



# Global Connection

www.swlaw.com

May 2008

## contents

If you have any questions or would like any assistance regarding the matters discussed in this memorandum, please contact the authors, one of the attorneys listed below, or your regular Snell & Wilmer contact:

Joseph Adams  
602.382.6207  
jgadams@swlaw.com

Barb Dawson  
602.382.6235  
bdawson@swlaw.com

Brett W. Johnson  
602.382.6312  
bwjohnson@swlaw.com

Richard Katz  
520.882.1270  
rkatz@swlaw.com

Wendy Neal  
602.382.6334  
wneal@swlaw.com

Ryan Ricks  
602.382.6551  
rricks@swlaw.com

## Dear Friend of Snell & Wilmer:

Snell & Wilmer's International Group represents the firm's United States clients with respect to their business operations and investments abroad, as well as the firm's non-United States clients with respect to their activities in the United States. As the global business landscape continues to change, new opportunities are constantly presenting themselves around the world. Snell & Wilmer's comprehensive, interdisciplinary approach and knowledge of domestic and international matters enable us to help our clients both plan and implement strategies for the globalization of their businesses and investments.

In an increasingly global marketplace, the importance of securing intellectual property rights in foreign countries continues to grow. Among their international activities, our IP attorneys recently have been busy: obtaining foreign patent protection throughout European countries, including enforcement activities for infringement and infringement clearance; securing trademark rights in over 40 countries for franchises and global manufacturing companies; prosecuting foreign patent and trademark applications; and counseling on matters involving foreign intellectual property portfolios.

This edition focuses upon IP rights, providing two articles addressing IP issues in the global setting. In addition, as international communication and transactions are increasingly performed and carried out through electronic means, we have included an article addressing the binding power of "electronic signatures."

With a broad range of international experience among our attorneys and our strong affiliation with the *Lex Mundi* association of 160 premier independent law firms around the world, Snell & Wilmer stands ready to assist with your global needs. Please contact us if you have any questions regarding information provided in *The Global Connection* or if you would like to be included in future international or IP related events hosted by the firm.

Best regards,  
Barb Dawson, Chair, International Law Group  
602.382.6235 | bdawson@swlaw.com

## Enforceability of Electronic Signatures



Joseph Adams

With the advent of electronic commerce, business is increasingly being conducted electronically, and parties routinely reach agreements through a variety of electronic means, such as communicating by e-mail and using web sites. The laws of most countries recognize such agreements and have enacted laws permitting parties to execute agreements by using an “electronic signature” rather than a traditional, hand-written signature.

In the United States, federal and state law provide for the enforceability of electronic signatures. For transactions affecting interstate commerce, a federal statute known as the Electronic Signatures in Global and National Commerce Act (“E-SIGN”), 15 U.S.C. § 7001 *et seq.* protects such transactions. Under this statute, a signature may not be denied legal effect, validity, or enforcement “solely because it is in electronic form.” 15 U.S.C. § 7001(a)(1). An electronic signature is defined under E-SIGN as “an electronic sound, symbol, or process, attached to or logically connected with a contract or other record and executed or adopted by a person with the intent to sign the record.” 15 U.S.C. § 7006(5). No other requirements for electronic signatures are set forth in the Act, which allows a variety of signatures and identifiers to be covered under E-SIGN.

In addition, most states have enacted the Uniform Electronic Transactions Act (“UETA”). UETA provides for the enforceability of electronic signatures when the parties to a transaction have “agreed to conduct transactions by electronic means.” UETA § 5(b). The parties’ agreement to conduct electronic transactions is “determined from the context and surrounding circumstances, including the parties’ conduct.” *Id.* Once the parties’

intent has been established, UETA provides that electronic signatures are enforceable. There are no specific requirements governing the form of an electronic signature. The UETA defines “electronic signature” as “an electronic sound, symbol, or process attached to or logically associated with a record and executed or adopted by a person with the intent to sign the record.” UETA § 2(8).

Likewise, the European Union (“EU”) has adopted Directive 1999/93/EC of the European Parliament and of the Council of 13 December 1999 (the “Directive”), which provides a framework for its member states to adopt national laws recognizing the enforceability of electronic signatures. Article 5 of the Directive provides that EU member states “shall ensure that an electronic signature is not denied legal effectiveness and admissibility as evidence in legal proceedings solely on the ground that it is in electronic form” or not based on specific certification or technical procedures. Numerous countries within the EU have enacted national laws implementing the Directive, including the United Kingdom, Germany and Spain.

In addition, the United Nations Commission on International Trade Law enacted a Model Law on Electronic Signatures (“UNCITRAL”). UNCITRAL provides that electronic signatures are valid if the signer uses a type of signature that identifies that person and indicates his or her approval of the electronic text, and that the signature “is as reliable as was appropriate for the purpose for which the data message was generated or communicated, in light of all the circumstances, including any relevant agreement.” See Articles 2 and 6 of UNCITRAL. This approach, like the ones outlined above, permits contracting parties to adopt flexible methods of entering into electronic agreements. This

law, like the others, does not endorse a particular technological method or set of standards.

This legal authority permits parties to enter into electronic agreements that are likely to be recognized in many jurisdictions. Although a party entering into a specific agreement should determine the legal requirements by each applicable jurisdiction, the recent laws and directives enacted by key jurisdictions would likely enforce electronic transactions that include the following:

- A way to connect a specific electronic signature with a specific person, such as by maintaining records of the electronic transaction, or by requiring the use of a password or other security measures.
- A link between the electronic signature and the electronic agreement so the signatory's approval of the contractual terms is clear.
- The parties' agreement to conduct business electronically, whether by express consent or by implied agreement based on the circumstances.

## How to Protect and Enforce Your Intellectual Property Rights in China



*Ryan Ricks*

China's emergence as a world power commands the attention of the global business community. Among the obstacles foreign businesses face when entering the Chinese market are disparate intellectual property ("IP") laws. Since entering the World Trade Organization (WTO) in 2001, China has strengthened the rights of IP owners, and further improvements are expected later in 2008. Even though Chinese IP law is not yet fully harmonized with the IP law of other industrialized nations, foreign businesses can still secure, defend, and enforce their IP rights in China. IP in China is, however, subject to a myriad of laws, regulations, and interpretations that sometimes differ significantly from United States IP laws.

Selecting reputable Chinese IP legal counsel is the first step to secure Chinese IP protection. Certain activities, such as filing invention patent applications, may only be performed by registered Chinese patent agents. Chinese counsel may also assist in identifying infringement and engaging in enforcement actions.<sup>1</sup>

<sup>1</sup> Snell & Wilmer has established relationships with a variety of trusted Chinese IP counsel and routinely work together with these advisors to

As in the United States, registration is a key component of most Chinese IP protection. Among the forms of IP that China recognizes are invention, utility model, and industrial design patents; trademarks; trade secrets; copyrights; and protection for certain specialized rights, such as those in plant varieties and semiconductor layout design (so-called "mask works").

**Patents.** In China, patent applications are filed with the State Intellectual Property Office (SIPO) in Beijing. Local SIPO offices are responsible for enforcement. China is a signatory to the Patent Cooperation Treaty. Therefore, you can designate China as a country where you will seek a patent when you file a United States patent application, or within 12 months thereafter.

Chinese invention patent protection corresponds, in large part, to United States utility patent protection. Patent protection lasts for 20 years from the filing date of the patent application. Chinese utility design and industrial design patents are

meet clients' business objectives in China.

not as rigorously examined as invention patents, but rights in utility design and industrial design patents continue for only 10 years. Unlike United States patent applications, which are examined on their merits as a matter of course, Chinese patent applications are examined only if the applicant makes a specific request for examination. If no request is made, the application will become abandoned.

**Trademarks.** Chinese trademark applications are filed with the China Trademark Office. China adopted the Madrid Protocol in 1989, and has implemented regulations to comply with the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (“TRIPS”). As in the United States, registered trademarks are afforded more protection in China than unregistered trademarks. Unlike in the United States, however, China has a “first to file” trademark system and does not require evidence of prior use or ownership of the trademark for which registration (and appurtenant exclusive rights) is sought. Because of this, early filing is important if China is a market of commercial interest for the trademark owner.

A trademark owner should be cautious when translating an English language trademark into Chinese, or indeed any other foreign language. Many direct translations may be unintelligible, unintentionally humorous, or even offensive to the consuming public. A trademark owner should carefully select Chinese trademarks with input from a Chinese-speaking advisor familiar with the goods and services in question.

At the same time, applying for trademark protection without a translated Chinese mark poses different risks. When no Chinese mark is provided, Chinese consumers often apply an unsuitable Chinese name based on a limited understanding of an English language mark. This can potentially limit the goodwill associated with the mark.

Businesses should also consider acquiring a Chinese domain name (.cn) and creating a Chinese language website. Chinese domain names incorporating Chinese trademarks may also be secured.

**Copyrights.** Chinese copyrights are registered at the National Copyright Administration (NCA). China recognizes protection for original works of authorship from countries belonging to international copyright conventions. While China-like the United States—does not require registration of copyrighted works to initiate protection, registration provides *prima facie* evidence of ownership of the copyright in the registered work. If a business intends to enforce its copyright in China, it should register the copyright with the NCA.

**Trade Secrets.** Under China’s Unfair Competition Law (“UCL”), protection is available for trade secrets, trade dress, unregistered trademarks, and packaging. This law is interpreted and enforced by the Fair Trade Bureau at the State Administration for Industry and Commerce (“SAIC”). Chinese trade secret law—much like United States trade secret law—considers surrounding circumstances relating to security, secrecy, and competitive value of information.

Many provisions of Chinese trade secret law overlap with principles of United States law. Article 10 of the UCL defines a trade (or “business”) secret as “technical information and business information which is non-public, can bring economic benefits to the party that has rights therein and is practical, and for which the party has rights therein and has adopted measures to maintain its confidentiality.” Civil remedies—including damages and injunctive relief—are available to trade secret owners whose rights are violated.

**Enforcing IP Rights in China.** Forum shopping in IP enforcement actions may be prudent, as the quality and influence of Chinese courts and administrative

agencies varies greatly from province to province, and enforcement traditionally has been somewhat difficult. Enforcement can be pursued through administrative, civil, and criminal proceedings.

- Administrative proceedings are best suited for trademark and copyright infringement. They are relatively quick and inexpensive, but the IP owner cannot recover damages.
- Civil proceedings are best suited for invention and utility patent infringement. Damage awards and attorney expenses will typically be lower than in the United States, but court fees are significant.
- Criminal proceedings can be pursued for patent, trademark, and copyright infringement. Large-scale commercial piracy—particularly trademark infringement—is most often the target of criminal enforcement.
- Past challenges in securing and enforcing IP rights in China should not deter foreign firms from pursuing business opportunities there. With a reasonable amount of diligence, IP owners can secure valuable rights in China, enforce those rights against infringers, and capitalize on the expanding Chinese market.

## The Patent Reform Act of 2007— Harmonization or Discord?



*Wendy S. Neal*

Aside from occasional Congressional tinkering, the United States patent statutes (35 U.S.C. § 101 et seq.) have remained essentially unchanged for more than half a century.<sup>2</sup> With the April 18, 2007 introduction of The Patent Reform Act of 2007 in the U.S. House of Representatives (H.R. 1908) and the U.S. Senate (S. 1145), however, sweeping change may be on the horizon. There have been numerous unsuccessful attempts at patent reform in recent years, and for some, last September's passage of H.R. 1908 by House of Representatives by a vote of 220-175 signified positive momentum for the 2007 Act. However, just prior to the publication of this edition of *The Global Connection*, S. 1145 was taken

<sup>2</sup> The last major revision to the U.S. Patent Act was in 1952.

off the Senate's summer schedule. Thus, while it may be revived at a future date, passages of S. 1145 likely will remain a challenge, for reasons that may become apparent in the discussion below.<sup>3</sup>

The Patent Reform Act of 2007 is similar in many respects to the Patent Reform Act of 2005, which sought to harmonize United States patent law with patent laws throughout the world. Replacing the United States' existing "first-to-invent" system with a "first-to-file" system is one of its hallmarks. Under current law, if two patent applications covering the

<sup>3</sup> While the author highlights various aspects of the proposed patent reform legislation in this article, she does so for informational purposes only, and takes no position on the merits of the pending legislation. Moreover, not all provisions of the pending legislation are addressed. The full text of H.R. 1908 and S. 1145 may be found by searching the respective bill numbers at <http://thomas.loc.gov/home/c110query.html>.

same invention are filed by different inventors, the inventor who successfully demonstrates that he or she was the first to invent the claimed invention is entitled to the patent rights. The United States Patent and Trademark Office (USPTO) resolves disputes over who was “first to invent” in so-called “interference” proceedings, which, as with most adversarial proceedings, can be quite costly and unpredictable. Transitioning to a “first-to-file” system as proposed in the Patent Reform Act would provide greater certainty as to who is legally entitled to patent rights: whoever filed the application first would prevail. The change would also harmonize U.S. patent law with patent laws of most other countries of the world.

Prior to 1999, pending patent applications in the U.S. were kept secret until issuance, when the contents of the application and the issued claims were published. By contrast, applications in most foreign countries were published approximately 18 months after filing. U.S. patent laws were largely harmonized with most foreign patent regimes in 1999 to mandate that pending applications be published 18 months after filing, with the exception that an applicant could request non-publication (and effectively invoke the “old rule”) in exchange for a promise that the application would only be filed in the U.S. The Patent Reform Act removes this exception. The Senate bill mandates publication of all pending applications at 18 months; the House bill allows domestic-only applications to be published three months after a second office action, or 18 months after filing, whichever is later.

A more controversial feature of the proposed patent reform legislation is the establishment of post-grant review proceedings that would allow interested parties to seek administrative cancellation of issued patents. While there are differences between the House bill and the Senate bill with

respect to presumption of validity,<sup>4</sup> in general, both bills provide for two opposition “windows.” During the first “window”—the first twelve months after a patent’s issue—any person can challenge the patent by submitting prior art to the USPTO along with a written description of the basis for the validity challenge. If the challenger establishes, by a preponderance of the evidence, that the issued claims are invalid, the patent is lost. Once the first anniversary of issuance has passed, a patent still may be challenged in a post-grant proceeding, but the petitioner must establish a “substantial reason” that the existence of the patent causes or is likely to cause that party “significant economic harm.” Under the House bill, the petitioner must then demonstrate invalidity by a preponderance of the evidence to successfully cancel the patent; under the Senate bill, the petitioner’s burden to establish invalidity is by “clear and convincing evidence”—the same standard required to invalidate a patent in court. Proponents of the post-grant review proceedings argue that the new procedures will make it cheaper and easier to defeat patents of questionable validity and may decrease the number of nuisance patent suits. Critics counter that the diminished standard of review may make it too easy for patents to be invalidated, would create uncertainty about the quality of patents issued by the USPTO, and likely will negatively impact innovation.

Venue provisions in the Patent Reform Act of 2007 also have garnered significant attention—the proposed legislation significantly restricts parties’ options regarding the districts in which they may file patent infringement lawsuits. Under current

<sup>4</sup> Under current law, issued patents are entitled to a presumption of validity that may be overcome only by clear and convincing evidence to the contrary. The proposed post-grant review proceedings eliminate the presumption of validity for all challenges made within the first “window;” for later challenges, the presumption of validity is maintained only in the Senate bill.

law, a patent infringement suit can be brought in any district where the defendant is subject to personal jurisdiction,<sup>5</sup> which, in practice, means that a defendant can be sued wherever an alleged infringing product is sold. The freedom afforded to patent infringement plaintiffs under current law has led to forum shopping and evolution of “magnet jurisdictions” that patent holders perceive to offer some strategic benefit. The proposed legislation limits choice of venue to only those districts where the defendant either: (1) has its principal place of business or is incorporated; or (2) has committed substantial acts of infringement and has a regular and established physical facility that conducts a substantial portion of defendant’s business.<sup>6</sup>

Other noteworthy aspects of the Patent Reform Act of 2007 include:

Patent claim construction rulings (so-called “Markman” orders) are made appealable orders, and district court judges will have the discretion to approve interlocutory appeals on claim construction and stay the case during appeal.

Basic parameters of the inequitable conduct defense are codified, and the “clear and convincing evidence” standard for proving inequitable conduct will be applied.

<sup>5</sup> 28 U.S.C. § 1400(b).

<sup>6</sup> Only under certain limited circumstances, which differ between H.R. 1908 and S. 1145, may venue be proper where the plaintiff resides if neither of these conditions is met.

Alternative calculation methods for patent infringement damages are proposed, which allow judges discretion to determine how a “reasonable royalty” assessment should be conducted (but recovery of lost profits for patent infringement is unaffected).

Heightened standards for willful infringement claims are provided, potential situations for willfulness findings are limited, and the “good faith belief” defense to willfulness is codified.

The United States Patent and Trademark Office’s rulemaking authority is enhanced.

The Patent Reform Act of 2007 is not without its critics; indeed, it has ignited intense debate and lobbying from a broad range of special interest groups. While some level of agreement exists as to what issues patent reform must address—lack of harmony with foreign patent systems, skepticism regarding the value and validity of issued patents, and the ever-increasing burden and expense of patent litigation, to name a few—perspectives on how to address these issues are as diverse as the factions themselves. From high-tech companies to basement inventors, pharmaceutical giants to labor unions, everyone has a vested interest in the result; and even when S. 1145 does make it back onto the Senate calendar for debate, our lawmakers likely will be scrambling for a compromise.

## Snell & Wilmer Attorney Brett W. Johnson Certified as U.S. Export Compliance Officer



Snell & Wilmer is proud to announce associate, Brett W. Johnson, has been certified as a U.S. Export Compliance Officer by the International Import Export Institute (IIEI). Johnson's induction illustrates his continued effort to meet the industry's highest professional standards in knowledge and expertise of the challenging regulatory environment of the United States export compliance.

Johnson, who concentrates his practice in export controls, government contracting, and litigation has been with the firm's Phoenix office since 2006. Prior to joining Snell & Wilmer, Johnson served our country in the United States Judge Advocate General's Corps from 1999 to 2006, where his practice involved handling matters throughout Europe, Asia, and Africa.

Johnson earned his *juris doctor* from Santa Clara University School of Law in 1999. He then went on to earn a Masters in International Law from the University of San Diego in 2001 and a Masters in International Management from the University of Maryland, University College in 2006. Johnson has also graduated from International Relations and Law Programs at the Hague Academy of International Law in the Netherlands and the U.S. Naval War College.

The U.S. Export Compliance Certification is overseen by the IIEI, which is recognized by governments and the WTO as a leader in export education and certification. This program is the accepted standard of proficiency throughout the export compliance industry and was developed to specifically meet the industry demand for up-to-date, highly qualified personnel serving the global trade needs of companies throughout the world.



## We are Pleased to Announce...

### Richard Katz has joined Snell & Wilmer's Tucson office as Of Counsel.

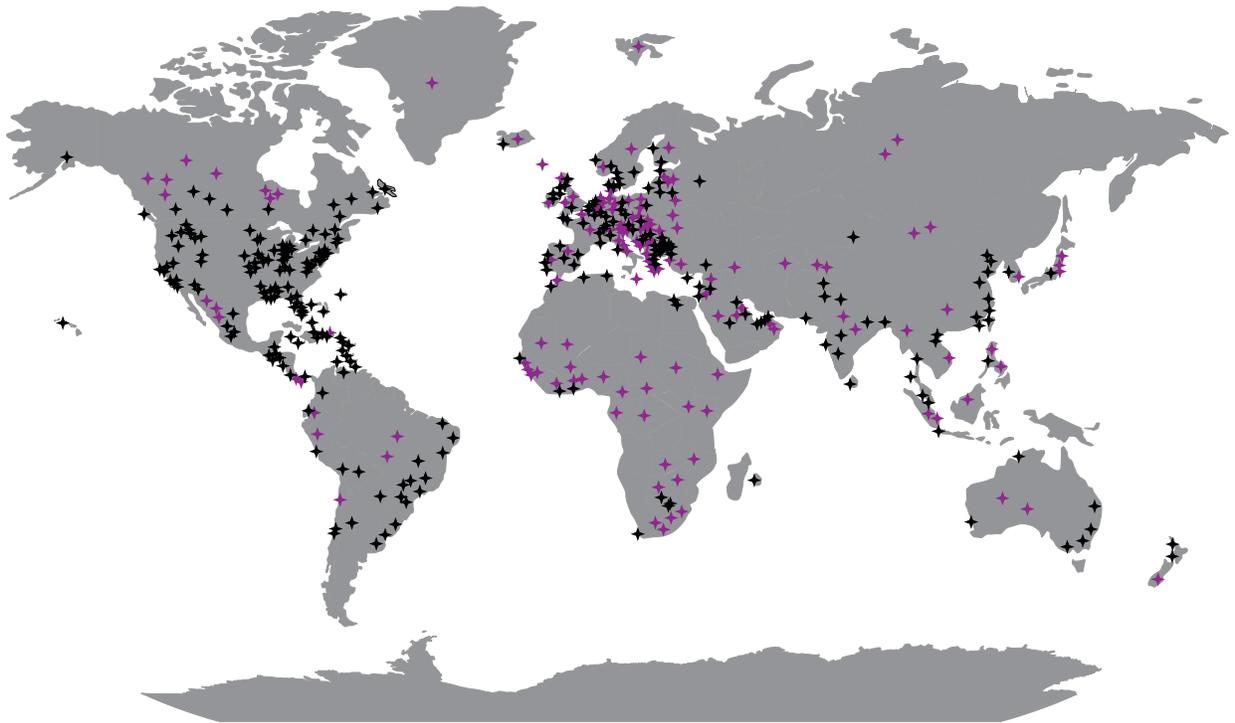
Richard Katz represents U.S. and foreign importers and exporters with respect to U.S. government trade regulation, including the structuring of overseas sales transactions, Customs duties and compliance, federal agency regulation of imports, export licensing, penalties, and audits. He has represented clients in diverse industries, including consumer electronics, footwear, apparel, telecommunications, natural resources,

logistics, and transportation. Mr. Katz has represented U.S. import and distribution companies, U.S. high tech exporters, foreign exporters, trade associations, and governmental entities. Born in New York, Mr. Katz received his *juris doctorate* from Columbia Law School and his Bachelor of Arts from Boston University, where he graduated *cum laude*.

Please join us in welcoming Richard Katz to the Snell & Wilmer family.

520.882.1270 | [rkatz@swlaw.com](mailto:rkatz@swlaw.com)

## Snell & Wilmer International Practice Network and Experience



- ✦ Lex Mundi Affiliates
- ✦ Snell & Wilmer Work Experience

**Snell & Wilmer**  
— L.L.P. —  
LAW OFFICES

Character comes through.®

DENVER LAS VEGAS ORANGE COUNTY PHOENIX SALT LAKE CITY TUCSON

©2008 All rights reserved. The purpose of this newsletter is to provide our readers with information on current topics of general interest and nothing herein shall be construed to create, offer, or memorialize the existence of an attorney-client relationship. The articles should not be considered legal advice or opinion, because their content may not apply to the specific facts of a particular matter. Please contact a Snell & Wilmer attorney with any questions.