

# Legal Handbook

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## III. C. How to protect and secure your IP in China

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# PROTECTING YOUR INTELLECTUAL PROPERTY RIGHTS

## REGISTER YOUR TRADEMARK IN CHINA

China is the country receiving the largest number of trademark applications not only because it is a key market but also because starting business in China without registering your trademark is extremely risky.

### - WHY SHOULD YOU PROTECT YOUR TRADEMARK IN CHINA?

The Trademark Office of National Intellectual Property Administration, PRC (“CNIPA”) adopts a “**first-to-file**” trademark regime, making it imperative that businesses apply for trademark registration at the earliest opportunity.

China does not automatically recognize trademarks registered in other jurisdictions and will grant protection only to those who file first in China, regardless of the use or intent to use. Under such circumstance, although you may first create and use a brand in China, you will not be entitled to get it registered in case a third-party has already registered the same or similar one.

### - WHAT RISKS DO YOU FACE BY NOT REGISTERING YOUR TRADEMARK IN CHINA?

Trademark squatting is rampant in China and the squatters is entitled to the exclusive right on that trademark which will prevent you, the brand owner, from using the same in China. In practice, the risks are as follows:

- **Impossibility to sell and distribute in China:** as you are not the owner of certain trademark under China’s Trademark Law, the squatter may try to seize the products you want to sell in China. Moreover, to make sure you are the rightful owner of the trademark, a distributor may ask you to present the trademark certificates of the products you want to sell in China.
- **Difficulties to manufacture in China:** when your product is manufactured by a Chinese subcontractor in a manner of OEM, you may need to immediately register your trademark in China to prevent trademark squatting by any former subcontractor, otherwise, he/she/it may try to prevent you from exporting the products manufactured by a new subcontractor.
- **Difficulties to open a shop:** malls and shopping centers offering premium locations in China are reluctant to rent premises to tenants without proper rights on the trademark of the shop. Providing the evidence of your legitimate rights on your brand is frequently requested as a precondition for the opening of the shop.
- **Difficulties to distribute via the Internet:** the biggest e-retailer platforms such as Jingdong and Tmall will not work with merchants who cannot provide evidence of its legitimate rights to use the distributed brands. However, these e-commerce platforms are crucial if you want to develop business in China.

Every company contemplating doing business in China shall think about its intellectual property protection before starting any step.

The intellectual property rights legal regime in China involves trademark, copyright, patent, trade secrets, domain names, know-how, etc. which are valuable assets for companies. Based on our experience, main concerns of foreign invested companies setting up in China are related to trademarks, copyrights, domain names and technology transfers, this handbook will provide you with an overview on these questions.



## - WHICH REMEDIES CAN BE USED IN CASE OF TRADEMARK SQUATTING?

In practice, to require the cancellation of “your” trademark registration made by a third-party applicant, **the basis of bad faith is difficult to prove**, and the invalidation of the registration is difficult to obtain.

The Chinese legislator and the CNIPA are well aware of such issue and **amended the China Trademark Law on April 23, 2019 to curb on bad faith trademark applications**. Such amendment aims at increasing the rejection of bad faith trademark applications and provides guidelines to the CNIPA to identify such bad faith applications (the same applicant registered a large number of trademarks in a short period of time, absence of intention of use, etc.).

The legal remedies in China may be time consuming and uncertain: **the rate of success of an action for a trademark cancellation or for forfeiture of trademark for non-use remains extremely low**.

To deal with the registration of “your” trademark by a competitor, you may consider the following alternative options:

- **Starting negotiations to buy-back the trademark; or**
- **Adapting your trademark for the Chinese market** by registering elements distinctive enough to increase the chances of success.

## - WHAT ARE COEXISTENCE AGREEMENTS BETWEEN TRADEMARK OWNERS?

If other registered trademarks in China are considered as too similar to yours by the CNIPA but are not actually competitors to your trademark, an alternative is to enter into a coexistence agreement with the holder(s) of similar trademark(s). In practice such agreement can be formalized by a consent letter issued by the similar trademark owner, we can expect that some similar trademark owners ask for a **financial compensation** to enter into such consent letter.

Due to the increase of the number of trademarks registered in China, **this practice is more and more accepted by the Chinese authorities to approve the registration**.

In order for such coexistence agreement to be recognized by the Chinese authorities, the coexistence agreement must be filed with the CNIPA within 3 months from the rejection of a trademark application. If the CNIPA welcomes favorably this coexistence agreement, it may approve the registration of the trademark during its revision review. In general, the CNIPA has more chances to accept the coexistence agreement if:

- The overall aspect of the trademarks is different,
- The business related to the trademarks and the products are not similar,
- The popularity of the trademarks is different.

## - WHEN TO PROTECT YOUR TRADEMARK?

It is vital to protect your trademark in China:

- **before any commercial prospection;**
- **prior to any contact with potential suppliers.**

Trademarks are protected on a **country-by-country** basis. Therefore, registration in Mainland China does not cover Hong Kong, Macau and Taiwan.

Moreover, if your trademark is not registered at the time when signing the contract with Chinese counterparts, proper wording shall be included in the contract.

## - HOW TO PROTECT YOUR TRADEMARK IN CHINA?

### • **File trademark applications in advance**

Unlike some other countries, which require, among other documentation, proof of use of a trademark in commerce before registration, CNIPA does not require the evidence of prior use in commerce.

Normally, the trademark registration process in China may take from 15 to 18 months or longer. Upon the registration of trademark, a trademark registration can be cancelled if it is not used for three consecutive years. That means the trademark applicant may have 4 to 5 years before it is required to show it is using its trademark or else be in the risk cancellation of its registration.

Therefore, even if a company does not have immediate plan to enter into the Chinese market, if its trademark is or is becoming well known, the company may consider filing in advance.

### • **The original mark together with the “sound-alike” version and unique meaning in Mandarin all need to be protected**

Trademark squatters frequently infringe on a brand’s well-known mark by manipulating the form, sound or meaning of the mark, which make it possible for them to register confusingly similar marks of their own. Therefore, it is suggested to register three marks for each brand: original mark, “sound-alike” version together its Chinese translation.

Due to the complexity of Chinese language, direct Chinese transliterations may not make sense. The best practice in China is to convey the unique meaning of the brand in a manner of applying the appropriate cultural intelligence to ensure the brand’s meaning is not lost in translation, instead of describing the same literally or copying it phonetically.

### • **Register marks in many classes**

CNIPA adopts the single class filing system which means an applicant may need to file separate applications for the classes that he/she/it wishes to protect his/her/its trademarks.

Based on the 45 classes (“**Classes**”) under the International Classification of Goods and Services for the Purposes of the Registration of Marks (the “**Nice Classification**”), CNIPA further adopts multiple sub-classes, each of which contains a list of ‘standard items’ of goods and services.

When examining a trademark application, the CNIPA generally only cross checks an application against pre-existing identical or similar registered trademarks registered in identical sub-classes but not against pre-existing registered trademarks registered in other sub-classes, except where those sub-classes are explicitly cross-referenced as being similar.

Therefore, it is advisable to register marks in many classes and sub-classes to secure optimum protection and to allow room for future expansion.



### - WHAT IS “WELL-KNOWN TRADEMARK” IN CHINA?

As mentioned above, trademark squatting has become a serious problem in the practice of trademark protection in China, especially for foreign companies. One powerful way against these “trademark squatters” is gaining the status of a well-known trademark which offers broader protection than normally given to trademarks, including but not limited to the cross-class protection. According to China’s Trademark Law, there are five factors to be considered when determining whether a trademark is well-known:

- The degree of public recognition upon such trademark;
- The duration in which the trademark has been continually used;
- The duration, extent and geographical extent of advertising of such trademark;
- The historical record that the trademark has been protected as a well-known trademark; and
- Other factors serving to make it well-known.

### - DURATION AND GEOGRAPHICAL EXTENT OF TRADEMARK PROTECTION?

Trademarks are protected with **territorial restriction**. For clarification, trademark registration and protection in Mainland China does not cover which in Hong Kong, Macau and Taiwan.

The trademark will be protected for renewable periods of 10 years.

### - WHAT IS TERRITORIAL EXTENSION OF TRADEMARK?

Trademarks are protected on a **country-by-country** basis. However, as a party to the Madrid Protocol concerning the International Registration of Marks (the Madrid Protocol), China allows trademarks registered through the Madrid System of the World Intellectual Property Office (“**WIPO**”) to be protected in Mainland China, which is known as a “territorial extension” of an international trademark. Territorial extension is not automatically obtained, like normal procedure to register a trademark in China, territorial extension of trademark in Mainland China shall also be subject to the approval of the CNIPA. Thus, it is possible that the CNIPA may reject such application.

The procedure for territorial extension of trademark in Mainland China may take 12-18 months, which is consistent with the timeline provided in the Madrid Protocol. In practice, the actual timeline may shorter, varying from 7 to 10 months, according to the information released by the CNIPA.

In practice, and with regards to trademark protection in China, we do not recommend registering a trademark in China through the intermediary of the WIPO for the following reasons:

- The WIPO only intervenes in the process as an intermediary, which can delay the receipt of the communication made by the CNIPA.
- Local specificities are not taken into account by the WIPO at the time of the trademark extension. For example, the WIPO does not allow sub-classes, which are important in China.
- If the reference trademark is cancelled, not renewed or deregistered, the extended Chinese trademark will also be cancelled.
- The WIPO does not deliver any trademark certificate. In China, only the trademark certificate proves the ownership on a trademark. It is then necessary to obtain a duplicate of the trademark certificate from the CNIPA, which adds up costs.

## REGISTER COPYRIGHTS IN CHINA

### - IS IT COMPULSORY TO REGISTER THE COPYRIGHT?

No. Copyright is not compulsorily registered in China as copyright can be enjoyed upon any work being completed. However, as China applies a formal approach for enforcing intellectual property rights, it is complicated to prove your ownership unless you have a proper intellectual property registration certificate.

### - WHAT IS PROTECTED BY COPYRIGHT REGISTRATION?

A copyright registration is a **voluntary registration of the work created by the owner**, and it entitles the owner to be protected in case of copyright transaction or dispute.

This registration does not need approval from the authorities but shall comply with formalities stipulated by the authorities.

### - WHAT KIND OF WORK IS COVERED BY A COPYRIGHT REGISTRATION?

The “work” provided in the PRC Copyright Law includes literature, art and natural science, social science, engineering and technical works created in the following forms:

1. Written works;
2. Oral works;
3. Musical, dramatic, opera, dance, acrobatic artistic works;
4. Art, architectural works;
5. Photographic works;
6. Film works and works created using methods similar to film making;
7. Graphic works and model works such as engineering design plan, product design plan, map, schematic diagram, etc.;
8. Computer software; and
9. Any other works stipulated by laws and administrative regulations.

All works as mentioned above can be registered with the Copyright Protection Center of China (CPCC), the authority which deal with the copyright registration matters.

All kinds of designs can be registered under a copyright anytime. Copyright registration proves to be a useful alternative to design patents which require more restrictive conditions to be registered.

### - WHAT IS THE PROCEDURE TO REGISTER A COMPUTER SOFTWARE AS A COPYRIGHT IN CHINA?

The registration shall be filed with the Copyright Protection Center of China (“**CPCC**”) which will issue a copyright registration certificate. This certificate is the evidence of validity of ownership of the copyright in the software, especially for defensive and enforcement purposes.

The registration procedure usually takes from **2 to 3 months**.

The main documents to be submitted for registration include:

- software copyright registration application forms;
- software (project or documents) verification documents;
- applicant’s and the representative’s ID documents;
- documents to prove the ownership of right (eg: commissioned development contract or cooperative development contract);
- proof of approval from the original copyright owner (if applicable); and
- proof of succession, transfer or assignment of such rights (if applicable).

#### - WHICH RIGHTS DOES A SOFTWARE COPYRIGHT OWNER ENJOY?

A software copyright owner shall enjoy the following rights:

- Right of publication;
- Right of authorship to claim developer's identity and to have the developer's name mentioned in connection with the software;
- Right of alteration;
- Right of reproduction;
- Right of distribution;
- Right of rental;
- Right of dissemination via information network;
- Right of translation.

#### - WHAT IS THE PROCEDURE TO REGISTER ARTWORKS AS A COPYRIGHT IN CHINA?

The procedure to register artworks as a copyright is similar to the one to register computer software. The procedure may generally take about 1-2 months.

### REGISTER YOUR DOMAIN NAMES IN CHINA

#### - WHY SHOULD FOREIGN COMPANIES REGISTER THE DOMAIN NAME IN CHINA?

A domain name in ".cn" or ".com.cn" allows Chinese companies and consumers to identify on the internet a foreign company and its activities. Therefore, for a **commercial purpose**, it is advised for foreign companies to register your domain name in China.

#### - WHAT IS THE PROCEDURE TO REGISTER A DOMAIN NAME IN CHINA?

A domain name shall be filed with the Ministry of Industry and Information Technology ("MIIT"). This institution operates on a "**first-to-file**" basis. It is therefore recommended to file your domain name as soon as you start developing your presence in China.

The procedure to register a domain name in China can be summarized as follows:

- Step 1: Check and make sure the contemplated domain name has not been registered.
- Step 2: Chose a domain name service provider (such as Ali Cloud, Tencent Cloud and etc.) and purchase the domain name.
- Step 3: Real-name authentication.
- Step 4: Register such domain name with the MIIT via the domain name service provider.
- Step 5: Issuance of domain name certificate.

Domain name registration normally is quite soon, usually can be finished within one week. The protection period is subject to the applicant's chose, varying from 1 year to 10 years.

In addition to the registration of the domain name with the MIIT, a company wishing to publish content via its domain names shall apply for the Internet Content Provider ("ICP") license or ICP filing, depending on commercial nature or non-commercial nature. Such ICP license/filing can only be obtained by a company registered in China.

After obtaining the ICP filing or ICP license, the domain name owner shall also filed with the Public Security Bureau ("PSB").

### TECHNOLOGY TRANSFER AND LICENSING

#### - WHAT ARE THE REGULATIONS REGARDING CROSS-BORDER TECHNOLOGY TRANSFER IN CHINA?

The import and the export of technology is regulated under the PRC's technology transfer regime. Under this regime, technologies are classified in 3 categories:

- **Unrestricted technology**: only a registration is needed for the transfer;
- **Restricted technology**: the MOFCOM shall pre-approve the transfer;
- **Prohibited technology**: technology falling into this category cannot be imported or exported.

#### - WHAT IS THE PURPOSE OF A LICENSING AGREEMENT?

A licensing agreement enables companies to **commercialize and extract revenue from your intellectual property rights**, or to **acquire the right to use others' intellectual property rights**.

#### - WHICH ELEMENTS SHOULD A LICENSING AGREEMENT CONTAIN?

In a general approach, a licensing agreement should protect the rights and interests of the parties, and should be drafted in writing.

Moreover, it is crucial that the licensing agreement addresses which party shall own and/or have **rights to use any improvement** that might be achieved by either party over the course of performance of the licensing agreement.

**Trademarks or licenses of patent shall be recorded** with the relevant authorities, as it would be helpful if any third-party challenges the validity of such license. In this case, the licensing agreement's validity will not be impacted. Royalty fees and technical service fees cannot be remitted abroad if the technology agreements are not properly registered with the relevant Chinese government authorities.

**Potential import and export control implications** shall also be considered carefully when engaging in cross-border licensing or technology transfer transactions, as mentioned above.

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