

## IP Strategies for App Developers in China

### Chinese App Market

In 2014 China's iOS App downloads surged with a 30% increase in quarterly downloads between Q1 2014 and Q1 2015. This rapid growth, stimulated by the release of the iPhone 6 and heavy investment in Apple's retail presence in the country, has pushed China to the top spot for App downloads worldwide<sup>1</sup>.

Asia is leading a mobile revolution, replacing older, less transportable technologies with a 'mobile-first' tech culture. Smartphone penetration in China is far deeper than anywhere in the West, many new users skipping desktop computing entirely in their adoption of smartphones and tablets<sup>2</sup>. In China alone it is estimated that there are more than 700 million active smartphones and there is still potential for further growth as lower cost alternatives increasingly cater for the lower end of the market.

These statistics, coupled with recent developments in Chinese mobile user payment structures makes China a very attractive market for existing and potential app developers, with content creators flocking to take advantage of the newly minted market.

This being said, the Chinese App market still has its challenges and success in the market is by no means easy. Alongside the usual hurdles of development, marketing and distribution, potential developers should be mindful of protecting their brand and products when entering the Chinese market. This is not a particularly challenging, or even costly process. However failure to obtain adequate protection can result in loss of market share, damage to brand reputation and even exclusion of products from the Chinese market. We at the China IPR SME Helpdesk advocate a 'know before you go' approach, preaching awareness of potential issues and timely protection of core IP ideally before breaking into China. This article addresses some of these core issues.

### Brand Protection

First on any company's list of priorities before entering the Chinese market, or at least as soon as possible in case the company is already active in China, should be protection of their core brand and market reputation. This is achieved through registration of the company name and/or logo and any other distinguishing visual marks which are associated with the brand and its' products as trade marks.

China operates a 'first to file' system in China which makes early application essential before entering the Chinese market in order to avoid potential issues of trade mark hijacking by domestic companies seeking

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<sup>1</sup> [https://s3.amazonaws.com/files.appannie.com/reports/China-Surges-Ahead-United-States-iOS-Downloads-EN.pdf?mkt\\_tok=3RkMMJWWfF9wsRokuK3JZKXonjHpfsX87OskXaO2IMI%2F0ER3fOvrPUfGjl4DS8Ril%2BSLDwEYGJl v6SgFSrfEMbFl3rgPUxU%3D](https://s3.amazonaws.com/files.appannie.com/reports/China-Surges-Ahead-United-States-iOS-Downloads-EN.pdf?mkt_tok=3RkMMJWWfF9wsRokuK3JZKXonjHpfsX87OskXaO2IMI%2F0ER3fOvrPUfGjl4DS8Ril%2BSLDwEYGJl v6SgFSrfEMbFl3rgPUxU%3D)

<sup>2</sup> <http://googleasiapacific.blogspot.hk/2014/10/asias-mobile-first-world.html>

to take advantage of the target brand's reputation or make a profit selling the mark back to the EU SME that has the registered trademark for the EU at a profit.

Registration of trade marks in China can be done domestically through the China Trade Mark Office (CTMO) with the aid of a local trade mark agent, or through an international registration under the Madrid protocol. However there are a number of issues to bear in mind when seeking registration in China which can make or break a brand in the Chinese marketplace:

- China has a more narrow specification of classes of products and services than required by the classes set out in the Nice Agreement used in the EU to designate use of trade marks. In essence, China has divided the classes of the NICE classification further into subclasses. Often this means that if you have protection in China for the overarching NICE class, but not for a certain subclass within that class, you are not protected for that specific subclass in China. It is therefore essential to register the appropriate sub-classes yourself to ensure that all of your products are protected. Failure to do so may result in guesswork by your agent or the CTMO leaving some of your products outside of the scope of protection provided by your trade-mark.
- Foreign language names are rarely used in China, and if you do not designate your company or product a Chinese language name consumers will likely come up with their own. Once this has been done there is nothing stopping competitors from registering the Chinese name as a trade mark and cashing in on your success, so it is worth considering registering a Chinese language mark for your company and Apps!

### **Copyright: Software and Content Protection**

For rapidly developing software applications Chinese copyright law offers a quick and easy method of procuring IPR protection at key stages of development, as well as any images or written material associated with the app such as marketing materials and product descriptions on e-commerce platforms etc.

Most types of creative works protectable by copyright in Europe are also protectable in China and, as in Europe are theoretically protected as soon as they are created. This being said, as Chinese courts and administrative bodies will require notarised evidence of ownership for any infringement proceedings, it is generally advisable to register copyright for important works.

Software is also expressly protected by Chinese copyright law and is relatively simple to register with the Copyright Protection Center of China (CPCC), the requirements for which are laid out below:

- 1) Biographical details of the owner, including name and address.
- 2) Copy of proof of identification of owner, for example business registration certificate of a company.
- 3) Details of the software program including:
  - Date of establishment;
  - Operating environment, including details of hardware requirements and operating system;
  - Programming language used;

- **IF** the software is not developed by the owner: how the rights to the software are derived, for example by assignment or inheritance, and related documentary proof;
- Substance of the software, which can be submitted in either the form of ordinary deposition or exceptional deposition, as described below.

## Ordinary deposition

First and last 30 pages of:

- 1) Source code;
- 2) Specification/operation manual or the entirety of the documents if these have less than 60 pages each.

## Exceptional deposition (any one of the below)

- a) First and last 30 pages of source code with confidential portions concealed, but the total concealed portions not exceeding 50% of the submitted source code.
- b) First 10 pages of source code, plus any consecutive 50 pages of any other portion of the source code.
- c) First and last 30 pages of source code, plus any consecutive 50 pages of any other portion of the source code.

The above rules a) to c) are also applicable to the submitted specification/operation manual and it should be noted that each page of the source code must have at least 50 lines.

It is always desirable to disclose the source code of your software as little as possible. The following should be considered in order to achieve this purpose:

- Exceptional deposition should be considered and used if possible; confidential areas of the source code program can be blacked out.
- The first 10 pages of source code, preferably the first 30 pages, should contain as little important information as possible.
- Apply for 'sealing up' of the source code program, documentation or samples. Only the right holder and judicial departments are then permitted to open the sealed material.

Furthermore, to ensure efficient proof of ownership and infringement by a third party, it is desirable to insert some specific identification, for example name, trade mark, or even slogan of the owner into the source code. It is preferred for such specific identification to appear in the first 10 to 30 pages of the source code, and should be unique to each software program, for example the name of the software, the relevant version, and the programr(s) involved. **China Copyright Law clearly provides that where there is no evidence to the contrary, the citizen, legal entity or organisation whose name is shown on a work shall be deemed the author of the work.**

Copyright protection in China costs between 240 and 345 EUR, depending on the number of documents involved and the registration process takes around 30 days from when the CPCC accepts the application.

## **Copyright deposition with Notary Public**

If your company feels uncomfortable with depositing source code with the CPCC, then another option to have proof of copyright ownership is to deposit your copyrighted software with your notary public in your home jurisdiction. This notarised copyright can be legalised and notarised as evidence of copyright for China when it is needed for enforcement of copyright in China.

## **Design Patents: GUI Protection**

As of May 2014, amendments to China's guidelines for design patents have made it possible to obtain design patents for Graphical User Interfaces (GUIs). There are limits on what interfaces can be protected however, and the new guidelines exclude "game interfaces, and patterns displayed by the displaying device of a product, which patterns are not relevant to human-computer interaction or to the realisation of the function of this product, such as wallpaper on an electronic screen, patterns shown during the start or shutdown of the device, or the layout of drawings and texts on web pages of websites"(As opposed to the design right for GUI in the EU, for design patent protection in China the GUI needs to be coupled to a product).

This advance in digital IPR protection has yet to be tested extensively but potentially allows for an added layer of protection against 'copycat' apps utilising similar or identical interfaces.

## **Due Diligence**

When developing apps for release in China it is also important to ensure that the material you have used does not infringe on others rights. IP law (except for copyright law) is territorial, and protection in the EU and elsewhere will not extend to China's jurisdiction. As such it is essential to check that material used has not been registered domestically by other developers.

- Patent searches can be made in English on the State Intellectual Property Office (SIPO) Website: <http://english.sipo.gov.cn/>
- Trade mark searches can be made in English on the China Trade Mark Office (CTMO) website: <http://www.chinatrademarkoffice.com/>
- Checking materials for pre-existing copyright is more difficult, registering core copyrights and searching the internet for any ancillary materials safeguards against any potential actions being made against your material however.

## **Enforcement**

### **App Store Dispute Resolution: First Line of Defence**

The first line of defence when dealing with infringing material or apps is to directly contact the app store on which the infringing products are listed. Apple has an 80% market share of app downloads in

China and offers an online content dispute resolution service. Through the online forms, developers can identify infringing material, provide evidence of their IPR ownership and request infringing apps be taken down.

Other stores run similar services, however as many app stores servicing the Android platform in China are Chinese language only (Google Play is unavailable in China) it is often best to engage local legal representation when requesting removal of infringing content.

Prior to the dispute resolution process you will need to make sure you have obtained notarised evidence of the infringement through engaging a notary public. This can consist of notarised screenshots of the infringing apps' page on the relevant app store, any relevant download numbers and if possible, screenshots of the infringing items in the app itself (most modern smartphones have a screenshot function which makes this process easier). Notarising this evidence is important if it becomes necessary to take the case further or claim compensation, as Chinese administrative agencies and IP courts are unlikely to accept evidence which has not been witnessed and prepared appropriately by a notary public.

## **Civil and Administrative Enforcement Actions**

China offers two main options for enforcement of IP rights; administrative actions with local administrative bodies and civil litigation through the courts.

Prior to enforcing your IP rights you will need to make sure you have obtained notarised evidence of the infringement through engaging a notary public.

Administrative actions relevant to apps are implemented by local Intellectual Property Offices, local Copyright Bureaus and the Administrations for Industry and Commerce (AICs). These bodies have the power to force infringing parties to cease infringement activity and also to levy fines in the case of trade mark and copyright infringement. Administrative action is a fast and cost-effective method for removing infringing items from the market and to gather evidence. However administrative bodies often lack the expertise to deal with complex patent claims and are also unable to award any financial compensation or account of profits to the claimant.

Civil litigation is becoming an increasingly user-friendly enforcement procedure in China, with the introduction of dedicated IP courts in Beijing, Shanghai and Guangzhou and increased judicial training. Civil actions are more expensive than administrative action, however a favourable judgement will enable claimants to seek financial compensation for losses incurred by the infringement, and/or accounts of profits from the infringer. Historically these awards have been significantly lower than those offered for similar actions in EU jurisdictions.

## **Take Away Messages**

- Don't forget to protect your brand. Reputation plays a big part in Chinese consumer choices and infringement of company and product trademarks can permanently damage your brand.
- Copyright registration of your software offers an easy way to prove your IP ownership in case there are any problems of IP infringement. If you do not register your software through the Chinese copyright registration system it may be very difficult to prove ownership when enforcing your IP.
- Infringement issues can often be dealt with quickly by contacting app stores directly.
- Administrative action is a quick, effective way to obtain injunctions to stop infringing activity. They can also act as a base from which to launch civil actions to recover financial losses.
- REMEMBER! IPRs (except for copyright law) are territorial and protection in other jurisdictions has no effect in China. Register early and make sure to protect all of your core IP or someone else will! (Also, do register your copyright in China, as it proves to be very useful as proof of your ownership.)

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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/>.