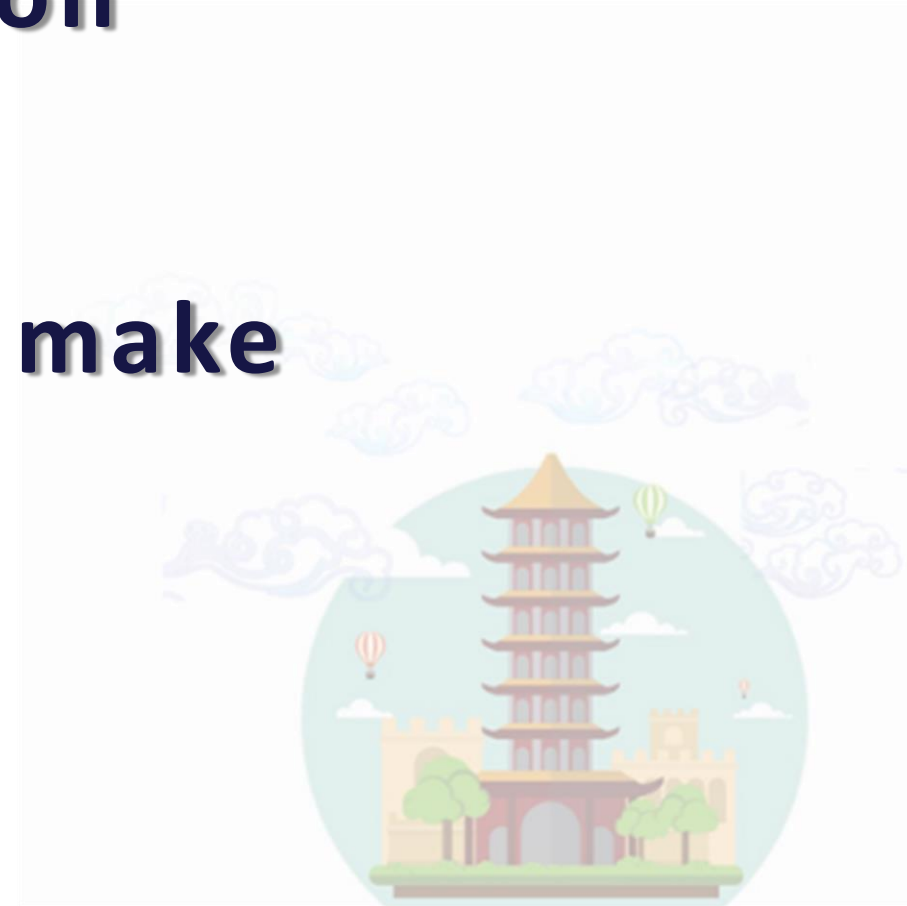


# Introduction to IP protection in China and common IP mistakes SMEs make

- Matias Zubimendi 31 August 2021





# China IP SME Helpdesk

**ABOUT US**

# Helpdesk Free Services

## Enquiry Helpline



[question@china-iprhelpdesk.eu](mailto:question@china-iprhelpdesk.eu)

## Training Workshops



## Webinars



## Website & Blog



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

## Guides & Factsheets



**CHINA IPR SME HELPDESK**  
WWW.CHINA-IPRHELPDESK.EU

## 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**  
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**

- Copyright
- Patents
- Trade Marks
- Geographical Indications (GIs)
- 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

SOMETHING THAT

- 1 is not publicly known
- 2 has commercial value
- 3 you took measures to keep secret

expressions of ideas

know-hows, manufacturing or design techniques

status of products or services under development

valuable business information, lists, cost and price information

**TRADE SECRETS**

## 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

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

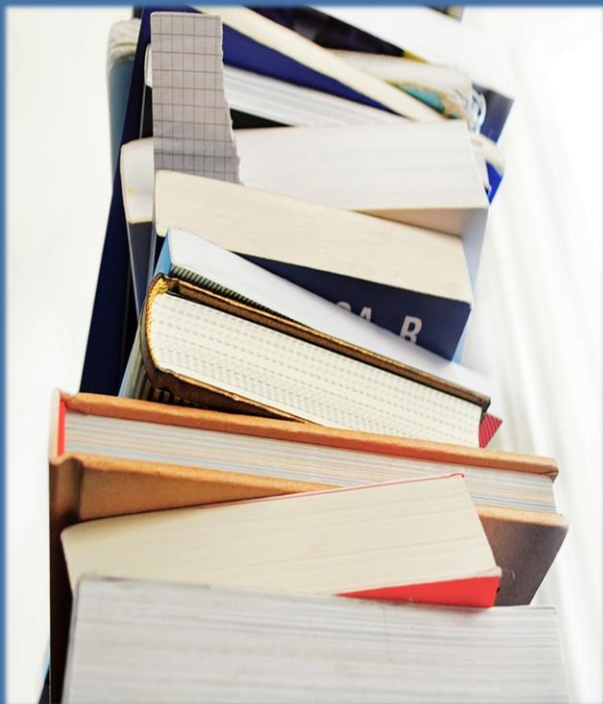
# Speaker's Bio



<i>Name</i>	<b>Matias Zubimendi</b>
<i>Company</i>	<b>China IP SME Helpdesk</b>
<i>Email</i>	<a href="mailto:matias.zubimendi@china-iprhelpdesk.eu"><u>matias.zubimendi@china-iprhelpdesk.eu</u></a>

Mr. Matias Zubimendi is the IP Business Advisor at China IP SME Helpdesk, where he advises European SMEs on intellectual property rights matters. Mr. Zubimendi holds a Master's degree in Chinese Civil and Commercial Law from Peking University as well as a Master's degree in Intellectual Property Law from Austral University in cooperation with the World Intellectual Property Organisation. Mr. Zubimendi has a strong background in both business development and intellectual property rights protection, having previously worked as a China Business and Legal Consultant at Terragene, where he focused on business development and as a Director of Legal Affairs at Conquer Europe. Previously, he has also worked as a Patent and Trademark Attorney at Phoebus Abogados and Mazzeo & Canet, where he represented SMEs as well as Fortune 500 companies.

Mr. Zubimendi has given lectures at various conferences including the Ibero-American Conference on Chinese Studies and published several articles including *The legal protection of intangibles in the video games industry*. As a Professor Assistant, he has also given lectures on Commercial Law and Procedural law, while focusing on Copyright and AI in his research. Mr. Zubimendi is a native Spanish speaker fluent in English.



# Table of Contents

1. Intellectual property rights
2. Main principles
3. EU – China comparison
4. Invention patents & utility models
5. Design patents
6. Trade marks
7. Copyright
8. Trade secrets
9. Enforcement
10. Common mistakes

# 01 | Intellectual property rights

## IPR Invention patents

- Innovative products
- Innovative processes

## IPR Utility models

Functional aspects of a product

## IPR Design patents

Aesthetic aspects of a product

## IPR Trade marks

Signs that distinguish products from competitors

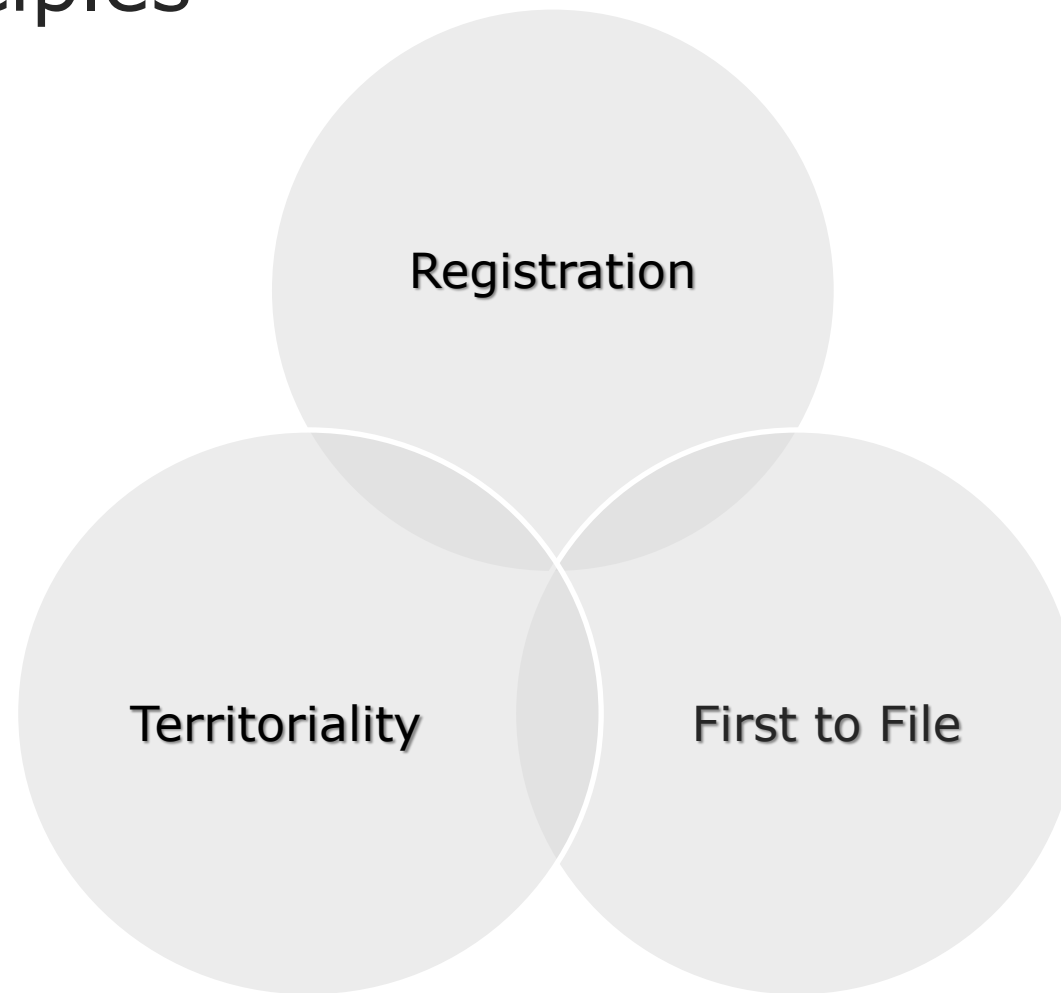
## IPR Copyright

Expression of an idea

## IPR Trade secret

Information that is not known by competitors, has commercial value and is kept protected

## 02 | Main principles

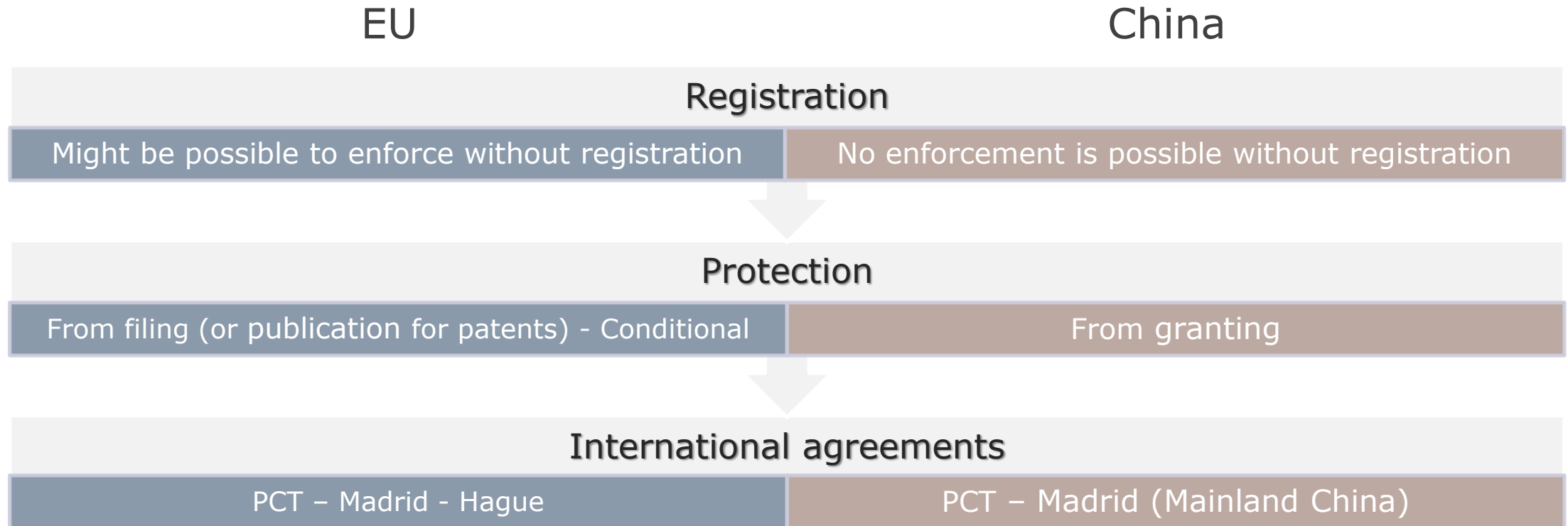




# 03

## EU – China IP system comparison

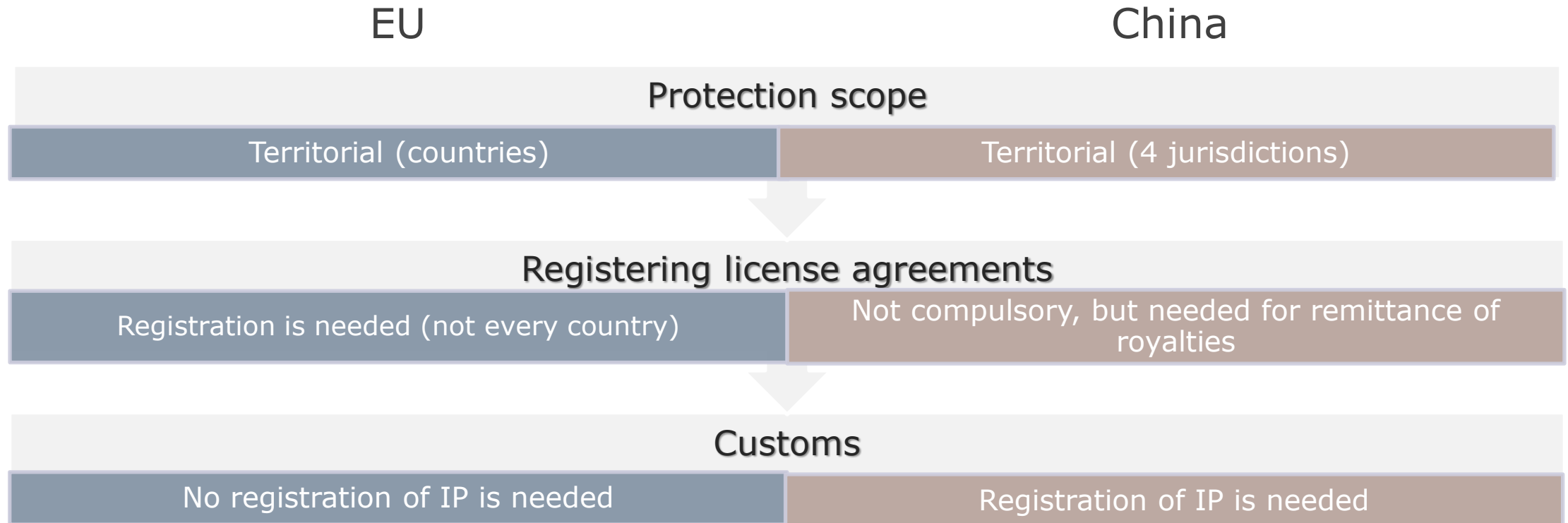
- Main differences



# 03

## EU – China IP system comparison

- Main differences



# 04 | Invention patents & utility models



## IPR Protection scope

- Products
- Processes

## IPR Requirements

- Novelty
- Non-obviousness
- Industrial application

## IPR Design patents

- IP – 3 to 6 years approx.
- UM – 1 year approx.

## IPR Registration methods

- CNIPA
- PCT

## IPR Parallel registration

- Enforcement

## IPR Open license system

- Written request to CNIPA
- Revocable (not affect existing licenses)

# 05 | Design patents

DESIGN

## IPR Protection scope

Aesthetic aspects of a product

## IPR Registration methods

- CNIPA
- Hague agreement?

## IPR Requirements

Novelty

## IPR Partial designs

Graphical User Interface

## IPR Registration time

1 year approx.

## IPR Differences

Functionality vs aesthetic

# 06 | Trade marks



REGISTRATION

## IPR Protection scope

- Signs
- Differentiation

## IPR Classes

- 45 classes – Nice classification
- Sub-classes

## IPR Registration time

1 year approx.

## IPR Registration methods

- CNIPA
- Madrid system

## IPR Bad faith registrations

- Nullity for bad faith registration
- Non-use cancellation action

## IPR Translation

The importance of a Chinese brand

# 07 | Copyright



## IPR Protection scope

Expression of an idea

## IPR Beginning of protection

Creation vs registration

## IPR Registration time

1 – 2 months

## IPR Registration methods

Copyright Protection Center in China

## IPR Online infringement

- E-commerce
- Internet courts

## IPR Software

Copyright vs invention patents

# 08 | Trade secrets

## IPR Protection scope

- Know-how
- Unregistered IP

## IPR Requirements

- Secret
- Protective measures
- Value

## IPR Registration

Not needed

## IPR Law in China

Anti-Unfair Competition Law

## IPR Types of protective measures

- Physical
- Technological
- Legal

## IPR Invention patents

How to know when to register and when to protect your products with trade secrets



# 09

## Enforcement

- Different jurisdictions



### People's Courts

Not specialised in IP



### IP Courts

- Specialised
- Advised for complex cases



### Internet Courts

- Jurisdiction limited
- Digital evidence accepted

IPR

### Arbitration

Agreement needed

IPR

### Copyright

Notice and take-down

IPR

### Administrative Actions

- CNIPA
- Customs



# 10

## Common mistakes of EU SMEs

- Not registering your IP



Entering the Chinese market without IPR registration

- Trade fairs
- Negotiations
- Sales
- E-commerce
- Advertising

Possibility of being copied

- Bad-faith registration
- Reputation
- New competitor
- Exports to third countries

Potential consequences

- Costs for recovering the IP
- Loss of IP
- Company reputation
- Barriers to market entry

# 10

## Common mistakes of EU SMEs

- Not registering your IP – Case Study



### Background

- Portuguese company of women's accessories
- No IP registration in China
- No activities in China



### Problem

- ☹️ Bad-faith registration



### Solutions

- ☂️ Litigate
- ☂️ Rebrand (*option chosen*)

# 10

## Common mistakes of EU SMEs

### - Not having a Chinese trade mark

Not having a Chinese name for your products and company

- Using only the international name

Chinese name assigned by distributors / sellers

- Products become famous under the Chinese name
- A new brand appears without being registered

Chinese brand could be registered by a third party

- A third party appropriates your trade mark
- Difficulty to prove bad-faith in case of a brand that never existed before

# 10

## Common mistakes of EU SMEs

- Not having a Chinese trade mark – Case study



### Background

- Spanish winery
- Exporting to China
- Selling in retail (supermarket)
- International brand registered



### Problem

- ☹ No Chinese brand registered
- ☹ Supermarket phonetically translated the international name and used it on displays



### Solutions

- ☹ Assigned a new Chinese brand  
(*fame lost*)

# 10

## Common mistakes of EU SMEs

- Not protecting trade secrets

Company doesn't know that some information should be protected as a trade secret

- Unregistered IP
- Know-how
- Commercial information (lists of clients / distributors / prices)

No protection is implemented

- Physical
- Technological
- Legal (NDAs / NNNs)
- Need-to-know rule

Trade secret is lost

- Loss of IP
- Loss of competitive advantage
- Possibility of getting a compensation?

# 10

## Common mistakes of EU SMEs

- Not protecting trade secrets – Case study



### Background

- Italian tractor company
- Trade fair coming up
- Invention patent not yet filed



### Problem

- ☛ Engine was new and a future patent was to be sought
- ☛ Need to disclose the last version of the tractor



### Solutions

- ☛ Display of non-novel parts
- ☛ Covered the engine and showed the aesthetic aspects of the tractor

# 10

## Common mistakes of EU SMEs

- Not having enforceable contracts

Company signs contracts in English with the dispute jurisdiction in the EU

- No Chinese language version of the contract
- No legal dispute in China

### Breach of contract

- Disputes over the language difference
- Difficulty over the recognition of foreign judicial resolutions
- Difficulties to obtain evidence

### Consequences

- You won a case but you cannot enforce it
- No compensation
- Start a new case in China
- More costs

# 10

## Common mistakes of EU SMEs

- Not having enforceable contracts– Case study



### Background

- German laser company with IP registered in China
- Licensed the IP to a Chinese company to manufacture
- English language contract
- Germany as litigation jurisdiction



### Problem

- ☁ License established limits that were not respected (territory)
- ☁ Litigation in Germany
- ☁ Disagreements in the contract translations



### Solutions

- ☂ Designate China as main jurisdiction
- ☂ Sign a Chinese language contract



Questions?

# HELPLINE

*free, fast & confidential*

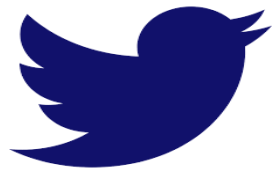
*3 days*<sup>working</sup>

*question@china-iprhelphdesk.eu*



Your feedback is very valuable info for us.  
We appreciate if you could share your comments with us.

## Stay connected!



@iprchina



@ChinaIPR



@chinaipr-hd



ChinaIPRSMEHelpdesk



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