

## **Bodega Branding: The How, What, When, and Why of Wine IPR Protection**

In our last article we sang a song of growth and prosperity for the wine industry in China, fuelled by the staggering figures of industry growth and Chinese wine consumption in recent years. This was tempered somewhat by the somewhat tragic tales of the relatively unimpeded development of a parasitic counterfeiting industry which continues to sap the profits of wine producers, damage reputations, and in some cases harm consumers in the process<sup>1</sup>.

Today however we'll be striking a more positive note, and looking at how producers and distributors can utilise the established IPR protection framework maintained by the People's Republic of China and defend the reputation of their products.

### **Traditional Anti-Counterfeiting Measures**

Tamper proof seals, holograms, and other authentication technologies have long been used by vintners to identify the authenticity of their products to their consumers. Unfortunately, counterfeiters have been working almost as long to develop copies of these so-called preventative measures, and as a result they have done little more than slow the progress of counterfeiters in copying new products.

In fact, even if consumers have the inclination or opportunity to check these identifiers, the sophistication of counterfeiters has now reached the point where even the producers themselves have difficulty in identifying fakes, and are forced to rely on laboratory testing to identify counterfeits<sup>2</sup>.

Producers and distributors can no longer rely on traditional, physical measures alone to combat counterfeiting, and must also take advantage of the other tools at their disposal.

### **Trade Marks**

Trade marks have been used as a badge of origin for producers of wine since the 18<sup>th</sup> Century. In this simpler time, King Louis XV ordered the makers of Cotes Du Rhone to brand their barrels with a simple "CDR" before export in an attempt to weed out frauds. Fortunately for today's wine trade, modern trade mark laws are a tad more complex and offer extensive protection to trade mark owners, granting them exclusive rights to the use of their registered marks in connection with their trade.

China offers foreign producers and distributors comprehensive rights protection for trade marks under both the PRC trade mark law, as well as the criminal law<sup>3</sup>. As in the EU, trade marks in China must have

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<sup>1</sup> <http://www.securindustry.com/food-and-beverage/bootleg-and-fake-alcohol-kills-eight-in-czech-republic/s104/a1399/#.VjwNrSv5E0x>

<sup>2</sup> <http://www.nydailynews.com/life-style/eats/wine-counterfeiting-sophisticated-industry-fights-back-article-1.1542562>

the specific and primary purpose of identifying the goods or services of one producer from those of another. The sign can be composed of words, devices, letters, numerals, combinations of colours, or any combination of these features. Remember however, China operates a *first-to-file* system for IPRs which is strictly enforced, so it is always wise to register your trade marks and indeed any other IPRs as early as possible to avoid the possibility of the trade mark hijacking already prevalent in the wine industry in China<sup>4</sup>.

China also allows for the registration of three dimensional trade marks, and such registrations have the potential to be of particular use to the wine trade in the fight against counterfeiting in the coming years. As we discussed in our previous article, counterfeiting of wine labels has become commonplace in recent years. Counterfeiting wine in generic bottles is a cheap and easy process, requiring that infringers merely relabel existing bottles, or decant into their newly labelled fakes. Counterfeiting a distinctive bottle however presents the counterfeiter with prohibitive costs, requiring him to find and pay a bottle manufacturer to produce the counterfeit bottles for him and share the legal risks should the infringement be discovered.

By using a distinctive bottle shape, perhaps with the crest or name of the producer moulded into the glass, the rights holder can both make the job of the counterfeiter more difficult, as well as acquire an additional layer of legal protection by applying for a 3D trade mark. This protection has already been used successfully against counterfeiters of beverages in China, with Hennessy and Kraft foods winning cases against would be infringers in Chinese courts<sup>5</sup>.

Rights holders should also consider choosing a Chinese language version of the mark. This is important as in the absence of any official translation Chinese consumers will likely as not pick their own, as they have for Quakers Oats (老人牌, or ‘old man oats’) and Ralph Lauren (三脚马, ‘three-legged horse’). In extreme cases, failure to register a Chinese language mark can lead to the rights holder being sued by hijackers, a fate suffered by New Balance recently, to the tune of some 98 million Chinese RMB<sup>6</sup>.

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<sup>3</sup> Trademark Law of the People’s Republic of China (promulgated by the Standing Comm. Nat’l People’s Cong., Aug. 30, 2013, effective May 1, 2014). Criminal Law of the People’s Republic of China (promulgated by the Standing Comm. Nat’l People’s Cong., Dec 28, 2002).

<sup>4</sup> <http://www.winespectator.com/webfeature/show/id/51132>

<sup>5</sup> <http://www.iam-media.com/reports/Detail.aspx?g=fcdcdca9-2fbe-4697-aa01-bbaa73195734>

<sup>6</sup> <http://www.lexology.com/library/detail.aspx?g=a6573426-1a23-400f-bdbf-bf5fee9f246b>

The China IPR SME Helpdesk has produced a guide on how to choose a Chinese trade mark found on the Helpdesk website<sup>7</sup>, however it is recommended that rights holders seek local help with selection, so as not to inadvertently pick an inappropriate name with an embarrassing second meaning.

Once registered, trade marks in China enjoy indefinite protection, subject to renewal fees paid every ten years, and give the rights holder the exclusive right to exploit the mark for commercial gain. Applications can be made either through the China Trade Mark Office (CTMO) directly, or through the rights holder's local office through the Madrid system<sup>8</sup>. Registrations for wine related marks typically cost just €265 including attorney fees with the recommended protection for; wine products (Class 33), online shops, sales and distributions (Class 35), containers, boxes for wine, corks for bottles, and corks (Class 20), and wine glasses (Class 21)<sup>9</sup>. Look out for our applications contact sheet for more information, or get in touch with the Helpdesk for free advice on how to secure trade mark protection.

## Copyright

Copyright in China can provide rights holders with a bundle of additional rights which can supplement trade mark protection. Copyright protects any creative works, including any images or text supplied in the form of brochures and marketing materials. It has been known for infringers to simply copy and paste such materials into their own websites and brochures, thus adding to the perceived authenticity of their counterfeits. Using copyright protection however, rights holders can counter these attempts by exercising their rights in tandem with any other enforcement actions. Copyright can also provide a degree of extra protection for label designs, protecting the shape, layout, and imagery.

As in the EU, Copyright protection in China is granted upon creation of a protectable work, and there is no requirement for registration. However, due to the difficulties of proving ownership in Chinese courts, it is often wise to register any important copyrights before publishing them in the country. Registration is quick, cheap (around €45), and easy, and details can be found on the [Helpdesk website](#), as well as in the wine IPR contacts sheet.

## Customs

Chinese customs authorities provide wine producers and distributors with another weapon in the fight against counterfeiting. Unlike many countries, Chinese customs have the power to search and seize goods marked for export, as well as imported goods. As more and more Chinese counterfeit wines make

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<sup>7</sup> [http://www.china-iprhelpdesk.eu/sites/all/docs/publications/China\\_IPR\\_Guide-Guide\\_to\\_Trade\\_Mark\\_Protection\\_in\\_China\\_EN-2013.pdf](http://www.china-iprhelpdesk.eu/sites/all/docs/publications/China_IPR_Guide-Guide_to_Trade_Mark_Protection_in_China_EN-2013.pdf)

<sup>8</sup> <http://www.wipo.int/madrid/en/>

<sup>9</sup> Official fee per mark for one class including 10 product subclasses, plus RMB60 per additional class: RMB600, Attorney fees typically RMB900 per mark for one class including 10 product subclasses plus RMB50 per additional class. Information care of Rainy Liu of LawConstant LLP Trademark Attorneys <http://www.lawconstant.com.cn>

their way into Europe, effective use of customs procedures is the next logical step for wine producers and distributors in the protection of their home markets.

At time of writing, registration of trade marks with the General Administration of Customs (GAC) is free of charge. Once marks are registered, customs authorities will actively seek out counterfeits, seize them, and inform the rights holders. As such, the road from discovery to destruction of counterfeit goods is short, and rights holders need only pay warehousing fees should counterfeits be discovered.

A recent search of customs registrations, carried out by Helpdesk expert Paolo Beconcini<sup>10</sup>, showed that only 57 wine brands are currently registered with the GAC, of which only a few are European owned<sup>11</sup>. As such there is a huge missed opportunity for producers to take advantage of this free, efficient element of protection offered by Chinese authorities.

The China IPR SME Helpdesk has produced a guide to protecting IPRs with customs in China<sup>12</sup>, and provides free tailored advice via our [helpline](#).

### Summary

Once the above IPRs are registered and protection granted, rights holders can then begin to enforce their rights against counterfeiters and other opportunists such as domain name squatters. Furthermore, trade mark registration enables rights holders to issue take down requests to online vendor services such as Taobao, which have seen a surge of counterfeit products in online shops in recent years. This is especially important, as Chinese consumers look more and more towards these online outlets for wine purchases, with 2 of the 5 largest wine retailers in China dealing exclusively through online platforms.

Remember though, China operates a strict ‘first-to-file’ system so it is of utmost importance to register any IP that you wish to use in the Chinese market as soon as possible. Ideally before you even enter the market.

In our upcoming guest article by investigation and enforcement specialist Nick Bartman, we’ll discuss how these registered rights can be used in practice, taking the fight to infringers in China.

Please bear in mind however, that protection regimes differ slightly in [Taiwan](#), [Hong Kong](#), and [Macau](#) so be sure to double check your IP is protected before doing business in these areas. If you have any questions, feel free to [get in touch](#) with our Helpdesk experts.

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<sup>10</sup> Partner at Carroll, Burdick & McDonough LLP based in Beijing <http://www.cbmlaw.com/people/Dr-Paolo-Beconcini#>

<sup>11</sup> <http://www.cbmlaw.com/Templates/media/files/articles/Beconcini-April-2015-Asia-IP-Counterfeit-Alcohol.pdf>

<sup>12</sup> <http://www.china-iprhelpdesk.eu/sites/all/docs/publications/Customs.pdf>

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*The **China IPR SME Helpdesk** supports small and medium sized enterprises (SMEs) from European Union (EU) member states to protect and enforce their Intellectual Property Rights (IPR) in or relating to China, Hong Kong, Macao and Taiwan, through the provision of **free information and services**. The Helpdesk provides jargon-free, first-line, confidential advice on intellectual property and related issues, along with training events, materials and online resources. Individual SMEs and SME intermediaries can submit their IPR queries via email ([question@china-iprhelpdesk.eu](mailto:question@china-iprhelpdesk.eu)) and gain access to a panel of experts, in order to receive **free and confidential first-line advice** within **3 working days**.*

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*To learn more about the China IPR SME Helpdesk and any aspect of intellectual property rights in China, please visit our online portal at <http://www.ipr-hub.eu/>.*