

Understanding IP in China

IP Protection Management and Enforcement

Lisa Lu, March 19, 2024





China IP SME Helpdesk

ABOUT US

The Helpdesk in a nutshell

- Free initial advice to SMEs
- Geographic coverage: 4 jurisdictions of China
 - Mainland
 - Hong Kong
 - Macao
 - Taiwan

 100,000+ SMEs assisted to date



HELPLINE

free, fast & confidential

3 days^{working}

question@china-iprhelpdesk.eu

+86 - 10 - 6462 0892

Helpdesk Services

Training Workshops &
Webinars



One-on-one
sessions




Self-learning materials



Website IP tools
& Blog



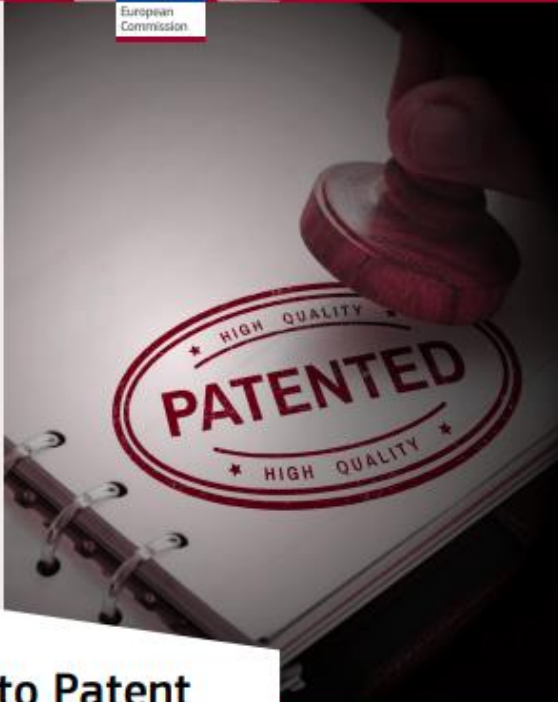
FREE OF CHARGE!



European Commission

Guide


1. Introduction
2. Types of Patents and Terms of Protection
 - A. Invention Patents
 - B. Utility Models
 - C. Design Patents
3. Application/Registration Procedure in China
4. Enforcement of Patent Rights in China
5. Open license system
6. SME Case Study
7. Take-Away Messages
- B. Related Links



Guide to Patent Protection in China

CHINA
IP SME HELPDESK


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



European Commission

FACTSHEET

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 (GI)
 - E. Trade Secrets
4. Using CUSTOMS to block counterfeits
5. Enforcing of rights
 - Administrative actions
 - Civil Litigation
 - Criminal Prosecution
6. RELATED LINKS and Additional information



IP Factsheet: Mainland China

CHINA
IP SME HELPDESK

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INTELLECTUAL PROPERTY ADVICE FOR YOUR BUSINESS



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

<https://ec.europa.eu/ip-helpdesk>

Speaker's Bio



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Lisa Lu is the IP Business Advisor at China IP SME Helpdesk in Beijing, where she advises European SMEs on intellectual property rights matters. She holds a double master's degree in law from the China University of Political Science and Law and University of Hamburg. Before joining the China IP SME Helpdesk at the European Chamber, Lisa worked as a trademark attorney for the Ferrante Intellectual Property and Chang Tsi & Partners. She mainly focused on the fields of trademark prosecution, trademark enforcement, copyright protection and unfair competition. During her time working in both law firms, she dealt with a variety of clients including but not limited to automotive performance, media, entertainment, new energy, apparel, architecture design, data management, e-commerce, household products, HVAC, and fire & security. Her clients included a range of globally leading companies and small and medium-sized enterprises (SMEs). Lisa is fluent in Chinese and English.



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01 | Developments of IP legislation in China

1978

No IP laws

Major amendments
of all IP laws
since 2017

China is a signatory to all major IP treaties:

- PCT (*Patent Cooperation Treaty*)
- Hague system (*industrial design*)
- Madrid system (*trademark*)
- Berne convention (*copyright*)

China has remained
the top origin of PCT
since 2019

2023

IP is a top
national priority

02

IP protection in China - IP audit

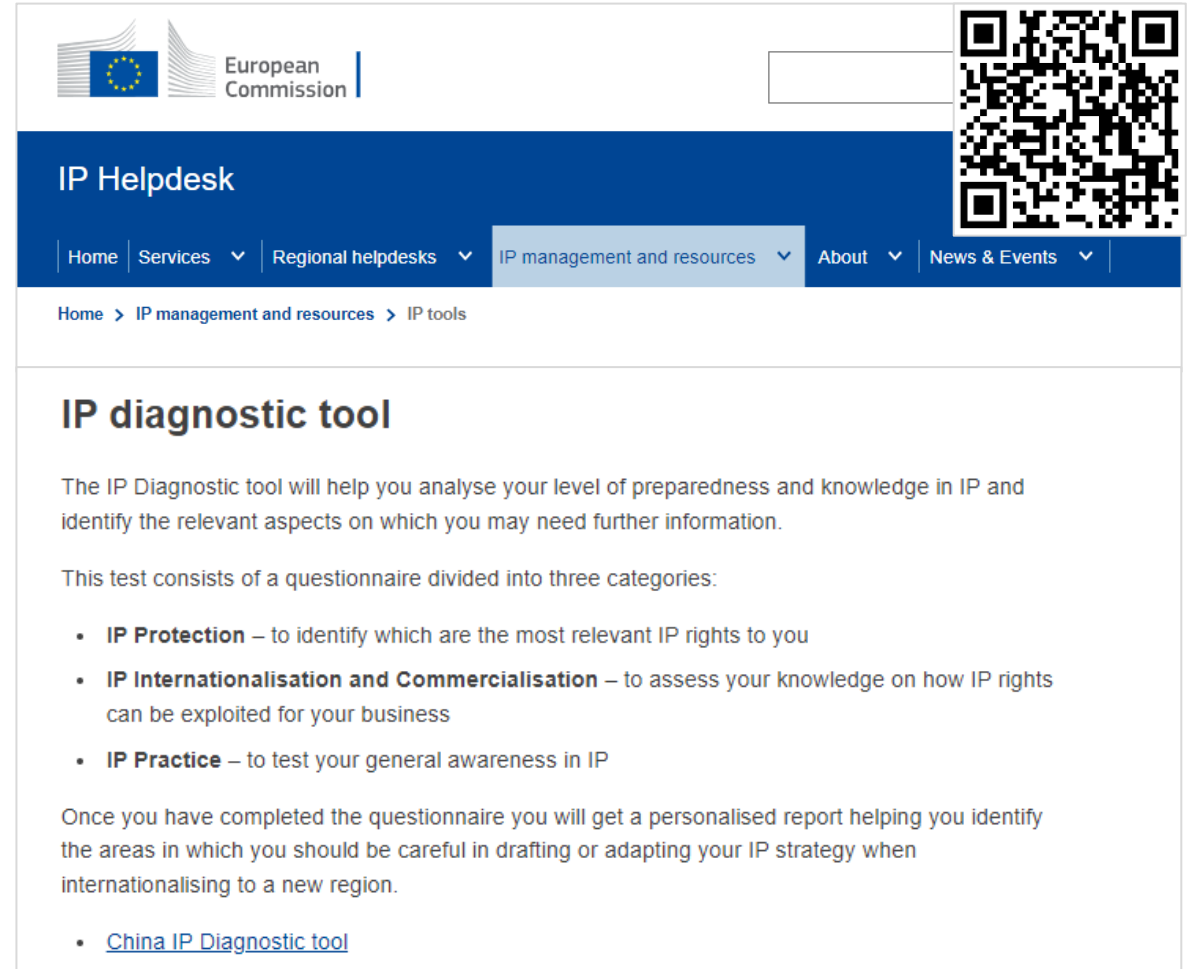
IP audit

■ IP types:

- Trademark (logo, brand)
- Patent (innovation, industrial design)
- Copyright (logo, packaging, brochure, software)
- Trade secrets (unpublic business information)

■ IP principles:

- Territoriality: IP in EU / Poland ≠ in China
- Registration
- First-to-file
- Absolute novelty




The screenshot shows the European Commission IP Helpdesk website. At the top left is the European Commission logo. To the right is a search bar and a QR code. The main navigation bar is blue with the text "IP Helpdesk" and several menu items: Home, Services, Regional helpdesks, IP management and resources (highlighted), About, and News & Events. Below the navigation bar is a breadcrumb trail: Home > IP management and resources > IP tools. The main content area is titled "IP diagnostic tool" and contains the following text: "The IP Diagnostic tool will help you analyse your level of preparedness and knowledge in IP and identify the relevant aspects on which you may need further information." Below this is a sub-heading "This test consists of a questionnaire divided into three categories:" followed by a bulleted list: "IP Protection – to identify which are the most relevant IP rights to you", "IP Internationalisation and Commercialisation – to assess your knowledge on how IP rights can be exploited for your business", and "IP Practice – to test your general awareness in IP". At the bottom of the page, there is a paragraph: "Once you have completed the questionnaire you will get a personalised report helping you identify the areas in which you should be careful in drafting or adapting your IP strategy when internationalising to a new region." and a link: "China IP Diagnostic tool".

02 | IP protection in China

- Trademark

 **Brand name, logo, trade name**

 **Registration system**

- National: CNIPA: trade fair priority rights; 40 € plus attorney fees.
- International: Madrid system; 771 €+.

 **Classes and subclasses**

- 45 Classes
- Subclass principle

 **Chinese trademarks**

- Phonetical
- Literal
- Easy to remember

**CLEARANCE SEARCH
IS**

IMPORTANT

02

IP protection in China

- Patent Protection

Invention patents vs Utility models vs Design patents

- **Invention patents**: new technical solutions or improvements to a product or process, functionality. 20 years of protection. 440 € +.
- **Utility models**: products with new shape or structural physical features, functionality. 10 years of protection. 64 € +.
- **Design patents**: the aesthetic aspects of the product, non-functionality. 15 years of protection. 64 € +.

- *The new method of the AR glass, such as displaying virtual information in a view of a real environment*
→ **Invention patents**
- *The structure of the AR glass*
→ **Utility models**
- *The aesthetic details of the AR glass*
→ **Design patents**

02

IP protection in China - Patent Protection



Two routes

- **National:** directly with the CNIPA.
Exemption of absolute novelty: international trade fairs recognised by Chinese government (6 months)
Priority claims: 12 months for invention and utility model;
6 months for design patent
- **International:**
 - PCT: invention patent and utility model
 - Hague system: design



02 | IP protection in China

- Patent Protection



Parallel filing of a UM and an invention patent

- Parallel filing on exactly the same day, with a declaration, via national application.
→ abandon UM once the invention patent is officially granted



Advantages

- Compensating the lack of protection while the invention patent is still pending
- Extension protection term

02

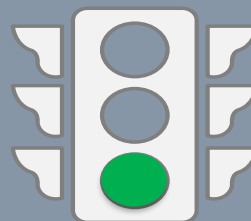
IP protection in China - Copyright



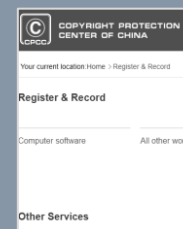
Software,
logo,
packaging,
banner,
brochure



Automatic
right,
50 years
protection.



Registration:
Fast and cheap.
Free for software,
or 40 €+



02

IP protection in China

- Software protection: copyright or patent



Software copyright

- Prima facie evidence
- Source code of the software → protected
- Core idea behind that source code → NOT protected



Software patent

- Hardware equipped with software
Software with technical features (rare)
→ Invention patents
- Graphic user interface (GUI)
→ Design patents

02

IP protection in China - Geographic Indications



The place of origins of the products



Contact your GI organisation



Two methods of protection

- Collective or certification marks
- Product quality and characteristics marking



The EU-China Agreement on GIs: automatically protected

Polska Wódka applied by Stowarzyszenie Polska Wódka

02

IP protection in China - Trade secrets protection



What is trade secrets

- 3 elements: non-public, actual or potential commercial, confidentiality measures
- Anti-unfair Competition Law



How to protect trade secrets

- Identify and catalogue trade secrets
- Use a combination of physical, technical and contractual barriers
- Document trade secret protection measures you take, in case of a dispute later on
- Implement a trade secret protection policy within your company, making sure your employees understand your expectations
- Consider non-disclosure agreements (NDA) before entering negotiations with third parties



Case Study 1

- How to protect IP before attending trade fairs in China?

The Background

Spanish SME, a producer of agriculture and farming equipment including tractors, planning to attend a trade fair in Beijing.



Innovation New model of a tractor (with millions in developing), new design, new function (lower fuel consumption), engine without invention patent in China.



Challenge: Loss of novelty for engine vs loss of business opportunity.



Chinese law: absolute novelty requirement for patent; 6 months of trade fair priority for patent.



Action taken

- **IP audit:** technologies, designs, brands, etc.
- Logo and trade name: trademark.
- Product catalogue: copyright.
- Design of the tractor: design patent
- Engine – trade secrets.
 - Exhibited without the engine.
 - Internal legal training for the staff promoting the tractor and discussing the advantages of the new engine without leaking the details of the technology to maintain patentability.
 - Notarisation of exposure of the tractor.



Outcome

- Showcase the tractor without the loss of novelty of the engine.
- Later obtaining an invention patent for the engine



Lesson learned

- It is not recommended to participate in a trade fair without prior protection of intellectual property rights.
- Using IP registration and trade secrets to protect technologies.
- The mere exposition of the advantages that a new technology will have does not mean the loss of the “novelty” in the matter of patents, as long as the technical solution details are not revealed.
- Participation in a trade fair must be planned in advance, to have all intellectual property assets ready and protected.



Case Study 2

- If someone else registers my trademark in China, what can I do?

The Background

Company type: A Polish SME in the cosmetics industry.

Challenges: The SME planned to internationalise to China, and contacted Helpdesk for trademark registration. Helpdesk found out the SME's trademark has been registered in China by an unassociated Chinese company.



Possible actions

- (1) **Invalidation:** €1,000-1,300, 12 months, bad faith evidence or SME's use in China is vital.
- (2) **Non-use cancellation:** registered for 3+ years, €300-500, 7 months, uncertainty of use status.
- (3) **TM purchase:** overprice, background search of the owner.
- (4) **Rebranding** the TM, or designing a Chinese name.
- (5) **Opposition:** for unregistered TM, prior trademark in China is required.



Case Study 2

- If someone else registers my trademark in China, what can I do?



Lesson learned

- Bad faith registration could delay the market entry, lead to market confusion and counterfeits in EU.
- Trademark squatting is still commonplace in China.
- To combat the bad faith trademark, consider opposition, non-use cancellation, invalidation, etc. A good IP lawyer is necessary.
- Before trademark assignment, the SME should run a background search to see if the seller has bad faith.
- First-to-file principle applies in China. Register trademark in China as soon as possible.

03

IP management in China

– Use the Customs protection in China



- China Customs exams imported and exported goods.
- What can Customs do: detain the infringing goods, investigation, imposing fines, arrange criminal proceedings.
- IPRs to record: trademark (goods, not services), copyright, patent.
- Extra step: adding the authorised exporters / manufacturers to the whitelist.
- Suspected infringing goods: inform → release or detain.
- Do not miss the deadline: 3 working days.
- Costs: providing guarantee to detain, extra lawyer's fees for monitoring and training the customs.

03

IP management in China

– Principal clauses of a license agreement

- Definition of the scope of use of IP
- Monitoring of the licensee’s activities: prevent unauthorised use
- Ensuring the validity of your agreement
- Assignments or transfers: Prevent your technologies from being transferred to third parties without your permission
- Reverse engineering?
- Confidentiality: Protect your confidential information
- Dispute resolution: Applicable law is Chinese law for IPR
- Language: including Chinese



03

IP management in China –provisions to AVOID



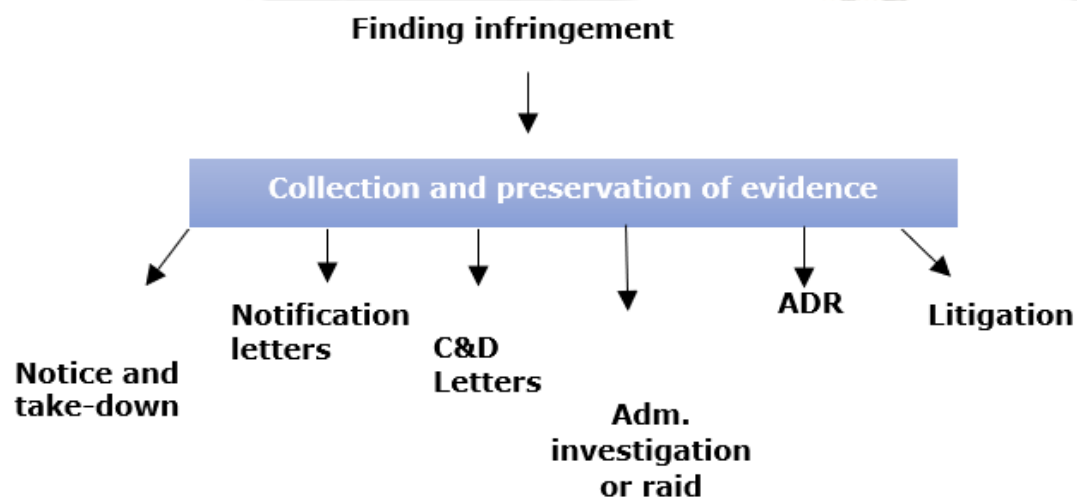
- Prohibit a licensee from making improvements to the licensed technology
- Unreasonable restraints on a licensee’s procurement channels (raw materials, equipment, etc).
- Unreasonable restrain the quantity, price, sales channels by the licensee.
- Exclude any remuneration to an employee for his or her patented creation
- Require Chinese IPR to be governed by non-Chinese law

04

Remedies for IP infringements in China

- Enforcement options

Roadmap of enforcement actions



- Registration certificate in Chinese is required.
- Use notarisation and blockchain to preserve the evidence.
- E-commerce platforms: notice and take-down procedures.
- Administrative actions are relatively fast and cost-effective.
- Consider Internet Courts for online IP disputes.
- PoA and business license: Apostille instead of legalization from 07 Nov. 2023.



Case Study 3

- Notice and take-down procedures on E-commerce platforms

The Background

Company type: A Belgian company in the medical device industry.

Invention: Patented new ecological dental instrument as design patent in China.

Challenges: infringing products on a major Chinese e-commerce platform.



Action taken

- The SME contacted the e-commerce platform.
- The patent registration certificate alone would not suffice, and a [patent evaluation report](#) would be required.
- It took the SME 2.5 months to obtain the patent evaluation report.
- The e-commerce platform accepted the complaint and removed the infringing link.



Case Study 3

- Notice and take-down procedures on E-commerce platforms



Lesson learned

- Protect your IP before entering the China market.
- Get familiar with the notice and take-down procedure in different E-commerce platforms, and monitor the platforms regularly.
- Different from the EU, industrial design is protected by patents in China, meaning that without registration in China, there is no full protection.
- After the grant of an industrial design patent, one should apply for a patent evaluation report as soon as possible, which is often required in enforcement proceedings such as removing infringing links from the e-commerce platforms.

05 | Take-away messages



- ✓ Audit your IP assets and obtain IP protection. For trademark and patent, no registration means no protection in China.
- ✓ Counterfeiting issues and bad faith registration from China are quite common.
- ✓ Leverage customs records and licensing.



- ✓ E-commerce platforms: regularly monitor, use the notice and take-down system.
- ✓ Collect and preserve the evidence before taking any enforcement actions.
- ✓ Study the laws and regulations involved in your sector.
- ✓ Consult the IP lawyers and experts in China.



- ✓ Contact the China IP SME Helpdesk ***question@china-iprhelpdesk.eu***

Stay connected!



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Questions?

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