

Exporting to China, what you need to know about trademarks

For multinational companies as well as for SMEs, China has become a key target exporting destination mainly due to the consistently growing spending of Chinese consumers. On a worldwide basis, 60% of all trademarks filed in 2017 were filed in China, which can be taken as a strong indicator of high economic activity in the country.

Some country specific issues related to the protection of your intellectual property rights should be kept in mind when expanding your business to China, as outlined below.

Protection of the trademark in Latin letters and in Chinese Characters

China is a first-to-file country meaning that the first to file and obtain registration of a trademark will usually own exclusive rights to the said mark for the goods and services applied for. In other words, being the first to file is extremely critical.

The first question a brand owner must ask himself when exporting to China is: Which type of trademark should I file to ensure proper protection as well as recognition of my brand?

China is a country populated by more than one billion people and a vast majority of the inhabitants do not read or understand Latin letters. Therefore, it is crucial to the success of your exporting adventure that your trademark is registered not only in Latin letters, but as well in a transliterated or translated version using Chinese characters.

Most multinational companies have equivalent Chinese trademarks: Coca Cola is recognized as 可口可乐 (a transliteration of COCA COLA, pronounced as "ke-kou-ke-le", meaning roughly "happiness in the mouth"). Apple is known as 苹果 (a translation of APPLE, pronounced as "ping-guo", meaning "apple"), and Nike is known under 耐克 (a transliteration of NIKE, pronounced as "nai-ke", meaning roughly "capable").

Failure to register your trademark in a Chinese version can be disastrous for a company. In 1996 the pharmaceutical company Pfizer Inc. applied in China for the trademark VIAGRA in Latin letters. However, they omitted to file the trademark in Chinese characters. In the meantime, another company, Viamen, made up the Chinese version of VIAGRA, namely 伟哥 which soon became commonly recognized by the Chinese population. After several years of disputing in court, Pfizer lost the battle against this trademark and therefore suffered significant business and financial asset losses.

Consequently, the sooner you register your trademark in China in both a Latin letter and a Chinese version the better.

Beforehand, availability searches are necessary to avoid infringing prior trademark rights.

Registration of Copyrights

In most countries worldwide copyright is an automatically generated right meaning that the creations enjoy copyright protection as soon as the work is completed. No examination and confirmation from any official authority is required. In many countries, there is no official registration system available.

Conversely, in China, copyrights can be voluntarily registered through a simple registration procedure. Such registration is an extremely functional mechanism for creators of works of art. With a registration certificate in hand, it is easy to establish ownership of your copyright, which can prove to be much valuable considering the high rising number of copyright infringements online.

Currently, a proposal to amend the Chinese Copyright Law is pending responding to the new development of information technology and related increasing number of online piracy issues.

Customs Recordals

Due to the high number of cross border infringing products in China, it can be extremely beneficial to record your intellectual property rights with the Chinese customs.

A customs recordal is a time efficient way of detaining infringing goods passing by Chinese customs. The recordal is free of any official charges. In comparison with the costs of a civil lawsuit, customs recordals are held at relatively low costs. What is more, the customs authorities will act as the right holder's active partner by performing routine checks and collection of evidence. As the recordation is public and a fine ultimately given to the infringer, the recordals can also have a warning effect on the infringers.

A single recordal applies throughout China as it will be shared with all local customs. It is valid for ten years or for the duration of the intellectual property right if it expires before. The recordation can be renewed thereafter for further 10 years.

Improvements of the Chinese Trademark Law Benefiting Brand Owners

A revision of the Chinese Trademark Law is underway with the purpose of striking hard against the increasing number of trademark applications filed in bad faith (so-called "trademark squatting"). The reason for the revision is due to the unusual high number of trademark applications filed over the last ten years in China. In 2018, no less than 7.37 million new trademark applications were filed in China, an augmentation of almost 30% from 2017.

In the revision, the China National Intellectual Property Administration (CNIPA) introduces a prohibition of trademark applications that "enjoys a certain level of reputation or a relatively

strong distinctive feature", applications of "a large number of trademark applications within a short period of time that obviously exceeds the reasonable limits" and bad faith trademark applications "without intent to use".

The changes will provide stronger protection for good faith brand owners.

The decision to amend the Trademark Law was passed on April 23, 2019 and the amendments will be implemented on November 1, 2019.