



TAMING THE TIGER

PROTECTING YOUR IP IN CHINA

As the inventor of paper, gunpowder, printing and the compass, China is an innovative and dynamic country and also Australia's largest trading partner. It also has a well known reputation for counterfeit goods.

BY EUNIKA JANUS AND KELLY ALLISON

The value of goods exported to China in 2009 amounted to AU\$42.4 billion, an increase of 31 percent over the previous year. With this significant volume of trade, it is important for Australian exporters to be aware of how to protect their intellectual property (IP) in this vast market.

Counterfeiting has historically been a problem and many manufacturers are so skilled at copying items it can be difficult to distinguish them from genuine items. In fact, the so-called 'fake markets' have become major tourist attractions in large cities like Shanghai and Beijing.

FAKING IT AT THE SHANGHAI WORLD EXPO

The 2010 World Expo in Shanghai is one of the biggest international events ever staged in China, attracting an expected 70 million visitors to the city. The Expo's official mascot Hai Bao has become immensely popular in Shanghai and images of the distinctive blue creature can be seen all over the city. But alongside the official soft toys, key chains, and mobile phone hangers sold at licensed Expo stores, street vendors have been distributing fake products.

Organisers are not taking the counterfeiting lightly, and the Chinese Industry and Commerce Administrations have already taken action in relation to more than 270 cases of trade mark infringement, with fines imposed and counterfeit products destroyed. Most Chinese IP laws were only passed in the last 30 years but in that time China has made significant improvements to enforcing IP, with the government making it a priority.

The number of patent and trade mark applications filed in China has reached a record high, with a 20.8 percent increase in trade mark applications and an 8.5 percent increase in patent applications between 2008 and 2009. The number of successful infringement actions taken by foreign companies in China is also growing.

Chinese companies are also beginning to pay more attention to protecting and enforcing their own IP. Recently Chint Group, a Chinese manufacturer of low-voltage electronics, took action against the French company Schneider Electric for infringing its utility model patent in China. The court initially awarded Chint a record RMB 334 million in damages but the case ultimately settled for RMB 157 million (approximately AUD 24 million). The case is an example of the greater value being placed on IP by both Chinese companies and the courts.

HOW DO YOU FILE A TRADE MARK OR PATENT APPLICATION IN CHINA?

If you are thinking about exporting to China, or even using China as a manufacturing base for products you sell in Australia, you should think about protecting your important IP rights in China. IP Australia is responsible for administering registered IP rights in this

country. In China, however, different bodies are responsible for trade marks (the Chinese Trade Mark Office—CTMO) and patents and designs (the State Intellectual Property Office—SIPO).

To file a trade mark or patent application in China, you have two options. You can file your application in China directly, either through a Chinese attorney or an Australian attorney or lawyer who has a Chinese counterpart. Alternatively, you can file using an international agreement such as the Madrid Protocol for trade marks or the Patent Cooperation Treaty for patents. An Australian IP lawyer or patent or trade mark attorney will be able to advise you.

WHAT ELSE SHOULD YOU CONSIDER?

There are a number of differences in IP practice between Australia and China, so make sure you consider the following issues:

- Choose the right business partner**
 Certain restrictions on the operation of foreign companies in China mean that exporters often enter the market through a joint venture with a local company. If you are considering this strategy make sure that you choose your partner carefully and select one who understands the importance of IP. Ensure contracts are very clear on who owns the IP brought into and developed by the joint venture, and make sure you protect your confidential information.
- Protect your trade marks (and their Chinese translations) ASAP**
 In Australia, the first person to use a trade mark will generally have better rights to the mark than anyone else who files an application for the same mark at a later date (the 'first-to-use' rule). In China the first person to file a trade mark application will generally have priority over an earlier user of the mark in China (the 'first-to-file' rule).

This means that even if you are already operating in China, you may have difficulty preventing someone else from registering your trade mark if you have not already done so. Pharmaceutical giant Pfizer recently learned this lesson the hard way. When it released Viagra in China, it didn't register as a trade mark a Chinese translation that was being widely used in the media, choosing to market a different Chinese translation. When an unrelated

company, Guangzhou Wellman Corp, registered the popular translation, Pfizer became embroiled in an 11-year court battle to claim back the translated trade mark but ultimately lost.

- Get help from Customs at the border**
 If your business has any registered trade marks or products that are copyright protected, the Australian Customs and Border Protection Service provides a valuable service that can assist you in monitoring infringements of your rights at the border. If you file a Notice of Objection with Customs and pay a fee, goods that look like they infringe on your rights can be seized by Customs when they arrive in Australia. It will then be up to you whether to take action. This can be a valuable strategy to stay informed about potential counterfeit products entering the Australian market.
- Choose the most appropriate enforcement path**
 If you find your IP has been infringed in China you have several options. You can use the administrative system, where a decision will usually be reached quickly and relatively cheaply, and commonly result in a fine for the infringer or a seizure of the counterfeit products. Alternatively, you can use the judicial system

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and take your infringer to court. For a foreign company the court process can be lengthy, due to procedural requirements such as translation and legalisation of numerous documents. Damages awarded by Chinese courts in IP matters have been quite low in the past, although the situation is changing.

Enforcement actions in China can be complex, as they can involve any number of different state and provincial administrative and regulatory agencies. It can be difficult to ascertain which court or other body has the jurisdiction over an IP matter, so specialist legal advice before taking any steps is crucial. The Chinese government has also tried to make it easier to address enforcement issues by establishing numerous IP rights service centres around the country. **DB**

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NEED MORE INFORMATION?

- IP Australia has just released a new series of 10 factsheets outlining issues exporters may face in different countries including China. To access them, visit www.ipaustralia.gov.au/ippassport/index.shtml
- More information about developing IP strategies and enforcing IP rights in China can be found at www.ipaustralia.gov.au/resources/china_facts.shtml
- To contact IP Australia, visit www.ipaustralia.gov.au, phone 1300 65 1010 (9am-7pm AEST/AEDT Monday-Friday) or email assist@ipaustralia.gov.au
- To contact Austrade, who have a network of offices in China and are able to assist Australian exporters and investors, either phone 13 28 78 or email info@austrade.gov.au