



IPOTENTIAL NEWSFEED

08042014

TRADEMARK IN CHINA

As the world's second biggest economy, many companies and corporations are turning their attention to China in setting up businesses and selling their products in the expanding market there. Many, however, find that their product entry into China has been problematic at times with that emerging local trend of "trademark squatting" by unscrupulous Chinese firms.

These "trademark squatters" operate by registering internationally known and recognized brands in China then demanding big pay offs when the original brand owners seek to enter the market. As China, like certain countries in South America practices the "first to file" rule where recognized ownership of the trademark is granted to the person that registers it first, even if that mark has been in use by others for years in China. This system has been open to abuse by many companies seeking to have a free ride at the expense of the foreign, more established and actual brand owners and their own local businesses.

One such famous case is where the business giant, Apple, had to pay a Shenzhen based firm that had registered the "iPad" trademark before Apple's entry into the economic giant's market, a whopping US\$60 million to reclaim its trademark. Though one may regain one's rightful trademark through the courts, the process is indeed lengthy and of course expensive. Given the nature of one's product and product lifespan a settlement could be the preferable though definitely unwanted solution for the reclaiming of the mark.

As such any entity that has any interest or eventual plan to enter into China's market should plan and register their trademarks and brands there at the earliest opportunity. Prevention in these cases is safer

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and in the long run, financially cheaper than a prolonged legal battle at the courts to invalidate a trademark squatter's hijack of their brand.

Another factor businesses need to consider very seriously besides is the transliterations of their brands into Chinese characters as English and other foreign languages would be difficult for the local populace to pronounce and recognize. The Chinese Trade Mark Office insists on a full translation of a foreign brand name into Chinese if the company has no prior trademark records in China.

Brand owners are advised to consider multiple versions of the Chinese character trademark for different markets like China, Hong Kong and Taiwan, where different Chinese dialects are used, eg. Mandarin and Cantonese while keeping consistency to the font style and overall design. This is to reduce the chances of trademark squatting by opportunistic local business firms.

With the revisions of the Chinese Trade Mark Law coming into effect as of 1 May 2014, a number of issues concerning trademark squatting will be addressed and thus make this issue less prevalent than it is now. Among the changes brought to effect is the introduction of a "bad faith application" which lays down a broad principle that all trademark must be applied and used in accordance with the principles of honesty and integrity.

It is always recommended that any business company that wishes to file their trademarks in China to seek professional assistance from local IP professionals to better understand the IP ecosystem of the country.

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