

Protecting your IP in China – partnering a Panda or riding the Tiger?

By Spoor & Fisher, South Africa

Thanks to a combination of low costs and enormous production capacity, China has become the source-of-choice for brand owners the world over. It can, however, be fatal to assume that simply because your intellectual property is protected in South Africa, the same applies as far as your production partner is concerned.

Before saddling up the Tiger, it is imperative that you interrogate the critical IP-related issues involved in sourcing branded goods from China.

Q: I source my goods from China. Is it necessary to protect my trade marks in China?

A: There are numerous instances of non-Chinese and Chinese companies paying substantial amounts of money for registered brand names/trade marks in China. For example, Apple is reported to have paid in excess of US\$3 Million for the iPhone trade mark in China. If you plan to source goods bearing your trade marks from China it is vital that you first protect your trade marks, before proceeding any further.

Q: What are the practical benefits of registering my trade marks in China?

A: Registration can prevent someone from “hijacking” your trade marks in China. Registration of trade marks in China is the first step in the process of preventing potential counterfeiters from manufacturing products bearing your trade marks in China. Potentially, you could stop the counterfeiting at the source rather than fighting counterfeit problems in several different countries across the globe.

Q: What are the possible difficulties that I may face if I do not protect my trade marks in China from an early stage?

A: Someone may file trade mark applications and obtain rights in your trade marks. This normally includes competitors, factories, distributors, business partners and unrelated third persons. Once a third person obtains registration of your trade mark in China, you are potentially infringing another person’s trade mark rights. This means that the goods that you manufacture in China may be seen as infringing goods or even counterfeit goods. As a result, you may be prohibited from manufacturing/sourcing in China – resulting in disruptions to your entire supply chain.

Q: From a trade mark perspective, have South African companies that source goods from China faced difficulties in that country?

A: Across all sectors, a number of South African companies have faced difficulties in securing trade mark rights in China. Certain companies have received a nasty surprise after sourcing goods from their suppliers for several years, only to discover that their trade mark is now proudly owned by someone else. In some instances the trade mark is owned by someone who has a connection with the former supplier but the relationship is difficult to prove.

Q: How long does it take to obtain a trade mark registration in China?

A: The average time from filing a trade mark application to obtaining the trade mark registration certificate in China is approximately two years.

Q: If my supplier obtains registration of my trade marks in bad faith is there a remedy?

A: You may be in a position to institute litigation on bad faith provisions under the Chinese Trade Mark Law. However, bear in mind that the cost of such litigation in China can be prohibitive and the onus of proof is often difficult to satisfy.

Q: Will one trade mark application cover China, Hong Kong and Taiwan?

A: No, separate trade mark applications must be filed in each territory. As Taiwan (and to a lesser extent Hong Kong) is a manufacturing giant in its own right, it would be advisable to protect your trade marks in these territories as well.

These points cover the most important questions that should be answered in order to ensure that your greatest asset is properly protected, that risks are limited - and that your ride aboard the Tiger is safe and profitable. Spoor & Fisher is well positioned to assist you in protecting your trade marks in China, as well as all other aspects of the venture involving intellectual property.

Should you require and further information in this regard please contact Spoor & Fisher at +27 12 676 1111 or info@spoor.com