1. Introduction

Many EU SMEs are active in the wine and spirits industry. China has a thirst for EU wines and spirits, and with a market of nearly 1.4 billion people it has great potential for EU SMEs.

China’s alcoholic drink market is nominated by local brands of beer and spirits, but in recent years the demand for imported wine and spirits is increasing, especially among the younger, first city consumer segments due to lifestyle changes, openness to new tastes and the trust in the safety of imported products. Apart from the traditional distribution channels of supermarkets and the hospitality/entertainment industry, e-commerce is gaining space on the Chinese alcoholic drinks market that provide for plenty of opportunities for European producers and distributors in China. However, market entry also poses a risk in terms of brand protection.

What can EU SMEs do to protect their wines and spirits in China? This guide will lay out the possibilities for intellectual property rights protection in the wine and spirits industry, and will guide you through IP enforcement options in China.

1 Source: EU SME Centre - The Alcoholic Drinks Market in China Webinar, 12 May 2016

2. IPR protection

Wines and spirits can be protected by trade marks, copyrights and patents. Below we will guide you through the various issues relating to the wine and spirits industry and provide advice on what to protect and how to protect it.

2a. Protecting the brand – trade marks

The name of your wine or spirit is what the consumers in many cases are going to buy, as it represents a certain goodwill, reputation and quality assurance. But how can you protect the name(s) of your wine or spirit in China. Names can be protected in China by applying for a Chinese trade mark. A trade mark gives its owner the exclusive right to be the only person or company that can use that specific name for a product or service. That also means that
any names that are the same or similar could be removed from the market by the legitimate trade mark holder. Any name that distinguishes a product from another product, can be registered as a trade mark, provided that it is still available for registration in China, and that it fulfills the basic requirements for trade mark registration, e.g. the name is:

- Legal
- Distinctive
- Non-functional.

Generally, wine and spirits companies are advised to register the name of their company as a trade mark, as well as the name of their product (unless the name of the product is a given as a Geographical Indication (GI), please see the section on protecting the wine or spirit below).

As China operates on a first-to-file system for trade marks, this means that whoever registers a trade mark first, has the rights to that trade mark. Consequently, EU SMEs are advised to register their trade mark as soon as possible in China, preferably before starting to promote or sell the products in China. A trade mark can be registered either internationally through the Madrid protocol route, or domestically in China with a Chinese trade mark agent.

Apart from registering a Latin name and the product or company logo as a trade mark, SMEs are advised to register a Chinese language trade mark. Chinese people generally translate Latin character names to Chinese. This means that if you do not register a Chinese name, the market will make one for you. If someone then consequently registers that name, you are banned from using the name the Chinese consumers know your brand by. The costs of rebranding or of buying back the trade mark is significant enough to encourage you to take preventative measures and create and register your own Chinese name as soon as possible.

Whilst registering your trade marks, make sure you register the trade mark for the correct class and subclass. The classes are divided into 45 classes of products and services. Wine and spirits fall under class 33, packaging for wine and spirits under class 20, and corks for wine under class 21. Please note that if non-alcoholic beverages or beers also need protection for your company, the correct class for that is class 21. Within all these classes, make sure you check the box also on the correct subclasses, for example vodka in class 33. If you do not check the boxes, and thus do not register the correct subclasses, then you will not end up with a trade mark registration for the product you want to have registration for.

For the correct identification of classes and subclasses, it is recommended to consult a law firm or agent who is experienced in registering trade marks in China.


2b. Protecting the label – visual trade marks and copyright

As stated in the former paragraph, names can be protected by registering a Chinese trade mark. But there are also other ways that one can ensure that their wine or spirits label is protected in accordance with intellectual property rights. The logo that SMEs use on the label of their wine or spirit, for example a crest or a drawing of an animal, could be registered as a trade mark logo or could be protected by copyright.

For trade mark protection of a logo, a trade mark registration needs to be filed either through the Madrid Protocol route or through the Chinese domestic application route, the same way as described above for registering brand/company names as trade marks.

For copyright protection of a label drawing, copyright protection exists the moment the drawing is created by the author. However, voluntary registration is available in China and it is highly advisable to record copyright with the China Copyright Protection Centre, as Chinese judges will not easily recognise EU SMEs as the author of their works, unless they have copyright recorded. The recording of copyright is cost- and time-effective, generally completed within 30 days.

For more information on copyright, please see the Helpdesk guide here: http://www.china-iprhelpdesk.eu/sites/all/docs/publications/EN_Copyright_guide_Aug_2010.pdf.

2c. Protecting the bottle – three-dimensional trade marks and patents

In recent years, the nature of counterfeiting in China shifted from copycats of names or logos, towards copying the luxury shape of the bottle of wines and spirits. But what can SMEs do to protect their distinctive bottles from being copied? The shape of the wine or spirits bottle can be protected by either a three-dimensional (3D) trade mark or by a design patent if it is not just a regular bottle. If there is a special function to the bottle, an invention patent or utility model patent could be obtained.

A 3D trade mark can protect the shape of the bottle if it is distinctive. This means that it needs to be different from other bottles used in the wine and spirits industry. For a 3D trade mark, you need to apply for a 3D trade mark with the China Trade Mark Office (CTMO). A 3D trade mark is granted for ten years and can be extended before expiration. Trade mark protection could therefore last forever. The French cognac brand Hennessy has booked successful victories in China thanks to its registration of its distinctive cognac bottle as a 3D trade mark. Therefore, a 3D trade mark has proven to be an excellent way for companies to obtain exclusive rights over the shape of a bottle.

With regard to the protection of the bottle, also a design patent can be used to protect the shape of the bottle, but only if the design is new and creative. In order to obtain design patent protection for the shape of the bottle, it is important for the SME to realise this can only be obtained if the design has not been disclosed to the public – either in China or abroad. If the design has been already disclosed in any way anywhere in the world, then it will not be possible to obtain a valid design patent in China. A design patent offers protection for ten years as opposed to the unlimited protection that a 3D trade mark can offer.

If there is a certain technological feature or special invention used for the bottle itself, for example a compressing mechanism that makes the wine or spirit come out of the bottle in a special way, or a closing mechanism that conserves the wine or spirit better than what was used before, then that inventive measure could be protected by an invention or by a utility model patent in China. For a patent to be awarded, the invention needs to be new, inventive and industrially applicable. ‘New’ means that the design must be not disclosed in any way anywhere in the world before the patent application was filed. Inventive means that an inventive step has to be taken in the invention that was not logical for the skilled person in the art. Industrially applicable means that the invention has to be able to be practically used.


2d. Protecting the wine or spirit itself – Geographic Indications and trade secrets

Geographic indications (GI) in China refer to signs that signify the place of origin of goods that have a specific quality, reputation or feature which is determined by the natural or cultural environment of the region. The GI protects the wine or spirit itself, so that only products from a certain region or that are made in a controlled environment, may use the GI. Because a GI represents a product’s specific quality, reputation and consistent method of production, many consumers prefer and are even willing to pay more for products with GIs. Examples of GIs include Champagne and Cognac.

There are three ways in which a GI can be obtained:

a. through a trade mark application as a collective or certificate trade mark;

b. through an application with AQSIQ, or

c. through an application with the Chinese Ministry of Agriculture.

As the last path has not yet been successfully completed by any foreign entity, as it has not been explained by government how this option would work, only the first two options are explained below.

GIs can be protected under Chinese Trade Mark Law as a collective or certificate mark, which provides the same level of legal and economic protection as any other logo, name or mark registered as a trade mark. Alternatively, and in addition, the GI can be registered at AQSIQ which monitors and manages the quality and standard of products offered in the Chinese market. Dual registration can ensure the GI is protected both as an IPR and as quality assurance to the public. As both GI applications cannot be done by the individual wine or spirits companies themselves, they must be applied for by their GI organisation, SMEs are urged to contact their GI organisation. The relevant GI organisation of the wine or spirit is the organisation that regulated the specific geographical indication. For example if your product is Bordeaux wine, you can contact the Bordeaux Wine Council. Whilst contacting the specific GI organisation, please check with them if the GI is already registered for China. In case the GI is registered, you can apply for a User Permit with them. If not, you are advised to urge the GI organisation to apply for either a collective/certificate trade mark with the CTMO or for a GI with AQSIQ.

With regard to the collective or certificate trade mark a clear route is described. However, the application at AQSIQ is more cumbersome as your GI organisation will need to have recommendations and supporting documents from the relevant EU country’s ministry of agriculture and/or local government that governs the region. A list of required documents can be found in article 10 of the Provisions for the Protection of Products of Geographical Indication.

For more information on GIs, download the relevant Helpdesk guide here: [http://www.china-iprhelpdesk.eu/sites/all/docs/publications/EN_GI_online.pdf](http://www.china-iprhelpdesk.eu/sites/all/docs/publications/EN_GI_online.pdf)

The formula used to make wine and spirits can also be protected by trade secrets. Think for example of wines and spirits that are made in a special way, as is the unique taste of Coca-Cola which nobody else knows how to recreate. If you protect trade secrets in the correct way, you will receive some protection in accordance with the Chinese anti unfair competition law. But please be aware, once the trade secret is disclosed to the public, there is then no or limited protection for your formula.

For trade secrets to be protected in China, the trade secret needs to be non-public information, that gives its holder a competitive edge and that is kept confidential by three measures: technological measures, physical measures and confidentiality measures. Confidentiality measures include signing NDA (or NNN) agreements with Chinese parties and employees.

3. Enforcement

Congratulations, you have all the required intellectual property rights registered. But what do you do if you encounter a fake, or how do you find out if any of your products have been faked in China? This chapter will guide you through how to find fakes, and how you can react to fakes with your intellectual property rights.

3a. How to monitor the market for counterfeit products

The most convenient and effective way to find fake products is to browse the various Chinese e-commerce websites; both generic and those specialising in alcoholic beverages. By typing in the name of your company in Latin letters or in Chinese characters, with or without the Chinese word for alcohol drinks 酒, may immediately bring you to evidence of your faked product. A search on the name of the general product and then the specific region, might also result in a list of fake products which do not use the name of your company or product, but make, for example, bottles that infringe upon your 3D trade mark or design patent. Be aware that a photo of your product that you have copyright on, and that is copy pasted to a Chinese website, is also an infringement that can be countered. For invention patents or utility model patents, a search which describes the inventive measure, on ecommerce platforms, or on manufacturers (b2b) websites might lead you to the infringer who applies your inventive measure or that sells bottles, or packaging with your inventive patent on it.

Secondly, the CTMO database of trade marks registered or applied for in China, can help you spot the companies that might be infringing your rights by producing fakes. It might well be the case that a Chinese competitor has applied for a trade mark that is similar to yours. Apart from using your trade mark to oppose the registration of that trade mark, you can also use the registered information of the person or company who applied for the trade mark, to inspect and use due diligence to see if that person or company has put other fakes on the market.

Another way to find infringing products is to go to trade fairs that specialise in the wine and spirits industry in China. Often there are counterfeit goods displayed at those fairs. The trade fair can serve as a good place to see what your competition is up to in China, as well as to look-out for counterfeit items.

Counterfeiting can be quite localised in China. As such, having inspections in the different provinces of China might be worthwhile every now and then in order to check if there is a company that is infringing upon your rights. As counterfeits that produce inferior quality products can reflect badly upon your brand, even if you have nothing to do with the production of those counterfeits, knowing that a counterfeit is around and taking action is crucial in order to maintain the reputation of your brand in China.

Having the right to preventive protection measures on your bottles might help more generally in your fight against fakes. For example, if you apply special QR codes, holograms tamper proof seals and other measures to your bottles, consumers could recognise the real bottles, especially if you have campaigns emphasizing how they can recognize a real bottle. However, Chinese counterfeiters are also capable of copying those measures. Therefore, the more a bottle linkage system is linked to your mobile application or website, and the more specific information it contains, linked to informing the consumer of your product and protection measures, the more you can preventively protect your products from being copied. Training your devoted consumers in China, to assist you in this battle, by asking them to help you spot counterfeit products, might be an effective measure to tackle the issue of fake products in China.
3b. Ecommerce: Notice and take down procedures

In case you find your intellectual property rights infringed on Chinese e-commerce websites, you should know that those e-commerce platforms are obliged by law to take down links to fake products once you have notified them about it. This is called a Notice and take down procedure. The big Chinese e-commerce websites generally have a specialised platform, or webpage for intellectual infringement, notice and take down procedures ready. Normally such a procedure means that the rightholder has to provide the following supporting information in order to have the e-commerce platform take down the infringing links:

a. The proof of the intellectual property right (trade mark certificate, copyright recordal or patent certificate);
b. A copy of the business license, or a copy of the passport in case the rightholder is a natural person; and

c. The link(s) to the webpage(s) where the infringements can be found.

3c. Trade fairs

At trade fairs there is often a booth – the IP Complaint Centre - where you can complain to the IP officer regarding infringements at the trade fair. Whether to enforce your rights or not at the trade fair depends on the specific situation of your company, time and budget constraints etc. If you decide to take enforcement actions, you will need the original trade mark certificate with you. Without the original trade mark certificate, the IP officer at the trade fair will not accept your case. However, if you enforce your rights at the trade fair, you might miss out on an opportunity to gather evidence of the infringement. In China, evidence needs to be notarised in order to be allowed as evidence by the courts. Thus, instead of enforcing your rights temporarily at the trade fair with the short benefit of stopping an infringement for the duration of the trade fair, you can also consider going to the trade fair with a notary public and obtain evidence of the infringement. That evidence can then be later used for either administrative or judicial enforcement of your rights against the infringer. It can also help you to find out further information about the infringer. Maybe the infringer at the trade fair is just a small wine reseller, and the person or company who caused you more damage is the producer. To take enforcement action against a producer you will need to obtain the notarised evidence first without alerting the reseller. Once the reseller knows that you want to enforce your rights, it might be hard to obtain information and evidence with regard to the real producer. Therefore, be careful of enforcing your rights at trade fairs. A trade fair might be best used to obtain notarised evidence that can help your case in the future.

For more information on enforcing your rights at trade fairs, please see the How to Collect Effective Evidence at Trade Fairs guide here: [http://www.china-iprhelpdesk.eu/sites/all/docs/publications/v6_How_to_collect_effective_evidence_at_trade_fairs_online.pdf](http://www.china-iprhelpdesk.eu/sites/all/docs/publications/v6_How_to_collect_effective_evidence_at_trade_fairs_online.pdf)

3d. Administrative action

In case your IP is infringed, you can go to the administrative bureaus to enforce your rights, as this is generally cheaper and faster than judicial enforcement. Such bureaus include the local Copyright Office, the local Intellectual Property Office (IPO) and the Administration of Industry and Commerce (AIC). In practice, between these three bureaus, going to the AIC for trade mark offenses is the easiest form of action to take. This is different with patents, where due to its inventive nature, it can be difficult for local authorities to recognise and determine such an offense. For copyright action it needs to be proven that harm has been caused to the public before the local Copyright Office can take up a case. Nevertheless pursuing this administrative route may well be beneficial in cases where you need to obtain further evidence of the infringement.

For the administrative authorities to take up your case you must have proof of the infringement and you must have your rights registered. In China, often only notarised evidence will be accepted, so a notarised purchase sale of infringing wine or spirits will be considered good evidence.

The administrative authorities can raid the alleged infringers’ premises, seize and destroy infringing products, and give fines to the infringer. It must be noted though that, no damages will be awarded to the rightholder.

For more information on enforcement, please see the Helpdesk guide on Enforcement of IPR, here: [http://www.china-iprhelpdesk.eu/sites/all/docs/publications/EN_Enforcement_Mar-2016.pdf](http://www.china-iprhelpdesk.eu/sites/all/docs/publications/EN_Enforcement_Mar-2016.pdf)

3e. Civil litigation

If you would like to have a, hopefully, long term solution to your intellectual property infringement in China, then a court order with regard to IPR infringement in China is the answer to your problem. Civil litigation in China is equivalent to a court case in Europe. The usual remedies include injunctions, damages, delivery up and destruction (of tools/products). A civil action will generally, except for patent cases, take six to twelve months from the issuance proceedings until handing down of the judgement. Please be aware that only evidence as witnessed by a Chinese notary public will be admitted as evidence in civil litigation.
3f. Customs

China customs has the authority to seize both IP infringing products coming into the country and IP infringing products going out of the country. After you have registered your trade marks in China, you can also register it with customs in China. While certain practices vary across China, many Chinese customs authorities will proactively enforce trade marks registered with them, as trade mark infringement is relatively easy for the untrained eye to spot. However, generally they will not do the same for patents or copyright, as it can be quite hard to determine whether or not there is indeed a patent or copyright infringement. Therefore patent/copyright owners wishing to have infringing goods seized by customs must inform the customs officers of the precise details of each shipment to be seized (including the container number). In practice, obtaining this information entails extensive use of law firms or private investigators operating in accordance with Chinese law. If products are seized and the claimant wishes to pursue legal action then it must pay a bond equal to the value of the goods seized. The defendant may then pay a counter-bond of an equal amount in order to have the goods released.

For more information on registration of trade marks at customs, please see the Helpdesk guide here: [http://www.china-iprhelpdesk.eu/sites/all/docs/publications/How_to_Record_Trade_Marks_with_Customs_in_China.pdf](http://www.china-iprhelpdesk.eu/sites/all/docs/publications/How_to_Record_Trade_Marks_with_Customs_in_China.pdf)

For more information of using customs to enforce your IPR, please see the Helpdesk guide here: [http://www.china-iprhelpdesk.eu/sites/all/docs/publications/How_to_Record_Trade_Marks_with_Customs_in_China.pdf](http://www.china-iprhelpdesk.eu/sites/all/docs/publications/How_to_Record_Trade_Marks_with_Customs_in_China.pdf)

3g. Other means of protection: product liability

In certain cases, IPR infringement does not directly occur, but an inferior product may exists that resembles your original version. In order for EU SMEs to handle such a situation, a complaint letter to the local governments regarding product liability might be enough to get a potentially dangerous product, or mislabeled product off the market. The relevant local government bodies include the Quality and Technical Supervision Bureaus (local divisions of AQSIQ [www.aqsiq.gov.cn](http://www.aqsiq.gov.cn)) and the Food and Drug Administration ([www.sda.gov.cn](http://www.sda.gov.cn)).

You should be aware that you can be liable for counterfeits, even if you are not (either directly or indirectly) involved in the production or harm caused by the fake product. In the case of Li vs. Jin Ma Co., Ltd in 2010, a one year old baby was hurt by the explosion of a beer bottle that had the address and phone number of Jin Ma Co. on it. As Jin Ma Co. could not prove to that he had not made the beer bottle nor that the beer bottle was a fake, the court concluded that Jin Ma Co. was the maker of the bottle and therefore liable for the harm caused to the baby. Therefore, EU SMEs should monitor the market, and enforce their rights to avoid instances of IPR violations, or product liability issues.
4. SME Case Study

A medium-sized UK company producing spirit drinks had registered their name and logo as a trade mark in China. The company heard about the possibility of 3D trade mark registration in China, and applied to receive a trade mark for their distinctive and unique bottle design.

The UK company found out that a Chinese company had put spirits on the market which came in the same bottle, but which had a different name and logo. Normally, the name and logo were different enough from the UK company not to be regarded as trade mark infringement, however with the 3D trade mark on the bottle they decided to initiate action against the Chinese company.

The case was brought before a Chinese intermediate people’s court, and the judge ruled that as the shape of the bottle was the same, the 3D trade mark of the UK company was infringed. The judge ordered the Chinese company to make a public apology, to pay damages of 500000 RMB to the UK company and to stop the infringement immediately.

Obtaining 3D protection for the shape of your wine or spirit bottles, can thus provide valuable help in your fight against counterfeiters in China.

5. Take away messages

- The IPRs related to wine and spirits can be well protected and enforced in China with appropriate precautionary measures – the earlier, the better.
- Don’t forget that IPR is territorial, thus domestic registration is necessary for most of the related rights.
- It is not only your brand that can be protected in China, but also your bottle and other packaging, promotional materials as well as the alcoholic drink itself. Finding the best-suited strategy for your company, budget and products is an important part of your business development plan.
- Active monitoring of the market is essential for pro-actively enforcing your rights and preventing counterfeits being sold that can harm the financial situation of your business as well as your reputation.
- The best form of defence is to go on the offense; register your rights and make sure to search the market for counterfeits. Be responsive and take them down, either through the IPR legal or product liability route. Cheers!

6. Related links and additional resources

- China IPR SME Helpdesk resources
  - E-Learning Module for the Food and Beverage Sector - [http://www.china-iprhelpdesk.eu/content/helpdesk-elm-13-food-and-beverage](http://www.china-iprhelpdesk.eu/content/helpdesk-elm-13-food-and-beverage)

- External resources
  - EU SME Centre – The Alcoholic Drinks Market in China Sector report (to be published in May-June 2016)
For more information please contact the Helpdesk:

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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, including Hong Kong, Macao and Taiwan, 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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