18 MAY 2021, 10:00 CET
WEBINAR

INTELLECTUAL PROPERTY PROTECTION IN CHINA FOR TECH STARTUPS

☑ OVERVIEW OF INTELLECTUAL PROPERTY RIGHTS IN CHINA
☑ LATEST DEVELOPMENTS IN IP LAW AND CONSEQUENCES FOR EUROPEAN STARTUPS
☑ BEST PRACTICE & TIPS
☑ CASE STUDIES
Global Innovation Network

Physical and digital: we operate 31 incubators in 22 cities in 7 countries. Our freely accessible digital match-making platform TechBook includes 85,000+ startups.

Consulting

We advise European startups, SMEs and corporates on entering the Chinese market of the future. At the same time, we support Chinese companies in gaining access to Germany.

Startup Accelerator

With vehicles such as accelerator programmes, startup competitions and delegation trips, we support German and Chinese startups in taking their first steps towards internationalisation.
How can I make better use of the innovation dynamics in China?

Establishing and expanding a presence:
Which location strategy is suitable for a sustainable presence in China?

Fit for the future:
What new business models can I establish in the China of tomorrow?

How can I make better use of the innovation dynamics in China?
TechCode Berlin in the heart of Berlin

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The meeting place in Berlin for China and innovation
An Introduction to Z-Park: China’s Silicon Valley
Zhongguancun Science Park, also known as **Z-Park**, was established in 1988 as one of the **first science parks and first national innovation centers in China**. Z-Park focuses on electronic information, bio-medtech, cleantech, environmental protection, new materials, advanced manufacturing, aerospace as well as rail engineering sectors. As a hub of China`s scientific and technological innovation, it is often being considered as “the Silicon Valley of China”.

**Z-Park in Numbers**

- Total Area: 488 km²
- Affiliated Parks: 16
- High-Tech Companies: 22,000+
- Fortune 500 Companies: 200+
- University & Institutes: 90+
- R&D Centers: 600+
- Investment Funds: 1,800+
What is Z-Park?

Where Magic Happened: 1988 - 2021

Home of China’s Top Talents

Unicorn Hub: 90 New Startups / Day

Scale-up to Global Tech Giants
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The Helpdesk in a nutshell

• Free initial advise to SMEs

• Geographic coverage:
  • China
  • Hong Kong
  • Macao
  • Taiwan

• We have assisted over 100,000 SMEs to date
Helpdesk free services

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Five EU-funded helpdesks offer free resources to your small or medium-sized business to help you manage your intellectual property.
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China IP SME Helpdesk

https://ec.europa.eu/ip-helpdesk
What tech startups should know about IP when scaling up to China

Michał Kłaczyński
18 May 2021
MICHAŁ KŁACZYŃSKI

Law school in Poland (Jagiellonian University) and USA (Harvard). Studied also in China (Sichuan University).

15+ years of international transactional experience (in-house in wind industry, law firms in Poland and USA).

Advised on investment and trade related matters in China, including copyright, trade secrets, trademarks, and negotiated licensing, manufacturing and distribution agreements related to operations in China.

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What are Intellectual Property Rights?

- **Exclusive Rights + Intangible Property + Intellectual Component**
  - Arts (copyright) | Science/Technology (patent) | Know-how (trade secrets, competition) | Market identity (trademark)

- **What can/should be registered?**
  - Trademark, Patent (invention), Utility Model, Design

- **What is not registered?**
  - Copyrights, Trade Secrets

- **Registration & protection is territorial**
IPR: economic or personal rights?

Unnatural Rights: Hegel and Intellectual Property

Cardozo Law, Legal Studies Research Paper No. 80

49 Pages  •  Posted: 20 Mar 2004

Jeanne L. Schroeder
Yeshiva University - Benjamin N. Cardozo School of Law
Date Written: March 1, 2004

by Tian Xia Ba Chang (Author)

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The works of Zhang Muye care about people's thoughts and actions in the unknown environment. The ancient inheritance, mysterious remains, friendship between brothers, tacit understanding of lovers, extreme experiences of life and death, plus the humorous and concise literary words and grand narration with ups and downs enable his words to build a "kingdom". In this book, in the first part it tells Hu Bayi and his team entered the underground military fortress in Heifengkou according to the folklore, revealing the mystery of the deep mountains and forests. In the second part, it starts from the archaeological team's entry to the desert seeking the ancient city Jingjue. And it touched lively geographical cultural elements, such as desert in the Western Regions, Kongqiu River, woman corpse in Lulan and Dunhuang frescoes. All these exotic factors add the mystery, and till the end, the Jingjue Queen still did not show up, making it mysterious from beginning to end.
Confucius and IPR: a clash of cultures?

There is supposedly a conflict between the Confucian culture and the western concept of intellectual property: copying as paying respect to masters and ancestors

- IPR as a „western” phenomenon?
Legal system in China

- **Historical context** – original legal traditions (Confucianism v. Legalism), Western legal implants, 1949 – 1978 - 2004

- **Cultural issues**, law as framework for free market economy – what are interests of the state and of foreign investors

- **Misleading similarities** to Western legal systems – constitutional aspects (judicial review, dominant role of executive power) and cultural framework

- How to adapt to **Chinese legal reality** – contract negotiations, legal research, dispute resolution

- Civil/socialist law, market reforms and legal implants, IPR protection influenced by WTO/TRIPS
IPR protection strategy

Identify risks – based on type of presence

– disclosure of technology, prototypes, samples, trademarks (problem for substantiating novelty in patent application) – trade fairs, direct negotiations, manufacturing, distribution/sales in China, corporate presence

Strategy on IPR protection - think ahead

– Register patents and trademarks, consider using trade secrets
– Seeking partners – contractual protection in place (NDA, non-compete)
– Gather evidence of infringements (samples, pictures)
– Cease and desist letter, formal complaints with authorities, litigation
– Responsibility of Internet Service Providers for IPR infringements
China - Copyright

- Copyright Act (1990, revised in 2002):
- "works of literature, art, natural science, social science, engineering technology and the like which are expressed" in written form, or musical, dramatic, fine art, photography, cinematography and videographic works, drawings of engineering designs and product designs, maps, sketches and other graphic works, computer software
- Some tangible form required
- Registration of copyright - not required but popular
- Creator's exclusive right to use (and benefit from) original work
- Written license agreement and its registration required for payment of fees by a Chinese company abroad
Copyright

Protected rights (economic + personal)

In fact, by law Copyright (Article 10) shall include the following personal rights and property rights, here resumed:

(i) Publication rights, i.e. the rights to decide whether a work is made public or not;
(ii) Right of Authorship, or the right to be named as the author of the work.
(iii) Right of Revision, i.e. the right to revise a work or to authorise other to revise the same;
(iv) Right to preserve the integrity of a work, i.e. the right to protect a work from distortion or tampering (complementary to no. 3);
(v) Reproduction right, i.e. the right to reproduce one or more copies of a work by printing, photocopying, audio and/or video recording, duplication, photographic reproduction (law includes an open “etc.”);
(vi) Distribution right, i.e. the right to provide the original copy or replicas of a work to the public by sale or as gift;
(vii) Rental right, i.e. the right to license the temporary use of film works, works created using methods similar to film making and computer software by other for a fee, except where the computer software is the main subject of the fee.

(viii) Exhibition right, i.e. the right to put the original copy or replicas of art works and photographic works on public display;
(ix) Performance right, i.e. the right to put up a public performance of a work and publicly broadcast performance of work through various means;
(x) Screening right, i.e. the right to put up a public screening of art works, photographic works, film works, works created using methods similar to film making, etc. through technical equipment such as film projector, slide projector, and so on;
(xi) Broadcasting right, i.e. the right to publicly broadcast or transmit a work through wireless method, the right to transmit or broadcast a work to the public through cable or relay broadcast, and the right to transmit or broadcast a work to the public through a loudspeaker or other tools for transmission of symbols, sounds and images;
(xii) Information network transmission right, i.e. the right to provide a work to the public through cable or wireless method so that the public may have access to the work at their individually selected time and venue;
(xiii) Filming right, i.e. the right to produce a work on a medium through film making or methods similar to film making;
(xiv) Adaptation right, i.e. the right to adapt a work, thus creating a new work with originality;
(xv) Translation right, i.e. the right to convert the written text of a work from one language to another language;
(xvi) Compilation right, i.e. the right to select or arrange a work or parts of a work for compilation into a new work;
(xvii) Any other right enjoyed by copyright holder.
Copyright

(i) Use of a work published by others for personal learning, research or appreciation.
(ii) Appropriate citation of a work published by others in a work for the purpose of introduction or commentary of a certain work or explanation of a certain issue;
(iii) Inevitable reproduction or citation of a published work on media such as newspapers, periodicals, radio stations, television stations, etc. for reporting of current affairs news;
(iv) Publication or broadcast by media such as newspapers, periodicals, radio stations, television stations, etc. of articles on current affairs pertaining to politics, economics, religious issues published by other media such as newspapers, periodicals, radio stations, television stations, etc., except where the author has stated that publication or broadcast is not permitted;
(v) Publication or broadcast by media such as newspapers, periodicals, radio stations, television stations, etc. of speeches made at public meetings, except where the author has stated that publication or broadcast is not permitted;
(vi) Translation or replication in small quantity of published works for use by teaching or scientific research personnel in classroom teaching or scientific research at schools, provided that publication and distribution shall be prohibited;
(vii) Use of published works by State agencies within a reasonable scope for execution of official duties;
(viii) Replication by libraries, archives, memorials, museums, art galleries, etc. of works collected by them for the purpose of display or preservation;
(ix) Gratis performance of published works to the public for free and no remuneration is paid to the performers;
(x) Copying, drawing, photographing and video recording of art works installed or displayed at outdoor public premises.
(xi) Translation of Chinese language works published by Chinese citizens, legal persons or any other organisations into minority language works for publication and distribution in China; and Translation of published works into Braille for publication.
China - Trademarks

- Recognizable sign, design or expression to identify products/services on the market
- Territorial and temporary protection (but can be extended without limitation)
- China is a “first to file” jurisdiction
  - (i.e., no protection for the “well-known” but unregistered trademarks)
  - BEWARE of bad-faith trademark registration in China
    - How to protect our trademark if registered already by a third-party?
- 3D trademarks
  - Three-dimensional sign, or a combination of three-dimensional signs, colors, words and symbols.
  - It may be the shape of a product or its container or packaging.
- Localization of trademarks
  - Common practice of „translating” brand names and trademarks
Trademarks - examples

- **BMW 宝马 (bao ma) – „precious horse”**
- **Audi 奥迪 (ao di) – „mystery enlightenment”**
- **Apple 苹果 (ping guo) „apple”**
- **Siemens 西门子 (Xīménzǐ) – „western gate”**
- **Coca Cola 可口可乐 (Kěkǒukělè) „taste and joy in one”**
China – Geographical Indicators

- Geographical Indicators (GI) are available for products with a specific national or regional origin
- Cannot be registered by individual companies but by collective organisations representing a group of producers
- GI registration in China:
  - As a certification mark or a collective mark at the China Trademark Office;
  - As a GI with the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ).
Technology Protection: China - Inventions

- **Inventions** – registration required, territorial and temporary protection (exclusive use) - 10 years for utility models and design patents, 20 years for invention patents
- In exchange for full disclosure to the public (after the protection expires everyone can use it)
- **China is a “first to file” jurisdiction**
- **Factors to consider for patent protection:**
  - value of information > cost of patenting
  - patent requirements (novelty) met
  - easily reverse engineered or independently developed
- Consider also trade secret protection or using both for different elements
Protection of Technology - Trade Secrets

• Any valuable information (commercial or technical nature) **not available to the public** (deliberately kept secret);
  – No registration, no time limits for protection
  – Not-exclusive (can be circumvented)
  – Once discovered may be used by others
  – No infringement claims towards third parties
  – Could be patentable but even technology doesn’t need to be novel

• **Reverse engineering** and independent development allowed

• Importance of **contractual measures**
  – Non-disclosure of confidential information is not the only concern
  – **Key issues:** competitive activity usage or circumvention our IPR
Trade Secrets – China

- **Unfair Competition Prevention Act (1993)**
  - only misappropriation of trade secrets by competitors covered (does not apply to employees)

- **Reliance on contractual provisions**
  - usually a standard NDA will not be sufficient – competitive activities and circumvention of IPR need to be eliminated

- **Criminal liability** for theft of trade secrets

- **Civil procedure** – limited discovery

- **Administrative enforcement** – AIC (Administration for Industry and Commerce) may order to stop sales of infringing product and/or a penalty
Trade secrets – contractual safeguards

Standard NDA will not be sufficient!

– Non-disclosure is not our only/main concern
  • Rather - using confidential information to for competitive activity or to circumvent our IPR
  • Secure all three aspects: Non-Disclosure, Non-Circumvention, and Non-Competition
– Prevent IPR being used for other party:
  • Independent business activity
  • Creating and developing own products, technology, production methods or management of their company
  • Creating and registering any IPR
– Secure that no supplier/manufacturer, distributor, consultant (and their employees, managers, shareholders, subcontractors) will establish a business relationship with such entities, that were contacted or introduced to him in relation to providing services to us.
E-commerce: online infringements

- Online platforms operators (ISP) are not liable for third party actions as long as they remove the infringing content after a notice from the actual IPR holder.
- „take-down notice” needs to be filed with ISP.
- Proof of IPR being registered in China.
- ISP would only remove the content from the online platform (no power to impose penalties or damages).
- Infringment remedies established by major e-commerce platforms:
  - Different types and gravity of offenses
  - Suspension and blocking
- Check out policies and forms:
  - Alibaba / AliProtect – [https://legal.alibaba.com](https://legal.alibaba.com)
  - Taobao / TaoProtect - [http://qinquan.taobao.com](http://qinquan.taobao.com)
Enforcement of IPR

Civil litigation against the infringing party
- Damages and/or injunctions
- Preliminary injunction, evidence and/or rights preservation

Criminal measures
- Private prosecution
- Public prosecution

Administrative enforcement (several government agencies)
- The State IP Office (patents)
- The Administration for Industry and Commerce (trademarks, trade secrets)
- The Technology and Science Bureau (trademarks)
- The National Copyright Administration (copyright)
- The Ministry of Culture (copyright)
- The General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ)
- The General Administration of Customs (GAC)
  - Protection is granted for 10 years (can be renewed)
  - Customs rides available (production facilities, warehouses) – China controls also exports
Enforcement paths: pros and cons

• **Administrative enforcement**
  – Inexpensive and quick,
  – Fines, and/or business license revocation
  – Lack of clear criteria, no damages available

• **Criminal enforcement**
  – Potentially most detrimental (penalties)
  – Lack of control over the process, burden of proof
  – Most effective in high stake counterfeiting and piracy
Case Study: New Balance v. 新百伦 (Xin Bailun)

- Recent (2015) decision of Guangzhou Intermediate Court
- NB infringed rights of a Chinese holder of Xin Bailun trademark, by using it on Chinese market for NB products
- NB had to pay RMB 98 million (approximately EUR 13.5 million) in damages, issue a public apology and was not allowed to use the Chinese name "新百伦" anymore
- Lessons:
  - Always necessary to check if our Chinese brand name is still available for registration in China, and register the trade mark early on.
  - In the case our brand name is taken:
    - try to invalidate registration or rebrand for the Chinese market
    - Do not use the trademark you have not registered!
Case Study: Royal Canin and Alibaba

- Joint investigation ("mystery shopping") by Alibaba and Mars, Inc. (owner of RC brand) of cat food samples offered by a Chinese vendor
- Packaging turned out to be original while the food itself counterfeited
- Alibaba banned the seller from the platform, caused counterfeited products to be seized by the authorities, and followed with a lawsuit (claiming aprox. $400,000 of damages, including lost profits and reputational damage), and was granted aprox. $20,000 by the court decision in August 2017

  - Groundbreaking precedent where an e-commerce platform has successfully sought compensation from one of its online retailers
- According to Alibaba in 2016 they provided 1,184 notifications to law enforcement agencies, which resulted in the arrests of 880 suspects, and assisted in the shutdown of 1,419 manufacturing locations
- The online platforms apparently treat IPR issues seriously and may serve as a valuable allies for EU SMEs
Case Study: Hennessy packaging

- Chinese company was selling liquor in bottles identical and similar Hennessy bottle
- Decision of the Shandong Heze Intermediate Court (2012) regarding:
  - Infringement by (i) publicly showing online bottles identical or similar to the Hennessy 3D trade mark; (ii) displaying in its company’s showroom bottles that were identical to Hennessey’s 3D trade mark.
  - Order to stop the infringement and award of damages to Hennessy (50,000 RMB)
- Key issues:
  - Registering 3D trademark
  - Collecting online evidence (competitor’s website, online platforms)
  - Enforcing IPR rights
Case Study: Huawei Technologies v. InterDigital

- Dispute over patent infringements regarding InterDigital (a US-based research company IDC) wireless technology – in the US, EU and China
  - Huawei brought lawsuits in China based on the antitrust law (China AML) claiming that IDC had dominant position and abused its market power (excessive pricing, tying, refusal to deal) and failed to negotiate license on fair terms, and requested the court to grant a compulsory license for Huawei (and set license fee)
  - Court decided that IDC abused dominant position (tying, setting discriminatory and excessive royalty rate) and ordered to cease such conduct, and awarded damages (decision upheld in appeal), and set a license royalty rate. Following the courts’ decisions IDC settled and agreed (1) to offer a worldwide portfolio license of only its standard essential patents (SEPs) and to comply with fair, reasonable and non-discriminatory (FRAND) principles while negotiating license agreements with Chinese manufacturers; (2) not to require royalty-free, reciprocal cross licenses; and (3) to offer binding arbitration before seeking exclusionary or injunctive relief.
Take-away messages

First: prevent infringements
- Register your trademarks (also with customs administration) and patents
- Localize trademarks (market recognition & prevention of similar TM)
- Due diligence; in case of TM hijacking try invalidating, buying back or rebranding
- Enforceable contracts (non-disclosure, non-compete)

- Cost-benefit analysis before litigation
- Enforcement: what are the best measures?
- Monitoring the market (early detection of infringements)
- Use different ways to protect the same IPR (assets)
- Manage confidential information appropriately
- Control key components, production or marketing stages
Further reading
Questions?

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3 days working

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