIT circulated an updated version of the 2003 Classification Catalogue on May 25, 2013 (2013 Draft Classification Catalogue), to solicit public comments. Compared with the 2003 Classification Catalogue, the 2013 Draft Classification Catalogue has added several service categories for both BTS and VATS services.

Although the 2013 Draft Classification Catalogue did not add a “cloud computing service” category, it introduced a new service category named “Internet Resources Collaboration Services” in the VATS Section. According to the 2013 Draft Classification Catalogue, “Internet Resources Collaboration Services” refers to “the use of equipment and resources constructed on data centers, and through the internet or other networks, to provide customers with services, including, data storage, development environment for internet applications, deployment of internet applications and operation management to users by way of easily accessible, use on-demand, easily expanded and/or collaborative sharing.” The addition of this service category and other new relevant categories such as the “Content Distribution Network Services” to the Classification Catalogue is probably intended to capture or facilitate the development of cloud computing.

**Will the Urge of Promoting Industry Outweigh Restrictions to Foreign Investment?**

If the 2013 Draft Classification Catalogue is approved, and if the two above-mentioned service categories related to cloud computing services are still included therein, then the new catalogue is likely to expand the service scope of foreign service providers in the Chinese market. In practice, however, it remains uncertain whether the Chinese government will loosen the tight restrictions imposed on foreign service providers in the telecommunication industry, and more specifically in the cloud computing industry.

For example, IDC is largely used as the fundamental IT infrastructure in the provision of cloud computing services. The IDC Service itself is an existing service category listed in the 2003 Classification Catalogue, and it remains a separate service category in the 2013 Draft Classification Catalogue. In 2008, however, the government suspended the MIIT’s issuance of IDC Service licenses to combat rampant internet obscenity in China. At the time, the suspension order applied to both domestic and foreign service providers.

The ban lasted for almost five years up until the end of 2012, after which the suspension was lifted by the Notice of MIIT on Further Regulating the Market Access of Internet Data Center Service and Internet Access Service (工信部关于进一步规范因特网数据中心业务和因特网接入服务业务市场准入工作的通告) (IDC/ISP Notice). However, the ban was only lifted for domestic investors and those investors from Hong Kong or Macau; foreign companies (including companies from Taiwan) are precluded from investing in China’s IDC industry. The newly promulgated policy for the Shanghai Free Trade Zone is even more stringent to foreign investment in the IDC industry. As such, although the IDC/ISP Notice is expected to promote the development of the cloud computing industry, foreign investors are still restricted from operating in this area.

**Collaboration with Chinese Partners**

At the present stage, the opportunities for foreign investment in the cloud computing service sector are still very limited. Therefore, some foreign service providers have decided to seek foothold in the Chinese market by collaborating with local Chinese enterprises that have already obtained the required telecommunication operational licenses. For example, in order to provide its cloud-based platform Windows Azure in China, Microsoft entered into a three-party agreement with Shanghai Municipal Government and 21Vianet Group Inc. (世联互联), a Chinese internet infrastructure provider, in 2012. Chinese clients use the Windows Azure platform to run corporate programs, websites and applications from Windows Azure data centers (operated by 21 Vianet). Although the detailed arrangements for the Microsoft-21 Vianet partnership are not publicly available, it seems that this collaboration is unlikely to be challenged on grounds that it circumvents existing restrictions on foreign service providers because the Shanghai Municipal Government is also a party to the arrangement.

**Conclusion**

The rapid development of China’s cloud computing industry has offered great opportunities for foreign cloud computing service providers. However, since the telecommunication – internet in particular – sector is, and has always been, highly-regulated in China, foreign companies providing (or that want to provide) cloud computing services in China still face stringent regulatory challenges from the telecommunication regulation perspective. It will be interesting to see what the future has in store for the cloud computing industry in China.

Special thanks to Ge Yibo, Rebecca Brust and Yang Xiande for their contributions to this article.
In the landmark decision of Staywell Hospitality Group v. Starwood Hotels & Resorts Worldwide, the Singapore Court of Appeal was presented with an opportunity to clarify the principles applicable in opposition proceedings and infringement actions. Prithipal Singh and Faizal Shah report from Singapore.

At the outset, the Court of Appeal endorsed the step-by-step approach as the correct approach to be applied in Singapore.

Step-by-Step Approach
At the outset, the Court of Appeal endorsed the step-by-step approach as the correct approach to be applied in Singapore. Under the step-by-step approach, the requirements of (a) similarity of marks (marks-similarity); (b) similarity of goods or services; and (c) likelihood of confusion arising from the two similarities, are assessed systematically.
Elements (a) and (b) above are assessed individually before element (c), which is assessed in the round.

The Court of Appeal agreed with the Opponents that the similarity of competing marks is a threshold requirement that had to be satisfied before the confusion inquiry is undertaken. However, the Court of Appeal disagreed that the threshold for marks-similarity is low as it is inexorably a matter of expression rather than one that can be resolved by quantitative exercise. In this connection, the court reiterated that the three aspects of similarity (i.e., visual, aural and conceptual) are meant as a guide for the court to determine whether the marks are similar. Similarly, there is no requirement in law that all three aspects of similarity must be made out before determining marks to be similar.

In respect of marks-similarity, the Court of Appeal reiterated that distinctiveness (in both its technical and non-technical senses) is a factor integrated into the visual, aural and conceptual analysis as to whether the competing marks are similar. It is not a separate step within the marks-similarity inquiry. Non-technical distinctiveness refers to what is outstanding and memorable about the mark. The distinctive (in the non-technical sense) components of the mark are those that tend to stand out in the consumer’s imperfect recollection. Accordingly, the court is entitled to have special regard to the distinctive (in the non-technical sense) or dominant components of a mark. On the other hand, technical distinctiveness refers to the capacity of a mark to function as a badge of origin. In this connection, technical distinctiveness is an essential element in the marks-similarity inquiry. Indeed, a mark which has greater technical distinctiveness clearly enjoys a high threshold before a competing sign will be considered dissimilar to it.

In deciding whether marks are similar, the court confirmed the well-established principle that the marks are to be considered without having regard to any added or extraneous factor/matter.

With respect to the similarity of goods or services, the Court of Appeal held that where a good or service in relation to which registration is sought falls within the ambit of the specification in which the incumbent mark is registered, the competing goods or services would be regarded as identical. If the good or service are not identical, extraneous factors may be considered:

(a) in infringement cases to establish the degree of similarity between goods and services that are not identical; and

(b) in opposition proceedings where the applicant’s and proprietor’s goods and services are registered or to be registered in different classes or specifications.

Confusion Inquiry Stage

The Court of Appeal confirmed that there is a difference between the approaches to the confusion inquiry in opposition proceedings as compared to infringement actions. In opposition proceedings, the court must have full regard to the full range of notional and actual uses of the mark. On the other hand, in infringement actions, the court has to compare the full range of notional fair uses of the incumbent mark against the actual use of the later mark. In practice, this translates to a higher threshold to be met by an applicant in opposition proceedings. It bears mentioning that the foregoing accords with the position enunciated by the courts in Europe and the United Kingdom.

In respect of factors which are extraneous to the competing marks and to the products in relation to which the marks are used, the Court of Appeal stated that it is not relevant to have regard to extraneous factors concerning the actual and particular
circumstances and way in which the mark has been used on the goods in opposition proceedings.

Further, in both opposition proceedings and infringement actions, it is impermissible during the confusion inquiry stage to consider factors consisting of steps undertaken by a trader to differentiate his goods or marks from those of the owner of the incumbent mark. Extraneous factors which relate to the nature of the goods or services and the degree of care that would be applied by the customer remained relevant. Be that as it may, the Court of Appeal cautioned that extraneous factors must be managed so as to strike a balance between the competing goals of the trademark registration regime.

Initial Interest Confusion/Goodwill

The Court of Appeal considered the “initial interest confusion” doctrine, which is derived from American trademark law and is focused on protecting the reputation and the goodwill of the prior registered mark. This doctrine has been applied both broadly and restrictively. Under the broad interpretation, it is sufficient to show that the consumer was drawn to the defendant’s goods based on its ostensible association with the plaintiff’s mark. On the restricted interpretation, initial interest confusion is applicable only if it gives rise to a real risk that the potential consumer will actually purchase the defendant’s goods even upon knowing that they are not the plaintiff’s goods.

The Court of Appeal confirmed that the doctrine of initial interest confusion should not be introduced into Singapore law as it is inconsistent with the purpose of Section 8(2) of the Trade Marks Act.

The Court of Appeal also considered the approaches undertaken by the courts in ascertaining goodwill, namely:

(a) the hard-line approach where it is essential for the trader to have carried on his trade within the jurisdiction to establish goodwill; and

(b) the soft-line approach where goodwill is established if the trader has an international reputation and is able to draw customers to the source of its attractive force.

The Court of Appeal confirmed the hard-line approach as the approach applicable to Singapore but added that the approach is softened to the extent that any pre-trading activity need not be revenue-generating as long as it is directed at generating demand for the plaintiff’s business and the trader evinces an unequivocal intention to enter the market.

Conclusion

All things considered, the Court of Appeal dismissed the Applicant’s appeal. The Court of Appeal found that there was (a) a high degree of aural similarity between the competing marks because of the distinctiveness of the common “Regis” component in both the technical and nontechnical senses; and (b) a fair degree of conceptual similarity as the marks share a tendency to connote a place or building.

The Court of Appeal allowed the Opponents’ appeal in respect of Sections 8(2)(b) and 8(4)(b)(i) of the Trade Marks Act. The Court of Appeal was satisfied that the proximity of the markets in which the Opponents and the Applicant operate gave rise to possibility that the Opponents’ business expansion opportunities would be prejudiced. However, the Court of Appeal dismissed the Opponents’ appeal in respect of Section 8(7)(a) of the Trade Marks Act as the Court of Appeal was satisfied that there was no goodwill in the Opponents’ hotel in Singapore for the purpose of an opposition.
Case Commentary on Guy Neale and others v. Nine Squares

In Guy Neale and others v. Nine Squares [2013] SGHC 249, the Singapore High Court dismissed a trademark invalidation suit and confirmed the requisite attributes for the establishment of goodwill in Singapore.

The Plaintiffs in that case comprises four individuals and two companies which carry on business as a partnership operating the restaurant, bar and club business known as “Ku De Ta” in Bali, Indonesia. The “KU DE TA” trademark was registered in Indonesia on March 20, 2001. The Defendant is the registered owner of two trademarks in Singapore bearing the name “KU DE TA” (the Singapore marks). The 5th Plaintiff was a shareholder of the Defendant and was involved in its activities. He was made a party as the 5th Plaintiff because the action was brought by the “partnership” of which he was a party to. However, he gave evidence on behalf of the Defendant.

The 1st SG mark was registered on February 16, 2004, in Class 43 (restaurants, etc) as a trademark in Singapore. The 2nd Singapore trademark was registered on June 30, 2009. In this respect, the High Court found that there was no creation of an express trust as the Plaintiffs did not establish the requisite certainty of intention, that there was no usurpation of corporate opportunity and that there were no breaches of fiduciary duties.

With respect to ascertaining whether the applications to register the Singapore marks were made in bad faith, the High Court reiterated that an application for the registration of a trademark would be made in bad faith if the defendant’s conduct in applying for the registration of the trademark fell short of the normally accepted standards of commercial behaviour; and if the defendant subjectively knew of facts which would have made an ordinary honest person realize that what the defendant was doing would be regarded as breaching those standards.

To establish goodwill in Singapore, the Plaintiffs have to show the presence of actual or potential customers in Singapore at the material time. Indeed, the Plaintiffs’ grounds for invalidating the Singapore marks have a common denominator – the Plaintiffs must show that their ‘KU DE TA’ trademark was an earlier trademark within the meaning of the Trade Marks Act (Cap. 332).

In respect of the 1st Singapore mark, while the international publicity of Ku De Ta cannot be discounted in considering whether the trademarks were well known in Singapore, such publicity cannot be as relevant and significant as the publicity and advertising conducted in Singapore. Indeed, the ultimate inquiry is whether the trademark is well known in Singapore. Online travel guides and newspaper articles from other jurisdictions are of limited assistance unless there is proof of their distribution in Singapore or that they were read by Singapore residents. Mere publication of a book in Singapore does not imply that it was distributed here at all. In the circumstances, the court found that the evidence did not show on a balance of probabilities that Ku De Ta enjoyed goodwill in Singapore as at February 16, 2004.

In respect of the 2nd Singapore mark, the Plaintiffs submitted that Ku De Ta Bali enjoyed goodwill in Singapore when the Defendant applied to register the 2nd Singapore mark on June 30, 2009. In this respect, the High Court agreed that it was likely for Ku De Ta Bali (as a restaurant operating in Bali) to be well-known to the relevant sector of the Singapore public as well. However, the High Court noted that the 2nd Singapore mark was registered to only protect Ku De Ta-branded apparel, jewellery and music. In the circumstances, while the High Court was prepared to find some goodwill in Singapore as at June 30, 2009, for Ku De Ta as a restaurant, the High Court found that the evidence did not support the finding of goodwill as at that date for Ku De Ta-branded apparel, jewellery or music.

By reason of the above, the Plaintiffs’ claims vis-à-vis invalidation of the trade marks and the tort of passing-off also failed.
INDIA

The Nightmare of Section 8

Due in part to its often-ambiguous requirements, Section 8 of India’s Patents Act has become a nightmare for patent owners.

The 2009 Chemtura decision of the Delhi High Court made Section 8 compliance very stringent. In effect, even if a small communication between the patent office of some remote country regarding an equivalent patent is not reported to the patent office in India, the consequences may prove to be fatal and the patent may be cancelled.

This has generated tremendous fear in the minds of patent owners in all industries whether pharmaceutical, information technology, bio-technology, automobiles, mechanical and others. Corporates, associations and academics are all looking at a more practical and realistic approach to Section 8.

In the light of the aforesaid, two dilutions have come by way of case law in recent times. Roche v. Cipla was the first where the court recorded a Section 8 violation but exercised discretion in not expunging the patent. This happened two years ago.

The latest is Koninklijke Philips Electronics v. Maj (Retd) Sukesh Behl & Anr, (CS (OS) No. 2206 of 2012). The Delhi High Court handed down an order in the case on November 6, 2013. In the Philips decision, the court confirmed that there is a discretion under Section 8 and therefore did not treat the fact which could only emerge at the trial of the suit. Hence, the suit could not be dismissed at the preliminary stage.

The Court agreed with the plaintiff and dismissing the defendants’ application held that “while the plaintiff does not deny that a part of the information concerning the pending foreign applications was inadvertently not disclosed, there is no admission as to the withholding of such information being deliberate or that there was wilful suppression of such information. That surely would be a matter for evidence. Further, the question whether the non-disclosure of the above information contained on the reverse of the first page in the first instance before the COP was material to the grant of the patent raises a triable issue. It is not possible at the present stage for the Court to form a definitive opinion on the above aspects.”

The plaintiff had filed an affidavit of the law firm DePenning and DePenning to the effect that although the Form 4 information had been supplied to them, by mistake, in the photocopying process, the back side of Page 1 was not included, and that the information which appeared on Page 2 was left out and not filed with the Patent Office. The defendants took advantage of this affidavit and moved an application that the counterclaim ought to be allowed since admissions have been made and the counter claim could be decreed on admissions under the provisions of Order 12 Rule 6 of the Civil Procedure Code, 1908.

The plaintiff argued that the cancellation of a patent was not mandatory even if Section 8(1) information had not been filed. It was the discretion of the Court whether to cancel the patent or not, and the discretion was based on a variety of fact that there had been underreporting in relation to some applications in some remote countries as a violation which could have resulted in cancellation of the patent.

This suit for permanent injunction sought to restrain the infringement of patent No. 218255, concerned with DVD technology. The defendants were manufacturing DVD-ROM discs. The defendants counterclaim for revocation was mainly on the ground that Section 8 has been violated. The defendants’ pleas were confined to Section 8(1) as they alleged that Form 4 (now Form 3) did not contain the information of applications filed in a large number of countries.

The 2009 Chemtura decision has generated tremendous fear in the minds of patent owners in all industries.

Pravin Anand is managing partner of Anand and Anand in Noida, where his practice covers intellectual property, litigation and dispute resolution. He has been a counsel in several landmark IP cases involving the first Anton Piller Order (HMV cases); the first Mareva Injunction Order (Philips case); the first Norwich Pharmacal Order (Hollywood Cigarettes case); moral rights of artists (the Jatin Das case). He has been recognized for pro bono work for grassroots innovators (National Innovation Foundation Award).