

# Protecting Intellectual Property in China

In support of its economic growth, China has been busy putting into place an IP system comparable to those in the West, and which address protection of trade marks, patents, copyright and trade secrets. Although these laws are similar to those enacted around the World, and have been used for many years, there are both legal and cultural differences.

As an example, there are several ways in which owners of IP rights can enforce those rights in China, including the possibility to file a civil action against an infringer; to request an administrative agency to undertake its own investigations and impose penalties; or in some cases to request criminal prosecution.

In addition, there are often different procedural rules and judicial interpretations, unfamiliar to Western companies, which can lead to difficulties in obtaining the desired IP protection.

Further, even after obtaining IP protection there has been a tendency, due to the Chinese courts struggling to keep up with the pace of change, for the courts to be reticent in upholding those rights.

However, as the Chinese economy continues to grow, more and more Chinese companies are using and depend upon these IP laws.

As a result, the ability to enforce IP rights in China is improving, not only for Chinese based companies but also for foreign



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companies as well.

Companies seeking to do business in China should learn from the experiences of those that have preceded them and practical steps that companies can take to protect their IP in China include:

## Patents

The patent laws of China provide for invention patents, utility model patents and design patents. Invention and utility model patents allow protection of new technical inventions whilst design patents allow protection of the appearance of a product.

Whilst utility model applications are not examined to the same extent as invention patents, they offer protection for only 10 years compared with 20 years for invention patents. Companies should

therefore consider filing for both utility model protection and invention patent protection in case there are difficulties obtaining the desired patent protection via the more demanding examination procedure of invention patents.

When filing for patent protection, companies should try to ensure that applications are properly translated. This is especially important for initial patent claims and any amendments that are made during examination.

## Trade marks

Even if a company is not intending to sell its products in China, consideration should be given to registration of their marks (and domain names), both in English and also in Chinese. Registered trade marks can be a very powerful tool as infringing goods can be seized at the point of manufacture as well as the ports before they leave China.

In addition, it is not uncommon for Chinese distributors and/or manufacturers to try to register the marks themselves in China and thus it is advisable to at least file for registration before disclosing the marks to them.

## Copyright

Although China provides copyright protection from the time of creation, and registration of copyright is not required, companies should consider registering their

works with the National Copyright Administration in China, as this can provide useful evidence for any subsequent legal action.

## Trade Secrets

Enforcement of trade secrets is generally difficult as there is a high burden of proof on the plaintiff. It is thus good practice to clearly mark all confidential documents as such and have procedures in place to restrict access to trade secrets wherever possible.

## Chinese Partners

Although it is possible simply to licence your technology to Chinese companies, it is worth considering a joint venture as this can provide better control of proprietary technology and the use of confidential information. When a product can be manufactured in separate parts, it is worth considering multiple partners in China, with each partner being responsible for the manufacture of a different part. In this way, no one partner will possess the full know-how to make the product.

A thorough "due diligence" should be undertaken on each potential business partner. Companies should check that they have a proven track record in IP protection and contract performance. The potential partner should also have in place proper security procedures to protect your IP and trade secrets.

Any agreement with a Chinese partner should be drafted carefully, especially having regard to local laws of employment and ownership of IP. It should also have in place appropriate confidentiality and non-compete provisions, and requirements to include corresponding provisions in any employment and sub-contractor agreements. Provision should also be made to allow inspection and quality control.

## Enforcement

Companies that enforce their IP rights with regard to any infringements usually deter other would be infringers. Third parties are more likely to seek another target if they think that you are prepared to defend your IP rights rigorously.

Although civil suits are frequently used for IP disputes, they require the plaintiff to collect all the necessary evidence to present to the Court. Additionally, significant damages are unlikely, even in some cases this can be obtained early in the trial provided the plaintiff is willing to pay an appropriate bond to cover losses should the action be lost.

As an alternative to a civil suit, companies can request administrative agencies to undertake their own investigations and impose penalties. In such cases, compa-

nies are also advised to provide the results of their own investigations to the agency. This route is usually taken only where there is clear infringement, such as when the infringer uses an exact copy of a registered trade mark.

Finally, where there has been a flagrant violation of IP rights, criminal prosecutions can also be made. However, the evidential burden in a criminal prosecution is restrictively high and thus criminal prosecutions are rare unless there are public safety issues or there are repeated infringements by the same party.

## Conclusion

To support its continued economic growth, China has put in place various laws that allow companies to protect and enforce their IP. However, there can be practical difficulties in obtaining and enforcing IP rights in China due to the relative infancy of the IP systems.

The decision of whether or not to protect IP in China, therefore, has to made balancing these difficulties with the commercial importance of the products and processes that will be protected by the IP, and the commercial importance of China as a manufacturing country and also as a country in which those products and processes may be sold, either now or in the future during the lifetime of the IP rights.

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