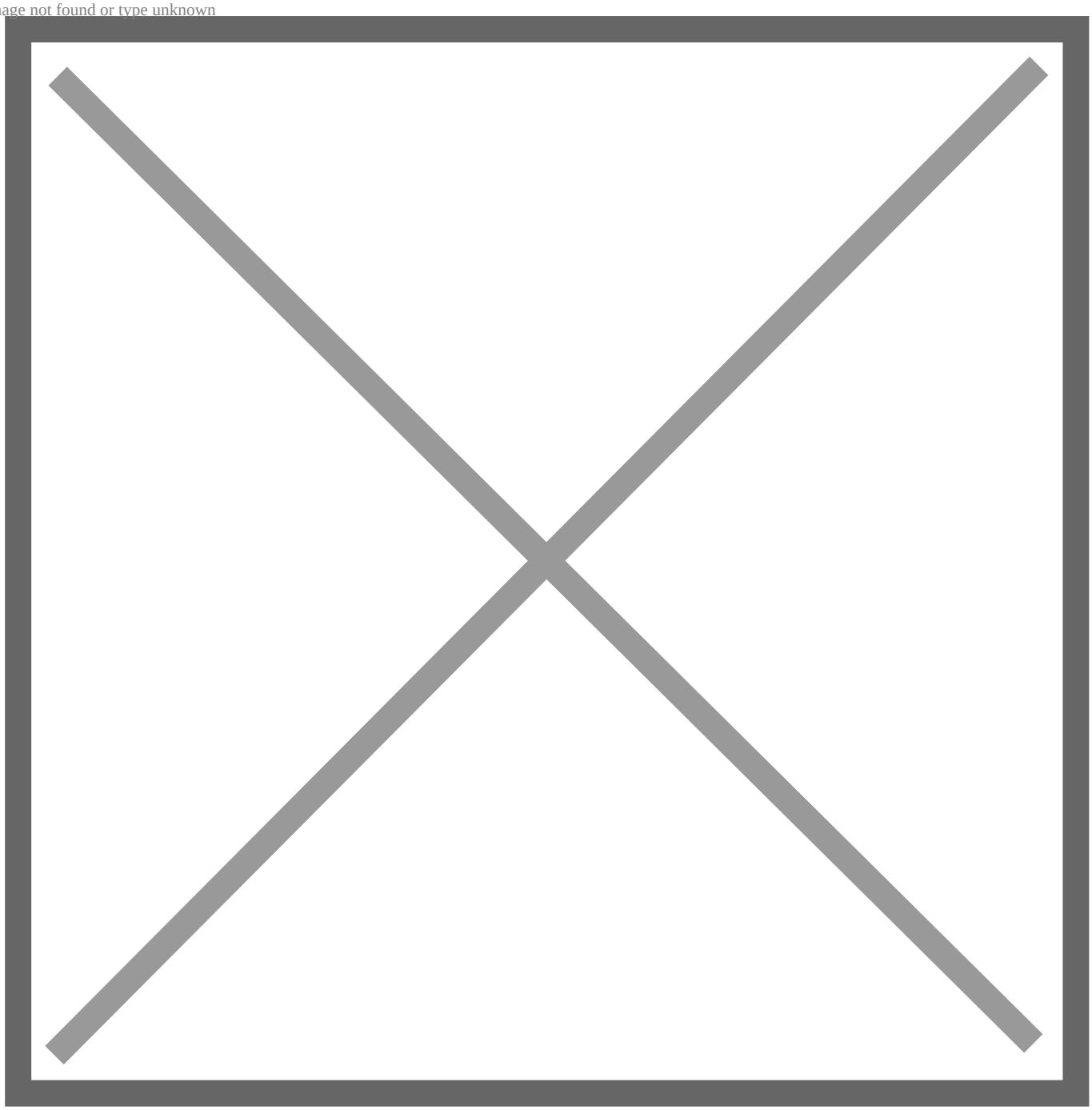
Tips for protecting your IP in China and South-East Asia

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China and the majority of South-East Asian countries have recently shown considerable effort in creating stronger intellectual property rights (IPR) protection systems and in bringing their existing intellectual property laws in line with, or closer to, international standards. However, counterfeiting, trade mark and other IPR infringements remain some of the major issues in both China and South-East Asia. When European SMEs enter these markets, there are some key points they need to look out for in order to ensure their IPR is effectively protected.

IP Laws are territorial, register your IP

European SMEs should be aware that IP laws are territorial (and this applies in both China and South-East Asia), meaning that IPR is only enforceable upon valid domestic registration. SMEs planning to enter the South-East Asian and Chinese markets are faced with the question of when to register their trade mark, patents or designs. The answer is that, as soon as a company considers internationalizing its sales and activities, they should take measures to register their trade marks and other IP rights in their chosen countries. Obtaining the relevant information and taking advance action is the key to effective protection.

Trade marks are granted under 'first-to-file system'

A key point to remember is that trade mark regimes in China and South-East Asia generally use a 'first-to-file' system, meaning that the first person to file for trade mark registration in China or South-East Asian countries will own that right in the country once the registration is granted, irrespective of 'first use'. Few exceptions on the protection of unregistered trade marks are possible for Malaysia and Singapore, however, registrations are always recommended. Thus, if an owner does not apply for protection on time, others may do so first and reap the benefits – free-riding the reputation of another's brand or registering a trade mark in 'bad-faith' in order to sell it back to, or even sue the rightful owner. Registering in 'bad faith' with the intention of making money from it is one of the main causes of IPR infringements in China, Indonesia and Thailand.

In the case of 'trade mark hijacking' (someone registered the SME's trade mark first), SMEs may consider buying back the trade mark. Generally, using a locally based lawyer may allow the SME to buy it back cheaper than by going directly to the seller themselves because such lawyers can combine the negotiation with administrative filings based on local practice.

Get a local name for your trade mark

Additionally, a business should consider how its trade mark would translate into local languages. The registration of a trade mark in original Roman characters does not automatically protect the trade mark against the use or registration of the same or similar trade mark written in local scripts. If a local equivalent is not chosen, consumers will almost certainly choose their own, which might affect the reputation of the company. Choosing a Chinese trade mark equivalent is particularly important because not only the meaning, but also the sound, tone and even look of the Chinese characters chosen for a trade mark name can affect the brand's reputation. If this local name is not registered, companies also run the risk of another company freely copying, or registering the local trade mark themselves. In particular, in South-East Asian countries SMEs are highly advised to register their trade marks in local script version such as Vietnamese, Tamil, Thai, Lao, Burmese or

Khmer.

It is highly recommended to register a copyright

Although copyright is an automatic right established upon creation, China and most of South-East Asian countries, allow a voluntarily recordal of copyright. This can provide useful proof of ownership in settling disputes efficiently. Registering a copyright is not expensive, averaging approximately EUR 30, and most IPR enforcement authorities require local copyright registration to start handling company's IPR infringement cases. European SMEs are recommended to register their valuable assets as copyrights. Furthermore, a registered copyright can be useful for backing-up other IPR in enforcement cases. For instance a business can generally protect its logo under both copyright and trade mark law, or defend an innovative packaging design via a registered design and copyright. To know more on local practice to protect IP, EU SMEs can contact the China and the South-East Asia IPR SME Helpdesk at question@china-iprhelpdesk.eu and question@southeastasia-iprhelpdesk.eu .

Generally, foreign SMEs will need to use a local agent to complete copyright registrations if they do not have a legal presence or residence in the country where they intend to register their copyright.

Non-disclosure and confidentiality agreements are essential to protect trade secrets

How can EU SMEs protect their technical information in China and South-East Asia? China and most of the South-East Asian countries provide a legal framework for the protection of trade secrets, and the laws generally provides support in the event that trade secrets are unlawfully disclosed. However, in order to deal with trade secret infringement cases, SMEs must be able to prove, that an obligation of confidence was clearly stated during their business arrangements with third parties. Non-disclosure and confidentiality agreements can help SMEs ensure that measures have been taken to preserve secrecy. Employees can be contractually bound to confidentiality and creations made by employees in the course of business can be duly assigned to the employer. Such clauses protect the company's existing and future IP and ensures that the company maintains IP rights to an employee's work product created for the company.

In China, as well as most South-East Asian countries, trade secrets are granted protection as long as they are kept secret. However, note that in Thailand, even though trade secrets are automatically protected under Thai law without registration (under specific criteria), recordal with the Thai Department of Intellectual property could be advantageous as it can be used as evidence in the instance of legal disputes.

Patents function under first-to-file and absolute novelty system

A Europe-registered patent has no automatic legal effect in China and South-East Asia. It is crucial to apply for patent protection in China and South-East Asia for each and every innovation, even if the launch of the product in the international market is not yet scheduled. European SMEs should remember that most countries operate an "absolute novelty" (innovation is not known anywhere) and 'first-to-file' IP system. The confidentiality of a new invention should therefore be maintained as long as possible until a patent application date has been obtained. SMEs may consider taking advantage of the protection under the Patent Cooperation Treaty (PCT) to seek patent protection for an invention simultaneously in several countries by filing a single "international" patent

application instead of filing several separate national applications. China is a contracting state of the PCT as well as the majority of the countries in South-East Asia, except Cambodia and Myanmar.

Be active in enforcing your rights

Entering a new market and protecting IPRs also means being ready to enforce or defend rights in order to ensure that business objectives are met. In most cases, when European SMEs identify infringement, they should actively enforce their rights. If SMEs manage to build a reputation for 'being litigious' then companies will be less likely to exploit their IP in the future. The resources required to achieve such a reputation depend on the extent of the infringement.

Strategy is highly important when enforcing IP rights in China and in South-East Asia, as IP enforcement is still undeveloped in many countries. Multiple avenues of IP enforcement are generally available in both China and the majority of countries in South-East Asia. In China, administrative action may be advisable over civil litigation or criminal prosecution. Administrative enforcement is filed before specialized administrations and is generally fast, cheap and reasonably efficient. Companies can obtain confiscation and/or destruction of the infringing goods as well as fines, but no damages are awarded. At the same time, in certain South-East Asian countries like Malaysia and Thailand, criminal actions are more effective at ending infringement because civil actions are lengthy and entail only negligible fines. It is advisable to seek professional advice, when trying to create the most cost effective IP enforcement strategy.

SMEs should also bear in mind that no matter which enforcement route they take, they will need to prepare and collect proper evidence to prove their ownership of IPR in respective countries (this is why IP registration in advance is very important) or that their IP right has been infringed by a third party. This means that European SMEs should be prepared to collect evidence and work closely with the authorities in the enforcement process.

The China and South-East Asia IPR SME Helpdesks are European Union co-funded projects that provide European SMEs with free, practical, business advice relating to IPR in China (including Hong Kong, Macao and Taiwan) and South-East Asia. To learn about any aspect of intellectual property rights in in China or South-East Asia, including protecting your copyrights in the creative sector, visit our online portal at http://www.ipr-hub.eu/. For free expert advice on China and South-East Asia IPR for your business, e-mail your questions to: question@china-iprhelpdesk.eu and question@southeastasia-iprhelpdesk.eu. You will receive a reply from one of the Helpdesk experts within three working days.