



EXPANDING YOUR TRADEMARK INTO CHINA: AN INTA GUIDEBOOK FOR SMALL AND MEDIUM ENTERPRISES

Publication: February, 2016

Introduction

For any brand owner, entering a new market is challenging. Preparing to do business in the People's Republic of China is especially challenging because of historically high levels of trademark counterfeiting. For Small to Medium Enterprises (SMEs), the task of assessing the legal risk of entering China can be especially daunting.

With these challenges in mind, INTA wishes to help and support its membership with these guidelines for building an anticounterfeiting program in China. To build such a program, brand owners need knowledge about the basic legal framework in China relevant to enforcement of trademarks. This SME China Anticounterfeiting Toolkit is intended to provide a brief overview of those elements of China's legal landscape that are necessary for developing a practical, efficient and cost-effective anticounterfeiting program in China. This Toolkit includes a summary of China's particular trademark registration and customs systems, an overview of the primary enforcement options available to SMEs, and some guidance as to when and how these options are likely to be most useful. It concludes with a quick summary of best practices—those items that should guide SMEs in using these tools to craft an appropriate and proactive anticounterfeiting program in China.

Background: Global/Industry Statistics on Counterfeiting

Trademark counterfeiting costs global businesses billions of dollars each year in lost revenue. A 2011 study commissioned by Business Action to Stop Counterfeiting and Piracy estimated that the total value of counterfeit and pirated products in 2008 amounted to between \$455 and \$650 billion.¹ It was further estimated that counterfeiting causes the loss of 2.5 million jobs worldwide, and costs global economies and consumers \$125 billion each year.² What is worse, these cost estimates are considered conservative, as tracking counterfeit products and the indirect costs on global economies is difficult. Projections are that in 2015 the global value of counterfeit and pirated goods could be \$1.77 trillion.³

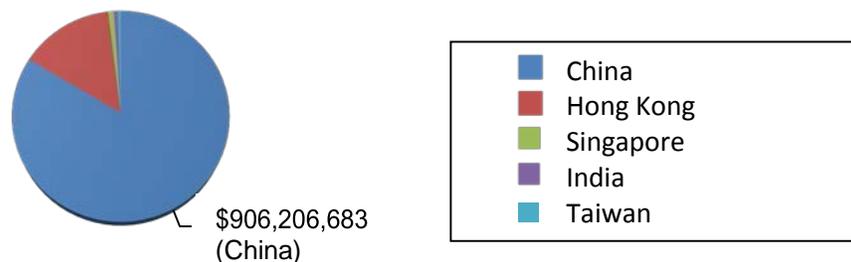
“In 2008, the World Customs Organization, reporting on data collected from 121 countries, found that 65% of the total of counterfeit shipments detected departed from mainland China, accounting for some 241 million pieces seized globally.”

United Nations Office on Drugs and Crime, *Counterfeit Products* (June 16, 2010), at 177, http://www.unodc.org/documents/data-and-analysis/tocta/8.Counterfeit_products.pdf

In the United States alone, China trademark infringement cost businesses an estimated \$6.1 billion in 2009.⁴ Additionally, the United States International Trade Commission estimated that increased intellectual property rights enforcement in China could save the United States 2.1 million jobs and could increase profits earned by U.S. firms by between \$12.2 and \$62.1 billion.⁵

As this chart indicates, a large majority of foreign seizures of counterfeit products occurs in China⁶:

Value of Intellectual Property Seizures from
Top Five Economies: 2012



¹ Frontier Economics, Ltd., *Estimating the Global Economic and Social Impacts of Counterfeiting and Piracy* 46 (2011).

² *Id.* at 47-48.

³ International Chamber of Commerce, *Impacts of counterfeiting and piracy to reach US \$1.7 trillion by 2015* (Feb. 2, 2011), [http://www.iccwbo.org/News/Articles/2011/Impacts-of-counterfeiting-and-piracy-to-reach-US\\$1-7-trillion-by-2015/](http://www.iccwbo.org/News/Articles/2011/Impacts-of-counterfeiting-and-piracy-to-reach-US$1-7-trillion-by-2015/).

⁴ U.S. International Trade Commission, *China: Effects of Intellectual Property Infringement and Indigenous Innovation Policies on the U.S. Economy* 3-31 (May 2011).

⁵ *Id.* at 4-4 – 4-5.

⁶ U.S. Customs and Border Protection Office of International Trade, *Intellectual Property Rights Fiscal Year 2012 Seizure Statistics* 22-23 (2012), <https://www.iprcenter.gov/reports/fact-sheets/ipr-fiscal-year-seizure-statistics-2012/>.

The impact of such counterfeiting is not limited to large corporations. Owing to limited resources and experience, the products and trademarks of SMEs often are being counterfeited, in countries such as China, before the owner of the intellectual property even begins the process of establishing its intellectual property rights in the counterfeiting country.⁷ This can ruin the SME's entry into China before it has even begun.

Distinguishing Trademarks from Other Intellectual Property and Defining Counterfeiting

The three basic forms of intellectual property are patents, copyrights and trademarks. Patents protect "inventions" and "utility models" and grant an inventor of a novel, useful and non-obvious device or process "the right to exclude others from making, using, marketing, selling, offering for sale, or importing an invention for specified period of time."⁸ Moreover, under the title "patents" are protected "designs" that possess aesthetic appeal and are fit for industrial application. A copyright is the property right that exists in original works of authorship "giving the holder the exclusive right to reproduce, adapt, distribute, perform, and display the work."⁹ A trademark is a word, name, phrase, logo or design, or any combination thereof, used to distinguish the goods or services of one business from those of another and to indicate the source of those goods or services.¹⁰ Trademarks are essential to businesses that seek to distinguish their products and/or services from those of their competitors.¹¹

Counterfeiters seek to capitalize on the trademarks of other businesses by creating duplicate or replica products in an attempt to confuse consumers as to the actual source of the products. Counterfeiting has been defined in a number of ways, yet, at its core, counterfeiting is the making of a product that so closely resembles the product of another as to cause consumers to believe that it is the other's product.¹² "Counterfeiting is 'hard core' or 'first degree' trademark infringement and is the most blatant and egregious form of passing off."¹³

⁷ *Supra* note 3, at 3-15.

⁸ Black's Law Dictionary (9th ed. 2009).

⁹ *Id.*

¹⁰ *See id.*

¹¹ *Id.*

¹² *See* Nils Victor Montan et al., Trademark Anticounterfeiting in Asia and the Pacific Rim 10 (INTA 2001).

¹³ *Id.* at 11 (citation omitted).

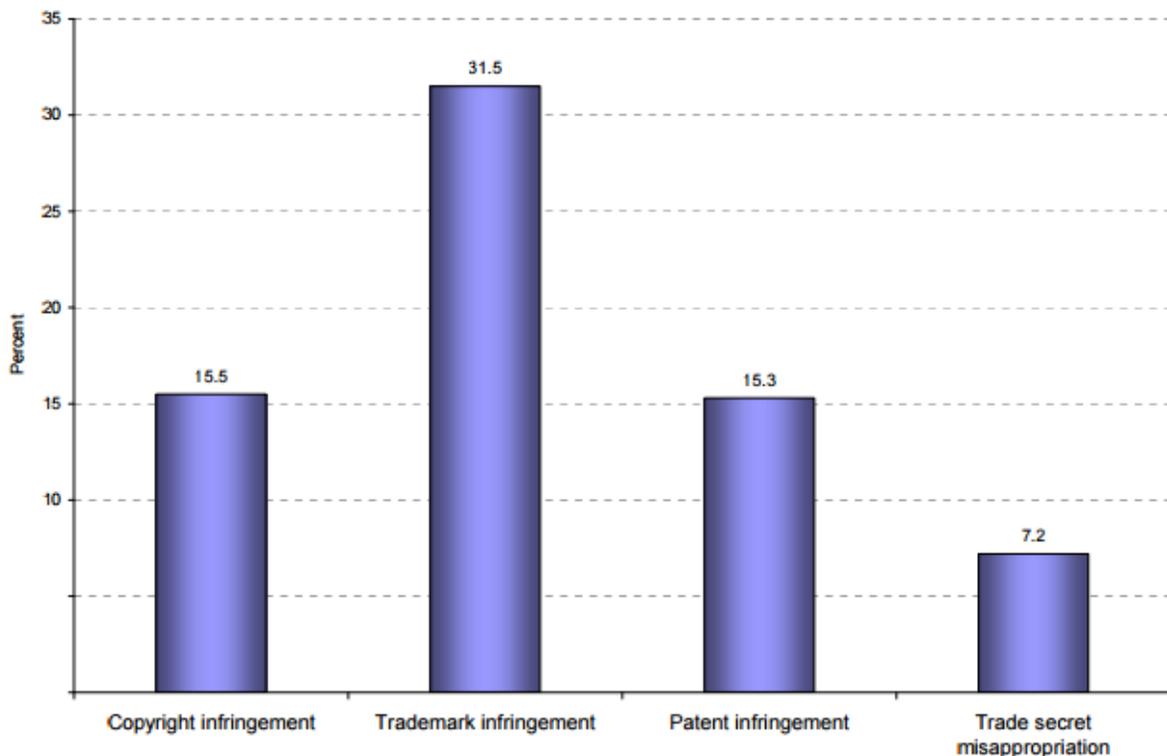
Primary Issues in Establishing an Anticounterfeiting Program

Registration of Trademark Rights

An SME's IP rights (i.e., trademarks, patents and copyrights) are the primary tools found in its anticounterfeiting toolkit. For an SME, nothing is more important than a registered trademark for fighting counterfeiting.

Although trademarks, patents and copyrights are all used to fight counterfeiting, China's laws, regulations and enforcement mechanisms relating to counterfeiting favor the use of trademarks for dealing with counterfeiters. This then leaves copyrights and patents as more of a complement to trademarks in combating counterfeiting.

FIGURE 3.5 U.S. firms experiencing IPR infringement in China: Type of Chinese IPR infringement experienced worldwide



Source: USITC staff calculations of weighted responses to the USITC questionnaire.

Note: Shares do not total 100 percent because respondents may have indicated losses due to more than one type of infringement.

In terms of trademark rights, China's laws and regulations make a distinction between registered and unregistered trademarks. The end result is that registering its trademarks is virtually essential for an SME to combat counterfeiting.

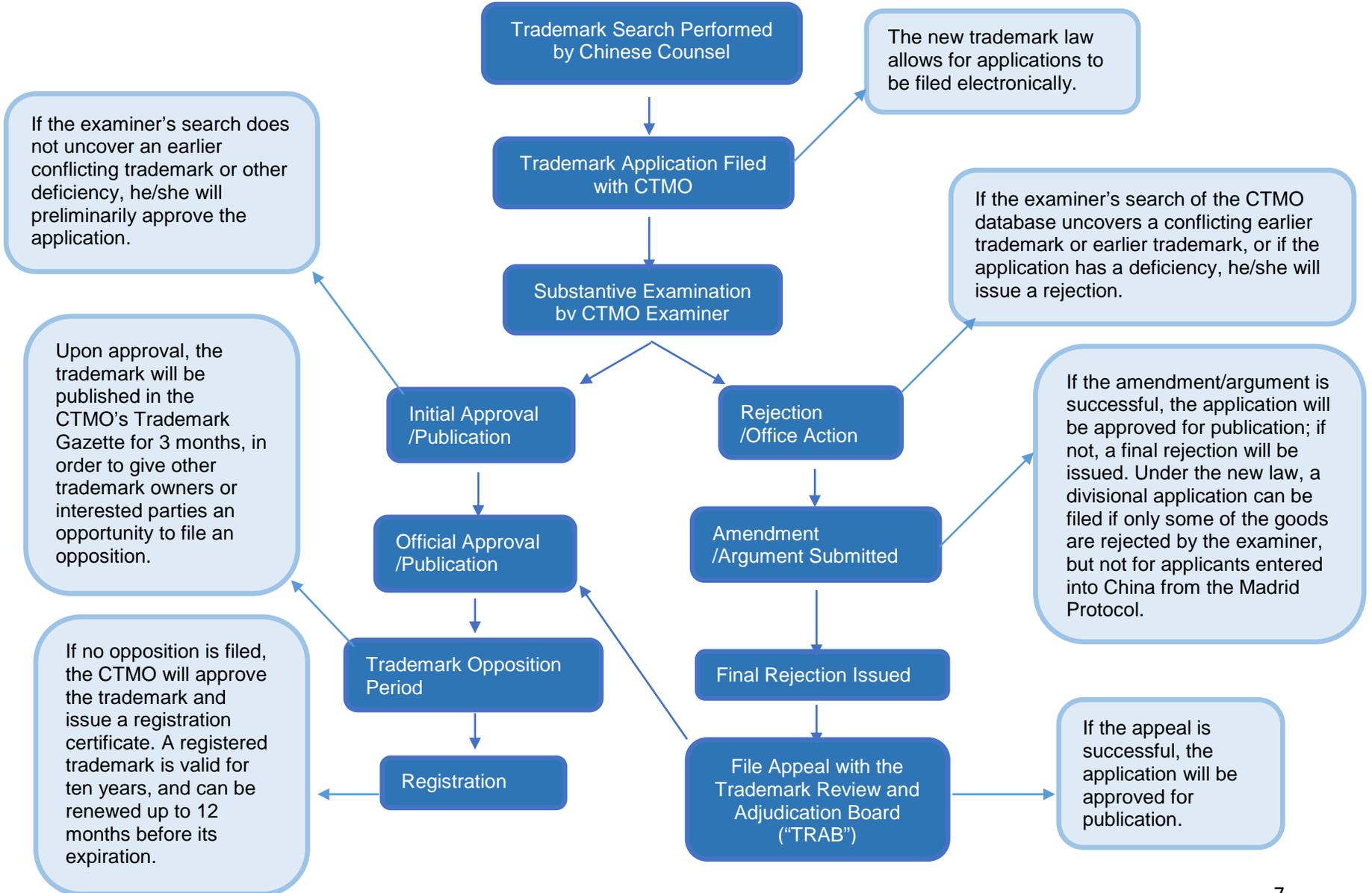
How to Register a Trademark in China

Registering a trademark in China begins with filing a trademark application with the China Trademark Office (CTMO). The application must include (1) details identifying the applicant (written in Chinese), (2) an original power of attorney and a signed copy of a certificate of incorporation, (3) the trademark to be registered and (4) the “type of goods” with which the trademark will be used. To ensure that a trademark registration provides the owner sufficient protection against counterfeiters, the “type of goods” should be listed on the application with precision (e.g., “Clothing” vs. “Clothing, namely, shirts, socks, dresses, belts”). A straightforward trademark application typically takes approximately 15 to 18 months to gain registration if no significant issues arise.

China has a “first to file” trademark registration system, meaning that the earliest-filed application can claim a right to a trademark to be used with its specified goods over all later applications for the same or a similar mark to be used with the same or similar goods. Trademark rights can be obtained in China only by registration unless the mark is deemed famous in China, which is a very difficult standard, and prior use of a trademark will not trump a subsequent registration. Thus, being the first to file is critical.

INTA strongly recommends that an SME obtain professional advice for preparing its China trademark application and having a trademark search performed. This will help ensure that the SME's trademark application complies with formal requirements and that its trademark is adequately protected when registered, and it will alert the SME to actual or possible conflicts.

Trademark Registration Process



Time Limits for Examination and Oppositions

The new trademark law of China, which became effective on May 1, 2014, imposes time limits for examination and opposition during the prosecution of a trademark application. The new time limits are as follows:

- Preliminary approval/provisional rejection must be issued within 9 months from the date of filing of the application.
- If a rejection is issued refusing the trademark application and an applicant files a review of the rejection, the Trademark Review and Adjudication Board (TRAB) must issue a decision within 9 months of the filing of the review.
- If an opposition is filed, it must be decided within 12 months from the expiration of the date of publication.
- If a review is filed against an opposition decision, it must be decided within 12 months from the date of filing of the review.

There are no time limits in non-use cancellation procedures for applicants trying to cancel a mark that is impeding their trademark application(s). For this reason, it is still important to run a preliminary trademark search, as recommended by INTA, prior to filing a trademark application.

When to File a Trademark Application

Bearing in mind that an effective anticounterfeiting program is dependent on a registered trademark, filing a Chinese trademark application as soon as possible and practical is essential. The lack of a registered trademark will leave an SME entering the China market with limited options for dealing with counterfeiting. As a general rule of thumb, application for a trademark registration should take place **before** an SME's China market entry (and at the earliest opportunity; see Bad-Faith Trademark Filings, below) and should take into consideration that it will take at least 12 months, if not longer, for an application to mature to a registered trademark.

Bad-Faith Trademark Filings

China has adopted a strict first-to-file trademark system and a very narrow interpretation of bad faith concepts. These features, together, make China's trademark system ripe for abuse by trademark squatters (i.e., persons who apply to register trademarks belonging to others with the aim of selling the registered trademark rights back to the legitimate trademark owners at an inflated price).

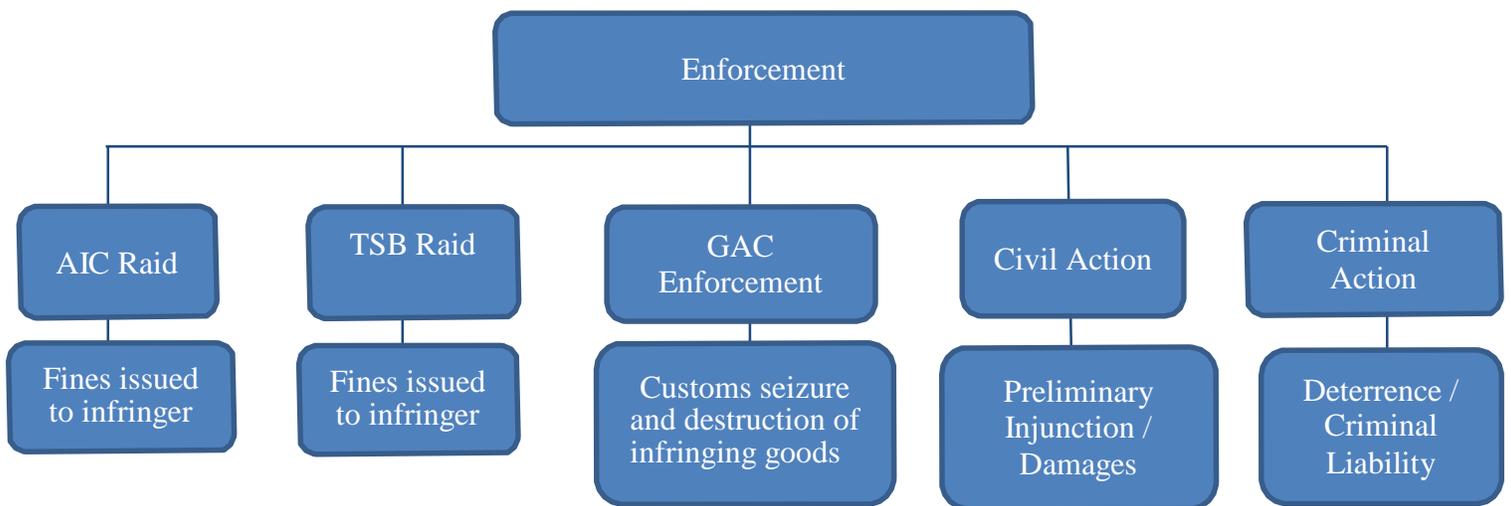
Trademark squatting has been and continues to be a serious problem for trademark owners under China's trademark regime. It is, therefore, not uncommon for companies to learn that their trademarks have been misappropriated by a third party in China, which not only may delay or frustrate enforcement efforts against counterfeiting but even may put at risk the market penetration for products/services bearing the squatted trademark.

We recommend that trademark owners file trademark applications for their core marks at the earliest opportunity, and ideally when first contemplating entry into the China market, in order to avoid becoming the victim of a trademark squatter.

Enforcement Mechanisms and Options

Trademark rights holders have both civil and administrative recourse against infringers in China. The sections that follow below are intended to equip SMEs with basic tools for navigating enforcement options, and for making practical decisions as to how to employ these options in light of specific instances of infringement.

Below is a chart graphically displaying an SME's options for trademark enforcement in China, as well as the remedy typically granted when goods are found to be counterfeit:



ENFORCEMENT

CUSTOMS RECORDALS AND ENFORCEMENT

Unlike most countries, which have customs officials preoccupied with seizing counterfeit goods entering the country, China is one of only a few countries that grants its customs officials the power to seize counterfeit goods that are export bound. This feature of China's customs enforcement can be very effective for SMEs wishing to curb the export of China-made counterfeit goods to other countries.

Recordal of IP Rights at the GAC

Enforcement by China Customs requires recordal of an SME's intellectual property rights with the General Administrations of Customs of China (GAC). Trademarks, copyrights and design patent rights are all acceptable for recordal with the GAC. For trademarks registered in China through the Madrid Protocol, a registration certificate in Chinese must be obtained before the trademark can be recorded with the GAC.

An SME with a China presence can directly file a GAC customs recordal through its China office. If an SME does not have a China office, it must entrust an agent to do the recording.

Recordal should be applied for through the GAC's online filing system. The following documents and information are necessary:

- Name, nationality, address and contact information of the IP holder (Customs will contact this individual in any suspected cases of infringement).
- Details of the IP rights to be recorded, including copy of registration certificate in Chinese.
- Copy of certificate of incorporation or other documents in proof of the identity of the IP holder.
- Proof of remittance (a fee of RMB 800 must be received before the application is approved).
- Power of attorney (if the applicant is based outside mainland China).

The applicant can also submit online the following documents and information. Though the following is not a necessity, it can increase the chances of successful seizure and avoid mistaken seizure.

- The names of licensees and goods licensed
- Manufacturer, importer/exporter, features, price of goods known to infringe upon the rights holder's IP rights.
- Photographs of relevant goods and packaging.
- Any evidence related to any known import or export of infringing goods, or any legal documents related to court rulings involving an infringement dispute.

If any of the documents are in a language other than Chinese, a Chinese translation must be provided.

The GAC will decide whether or not to grant recordal of an IP right within 30 working days of receipt of a completed application.

Keep a Current List of Licensees at the GAC

An SME should maintain a list of authorized licensees with the GAC; these authorized licensees will be permitted to import or export goods bearing the SME's recorded IP rights.

The authorized licensee list should be kept current, with new suppliers immediately added to the list to avoid seizure of authorized goods at the GAC and terminated licensees removed to prevent their abuse of the SME's IP rights.

In 2009, the General Administration of Quality Supervision, Inspection, and Quarantine dealt with some 200,000 cases of counterfeit or substandard products, dispatching nearly 2 million quality inspectors and seizing an estimated US \$490 million worth of goods.

United Nations Office on Drugs and Crime, *Counterfeit Products* (June 16, 2010), at 176, http://www.unodc.org/documents/data-and-analysis/tocta/8.Counterfeit_products.pdf

Customs Enforcement

The information regarding IP rights recorded with the GAC is available to customs border officials via an intranet system that allows for the officials to confirm recorded rights during routine inspections. If inspecting officials suspect that goods are infringing, the officials will detain the shipment and send a notice to the brand owner (or its registered agent) to confirm whether the goods are authorized. A customs notice of a suspect infringement will usually include the name of the exporter, information on the nature and quantity of relevant goods, and the bond required should the brand owner wish to commence formal enforcement measures. Under current regulations, brand owners have three business days from the date of notification by customs to confirm whether the goods are infringing.

Determining Customs Bonds

Customs bonds serve as a guarantee for storage and disposal of goods, and for costs associated with an improper seizure. Brand owners must pay for bonds in cash or via a bank guarantee. Brand owners that regularly experience customs seizures can file a general report with the GAC to avoid having to post bonds on an ad hoc basis.

For brand owners whose IP rights are recorded with the GAC, it is not unusual for customs officials to waive the bond for seizures in which the declared value of goods is very low. For more significant seizures, the bond amounts are determined in relation to the declared value of goods, and break down as follows:

- For seizures that are valued at RMB 20,000 or less, the required bond is equal to the value of the goods.
- For seizures valued at between RMB 20,000 and RMB 200,000, the bond is 50% of the value of the goods, but not less than RMB 20,000; and,

- For seizures valued at greater than RMB 200,000, the bond is capped at RMB 100,000.

For seizures that are the result of a petition to Customs by a brand owner that has not recorded its IP rights with customs, the bonds will be the equivalent of the declared value of the seized goods.

If the brand owner suspects that the goods in question are likely to be infringing, it should then acquire the required bond and request that Customs commence enforcement measures against the exporter.

Formal Investigation and Results

Customs officials will then conduct a formal investigation, and may request supporting documents from the brand owner and/or the exporter. Customs is required to issue a decision within 30 days of the seizure, and the decision will be based on one of three determinations: (1) that the goods are infringing; (2) that the goods are not infringing; or (3) that Customs cannot confirm whether the goods are or are not infringing on the facts.

In cases in which an infringement is confirmed, brand owners will be required to pay for storage and handling costs for the infringing goods. These costs are usually quite modest, and are subtracted from the bond amount before it is returned to the brand owner in due course. The local customs officials will then choose one of several ways to dispose of the confiscated goods. If infringing labels and markings can be removed from the goods, they are likely to be donated to a local charity or sold at auction.

If the infringing labels and markings cannot be easily removed, the goods will be disposed of, occasionally in fairly lavish “destruction ceremonies” (often on Intellectual Property Day in April) that brand owners, local officials and the media are invited to attend. Customs will not always notify brand owners of how and when seized goods are donated, auctioned or destroyed; thus, it is important for brand owners and their local agents to follow up with officials as appropriate.

If Customs determines that the goods are indeed infringing, it can impose fines of up to 30% of the value of the goods, and can fine infringers up to RMB 50,000 for failure to truthfully declare the

goods or otherwise submit proper and truthful documentation. As a general matter, customs fines are usually quite modest, and thus customs penalties usually are not a sufficient deterrent for infringers or the exporters that export on their behalf. For repeat offenders, or especially egregious infringers, it may therefore be necessary to follow a customs seizure with additional, more forceful enforcement action.

In cases where Customs cannot confirm whether the goods are or are not infringing or deems them non-infringing, the brand owner will have 20 days upon issuance of the Customs decision to bring an infringement claim (civil action) before an appropriate local court. In order to keep the goods from being released, the brand owner will also have to apply to the court for a court order, which requires payment of another bond to secure the goods for the duration of the civil action. The matter is then handled by the courts as a civil dispute, and is technically no longer under the jurisdiction of the China customs authorities.

ADMINISTRATIVE ENFORCEMENT

The two primary administrative agencies involved in the enforcement of trademark rights in China are the Administrations for Industry & Commerce (AICs) and the Technical Supervision Bureaus (TSBs). The AICs are charged with enforcing China's Trademark Law and Anti-Unfair Competition Law in their respective jurisdictions. The TSBs, on the other hand, are charged with the enforcement of China's Product Quality Law, which contains provisions that prohibit the production of fake and inferior products, falsely claiming the origin of goods, and misleading labeling.

AIC Enforcement

The enforcement of trademark rights before the AICs remains the most common enforcement option for China trademark registrants because of the relative simplicity, timing and cost of bringing such actions.

An enforcement action can be brought before an AIC by the trademark registrant or an interested party. Generally it entails the filing of a simple complaint, proof of infringement (photographs of infringing goods, samples of infringing goods, etc.), and the details of the registered trademarks. For non-China registered entities, complaints before the AIC must be filed by a registered China

trademark agent or law firm, and a notarized and legalized power of attorney needs to be prepared in advance, as it is necessary for most local AICs to initiate the action.

Once a complaint is filed with the AIC, the handling officials will make a determination as to whether the complaint is actionable and an infringement has taken place. In making their determination, the AICs can question alleged infringers, conduct investigations, review documents related to the alleged infringement, conduct on-site inspections, and seal or impound evidence. In practice, AIC officials will review preliminary evidence submitted with a complaint, and then arrange an on-site inspection of the alleged infringer's premises. It is not uncommon for such inspections to occur on the same day as the filing of an infringement complaint. If the AIC inspection results in the seizure of infringing goods, it is generally referred to as an "AIC raid."

If infringement is confirmed after an AIC raid, the AIC normally will issue a punishment decision against the infringer (normally within 3–4 months from the date of an action or raid). Such punishments usually will contain the following elements:

- An order to the infringer to immediately cease the acts of infringement;
- A formal order for the confiscation and destruction of the goods in question, as well as of any equipment mainly used to manufacture the infringing goods; and
- The issuance of an administrative fine, which, under China's new trademark law, can be up to RMB 250,000.

AIC punishment decisions can be appealed (by the infringers but not the trademark holders) to a higher-level AIC or to the People's Courts under a procedure for administrative review.

The AICs cannot award compensation to brand owners. With this in mind, brand owners seeking compensation usually will have to pursue their claims either through direct negotiations with infringers or by bringing a civil action for infringement. When an AIC punishment decision becomes final, a brand owner can present it as evidence of infringement in a subsequent civil action before a China court.

As mentioned above, AIC actions are affordable

and fairly straightforward. In addition to cost and simplicity, such actions are attractive to brand owners because the enforcement process is generally quick and the brand owner usually can participate in the investigation process. In addition to the fact that AICs cannot award compensation to brand owners, there are other disadvantages to AIC actions, including the following:

- It is not unusual for AICs in second- and third-tier jurisdictions to refuse investigations, or to investigate poorly on account of local protectionism, corruption or lack of sufficient resources; and
- Fines are generally low, and the deterrent effects of AIC actions thus are weak.

SMEs should thus consider these factors before making a determination as to whether AIC enforcement is appropriate for the case in question.

In 2012, a Swiss company hired an investigation agent to monitor the market for counterfeit watches. After an investigation, counterfeit watches were found in two residential places in the Yuexiu District. In March 2012, the agent reported the case to the AIC. The AIC raided the residential places and seized 23,700 watches and counterfeit parts; four people were detained. The value of the seized goods exceeded the threshold for IP crime, and the AIC transferred the case to the PSB for criminal prosecution.

TSB Enforcement

Brand owners can bring complaints before local TSBs against producers of goods that violate provisions of the Product Quality Law (i.e., production of fake and inferior products, falsely claiming the origin of goods, and misleading labeling). The complaint procedure for actions before the TSBs is very similar to that of the AICs, and the TSBs are similarly empowered to engage in investigations and seizures. TSBs will normally issue a punishment decision within 3-4 months from the date of action or raid. TSB punishment decisions are also similar to those issued by the AICs in that they usually result in formal confiscation orders and the imposition of

fines. However, while TSB punishment decisions may be helpful in supporting related civil claims for trademark infringement, they cannot themselves serve as evidence of infringement in any subsequent civil actions before a China court.

The general pros and cons of TSB enforcement actions are similar to those for AIC actions, discussed above. That said, TSB administrative actions sometimes are preferable to AIC actions in jurisdictions where the AICs may be influenced by local protectionism or corruption and the target in question is producing goods that arguably also violate provisions of the Product Quality Law. Also, TSB complaints often can be filed by company representatives, local investigators or other agents rather than by a trademark agent or local China law firm. With this in mind, TSB actions can be a practical and flexible alternative to AIC enforcement in cases involving the production of fake goods.

In August 2011, Luoyang TSB of the Henan Province inspected two sites for producing Chinese wine. More than 30 brands of Chinese wines were found at the spot and 12,000 cases of wine were seized, the value of which was more than RMB 1.4 million.

CIVIL LITIGATION

Civil litigation is another option for trademark rights holders in China, but it has generally been viewed as a last resort, primarily in light of the reputation of China courts for insignificant awards of compensation that rarely cover the costs of litigation. This perception has, however, begun to change in recent years, and litigation is now a more attractive option for more rights holders, at least in relation to the larger and/or most egregious infringers. The whole process, from filing a complaint to receipt of a first instance judgment, will usually take from 8 to 18 months.

Preliminary Injunctions

Under the Trademark Law, trademark registrants have recourse to preliminary injunctions against actual or threatened acts of trademark infringement. An injunction is a court order that requires a party to refrain from or to perform a particular action. Preliminary injunctions are available only in cases in which a plaintiff can

show evidence that a third-party infringement is imminent and failure to stop the act immediately would cause damage to the rights and interests of the plaintiff that would otherwise be difficult to remedy. Pre-trial injunctive orders generally are available to brand owners only in fairly straightforward cases or cases involving egregious counterfeiting.

Monetary Damages/Compensation

Under the new Trademark Law, damages for trademark infringement generally are calculated on the basis of losses suffered by the trademark registrant or the illegal gains (profit) obtained by the infringer. If actual damages cannot be proven, the courts can award statutory damages of up to RMB 3,000,000.

A French cognac company sued two Chinese companies, a producer and a trader, for trademark infringement. The Chinese producer's trademark was a device along with an English word and a Chinese word; the French company's trademark was simply an English word. The court determined that the Chinese companies' trademarks were similar to that of the French company and ultimately ordered them to jointly pay damages of RMB 300,000 to the French company.

matters, on the basis of complaints and evidence brought to the officials by brand owners and their local agents. In addition, the AICs and the customs authorities are required to transfer possible criminal cases to the relevant PSBs for investigation when it is likely that the quantities of counterfeit goods involved are likely to exceed thresholds for criminal liability. Criminal transfers were at one time quite rare, but they have become much more common after a number of national enforcement campaigns that have been focused on increasing the number of criminal cases and incentivizing the AICs and customs authorities to transfer cases for public prosecution.

Criminal liability can also be pursued by brand owners as "private prosecutions," but such cases are extremely rare and are otherwise very difficult to bring before the China courts.

CRIMINAL ENFORCEMENT

As mentioned above, the manufacture or sale of counterfeits in circumstances deemed "serious" or "exceptionally serious" constitutes a crime under China's Criminal Law. If a crime is deemed "serious," the defendant can be sentenced to up to three years' imprisonment, in addition to paying a fine. For "exceptionally serious" cases, defendants will be sentenced to at least three years' imprisonment, and up to a maximum of seven years, in addition to paying a fine. To determine the severity of the crime, the courts focus primarily on the value of the counterfeit goods.

Criminal cases are investigated by the local Public Security Bureaus (PSBs). The PSBs often will conduct raids, and handle possible criminal

BEST PRACTICES

Counsel in China

Responding to IP infringement in China requires fast, reliable action. Administrative offices often need quick responses and Chinese-language materials. It is, therefore, crucial to have China counsel that can navigate these processes efficiently.

Brand Strategy

SMEs need to consider carefully what they need to protect. Intellectual property that goes unprotected may be registered by others, forcing a name or trademark change. Not having trademarks registered in China may also lead to having goods exported from China with your trademark on them.

Therefore, any company needs to weigh the cost and difficulty of registration against the risks of infringement and preemption from using a trademark in China.

Counterfeit Identification

Having identifiable features on products or packaging that are difficult or expensive to reproduce can help consumers distinguish between real and counterfeit and report counterfeit products to the SME. It is essential to have staff prepared to process and respond to these complaints.

Educating Customs

Actively educating Customs, particularly through highly skilled Chinese counsel, is crucial.

Keep in mind that trademarks or products being imported into China should be registered and recorded with Customs.

Design Patents: Registering and enforcing design patents (especially via the administrative route) has recently provided a cost-effective method to protect products from copiers.

Monitoring the Market: Attending Trade Shows

Attending trade shows can be an excellent way to identify and monitor counterfeit products. If you suspect infringement, on-site meetings can be scheduled during the show.

There are a variety of other monitoring strategies available: online monitoring of store websites and informing consumers on how to identify and report fakes.

Trade Fair Enforcement

Evidence collection with notary public and enforcement actions is available directly at trade fairs. According to special regulation, a trade fair shall organize an IP desk for protection of IP rights during the fair.

Dealing with Manufacturers

It is advisable to unexpectedly drop in on licensee manufacturers to ensure that they are protecting your intellectual property.

It is important to include enforceable IP-protection clauses in all contracts.

Educating Distributors

Distributors can be educated on how to identify authentic products and how to identify fakes.

Stay Up to Date

Counterfeiters' strategies are constantly changing...and so are the laws and enforcement procedures. Communicate with other companies to share experiences and/or costs of monitoring programs. Keep up to date through organizations such as WIPO (<http://www.wipo.int/directory/en/details.jsp?countrycode=CN>).

Providing Customs Training

It is also possible to meet with Customs officials and provide training in recognizing an SME's trademarks and counterfeit products.

INVESTIGATIONS INTRODUCTION

Understanding the extent of a counterfeiting problem in China and the makeup of criminal counterfeiting operations is critical for brand owners to properly allocate valuable resources in its fight against counterfeiting. From this perspective, investigations form an essential part of the anticounterfeiting program, by providing trademark owners with background information on counterfeiters so that the trademark owner can devise an appropriate response.

Investigations also are often used to collect evidence against counterfeiters for administrative, civil or criminal enforcement actions.

Some of the more common forms of investigations are discussed further below.

- **Trade Fairs:** Attending trade shows can be an excellent way to identify and monitor counterfeit products. On-site meetings can be scheduled during the show if you suspect infringement.
- **Online Investigation:** A variety of other monitoring strategies are available: online monitoring of store websites and informing consumers on how to identify and report fakes.
- **Background Investigation:** Background or on-site investigation will be needed when some information cannot be collected online or the collected online information is insufficient. On-site investigation usually is necessary to dig out some important information, such as the infringement scale and the location of warehouse(s) that usually is necessary for further administrative actions or lawsuits. As China is large and it is dangerous in some cases to do the on-site investigation, it is common to cooperate with investigators for such work.
- **Trap Purchases:** Trap purchases can be used to obtain infringement evidence and can also be used to create a clue, which is then used to dig out more important evidence. If the infringement evidence (obtained from the trap purchase) might be used for a future crackdown action or lawsuit, the trap purchase can be done with the witness of a Notary

Public, though whether evidence obtained from a trap purchase should be regarded as illegal is still controversial.

- **Market Surveys:** To determine the extent of a counterfeiting problem in China and in foreign countries, brand owners can perform a survey on the availability of counterfeit versions of their genuine goods from Chinese physical markets and online sales platforms. Surveys of markets that serve mainly for the export of counterfeit goods to foreign countries are especially helpful in gauging the interest in and demand for specific brands and types of counterfeit goods in foreign countries.

Best Practices Guide

For guidance covering trademark registration, customs recordals and market monitoring, INTA has prepared an easy-to-use guide for SMEs. The chart below provides strategies that will aid in determining best practices according to an SME's trademark needs.

STRATEGY COMPONENT	ENTRY-LEVEL	MID-RANGE	BEST PRACTICE
Trademark Registrations: The Building Block for Enforcement			
When to file?	- At least 12 months before an SME's market entry into China	- At the earliest opportunity before entering the China market	- Registering when first considering the prospects of entering the China market
Which trademarks?	Register most important trademarks - Start with house mark - Other flagship products/logos	Expand registrations - Register additional marks	Consider local language transliterations, including those that may be filed by squatters
Which jurisdictions?	Where are sales now? Where are you launching soon? Where are competitors?	Consider additional jurisdictions beyond those in which you currently manufacture, market, sell - First-to-file countries	
What goods/services?	File in Tier 1 classes covering goods/services of core business interest	Consider extended filing in Tier 2 classes on goods/services with business expansion potentials	Consider also defensive filing in Tier 3 classes covering goods/services that are usual targets of local squatters (to minimize enforcement cost long term)

Customs Recordations and Training			
STRATEGY COMPONENT	ENTRY-LEVEL	MID-RANGE	BEST PRACTICE
Recordations	N/A (trademark applications are not yet registered)	Once registration is obtained, file corresponding customs recordations in key countries	Expand to additional jurisdictions Monitor as country customs laws evolve
Customs Training Materials	<ul style="list-style-type: none"> - Key jurisdictions - Product look and feel - Ways to differentiate between counterfeit and genuine - Supply routes - Contact information 	Begin training in key jurisdictions	Where distance/ language makes trainings impractical, consider: <ul style="list-style-type: none"> - Local counsel; - Industry groups that arrange training (e.g., International Anti-Counterfeiting Coalition IACC)
Training	Identify key regions for training of Customs officials	Leverage association training (e.g., Quality Brands Protection Committee (QBPC))	

Online Counterfeit Monitoring

Your industry suggests where to target first

- **Products** → Marketplaces & Websites
- **Software** → File Sharing Websites
- **Services** → Websites & Mobile Apps

STRATEGY COMPONENT	ENTRY-LEVEL	MID-RANGE	BEST PRACTICE
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Monitoring System	Company in-house resource reviews online marketplaces in key jurisdictions and issues individual takedown notices —e.g., TaoBao and AliBaBa AliProtect program, eBay VeRO, Amazon Notice & Takedown, etc.	Add additional in-house online investigators	Vendor online monitoring to include remaining marketplaces Add social media monitoring; mobile apps; marketplaces as applicable Monitor and enforce on traffic diversions to counterfeit sites through pay per click (PPC) and search engine optimization (SEO) fraud Utilize payment service providers' anticounterfeiting measures (e.g., International Anti-Counterfeiting Coalition (IACC Payment Processor))
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<p>Search Terms</p>	<p>Trademark keyword searches on 1–3 responsive key marketplaces and/or auction sites in affected region(s) with in-house takedowns</p>	<p>Expand keyword searches to include additional marketplaces</p> <ul style="list-style-type: none"> - Market research to identify key online sites in region - Utilize U.S. government Notorious Marketplaces list <p>Follow up investigation online</p> <ul style="list-style-type: none"> - Request supplier data from identified counterfeit sellers and take online action - Utilize shipper details provided in Customs detentions - Analyze top offenders data for further investigation 	
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Lead Generation/Training			
STRATEGY COMPONENT	ENTRY-LEVEL	MID-RANGE	BEST PRACTICE
	Develop reporting mechanism and train those in field: - e.g., brandprotection@company.com - Customers - Employees - Customer/technical support	Leverage intelligence gained from monitoring, Customs detentions, etc.; e.g.: - Import/export details from Customs detentions and seizures (as available) - Request supplier data from identified counterfeit sellers (online and offline)	+ Consumers
Supply Chain Security			
	Map your key supply routes	Add to Customs training materials; map counterfeiter routes Identify high-risk routes	

About INTA

The International Trademark Association (INTA) is a not-for-profit membership association of more than 6,000 member organizations of trademark owners and professionals from more than 190 countries. The Association was founded in 1878 and is dedicated to the support and advancement of trademarks and related intellectual property as elements of fair and effective national and international commerce. INTA members share a common interest in the protection and development of trademarks and trademark law and rely on INTA to represent and help further their trademark interests in government affairs, and to help promote those interests throughout the international trademark community. INTA's diverse membership includes, but is not limited to, start-up organizations, major multinational corporations, intellectual property and general practice law firms, service firms, trademark consultants and academic institutions. Further information about INTA can be found at www.inta.org.

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