

Introduction to IP protection in China & common IP mistakes SMEs make

- Matias Zubimendi 17 September 2021





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IP Factsheet: Mainland China



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
A. Copyright
B. Patents
C. Trade Marks
D. Geographical Indications (GIs)
E. Trade Secrets

4. Using CUSTOMS to block counterfeits

5. Enforcing your IP
Administrative actions
Civil Litigation
Criminal Prosecution

6. RELATED LINKS and Additional Information

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1. THE FACTS: Business in Mainland China for EU Companies
(Source: DG Trade)



473.4
299.9
173.5

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.

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.



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

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Speaker's Bio



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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.



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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

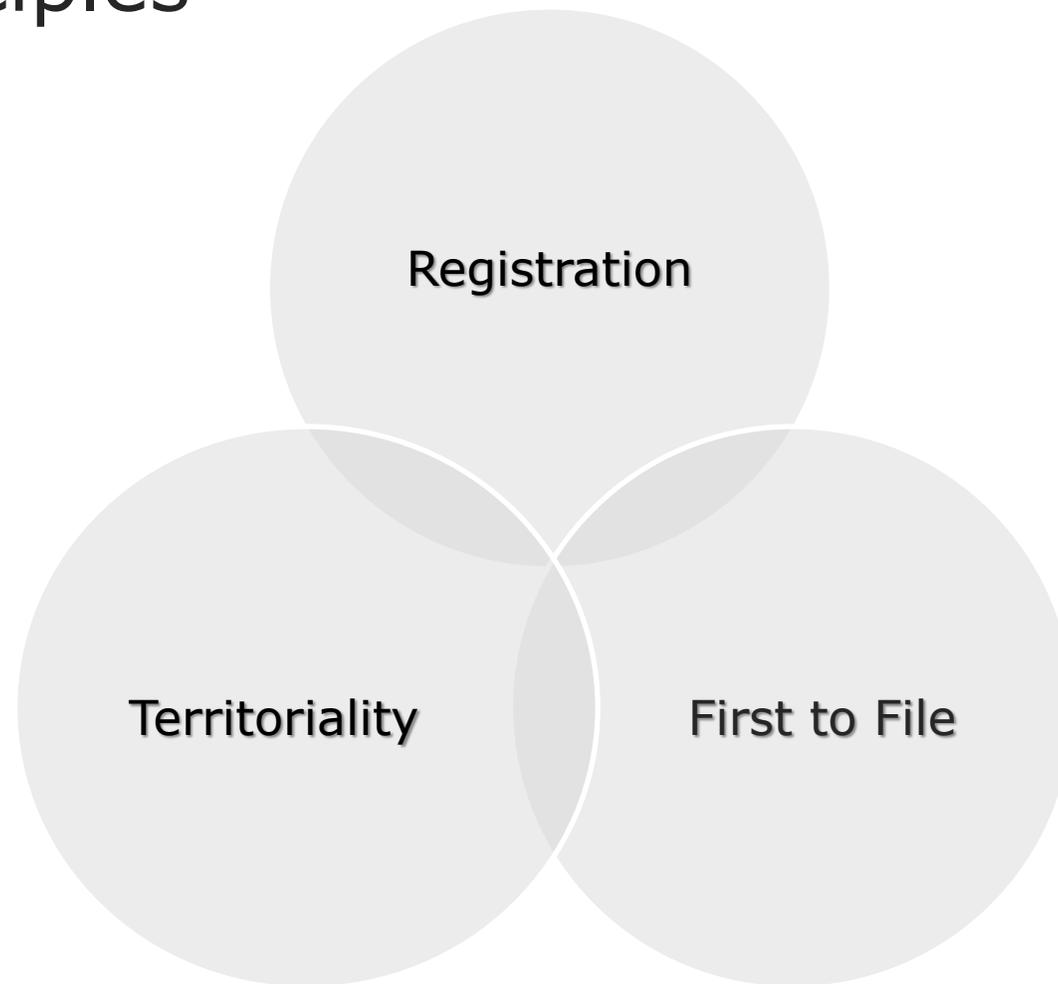
IPR Copyright

Expression of an idea

IPR Trade secret

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

02 | Main principles



3.1

Common mistakes of EU SMEs

- Not registering your IP

Entering the Chinese market without IPR registration

- Trade Fairs
- Negotiations
- Sales
- E-commerce
- Advertise

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

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)

3.2

Common mistakes of EU SMEs

- Not having a Chinese trade mark – Case study

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)

3.3

Common mistakes of EU SMEs

- Not protecting trade secrets

Company doesn't know that some information should be protected as 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?

3.3

Common mistakes of EU SMEs

- Not protecting trade secrets – Case study



Background

- Italian tractor company
- Trade fair coming
- Invention patent no filed



Problem

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



Solutions

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

3.4

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
- 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

- ☂ Have China as main jurisdiction
- ☂ Have a Chinese language contract

Questions?

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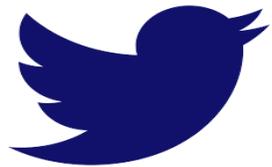
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