

Casey Martone: This is just a sound check for today's webinar. China IP: What Australians need to know. The webinar will commence at 12:00 PM.

Casey Martone: (silence)

Casey Martone: Good afternoon everybody and welcome to today's webinar. China IP: What Australians need to know. Today, I am joined by David Bennett. IP counselor to China, and David will be presenting to you today. Welcome David. Nice to have you back in Australia.

David Bennett: Thanks Casey. Good to be back very briefly.

Casey Martone: Just to do just a few housekeeping things before we get underway. We will be taking questions through today's session on the control panel that you'll see on, that should be on your right hand side of your screen. You'll see a question's dropdown. If you have a question for David, please pop a questionnaire. We will do our best to answer questions. Anything that David isn't going to cover off or doesn't got cover off, I will ask, just so that everyone can hear the question and David can respond verbally.

Casey Martone: If there is anything that doesn't get answered today, we will be sending slides and a few handouts at the end of today's session from our email address. If you're, I suppose, really dying to ask a question we weren't able to cover it, you are welcome to reply to that email address and we will do our best to provide information to you. Today's session, as I said, will be recorded. So if you or any of your colleagues or any businesses that you're connecting with are interested in the content, you're welcome to share that recording amongst those people.

Casey Martone: Before we get underway today, just to give us a little bit of an understanding of who is in today's session. I'm going to launch a poll. If you don't mind just to completing that poll that you see on screen, telling us who you are. I suppose it will just help David frame some of the examples and really understand who the audience is that's connecting with us online today. I'll just leave it open for a few more moments.

Casey Martone: Got a few people still voting. Just at 60% of our attendees have voted. Getting there. It seems that we have quite a number of people that are considering exporting to China or already exporting to China, which is really great for you because that's I suppose your primary audience David.

David Bennett: Great.

Casey Martone: Okay. I'm going to close out that poll now. A few more coming through. There we go. All right, David, over to you.

David Bennett: All right, thanks. Now, let's get started. Thanks for the introduction and very briefly, IP Australia where the government agency administers Australia's IP

systems. We do patents, trademarks, designs and plant breeder's rights. That's our core business here in Australia. The IP counselor to China position is our first overseas position. The broad goal of it is to help Australians protect their IP in China.

David Bennett: There's two main ways in which I go about that. The first is doing IP outreach and giving practical guidance to businesses that I outreach includes this webinar, these sorts of activities, speaking of visiting business delegations and things like that. And the other more behind the scenes work I do is helping our government to government IP engagement and Australia's China IP policy.

David Bennett: What I can do is provide guidance and support on specific inquiries you may have, give useful information, talk about possible next steps based on the experience I've had on the ground in China seeing many cases. What I cannot do is give legal advice or legal services. No substitute for pertaining your own lawyer, getting a trademark's attorney and getting good specifically advice for your situation.

David Bennett: I've been on the ground now since December 2016, so about approaching two years. I'm scheduled to be there through December 2020. Still a couple more years in the role. Today what I really want to do, all you exporters or would be exporters, I want to increase your understanding of IP in general, IP protection in China and some practical messages on the steps you can be doing to protect your IP in China.

David Bennett: The main issues we see with IP in China are preventable essentially. Issues are not so much around enforcement of IP rights as much as securing IP rights and the need to do that. I'll try and be very practically focused, going to whisk through a lot of things today. Today I'll talk about the Chinese IP system, how it works, what you need to know. I'll talk about IP basics, what's the different IP rights are and what they protect.

David Bennett: We'll go on to registering IP in China and particularly then focusing on trademarks quite a lot on trademarks today. Talk about patents and designs, copyrights and then enforcement of IP rights. Contracts are not limited to IP, but it's a very important issue we often see in China. So I will speak about contracts, touch on domain names, IP scams and how to prepare for visiting China, and then we'll end with some referrals to further resources.

David Bennett: The first message is one of encouragement really. The Chinese IP system is better than most Australians think it is. It's not perfect, but if you engage with it, you're going to have reasonably good chance of enforcing your IP rights. Support for this, stats and things to think about, if you actually analyze the data on the civil IP cases in China, foreign companies have very similar win rates to domestic companies in IP cases. Forget the stories you've heard or individual cases. The data doesn't hold up with ... Basically, any idea you can't get a fair go in China as a foreign company in court is not supported by the data.

David Bennett: China is actually ranked by the World Bank as the fifth best place to enforce a contract that's based on the time, on the cost and the quality of the decisions. That requires having an enforceable contract, which we'll talk more about. China has specialized IP courts and IP tribunals. They're well equipped to hear complex IP cases and if IP is infringed, there're multiple enforcement options available to you that we'll go into more later.

David Bennett: The message is encouraging if you use the system right. So that means registering IP in China, using contracts designed for China, monitoring and enforcing IP rights. What is IP? IP is essentially everything a business has with anything that's not a physical or a financial asset. IP is protected by the following IP rights listed here. Patents are used to protect inventions. That means both products and processes. Designs sometimes called design patents, which is the case in China, registered designs in Australia, these are used to protect the visual appearance of a product.

David Bennett: Trademarks to the IP rights used to protect a brand. Plant variety rights obviously protect new plant varieties. These are all registered IP rights, so in order to get protection in China they have to be filed and registered in China. There's also young registered IP rights, copyrights, which is used to protect creative works and that also includes software source code, and copyrights are an interesting one 'cause copyright applies automatically worldwide. You don't have to apply for your copyright.

David Bennett: However, China operates an optional copyright registration system. In practice this means you really are going to need to have copyright registered if you need to assert ownership. Going to more detail later. Now, trade secrets are used to protect commercial secrets. A product can be protected by multiple different IP rights. We'll take an example of the iPhone here on screen, it has numerous invention patents, designs, trademarks, copyrighted software, and also trade secrets as part of the whole product protection.

David Bennett: One of the single most important messages I can give to you today is register IP rights in China. If you just take one thing away from this presentation, make it that. IP rights are territorial. What that means is that a patent trademark or design you might have registered in Australia would only provide protection in Australia. It won't provide protection in China. You have to register these IP rights in China in order to get protection in China.

David Bennett: If we look to Apple again, for example, if Apple didn't register their designs, trademarks and patents in China, someone could simply reproduce the iPhone, copy it, and they wouldn't be breaking any law if those IP rights are not registered. Need to register in every territory that you're interested in protecting your IP rights in. This means mainland China, Hong Kong, Macau, Taiwan, all have separate legal systems and registration is a separate process in each.

David Bennett: Now, I'm focusing on China, but remember the same applies to all overseas markets, whichever one you're interested in. USA, Japan, Indonesia, the EU, same message applies to registering those IP rights in those territories. As I said, copyrights, try to operate as an optional registration system. Talk more about that in a bit. A trademark is going to be the most valuable IP that many companies have. Even technology companies for example, Apple, a huge part of their value is in their brand.

David Bennett: A brand is protected with a trademark. So if you don't have a trademark registered in China, you've got to know that your brand is not yet protected in China. China has a first to file trademark system, so this is different to Australia where you get rights based on your use of trademarks as well. What this means in the first file system is that the first person who files a trademark application will generally then own the mark.

David Bennett: It doesn't matter who first developed the mark or who first used it. This is why it's so important to file trademarks early in China. If a business doesn't register as trademark, it's quite common that someone else will. These people, we call them trademarks squatters, trademark pirates, bad faith trademark filers, whatever you call it. This is a huge issue in China. People can register other people's trademarks, then sue them for trademark infringement, ask for huge sum of money to sell the right to the original brand owner or actually start marketing their own products under that brand.

David Bennett: This affects companies, big and small. I've given a few examples here. Apple and the iPad, Michael Jordan and his shoes and New Balance. These are hugely successful companies that have faced hundreds of millions of dollars of damage in China for trademarks squatting issues, but it's not just the big companies. Literally, every week in my role, I see Australian companies affected by trademarks squatting. This can be a very small Australian business just starting to think about exporting to China. They go on and they discover their trademarks already been registered.

David Bennett: You may think you're not selling your product in China yet, but be aware that Daigou sellers often based in Australia and selling online on social media in China, that will ship products from Australia to China. Daigou sellers, Daigou selling is a huge business. Your product may actually be available in China before you even know it. Be aware of that. You may be forced into the market before you're actually planning to.

David Bennett: As to practical steps you should now take registering trademarks in China. First up. Trademarks, they have to be distinctive. What this means is that they can't be purely descriptive. For example, if you're selling oranges, all the oranges is a descriptive trademark. Not distinctive, not trademarkable. Trademarks also have to not conflict with existing trademark registrations. So you have to check what's on the trademarks register already in China. Talk more about that in a bit.

David Bennett: A lot of businesses want to file their own trademarks in China as cost saving exercise, but we almost always see a bad outcome from that. It's really important to get professional advice, consult an Australian trademark's attorney and one who has expertise with the Chinese system and experience filing in China. Cost is always a prime consideration. It's hard to generalize about cost that would differ depending on the service provider go with. As a ballpark figure for the legal fees and the official fees, you're probably looking at around a thousand dollars per trade mark per class, but that can vary. Just indicative figure.

David Bennett: Now, an important point is that you should be managing your own trademark registrations in China. A lot of people will think they can leave that up to one of their Chinese partners. Maybe it's a distributor, maybe it's the importer, but be very cautious when people offer to take care of this for you. What we sometimes see is that an importer or distributor might register the brand's trademark that might be all fine and good until the Australian company decides they want to go with a different importer or distributor, at which point they become aware that they're not the legal owner of their trademark in China, they're effectively tied to that distributor who can then wield power over them.

David Bennett: So make sure you manage the applications and the applications are made in your own name. If you have a logo trademark, you might want to also consider registering copyright for that logo for some extra protection against trademark squatters. When it comes to registrations, you will generally have your core interest to the goods and services that you want to protect in China. But it's also worth thinking about at least considering filing defensively with regards to other goods or services. Essentially, anything that you don't want other people using your brand in.

David Bennett: I've given an example with wine here. If you're selling wine, you definitely want to register in class 33 goods such a wine, alcoholic beverages other than beer, that it will be your main class. You might also want to consider registration in class 32 Beers, non-alcoholic beverages and possibly even bar and restaurant services in class 43. Essentially, anything that you don't want other people going and using your brand in, it might be clothing.

David Bennett: Now, trademarks can be subject to cancellation for non use, vulnerable to it rather, if someone applies to have a cancel for non use, if they're not used for a period of three years following registration. But a trademark's attorney can advise you on how you might avoid such cancellations perhaps through refiling of marks or through some well documented sales for the purpose of use.

David Bennett: What can you do if you discovered that someone has registered your trademark? The answer essentially is that there's no easy solution I'm afraid. There are a few options. You can try to negotiate a reasonable price to purchase it. This is painful on principle, but it can be the most pragmatic option. You

might try to oppose or invalidate the mark. Note that success rates are generally pretty low. It depends on the circumstances.

David Bennett: One circumstance that you might have success in is if you can establish that there was a business relationship with that person and you can document that to they apply without your permission. The final option is you might simply abandon and develop a new brand for China. Now, the problem there is of course you lose existing reputation, but at least you'll then be in legal control of your brand.

David Bennett: Chinese consumers will generally be interested in a Chinese language brand. There are certainly some English brands referred to by their English name, but more commonly will be a transliteration or a translation or some other brands developed for the Chinese market. I've picked a few examples here from the wine industry. Examples of good branding.

David Bennett: Penfolds in particular ben fu is a very attractive market. It's been part of their success in China. When you're thinking about a Chinese language trademark be aware this isn't simply a translation of your English name. This isn't a mechanical process you just pass it to a translator to do, this is about branding and marketing. You want a brand that's going to be appealing to Chinese consumers. You don't want just any old Chinese characters.

David Bennett: Go to some professionals, consult a brand strategy company, marketing company or a law firm might have a brand service that'll be able to connect you with the relevant people. At a key point, when you're developing a Chinese language brand, make sure that you file a trademark to protect that brand before you make it public. Here's an example I've come across recently around my local supermarkets in Beijing. Most of you know Carman's. They've developed a really good Chinese language brand kang ao mai means healthy Australian wheat.

David Bennett: They've got an appealing brand and from the IP perspective, what they did well was registering to English and Chinese trademarks in China well ahead of market entry. You don't have to actually be using a trademark in China in order to register it, so you can register ahead of entering the market. Why should you worry about developing a Chinese language brand? The main risk from an IP perspective is that if you don't develop and control your own brand, then the brand will organically be picked for you and then slip out of your control.

David Bennett: Example I've got here is Castel wines. One of Europe's largest wine producers. They registered the Roman script Castel for their trademark in China. They didn't pick or register a Chinese language brand. They thought they didn't need one. Their importers were required to put a Chinese language brand on the back label, so they used a transliteration is ka si te. Someone else saw that this brand was unregistered and went and registered as a trademark and then turned around and sued Castel.

David Bennett: Castel in a very long running legal battle ultimately lost, had to pay a fine and had to rebrand in China. So pick your own Chinese language trademark and keep control of it. This example tends to stick in people's memories. You need a good Chinese language brand, not just any brand. So Pfizer went out to bring viagra to the Chinese market. Picked this transliteration wan aike so it sounds similar but doesn't have any meaning.

David Bennett: The Chinese consumers came up with a different, more preferable brand, weige, which has the meaning powerful brother, which is very popular in China. Then someone else saw the opportunity here, Pfizer hadn't registered that trademark, so they went out and registered it. They control that and now it means Pfizer has no control over the use of Weige, the common name for viagra in China. This is very important. I think Viagra's now off patent or coming off patent, and the only difference between a brand and a generic medicine is of course the brand.

David Bennett: China has over 15 million trademarks registered. It's a very busy international market. What this means is that you have to check your freedom to operate. You can't assume that because you're using a brand in Australia that you actually have the right to use it in China. Some of you may have seen this in the media. There's Weet-Bix, the Australia New Zealand's company, that we're familiar with. There's also Weetabix the UK company.

David Bennett: The UK company Weetabix filed for their trademark in China first and this means they have the rights. Weet-Bix, the Australia and New Zealand one had to rebrand as Nutri-Brex in the Chinese market. Another example, this time in the beer industry. Epic Brewing New Zealand filed their trademark first. Epic Brewing USA, blocked from using that term in the Chinese market. These are both very big popular craft breweries. The first to file, the first one to get in is the winner.

David Bennett: As you start to think about trademarks in China, useful first step can be doing a preliminary search of the Chinese trademarks register. There's a free online English search tool linked here and we've produced a guide to searching the register available on our website. A self-search has limitations, but it can give you some useful preliminary information. If you can identify some conflicts from the outset, you can avoid wasting time on trademark registrations that are unlikely to succeed. You might be able to find bare face trademark filings, get other useful information.

David Bennett: This is the search interface you put in the classification of goods and services. You can search by English mark, Chinese language mark. You generate the search results. So here we'd search for Tim Tam, this is an example. And over here we have a picture of the actual data from the registry that tells you the details is right, who's applied for it, what date the application was made, and whether it's enforced or denied or pending.

David Bennett: Remember the data might have errors and data is not always uploaded promptly, but still a useful first step.

Casey Martone: Just on that Dave, I know that you've mentioned the trademark search guide. As a part of the handouts following this session we've looked that in the email. So no one needs to search the website. We'll send it straight to you.

David Bennett: Excellent. All right. Patents and designs. Now, I often speak with companies who proudly tell me that they have patented a technology, but when I ask further, it often turns out that they've got their patent in Australia, the US, maybe Europe, maybe Japan, but often they haven't applied in China. Just like trademarks, just as I was saying upfront, you have to register IP rights in China to get protection in China.

David Bennett: If you have patent technology, if you file patent applications in markets, do file in China if this is a market of interest to you. If you don't have a patent or design in China, you don't have an enforceable IP right in China. Patents and designs have to be new. What this means is you have to file an application before you make the invention or the design public. Unfortunately, I've seen too many sad cases where people make an invention or design public before they file their application, then ultimately they can't get that IP right granted.

David Bennett: When we talk about patents, we're usually talking about invention patents. However, utility models and design patents are also very useful in China. These are 10 year rights, rather than 20 years, but these rights are granted without undergoing substantive examination by the IP office. What this means is that the whole filing process is cheaper, quicker and the rights are easier to get, but you can enforce these IP rights just the same as you can an invention patent.

David Bennett: There are also China specific filing strategies such as filing an invention patent and a utility model at the same time. You can enjoy the earlier possibly broader protection of the utility model and then when the invention patent gets granted, which may take three or four years, you can enjoy the longer term of protection under that and surrender the utility model. These are definitely under utilized by foreign applicants.

David Bennett: The Chinese applicants file huge numbers of them because they understand their value essentially. Just like trademarks, you got to check your freedom to operate. There are millions of patents, utility models and designs on the register in China. So you've got to check whether you have freedom to operate that you don't infringe any of those.

David Bennett: Notes on software and business method patents. In China, software and business method patents are now generally more likely to be considered patentable subject matter than in some other jurisdictions like Australia or the United States. This is set out as pretty clearly in the Chinese patent examination guidelines reissued last year. This is important because these patents can

actually be very valuable. And I've put my two favorite examples here, which I'd googled PageRank algorithm, the key to Google's global empire and the Amazon one-click purchase patent. And they also have licensed the Apple istore for I'm sure a huge amount of money.

David Bennett: These are literally worth billions of dollars. Also, seeing in China more FinTech and blockchain patent filings just increasing hugely year on year. So if you have what you think might be a patentable software or business method invention, make sure you talk to a patent attorney and consider, at least consider filing for protection. Back to copyright. As I said, it applies worldwide automatically, but China has an option registration system in practice. You're going to need to show a copyright registration in China before you can enforce.

David Bennett: Key copyright, you might want to think about registering logos for any logo brands, but also things like product images, brochures, source code for software and other product designs. A copyright has two main uses from an IP protection point of view. Firstly, it will help protect against bad faith trademark filings if you registered for your logo marks. Secondly, it's actually a really useful tool to fight infringes, including online.

David Bennett: I've taken some screenshots from Taobao marketplace, China's most popular e-commerce platform on screen here. If you can show that an image from your store, an image you want a copyright for, has been used without permission by another store, you can take that store down, the places of copyright alone before you even need to get into things like trademark registrations.

David Bennett: Any brand serious about IP protection should be looking at monitoring the e-commerce platforms. This means primarily in China, Alibaba, JD, also other emerging platforms like Pinduoduo, which had its IP earlier this year. Remember that Chinese goods also make it onto other platforms. For example, Amazon and Ebay, and you should also check on those.

David Bennett: All these platforms have established IP complaint systems, systems by which IP owners such as yourselves can file evidence of an IP right, usually trademark, sometimes copyright, it might be a design or a patent. You then, once your IP rights has been recognized, you can file take down requests on the infringing listings. This can, if you encounter a lot of infringement, you have a popular product that's being targeted, doing this yourself, manually scanning for infringements can become burdensome, but there are specialist online enforcement services that this is their bread and butter.

David Bennett: For a monthly fee, they will take care of these processes for you. You can engage them directly or through your IP attorney or lawyer. The IP rights are private rights. What this means is that IP owners are responsible for enforcing their own IP rights. Not us here in the government. That's not something we can do for you. If you're having a counterfeit problem, you don't need to do more

than just online enforcement, but you should investigate and gather evidence of infringements that you can then take action with offline.

David Bennett: Now, the IP enforcement in China is actually quite effective. You have many different layers here. It has administrative enforcement by local government, there's civil enforcement, essentially cases in the courts. There's criminal enforcement by the police. They can arrest suspects where the criminal damage thresholds are exceeded. There's also customs seizure of IP infringing goods both entering and leaving China. Talk about more on the next slide.

David Bennett: Just like the online specialists enforcement firms, there's also specialist investigators and investigation firms for offline investigations. You can go to these through law firms or directly. These guys are often ex-police, ex-detectives who are able to gather that information. There's strict evidence requirements for these cases. So be sure your Australian legal council is working with a good Chinese counsel for that local guidance.

David Bennett: Customs enforcement is a very powerful option for brand owners that I just want to highlight. Right now in the most recent data, probably 70 to 80% of IP infringing goods worldwide originate in China. So most of them are leaving China's borders and going around the world. Now, you can view this actually as a positive. If you can control goods from leaving China's borders, IP infringing goods, you can stop IP infringing goods turning up in the Middle East and Africa and the US and Europe potentially.

David Bennett: Chinese customs in terms of IP seizures, 99% of them are trademark infringing goods and 99% of them are being exported from China. What you have to do in order to enable Chinese customs to make seizures of IP infringing goods is record IP with Chinese customs. This is separate from having registered IP in China. Once you've got your registered IP, you need to go through recording process with Chinese customs.

David Bennett: If there's a seizure issue you'll need to post a bond and be able to verify whether the goods are in fact infringing, counterfeit or not within three days. So you need to be quick on the ground. I wanted to give a quick example of enforcement happening in China. I've selected this example because this has got some media coverage. This is all in the public domain.

David Bennett: Last year Penfolds discovered that there were counterfeit products, suspected counterfeit product being sold on Alibaba's Taobao marketplace. Penfolds worked with their local legal counsel in China and they worked with Alibaba's brand protection team as well to investigate the counterfeit network, gather evidence and then build a case which they could take to the police.

David Bennett: The police then took action and ultimately seized 14,000 bottles of fake Penfolds. It was a great success. But the key point I want to make here is that this is the Chinese enforcement system in action. This didn't require any special

connections. It didn't require Guangxi government to government, anything like that. This was simply a brand owner engaging with the systems and having success.

David Bennett: The Chinese police are very serious about cracking down counterfeits. No Chinese consumers want to be buying fake wine. The lessons: monitor the market work, with the local legal advice, local law firms, work with the local enforcement authorities and you can enforce IP rights.

David Bennett: Contracts are not limited to IP, but there are very frequent issues around contracts we see, so I'm going to touch on them now. The main point is about ensuring that a contract or agreement is going to be enforceable in China. What we often see is that an Australian company approaching a contract for China will start with an Australian contract and try and adapt it, adapt a contract or a template. The problem here is generally around dispute resolution.

David Bennett: China does not enforce foreign court judgements, so if the contract provides for dispute resolution exclusively in an Australia in court, then it's not going to be able to be brought before a Chinese court. In the worst case, I've seen an Australian company get a default judgment in an Australian court and then not be able to enforce it in China. If your counterparty and the contract is in China and doesn't have assets in Australia, you're going to want a contract that you can enforce in China.

David Bennett: This will often mean it provides dispute resolution in a Chinese court or via an arbitration process, which is going to be enforceable before a Chinese court. Simply having a contract that is enforceable will reduce your risk of your counterparty breaking the contract. If they know you could credibly bring that before Chinese court they're far less likely to break the terms of the contract.

David Bennett: This applies to all sorts of contracts agreements. It might be a manufacturing agreement, import and distribution agreement. Also, non-disclosure agreements. Be aware that an Australian style non-disclosure agreement you can't simply adapt it for China. There's also other aspects to discuss with your legal council such as non useful non-competition and non-circumvention.

David Bennett: Obviously, you're going to need really good Chinese legal advice. So make sure your Australian Council works with Chinese legal council to get this sorts of advice or you could possibly go directly to any international Chinese firm. There are many ways you can seek that legalize, but make sure you have people qualified to give you the advice that you're getting.

David Bennett: I'm going to very quickly go over technology licensing. Just to highlight, China has these technology import and export regulations, which sets certain mandatory provisions for technology licensing contracts to China. These include indemnifying the licensee for infringement and the licensee owing improvements it might make to a licensed technology.

David Bennett: This is an area of legal uncertainty. If you have a contract that doesn't go along with those conditions, there's been no test cases as to whether that will be potentially invalid or not, but this is a really legally complex area. I just want to highlight to these conditions exist. If you are looking at technology licensing into China, discuss with local counsel on the best approach of this.

David Bennett: Trade secrets as the name suggests, are protected by being kept secret. So this means limiting physical access and limiting IT access within a company. It also means having strong contracts in place with your employees and commercial partners, clearly setting out what is considered a commercial secret and penalties for if that is breached. The main risk is generally not an unknown party, but rather a former employee or a commercial partner obtaining that information.

David Bennett: Domain names are not technically an IP right, but they can be really important. It might be a way the counterfeiter decides they're going to reach potential customers. And it can also be the first way that consumers engage with brands. So controlling a Chinese domain name can be very important. It can be worth registering domain names early, ensuring you get that .cn domain name or any other domain name that's important for you.

David Bennett: If someone does register one, do you want, you might let it go, you might buy it back or there's also legal if you believe the person's registered in bad faith that you can be able to pursue. Some of you may have already encountered IP scams on the email. You often see this from China. It's often around trademark registrations. Could be domain names. One we see recurring worldwide is requests for IP office fees. There's also even fake law firms.

David Bennett: Now, some of these are actually legitimate in fact. It's a very clumsy attempt to drum up business by alerting you to potential bad faith trademark registrations, but be skeptical. Google the text. Look for information. Just be skeptical when it comes to this. If you are visiting China, for example, for a trade show to discuss potential business deals, distribution, things like that, then what you're doing is you're advertising your product, your brand, your interest in China. What this does is places your IP at risk in a couple of different aspects.

David Bennett: The main one is trademark squatters. If you're advertising your interest and you haven't registered your trademark yet, then you're at risk of a trademark squatter seeing an opportunity, registering your mark. Unfortunately, I've seen this happen many times, sometimes just weeks or even days after a company has visited China. The other main risk is that if you're displaying your product publicly, for example, the trade expo, it could mean it's too late to register a patent or design. Could be considered a public disclosure. That means you forfeit your right to protect a patent or a design.

David Bennett: So before you go to China for trade fairs, for business discussions, file to register your IP rights in China, especially trademarks before you get on the plane. Some

businesses think they can do small scale tests sales and test the market, see how things go before they invest into IP rights, but I'm afraid that's not a good idea. By doing that you open yourself up again to opportunities for trademarks squatters. So there's no testing the market. If you have any sorts of interests, possibly interest at all, you want to be registering IP in China as soon as possible.

David Bennett: So we've whisked through a lot today. I want to just go back to the core messages again. First, register IP rights in China. Most of the IP issues I see in China could have been avoided through this simple step. The issues, IP issues in China are not so much an enforcement as they are about securing IP rights. Register trademarks, patents, designs and key copyright that you have. Also, consider developing and trademarking a strong Chinese brand that's going to appeal to Chinese consumers.

David Bennett: Make sure your contracts and agreements have been designed to be enforceable in China, reviewed by an experienced China lawyer at minimum or drafted from the outset by them. Actively monitor and enforce your IP rights. IP connect is both a sword and a shield. By registering it, you have the shield, you're protecting yourself from someone else registering your IP. If you are having an issue with infringement, you then want it to act as a sword. Monitor and use the enforcement options available to you.

David Bennett: Finally, the key message underpinning all of this is to seek expert legal advice from lawyers, IP attorneys who've done this sort of work before and know what they're doing. This means may not be your usual Australian lawyer, you may want to ensure they're working with people on the ground to get specialist advice you need. In terms of further resources, we have attached to this webinar three handouts. We've got the protecting your IP in China Guide, which is I think the single most useful resource you can look.

David Bennett: Also linked here, we have our guides searching the trademarks register and also our IP passport for China. We have these and more resources available at our China page on the IP Australia website here, IP.australia.gov.au/china. Once you've gone through these resources, you'll find these pdf guides also I have my email address in there, which is also up here on screen.

David Bennett: I'm always happy to provide guidance and information to businesses on your specific circumstances. You can get in touch with me directly there and I can help you as best I can based on the experiences I've had on the ground in the last couple of years in Beijing.

Casey Martone: I suppose before we finish today's session, Dave, we've got about just under 15 minutes left for our allocation. We have had a question come through around trademarks. And the question is, how long would you expect a trademark examination process to take in China?

David Bennett: Good question. Right now, it's looking at about eight or nine months from when you file into your trademark will get registered. But a key point is that the important thing is the filing date. So once you file your trademark, that will mean your application will have precedence over any later filed applications. Ideally, you will wait until your registration is secured and in place before you proceed with China market entry, but at minimum, you can file your application and get that filing date to protect yourself against later filed applications.

Casey Martone: Okay. Just before we open the session for questions more broadly, we're just going to launch a poll and this is a part of us making sure that the information we present to our small and medium enterprises and our IP professionals that they connect with, obviously hit some marks. While that's up and people can obviously, [inaudible 00:51:28] how satisfied they were with today's presentation that'll be wonderful.

Casey Martone: If there are any other questions that you have, please feel free to pop them into the question module that's on your control panel there. We obviously got about just over 10 minutes left. So it'd be wonderful if we did have any other questions while Dave's available and got the time, he's free to answer them. So I've got a few coming through.

Casey Martone: Sorry. Dave, we've got a question from one of our attendees, so someone had told them recently about raffle like draw in China to determine IP issues. Have you heard of anything like this? Two different owners pick numbers until all are gone and the party with the highest number of wins. That's an unusual and I've never heard that before.

David Bennett: I have not heard of that either. That sounds like a bit of an urban legend. If you have anything to site, please email it through to me. But no, I have not heard of that.

Casey Martone: Thank you. Our next question, how to access a copy of today's presentation. Following today's session, all participants will receive an email with the slides as well as a recording. If that doesn't assist you, please return an email to that email address and we will do our best to help you.

Casey Martone: David, is there a passing off or misleading/deceptive conduct in China? And that's I suppose outside the IP rights activities. So similar to what our triple C would administer.

David Bennett: Yeah, sure. China has the anti unfair competition law, which was reviewed last year and amended, came into force at the beginning of this year. So yeah, actions that will deceive consumers, will violate the law, it has a similar function to our consumer law here in Australia and the thought of passing off. So yes, if you have IP rights secure for example, a trademark right, you can take action under the trademark's law, but you may also simultaneously be able to take action under the anti unfair competition law.

Casey Martone: Okay. Thank you. One question that we have here is that, border control in China seems to be more effective than trademark related matters. How best or what's the advice to use customs and border protection for patents and design registration? Is it a similar process?

David Bennett: Yeah. Excellent questions. So trademarks are relatively easy because you can look at it and determine whether it's infringing. Patents and designs are more complicated. What Chinese customs are very open to is brand owners working with them, going in and helping train them in how to identify IP infringing goods. This is done at the local level rather than the central level. So at key ports.

David Bennett: Depending on what it is, if it's a patent in goods, for example, Guangdong is China's manufacturing base still, Pearl River Delta, you might want to consider going over to key customs offices there, working with Chinese legal counsel who are experienced in training customs officials, but actually demonstrating to them, showing them how to identify the IP infringing goods.

David Bennett: Online platforms such as Alibaba will take action on the basis of patents or designs as well, but it is going to be more work. It's a more complicated case to make out. A yes by all means. You can have action taken on the basis of patents and designs.

Casey Martone: Okay. I just want to know, we have quite a number of questions, so I will do my best to get through most of them. The next question that we have is about IP and the blockchain. Is IP Australia working in or on the blockchain verification with IPs? Is that something you're familiar with?

David Bennett: This is a project we're looking at. Blockchain has potentially some useful applications in traceability of goods from in the supply chain, from start to finish and also in tracking IP rights ownership. This is an area IP Australia is looking at at the moment. Some of the e-commerce platforms, for example, Alibaba and JD, there are Melbourne officers, there are Australia operations looking at incorporating blockchain into their traceability as some private companies and industries.

Casey Martone: Okay. Thank you. We have a question about if you have a patent in Australia and New Zealand, does that prevent you from registering in China? And I think that's probably more question around the application process into the international arena. So how would you go about also securing that patent in China?

David Bennett: Yeah, so generally for a patent if you're interested in applying in many markets around the world, you'd be filing a patent cooperation treaty application, a PCT application. You file that application here with IP Australia and you then have approximately three years to determine which countries you want to proceed with your application in. By that three year limit, you will have to designate

those countries. You have the opportunity, you can put Australia, the US, Japan, China, any others.

David Bennett: But the thing is that that's then your opportunity. Once that window closes, you don't have an opportunity to go back later and patent in another territory. So if you're within that window, you can file national phase entry in China. If you're outside that window, I'm afraid you may have missed a chance. Patent strategies they should be all coordinated a global strategy upfront. And you have to think longterm about where you're going to want to have protection over the potential 20 year course of the patent.

Casey Martone: Okay. Well, we have a question about the Chinese specification system to navigate around Madrid applications. So how complex is the Chinese specification system with respect to the Madrid applications? I'm assuming that's probably around the goods and services classification.

David Bennett: Yes. China has a trademark's subclass system, so uses the same NIC classification, 45 goods and services like Australia, but then breaks it down further within those classes. This means that you have to ensure that the application is crafted such that you're going to get broad enough coverage in goods and services. So for example, clothing class 25, in China is broken down into I think 12 or 15 subclasses. For example, hats are one subclass, socks are another subclass. Neckties are another subclass.

David Bennett: If your Madrid application just says clothing, a Chinese trademark examiner is going to assign what subclass it is relevant for. And you may miss out on some of those subclasses. I don't try to give people information to try and craft a Madrid application to cover all the subclasses because it's really specialist stuff. This is stuff that an IP attorney can advise you on. They can help you decide whether using the Madrid system or filing a direct application is going to be the best option for China and if you're filing the Madrid application, how to do that such to ensure you get your subclass coverage.

David Bennett: Key message, I wouldn't try and do it yourself. Make sure you get IP attorney advice on that.

Casey Martone: We have a question about registering copyright for protecting software programs. What's the consequences of not registering in that instance?

David Bennett: You can register software copyright or any copyright at any time. Not Registering is not an issue like the other IP rights where you can lose rights, but what it means is that when you want to prove ownership of your copyright, you want to have the registration there. If you're suddenly in a situation where you want to show your ownership and you don't have a registration already, you can apply then for the registration and gather the relevant materials. It'll take at least 30 days for the registration, copyright registration to be processed.

David Bennett: The reason you might want to do that up front rather than later is that if suddenly you're in a rush, for example, you find infringing product, that 30 days plus for the copyright registration is going to seem like an eternity. So you don't have to register upfront, but doing so will mean you can take action faster.

Casey Martone: Australia uses obviously the innovation patent scheme, which is [inaudible 01:01:20] innovative step as opposed to re-inventive step. Does China have anything like that? Do they have a lesser pattern threshold for one of their patents?

David Bennett: Yeah, I skimmed over it in the talk about the utility model patent is China's second year patent. It has a lower inventive threshold and a full invention patent and it's valid for 10 years. Like our innovation patent, at present it's not examined, but you will need to have it examined before you can enforce it. So yes, utility model patent have that function and can be cost effective part of an IP portfolio in China.

Casey Martone: Can copyright protection assist in a trademark process or not? For example, if you can't trademark a brand, can you use copyright protections with the logo on visual elements outside the trademark system?

David Bennett: Yeah, certainly. If the logo mark is sufficiently creative, passes a threshold for copyright, then registering your copyright can give you protection. You can enforce it against infringers. You could also assert it against someone's bad faith trademark filing. Yes, that dual protection for a logo mark by copyright and through trademark rights can be very useful.

Casey Martone: Are you able to give us an explanation of how people might access the administrative pathway through to the China patent Office? I suppose we would recommend that they're supported by a patent attorney Australian and possibly a partner in China. Do you agree?

David Bennett: Yes. I'm not quite sure what's meant by the administrative pathway, but in terms of prosecuting a patent application before the Chinese patent office, an Australian paid attorney can work with their Chinese associates on prosecuting the application, addressing any deficiencies, examine or identifies things like that. Yeah. An Australian patent attorney can manage global, all the applications in proceeding within various markets.

Casey Martone: Okay. I'm not too sure about this question. I don't understand myself there, but can you talk a little bit more about tiering? The person who has asked it is saying that they're selling their teaching models through WeChat. Are you able to comment on that one? I'm not too sure. I need more information perhaps.

David Bennett: Probably need more information on that and if it's too much for this session, please feel free to follow up on the email to me.

Casey Martone: Fabulous. Thank you. Just on that administrative process, the person who had asked that was, it's relating to enforcement in the patent office.

David Bennett: Okay. Enforcement is managed at the local level in China, not centrally. Local IP officers are responsible for enforcement on the ground. So for example, the Jiangsu provincial level IP office is responsible for enforcement in Jiangsu province. And then below that at the city level there's also other officials. So Chinese legal counsel can advise you on how to take action, how to we engage with those local authorities.

Casey Martone: Another question we have here, is it risky to purely use a firm in Beijing or China probably more broadly to look after your trademark applications or shouldn't an Australian be looking to use an Australian trademark attorney who works with a partner in China? What I suppose have you seen is the activity for Australians?

David Bennett: Yeah. What I've seen is there's quite a lot of variation in the standard of Chinese trademarks agents and they don't have a registered trademark's attorney profession the same way we do. I find that often Chinese trademark's agents can be quite mechanical in their approach. So if you say, "Can you register this for me?" I say, "Yes, we'll apply for it," and then it might get rejected, but not so much about the creative legal solutions.

David Bennett: I think that's really an area where a good Australian attorney experienced with China can add a lot of value. It's not just mechanical filing of applications that you're doing, it's developing a strategy, it's looking at other approaches, how you might adapt for local conditions. And it's good the Australian attorney can really give a value add there. That you pay a bit more for that, but you'll get what you pay for.

Casey Martone: We've a couple of questions about people seeking the details of IP professionals in China. Is that something that you're able to recommend or how would you go about, I suppose giving advice to Australians about how they might access that IP expertise?

David Bennett: Yeah. First of all, in Australia, we don't play favorites. We can't recommend anyone firm over the other. You can find IP firms here in Australia quite easily and there are patent trademark attorney organizations as well that can connect you with their members. When it comes to China, if you make the decision that you want to go directly to a Chinese firm rather than through an Australian firm as an intermediary, there are some firms that I have received feedback on from Australians and others that I can point you towards if you get in touch directly. There's no one size fits all.

David Bennett: It would depend very much on what you're looking at, but that's if you want to do that you can get in touch with me on the email to a few further points.

Casey Martone: Okay. Sorry, I'm just working through and it's nice to hear an IP Australia representing or recommending attorneys of course, they are a great help to many Australian businesses, so it's very good. Just a few more questions. More specific advice around manufacturing and licensing in China. We've had a couple of requests from people who are interested in understanding specific IP issues around manufacturing in China. So that's great.

Casey Martone: I think we might take that one offline and see how we might look for information to support people, but certainly if you have specific questions about IP issues in the manufacturing context, please send them through. We'd be happy to help those ones offline. And as well as licensing product. So can we talk about licensing a product in China?

David Bennett: Very briefly. Yes, you can register, you can license trademarks, patents, other IP rights in China. It'll be about ensuring it's registered with the correct local authorities. Some things like for example, trademark licensing arrangements need to be registered with local business officers. A Chinese legal counsel can advise you on how to do all of that. Yeah, licensing into China can be a good way for you to drive benefits from the Chinese market without having to do it all yourself.

Casey Martone: Okay. That's all the questions that we've got coming through. There's just a few, they've come through about specific applications in progress in China. I think this absolutely isn't the forum to discuss those. What I would do is invite anyone who is having issues navigating the Chinese system, you obviously have applied for an IP right in China and maybe not having as much success. If you wouldn't mind getting in contact with David directly, Dave will have to take those ones offline.

Casey Martone: Questions have certainly finished there. David, thank you so much for taking the time to host this webinar today. I know it's going to be a valuable resource for many Australian businesses. Again, anyone who is still online who receives a copy of this recording in any of the resources, if you are working with any businesses or know anyone who's entering the Chinese market, absolutely tell them about the information, the resources that IP Australia provides.

Casey Martone: We want to make sure that all Australian businesses in China have the most success and it's about prevention is better than cure. The key message today. Register your IP early.

David Bennett: Yeah, absolutely.

Casey Martone: All right. Well, we're going to close out today's session. Thanks again for attending and we hope you all have a lovely afternoon.

David Bennett: Thank you all.

