1. Introduction to China IPR for SMEs in the EU Ceramics Industry

The European ceramics industry is diverse in terms of products, technology, and end-use, characterised by a large number of SMEs producing unique ceramic products. In recent years this industry has witnessed an influx of comparable low-cost ceramics products. In recent years this industry has witnessed an influx of comparable low-cost ceramics products, sometimes copies of designs developed in the EU. A significant number of these ‘copied’ European-designed products are imported from China. As these imports increase, China’s system of intellectual property rights (IPR) protection and enforcement will play a more crucial role in helping European SMEs protect their products in their home markets. Defence of IPR can be a challenge and requires commitment to an integrated IPR protection strategy at home and in the country of origin of the infringements. SMEs that are not active in the domestic Chinese market and even those that do not have plans to enter this market in the future, still need to consider protecting and acquiring rights in China to stop imports at their source before they reach market countries.

i. Design Patents

Design and distinctiveness is important for certain ceramics products especially those targeted at consumers (e.g. ornamentalware, tableware, sanitaryware, etc). As leaders in design, EU producers face the challenge of maintaining and protecting this advantage. This begins with acquiring rights in China to protect their unique designs. In China, designs can be protected by registration under the Patent Law. So-called ‘design patents’ protect original designs relating to the shape or pattern of an object, meaning that the outward appearance of ceramics products may be protected by a design patent.
Design patents are typically granted within 9 to 12 months and last for 10 years.

It is important to note that if the same or similar design was published anywhere in the world and publicly put to use in China (and from 1 October 2009 when the third amendment to the Patent Law enters into force, put to use anywhere in the world) or the design conflicts with the prior rights of others, design rights will be voidable. In other words if your ceramics product is already on the market it is very unlikely that a subsequently filed design right is going to be valid. The lesson here is to always register your design patent rights before launching your product.

ii. Trade Marks

In China, a trade mark can be protected by registration under the Trade Mark Law. Protection lasts for an initial period of 10 years and is renewable indefinitely for successive 10 year periods.

However, it may take 2 to 3 years for a trade mark to be granted.

Foreign individuals and entities seeking to register national/Chinese trade mark(s) must instruct a Chinese trade mark agent to apply on their behalf (or alternatively may register via the ‘Madrid System’, see below).

In order for ceramic manufacturers to take legal action against counterfeiters, they must register their trade marks in China or have equivalent Madrid registrations. China operates a ‘first-to-file’ system, meaning that the law protects the person who first registers a trade mark, not the person who first uses it. Therefore, unregistered trade marks are not protected, except in very limited situations (e.g. they are deemed ‘well-known’ in China). A brand can only be deemed well-known in China in the course of a dispute such as in trade mark opposition, invalidation or infringement proceedings where evidentiary requirements are burdensome, costly and time-consuming. Thus, it is recommended that the relevant mark and, if applicable, its Chinese version be registered in China.

Strategic use of trade marks can be particularly important where a product design has not been registered. Embossed trade marks or marks that are integrated into the design make it difficult for infringers to distinguish between necessary functional elements and non-essential branding elements. Some infringers may not be so careful as to alter the branding elements if they are closely incorporated into the design and therein copying of the design may result in copying the trade mark. If such marks are registered in China it gives ceramics manufacturers legal rights with which to protect their products.

If a mark is already registered in China, it is susceptible to cancellation if it has not been used in China by the trade mark owner for more than 3 consecutive years. Therefore it is recommended that trade mark owners use their marks in China and keep sufficient proof of the use.

Madrid System

China is a party to the Madrid Agreement concerning the International Registration of Marks and the Madrid Protocol (collectively the Madrid System). Under this system an owner of a trade mark in a member country may apply for trade mark rights in Madrid member countries with a single application. If China is designated in the application, its trade mark office will examine the mark under its own trade mark laws. If it does not object to the application within the set time limits, the mark will be registered in China.

iii. Copyright

Copyright protects the creative or artistic expressions of an idea. Porcelain dolls, designs on tiles, vases, or mugs and the like can easily be understood and viewed as works of art, whereas bathroom sinks, toilets, clay pipes and roof tiles may (or may not depending on level of artistic merit) be perceived as merely functional products lacking any originality. However, even the latter may contain a certain degree of creativity and may be afforded some degree of copyright protection. Copyright protection may apply to the work but would stop at its functionally-dictated aspects.

Unlike patents and trade marks, copyright ownership automatically applies once an original work is created, and registration is not required for the work to be protected since China is a member of the Berne Convention for the Protection of Literary and Artistic Works. However, voluntary registration of copyright in China is recommended because, when a copyright dispute arises, registration acts as prima facie evidence that copyright subsists in the work and that the stated registrant owns the copyright. Registration takes approximately 2 to 3 months. In practice a registration certificate is also required in most cases where the copyright owner wishes to take administrative action against infringement.

Generally, the term of copyright protection is the life of the author, plus 50 years. Works of corporations are protected for 50 years from the date of first publication.
IV. Invention patents

Use of new technology in the production process is widespread in ceramics manufacturing. Like under the trade mark law, any foreign individual or entity without a registered business in China and wishing to apply for a patent must use an authorised Chinese agent to file the application. An invention patent can be obtained for a new or improved product or process (i.e. a product or process that possesses or contains new functional or technical aspects) which gives the owner the exclusive right, for 20 years from the filing date, to prevent others making, using or selling the invention without permission. Invention patents are filed and examined with the State Intellectual Property Office (SIPO). Examination may take 2 to 4 years from the filing date to complete.

V. Utility model patents

Chinese law recognises utility model patents which protect the technical solutions that relate to the shape or structure of a product or a combination of both (but not a process) that is fit for practical use. The inventive step requirement is not as high as for an invention patent, and utility model patent applications are not examined for substance by SIPO but merely checked to ensure formalities are met. Utility models that are granted are officially published in SIPO’s journal and take about 12 months to be granted. Like design patents, utility model patents last for 10 years.

3. Enforcement of IPR in China

In general the IPR that is likely to be associated with ceramic products are trade marks, design patents and copyrights. The options available for enforcement of trade mark rights are generally more diverse than for the other rights for a number of practical reasons. Since various intellectual property laws delegate their enforcement to specified administrative authorities, the practicability of administrative enforcement (versus civil litigation) of a particular right depends on the resources, attitude and designated powers of a particular administrative agency. The local Administration for Industry and Commerce (AIC), which enforces trade mark rights and handles complaints of unfair competition; the PAB for invention patents, utility model patents, and design patents, and the NCA for copyright. Additionally, the Technology Supervision Bureau (TSB) is empowered to take action in certain circumstances where product quality is concerned, as well as in trade mark counterfeiting cases.

Administrative Enforcement

The administrative authorities in China hold enforcement powers under the various IP laws. Specifically, the AIC is empowered to enforce trade mark rights and to handle complaints of unfair competition; the PAB for invention patents, utility model patents, and design patents, and the NCA for copyright. Additionally, the Technology Supervision Bureau (TSB) is empowered to take action in certain circumstances where product quality is concerned, as well as in trade mark counterfeiting cases.

Administrative enforcement is often considered a quick and cost-effective method to deal with straightforward infringement cases.

This method involves making a complaint to the relevant administrative authorities who are designated to enforce intellectual property rights. The AIC, NCA PAB and TSB are all empowered to inspect suspected infringers and with the exception of most PABs, are empowered to seize infringing goods and impose fines. The nature of the rights infringed and the complexity of the case will determine which agency should be used in a given fact situation.

The administrative system is most commonly used for trade mark infringement and unfair competition...
cases where the local AIC may seize infringing items and issue fines. Although the administrative route is most effective for these types of cases, larger, repeat infringers consider such actions merely as a ‘cost of doing business’ and thus are not deterred by them.

Civil action may be recommended in such cases and in cases where the infringement is great or complicated. An administrative enforcement process may be used for gathering evidence for civil litigation or criminal prosecution (see below) and if the inspection reveals important import/export information, Customs can be contacted to prevent infringing goods from entering or leaving China.

For copyright infringement, unless the case is straightforward (i.e. pirated media products or one-to-one copies of books), the local NCA may be reluctant to act at all. Therefore, enforcement of copyright in China is usually handled via civil litigation through the courts.

For patent infringement cases, because of the limited powers available to the local PAB. The deterrent effect of administrative actions is low and it is more often used to help procure mediation of a settlement.

With the exception of a limited number of authorities like those in Guangdong province or Chongqing who, unlike their counterparts in other provinces, have power to seize infringing products and impose penalties.

**Civil Litigation**

A company can file a civil claim against an infringer in the People’s Courts, which are empowered to order the infringer to cease the infringing act, publish an apology and compensate the claimant. Legal advice should be sought before pursuing the civil litigation option.

**Trade Fair Enforcement**

Trade fairs in China often have special IPR complaint centres where companies can report the exhibition of infringing products and have them removed from display in the hope of preventing them from being ordered, sold and eventually exported. Organisers of trade fairs lasting 3 days or longer are required to set up IP Complaint Centres staffed by personnel of local administrative authorities and the trade fair organiser. Although trade fairs that are shorter than 3 days are not legally required to set up such complaint centres, in practice, more and more trade fair organisers are establishing such complaint centres in order to raise the profile of the Trade Fair.

Where copyright and trade marks are infringed the administrative authority at the IP Complaint Centres is empowered to (i) require the offending exhibitor to immediately withdraw from view the offending items and/or (ii) confiscate and destroy publicity materials. If the trade fair is in Guangdong, the PAB is additionally empowered to seize products infringing patent rights, seize documents or other materials. Until the amended patent law takes affect on 1 October 2009 an ‘offer for sale’ (which includes displaying infringing products at trade fairs) does not constitute infringement of a design patent (but does in the case of trade marks, patents, or utility models).

The effect of an enforcement action at an exhibition may be limited as it addresses primarily the sales / potential sales resulting from the fair, and will not necessarily address the source of the problem or any longer-term challenges. Therefore, even though enforcement action may be available (and should in certain circumstances be utilised) at trade fairs, such actions should form part of a broader enforcement strategy.

**Customs**

Unlike most countries where customs only examine imports, in China, customs examines both exports, as well as imports. Although Customs has the power to act ex officio on infringement, in practice unless the rights holder records its intellectual property rights with the General Administration of Customs (GAC), Customs will generally not detain goods bound for other countries or notify the rights holder. Once an application for customs recordal is submitted and registration approved by the GAC, information regarding rights will be entered into the Customs database of registered rights which may be viewed by local customs authorities. If rights have been recorded with the GAC and Customs suspects infringing products are being shipped, Customs is able to temporarily detain the goods and notify the rights holder or its local agent. Once the rights holder or its agent has been notified, it has 3 working days within which to apply for detention of the goods and pay a bond (depend on the declared value of the detained goods). Customs then detains the relevant goods and commences an investigation to determine whether the goods are infringing. Where Customs determines goods are infringing, they may seize and destroy them and issue a fine.

In the case where IPR has not been recorded with Customs and there is knowledge of an intended shipment into or out of China which contains infringed goods, a complaint can still be lodged with Customs to detain that specified shipment. Once the rights
holder is notified by Customs that the goods have been detained, it must apply to the People’s Court for a preliminary injunction or property preservation measures. Customs does not receive any notification from the People’s Court for assistance in execution of a court order within 20 working days from the date of the detention, Customs will release the goods.

4. IPR Strategy for SMEs in the EU Ceramics Sector

Since the ceramics industry in the EU is affected greatly by low-cost ‘copies’ of products being originating in China, it is important that rights holders create and implement a China IPR strategy. This includes registering and protecting their rights in China (even if it is not a primary market), monitoring industry trade fairs, developing a well-timed and proportionate warning letter campaign, recording rights with Chinese customs and initiating selective civil actions — a strategy that may enable infringement to be stopped at the source. Once infringing products leave China for other parts of the world they become difficult to track.

Identify and Register IPR in Ceramics Products

Branding, artistic and technical elements may be embodied in a variety of ceramic products. These elements may give rise to protectable IP but may go unregistered or even unidentified. As is the case in many other countries, in China most forms of IPR require registration. It is advisable to prioritise amongst products, registering the most valuable or those most widely sold and distributed.

Registration of rights gives the registrant legal bases to act against infringers, but failing to register may make it very difficult, if not impossible, to seek effective administrative or judicial redress at a later date. Without them, taking action may be difficult, more costly and complicated and the results less certain. One obstacle to overcome is to first identify the IP that subsists in your products. If IP is not recognised, registration cannot take place.

Most people think of slogans, names and logos rather the shape of a product when deciding what to register as trade marks. Although difficult to register in some circumstances, a shape of a product may be registrable as a three-dimensional trade mark.

The design elements or outward appearance of a ceramics product may be protected by a design patent. Any new product development processes should be assessed early on for IP risks and opportunities. By delaying this assessment, a company may run into unanticipated risks and forfeit IP protection. Notably, once a product is launched and broadly sold in the marketplace the ability to register design patent rights is likely to have been forfeited.

Copyright may go unidentified by companies that fail to consider designs elements in such objects such as toilets, sinks, bathtubs and the like as works of art. However, copyright may subsist in the artistic expression of a design embodied in such ceramic items. These works of applied art arguably contain a degree of originality to attract some degree of copyright protection (albeit excluding the functionally-dictated aspects). Therefore the process of creation should be well-documented. That is, rough drafts, previous versions of designs, evidence of the evolution of the design idea are all useful to demonstrate that the ceramics manufacturer developed (and how it developed) the works. Agreements between the manufacturer and the artist if the work was commissioned or licensed that show that the relevant rights were assigned or other evidence that would support copyright ownership and independent effort in the creation of the work should also be kept.

Identify Infringers

Having a representative office, agents or distributors in China is beneficial, and enables you to monitor infringements on the ground and filter information back. After learning of an infringement, it is normally best practice to engage a professional investigation firm to determine the extent of the problem and uncover the responsible infringer — gathering probative evidence is often most challenging.

Monitor industry trade fairs relevant to the Ceramics Industry

As a gathering point for companies to meet with clients, find vendors, as well as overseas buyers under one roof, and to introduce new products and services, trade fairs are prime events to monitor for infringements and to stop potential sales of infringing products, which may have been destined for the EU market.

For effective enforcement actions at trade fairs to take place, preparation at least 2 months in advance of the trade fair is key since notarisation, legalisation and translations of key documents take time to prepare.

In addition, trade fairs provide a good opportunity to identify potential competitors and infringers, collect evidence of any potentially infringing products. Ask for business cards and brochures, and record the name and number of the stalls of potential infringers. In order to formalise the evidence collection for use in future...
civil actions, consider having a notary present during evidence collection, since the notarisation of evidence would enable a claim for jurisdiction in the city where the trade fair took place to be made, as well as making it difficult for the infringer to later argue in court that it was not present, did not produce the product, or even that evidence was fabricated.

Undertaking follow-up actions with the advice of a local law firm is also very important, especially in deciding whether sending the infringer a warning letter or other action is the appropriate next step to take after the trade fair. The exact nature of the claims in a warning letter will depend on the strength of evidence collected, and of course on the strength of the IPR. The evidence gathered at the trade fair can be used to initiate follow-up investigations into the infringer and then, if the combined evidence warrants it, take administrative enforcement actions or civil litigation.

Moreover a ‘blacklist’ of infringers can also be developed from the information gathered and provided to customs or used internally to improve your IPR protection strategy. Follow-up investigations of target websites and factories are also recommended, particularly against repeat infringers.

Taking such actions will not be effective in the long run if they are only one-off actions. To be effective, trade fair actions require a commitment and consistent monitoring year after year. Where such trade fairs are the primary source of orders for vendors, denying infringers the connections they need to exist, namely international customers, may have a knock-on effect on those supplying the infringer. Attacking infringements from this demand side may be used in combination or as a cost effective alternative to finding the source manufacturer (which may be costly and in some case very difficult). If budget permits a multi-pronged approach of attacking counterfeits from both a supply and demand side is a better course of action.

Develop C&D Letter Campaigns

Carefully timed and worded C&D letters can be effective especially if sent to previous enforcement targets. For instance, sending a C&D letter to a previous infringer before a trade fair to remind it of any past enforcement actions, your rights, and to demand it to refrain from including any infringing products in its brochures and exhibiting any infringing products at the upcoming trade fair may be very effective. Note that in some circumstances a C&D letter may not be advisable if you are preparing for litigation and need to collect evidence of the infringement – a warning letter may alert it to your actions, making evidence collection difficult.

Record IPRs with Customs

Given the growing competition from imports of ceramics products from China and the risk of infringement, companies should seriously consider recording their trade marks and other IPR in China with the GAC. Customs in China is most effective for protection of trade marks and may also be effective for design patents, but generally less effective for copyright, patent and other technical rights.

If you are aware of any known infringers you can also submit a so-called ‘blacklist’ to assist Customs in determining which shipments are likely to contain suspicious goods.

Take-Away Messages

- Make sure your products are properly registered in China as design patents, trade marks, copyright, invention patents and utility model patents. Do this as early as possible because in China, if it's not registered, it's not yours.
- Even if China is not your primary market, register your IPR in China and with China Customs, to prevent low-cost ‘copies’ from entering the international market.
- Develop your enforcement strategy; monitor ceramics industry trade fairs to identify infringers, have their offending products removed from display and gather evidence against them if you are preparing for litigation.
- For straight-forward infringement cases, use administrative enforcement through the relevant authorities. Civil litigation should be used for more complicated cases. Remember that gathering probative evidence can be challenging so seek legal advice and engage professional investigation firms if necessary.
SME Case Study

A European company in the kitchenware sector (primarily ceramic crockery) sells its products only to the European market. Currently it does not sell to the Chinese market but plans to enter this market at some time in the future. The company noticed that sales of its most popular product were decreasing and its European sales force discovered a cheaper product with an identical exterior design of lower quality, but with a different logo being sold in its home market. It also learnt from its networks that the distributor was a Chinese company.

The European company wanted to tackle the problem at its source - China - but did not have a design patent in China. Copyright infringement appeared to be its only legal grounds for any chance of success.

The company sought advice from a law firm in China, and conducted an investigation which revealed the source manufacturer, but was not able to obtain notarised evidence.

Because copyright is usually difficult to enforce via the administrative route if no public interest is at stake (such as harm to public safety), the European company decided to send C&D (Cease and Desist) letters through its lawyer to the manufacturer and distributor. The letters alleged infringement of the product design’s copyright, attached notarised declarations of creation of the designs, and demanded that both companies stop producing and selling the product. The letters also enclosed undertakings not to infringe further.

The letters and follow-up calls were ignored. However, the European company retained delivery receipts of the letters in case of formal enforcement actions against the Chinese companies in future. The receipts would also act as supporting evidence showing that the companies were on notice, and that any later infringement would be in bad faith.

Having learnt from this experience, over the next 2 years the company started registering design patents for new designs in China. Because it would be too costly to register all their designs, the company selectively registered its most popular designs that were most likely be infringed, while keeping documentation of the creation processes to be able to prove copyright ownership. The company established a quick reporting protocol with local lawyers and investigators to report sightings of infringements, and monitor trade fairs. The company used the information collected from these various sources to develop an internal ‘blacklist’ of Chinese ‘competitors’ and infringers.

Before the Guangzhou Trade Fair, the European company worked with a local law firm to prepare powers of attorney and certified copies of its design patent rights, and to pull together its proof of copyright ownership. Because these documents needed to be notarised (which takes a month or two) it started planning in advance. A week before the trade fair, its local law firm examined the exhibitor’s list to see if any of companies on the ‘blacklist’ were exhibiting, and found 5 targets whose products it had seen in the EU.

On the first day of the trade fair investigators engaged by the European company surveyed the fair, collected evidence of infringing products in the presence of a Chinese notary public, and noted which booths displayed infringing products or in brochures. The company then filed a complaint with the IP Complaint Centre at the trade fair. The next day the IP Complaint Centre sent an IP Officer with the European company and the lawyer to ask the exhibitors to remove the infringing products from display. With 4 days left of the fair, this represented a huge potential loss for the exhibitors, especially in export sales.

A few weeks after the Canton Fair, the European company sent C&D letters to the infringing companies from the fair. The letters detailed what had happened, attached copies of the notarised evidence, and demanded that undertakings be signed. This reinforced the company’s message that it will not take infringement of its products lightly. Several months before the next Canton Fair, the company sent warning letters to its targets to remind them not to include infringing products in their brochures. This was done early to ensure that the companies had not yet printed their brochures and would be less reluctant to remove infringing items.

Although the European company did not have strong rights when it first decided to tackle the problem in China, it began developing a more strategic approach that involved registering rights, monitoring trade fairs, sending C&D letters, and taking civil actions against infringers, to send a strong deterrent message.
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2. Main Areas of IPR Relevant to the Ceramics Industry

The categories of IPR relevant to the ceramics industry in China are designs patents, patents, trade marks, copyright, invention patent and utility models. In addition, in certain circumstances actions for unfair competition may also be applicable. Although China's laws and regulations in relation to unfair competition may protect against certain acts such as copying trade dress, it should not be relied upon as a first line of defence. To protect your IPR in China, you must register your rights.

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