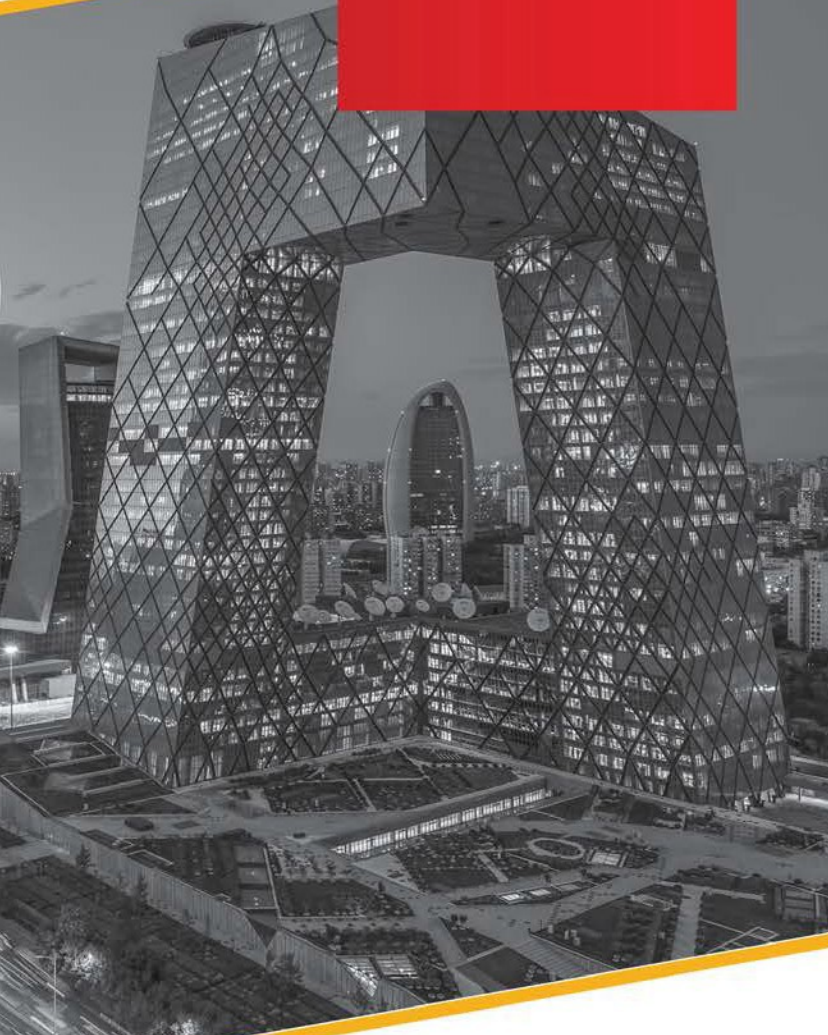




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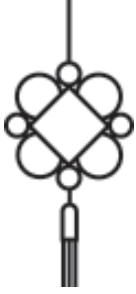
Protecting your IP in China

March 2022

Disclaimer: This guide is not legal advice - you should seek your own legal advice as required.
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Delivering a world leading IP system



Protecting your IP in China

Protecting your intellectual property (IP) should be a top consideration when entering any foreign market, including China. IP protection in China has improved greatly in recent years. A foreign business can register its trade mark, have local authorities raid infringing factories, take infringers to court and have Chinese customs seize infringing goods before they leave China’s borders. There are reasonably effective measures for foreign businesses to protect their IP in China, but you must prepare adequately and understand how to use the system. This guide aims to provide some key China IP messages and refer you to further useful materials.



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Practical tips

Seek experienced legal advice

Obtaining good legal advice is vital for success in China. Australian patent and trade mark attorneys can work with Chinese associates to register and enforce your IP rights. For other Chinese legal advice, including contracts and business structures, be sure to carefully select an Australian, international or Chinese law firm that has expertise with Chinese law and experience performing similar legal work.

Register your IP rights in China

IP rights are territorial; the registration or grant of a trade mark, patent or design in Australia does not provide protection in China. In order to enforce your IP in China, you first need to register your IP in China.

Mainland China, Hong Kong, Macau and Taiwan all have separate legal systems. Protection in each of these markets requires separate registration.

Use enforceable contracts designed for China

Having an enforceable contract means you can credibly bring legal action in China, which reduces the likelihood of problems developing in the first place.

To have an enforceable contract, you need a contract designed specifically for China, not just an adapted Australian contract. **China doesn't enforce foreign court judgements**, so contracts should provide for dispute resolution in a Chinese court, or via arbitration. If you choose arbitration, it will take additional time and legal fees to then enforce an arbitration award through a Chinese court.

Monitor for infringement

IP is a private property right, so you're responsible for monitoring and enforcing your IP. You should monitor for IP infringement in both online and offline markets. Specialised online monitoring and offline investigation services can be engaged through law firms or directly.

Monitor ecommerce and social media platforms. If you find infringing goods, you can file evidence of your Chinese IP registration (trade mark, copyright or other) with the platform and request they remove the infringing seller. To strike at the source of the infringing goods, you'll need to take action offline.

Monitor physical markets for IP infringements and counterfeits and collect evidence for enforcement actions. Evidence requirements are very strict, so seek expert legal advice.

Enforce your IP rights

If you discover infringement, there are several enforcement options available. Under **administrative enforcement**, you present evidence of the infringement to local authorities, who can conduct raids, seize infringing goods and issue fines. **Civil enforcement** remedies are like those available in Australia - courts can issue injunctions and award damages. **Chinese customs** can also seize shipments of infringing goods before they leave China's borders. You will need to record your IP right with customs, respond quickly to notification of seizures and post a bond for each seizure. Chinese customs are most effective if you can assist them by providing information on infringing shipments.



IP rights in China

Trade marks

A trade mark is the intellectual property right used to protect a brand. Regardless of the product or service, anybody even considering doing business in China needs to protect their brand with a registered Chinese trade mark.

Unlike Australia, China has a first to file trade mark system. This means that **you have no rights to your trade mark in China until you register it**, and are vulnerable to someone else registering your mark and suing you for infringement. It doesn't matter if you've already been using your brand for years. Bad faith trade mark filing affects companies as large as Apple and as small as a one-person business. In very limited circumstances you may be able to challenge the registration, such as if you discover your distributor or business partner has registered your trade mark without your consent. But generally, the only way to avoid bad faith trade mark filings is to **file for trade mark protection in China as early as possible**.

This means if you're even thinking about the possibility of entering the Chinese market in the future, you should register your trade mark in China. Even if you're manufacturing your product in China but not selling it in the Chinese market, you are vulnerable until you've registered your trade mark in China.

Strongly consider developing a Chinese language brand. This could be a transliteration and/or translation of your English brand, or a completely new brand. It's important your brand is appealing to Chinese consumers. If they don't like the sound or impression of your brand they may refer to it by an alternate name, which could lead to you losing control of your brand. Read more about developing a Chinese brand [in this blog post](#)*. Register both your English and Chinese trade marks, as well as any logos.

China divides trade marks' goods and services into 45 classes and further subclasses. A trade mark gives exclusive rights only in connection with the registered goods or services. Consider registering defensively with respect to any goods or services on which you wouldn't want others to use your trade mark. For example, in addition to cosmetic goods (class 3), consider registering your cosmetics brand with respect to cosmetic services (class 44) and retail services (class 35). A trade marks attorney can advise you further about China's unique goods and services subclass system. Note that if a trade mark is not used for a period of three years since registration, a third party can apply to have it cancelled for non-use.

You also need to check you don't infringe any existing trade marks. China is a huge global market, with over 33 million registered trade marks in force. It's important to check if someone else has already registered a mark identical or similar to your own. Spotting conflicts from the outset can reduce your risk of infringing other trade marks and save you wasting time and money on applications likely to be rejected. Consult a trade marks attorney. It's possible to do a preliminary search of the Chinese trade mark registry yourself for existing registrations and applications - see our [Guide to searching the Chinese trade marks register](#).

If you find someone else has registered your trade mark, you generally have several options. You can negotiate to:

- buy it from them;
- oppose the registration or file to invalidate the trade mark (noting it's hard to establish grounds of bad faith); or
- rebrand for the Chinese market.

Trade marks can be registered in China with a direct application to the Chinese trade marks office, or via a Madrid Protocol international registration designating China. **It's extremely important to use a good trade marks attorney**. Attempting to apply without an attorney is almost certain to give a bad outcome. An Australian trade marks attorney or China-based firm can work with you on your trade mark strategy.

You must be willing to spend money on registering trade marks **before** entering the market. It's far more expensive to lose control of your mark and have to buy it back or be sued for trade mark infringement.

Patents and designs

You don't have any exclusive rights to your patents and designs in China unless you have registered them in China.

In order to be granted a valid patent or design patent, your invention or design needs to be new, that is, it cannot have been disclosed to the public.

If your invention or design has been revealed to the public anywhere in the world before you apply, such as through sales or advertising, or publication of an Australian patent or design application, registration is not permitted in China (there is an exception if you apply within 6 months of the original disclosure, but this only applies in very limited circumstances).

This means if you are developing a product and want at some point in the future to take it to overseas markets, including China, you need to register patents and designs in those countries before you reveal your product. You can't come back and register later.

In addition to invention patents, design patents and utility models (a lower threshold patent) can be a useful part of an IP protection strategy. These rights are granted following a formalities examination. This makes them relatively cheap, and quick to obtain and enforce.

Software and business methods are now generally more patentable in China than in Australia or the United States. There can be big money in such patents – for example, Google's PageRank algorithm patent or Amazon's 1-Click purchase patent. If you have such an invention, don't miss your opportunity to patent it.

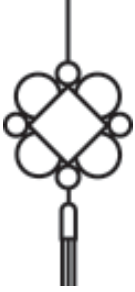
It's also important to check your freedom to operate before entering the market. As of the end of 2020, China has over 3 million invention patents, 6.9 million utility models, and 2.1 million design patents in force. You should ensure you don't infringe other people's patents.

Trade secrets

In many cases, trade secrets will be the most valuable IP a company has. Trade secrets are protected under Chinese anti-unfair competition law, and can protect valuable confidential information and data. Identify your trade secrets and protect them by limiting IT and physical access, and by using strong contracts with employees and commercial partners.

Copyright

Copyright applies to literary works, artistic works and software. In Australia and China, copyright applies automatically (registration is not required). However, in practice, in order to licence or enforce your copyright in China you will need to register your copyright with the Chinese authorities. Registering key copyright, such as product images, original logos, brochures, source code, and product designs, can give you additional tools to fight infringers. For example, ecommerce platforms will take down infringing sellers on the basis of product image copyright violation. You can register copyright at any time, but having key copyright registered before you encounter infringement will allow you to take enforcement actions faster.



Other things to know

Due diligence

Due diligence is important for anyone dealing with a Chinese company, not just big corporate deals. At its simplest, due diligence involves investigating the other party in order to analyse and evaluate the risks of a business transaction. Are the other party who they say they are? Are they suitable for this deal? Are they reliable, able to make payments on time, and able to get money out of China?

Local governments maintain information on all companies registered in China in a publicly accessible online database (in Chinese). Searching this database can tell you if the company is officially registered, who can legally represent it, its business scope and location. This can be a useful first step in checking for irregularities, but is by no means comprehensive. Before signing any contracts, you should seek professional advice and conduct full due diligence.

Licensing and technology transfer

Licensing and technology transfer can be an effective way for Australian companies to get revenue from the Chinese market without entering China themselves. Trade marks, patents, designs, copyright and trade secrets can all be licensed.

Ensure your patents, designs, trade marks and copyright have been registered in China. Do due diligence on your would-be licensee. Then put in place a strong licensing contract that is enforceable in China. The contract should at least set out the extent of the licensed IP, who can use the IP, territorial restrictions, confidentiality, monitoring and quality supervision, ownership of any commissioned IP, termination, tax, and dispute resolution. You should register licence agreements with relevant agencies to ensure its enforceability and facilitate overseas royalty payments.

Technology transfer occurs when patents or trade secrets are licensed or, less commonly, assigned to a Chinese company. Providing technical services may also comprise technology transfer. Specific Chinese laws apply to technology transfers and designate some technology imports as prohibited, or restricted (requiring permission). Furthermore, Chinese law technically requires a foreign licensor take liability for any infringement due to the licensee using the licensed technology, and provides that the licensee owns any improvements it makes to a licensed technology. Contract provisions that contradict this, for example by assigning ownership of any improvements by the licensee to the foreign licensor, may risk being found invalid if challenged before a court. This is a particularly complex legal area, so seek expert legal advice as to how to best manage these issues in your contracts.

Trade fairs

Exhibiting at an international trade fair? The risk to your IP is high unless you prepare appropriately.

Register patents, designs and trade marks in China and all relevant markets before you exhibit your product, or else you could be vulnerable to trade mark squatters and lose the ability to secure patent or design protection. Start to prepare months in advance. At the trade fair, look out for potential infringers and gather evidence, noting that evidence will need to be notarised in order to meet China's high formal evidence requirements.

Domain names

Your domain name will often be your first contact with customers. It's important to secure your domain name, as losing control can confuse customers and result in lost business. Defensively register domain names early to prevent problems arising. The most important top level domain names in China are .cn and .中国 (.china). If someone registers a domain name that is important to you, you can let it go, buy it back, or pursue legal action to reclaim it. Beware sophisticated email scams offering to sell you domain names or protect you from others seeking to register domain names.

You can check Chinese domain name availability and find accredited registrars for domain name registration through the China Internet Network Information Centre (CNNIC) at <http://cnnic.com.cn/index.htm>. Registrar prices and service level vary.

Free trade zones

China currently has 11 free trade zones (FTZs), which relax some foreign investment restrictions, taxes and regulation requirements. However be aware that China's IP laws continue to apply within the FTZs. When operating in a FTZ you still need to register key IP and avoid infringing others' IP rights.

Further information

IP Australia's China web content provides further information on applying for a trade mark, trade mark enforcement, and general commercial considerations. <https://www.ipaustralia.gov.au/china>

For more detailed information on specific topics, the following guides provide in-depth resources relevant to any company doing business with China (third party content*).

- EU China IP Guides:
https://intellectual-property-helpdesk.ec.europa.eu/regional-helpdesks/china-ipr-sme-helpdesk/china-ip-ip-guides_en
- USPTO China IPR Toolkit:
https://www.uspto.gov/sites/default/files/documents/China_IPtoolkit_FINAL.pdf

IP Australia's Beijing-based Counsellor provides IP guidance and support for Australian businesses in China. For more information, or to discuss your specific situation, contact ChinaIP@ipaustralia.gov.au

*Indicates a link to third party content, over which the Australian government has no control. These links are provided for information only and their content is not endorsed by the Australian government.

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