

# CHINA IP SME HELPDESK



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# The Helpdesk in a nutshell

- Free initial advice to SMEs
- Geographic coverage:

- **China**
- **Hong Kong**
- **Macao**
- **Taiwan**



 100,000+ SMEs assisted to date

# Helpdesk free services

Enquiry Helpline



Training Workshops



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Guides & Factsheets





# FACTSHEET

- THE FACTS: Business in Mainland China for EU Companies**
  - Size of Market
  - Key INDUSTRY SECTORS
- 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?
- IP Rights in Mainland China: THE BASICS**
  - Copyright
  - Patents
  - Trade Marks
  - Geographical indications (GI)
  - Trade Secrets
- Using CUSTOMS to block counterfeiters**
- Enforcing of rights**
  - Administrative actions
  - Civil Litigation
  - Criminal Prosecution
- RELATED LINKS and Additional Information**




## IP Factsheet: Mainland China

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For free, confidential, business-focused IP advice within three working days E-mail: [question@china-iphelpdesk.eu](mailto:question@china-iphelpdesk.eu)



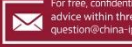
# Guide

- Technology Transfer to China
- Thinking of Transferring Technology?
- What Can Companies Do to Protect Themselves?
- SME Case Studies
- Technology Transfer Checklist
- Take-Away Messages
- Related Links



## Technology Transfer to China: Guidance for Businesses

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# Five IP SME Helpdesk



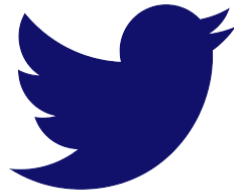
Internal Market, Industry, Entrepreneurship and SMEs

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*3* <sup>working</sup>  
*days*

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# Protecting intellectual property in China: best practice and case studies

**Tom CARVER**

8 June 2021



# Tom CARVER



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Tom Carver is a partner at gunnercooke LLP who specialises in intellectual property and has substantial experience in multiple-jurisdiction patent and design right litigation in the UK and in China. Tom is now based in London, having previously spent three years living in China, and advises clients on the enforcement of intellectual property rights in China as well as other China-related issues, including commercial law. Tom also advises Chinese companies on UK law. He is a regular speaker on the topic of IPR in China and has published several articles on this subject.

# Agenda

*You're planning to sell into China...*

1. Initial problems, and how best to pre-empt
2. Later problems
3. Monitor the marketplace
4. What to do when you find infringements

# Initial problems

- Trade mark squatting.
- Designs registered by another entity.

# Initial Problems - How best to pre-empt

- China is a **'first to file' jurisdiction** for trade marks and design patents, so file early.
  - China has very limited protection for unregistered designs or trade marks - the *Anti-Unfair Competition Law*.
- Invalidate design patents if someone else has registered.
- Apply to cancel trade marks for 1) non-use or 2) bad faith registration.

# Trade mark/design patent case study

- Watch company manufacturing 400,000 watches per month in Shenzhen.
- No IP rights registered in China at all.
- Large numbers of counterfeit watches were being sold in Shenzhen.
- Tried to register their TM but found someone else had done so already.

# Trade mark/design patent case study

## Options?

1. Couldn't prove bad faith registration.
2. Couldn't use the Anti-unfair Competition law:
  - Not suitable for multiple trade mark actions at AIC
  - Hard to prove damage and reputation in China.
3. Apply for the trade mark to be cancelled and then apply for their own:
  - very slow (3 years)

# Trade mark/design patent case study

## Consequence

- Wasted time while counterfeits are on market.
- Could have been avoided by minor expense:
  - 600 euro per mark per class
  - 1000 euro per design right



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# Later problems

- Price of success, and visibility, is infringements of trade mark, designs but also patents.
- Numbers of infringing companies can be dizzying.
- Examples of rapid take-up by Chinese infringers are Dyson's bladeless fans, and hoverboards.
- Made by third parties, your own distributor 'going rogue', or your customer.
  - Buildings built more than once to one plan.
  - Single use software licence used multiple times.

# Licence Case Study

- US special effects manufacturer.
- IP in hardware, but more importantly in the software.

# Licence Case Study

- US special effects manufacturer.
- IP in hardware, but more importantly in the software.
- Parties met and agreed a deal verbally.
- US client believes deal is for only one licence to the software, for the one theatre.

# Licence Case Study

- Chinese party drafts contract.
- Contract has oddly, or poorly, drafted IP clause.
  - IP clause
    - “ *if the Owner needs to use Seller’s intellectual property for the purpose of application for or use of the above-mentioned new intellectual property rights, the Seller agrees that the Owner or its associated companies may use their intellectual property rights free of charge.*”

# Licence Case Study

- Chinese party drafts contract.
- Contract has oddly, or poorly, drafted IP clause.
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**Sounds like a perpetual, royalty-free license  
to all our client’s IP.**

# Licence Case Study

- Verbal agreement was for one theatre.
- Commercial sense would lean toward single licence.
- So:  
**Respond with a narrower clause.**



# Licence Case Study

- Chinese party insists wording is fine and reflects verbal agreement.

# Licence Case Study

- Chinese party insists wording is fine and reflects verbal agreement.
- Face-to face talks.

# Licence Case Study

- Chinese party insists wording is fine and reflects verbal agreement.
- Face-to face talks.
- Client abandons project.

# Best Practice

Insist on properly drafted contracts.

# Agenda

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4. What to do when you find infringements

# Monitor the marketplace

- Monitor trade fairs (i.e. send someone you trust to patrol).
- Monitor Alibaba and Taobao (English and Chinese keywords).
- Customers, via your sales team, are a good source of intelligence.

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# What to do if you find infringements

- **Civil litigation**
  - 6-9 months; injunction; asset and evidence preservation orders; damages. Specialist courts
- **Administrative litigation**
  - 6 weeks; injunction; fines.
- **Trade fairs**
  - Products removed from display; gather evidence.
- **Online**
  - Delete links to adverts of infringing products.
- **Customs Seizures**
  - Seize infringing products being exported.

# Trade Fair Case Study

- Luggage company came to the Fair to source parts.
- Found stalls exhibiting products identical to their own.
- Turned out to be their own OEM manufacturer.

# Trade Fair Case Study

- Couldn't complain
  - No documents
  - No authority
  - No preparation

# Trade Fair Case Study

What documents do you need?

- **Patent/TM/Copyright certificate**
  - Legal status (receipt for payment of annuity fees)
- **Authority of complainant**
  - Identity of IPR holder (certificate of incorporation, passport)
  - Power of Attorney to lawyer
  - Confirmation of authorised representative (if patentee is a company)
  - ID of complainant

# Trade Fair Case Study

## Options?

- Not a total loss.
- Can obtain evidence for use in proceedings after the Fair.
  - Establish jurisdiction
  - Increase damages awards.

# Litigation Case Study

## Dyson Bladeless Fans

- Copies appearing in China within four months of product launch.
- In the year following launch there were over 1000 instances of infringement outside China (all Chinese-made).
- Extensive enforcement campaign including trade fairs, online, Customs, civil and administrative litigation.
- After two years' of enforcement campaign, instances of infringement outside China were reduced to around 100.
- Still 40,000 adverts on Chinese language Alibaba...

# Difficulties, in Practice

- **Civil litigation**

- Rules of evidence (NB foreign evidence)
- Settlements
- Appeals
- Interim injunctions
- Enforcement
- Damages (NB punitive damages)

- **Administrative litigation**

- Practice varies locally
- Not as 'strong' as civil litigation

# Summary

- Register your intellectual property rights.
- Perform due diligence on your business partners.
- Ensure your contracts protect your intellectual property rights.
- Make scheduled and unscheduled visits to your operations in China (if manufacturing).
- Patrol trade fairs and online marketplaces.
- Enforce your intellectual property rights.



# Conclusion

- *Should I file IPRs in China?*
  - Yes, otherwise you can't do anything (NB Anti-Unfair Competition Law).
  - Investors will prefer you to have protection in China.
- *Should I spend money trying to enforce?*
  - Yes. You can protect markets outside China.

# Questions?

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*3* <sup>working</sup>  
*days*

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