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What small- and middle-sized European enterprises can do to cope with IP infringements in China

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Most of the cases that we have deal with recently indicate that how to act against IP infringements in China is still a question that small- and middle-sized enterprises (hereinafter referred to as “SMEs”) of Europe asked us for suggestion most frequently. Specifically, European SMEs are most concerned about what type of IP right they can claim to advantageously respond to Chinese infringers and what procedures they should take to do that.

We, as an IP agency, have accumulated some experience over the years, and here suggest some approaches that we think SMEs could take when their IP rights are infringed in China.

1. Patent Protection

(1) Since European and US patent information is freely accessible to Chinese enterprises and individuals, it would be better that SMEs apply for patents for their invention-creations in China before disclosing them elsewhere in the world. A Chinese patent application for invention must go through the procedure of substantive examination prior to the grant of a patent. So, if SMEs have their invention-creations known to the general public before applying for invention patents—which behavior anticipates the invention-creations, it is hard for their invention-creations to get patent protection in China.

Suppose that there is a SME’s invention-creation that concerns mechanical improvement on some aspect such as the shape of an internal component and the connection relationship between internal components. If the SME does not apply for a patent of any type, it would be faced with difficulties in asserting a copyright on the invention-creation due to its lack of originality. In that case, there is a way worth trying: upon finding an infringing product on the Chinese market, the SME files a patent application for utility model before the SIPO.

That patent application for utility model may be written in such a way that its claims cover the SME’s own products and infringing products. Because a patent application for utility model does not have to be subjected to substantive examination, the SME probably gets a patent in a short time (typically one year). Admittedly, that patent right is not robust and that approach seems to be a risky thing because the invention-creation lacks novelty. However, for a SME having no alternative to claim a right, that approach deserves a try because a patent application for utility model is less costly and a utility model patent is almost the same as an invention patent in its efficiency.

When the SME files a patent application for utility model before the SIPO and really gets the corresponding patent, it may send the infringer a cease-and-desist letter or file a lawsuit. The infringer quite likely stops the infringement for fear of a charge of infringing the utility model patent. Even if the infringer files a request for invalidating the patent, there are methods that we can use to exert pressure on the infringer so that it seeks reconciliation.

(2) A piece of work of design automatically gets protection of three years in Europe. Hence, some SMEs first disclose their works of design on the Internet. However, a piece of work of design from a SME will not get protection in the form of a design patent in China if the SME does not apply for a design patent in China before it has the work known to the general public anywhere else. Because a patent application for design also does not have to be subjected to substantive examination, like the approach we suggest above, the SME may consider filing a patent application for design before the SIPO after finding infringements.

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Moreover, if someone files a patent application for design before the SIPO based on the work of design that the SME has first disclosed online, the original designer will find it hard to invalidate the design patent. That is because in comparison with patent documents or other publications, the authenticity of website links is usually questioned and difficult to prove. If a SME hopes the authenticity of online evidence to be recognized, it is critical to prove that information about the evidence—including its contents per se and release date—has not been amended since the upload. To prove the authenticity of online evidence formed overseas, it is necessary that a local notary organization notarizes it and the Chinese embassy or consulate certifies it.

In addition, the SME may use its copyright to warn the infringer that his patent is likely to be invalidated. That way, the SME may have the patent assigned to itself for a low price from the infringer—who applied for the patent out of malice.

2. Copyright

When a SME finds its advertising pictures or files being used by others without authorization, it may assert a claim on its copyright and requires the infringer to delete the related pictures or files from his website and catalogue. If an infringer even uses a SME's pictures, photos or publicity materials in selling his products so that buyers mistake the infringer's products for the SME's, the SME may accuse the infringer of false and misleading advertising.



A copyright automatically forms upon the completion of a piece of work. But the holder of a copyright, especially a SME, is still faced with the problem of how to prove he, not anybody else, is the original creator of the work, subject to the principle “He who asserts must prove”, when he files an infringement lawsuit. Registering a copyright is effective evidence to prove who the proprietor of the copyright is. If a SME does not register its copyright in China, it would be difficult for it to assert its right in case of infringements. Then, the SME might have to provide more evidence to prove, for example, that it is the actual holder of a copyright on a picture or photo used by an infringer. Such evidence includes, for example, the manuscript or original of the work, a legitimate publication, and a contract based on which the copyright is acquired. Every piece of such evidence needs to be notarized and certified. Besides, if the infringer registers the infringed work in China earlier than the SME does, it will be harder to prove who the actual proprietor is.

Copyright registration is not essential to asserting a copyright, but if a SME registers its copyright and obtains the corresponding certificate of registration in China, it might use the certificate as preliminary evidence of the ownership and completion time of the work. That way, asserting the copyright becomes easier.

3. Trade secrets

Trade secret infringement is usually a more serious problem for most SMEs because they have a high employee turnover rate, imperfect management of trade secrets, limited implementable budget, etc. A leading problem that faces SMEs is the disclosure of trade secrets by former employees, whether deliberately or unintentionally.

If a SME discovers that the infringer is really a former employee, the first thing it has to do is determining whether the employee stole its trade secret, such as a product drawing, specific configuration of a product that is neither mentioned in a patent concerning the product nor disclosed in the product's introduction, and information about clients or would-be clients. If it is determined that the infringer is a former employee, the SME might accuse him of trade secret infringement. At this time, however, collecting sufficient evidence is anything but a piece of cake.

A SME might adopt the following methods to prevent its trade secrets from being disclosed: (1) Build an in-house management system of trade secrets and gradually perfect it, including such measures as signing confidentiality agreement with all the employees and trading partners, attaching confidentiality identifiers to all the secret information, reducing the number of employees who can get access to trade secrets; (2) Strengthen training the employees so that they are aware of the necessity for protecting trade secrets and the responsibility for disclosing them; and (3) Notarize and archive information about trade secrets and confidentiality at regular intervals, so as to preserve evidence to prove that the SME is the owner of those secrets.

Additionally, if a SME has signed a non-compete agreement with an employee and paid compensation in accordance with the agreement when

the employee left the enterprise, the SME might assert infringement on the contract once finding the employee's infringement. If the employee has filed a patent application in China based on an invention made during his tenure of office, it would be better that the SME provides some supportive evidence to prove that there was an employment relationship between them—e.g., a formal contract of employment and documents attesting payment of salary and insurance by the enterprise; and to prove the invention was made during the employee's tenure of office or made after he accepted the SME's assignment, thus the patent should be owned by the SME for it was a service invention.

4. Suggestions

- (1) Apply for a patent, or register a trademark, a piece of work or the like, and preserve evidence as early as possible;
- (2) Do not tolerate but act against the infringements in China as soon as possible, so as not to expand the losses or increase the difficulty in right safeguarding;
- (3) Decide proper measures against anyone's having applied for a patent or registered a copyright or trademark in bad faith as early as possible, for example, by submitting a request for invalidation or asserting property ownership, so as not to have the true owner's business and manufacture interfered by those illegitimately acquired rights; and
- (4) Get or hold a proper IP right, which would prevent most infringements in China. Entrust an infringement dispute to a professional IP lawyer in China, and then twice as much can be accomplished with half the effort.



樱的花 樱的叶

Linda LIU
President
Linda Liu & Partners

风告诉雨，你先去，
看看那樱，开的是否开心。

雨，害羞、迷惑又犹疑，
怕花，又想吻她。

花，望着雨，轻声问树，
为什么，不让叶，也来守护我。

树，哽咽，却无语。

花的心，叶的魂，雨的急，风的想。

花告诉叶，都是因为我，也是因为你。

2017. 04.21

注释：绚烂如樱。你是否在意过其花、叶、风、雨之间的故事？风对花的向往和注目、雨对花的爱慕与怜惜、花之烂漫、叶之风姿。树无奈，香消玉殒时，方能见碧绿如痴。命运如此，珍重当下。

Petals and Leaves

April 21, 2017

Wind blew: dear Rain, please go first to know
Sakura blossoms happily or in sorrow

blush and puzzle,
Rain to kiss petals but hesitated to go

Gazed up at rain, Petals asked Tree
Why you make leaves and me part when I feel cold

Tree choked in silence

Petals' longings, Leaves' soul
Rain's haste, and Wind's hope

Petals told leaves, All of these
It's to blame me and you.

In this wonderful season with blooming Sakura, Linda hopes to tell you a beautiful story among Sakura's petals, leaves, wind and rain. Wind admires and cares about petals. Rain loves and treasures petals. Petals are beautiful and innocent. Leaves are graceful and peaceful. Tree felt helpless and he has no chance to fight against fate. Leaves could flourish in luxuriantly green only if petals fade away. The best we can do is to live in the moment and cherish the moment!

(The above comments are made by Ms. Vera WEI, who was Linda's secretary and now works as a trademark attorney.)

