

Protection of Intellectual Property in China

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Today's speaker

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Jurjen Groot advises European clients on corporate, commercial and intellectual property matters related to their business in China. He worked 3 years for CMS in Shanghai and currently works for CMS in The Netherlands.

Jurjen's recent IP related work includes advising a Dutch market leader in optical fiber on licensing and IP protection matters, assisting a world known Dutch innovative storm umbrella company on its IP protection and anti-counterfeiting strategy in China, and advising a winner of the Shell Livewire Young Business Award on protection of its IP in China.

Agenda

- IPR Protection in China: **Framework**
- **Types of IPR** in China
 - Registration / Application
- **Enforcement** of IPR in China
- **Case studies & Lessons Learned**
- **Take-away messages**
- Overview **China and ASEAN IPR SME Helpdesks**





IPR Protection in China: Framework

- **Fast changing** landscape, substantial improvements
- **Extensive laws and regulations** developed
- **First to file/register system**
- **Separate national IP systems:** protected in home market(s) does not (automatically) mean protected in China!
- **Infringement is almost inevitable, but enforcement is possible:** choose your product specific IPR strategy & pick your battles!



Types of IPR in China

- **Patents:** PRC Patent Law and Implementation Rules
 - Invention Patents
 - Utility Models
 - Industrial Design
- **Trade marks:** PRC Trademark Law and Implementation Rules
- **Copyright:** PRC Copyright Law
- **Domain names:** Measures Administration Internet Domain Names

Patents

- Different patents in China:
 - **Invention Patents** (20 years protection, application 3 – 5 years)
 - **Utility Models** (10 years protection, application appr. 8 months)
 - **Industrial Design** (10 years protection)
- Costs: 3500 – 11500 euro
- Chinese translation needed



Trademarks

- “First come first serve”, **be sure to be first!** Others can register your trade mark in China, can cause big trouble
- Advisable to also register Chinese translation of trade mark
- Registration period: 12 to 18 months
- Protection period: 10 years, can be renewed
- Costs: appr. 250 euros





Trademarks – new PRC Trademark Law

- Entered into effect on 1 May 2014
- Multiclass applications possible
- Higher compensation amounts (6 x higher) and administrative fines (5 x higher)
- Stricter on bad faith registration: registration rejected if applicant has a contractual or business relation with the (in China non-registered) right holder and knows of the prior right's existence. However: strict enough?



Copyrights

- **Originate automatically** by creation of the work
- However: can be registered in China with Copyright Protection Center of China
- After registration: **Copyright Registration Certificate**, can be very helpful to prove that the copyright is yours
- But beware of software (source codes)!

Enforcement of IPR in China

- Cease and desist letter
- Administrative proceedings
- Civil court proceedings
- Criminal proceedings
- Customs protection



Cease and Desist Letter

- **Quick and can be quite effective**
- Strong signal that you are serious about protection your IPR
- If important infringers: be sure to first finish investigation/gather evidence
- Letters can also be sent to online shops (e.g. Taobao, Alibaba)



Administrative Proceedings

- Trademark: AIC (powerful)
- Patent: SIPO (less powerful)
- **Can be very quick and effective**
- Raids and injunctions
- No financial compensation possible





Civil Court Proceedings

- Specialized IP divisions in most Intermediate and High Courts
- Compensation of damages possible
- However: not always adequate compensation
 - 90 pct of cases below \$100,000
 - not seldom small % of total damages claimed
- Complicated invention patent infringements

Criminal Proceedings

- Local Public Security Bureau (PSB)
- Effectiveness varies
- Beware: no longer control of the case



Customs Protection

- IPR can be **registered** with customs
- On the basis of random checks
- Most effective for trade marks
- Can be **combined with Customs Protection in EU**
- **Free** Customs service
- Be sure to “educate” Customs about products and infringers



Case Study I: Trade Marks & Customs

Foreign company A has a good reputation in western fashion industry. Has own brand for shoes and clothes. Products manufactured in China, sold in Europe. A only registered TM for shoes in China.

Competitor B has registered TM for clothes in China similar to A's TM for shoes. B has also recorded that TM with China Customs. When company A shipped its clothes from China, Chinese customs detained the goods, and confiscated because of TM infringement.



Case Study I: Lessons Learned

- Trade mark registration must fully cover all goods of your company.
- **Your trade mark is only protected in China if registered in China.**
- Customs registration can be effective way of trade mark protection, also against you if you didn't register your trade mark(!!)



Case Study II: Industrial Design & Exhibition

Foreign company T designed a tractor, which was manufactured in China under OEM by Chinese company M. Their self-designed OEM agreement states that IPR on this tractor remains with T. After exhibiting the tractor on a fair in Europe, public feedback: engine too small.





Case Study II: Industrial Design & Exhibition

T and M jointly designed a bigger engine tractor. T then started to register industrial design in Europe and in China. But: T discovered that M had already registered in China(!).

T ended relationship with manufacturer and acquired another Chinese manufacturer to produce its tractors. M then sued T in China for infringement of their registered industrial design. Also, they requested the Customs to seize T's products, so that it could no longer export.



Case Study II – Legal Actions

T then came to our law firm. 1st step: start industrial design invalidation proceedings with SIPO in Beijing, with argument: lack of novelty. We won SIPO proceedings. M appealed in court, and finally even Beijing High Court, with no success. Local court proceedings also decided in favor of our client T.

Total time spent: 2 – 3 years

Result: Industrial design of competitor cancelled and no more legal proceedings against client: it could manufacture and export again. **However:** no way to prevent competitor from also doing so: no favorable market position(!). Also, T could not claim contractual damages for breach of OEM agreement, because wording only covered first (small engine) tractor model.



Case Study II – Lessons Learned

- Registration in both Europe and China too late: big consequences!
- Ineffective OEM agreement: self-made agreement did not offer sufficient IP protection, T with empty hands against M.
- Customs protection can be very effective – also *against* you!
- Displaying product on fair before registration IP very risky.
- Uphill battle because competitor had certificates and client did not.

Take-away messages

- **Be sure to file first** (before your Chinese partner/competitor!)
- **Register your trademark** (preferably also Chinese translation) **in China**
- Protecting your IP should be **part of your business model**
- **Careful with samples and exhibitions**
- Your **website is also accessible in China...**



China IPR SME Helpdesk

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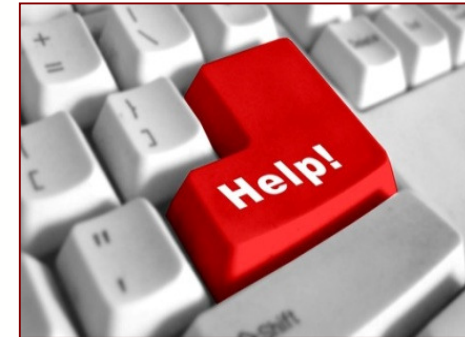


IP Guides & Newsletters



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- **First-line advice** on China countries IPR matters
- **Confidential**
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Information & Materials

- Library of publications:
 - **IP specific guides**, incl. patents & trade marks
 - **Industry specific guides**, incl. textiles, machinery,
 - **Business guides**, incl. technology transfer
 - **Hong Kong and Macao Factsheets**
- Quarterly Helpdesk newsletters
- Article placement
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The **China IPR SME Helpdesk** provides **free, confidential, business-focused advice** to European Small and Medium Enterprises (SMEs) relating to **IPR** in China

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Feedback Questions Discussion