

Protect trademarks when marketing in China



By Bart
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Mainland China is hosting the Summer Olympics in 2008, the World Expo in 2010, and is set to become one of the largest (if not the largest) consumer marketplace in the world. China is also a large source of manufacturing products. However, China has not yet developed its own brands. While

China is trying to help its businesses develop brands, Vice Premier Wu Yi recently reported that only 40% of Chinese companies have their own. Looked at another way, this means that 60% of the country's companies make products either intended for export or are foreign brands intended for domestic consumption. Since Chinese companies make so much for others, it has also become the source for much of the world's counterfeit products. Therefore, China should be on your radar screen.

But are you ready to market your products in China? Are your trademarks and domain names protected in China? While some companies have taken the time and effort to protect their rights in China, many companies have not, which leaves them vulnerable to theft by aggressive individuals and entrepreneurs who profit by infringing intellectual property.

Many shrug their shoulders about China, thinking it is too expensive or complicated to protect or enforce their rights there. It isn't easy to enforce your rights, but it is not difficult or expensive to get trademark protection in China. And China continues to get pressure from the United States and other countries to afford greater protection to trademarks. In April, China announced a new action plan that is designed to crack down on infringements within the country and protect intellectual property.

Unlike the United States and many other countries, where trademark rights stem from use and registration only adds to your rights, registration trumps use in China. Unless you register your mark in China, you will not have rights to protect or enforce it. The main exception to this rule relates to a handful of "famous" trademarks.

Registering a trademark in China is not difficult or expensive. Searching a mark and filing a trademark application usually can be done for less than \$2,000. However, some forethought (particularly market research) needs to be done with respect to the mark(s) that you would like to register. First, you may not want to register your mark in the English language, unless you believe that your mark is being counterfeited in China and placed on products intended to be shipped outside of China. Instead, or in addition, it is likely you may want to choose a translation into the Chinese language and choose one Chinese language translation (most likely Mandarin) in which to go to market in China. For example, Starbucks went into the Chinese market with Xian Bake. "Xian" translates to "star" in Chinese, while "Bake" is pronounced like "bucks" in Chinese.

Starbucks just recently ended a three-year dispute with Shanghai Xingbake, a company that adopted Starbucks' Chinese trademark after Starbucks had registered its trademark in China. While it was a long (and, most likely, expensive) process, Starbucks prevailed and protected its market. Other companies have been successful with administrative action (the most efficient

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form of enforcement in China), civil actions

and (though still rare) criminal actions to protect intellectual property rights.

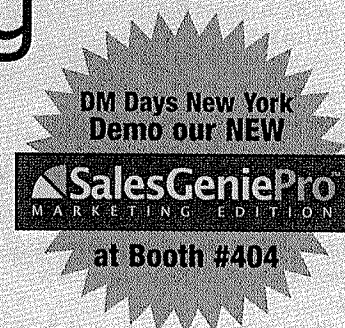
You also need to make sure that you register your mark(s) for the proper goods and services. Unlike in the United States, where trademark rights typically apply to "related goods and services," your trademark rights are likely to be limited specifically to the goods or services for which you have your

trademark registered.

In addition to registering your trademarks in China, you should also consider recording your trademarks with the U.S. Customs Service as well as China's customs service. While the U.S. Customs Service cannot stop infringing items from leaving

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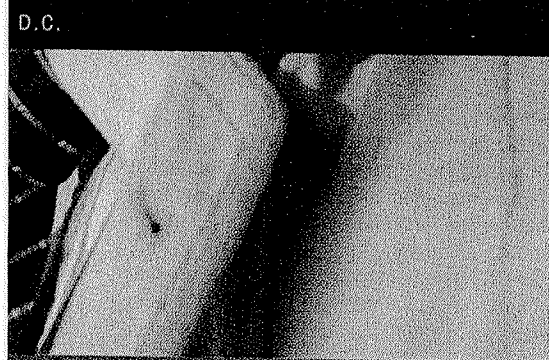
China, it seizes infringing items that are imported into the United States. By recording your registered trademark with U.S. Customs (www.cbp.gov), you can take action to stop foreign-made infringing goods from entering into the United States. At \$190 per registration, even if you cannot afford to protect your rights in China, you can at least protect your U.S. market. Recording your trademarks with China's customs service may also help in that the department has the authority to stop both exports and imports.

Once you have applied to register your mark, you may want to consider having an agent monitor the marketplace for you. Business agents, attorneys and investigators may all be available to you to make certain that companies are not using your trademarks, or a confusingly similar mark. Chinese entrepreneurs are well-known for making creative misspellings of trademarks, or using trademarks as the names of factories or stores that sell generic products. Having someone "on the ground" in China will help you recognize infringements and take appropriate action, so you won't have to give up on the world's largest market. ■

Bart A. Lazar is a partner who specializes in counseling, business transactions and litigation in intellectual property, advertising and promotions, privacy, Internet and related matters for Chicago-based Seyfarth Shaw LLP. He can be reached by e-mail at BLazar@seyfarth.com or news@ama.org.

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