

IP Rights Protection in China with Best Practices for SMEs

Ms Lisa Lu , 3 April 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



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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 (GIs)
 - Trade Secrets
- Using CUSTOMS to block counterfeits**
- Enforcing of rights**
 - Administrative actions
 - Civil Litigation
 - Criminal Prosecution
- RELATED LINKS and Additional information**

**IP Factsheet:
Mainland China**

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GUIDE

- Intellectual Property Rights for SMEs: Why are they relevant to you?**
- How does China's IP legal framework compare to that of the EU and international standards?**
- Trade marks**
- Patent rights**
- Design rights**
- Copyright**
- Trade secrets**
- Geographical Indications (GIs)**
- Using Customs to Block Counterfeits**
- Enforcement of Intellectual Property Rights**
- China's IP Commercialisation Peculiarities**
- Related Links and Additional Information**

**Intellectual
Property Systems:
China / Europe
Comparison**

**European
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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 | IP protection 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

2023/2024

IP is a top national priority.
Draft of Trademark Law
New regulations and rules of
Patent Law.

01

IP protection in China – IP types

IPR Invention patents

- New technical solutions
- Improvements to a product/ process

IPR Utility models

Functional aspects of a product

IPR Design patents

- Aesthetic aspects of a product
- Graphic User Interface (GUI)

IPR Trademarks

Brand name, brand logo
Consider a Chinese trademark

IPR Copyright

Logo, brochures, video, software

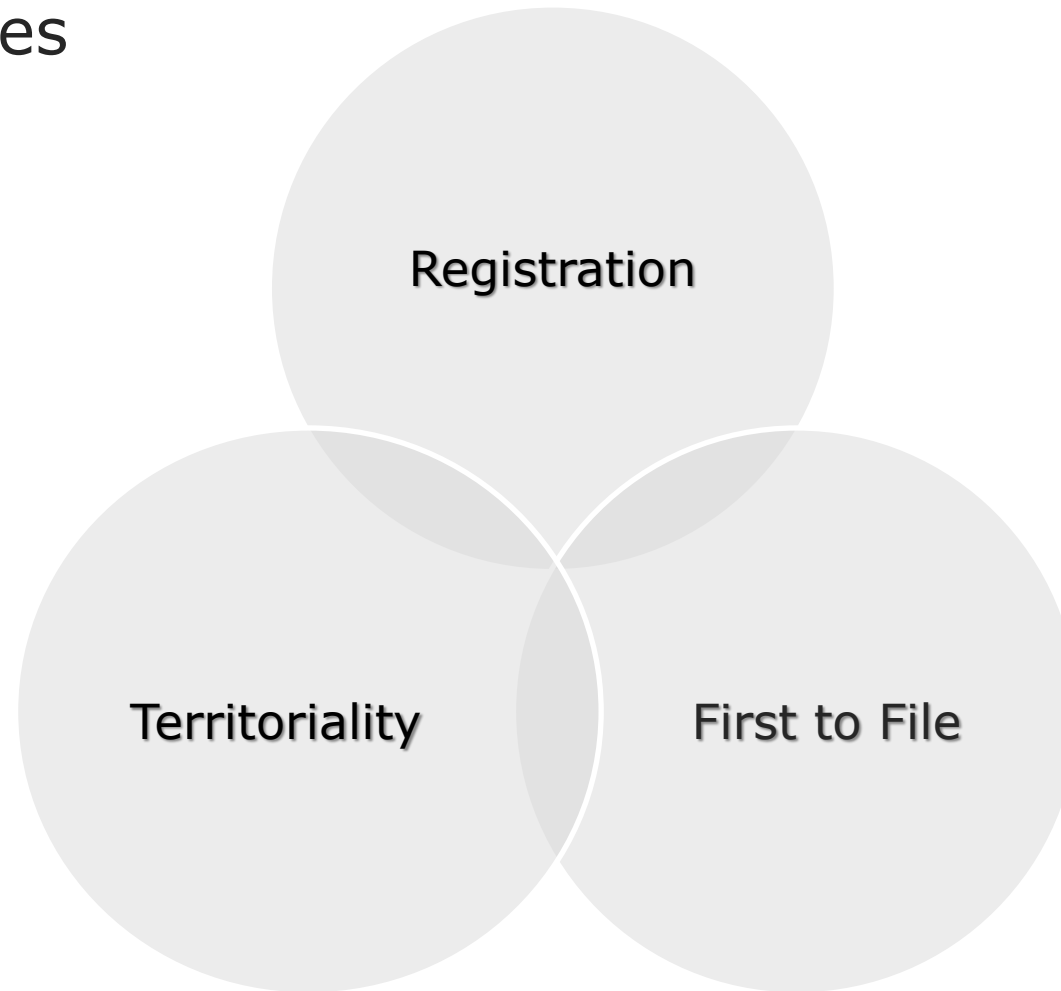
IPR Trade secret

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



01 | IP protection in China

– IP principles



01 | IP protection in China

- Trademark

 **Brand name, logo, trade name**

 **Registration system**

- National: CNIPA; trade fair priority rights; **400 €** (official fees 40 € + attorney fees).
- International: Madrid system; **771 €+**.

 **Classes and subclasses**

- 45 Classes
- Subclass principle

 **Chinese trademarks**

- Phonetical
- Literal
- Easy to remember

**CLEARANCE SEARCH
IS**

IMPORTANT

01

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**

01

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





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 learnt


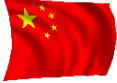
- It is not recommended to participate in a trade fair without prior protection of intellectual property rights.
- Using IP registration and trade secrets to protect technologies.
- The mere exposition of the advantages that a new technology will have does not mean the loss of the “novelty” in the matter 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.

02

Comparison of IP systems in EU and China

Common:

- Patents and trade marks can be extended internationally.
- Trademark protection term: 10 years.
- Invention patent protection term: 20 years.

	 Europe	 Mainland
Enforcement	Might be possible to enforce without registration	No enforcement is possible without registration.
Desing	Can be protected either as an unregistered Community design (3 years) or as a registered design (25 years)	Need to be registered as design patents to be protected (15 years)
Classification	use the International Classification of Goods and Services	Classification of Goods and Services, but makes a further subclasses division
Utility models	Less common in Europe	Bing widely used forms of IPR for inventions in China
Customs	Only inspect imported goods	Utility models are customs authorities inspect both imported and exported goods

03

Trademark Updates

- Draft of amendments to the Trademark Law (2023)



**Art.
67**

Fine for bad-faith trademark registrations.

**Art.
61**

Statement on Trademark Use:
Trademark registrants should provide evidence of the use of trademarks to the CNIPA every five years, while failing to do so after a specified period of time would result in the trademarks being cancelled.

**Art.
83**

Civil compensation provided by bad-faith trademark registrant.

**Art.
14&21**

Forbidding repeated trademark application.

**Art.
39**

Examination of opposition:
removal of the review procedure; opposition period shortened to two months.

**Art.
59&72**

Trademark infringement related to e-commerce activities.

03 | Patent Updates



2021 Patent Law (Amended)

IPR *Design patents: international design, protection term extension and partial design*



2024 Implementing Regulations of the Patent Law (Amended)

IPR *The inventor remuneration*

IPR Principle of good faith

IPR Deferment of examination

IPR Priority rights

IPR Patent Term Adjustment (PTA)

IPR Patent Term Extension (PTE)

IPR Open license system

IPR *Patent evaluation reports*

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2024 Patent Examination Guidelines



03 | Patent Updates

- Design patents

IPR Accession to the Hague system
(international design)

Why international design?

- Filing one international application in one language, English, French or Spanish, to registered in more than 90 countries
- Pay one set of fees in a single currency (Swiss francs)
- Renew and manage your registration directly through WIPO

IPR Design patent extension
to 15 years

IPR Partial designs are
available

03

Patent Updates

- Inventor remuneration



IRPL Article 93 & 94:

Inventor remuneration can include equity, options, dividends, etc.

- Without an agreement, the minimum inventor reward (given to the inventor within 3 months from grant) is raised to 4,000 RMB for an invention patent and 1,500 RMB for a design and utility model.
- Without an agreement, reasonable inventor remuneration and awards are to be given to the inventor according to the Promoting Transformation of Scientific and Technological Achievements Law, which could be considerable for the company:
 - 50% of net income from assignment or license of patent as rewards.
 - For independent or collaborative implementation of patent, a 5% of business profits for 3-5 years as rewards.

Recommendation:

proactively negotiate with the employee inventors and include the inventor remuneration in the employee agreement, to avoid possible disputes.

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 2

- 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 2

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



Lesson learnt

- 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

For SMEs: Main IP concerns and Common mistakes

- Main IP concerns the SMEs face in China



Public database accessibility



Bad-faith registration:
Malicious trademark registration and abnormal
patent application



Evidence collection is difficult and burdensome



Counterfeiting from China

...



05

For SMEs: Main IP concerns and Common mistakes

- Common mistakes SMEs make when entering the China market

Mistake 

 **Advise**

a. *I have used my TM in China, so my TM is protected in China.*



a. First-to file vs. first-to-use.

b. *I have IP registered in EU, that means my IP is protected in China.*



b. Territorial rights: IP in EU / Slovenia \neq in China.

c. *I do not need to register my IP before attending the trade fairs in China.*



c. Without registration, without protection.

d. *With international trademark certificate, I can enforce my rights in China*



d. Double check if the certificate is in Chinese.

05

For SMEs: Main IP concerns and Common mistakes - Common mistakes SMEs make when entering the China market



e. *IP registration already costs money, I do not want to spend extra budget for the searches before registration.*



e. Trademark search, and patent freedom-to-operate are very important.

f. *I have trademark registered in China, the Customs will automatically inform me of counterfeiting.*



f. Record your IP with the China Customs.

g. *The screenshots/ photo of infringing online shop/ counterfeits should be enough to prove the infringement.*



g. Notarisation is important, otherwise the evidence could be invalid.

05

For SMEs: Main IP concerns and Common mistakes

- Common mistakes SMEs make when entering the China market

Mistake 

 **Advise**

h. I have IP registered in Mainland China, so I can safely use my IP in Hong Kong, Taiwan and Macao.



h. There are different IP systems applied in 4 jurisdictions.

i. My friend recommends a Chinese company to be my manufacturer in China, I can cooperate with this company.



i. Background searches are necessary.

j. Making my Chinese partner sign an NDA will damage our business relationship.



j. NDAs are widely accepted in Chinese business

06 | 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.



- ✓ 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 industry.
- ✓ Consult the IP lawyers and experts in China.



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

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