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Mark Cohen: Global Intellectual Property Ambassador

*Whitney Stenger**

QUESTION: You have been called a “gladiator in the fight against piracy.”¹ Would you say this is an accurate description of your work?

MR. COHEN: About the time that this statement was made on a blog on the *Wall Street Journal* website, I was giving a speech in Philadelphia. Conrad Wong, a good friend of mine who now serves at the U.S. Consulate in Guangzhou, China, used that quote to introduce me. He said: “Mark is a good friend of mine. He is a gladiator against piracy, according to the *Wall Street Journal*.”² After he introduced me, I said to him: “Conrad, if I am a gladiator, you are a gladiator—and we are both it seems, in a Mel Brooks movie.”

Sometimes it does seem that we take our battles too seriously. And sometimes, we may not be fighting the right battles to begin with. However, regardless of how serious the battle, there are a number of people doing a lot of hard work in this area, and no one individual can address all the work that needs to be done. We need to work together.

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(Author's Note: Following his opening remarks at the China IP: Now! Symposium, I had the privilege of interviewing Mark Cohen, who is not only a visiting professor at Fordham Law School, former Director of International Intellectual Property for Microsoft Corporation, and the Senior Intellectual Property Attaché at the U.S. Embassy in Beijing, but also a bike enthusiast and father of four.

His opening lecture set the tone of the day, as he discussed China's current intellectual-property plans, policies, and practices. After the lecture, Mr. Cohen and I spoke at length about his experience working for the U.S. government in China from 2004 to 2008. Mr. Cohen explained effective ways to overcome roadblocks to enforcement of intellectual property (IP), historical explanations for these hindrances, and IP success stories in China.

His knowledge and experience make him an unmatched resource on the subject-matter. Deeming him an “expert” is an understatement. It was a privilege speaking with Mr. Cohen about IP issues that both individuals and companies from the United States face in the world's second-largest economy, trailing only the United States.)

1. Peter Lattman, *Chief U.S. IP Lawyer Mark Cohen on China*, WALL STREET JOURNAL LAW BLOG, Jan. 26, 2006, <http://blogs.wsj.com/law/2006/01/26/chief-us-ip-lawyer-mark-cohen-on-china>.
2. *Id.*

When I was in the U.S. Embassy in China, I always felt my greatest value was in empowering others and *not* in attempting to do everything myself. U.S. Embassy work in particular means engaging officers appointed for two to three years to China, who may not be experts in intellectual property. I needed to help them address issues that will improve the IP environment and enable them to succeed.

In the corporate world as well, there remains a large knowledge gap of people who are now engaged in China IP issues, but who may not have the requisite information. If we know more, we should be teachers and colleagues. If we are learning, we should be students and colleagues. In almost all cases, we will sometimes be a teacher and sometimes be a student. Part of the way people get off track in this area is by assuming that they can do everything and know everything. There is no single “gladiator” when there is a whole team of us.

QUESTION: What is the link between human resources (HR) and the effective enforcement of IP in China?

MR. COHEN: This topic has been of recent concern to me. There are a few basic HR and IP issues involving China. One is the kind of issue that everyone faces if they have an overseas IP concern: who do they hire, and on what basis do they hire? In China it is particularly difficult, because some of the relationships are not long-standing, people are not familiar with the issues, there is a linguistic problem, and there also may be a cultural problem. Because of that, even those fundamental issues, such as which local law firm to hire, can be challenging.

This problem can be empirically proven: amongst the four largest patent offices other than the United States (China, Japan, Korea, and Europe), China has the fewest number of locally resident U.S. patent agents when compared to the number of U.S. patents filed in that country, total numbers of patent filings in the country, IP litigation, or factors such as population or GDP. Exponential growth in China’s IP system has imposed serious HR constraints amongst Chinese law firms as well.

Foreign law firms may also not be as present in China because they are restricted from practicing in China. They cannot provide opinions on Chinese law. And if they hire Chinese lawyers, those lawyers have to suspend their licenses. So even if you are a multinational company going to a trusted multinational firm, the water’s edge, so to speak, is really going to be when that firm says: “You know what, I really cannot provide an opinion,” or “You are really going to have to hire outside counsel other than our firm.” These pressures automatically add to a difficult situation in external HR issues, especially contracting for legal services.

The other HR issue is how you handle things internally. Internally there is frequently a misalignment between how China operates and how companies, governments, or academic institutions operate. For example, China is still very much a planned economy. The Chinese government develops plans that—in the case of science and technology—extend out fifteen years. China wants to be an innovative economy by 2020. So if you believe China will

accomplish that—and I think all the data suggests that it will—one has to ask several questions of one's own enterprise that may not seem appropriate in the United States or most market economies. You have to ask: How do your corporate strategies align with that plan? How does your HR align with that plan? How are you going to be promoting people and analyzing that plan so that you can maximize your involvement in China's successes while minimizing disruptive impacts? How do you accommodate disruptive technological trends and market responsiveness to the planned aspects of China's IP and innovation system? If, as a company, you are only looking at the next election year or the next quarterly balance sheet, you are already off track a little bit and need to juggle different market and political constraints.

You also have to address other questions like: How are you getting information? Are you rewarding people based on their ability to accomplish U.S.-directed goals, or are they being rewarded for their ability to handle the difficult issues in the Chinese market? Are you getting information that is filtered through someone who speaks Chinese and English, who may be concerned that headquarters may misunderstand them? HR decisions are too often based on linguistic competence, and not necessarily subject-matter competence. A company may hire someone who seems to be able to speak to you, because their English is very good. But that may not necessarily be the best person to employ. In my own experience in China, some of the most talented IP professionals have been people without very strong foreign-language skills.

There are a whole range of HR issues—from hiring, to choosing lawyers and advisers, to lining up your priorities with China's—which affect the success of an IP program.

QUESTION: What makes an American attorney practicing in China successful?

MR. COHEN: There are a number of pathways to success in the Chinese market. First, subject-matter expertise and familiarity with Chinese law are key. A number of people enter the Chinese legal environment bringing their American or foreign-law assumptions, and frequently the Chinese legal system does not work the way they expect. For example, I still hear from American practitioners that the absence of "precedent" is a problem in Chinese IP practice. However, all civil-law countries lack a system of precedent like common-law countries. I do not think asking China to model its legal system after the United States is an effective strategy for promoting advancement in China's IP system.

Second, practical business advice is important. Attorneys are dealing with a complicated legal environment, and the ability to mesh what the law requires with how a corporate strategy should evolve is really an art. It is really as much about experience as what the law itself states. Too often you find people who say: "The law is X. We have to do it this way." Or you find people who say: "The law is X, but I know the minister in charge of this agency, and he will do something special for us." Both of these approaches carry risks, including possible criminal sanctions if there is a violation of the

Foreign Corrupt Practices Act or comparable Chinese laws. An American lawyer should be able to understand the practical dynamics, legal issues, and ethical issues, while being able to usefully and ethically combine them. That is really what makes a good lawyer in China.

QUESTION: Should (and will) the Chinese government continue to make laws that are favorable to them while not conceding to the United States' interests in IP law?

MR. COHEN: Every country enacts laws which to a degree reflect its own interests. There is no surprise there. We have a robust bio-tech industry in the United States. Thus, we have very strong laws surrounding the bio-tech sector. China has rules, for example, regarding patents for traditional medicine or interests in protecting folklore genetic resources. Those are of concern to China. That is not the surprise.

The problem with an approach that overly focuses on public aspects of IP law lies in the fact that the TRIPS Agreement—and almost every international agreement, whether explicitly or implicitly—recognizes that IP is a private right.³ Private-property rights are at the core of the global IP system. When it becomes an instrumentality of industrial policy—whether it is through quotas, subsidies, antitrust laws, or a range of other laws, rules, and regulations that try to give an enhanced industrial position through IP—it is both affecting the global assumptions about IP and may also be creating a large degree of internal frustration when creativity does not respond well to government mandates.

There are some people that say the United States has wonderfully creative people, but no scientists and engineers, while China has talented scientists and engineers, but no creative people. There is a kind of potential synergy there. Many people wonder, can China come out with the new blockbuster device, the new blockbuster technology, the new pharmaceutical compound, in an environment where so much of creativity is bureaucratized? Many Chinese officials, when they look at China's science and technology programs, are concerned that their funds are supporting research and development (R&D) and IP, but there is not a high degree of commercialization of technology. Others argue that China will make incremental improvements in existing technologies, and the nature of the R&D ecosystem does not support individuals such as Steve Jobs or Bill Gates. These concerns are legitimate, and the future will, indeed, be interesting to watch.

Empirical data reveals that China's experimentation with a Bayh-Dole type regime, where enterprises are given the right to own the IP that results from government-funded R&D, and to commercialize that right, reveal that

3. Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPs"), *see* Uruguay Round Agreements Act, Pub. L. No. 103-465, 108 Stat. 4809 (1994) (codified as amended at scattered sections of United States Code).

property ownership and autonomy result in higher quality patents.⁴ Senator Bayh and Senator Dole created this program because they saw thousands of patents wasting away from U.S.-government-funded R&D. Once the innovators are allowed to commercialize their own technology, then suddenly there are new products and income, and everyone benefits, rather having these ideas sit as a wasting government asset.

As Chinese research institutions—like Tsinghua, the Chinese Academy of Sciences, and others—have been permitted to commercialize their own inventions, not only has their patent quality improved, but license agreements have been entered, new companies have been established, and in some instances whole new industries have been created. This has incentivized people much more than subsidies, quotas, and other techniques.

QUESTION: Is the quality of patents in China declining because of a race to beat the United States?

MR. COHEN: Regrettably, the truth is that sometimes quantity *is* quality in patents, at least in terms of litigation. Having a thicket of patents that one can assert can be very meaningful in driving a license or a settlement.

It is, however, very hard to benchmark the quality of individual patents. By China's own data, quality is improving. By certain patent quality surrogate data—such as the number of service versus non-service inventions, patents that are commercialized, field of use, whether patents are maintained throughout their useful life, type of patents (invention patent versus utility model or designs)—there are more and more patent grants that have commercial viability. However, there are no citation rates. So in other words, it cannot be determined if a particular patent has been cited by subsequent patents. That would be a very important, perhaps the most important, indicator of patent quality. Whether patents are filed internationally through the Patent Cooperation Treaty (PCT) or through national phase filings would be another important indicator, as international filings are generally reserved for higher quality patents due to their cost and international significance.⁵

Field of use is especially critical. It is very hard to analyze bulk patent data, because one patent in the bio-tech or pharmaceutical (pharma) sector can be significantly more valuable than five hundred in the IT sector. There have not been many blockbuster pharma products coming out of China, so one cannot really equate 10,000 patents in China's IT sector to 10,000 patents in the pharma sector. Perhaps the most significant new medicines have in fact been based on traditional Chinese medicine, like Artemisinin and Tamiflu. On the other hand, there used to be many patents related to food products, fermentation, and the like in China that probably had very limited commercial use. There has also been a closer alignment between what China

4. 35 U.S.C. § 200 (2000); *see also* JOHN ORCUTT & SHEN HONG, *SHAPING CHINA'S INNOVATION FUTURE: UNIVERSITY TECHNOLOGY TRANSFER IN TRANSITION* (Peter K. Yu ed., 2010).

5. 35 U.S.C.A. § 364 (2002).

manufacturers are producing in the IT sector and what Chinese inventors are patenting. This is a positive sign.

QUESTION: How does culture affect the pursuit of patent litigation in China as opposed to the United States?

MR. COHEN: There are important differences in legal culture between the two countries. Damages in China tend to be much lower than in the United States, injunctions tend to be more automatic, first-instance trials are frequently shorter, there are no punitive damages, discovery is limited, and it is harder to enforce a civil judgment. Further, the statute of limitations is only two years and there are no juries. The Chinese also bring more cases than the number that are brought in the United States. Thus, one can say that litigation seems to serve a different purpose in China than in the United States; it is more frequently resorted to, does little to address economic damage, and may have prospective impact through injunctions, but overall it is of more limited effect.

As an example of the consequences of these limitations to foreign companies, evidence gathering should be completed as much as possible before initiating a case in China. There is really no discovery phase in China, so one really has to work to gather evidence before a case commences. If the evidence needs to be consularized or notarized, it should be done beforehand. As another example, if there is an appeal that involves a second-instance adjudication, it may feel like the litigation is never ending; it feels like the case is being tried a second time. Foreign cases in China can last a long time, whereas domestic cases move along pretty quickly. Moreover, Chinese IP judges are generally more expert in IP than U.S. Article III judges. But they do not enjoy the same status as U.S. judges, are not appointed for life, and have quotas to fulfill regarding case processing. They may seem more informed, but are also more bureaucratic or even politically influenced.

Additionally, in China, patent adjudication tends to be localized; it tends to be concentrated in particular areas, which is similar to the United States. Obviously, different areas tend to litigate for different reasons. Certain regions of China enjoy higher patent prosecution and litigation densities than others, again similar to the United States.

QUESTION: How has the transparency of the Chinese government affected IP enforcement or adjudication of these issues?

MR. COHEN: Transparency is critical to intellectual property. It is critical to rule of law. Being an intangible asset, if one cannot ascertain how the asset is defined, who owns it, or how it is being enforced, one may have tremendous difficulties in assessing its value and monetizing it.

There have been a range of efforts to make the IP system more transparent. One effort that I was involved in, for example, was getting a database at the Chinese Trademark Office up and running. While I advocated for this database because I believed that it would facilitate filing for trademark, I was also advocating for this database because of its value in anti-counterfeiting actions. If an enforcement official suspects something is being counterfeited, she can go online now and see if the person using the trademark is in fact the

actual owner of the right. In the absence of that, she would have a much more difficult time verifying ownership. This database is now in active use by Chinese and foreigners, especially Americans. The Chinese Patent Office has a database as well. I routinely made inquiries of Chinese agencies about U.S. “hits” and “page views” on Chinese government IPR websites, and I have been pleased to see that the Chinese government continues to monitor this data.

Transparency in law and legislation is another concern. There has been tremendous improvement over the years in providing an opportunity for public comment on proposed laws, regulations, and judicial interpretations—particularly in IP. In some cases, I believe companies may feel exhausted by the opportunities. Drafts go through multiple variations and sometimes people are given the opportunity to comment at an early stage. It may be years before the draft is final. Nonetheless, most companies appreciate the opportunities to comment early and often.

Next, there is the question of adjudication. Are we getting the full set of data we need in order to make informed decisions about the risks of litigating, risks of licensing, and fairness of individual tribunals? That data has improved a lot, but it is still incomplete. The Chinese Trademark Office has very comprehensive data about enforcement, while the Chinese Copyright Office has cut back on the amount of data it publishes. The courts are very helpful on a national level, and some local courts also produce useful reports. However, there still is not a comprehensive database covering overall trends or all cases, or a useful search facility to review trends and collate data on all cases nationwide.

China took the position of the WTO about seven years ago that it was under no obligation to publish IP-related administrative enforcement decisions.⁶ They believed this was not an obligation of the TRIPS Agreement.⁷ There are literally hundreds of thousands of cases per year which China feels it is not obligated to make available. Some of the cases do become available, though. In many instances, if the case is initiated *ex officio*, meaning it is not on the complaint of the rights holder, China believes there is no obligation to turn it over to the rights holder. If it is initiated under the complaint of the

6. “Regarding obligations of administrative agencies to provide written decisions with interpretations for their enforcement decisions, he said that his delegation believed that this question was not relevant to the IPR system and that his delegation was not obliged to answer it here.” World Trade Organization, Council for Trade-Related Aspects of Intellectual Property Rights Minutes of Meeting held in the Centre William Rappard on 1-2 December 2004 IP/C/M/46 (11 January 2005) (05-0114) (“2004 TRIPS Council Meeting”).

7. Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, THE LEGAL TEXTS: THE RESULTS OF THE URUGUAY ROUND OF MULTILATERAL TRADE NEGOTIATIONS 320 (1999), 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994).

rights holder, then they may feel an obligation. If that is the case, there is an incentive for the administrative agency to change the case over to a complaint *ex officio* so they do not have to release it. I have heard anecdotally that this has been a problem.

In terms of judicial opinions, there is a website that has over 40,000 cases.⁸ There are also several government and local court websites with the same. The courts have also been fairly proactive about promulgating proposed judicial interpretations or other guiding documents on both a national level and on a local level. All of this has been very positive in giving the public a sense of how cases are decided. That being said, China is not a system with *stare decisis*, so it may not be worth the time reading cases to understand the law. Cases are interesting because they are fact based, but they may not be the end of the story.

QUESTION: What other technologies are used in China to prevent counterfeiting?

MR. COHEN: In general, anti-counterfeiting technologies have historically been of limited utility in deterring counterfeiters. Holograms and other marking devices have also been widely counterfeited. Rights management and technological protection measures are also widely circumvented. There is a great website, www.fakedrugs.com, about the counterfeiting of Artemisinin, which is a Chinese pharmaceutical product used to treat malaria. The product has about fifteen to twenty variations of a hologram that the company has used over the years. Each one was successfully counterfeited. Counterfeiting of Artemisinin has also had public-health consequences in helping to breed more resistant strains of malaria.

Other technologies include tracking and radio-frequency-identification (RFID) technologies. At one point this was even tested by the U.S. Food and Drug Administration. There are certainly product-supply-chain ways of addressing counterfeiting. Ensuring you are regulating your supplier, the materials, releases of designs and drawings, control over key items, and control over key technologies, tools, et cetera, all can have an impact on the counterfeiting incidents. But counterfeiters are also very smart and generally are just one step behind, or sometimes even one step ahead.

QUESTION: How has China's current economic position affected IP enforcement? Further, how has the U.S. economic downturn affected IP-related issues in China?

MR. COHEN: For a while when the recession began, the Chinese said that the courts should not be too aggressive in enforcing IP because of the potential economic consequences in a time of uncertainty. This gave a lot of people in the foreign business community pause about where things were headed, because they thought the system was already so deficient, it could not get any worse.

8. CHINA LAW INFO, <http://www.lawinfochina.com> (last visited Nov. 17, 2011).

The economic downturn has also affected damage awards in China. In some cases the awards have dropped; but litigants do not generally bring cases in order to get damages, so this is not a major concern. In China, an injunction is more sought after in most cases. However, there have been some cases (mostly outliers) where high damages awards have been granted. Thus far, these appear to mostly have been outliers, but time will tell if higher damages—including punitive-type damages—become available.

The most dramatic consequence of the economic recession has been in patent filings and anti-counterfeiting budgets. Patent filings by foreigners in China have dropped. Now they are on their way back. Companies have also cut back on their budgets for anti-counterfeiting enforcement. It has not been as bad in China as it has been in other markets though. Nonetheless, there was an impact.

QUESTION: You have spoken about spending money wisely, making sure you are getting a “bang for your buck” when enforcing IP in China. How would you recommend U.S. companies allocate money to effectuate efficient IP protection?

MR. COHEN: There is no one-size-fits-all response to that. In fact, there can be competing logical, cost-efficient approaches to dealing with enforcement issues. As an example, I know one major sporting-goods company which prefers to bring raids against warehouses of its goods that are located away from where its manufacturers are located. The company does that because if it brought a lawsuit or an enforcement action where the manufacturer is located, local-interest groups may try to protect local employment, and would be unlikely to shut down a counterfeiting operation. Bringing a case against a warehouse is different because direct employment is less affected, and there is less concern over halting the manufacturing operation. So they are able to get rapid enforcement action and are able to seize the goods, but they do not stop the production.

Now there is another company that is in the same line of business that routinely brings big cases against the manufacturer. This company has calculated that it is worth the investment and the risk to bring an action that shuts the manufacturer down, hopefully permanently.

These are both rational approaches. I cannot disagree with either one of them. They both may be cost effective in their own right. I think the important thing is that one has to look at this in terms of budgets. Those budgets would include not only what to spend on outside counsel, but what to spend internally—including supply-chain control efforts, and those aspects that you can control yourself (in terms of protecting confidential information or advance notices to product design). Finally, you may need to start breaking down China by right, by enforcement mechanism, and by locality, while using whatever is optimal in that set of circumstances. There is not really one right answer.

QUESTION: What do you think about the recently passed America Invents Act? How has it affected U.S./Chinese relations?

MR. COHEN: I think China is happy with anything that cuts back on first-to-invent. I believe that harmonization of the U.S. patent system globally will endear us to our trading partners. Whether it will have consequences for American inventorship, particularly from small inventors or not, I do not know.

China and the United States also share concerns about patent trolls, which is reflected in recent changes in U.S. patent law. However, the incidence of non-practicing entity patenting in China as a proportion of total patents in China appears much higher than in the United States. Moreover, patentees and their counsel are required to advise the USPTO of material prior art in filing their patent applications. While U.S. companies complain about low-quality U.S. patents, the reality is that the U.S. does not have the type of “no-quality” patents which have become problematic in China.

QUESTION: With the recent developments in Chinese IP law, the patent initiative, and efforts to surpass the United States, how realistic do you think these goals are?

MR. COHEN: Some people say that China is a big IP country, but not a strong IP country at this stage. The statistics are extremely impressive: the growth of the patent office, growth of the trademark office, growth of litigation; but, how much value is associated with that?

If you speak of Chinese brands in sporting goods, the West has Nike, Adidas, Reebok, and others. China has Li Ning, but I do not think it has anything near the competitive presence of those other companies overseas. Nonetheless, Li Ning has begun to penetrate the overseas markets and has made impressive strides domestically. In other categories like food products and electronic goods, for example, China is just not quite there yet either.

When looking at patents and innovation in China, there are real concerns about how much the country is patenting that is of a high quality and can be commercialized.

It is hard to say that simply because of high quantity, high quality is achieved. It is a factor, but if you look at other areas, like cited research publications, you see a rapid increase. But you also have a rapid increase in low-quality research publications. I think China is climbing up the food chain in that area. Over time I believe China will be coming out with more innovative products and world-class brands, but it is not going to be immediate.

QUESTION: Why is the incidence of individual inventors much higher in China than it is in the United States?

MR. COHEN: It is an interesting statistic. The number of non-service inventors filing in the Chinese Patent Office has been declining in recent years. But it is still a multiple of the roughly comparable cohort “independent inventors” in the United States. The high incidence of non-service inventions may be due to the influence of subsidies and grants, or because China has very entrepreneurial people. Or it could be because the cost of filing a patent, particularly a design or utility-model patent, is relatively low. As design and utility-model patents are not examined for substance, there is no way to benchmark whether the incidence of individual inventors correlates to actual

innovation by individual inventors. People may also be filing for abusive purposes or other non-market-oriented incentives as well.

Chinese patent statistics are nonetheless counterintuitive as they contradict assumptions that only big, state-owned enterprises or large private enterprises in China are patenting, when in fact that is not the case.

QUESTION: Is the United States promoting cooperation with China in terms of IP enforcement; and, if not, should the United States be doing so?

MR. COHEN: The history of U.S.-China IP concerns and cooperation can be illustrated with the use of a dollar bill. On our dollar bill there is a picture of George Washington. That is known as the Athenaeum Portrait of George Washington, painted by Gilbert Stuart. When he painted the this portrait, there was a bit of Washington-mania in the United States, and a fellow by the name of John Sword, a Philadelphia merchant, traveled to Guangzhou, in Southern China, to have copies made on glass, which was the method of copying in the day. He planned to make a hundred copies.⁹ Sword brought the copies back to the United States and was promptly sued for copyright infringement. So the relationship of copyright piracy in China and the United States has a very long history, dating back to approximately 1802.

In the early 1900s—around 1903—there was the first bilateral agreement with the emperor of China concerning IP issues. There have, in fact, been efforts to have a cooperative relationship with China that date back over one hundred years. One of the earliest patents filed by a Chinese individual in the United States was filed by a “subject of the Emperor of China” in 1908.¹⁰ When China first enacted its patent law, a fellow by the name Jordan J. Baruch, who was the Assistant Secretary for Science and Technology in the Department of Commerce, went out in the late 1970s to instruct the Chinese on IP and the relevant law.¹¹

The media paints the relationship between China and the United States in a much more contentious light than it really is. One of the great moments I had while in government was when I received a phone call from the then Director of the USPTO, Jon Dudas. It was December of 2005, and he said he wanted to bring China into the regular meetings of the largest patent offices of the world. He wanted to expand the trilateral to the “big five” to bring in Korea and China. He said: “Mark, can you call up SIPO and see if they are interested.” In fact, on December 24 of that year, I called the head of international affairs at SIPO and I said: “Director Dudas would really like to bring China into the five largest patent offices.” This information was immediately relayed to the commissioner of SIPO, who responded affirmatively. SIPO is

9. GILBERT STUART, http://www.worcesterart.org/Collection/Early_American/Artists/stuart/biography/content.html (last visited Nov. 17, 2011).

10. Jin Fuey Moy, patented on March 31, 1908, application filed July 18, 1906, serial no. 326,734, number 883,558 (patent for an attachment for a nutcracker).

11. William O. Hennessey, *Protection of Intellectual Property in China (30 Years and More): A Personal Reflection*, 46 HOUS. L. REV. 1257, 1265 (2009).

now an active participant in those meetings, in which many useful and constructive discussions and approaches to resolving common patent concerns are resolved. When I left the U.S. government, and I met with SIPO, their final words to me were: "We will never forget that phone call on December 24." That was a major moment for China IP acceptance. And there was no press on this in China or in the United States.

There are many other corporate, academic, and government-to-government exchanges that go on all the time that frequently get no press. The press likes to hear about criminal activity and sensational actions, but rarely focuses on concrete cooperative endeavors.

QUESTION: How has Steve Jobs and his untimely death impacted the IP world, particularly in China?

MR. COHEN: Steve Jobs was a very creative, dynamic man. He was in the mold of the entrepreneurial, creative, American genius. He was a marketing genius as well. Apple has been doing very well in China, with the Apple stores and the iPhone, et cetera. Apple was doing well even before the products were legally permitted in China. Products were coming in through Hong Kong and other markets. Consumers thought the products were hot.

Chinese frequently lament that they do not have a Steve Jobs of their own. They do not have anyone that is able to put together the market and the technology in a way that really grabs people's wallets. They also see that the value in high-tech products is not in manufacturing, but in design and marketing. These value propositions are what I think Steve Jobs means to the Chinese. Bill Gates is very similar when he goes out in public and gets the same attention. We all wonder how Gates and Jobs were able to piece different elements together and the Chinese wonder: Are we able to do it ourselves?

QUESTION: What are the issues surrounding compulsory licenses in China?

MR. COHEN: The Chinese Patent Office only has authority over patents. There are no specific rules regarding compulsory licensing for copyright or trade secrets. The issue is more complicated though. There has never been a compulsory license from the Patent Office—the existence of related rules and legal provisions, however, may act as an incentive for people to negotiate in order to avoid the government stepping in. These impacts on negotiations are hard to quantify, though.

But the courts have done something that looks like a compulsory license. They have denied injunctions and granted royalty-free licenses to patentees in at least two cases. One particular case involved a standard setting in northeastern China, where the license was originally made for design work and construction, as I understand, and the patentee then did not want to license her actual execution of this particular project or projects and the court

decided to grant it on a royalty-free basis.¹² The court did not call this a compulsory license, because that is a creature of the patent law, but it did exist in that form in a de facto manner.

QUESTION: What are some of the most costly mistakes U.S. companies make when trying to acquire IP licensing in China?

MR. COHEN: In terms of licensing, I have a number of concerns. The first is that as a country our government does not have an agency anymore that is specifically authorized to deal with technology. We have a trade agenda in the United States that promotes IP as a public good, but there is no clear agency in charge of domestic technology transfer, or involved in promoting U.S. technology exports. If you went to the Department of Commerce today in any major market and you asked who is in charge of licensing, they are going to find someone from autos, someone from the agricultural department for wheat, someone from steel, or someone from computers, but nothing on licensing as a commercial activity with its own ways of conducting business. The government needs to realign with where America's strengths and big-value jobs are—which is in licensing.

The United States also does not have statistics on exports of technology. If you went to the Census Bureau and asked how much the United States exports in technology, they may provide you with non-tangible trade flows and give you an estimate. From that number they would have to subtract interest payments, retirement payments, and money that comes from tourism. What is left after all these subtractions may be technology. When I wanted data on technology flows with China, I had to go to the Chinese government. These are systemic problems that need to be addressed. It is within our control and is not attributable to China in any way.

In terms of American legal concerns regarding licensing to China, there remain some fundamental issues that have not been fully articulated or explored for both practical and legal consequences. A key issue is whether certain provisions of Chinese law that may mandate use of Chinese law or require certain terms in licensing contracts with Chinese parties are actually being implemented. Relevant laws in this area include mandatory provisions in China's contract law—particularly Article 329¹³—Technology Import and Export Rules, the Foreign Trade Law, a related judicial interpretation of Article 329, and the Antimonopoly Law (AML). I think the response in many cases by foreign lawyers to these provisions has been: "If China has particu-

12. SPC Min San Ta Zi No. 4 (2008), Letter on whether it constitutes patent infringement that Chaoyang Xingnuo Corporation exploits a patent in performing design and construction according to "Ram-Compaction Piles with Composite Bearing Base," which is an industrial standard issued by Ministry of Construction [SPC Advisory Opinion on Patents in Standard], *available in Chinese at* http://www.chinaiprlaw.cn/show_News.asp?id=13651&key=%E6%A0%87%E5%87%86 (last visited Nov. 17, 2011).

13. *See* CONTRACT LAW OF THE PEOPLE'S REPUBLIC OF CHINA, *available at* http://www.novexc.cn/contract_law_99.html (last visited February 12, 2012).

lar, onerous requirements in such areas as mandatory technology grant backs, access to markets, or pricing of technology that I find unacceptable I will just select New York law or Texas law or some other jurisdiction, not Chinese, and be done with it.” The reality is that if that provision offends a basic provision of Chinese law, it is likely unenforceable, or at the very least unenforceable in China.

My suspicion is that businesses seek to avoid application of potential invalidity under Chinese law through these mandatory provisions by using foreign law. Part of the reason people are complaining a lot now about, for example, high speed rail coming out of China that is competing with the original licensors in Japan and Europe, is because China in fact bought that privilege in the original license agreement. Maybe the contract was governed by New York, German, or British law, but selection of these legal regimes does not mitigate invalidity under Chinese law. The consequence of this was that companies may have ended up with agreements that look nice on paper but may not be completely enforceable.

QUESTION: Can you explain how overlap in governmental departments has been a hindrance to effective enforcement of IP in China?

MR. COHEN: One resource that addresses this question is Martin Dimitrov’s book, *Piracy and the State: The Politics of Intellectual Property Rights in China*.¹⁴ Professor Dimitrov discusses the rationalization of IP enforcement in China. His general approach involves looking at effective IP enforcement through availability of government resources—including the implications of duplication (or triplication/quadruplication) of government resources or their lack of duplication—in motivating officials to act. In his view, the patent bureaucracy is the most efficient because there is no other agency really competing for patent enforcement (maybe a little bit with the State Food and Drug Administration), whereas trademark is the most diffuse. Their authority overlaps with other agencies such as the Administration of Quality Supervision Quarantine, Special Quarantine, State Food and Drug Administration (in the case of counterfeit pharmaceuticals), and the tobacco monopoly (in the case of counterfeit cigarettes). This lack of rationalization makes it difficult for a rights holder to know where to go to file a complaint, or to estimate actual government resources available to enforce its rights.

The counterargument is that lack of rationalization means that agencies are competing against each other, and there may be more opportunities to secure enforcement. This is particularly challenging to a foreigner that is unfamiliar with the system. A foreign company needs to ask itself some basic questions: Do I have to go the criminal, civil, or administrative route? If it is administrative, which administrative agency? What is the jurisdiction? Maybe it is Customs? Maybe it is another agency that has authority over trademarks? Where should I take my case? Will it be *ex officio*? Will it be on complaint? Will the decision be published? How can I benchmark whether

14. MARTIN DIMITROV, *PIRACY AND THE STATE: THE POLITICS OF INTELLECTUAL PROPERTY RIGHTS IN CHINA* (2009).

the decision was fair or not? Where am I most likely to succeed? Is success based on damages? What about an injunction or a settlement? How do these criteria relate to my choice of enforcement mechanisms? Perhaps I should just enforce my rights in my home market to protect it, where I know my costs and outcomes better? All of these concerns add to the level of complexity.

If you mapped out where foreign cases take place in China, you will see that certain regions of the country are inconsequential venues for protection of foreign IP rights. These are places like Tibet, Inner Mongolia, and Xinjiang, as well as many inland provinces. In fact, however, there can occasionally be surprises. Tibet has had customs cases. I know that they were very proud to have seized items at the border. However, most foreign cases arise in jurisdictions where there tends to be a large foreign commercial element, like Peking, Shanghai, and southern China. In fact those jurisdictions also roughly correspond to where foreign law firms are located, or even where U.S. patent agents resident in China are based.

In addition, there are localities in China that, because of their industrial make-up, are very inclined to enforce IP rights. I visited Jingdezhen, which is in Jiangxi province. They are world famous for porcelain and for artists who draw on the pottery. In fact the name “Kaolin” for clay in English comes from the region of the same name near Jingdezhen. Jingdezhen has its own copyright agency and a civil IP court. The court is responsible for a disproportionately large percentage of provincial IP cases. Rights holders in Jingdezhen bring cases nationwide against people infringing on their designs. If you are a pottery company in the United States and you set up shop in Jingdezhen, you are likely to get fair treatment from the authorities, and might be able to exploit the creative mechanisms that they have developed.

QUESTION: If I am a foreign company and my intellectual property has been infringed upon in China, how should I react?

MR. COHEN: If you are a hypothetical smart foreign lawyer with little experience in China and your client has a problem in China, the first thing you do is ascertain that your client has a budget, and the next thing you do is make sure it is reasonable. Then you would probably do one of two things. One of the most common responses, which is not necessarily the most strategic, is to immediately find a local lawyer and ask her what to do. It is not strategic, because you should ideally enter into that meeting from a well-informed position. Instead, before you go into that meeting, I would spend a couple of hours doing online research, finding out where the product is counterfeited, what the supply chain is, if there are identifying characteristics, if there are self-help mechanisms, whether there have been enforcement actions overseas, how successful have were they, et cetera. You should catalogue your client’s efforts. In some instances, the wisest course may be not to bring the action at all, but spend time collecting more information and strategizing. There may also be reasons to avoid bringing an action in China, and instead focus on export markets.

Part of your background check before the meeting would also likely involve doing some basic research on databases such as the Ciela database,¹⁵ or Chinalawinfo at Peking University,¹⁶ to see if there are any interesting statistical trends, local regulations, laws or rules. You may want to also reach out to the U.S. government, in particular the Embassy or consulates in Shanghai, Wuhan, Chengdu, Guangzhou, and Shenyang. You might send a note to the U.S. mission asking: "I have this IP issue, what has been the experience in handling that issue, and do you have any experience or information you can share involving local practice?" Whether or not the information received is helpful, you may have already established a basis for dialogue if the dispute later requires some form of governmental support.

I would therefore begin my discussion with local counsel from a position where you can say: "I have looked at this trademark case, including the trademark office's extensive data by province about how cases are being enforced, the average fines, and whether the cases are referred to criminal prosecution, and I think we should not bring this case in this province but in a neighboring province. What do you think?"

There may be alternatives to bringing cases directly. Perhaps you might propose sitting down with local enforcement officials there to conduct a training program enabling them to identify counterfeit products. This may be more effective than dealing with one counterfeiter. In general I believe that the best way of handling pervasive problems is to engage the Chinese government and invest them in your problem. If you can explain to them the nature of the problem and how they might reasonably help, they may have a good solution for you.

QUESTION: How do you get the Chinese officials invested?

MR. COHEN: You have to show them that it is important to them. Let me give you an example:

Many years ago, when I did a lot of bike riding, I used to wear a Lance Armstrong LIVESTRONG wristband nearly every day. I began to notice that throughout Beijing there were counterfeit LIVESTRONG wristbands. In fact, the bikers and employees at a high-end bike store I used to go to would often complain to me about the counterfeiting. They knew that the purchase price goes towards the LIVESTRONG Foundation to cancer survivors. They wanted to buy a legitimate wristband for \$2 that goes to charity. They did not want to buy the ten-cent counterfeit wristband. They asked where they could get them legally in China.

During those days, I would frequently meet with the Chinese Trademark Office on a range of issues. Every time I went, for about a year, my wristband was prominently displayed. I frequently rolled up my sleeve so that the wristband was more prominently displayed. I would explain that counterfeiting of this wrist band was a problem. Finally, the Director General in charge

15. CIELA NORMA, www.ciel.cn (last visited Nov. 17, 2011).

16. CHINA LAW INFO, www.chinalawinfo.com (last visited Nov. 17, 2011).

of the Chinese Trademark Office asked me: "Can you send me a note about this wristband? You have been wearing it for over a year. You have been telling me there is a problem. I need to know more about the nature of the problem, in writing, so that I can share it with others." So I explained to him that the wristband was treated as a rubber band in the Chinese trademark classification and it really should be considered an article of jewelry. In this case, the real value is not the cost of manufacturing, but it is the fact that the product is used for a social good, namely helping cancer victims. Immediately he understood the issue.

The next time I saw the Director General, Mr. An, he said to me: "You know that memo you sent me?" I said I did. He said: "I took that memo and circulated it around the Trademark Office to all relevant departments, so they understand the nature of the problem and it is going to be sent nationally to our local enforcement agencies, so they understand it as well."

Two months later, out of the blue, Mr. An called me and said he wanted to talk. We sat down once again in his office. He explained to me that in Taizhou, in Zhejiang Province, a local affiliate of the Chinese Trademark Office had initiated a raid against a counterfeiter of the LIVESTRONG wristband. This office had then doubled the usual fine because of the public impact on cancer survivors. Of course, this effort did not totally stop the problem of counterfeiting of LIVESTRONG wristbands. However, the people working for the LIVESTRONG Foundation in Austin, Texas were very happy to hear this news. And I was very happy. I also asked a colleague in Shanghai, which has responsibility for Taizhou, to follow up with the local enforcement agencies, to express our thanks.

This enforcement effort was very instructional for me. In my year-long dealings with the Chinese Trademark Office, I never said to my friends: "You have to crack down." I never insulted them. Instead, I believed that if my counterparts were invested enough in this issue, if they recognized this problem was something that needed to be addressed—either because of economic impact or reputation—that they would find a way to resolve it. It is their country and they know the people and enforcement mechanisms far better than I ever will.

QUESTION: How has your work protecting intellectual property changed since your career began?

MR. COHEN: The past several years have brought several significant changes. First, I believe that American audiences are finally becoming more sophisticated on the issues. Let me provide an example of this from the past. After my book on Chinese IP law was published in 1999, I remember sitting in an airplane next to an American business person.¹⁷ We chatted on the cross-country flight, and after some time he asked me what I did. I told him I was a lawyer. He then asked me what kind of law I practiced. I told him I was an intellectual-property lawyer. Then he asked what kind. I told him I

17. MARK A. COHEN, A. ELIZABETH BANG & STEPHANIE J. MITCHELL, *CHINESE INTELLECTUAL PROPERTY LAW AND PRACTICE* (1999).

specialized in IP law in China. He looked startled. I underscored my commitment by saying that I even wrote a book about it. He said: "That must have been a very thin book."

For many years after that when I gave lectures, I had a photograph of the spine of my book to show that it was far from thin. I think the common-sense, average American response was, "There are no laws in China. It is just the wild East. Do not bother spending money on counsel. Do not bother spending money on securing rights, et cetera." The result was that people did not have strategies, people did not secure basic rights, and they felt like they were squatted on. Sometimes when they finally woke up, a range of problems existed that was partially attributable to this indifference to on-the-ground developments.

Today, if you ask an audience, "Should you file for patents or trademarks in China?" or "Do you recognize that you will be creating more problems if you do not act in China?" most of the audiences will respond affirmatively. In fact, the level of sophistication today about utility-model patents, design patents, patent hijacking, trademark squatting, civil-litigation trends, growth of the patent office, et cetera, reflects that evolution. There has been a marked ramp up in understanding, particularly by the bar, by students, and by academia, in understanding the nature of the issues in China.

We are beginning to see individuals and companies looking at these issues much more strategically. I also think that people are realizing that cooperation has many positive benefits. At one time many business people were combative, wanting China to crack down. They viewed this as a political issue and not as a legal issue. Today, business people realize that the legal tools are very important, if only to get buy-in from the government.

QUESTION: What makes you so passionate about your work and what motivates you to continue to fight the fight and be the gladiator you are?

MR. COHEN: The issues behind IP protection in China have very far-reaching consequences. China was the industrial power of the world in the Ming Dynasty. It produced more steel, more textiles, and more far-reaching innovations than any other economy. Yet it was a preindustrial economy. China had an incredible record historically of innovation: the compass, gun power, certain kinds of sailing ships, movable type, papers, irrigation technology, et cetera. If China is properly positioned to innovate, then the whole world benefits. I believe this includes the United States. There are dislocations and there are problems now, but I believe the whole world will benefit.

On the other hand, if China gets it wrong and IP is not respected as a private right, if it is an instrumentality of the state which does not motivate China's creative talent pool, not only does China not benefit, but the levels of protection, the standards of the appreciation of intellectual property, and all that is needed to promote the progress of science and the useful arts, is degraded.

For me, intellectual property is more than an aspect of industrial policy. It is codified in the Constitution of the United States and in the Universal Declaration of Human Rights. It is a fundamental part of American culture

and, I believe, Western society. I am not saying that because it is Western, China should not be a player. It is exactly the opposite. I think an effective IP system is color blind. You do not know or care about the person who has submitted their patent application. You are just granting a patent on the naked basis of the inventor's contribution. To that extent—to the extent it is polarized as a property right of the West, or the rich, or the developed world—we are pursuing the wrong approach. What the IP system should do is motivate people to contribute to human society. I believe there are far-reaching consequences at this moment of engaging China to pursue innovation in a way that harmonizes with global standards and motivates its people to innovate, cooperate, and work across borders.

