



INTELLECTUAL PROPERTY RIGHTS IN CHINA

If you are planning to do business in China or if you are already trading there, it is essential to know how to use, guard and enforce your right to your company name, logo, design or your invention.

This article is prepared by The Trade Council of Denmark-China in collaboration with the Danish Patent and Trademark Office.

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IPR IN CHINA

With its size and immense growth, China holds a lot of potential for Danish companies, and can give an advantage when exporting your products hence the possibility for entering the major Chinese market, reducing the manufacturing cost etc. China offers a prospect of economic gain and growth for the companies that has the abilities and resources to enter the market, but there are some obstacles that you need to be aware of, one of which is IPR protection.

Many foreign and Chinese companies that are successful in China have experienced IPR infringement. The main reason is that whilst China has strengthened its legal framework to a degree that legal protection often surpasses the level found in European countries, it has proved difficult to secure effective enforcement.

This article intent to provide Danish companies considering initiating business in China with ideas as how to meet these challenges. For more information on the matter contact Counsellor Michael Schack Balle Jensen (mijens@um.dk) at the Royal Danish Embassy in Beijing or Consul General Nicolai Prytz (nicpry@um.dk) at the Consulate General in Shanghai.

Protecting your IP rights are, of outmost importance for your company in order to uphold or defend your exclusive rights to produce and distribute your products under your intellectual property right.

POLITIC AND LEGAL OVERVIEW OF HONG KONG AND CHINA

After being a colony of the British Empire, Hong Kong was in 1997 returned to China, and is today a special administrative region (SARs) of the People's Republic of China (PRC). Hong Kong is therefore considered a part of China, but they have two different legal systems. Because of the historical background the legal system in Hong Kong is the same as it is in the UK, which is Common law, and China uses Civil law.

Even though Hong Kong is considered a part of China, the two different systems means that it is important to figure out which part of China you need your protection to cover. If you want a Chinese IPR protection, you must register in China, and if you want a protection in Hong Kong, and Taiwan you must register there as well. An overall protection is for now not possible to obtain.

Hong Kong and China has despite the two different systems in recent days put a lot of effort into strengthen the co-operation in the area of intellectual property, and signed in 2011 an agreement to enhance the protection by exchange information and promoting IPR in general.

Overall it has to be kept in mind that when it comes to protecting your IPR, Hong Kong and China has to be considered two different countries, even though they are officially one.

INTELLECTUAL PROPERTY RIGHTS

A registered trademark, a registered patent or design gives you the exclusive right to export/import, manufacture and distribute your products in a market, and you will be able to prevent others from using your trademark or patented technology. Further you can license your trademark or patent to third parties, and obtain royalty or use it as a business asset when you negotiate joint ventures, R&D partnerships, exclusive distribution agreements or the like.

TRADEMARKS

Facts about trademarks

- A trademark is a sign that distinguishes the goods and services of one trader from those of others, and can be words, personal names, letters, logos, the packaging etc.
- Trademarks are registered in China on a “first-to-file” basis, which means that whoever applies first for the trademark in China, will be granted the right to use the trademark.
- Protection is given for a 10 year period with the possibility of extension. Each renewal period is 10 years.
- Trademarks are by far the most registered form for IP-rights by foreign companies in China. It is on the other hand also the area where most IPR related conflicts occurs.

Worth knowing about trademarks in China

“BAD FAITH”-REGISTRATIONS

A “Bad Faith”-registration is where a Chinese company register a foreign company’s trademark with the intention of selling it back to the foreign company at an inflated price.

Bad faith registrations are possible because China has a “first to file” system. The one that holds the trademark registration can stop others from using the trademark - this also means stopping the rightful foreign company from producing goods in China or sourcing goods from China.

If you have to buy your trademark back from a Chinese company it is important to get the transfer approved by the China Trade Mark Office (CTMO) or else it is not considered as valid transfer in China.

There are several methods you could take to prevent “bad faith” registrations.

First and foremost it is important to register your right in China before you enter the market. It can also be beneficial to apply for the trademark registration in China the moment you start to produce and selling your product internationally. By registering early in China you can make sure that nobody else will register your trademark while you are building a reputation for your goods or services internationally. It is important to keep in mind, that a trademark must be used in China within 3 consecutive years, otherwise there is a chance that your trademark might be cancelled and thereby lose its protection in China. So register early but make sure you plan to use it so that your use can be “using” the trademark on for example the goods, packages or containers, or on trading documents, in advertising, an exhibition or any other business activities. And that this is done no later than 3 years after the registration.

If you are planning to work with a Chinese company, or have a Chinese company manufacture your products “tailoring” contracts could be used to protect your trademark right and to prevent “bad faith” registrations later on. When entering into a contract with a Chinese counterpart you have a unique chance to make sure that you regulate all the IPR issues that might arise later on, such as:

- Ownership over your IPR including copy right, trademark, patent and design.
- That the right to manufacture the goods only belong to you.
- Transfer of IPR to third parties cannot be done without your permission.
- Protect new IPR produced while working together and thereby make sure that it belongs to your company and not the Chinese party that might be the one that created it for you.
- Protect your trade secrets and confidential information with a Confidentiality clause.
- Dispute resolution. It might be a good idea to think about whether you want to have the contract itself governed by Chinese law or another legal set of rule that you might be more familiarly with.

Use of a China IPR specialist is recommended to help you draft the contacts to ensure the proper protection for your company’s IPR.

Case study

When a French company selling paper tried to apply for a trademark registration it found that a Chinese company had already filed an application for the very same characters and the same products. Even though the French company's trademark was reputable in France this could not be claimed for in China.

The foreign company therefore had no right in China to their trademark since the other company filed the application first. Nevertheless they decided to file a complaint and conducted an investigation into the Chinese applicant. First of all they found that the Chinese company was specialised in electronics and therefore did not have a serious interest in the business of paper. Second of all they found that there were two companies on the address of the Chinese applicant. The other company was the distributor of the French company's main foreign competitor and the two companies had the same general manager.

It could therefore be established that the Chinese applicant clearly was working with the French company's competitor, and was obviously acting with the purpose of blocking any possibility for the French company to refer to its own name in China.

The French company was therefore as a result able to register its name in Chinese. *Source: China IPR SME Helpdesk, case studies of trademark.*¹

As the Case Study show it can be a strong indication of bad faith if the parties have prior working relations for example if the Chinese company has been manufacturing the foreign company's products or if they have been contractual partner.

If you find that your trademark have been hijacked and registered in bad faith there are several things you can do.

One is to claim "non-use of the trademark" as mentioned above. If the Chinese company has registered your company's trademark but not used it you will be able to revoke the registration and hereafter apply for the trademark yourself.

Another way is to prove that the Chinese company has registered the trademark in "bad faith". This demands a very comprehensive investigation since it is difficult in China to object to an

¹ The information is found on the following webpage: www.china-iprhelpdesk.eu

already registered trademark on the basis of a trademark that has no legal protection in China. It is therefore necessary to collect evidence about the trademark, the company that registered it, how they are using the mark in China, the scope of the infringement etc. It is very difficult to prove that the Chinese company has acted in “bad faith”, but it is possible.

WELL-KNOWN TRADEMARKS

If your trademark is recognised with the status of a well-known trademark it shall receive protection for goods and services beyond those for which the trademark is registered or if unregistered to revoke earlier registered trademarks.

For a trademark to be considered as “well-known” it should be widely known to the public in all or in most of China as well as meet the criteria’s stated in “The Rules on the Recognition and Protection of Well-known Trademarks” published by SAIC. It is possible in China to use either IPR regulations or “unfair competition” regulations to stop an infringement. Which one to use depends on the kind of infringement you experience and whether your trademark is registered or not.

The recognition of the well-known trademark is made on a “case by case” basis. It is difficult to obtain the status of a well-known trademark. L’Oreal and BMW are considered well-known but Louis Vuitton was not successfully recognised at the beginning. It might not always be easy to see a common line when it is established whether a trademark meets the criteria’s as well-known but it is one of the topic that the Chinese authorities are working hard on improving.

Under the current Trademark Law there are two situations where you can rely on the status of a well-known trademark and thereby stop others from using your trademark that are:

- During an administrative enforcement action, an opposition, or cancellation proceeding before the China Trade Mark Office (CTMO) or
- During the proceeding of trade mark disputes before the Trademark Review and Adjudication Board (TRAB) or
- During a civil trademark infringement action before the People’s Courts.

Once an administrative or judicial decision has been made stating that the trademark is well-known and ruled in favour of its owner a record is kept and the owner may use such decision(s) in future cases.

CHOOSING YOUR TRADEMARK NAME IN CHINA

It is important to register not only your trademark but also the Chinese equivalent using Chinese characters since a large part of the Chinese population does not understand Roman letters. If you do not register the Chinese equivalent the general public is likely to create its own name for your products.

Case study

These two well-known trademarks are examples where the public in China developed their own name for the goods, since they were registered without the Chinese equivalent.



Quakers oatmeal was translated into "Lao Ren Pai" which means old man brand and Ralph Lauren brand got known as "San Jiao Ma" that can be translated into "three legged horse".

Source: China IPR SME Helpdesk, Guide to Trade Mark protection in China².

It is therefore of great importance to decide and register the Chinese equivalent of your trademark name, since not doing so might affect the trademarks reputation if it is associated with something that you don't want your brand to stand for or risk that someone else registers the Chinese equivalent to your trademark. Another thing is that if you want to prove that you have a well-known trademark, you must provide evidence that the trademark is in fact known by the Chinese population. This might be impossible if your brand is only known in the general public as "three legged horse" and not as POLO by Ralph Lauren.

There are three ways to choose a Chinese trademark name:

1. Create a literal translation of the trademark, and thereby just use the Chinese signs for your brand
2. You can also choose a trademark that when pronounced in Chinese sounds like the way the original trademark does
3. It also possible to combine the two and thereby giving it a sound that is familiar, but also have a meaning that you want to have associated with your brand

² The information is found on the following webpage: http://www.china-iprhelpdesk.eu/sites/all/docs/publications/China_IPR_Guide-Guide_to_Trade_Mark_Protection_in_China_EN-2013.pdf

Choosing the right translation of the trademark demands a very good knowledge of not only Chinese but also a good understanding of the way the Chinese people interprets trademarks. The Chinese equivalent should therefore be carefully developed with the right people helping.

NICE CLASSIFICATION AND THE SUB-CLASSIFICATION IN CHINA

China is a party of the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks, establishing a common classification system that is also used in many countries of Europe³. The classification is used to separate the different kind of goods and services from each other i.e. clothing will be in one class and cars in another.

Even though the classification system is based on the same as in Europe there are a few differences that you need to be aware of:

One application for multiple classes

First of all in China it is “one application for every class”. This means that if you want your registration to cover different classes you will have to make as many applications as the classes you want. It will however be possible to make multi class applications when the third amendment to the trademark law is implemented in May 2014.

From the implementation of the revised Trade Mark Law on 1 May 2014, one trade mark application be filed for the same trade mark covering goods or services in several classes. However, some real cases reflect that a multi-class application may cause formalities inconvenience if refusal decision was made to goods in one of the designated classes, the applicant will then need to file a divisional application. The multi-class registration has no effect with the payment which is still counted based on the number of classes and number of items in each class indicated. Nevertheless, once the trademark is registered, it is not possible to divide it into several and distinct registrations, which becomes a problem if the trade mark needs to be partially assigned to a third party. So consult experienced professionals whether the multi-class application suitable for you.

Sub-Classes

Another one is that China has divided the 45 Nice-classes into sub-classes. When you hand in your application for a trademark registration in China you also have to provide the Chinese

³ The complete list of contracting countries can be found on the WIPO’s website [here](#).

trademark office with a description of the goods and services that you want. The trademark examiners will hereafter assign the sub-classes to your application. It is therefore really important to make sure that the description of the goods or services can be interpreted in a way that will cover the sub-classes that you want.

This procedure is used whether you apply directly at the Chinese trademark office or through the World Intellectual Property Organisation (WIPO) and the Madrid Protocol. If you apply directly in China you will with every application – covering one class - be provided with up to 10 sub-classes. If you want more sub-classes you will have to pay extra. When you apply for a trademark through WIPO the basic fee covers up to three classes of goods or services and 10 sub-classes in each one of them.

A problem that some foreign companies experience is that similar or identical trademarks are registered in the same class but just in different sub-classes. If you want to oppose the registration you must submit strong evidence to prove that the goods listed in different sub-classes share identical or similar function, usage, materials, distribution channel and consumer targets etc. It might therefore be possible for other companies to apply for your trademark as long as they are in different sub-classes.

A way to prevent this is to register your trademark in more classes or extra sub-classes than you actually use your trademark for. But this can on the other hand be quite expensive since you will have to pay for extra classes and/or in additional pay for more subclasses. You also have to keep in mind that the classes or sub-classes where the trademark is not “used” within 3 years will be open for revocation by another company or individual.

DIFFERENCES WHEN APPLYING DIRECTLY IN CHINA AND WHEN IT IS DONE THROUGH WIPO

Application language

When applying for trademark protection through WIPO it is possible to do this in English, French and Spanish. The trademark will then be sent to China where its validity will be examined under Chinese law. If the application is filed directly with the trademark office in China it has to be in Chinese and if you do not have a residence in China it is mandatory to have a Chinese trademark agent to file the application for you. This is not necessary if the application is done through WIPO.

Date of protection

Through WIPO you can get protection in China from the date that the trademark was original registered in Europe as long as this is done within 6 month of the date that it was approved and no refusal is made by CTMO in China. A direct application with CTMO in China is estimated to take 12 months (9 months for examination and 3 months for the oppositions) and that you in China do not get protection from the date that you hand in the application – like you do in most European countries - but from the date that the trademark application is approved.

The Third Amendment to the Chinese Trademark Law – May 2014

The third amendment to the trademark law was implemented on May 1 2014. Especially three elements in the new trademark law may improve the prospects of trademark sensitive companies in China. These elements are tougher punishments on producers of counterfeits, increased focus on preventing bad-faith registrations and a quicker application procedure.

- Counterfeits: The new trademark law officially introduces the principle of confusion. The principle prevents producers of counterfeits from using a trademark similar to a registered trademark in relation to identical or similar goods, which can easily cause confusion. At the same time the trademark law introduces punitive damages, which will be 1 to 3 times above normal damages. This intends to discourage producers of counterfeits and punish severe trademark infringement on bad faith.
- Bad-faith registrations: The new trademark law says that: “*Trademarks which apply for registration and use shall conform to the principle of honesty and credibility*”. This might be seen as a safeguard to bad-faith registrations, which cannot be stopped by other specific grounds in the new trademark law. Besides that the new law clarifies the responsibilities of trademark agencies and prohibits dealers, distributors, agents and those who have business contacts with the owners to register the same or similar trademark on same or similar goods.
- Application procedure: The new trademark law specifies time-limits for trademark examiners. For example the time-limit for trademark-application-procedures will be only 9 months, which is considerably below the estimated time of the current application procedure. Furthermore the new trademark law allow applicants to submit one application for a trademark in multiple classes. This makes the application process more smooth compared to before, where you could only apply for one product class per application.

PATENTS – INVENTION PATENTS

Facts about invention patents

- Invention patents can be granted for products, methods, apparatuses and applications
- To obtain a patent for an invention, the invention has to be new (absolute novelty), differ essentially from the prior art and be industrially applicable
- A patent protects your invention by giving you, the patent owner, a legal right to prevent others from manufacturing, using, offering to sell, selling or importing your patented invention
- The protection period is 20 years from the filing date

Worth knowing about patents in China

FIRST-TO-FILE SYSTEM

China operates with a “first-to-file” system like Denmark, which means that if two patent applications are filed for the same invention, the patent is granted to the one who filed its application first. It is worth noticing that foreign companies not having a registered office in China must use a local patent attorney to handle the filing of a patent.

ABSOLUTE NOVELTY STANDARD AND GRACE PERIOD

To obtain a patent for an invention-creation in China - including inventions, utility models and designs – the invention-creation must be novel. This means that any activity that creates prior art may invalidate a patent application for not meeting the novelty requirement. There is however a grace period of 6 months that prevents the loss of novelty under certain circumstances. The grace period includes exhibition of the invention creation for the first time at an international exhibition recognized by the Chinese Government and publication for the first time on a specified academic or technological conference.

TRANSLATION

In China an application for an invention patent must be filed in written or electronic form in Chinese characters. Only the Chinese patent claims eventually determine the scope of the protection. It is therefore very important to secure that the translation doesn't deviate from the language in the original patent application, as the published Chinese text is binding for the granted patent. However, if you use the PCT route (Patent Cooperation Treaty) the text of the original PCT specification is accepted as the authentic text of the national Chinese patent application upon entry into the national phase. Chinese translation of the original specifications, claims and

abstract and as well the words in graphics is required when enter into the national phase in China.

There are three ways to file a patent:

- File a patent application in China directly. Foreign applicants must use a local patent agency to handle the filing of a patent. Foreign Invested Enterprises (FIE) however, can apply for patents in China without a licenced Patent Attorney.
- File a patent application first in a foreign country (must be a Member State of the Paris Convention, such as EU countries), and then file a patent application in China within 12 months (12 months for utility models and 6 months for designs), claiming the priority date of the first application.
- File an international patent application under the Patent Cooperation Treaty (PCT), selecting China as one of the designated states. A PCT application can be filed with the European Patent Office (EPO) or any national patent office within the EU. The applicant has to initiate the 'national phase', i.e., the procedure with SIPO, no later than 30 months from the priority date.

More information:

http://www.wipo.int/pct/en/appguide/text.jsp?page=np02.html#_chapt2

EXAMINATION PENDENCY

An application for an invention patent may take several years to process depending on the nature of the invention. According to SIPO Annual Report of 2014, the examination pendency for an invention patent application was 21.8 months whereas an application for a utility model was 3.5 months and a design patent application was 3.7 months.

PATENT PROSECUTION HIGHWAYS (PPH)

The Danish Patent and Trademark Office (DKPTO) and the State Intellectual Property Office in China (SIPO) have agreed on a so-called PPH agreement.

PPH (Patent Prosecution Highways) is an initiative that allows you to choose a much speedier processing of your patent application if either DKPTO or SIPO has already performed a search and examination for the same invention.

Under the Patent Prosecution Highway, an applicant receiving an Office Action from the DKPTO or SIPO stating that the claim(s) in a patent application has novelty, inventive step, and industrial applicability may request that the other patent office fast track the examination of corresponding claims in the corresponding applications.

TIP: If an invention patent is not possible for your invention you might have the opportunity to apply for a utility model.

UTILITY MODELS

Facts about utility models

- Utility model patents can be obtained for physical products, which have a shape or structure
- The protection period is 10 years from the filing date, and thereby gives a shorter protection period than invention patents
- A utility model patent is issued much faster than an invention patent and cost less. The reason for this is that a utility model receives preliminary examination but does not receive a substantial review.

Worth knowing about utility models

EXAMINATION PENDENCY

A utility model will typically be granted much quicker than an invention patent since there is no substantive examination of a utility model (3.5 months compared to 21.8 months for an invention patent according to the SIPO Annual Report of 2014).

Parallel filing of an invention patent and a utility model

Chinese patent law also allows inventors to apply for an invention patent and utility model for the same subject matter on the same day. This may be a good idea for several reasons:

- You have the possibility of extending the period during which an enforceable right is available as you gain protection when the utility model is granted
- It can be difficult in practice to invalidate a utility model on the ground of obviousness because only one or two pieces of prior art will be used to assess the obviousness of a utility model.

Once the invention patent is granted you have to choose between the two patents (the utility model and the invention patent), that means you have the opportunity to replace the utility model with the invention patent with a longer time span.

DESIGN

Facts about design

- Registered design protects only the appearance of the product, e.g. a glass, a chair, a lamp. A registration of the design does not protect the way in which the product work, i.e. the technical parts of the product, but this might be available through invention or utility model under patent law.
- To obtain a patent for a design the design must be new and distinctly different from existing designs.
- When you have registered your right you can prevent others from manufacturing, importing, using, offering to sell, -and selling the design.
- A design patent is given protection for a maximum of ten years from the application date.

Worth knowing about design in China

DRAFTING SPECIFICATIONS

The Patent Law in China requires that design patent applications include a description of the design, rather than merely a graphic rendering. In case of enforcement disputes this description will often be used by courts and administrative enforcement authorities to interpret the scope of protection of the design by clarifying which elements are deemed by the applicant to be innovative and therefore protected.

ABSOLUTE NOVELTY STANDARD

It should be noted that China employs an absolute novelty standard, and includes a grace period of 6 months. This means that the design will not lose its novelty if it is exhibited for the first time at an international exhibition recognized by the Chinese Government within 6 months before the date of application. Note however that prior use or publication anywhere in the world will render the design un-patentable if it does not comply with the specified grace period. For instance, if a design is publicly disclosed and afterwards registered as a EU-design the corresponding design cannot then be validly obtained in China, since they require absolute novelty. If possible, it is therefore safer to file first and then disclose.

COPYRIGHT

Facts about copyright

- The Copyright can be obtained in a variety of things i.e. books, musical, drawings, sound recordings, films.
- Copyright protection arises automatically, this means that the protection begins when a work is created.
- It is not necessary to register a copyright in order to get a protection for your creation, but it can be an advantage if it should ever come to a dispute since a registration provides evidence for your right.

BEFORE INITIATING ACTIVITIES IN CHINA

Before deciding to do business in or with China, it is necessary to have your IP rights registered in China.

The key is to have a strategy on how to proceed before entering and for most companies that means that IPR should be regarded as part of the costs of starting a company in China. This includes legal help and registration fees, and afterwards having a trademark agent protect your rights.

There are a number of things you can do both in Denmark and in China before you start your activities in China:

- ***Consider buying a trademark scan which gives you an overview of identical or similarly marks already registered in China.*** You can buy a trademark scan in Denmark at the Danish Patent and Trademark Office. There is also the possibility of doing your own searches on the internet. You can search for already registered trademarks at [SAIC](#) and [SIPO](#) for Patents. In Hong Kong it is possible to search for Patents, Trademarks and Design at [IPD](#).
- ***Consider buying a novelty search which can be used as a clarification of whether an invention is new.*** You can buy a novelty search in Denmark at the Danish Patent and Trademark Office. The search is made by searching in international databases and in the relevant international non-patent literature on the basis of a description and drawings.

- **Register your IP-right and make sure that the registration covers China and/or Hong Kong and Taiwan.** In China a state designated IP agent is required by the Chinese authorities for foreign companies not based in China. This is however not the case in Hong Kong where you do not need an agent to register your IP.
- **Register your IPR protected right with Customs authorities,** consequently they will be able to withhold infringing products that are exported or imported through custom.

WHERE DO YOU REGISTER YOUR IP-RIGHTS IN CHINA?

IPR PROTECTION IN HONG KONG

The Intellectual Property Department of Hong Kong (IPD) is in charge of registration:

Trademarks, Patents, and Design

Intellectual Property Department (IPD) in Hong Kong.

24/F & 25/F Wu Chung House,

213 Queen's Road East,

Wanchai, Hong Kong

Tel: (852)2961 6901

Patents and Designs Registries +852 2838 6315

Trademarks Registry +852 2838 6082 / +852 2574 4345

Email: enquiry@ipd.gov.hk

<http://www.ipd.gov.hk/eng/home.htm>

The website is in English and Chinese and describes, among many other things, the procedures for application.

Copyright

There are several Copyright Licensing Bodies Registry in Hong Kong. An overview of them can be found at IPD's [homepage](#).

With regards to overall questions about copyright IPD Hong Kong, can be contracted.

IPR PROTECTION IN MAINLAND CHINA

Invention Patents, Utility models and Designs

It is important to keep in mind that the legal definition of Patents is composed of both "patents for invention", "patents for utility model" and "patents for design". The government body in charge of drafting patent laws and examining patent applications is the State Intellectual Property Office, SIPO. Applications should be handed in at:

State Intellectual Property Office (SIPO)

No. 6 Xitucheng Road

Haidan District

P.O. Box 8020

Beijing 1000088

Tel: +86 10 6209-3268

Fax: +86 10 6201-9615

www.sipo.gov.cn

The website is in English and Chinese and describes, among many other things, the procedures for application.

Trademarks

The government body in charge of the trademark law and receiving trademark applications is the Trademark Office of the State Administration for Industry and Commerce, SAIC:

State Administration for Industry and Commerce (SAIC)

Trademark Office

8 Sanlihe East Road

Xicheng District

Beijing 100820

Tel: +86 10 6803-2233

Fax: +86 10 6801-0463

www.saic.gov.cn

The Trademark Office has this website: www.ctmo.gov.cn

Copyright

The government body in charge of copyrights is the National Copyright Administration, NCA.

Copyrights do not have to be registered to create a legal right covering your work. Even though it is not necessary to register your copyright you should consider doing it because the registration is a useful way of providing evidence for your right in a copyright dispute.

National Copyright Administration of China (NCA)

85 Dongsì Nan Dajie

Beijing 100703

Tel.: +86 10 6512-7869 or 6527-6930

Fax: +86 10 6512-7875

www.ncac.gov.cn (Chinese only)

More information can be found on the website of the Copyright Protection Centre of China

http://www.copyright.com.cn/cpcc/index_en.jsp

The website is in English and Chinese.

Customs

It is not sufficient to register IPR with the above-mentioned authorities. It is also important to register with Custom authorities. They will not be able to enjoy the ex-officio protection offered by customs to those who have recorded their IP rights with the General Administration of Customs (GAC). Otherwise, they need to act on themselves by requesting directly to customs to withhold infringing products in which case detailed information on the consignment of infringing products is necessary.

You can register your IPR in China with the GAC. Be aware that foreign companies without a registered presence in China will have to apply for registration through a local agent.

General Administration of Customs of China (GAC)

Legal Affairs Department, Intellectual Property Division

6 Jianguomen Nei Avenue

Beijing 100730

Website: <http://english.customs.gov.cn>

MONITORING YOUR RIGHTS WHILE IN CHINA

After having started business in China it is important to follow the market very carefully. This involves paying attention to whether a customer suddenly stops buying your products. This could reflect that the customer has started copying them or can acquire your products from someone that is copying them. The same goes for distributors, and agents.

Also, it is useful to check the background of potential distributors, agents and suppliers in detail. Some companies have benefited from having a clause in contracts with distributors saying that penalties will have to be paid if copies are being sold and that collaboration can be terminated immediately.

In relation to trade secrets and inventions, it can be an advantage to make sure that trade secrets only are in special computers without USB connection and without e-mail connection. Also it is advisable to ensure that knowledge is distributed among local employees in a way that a given individual does not obtain a full overview of the technology.

It is important to be very careful about disclosing information to potential partners and other entities in China. Several Danish companies have experienced that such information has been used to copy their products.

A lot of Danish companies have found it useful to be a member of organizations which objective is to lobby for a stronger protection of IP-rights for enterprises with foreign investment. One of the advantages is that it gives a very good network to companies with IPR experiences in China. [QBPC](#) is such a company organisation. It is based in Beijing and has more than 180 multinational companies as its members. For SMEs (small and medium sized enterprises), please contact the [China IPR SME Helpdesk](#) for free and confidential advice on IP in China.

AFTER HAVING EXPERIENCED INFRINGEMENTS

A wide range of products is being counterfeited in China. This includes sweets, pharmaceuticals, car components, soft drinks and alcohol, as well as a high number of industrial products. When experiencing an infringement it is important to collect as much evidence as possible. This is typically done in collaboration with so-called investigators; these are private firms that typically employ ex-policemen and ex-government officials.

Companies facing counterfeiting have a wide choice of actions in China:

NON OFFICIAL AND NON-LEGAL METHODS

A way of handling an infringement is to establish contact with the company or person that is wrongfully using your products, and try to solve the differences through negotiation.

Even though it can be a very productive way, and less time consuming to settle out of court, it is important to do something immediately to protect and enforce your right, hence the statute of limitation for taking your claim to court.

ADMINISTRATIVE ACTIONS

A large amount of infringement cases within the trademarks are handled using this system that appears to be unique for China. Administrative action can be used, for instance, Trademarks, Patents, Design and Copyright etc.

The method involves that the IPR owner contacts the local Trademark Division of SAIC – the Administration of Industry and Commerce (AIC), or the local SIPO office with regards to patents and design to investigate the case.

The reason why most companies choose this way is that it is faster than the legal paths. The disadvantage of this administrative channel are that the infringing company can only be asked to pay a fine to the authorities and not compensation to the IP owner, but it is possible to secure the result that most companies are looking for: To stop being copied.

An alternative authority that may be involved to secure enforcement is [AQSIQ](#), Administration for Quality Supervision, Inspection and Quarantine, which is China's standard setting agency and thus comparable to 'Dansk Standard'. This is especially useful if safety is a concern, such as in the case of food, pharmaceutical and electrical products.

Which one to choose may depend upon both the geographical area concerned and the type of product in question.

SEIZURE BY CUSTOMS

The General Administration of Customs (GAC) can help provide protection for your IP-right, as well as prohibiting import or export of products that might violate your rights. You can either make a proactive registration with customs or file a request for customs protection when the infringement occurs.

Proactive registration

This will help expedite your case if an infringement does occur since your case is already on file. Customs may also on its own initiative seize the products, and afterwards inform the right holder of the infringement. This method is especially useful for well-known trademarks. It is important to note it is not only possible to pursue different avenues at the same time, it may also increase the chances of enforcement.

Infringement registration:

When filing an application for seizing goods, the right holder has to post a deposit with Customs in case that the detention is deemed unfounded, and to pay for warehousing, disposal fees etc.

The application forms and a more detailed review can be found at GAC's [webpage](#).

CIVIL LITIGATION

Through the people's court it is possible to commence proceedings against an alleged infringer or petition the court to issue a preliminary injunction.

The statute of limitation for trademarks, patents, and design is two years from the date that the right holder became aware, or should have become aware of the infringing activity.

The number of foreign companies having used this civil litigation has traditionally been low. A main reason is that it typically takes quite some time to reach a verdict. Civil litigation is therefore primarily used as a threat to secure an out-of-court settlement with a Chinese company.

CRIMINAL PROSECUTION

In case an infringement is deemed serious, the relevant official IP-Office is required to refer the case to the Public Security Bureau that essentially acts as police stations in the different municipalities. They will investigate the matter, and decide whether they will recommend prosecution by the Procuratorate. The penalty will depend on the earnings from the sales of the products.

WHAT THE TRADE COUNCIL CAN DO

The Trade Council has in recent years assisted Danish companies with IPR infringements in relation to trademarks in particular. Our services include:

- General information as to how to navigate the complex Chinese enforcement system and how to protect your IPR
- Contact to patent and trademark bureaus to secure registration of IPR
- Monitoring potential infringements
- Contact to law firms and consultants specialised in IPR
- Encouraging central and local authorities to enforce existing rules and regulations
- Persuade multinational companies to dispose of Danish products

It is important to bear in mind that our assistance can only be effective provided if the Danish company has a good case. This typically means that the IPR has in fact been well protected in China, as well as the case needs to be well described. The Trade Council cannot interfere in the judicial process.

This assistance provided by The Trade Council complements the services being provided by lawyers, private investigators and consultants specialised within the IPR area.

The Trade Council has helped a considerable number of Danish companies registering their IP-rights in China. The procedure has typically been that the Trade Council has found an agent that can file the application and made sure that the agent has fully understood the needs of the Danish company, thereby ensuring that no misunderstandings have occurred.

The activities conducted by The Trade Council are one element in Denmark's interaction with Chinese authorities with regard to IPR. The representatives from the Danish government, parliament and the Danish embassy in Beijing, also regularly raise IPR issues and might be of help in your given situation.

Danish companies with particular questions or challenges are welcome to contact Michael Schack Balle Jensen (mijens@um.dk) at the Royal Danish Embassy in Beijing or Nicolai Prytz (nicpry@um.dk) at the Consulate General in Shanghai.

IPR ADVISERS

You can contact the Royal Danish Embassy in Beijing for guidance on law firms/consultants that maybe contacted when having IPR- or other legal difficulties in China.

OTHER SOURCES OF INFORMATION

The Danish Patent and Trademark Office: <http://www.dkpto.dk>

China IPR SME Helpdesk: <http://www.china-iprhelpdesk.eu>

The US Embassy in China: IPR Toolkit: <http://beijing.usembassy-china.org.cn/ipr.html>

LEGAL DISCLAIMER

Whereas every effort has been made to secure that the information found here is correct, The Trade Council of Denmark does not accept responsibility for errors, omissions or misleading statements.

The purpose is to provide an introduction to the Chinese IPR landscape and this text should not substitute legal or other advice.