

## **How to Identify and Deal with IP Scams in China: Threat from Third Party Scam**

With more and more European SMEs having awareness of the importance of IP and the necessity of IP registration in China, their needs of IP services is increasingly growing. As stated in China's IP laws, foreigners need to hire local Chinese agencies to file for registration of IP rights and attend to other trade mark or patent related matters such as prosecution, invalidation, renewal etc. Therefore, there is a vast market for IP services involving foreign businesses which in turn is attracting more and more local IP businesses to join this lucrative market.

However, the quality and level of services offered by practitioners differ significantly. Coupled with the lack of sufficient translation of key information on obtaining IP rights and registration procedures, this made it very easy for some agencies, lacking in professional ethics to devise various scams to trick foreign companies or use irresponsible methods to attract customers. Thus it is very important that the European SMEs would be able to distinguish IP scams and know where to find the correct information on IP services and what action can be taken to avoid or mitigate scams.

### **'Threat from Third Party' Scam**

The most popular type of scam is called 'threat from a third party' – the SME will receive an e-mail sent from "XX" trade mark agency who warns the company that its trade mark or company name will be registered by a third party in China (or occasionally from abroad) either as a trade mark or a company name. These e-mails also mention that if the SME doesn't respond to them then it will be assumed that the company consents to the application of the trade mark filed by the third party and the SME will be unable to use the mark in China henceforth.

In many cases, when a European company first receives such message, it often panics in the face of potential loss of its long owned brand in the huge market China represents; where the company happens to be very conscious about IPR then it will be apt to believe the e-mail and follow the guidance in the e-mail to contact the sender.

**A potential scam email can look like this:**

Dear Sir or Madam,

This is XY from [www.cntrademarkoffice.com](http://www.cntrademarkoffice.com), an intellectual property firm specialized in trademark protection and other IP matters in China.

Here I have something to confirm with you. We formally received an application on July 18th, 2014 that a company claimed "... Company" were applying to register "XYZglobal" as their Net Brand and trade mark through our firm.

Now we are handling this registration, and after our initial checking, we found the name were similar to your company's name 'XYZ', so we need to check with you whether your company has authorized that company to register these names. If you authorized this, we would finish the registration at once. If you did not authorize, please let us know within 7 workdays, so that we could handle this issue better. After the deadline we will unconditionally finish the registration for "... Company"

Looking forward to your prompt reply.

## How to Identify It as a Scam

Generally, there are two reasons for doubting any IP scam e-mail or unsolicited approach from a service provider:

1. There is no government authority that has the obligation to monitor application status, market status for specific trade marks or domain names (IP rights are private rights), therefore the IP monitoring work are usually done by specific interested parties, for instance the law firm who is paid by clients to do so or the company itself.
2. A registrar or other private entity doesn't have an incentive to proactively contact companies and protect their business interested by warning them regarding their IP assets if it has already stated that it is working for another company with conflicting interests. For a respectable registry or firm, filing the registration of the original clients is more beneficial than spending time on a potential new client.

There are some common traits to pay attention to in this type of e-mails that would help the SMEs to easily identify these e-mails as scam.

**Unsolicited approach** – the email is often sent to a general mailbox of European SME or an email which is widely used for marketing which can be easily found on SME's website or via an internet search. It should be noted that in reality, IP administrations in China do not send unsolicited emails and they only deal with the companies who have filed for IP registrations or liaise with IP agencies entrusted by the IP applicants.

**Vague names** - the company name of the agency is usually vague, lacking strong identity and sounds like a unit of Chinese government authority, e.g. china patent and trade office (or in some cases just use a website www.xxpatentandtrademarkoffice.com, instead of the company name). Occasionally, the sender will even claim itself to be an 'authorised' local unit associated with the China Trade Mark Office (CTMO). It should, however, be noted that in reality, the China Trade Mark Office and the State Intellectual Property Office (SIPO) (formerly called the China Patent Office) are two separate administrations. The CTMO in Beijing is the only central agency to receive trade mark registrations nationwide, and no local offices are 'authorised' to do so. SIPO is the sole agency responsible for patent examination, there are however some 26 agency offices (专利业务代办处) around China who assist SIPO in receiving patent applications and forwarding these to SIPO but they have no role in the examination process. Regardless, as explained above, none of these agencies will contact any European SMEs proactively.

**Notion of urgency** - the wording used in the email is intended to create the illusion that the registration will be granted and the targeted foreign company will be blocked, for instance, '... we will approve the application...' '... we can finish the registration immediately'. Not every company is familiar on the registration process in China and these tricksters capitalise on this, intending to cause panic. It should be noted that in reality, IP agencies are entrusted by clients to do IP registrations on behalf of the clients including the provision of all essential services such as searching, filling forms, preparing formalities and submitting the applications to relevant IP administrative departments. Once the registration is made, it is these official departments who are in charge of examining the applications and decide approving or refusing the applications.

### **What should and SME do when It Has Identified an IP Scam?**

The issues of trade mark scams, and illegal patent agencies have already drawn the attention of the Chinese government and it has already begun to adjust relevant laws and rules to address these issues. For instance, the current revision of the Patent Law of China has inserted clauses prohibiting illegal agencies. Similarly local authorities are taking action, for example, a local regulation issued by Huizhou of Guangdong Province requires all patent applications to be filed through the online platform (only qualified agencies are granted access to the platform) , and the Shanghai Administration of Industry and Commerce (AIC) published a series of news on trade mark agency scams through their Weibo accounts (Chinese micro-blog platform) to raise public awareness in this regard.

Therefore, when an SME receives unsolicited messages regarding IP registrations, it is advised not to reply immediately, but consider the tips mentioned and complete further checks to verify the authenticity of the agency. Usually, SMEs can just ignore the email once they believe it is a scam or, if they wish to take a proactive stance, they can report them to the local AIC which is responsible for tackling business frauds and ensuring market order.

On a more positive note, these alarming emails may also give SMEs a welcome reminder to attend into their IP matters in China. However, SMEs should keep in mind to use the right sources, and select proper, qualified agencies to avoid any issues.

Finally, if the company is still unsure on whether a message it has received is fraudulent or not, they can always get in touch with the China IPR SME Helpdesk experts who will be happy to offer some advice free of charge.

China IPR SME Helpdesk Team

## CHINA IPR SME HELPDESK

*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**.*

*The China IPR SME Helpdesk is co-funded by the European Union.*

*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/>.*