Guide to IPR Protection in China for the Fashion and Design Industry

1. Introduction

The fashion industry encompasses the design, manufacturing, distribution, retailing, marketing and promotion of clothing, footwear and accessories and is worth billions of Euros every year.

Although the fashion industry initially developed in Europe and the United States, these days it is an international and highly globalised sector, with garments often designed in one country, manufactured in another and then sold worldwide. Against this backdrop, emerging Asian countries are playing a key role in the production chain and as potential consumer markets. China presents both opportunities, as a manufacturing hub and a maturing consumer market, and risks, as a potential source of counterfeit merchandise.

This guide takes a practical look at the most relevant intellectual property rights (IPR) protection and enforcement in China (trade marks, design patents and copyrights) with a particular emphasis on issues and challenges for European small and medium enterprises (SMEs) in the fashion and design industry.

2. Trade marks

The trade mark associated with a fashion and design brand is the primary type of intellectual property that EU SMEs need to protect. A trade mark is a distinctive sign identifying the goods of a producer, or designer, allowing consumers to distinguish the goods or services of one brand from another. Brand recognition and reputation drive the industry and allow companies operating in this field to position themselves in international markets. The value of a brand, as an intangible asset of a company, is sometimes not given adequate attention at the right time in the business cycle. In order to proactively protect your brand and be able to act against counterfeiters, you should register your trade mark as early as possible, ideally before doing any business in or with China.

Trade mark registration with the China Trade Mark Office (CTMO) is essential to enforce IP rights in China. As China does not offer legal remedies for unregistered trade marks (except for well-known trade mark(s)), your European trade mark will not provide any protection without registration in or extension to China.

China uses a ‘first-to-file’ system, meaning the first person to apply to the CTMO will be granted ownership of the trade mark. This leads to the practice of trade mark squatting where individuals intentionally register trade marks in order to profit from selling them back to the right owner. Although it may be possible to cancel a ‘bad faith’ trade mark registration, it is very difficult to prove and many SMEs instead opt to pay the trade mark squatter rather than engage in a lengthy and costly legal process.
process.

Another reason for early registration is that the process takes approximately nine to twelve months and legal protection is only offered once the registration has been fully completed. Both registrations directly through the CTMO and through international procedures (WIPO registration) are possible. If applying through WIPO European businesses need to ensure their trade mark filing in China happens within six months of filing the same mark in Europe in order to keep the original European application date, the so called “priority date”. The priority date means your China application will be considered to have been filed with CTMO on that date which both saves you time and means any subsequent applications by other entities will be rejected.

Trade mark registrations in China are inexpensive. The basic application fee is RMB 800 and, together with legal/agent fees, can generally be completed within a budget of EUR 500-700. These costs are especially low when compared to the costs in the unfortunate case of trade mark loss when someone else has registered your trade mark in China before you.

Another important aspect of brand recognition in China is the registration of trade marks in Chinese characters. If European SMEs intend, now or in the future, to sell to the domestic Chinese market, it is highly recommended to complete the additional registration of a Chinese language trade mark. The Chinese characters selected should be carefully considered 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 locally. For example, due to the logo, Ralph Lauren is often referred to locally as 三脚马 (three-legged horse), which may not convey the level of quality and luxury the brand aspires to.

In principle, a distinctive fabric design may be protected as a trade mark as well if it has become distinctive through long use. However, such examples are rare and the protection of patterns as a trade mark is uncommon. One rare exception is the Burberry check design, which has been granted trade mark status in China. More suggestions and tips on alternative ways for design protection in China will be addressed below.

For more information on trade mark registration in China, please see the Helpdesk’s guide on “Trade Mark Protection in China”.

### 3. Design patents

Together with trade mark protection, design patent protection is also very relevant to the fashion and design industry. Design patents can be sought for by any of the following external features of a product that are rich in an aesthetic appeal and are fit for industrial application:

- a. The shape of a product
- b. The pattern of a product
- c. The shape and pattern of a product
- d. The shape and colour of a product
- e. The shape, pattern and colour of a product

The colour of a product alone cannot constitute the design of a product unless the change of colour can be regarded as a pattern.

The distinctive cut of fashion garments, the innovative shape of accessories like handbags or shoes or the iconic style of a specific pattern on fabrics are all examples of items that European SMEs could protect with a design patent to maintain their competitiveness in the market. However, there are two main challenges connected to this industry which may constitute a serious risk for SMEs: the rapid evolution of fashion, the development of new collections from year to year and the differences in design protection between Europe and China.

Europe and China differ in several crucial aspects with regards to the legal structures for design protection. Designs in China need to be registered as design patents in order for them to be protected, therefore the provisions of the Chinese Patent Law apply. While in Europe protection is provided to both an Unregistered Community Design (UCD) and a Registered Community Design (RCD), which cover the whole of the EU (protection is also provided on a national level but terms vary across the EU). An UCD means that any design made available to the public domain
is protected from being copied for three years from the date of publication. This UCD is often considered sufficient to protect fashion designs which have a short life span. If a longer term of protection is preferable, designs can be formally registered as an RCD with the Office for Harmonization in the Internal Market (OHIM). Under specific requirements, OHIM grants registration of RCDs within two working days (so called ‘fast-track’ design registration) to meet the needs of the fashion and design industry among few other industries. Providing the correct renewal fees are paid, the RCD can provide 25 years of exclusive use of the design to the right holder. This is often used to protect designs with a longer span such as a distinctive fabric pattern, or innovative shape of handbags or shoes. On the other hand, in China all designs have to be registered as a patent to be eligible for legal protection which then lasts for a maximum of 10 years.

In addition, to be patentable a design must have absolute novelty, that is to say, it must not have been published anywhere in the world before the date of application and must be sufficiently distinguishable from other designs. That means a design which has been published and enjoys UCD protection in Europe could not receive a design patent in China as it has already been made available to the public domain. Design registration in China takes approximately one year to be completed. For longer life designs, such as distinctive patterns, continuative models for fashion apparels or classic shapes of handbags or shoes, registration is recommended while it is less suitable for designs that frequently change. It is also important to note that protection in China starts only after the registration has been completed and there is no fast-track registration procedure.

In light of the above and in view of budget limitations, European SMEs should choose carefully which designs need to be registered and should also consider alternative ways to protect their creative fashion creations in China to prevent IP theft.

For more information on Design Patent protection and enforcement options in China, see the Helpdesk’s guide on “Patent Protection in China” and a new upcoming guide to Design Patents

4. Copyrights

As an alternative to seeking a design patent, European SMEs can protect their IP through copyright. Please note that copyright does not substitute design patents as they are two different kinds of intellectual property rights which protect different things. However copyright can be used as a standalone right or as an added layer of protection on an item covered by a design patent. This guide will show how best to manage copyrights in China for effective enforcement in case of IP infringement.

Copyright is an automatic right that arises the moment a work is created meaning that once a work is created, in most cases, the creator will automatically enjoy copyright protection in all 164 member countries of the Berne Convention for the Protection of Literary and Artistic Works, including all European Union countries and China.

As China applies a formal approach when enforcing IP rights and Chinese courts require formal proof of IP rights ownership, registration remains the safest way to secure enforcement when needed. Therefore, voluntary registration for copyright is available in China with the Copyright Protection Centre of China (CPCC) and is highly recommended. Although your work is automatically protected by copyright the moment it is created, voluntary registration will provide proof of ownership, which can save you time and money in case of a dispute. Copyright registration can be done at any time (no matter how long the design has been in the public domain), takes approximately 30 working days and is relatively inexpensive. For example, photographs cost RMB 300 to register; while registrations for product design cost RMB 500 (legal fees or agents fees are excluded).

More information on copyright registration in China is available in the Helpdesk’s Guide to “Copyright Protection in China”.
5. Distributors/agents and franchising chains

Some European SMEs may find it more suitable to their needs to appoint a Chinese distributor or agent, rather than engaging in direct sales or establishing their own company in China. In this case it is important to put an IP action plan in place that includes IP registrations in China in advance and signing written contracts with distributors and agents which include IP clauses. The contracts should clearly regulate the use and/or licensing terms of all related IPR as well as the marketing and promotional activities delegated to the distributor/agent.

European SMEs operating in the fashion and design industry, especially those involved with mid-level positioned brands, may decide to invest in franchising stores in China. IPR plays a very important role when opening a franchising store as the brand will be heavily exposed to the market and several players will be involved (who could potentially be a source of intentional or unintentional IP infringement). It is therefore essential to regulate the obligations of both the franchisor and franchisee with reference to the IP involved, such as trade mark registration and licensing, copyright, etc. It is recommended to seek advice from lawyers with China expertise before implementing franchise operations in the China.

6. OEM garments and accessories manufacturers

The fashion and design industry also includes manufacturers, wholesale exporters and SMEs that have business relations with suppliers to whom they commission all or some of their production in China.

For fashion and design items produced in China under Original Equipment Manufacturers (OEM) agreements, IPR is often a major concern, especially when European SMEs have to disclose their designs in order to allow the Chinese supplier to produce their fashion creations. The most important IP to consider in this case are trade marks and designs. First of all, European SMEs should register their trade marks, designs and copyrights in advance and only then enter into a written supply agreement which should also include specific IP-related provisions. European SMEs should also sign Non-Disclosure Agreements (NDAs) with the manufacturers, which expressly prohibit the unauthorised use of IP.

Lastly, for more information on this subject, see the Helpdesk’s guide to “Using Contracts to Protect your Intellectual Property Rights in China”.

Take-Away Messages:

The important points to remember are:

1. Register your intellectual property rights. Unless you have registered your rights you have almost no recourse in China.

2. Be vigilant. Patrol trade fairs and surf the various b2b and b2c websites (such as Alibaba and Taobao) on the lookout for infringing articles.

3. When you identify infringement, enforce your rights. If you build a reputation for being litigious then companies will be less likely to infringe your rights in future. The resources required to achieve such a reputation very much depend on the extent of the infringement.

4. Build your case carefully. Ensure that you are taking action against the right company in the right form.
Case Study 1: Trade mark infringement in the fashion and design industry

Chic Ltd., a European manufacturer of women’s apparel became aware that products bearing its western trade mark were being sold to the public at one third of the original price on several Chinese websites.

Chic Ltd. registered its western trade mark in China in 2010 and has since been selling its original products in China. The SME decided to consult an IP specialised lawyer and together they conducted an investigation of the companies manufacturing the counterfeit goods. The investigation revealed that the counterfeiters were two companies located in Zhejiang Province. After gathering information about the companies (business licenses, etc.), Chic Ltd. also made some sample purchases of the fake goods which were notarised by a Chinese Notary Public.

After compiling a file including all the relevant documents and the notarised evidence of the infringements, Chic Ltd. sent a cease and desist letter to the two infringers. A few days later, the webpages advertising the fake goods disappeared but new webpages were created a few weeks subsequently, and Chic Ltd. did not receive any reply to the cease and desist letter. The illicit activity continued.

Since Chic Ltd. owned a registered trade mark in China, it decided to file a complaint for trade mark infringement with the local Administration for Industry and Commerce (AIC) in Zhejiang Province. Immediately after the AIC officer notified the two companies of the official complaint, Chic Ltd. received a request for a friendly settlement and negotiations from the two infringers. The case was eventually settled on the following terms:

- Both companies will immediately stop the production of infringing goods with Chic’s trade mark
- Financial compensation will be paid to Chic Ltd. for the damages and losses suffered
- All webpages selling the infringing products will be deleted immediately.
- Chic Ltd. was satisfied and agreed to withdraw the complaint against the two infringers.

IP LESSONS

- Registered IP will enable your company to file for an administrative action against infringers. Administrative actions or merely threatening the infringer with an action may be sufficient to settle a dispute and avoid expensive litigation;
- Before letting the infringers know that their fake products have been discovered on the market – and therefore before sending any warning to them – make sure that you possess enough evidence of the infringement. Remember that evidence has to be notarised for official use.
- Consulting with China expert lawyers can help you to design the most suitable enforcement strategy for your company and minimise extra costs.
Case study 2: Online infringement of unregistered designs in China

Elegance Ltd., a European designer and manufacturer of fashion leather goods, had a business presence in China for around one year before discovering that pictures of its original products were being used on major Chinese e-commerce platforms to advertise the sale of infringing products. The products did not include Elegance's trade mark, but did include designs identical to those Elegance had launched in the run up to the new fashion season.

Elegance Ltd. registered its trade mark in China one year ago but due to a limited budget and the fact most of their designs were already in the public domain they had not applied for any design patents in China.

Elegance Ltd. wanted to put a stop to the illegal sale of infringing products but did not have the proper IP registrations required to take legal action, since the trade mark has not been infringed in this case. The European SME consulted with its lawyer and was advised to immediately register the copyrights of the pictures of its products used on its websites which were used by the infringers.

After about one month, the copyright registrations with the CPCC were completed. Upon receipt of the original certificate, Elegance Ltd. contacted the main Chinese Internet Service Providers (ISP) and applied for a formal take-down notice. Many Chinese ISPs provide tools to facilitate submission of take-down notices based on the proof of IPR ownership. As a result, the infringement has now been stopped.

Elegance Ltd. decided to register the design patents in China for some of its new creations, as well as the copyright for the images of most of the new creations.

In the case of widespread counterfeiting it may be possible to take further legal action against the infringers by filing a claim with Chinese Administrations or the People's Courts.

IP LESSONS

- Infringers have become more sophisticated, therefore design infringements are becoming more and more common

- When design registration is not possible, copyright registration of the images of copied products will entitle European SMEs to have proof of IP ownership, which can be provided to ISPs to support their request of take-down notice. Combining limited budgets with IPR protection is therefore possible and recommended.
Related Links

Helpdesk Resources

Guide to Trade Mark Protection in China:

Managing IP as a Business Asset:
http://www.china-iprhelpdesk.eu/docs/publications/Managing_IP_as_a_Business_Asset_final.pdf

Patent Protection in China:

Guide to Copyrights in China:

Guide to Protecting Your Trade Secrets in China:

Guide to Using Contracts to Protect Your Intellectual Property Rights in China:

How to Remove Counterfeit Items from E-commerce Sites in China:

External Resources

Copyright requirements:
The China IPR SME Helpdesk provides free, confidential, business-focused advice relating to China IPR to European Small and Medium Enterprises (SMEs).

**Helpdesk Enquiry Service:** Submit further questions to the Helpdesk via phone, email (question@china-iprhelpdesk.eu) or in person and receive free and confidential first-line advice within three working days from a China IP expert.

**Training:** The Helpdesk arranges training on China IPR protection and enforcement across Europe and China, tailored to the needs of SMEs.

**Materials:** Helpdesk business-focused guides and training materials on China IPR issues are all downloadable from the online portal.

**Online Services:** Our multi-lingual online portal (www.china-iprhelpdesk.eu) provides easy access to Helpdesk guides, case studies, E-learning modules, event information and webinars.

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