



WHEN WEST GOES EAST

...Safeguarding your brand in China

THE CHINESE TRADEMARK CLASSES

The Chinese economy continues to be a hugely enticing prospect for Western brand owners, not only as a source of low-cost manufactured goods but, as Chinese consumers grow increasingly more affluent, an attractive market for Western products. Most brand owners are aware of the need to register their brands in China, both because China is a “first to file” jurisdiction but also because of the high prevalence of brand “pirates” looking to hold Western brand owners to ransom. Once brand owners have their brands registered in China, many think that they are safe from the clutches of brand pirates. Yet brand owners are often lulled into a false sense of security about the extent of their trademark protection in China. This can cause Western brands to be the subject of brand piracy even where they have registered their brand in China. This can cause significant disruption to a brand owner’s business, up to and including a complete loss of rights in China.

One of the key reasons for this is the unique system of trademark classification in China. In common with Western countries, the Chinese system is based on the Nice Classification, consisting of 45 classes of Goods and Services. This apparent similarity is, however, misleading. Unlike most Western trademark classification systems, each Chinese class is then divided further into a number of different sub-classes, each of which contain a list of “Standard Items” of Goods and Services.

For example, one of the most popular classes, class 25, has 13 separate sub-classes, categorized as 2501, 2502 and so on. Each sub-class contains a number of “Standard Items” of Goods or Services. Unlike many Western trademark offices, when examining a trademark application, the Chinese Trademarks Office generally only cross checks an application against pre-existing identical or similar registered trademarks registered in identical sub-classes and not against pre-existing registered trademarks registered in other sub-classes, except where those sub-classes are explicitly cross-referenced as being similar.

The result of this highly mechanical approach to the assessment of trademark applications is that, where a mark is only registered in one sub-class within any given class, a pirate may successfully register an identical or

confusingly similar mark in a different sub-class within the same overall class, for what may in fact be very similar goods.

To take the example of class 25, hats are listed in sub-class 2508 whereas gloves are listed in sub-class 2510 and scarfs are listed in 2511. So a clothing retailer which has hats registered in sub-class 2508 is not necessarily protected from a brand pirate registering that clothing retailer’s identical brand name in sub-class 2510 in respect of gloves and/or in sub-class 2511 in respect of scarfs.

DON'T LEAVE “GAPS” FOR PIRATES TO FILL

Many Western brand owners have, much to their frustration, found themselves subject to trademark pirates who have spotted “gaps” in their sub-class coverage and who have proceeded to fill those “gaps”. These pirates are normally either unscrupulous business competitors, such as disgruntled ex-distributors or enterprising private citizens who see an opportunity to make a quick profit at a Western brand owner’s expense. The Western brand owner is then faced with the choice of engaging in lengthy and uncertain legal process in an attempt to recover the pirate registration or paying the brand pirate in return for an assignment of the pirate registration. A further complication for brand owners who manufacture in China for export overseas, is that increasingly sophisticated brand pirates register the pirate registrations with Chinese customs in order to get them impounded by Chinese customs, so as to create supply chain issues for the Western brand owner. Whilst there are grounds for a Western brand owner to challenge the detention of its goods, this again involves a lengthy and uncertain legal process, all whilst the brand owner’s goods are detained at Chinese customs and the brand owner’s supply chain is blocked. The sheer commercial pressure this exerts can often mean that the brand owner has no option but to agree to ransom demands from the pirate trademark owner. We are aware of a relatively small Western brand owner being forced due to supply chain pressures to pay over **US\$500,000** to a trademark pirate. The lesson to be learned is that it is far cheaper for Western brand owners to fill the “gaps” in their portfolio rather than to rely on pirates to do it for them!

The consequence of the combination of a unique system of sub-classification, together with a burgeoning industry of trademark pirates, is that it is becoming increasingly important for brand owners to consider “locking-out” individual classes of Goods and Services and each of the sub-classes within them, to ensure that no third party is able to register its brand in respect of similar Goods or Services. This applies not only when a brand owner first registers its brand but also where a brand owner has existing registrations – we strongly advise all of our clients to review their registrations to ensure that they are sufficiently comprehensive for the Chinese market.

WHAT DLA PIPER'S PROTECT™ SERVICE CAN OFFER YOU

Filing New Trademarks

When filing new trademark applications, our team of English and Chinese speaking trademark lawyers can devise a Chinese trademark specification for you which dovetails with the relevant sub-classes to ensure the right “Standard Items” are selected and the entire class of Goods and Services is locked-out, leaving no gaps to be filled by trademark pirates.

“Gap” Analysis of Existing Marks

We can also undertake a review of your existing Chinese trademark registrations and the manner in which your existing brands are being used in China.

We will then produce a comprehensive, user-friendly report which will contain details of the following:

- **class and sub-class deficiencies in your existing trademark portfolio:** this section of the report will detail marks which are registered in China but which do not have sufficiently broad class and sub-class coverage;
- **missing registrations:** this section of the report will detail brands which are being used in China but for which you do not currently have any registered trademarks; and
- **looking forward:** this section of the report will detail brands which are not being used in China but which you may have plans to use in China in the future and for which you do not currently have any registered trademarks.

Our report will then detail a list of trademarks we would recommend filing in order of priority. Using our **PROTECT™** service report, you will be able to quickly and easily select which recommendations you would like to follow. Our team of specialist trademark lawyers will then prepare draft trademark applications for your approval. Crucially, our **PROTECT™** service gives you complete visibility of the strength of your trademark portfolio in China and peace of mind that your brand will not unwittingly be vulnerable to attack from brand pirates.

For more information about how our **PROTECT™** service can help you, please see our website at www.dlapiper.com/protect or if you would like to discuss how our **PROTECT™** service can help you, please do not hesitate to contact any of the specialist trademark lawyers listed overleaf or your usual DLA Piper contact.

CONTACT US



Horace Lam

Partner, Head of IP – China
T +86 10 8520 0690
horace.lam@dlapiper.com



Edward Chatterton

Partner
T +852 2103 0504
edward.chatterton@dlapiper.com

DLA Piper UK LLP, like all other foreign law firms with offices in the PRC, is not permitted under existing PRC law to advise on the laws of the PRC. In view of this, our engagement would, insofar as the laws and regulations of the PRC are concerned, necessarily be based on our own research, experience and the advice of our correspondents in the PRC.

www.dlapiper.com

DLA Piper UK LLP is a global law firm operating through various separate and distinct legal entities.

Further details of these entities can be found at www.dlapiper.com.

A list of offices across Asia, Europe, the Middle East and the Americas can be found at www.dlapiper.com

Switchboard +86 10 6561 1788 (Beijing) +86 21 3852 2111 (Shanghai) +852 2103 0808 (Hong Kong)

Copyright © 2014 DLA Piper. All rights reserved. | SEP14 | 2680201