

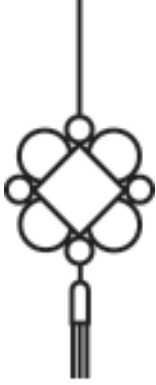


IP protection in China: Tips for Australian wine companies

October 2018

Disclaimer: This guide is not legal advice - you should seek your own legal advice as required.





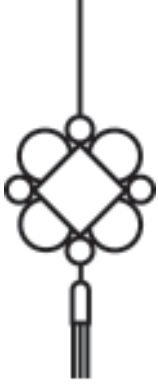
IP protection in China

Australian wine exports to China are booming. For the year ending 30 June 2018, Australian wine exports to Greater China (mainland, Hong Kong and Macau) were valued at \$1.12 billion, up 55% year on year. In fact, Greater China comprised 40% of total wine export value - more than the USA, UK, Canada and New Zealand combined. Australian wine enjoys a high quality reputation with Chinese consumers, and wine tariffs are set to be completely eliminated on 1 January 2019 under the Australia-China Free Trade Agreement. There are still many opportunities in China for Australian wine exporters, and an intellectual property (IP) and brand protection strategy is key to success in the Chinese market.



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Tips for Australian wine companies

Protect your brand by registering trade marks in China

A trade mark is the IP right used to protect a brand. If you do not have a registered trade mark in China, your brand is not effectively protected, and is potentially vulnerable to trade mark squatters.

Mainland China has a first to file trade marks system. Trade mark squatters can take advantage of this by registering others' trade marks in order to sell them to the original company at an inflated price, or sell their own products under that brand. The most effective way to avoid such bad faith trade mark filings is to register your own trade marks in China as early as possible. Consider registering if there's even a small chance you may wish to export to China in future. A trade mark can be registered in China whether or not it's being used, so you can apply ahead of entering the market, ideally before publicly revealing any new brand or label.

If your trade mark is a logo, you may also be able to seek copyright protection by filing to record the copyright with the Chinese copyright authorities. Copyright can be a useful additional tool to tackle bad faith trade mark registrations and enforce against infringers.

Case study: Penfolds

Penfolds is one of Australia's most renowned wine brands and one which has experienced phenomenal success in the China market. The Chinese character mark which has been used for Penfolds since its introduction in to the Chinese market in the early 1990s is 奔富 bēn fù. However, Treasury Wine Estates, the owner of the Penfolds wine brand, did not seek to register this mark in its name until 2011 at which stage a trade mark squatter had already registered the mark in relation to wines. In a costly legal battle that has continued from 2011 to 2018, Treasury has finally invalidated the hijacker's registered rights and is now successfully pursuing the registration of its own mark.



Lesson: consider selecting and registering both your English and Chinese trade marks prior to entering into the Chinese market or exhibiting at trade fairs.

Consider a Chinese language brand

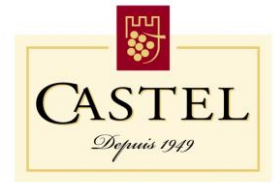
Consider developing a Chinese language brand and protecting it through a registered Chinese trade mark. Your Chinese brand could be a transliteration and/or translation of your English brand, or a completely new name specifically for that market. It is often advantageous to consult with branding professionals to develop a brand that is appealing to Chinese consumers. Examples of Chinese language branding of Australian wines include:

- Penfolds 奔富 bēn fù
- Jacob's creek 杰卡斯 jié kǎ sī
- Yellow Tail 黄尾袋鼠 huáng wěi dài shǔ

Case study: Castel

Castel wines, Europe's largest wine producer, registered CASTEL as a trade mark in China, but didn't develop or register a Chinese language trade mark. Castel's Chinese partners used 卡斯特 Kǎ sī tè, a transliteration of Castel, on back labels, advertising and customs documentation. An unrelated company registered 卡斯特 Kǎ sī tè as a trade mark in China, and sued Castel for infringement. In a legal saga that ran from 2002 to 2016, Castel ultimately lost, and was fined for trade mark infringement. In addition, Castel had to develop a new Chinese language brand.

Lessons: be aware how your wine brand will be represented on Chinese labelling, advertising and customs documentation. Consider developing and registering a Chinese language trade mark in addition to your English brand and any logo marks.



卡斯特 Kǎ sī tè

Search the Chinese trade marks register

China has over 15 million registered trade marks in force, so it's important to check if someone else has already registered a mark identical or similar to your own. Identifying conflicts from the outset can:

- identify bad faith filings
- reduce your risk of infringing other trade marks
- save you from wasting time and money on applications likely to be rejected.

As part of your research, you can do a preliminary search of the Chinese trade mark register for existing registrations and applications. To help you get started, see our [Guide to searching the Chinese trade marks register](#) available at www.ipaustralia.gov.au/china.

Consider consulting a trade marks attorney experienced in Chinese trade mark law for a professional search.

What if someone has already registered your trade mark?

If you find someone has registered your trade mark, you generally have several options. You might:

- negotiate to buy it from them
- oppose the registration or file to invalidate the trade mark (noting success rates are generally low)
- re-brand for the Chinese market.

If you find your distributor or business associate has applied to register your trade mark without your consent there are measures available to you to challenge the trade mark.

How to register trade marks in China

There are two ways to register a trade mark in China:

1. File a direct application with the Chinese Trademarks Office (CTMO);
2. Extend protection of your Australian trade mark into China using the Madrid Protocol.

Registering your trade mark in China can be complex, and success rates for self-filed applications filed through either route are low. We strongly recommend seeking the advice of a trade marks attorney with expertise and experience filing in China. Your trade marks attorney can guide you on the most appropriate filing method as part of your overall trade mark and business strategy. For more, see our blog post on [Registering trade marks in China](#).

Be aware that mainland China, Hong Kong, Macau and Taiwan all have separate legal systems. Trade marks need to be registered separately in each territory in which you are seeking protection.

Be cautious of distributors or business associates who offer to ‘take care of’ your trade mark registrations on your behalf. You should manage the process yourself, and ensure the trade mark application is made in your company’s name.

In addition to registering your trade mark in relation to wine products (trade marks class 33), you may want to register your trade mark in relation to other goods or services you wish to prevent others using your brand on. Be aware that anyone may apply to have a Chinese trade mark cancelled if it is not used in China for a period of three years following registration. Your trade marks attorney can advise you on maintaining your registrations.

Monitor for infringement and enforce your IP rights

IP is a private property right, so you’re responsible for monitoring and enforcing your own IP. Monitor for infringing goods on e-commerce platforms such as Alibaba’s Taobao marketplace, and JD.com. If you find infringing goods, use the platform’s online IP protection portals to file take-down requests on infringing sellers along with evidence of your registered Chinese IP right (trade mark, copyright or other). If you’re encountering a large volume of infringing listings, it may be more efficient to engage a specialist online brand protection service to perform this work. Such services can be engaged through law firms or directly. Law firms and investigators can also document evidence of infringement and build a case to bring to local enforcement authorities.

Copycat Australian wines

Australian bulk wines exported to China may have labels that are deceptively similar to well-known Australian wines, such as Penfolds. Australian wine exporters should seek to understand how their customers will market their wines in China. Where possible, exporters should insist on their customers providing copies of consumer facing labels and review both English and Chinese character marks on the labels so they can assess if there are conflicts with Chinese character marks of known Australian brands, such as 奔富 bēn fù.

Under the *Wine Australia Regulations 2018*, Wine Australia may suspend an export license if an exporter’s actions in export markets are likely to affect adversely the reputation of Australian wine.



BENFORDS wine

China visits and trade fairs

Visiting China for market research or business discussions, or exhibiting your product at international trade fairs can advertise you as an attractive target for trade mark squatters. It’s not unusual for companies to return to Australia to find bad faith trade marks have already been filed. To reduce this risk, consider registering trade marks in China before visiting China or exhibiting at trade fairs. You can also use trade fairs as an opportunity to identify IP-infringing products.

Make sure your contracts are enforceable in China

China doesn’t enforce foreign court judgements, meaning that a contract that provides for exclusive dispute resolution in an Australian court is unlikely to be enforceable in China. Ensure that contracts have been carefully drafted or reviewed by a Chinese lawyer to make sure they will be enforceable in China. This will often mean the contract provides for dispute resolution in a Chinese court, or through an arbitration process that can then be enforced before a Chinese court. Having an enforceable contract should reduce the risk of the contracting party breaching the contract.

Seek experienced legal advice

An Australian trade mark attorney 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.

Wine Watch: Reporting non-compliance

Wine Australia works hard to protect the reputation of Australian wine. If you see a suspect label or anything else that you think might compromise the reputation or integrity of Australian wine, you can alert Wine Australia through their Wine Watch portal. The online form allows you to make complaints or report non-compliance either openly, or anonymously. <https://www.wineaustralia.com/au/wine-watch>

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>

In particular, IP Australia's [Guide to protecting your IP in China](#) contains many key messages in a single document and links to more detailed resources.

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

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