

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

CHINA
IP SME HELPDESK



European
Commission

Techcode 太库



Techcode 太库



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**.

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 太库

TechCode Berlin in the heart
of Berlin

1,400qm Coworking Space

The meeting place in Berlin
for China and innovation



An Introduction to Z-Park: China's Silicon Valley



What is Z-Park?



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 km ² |
| Affiliated Parks: | 16 |
| High-Tech Companies: | 22.000+ |
| Fortune 500 Companies: | 200+ |
| University & Institutes: | 90+ |
| R&D Centers: | 600+ |
| Investment Funds: | 1.800+ |



Z-Park Plaza



InnoWay

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



Contact us:



www.techcode-germany.com



berlin@techcode-germany.com



TechCode Accelerator - Germany

CHINA IP SME HELPDESK



Alessandra Capriglia
Project Executive

alessandra.capriglia@china-iprhelphdesk.eu

Webinar Interaction Tool

Hide control panel



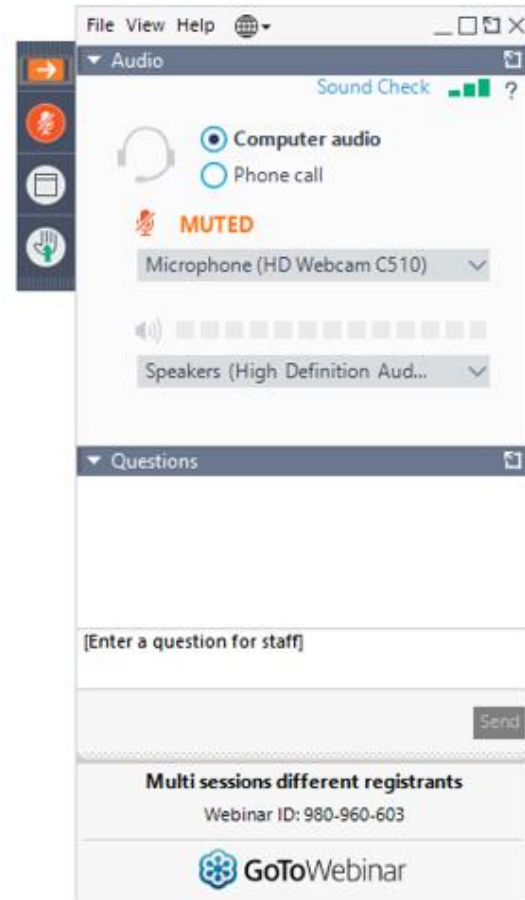
Turn on full screen



Write your IP related questions here



Webinar 24 hour technical support number:
<http://support.gotomeeting.com> 'Contact Us'
section



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

Enquiry Helpline



Training Workshops



Webinars



Website & Blog



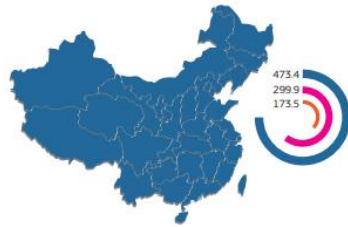
Guides & Factsheets



IP Factsheet: Mainland China



1. THE FACTS: Business in Mainland China for EU Companies (Source: DG Trade)



SIZE of Market :

- EU exports to Mainland China: EUR 173.5 billion
- EU imports from Mainland China: EUR 299.9 billion
- Total trade in goods: EUR 473.4 billion

- › Mainland China is the EU's second largest trading partner, after the USA.
- › The EU is China's largest trading partner.

Key INDUSTRY SECTORS:

- › EU exports to Mainland China are dominated by machinery and equipment, motor vehicles, aircraft, and chemicals.
- › Mainland China's key export items to the EU include machinery and equipment, footwear and clothing, furniture and lamps, and toys.

1 THE FACTS: Business in Mainland China for EU Companies

SIZE of Market:
Key INDUSTRY SECTORS

2 IPR in Mainland China for SMEs: BACKGROUND

Intellectual Property Rights for SMEs: Why is this RELEVANT to you?
How does Mainland China's IP legal framework compare to INTERNATIONAL STANDARDS?

3 IP Rights in Mainland China THE BASICS

- A. Copyright
- B. Patents
- C. Trade Marks
- D. Geographical Indications (GIs)
- E. Trade Secrets

4 Using CUSTOMS to block counterfeits

5 Enforcing your IP

Administrative actions
Civil Litigation
Criminal Prosecution

6 RELATED LINKS and Additional Information

Co-funded by:



European Union

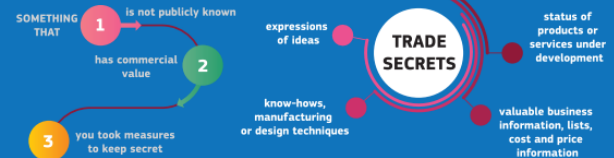
© China IPR SME Helpdesk 2016

Protecting Your Trade Secrets in China

Prevention is the key to protection.

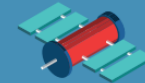


WHAT EXACTLY CAN BE A TRADE SECRET



KEEP IT SECRET, KEEP IT SAFE

It is important to remember that once trade secrets become publicly known, they can no longer be protected as trade secrets.



CONFIDENTIAL

DON'T FORGET YOUR EMPLOYEES

Limit access and copying rights to the personnel who actually need it.

Require all employees to sign an employment agreement with strict confidentiality provisions.

Be sure to hold exit-interviews and have them return documents, materials, computers, and files.

Establish an internal management system for trade secrets. Training and clear written guidelines are essential.

DEALING WITH THIRD PARTIES

Business dealings or negotiations with third parties, potential partners, suppliers, contractors, licensees, or customers

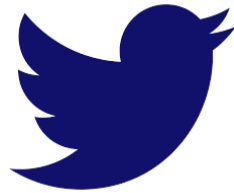
monitor your partners, suppliers or licensees to make sure they are complying with your trade secrets protection policy

INTELLECTUAL PROPERTY ADVICE FOR YOUR BUSINESS



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

Stay connected!



@iprchina



@ChinaIPR-hd



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 KLACZYŃSKI

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.

michal.klaczynski@gmail.com

www.linkedin.com/in/michalklaczynski/



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?

SSRN

Browse Subscriptions Rankings

 Download This Paper

Open PDF in Browser

 Add Paper to My Library

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



Ghost Blows Out the Light (1 Updated And Revised Edition) (Chinese Edition) (Chinese) Paperback – January 1, 2016

by Tian Xia Ba Chang (Author)

[See all formats and editions](#)

Paperback
\$14.99

3 New from \$14.99

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 Jinjue. And it touched lively geographical cultural elements, such as desert in the Western Regions, Kongqi River, woman corpse in Loulan 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.



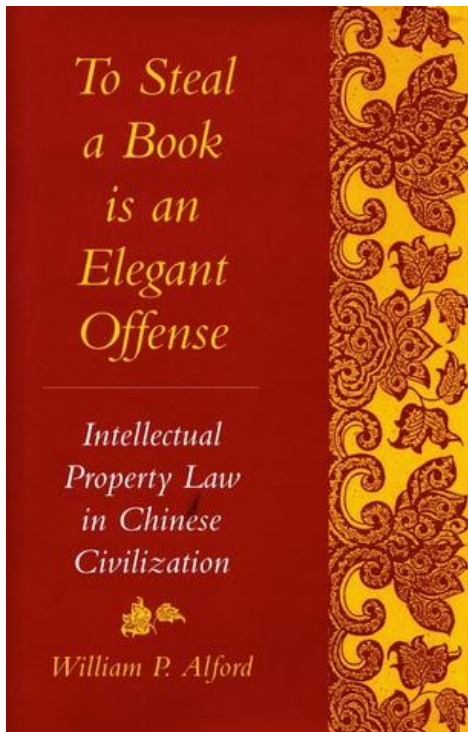
[See this image](#)

CHINA
IP SME HELPDESK

© European Union, 2021. Reuse is authorised provided the source is acknowledged. The reuse policy of European Commission documents is regulated by Decision 2011/833/EU OJ L 330, 14.12.2011, p.39.



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

- *Short story by Lu Xun (1919) & motto for a book by William Alford (1995)*
- 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

Major role of fair use doctrine

- (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 (Xīménzi) – „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)
- Infringement 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>
 - Taobao / TaoProtect - <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 13.5million) 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 Hennessy'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

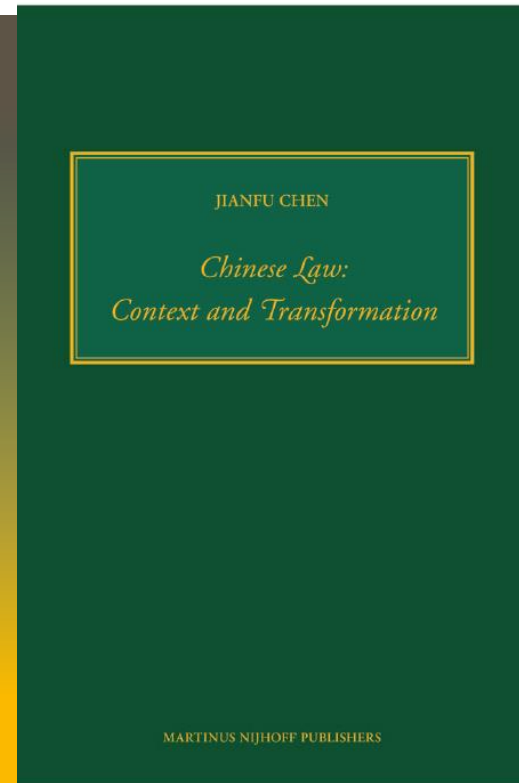
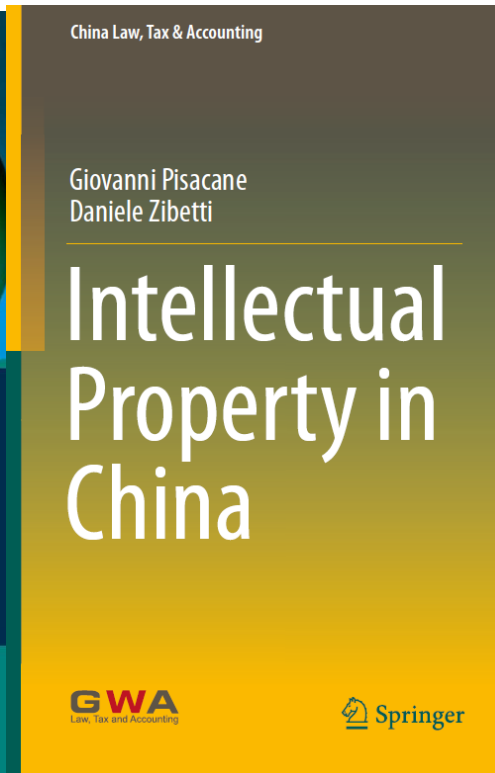
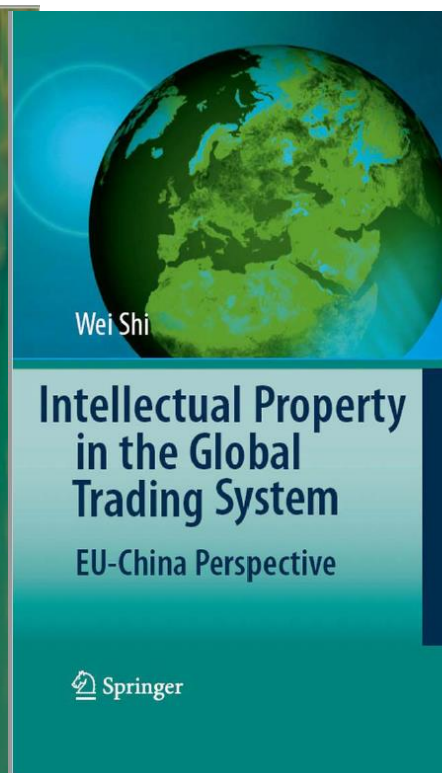
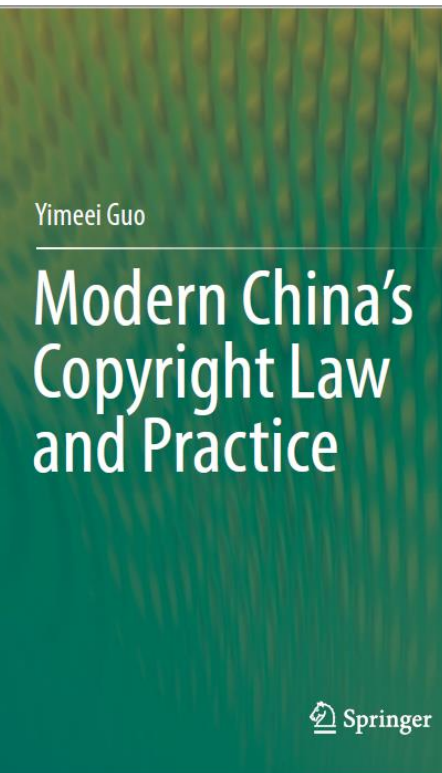
- Dispute over patent infringements regarding InterDigital (a US-based research company IDC) wireless technology – in the US, EU and China
 - Huawei brought lawsuits in China based on the antitrust law (China AML) claiming that IDC had dominant position and abused its market power (excessive pricing, 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?

HELPLINE

free, fast & confidential

3 ^{working} *days*

question@china-iprhelpdesk.eu