China IP SME Helpdesk

ABOUT US
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.
Common IP Mistakes SMEs Make in China

- Matias Zubimendi   20 November 2021
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01 Intellectual property rights

**Invention patents**
- Innovative products
- Innovative processes

**Utility models**
Functional aspects of a product

**Design patents**
Aesthetic aspects of a product

**Trade marks**
Signs that distinguish products from competitors

**Copyright**
Expression of an idea

**Trade secret**
Information that is not known by competitors, has commercial value and is kept protected
Main principles

- Registration
- Territoriality
- First to File
### 3.1 Common mistakes of EU SMEs

- Not registering your IP

<table>
<thead>
<tr>
<th>Entering the Chinese market without IPR registration</th>
<th>Possibility of being copied</th>
<th>Potential consequences</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Trade Fairs</td>
<td>• Bad-faith registration</td>
<td>• Costs for recovering the IP</td>
</tr>
<tr>
<td>• Negotiations</td>
<td>• Reputation</td>
<td>• Loss of IP</td>
</tr>
<tr>
<td>• Sales</td>
<td>• New competitors</td>
<td>• Company reputation</td>
</tr>
<tr>
<td>• E-commerce</td>
<td>• Exports to third countries</td>
<td>• Barriers to market entry</td>
</tr>
</tbody>
</table>
3.1 Common mistakes of EU SMEs

- Not registering your IP => Case Study

**Background**
- Portuguese company of women accessories
- No registration in China
- No activities in China

**Problem**
- Bad-faith registration

**Solutions**
- Litigate
- Rebrand (option chosen)
### Common mistakes of EU SMEs
- Not registering your IP

#### Solution => REGISTRATION

<table>
<thead>
<tr>
<th>International agreement</th>
<th>CNIPA</th>
</tr>
</thead>
<tbody>
<tr>
<td>PCT</td>
<td>Local IP agent</td>
</tr>
<tr>
<td>Madrid</td>
<td>/</td>
</tr>
</tbody>
</table>
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
3.2 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 on displays

**Solutions**
- Assigned a new Chinese brand (fame lost)
3.2 Common mistakes of EU SMEs
- Not having a Chinese trade mark

**SOLUTION**

- **Translation**
  - Apple 苹果 [píng guǒ]

- **Phonetical Transliteration**
  - adidas 阿迪达斯 [ā dí dā sī]

- **Concepts**
  - HP 惠普 [huì pǔ]
# Common mistakes of EU SMEs

## Not protecting trade secrets

<table>
<thead>
<tr>
<th>Company doesn’t know that some information should be protected as a trade secret</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Unregistered IP</td>
</tr>
<tr>
<td>• Know-how</td>
</tr>
<tr>
<td>• Commercial information (lists of clients / distributors / prices)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>No protection is implemented</th>
<th>Trade secret is lost</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Physical</td>
<td></td>
</tr>
<tr>
<td>• Technological</td>
<td></td>
</tr>
<tr>
<td>• Legal (NDAs / NNNs)</td>
<td></td>
</tr>
<tr>
<td>• Need-to-know rule</td>
<td></td>
</tr>
<tr>
<td>• Loss of IP</td>
<td></td>
</tr>
<tr>
<td>• Loss of competitive advantage</td>
<td></td>
</tr>
<tr>
<td>• Possibility of getting a compensation?</td>
<td></td>
</tr>
</tbody>
</table>
3.3 Common mistakes of EU SMEs
- Not protecting trade secrets ➞ Case study

**Background**
- Italian tractor company
- Trade fair coming
- Invention patent not filed

**Problem**
- Engine was new and a future patent would eventually be applied for
- Need to disclose the latest version of the tractor

**Solutions**
- Display of non-novel parts
- Covered the engine and showed the aesthetic aspects of the tractor
3.3 Common mistakes of EU SMEs
- Not protecting trade secrets

Solution => PROTECTION

Physical protection
Technological protection
Legal protection
Common mistakes of EU SMEs

- Not having enforceable contracts

Company signs contracts in English with 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
3.4 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 the product
- 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 the main jurisdiction
- Draft a Chinese language contract
Questions?

HELPLINE
free, fast & confidential
3 days working

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