

‘Intellectual property and the protection of your packaging in China’

-

Food.be EXPORTBOOST CHINA
18 November 2014 – Affligem

Valentin de le Court
HFG Law & IP Practice

I. IP and China: Some IP facts and figures

II.WHY protect your packaging in China?

III.WHAT elements of your packaging can be protected?

IV.HOW to protect your packaging in china?

V.To Conclude

I. IP and China: Some IP facts and figures

China is No 1 country for trademark applications

- Almost two million (1.881.546) trademark applications filed in 2013 >< 114.468 CTM applications with OHIM



China is No 1 country for patent applications

- 825.000 Chinese invention patent applications in 2013 (+26.3%) >< 266.000 European patent applications



In 2013 No 2 and No 3 largest filers of PCT applications (international patent application system) were Chinese:

- Chinese telecom giants ZTE Corporation and Huawei Technologies

China is the No3 country for PCT applications in 2013



China is the most IP litigious country in the world since 2005

➤ In 2012, 98% of the IP litigation cases were purely domestic (**Chinese >< Chinese**)

What can we learn from these facts & figures?

1° It is possible to **PROTECT** your IP rights in China

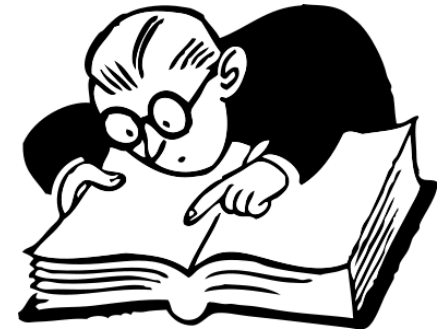
- Complete and advanced legal system for protecting IP
- Widely used and accessible to foreign companies

2° It is possible to **ENFORCE** your IP rights in China

- Domestic companies make an extensive use of the IP litigation system
- Same enforcement is available to foreign companies and investors

3° **IPR ARE AS ESSENTIAL** to the business of your Chinese competitors as they might be to your business

- Chinese companies are more IP aware and IP rich
- China's stake in the IP system grows
- Necessity to put in place effective IP rights protection mechanisms





LAW &
INTELLECTUAL
PROPERTY

II. WHY protect your packaging in China?

Packaging has value

- **Develop a unique and distinctive container requires**
 - ✓ creativity
 - ✓ financial investment
- **Crucial role in product recognition and purchasing process**
 - ✓ Growing middle class, more consumers willing to pay for quality and product integrity → increased brand loyalty
 - ✓ Fierce competition (foreign and local) → more purchasing options



Since packaging has value... it is increasingly copied

- Growth of **blatant copies** - clear infringement of IP rights
- **Less obvious copies**
 - ✓ originals are called to mind of the consumer
 - ✓ Take unfair advantage of distinctive character/ reputation of original packaging / goods
- **Optimistic Approach** → *“The only thing worse than someone copying your product in China is nobody copying your product in China”* A. Chen
- **Pessimistic Approach** → *“There is nothing I can do”*
- **Realistic Approach** → react to avoid losing market shares to **poor copies of your food products wrapped in clever copies of your packaging**



III. WHAT can be protected in your packaging?

WHAT can be protected ?

- **Name of your product** in Latin and Chinese characters
- Name of your **company**
- **Labels**
- **Shape** of your packaging
- **Technical features** of your packaging (e.g. a new and inventive cap for a salt container)
- **Visual characteristics** of packaging (shapes, visible attributes)
- The **overall appearance** of the packaging (trade dress)

Coordinated strategy to create bundles of rights

- **Various elements** can be protected
- **Different requirements** to secure protection
 - ✓ Some features need timely registration
 - ✓ Some features require continuous use, intense promotion and substantial investment
- **Create a bundles of rights** → proactivity and strategy

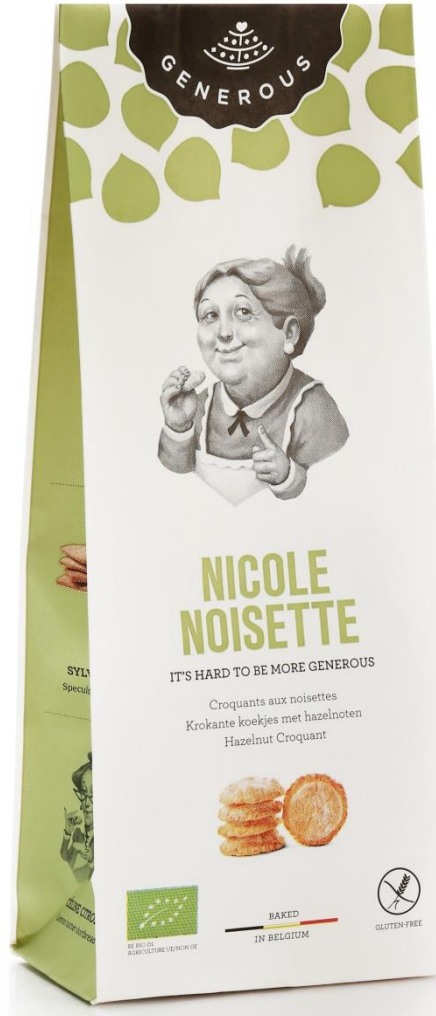


LAW &
INTELLECTUAL
PROPERTY

IV. HOW to protect your packaging in China?

- All IP laws can be used to protect packaging
- Each IP right will serve a different goal
- ✓ Trademark Law - protect the **origin of the packaged goods**
- ✓ Patent Law
 - Design patents the **external aspect** of packaging
 - Invention patents and utility models can be used to protect a container's **technical features**
- ✓ Copyright Law – **creative works** applied on the packaging
- ✓ Anti-unfair Competition Law - protect the **overall appearance**

Create bundles of rights



Create bundles of rights

Company name -
Trademark

Logo
- **Trademark + copyright**

Pattern - **Design Patents
+ copyright**

Drawing
- **Copyright**

Packaging Shape
- **Design Patents**

Product name
- **Trademark**

Overall aspect of packaging
Trade Dress + copyright

Slogan
- **Trademark**

Label
- **Certification mark**

Photo
- **Copyright**



1. TRADEMARKS

- A trademark can be (art.8 CTML)
 - ✓ Any sign,
 - ✓ Capable of distinguishing the goods or services
 - ✓ From those of others (the sign must have distinctive characteristics)
- Most common forms: brand names and logos



- But other elements can be registered as Chinese trademarks:
 - ✓ Selection of words (e.g. a slogan); pictures (e.g. packaging); numbers; color combination; 3D symbols; sounds (since 1.05.2014)



Conditions for TM protection

- **Registration** for specific products and services
 - ✓ Unless you can prove your trademark is well-known in China
 - ✓ Extremely difficult

- A trademark is **territorial**
 - ✓ You must apply for trademark registration **in China**
 - ✓ Directly in China / International registration system

- Term of protection: **10 years** from approval of registration
 - ✓ Can be renewed indefinitely

- **TIPS**
 - ✓ **Seek registration sooner rather than later**, before entering the CN market (China is a first-to-file country)
 - ✓ **Register various versions** of your trademarks (Chinese transliteration)



Non-conventional TM can be registered and enforced:

- **Chivas Regal** is No 1 Scotch whisky in China → a lot of **counterfeiting**
- **3D trademark** registration of the **shape of the Chivas Regal Whisky bottle** in class 33 (alcoholic beverages)
- Chivas **enforced its 3D 'bottle' trademark** against Chinese whisky maker (Yantai Aowei)
- **Chivas won its case in 2012 :**
 - First instance: Hangzhou Court: infringement
 - Decision confirmed on appeal
 - Yantai Aowei sentenced (1.) to cease the infringement + (2.) maximum statutory damages of 500.000RMB

3D trademark registration:



Yantai Aowei infringing bottle:



2. DESIGN PATENTS

Protecting visual characteristics of packaging

- ✓ 2D (patterns) and 3D (shapes, shapes and patterns) elements

Conditions for protection

- ✓ Novelty : claimed design must be new over the “prior design” (i.e. not identical)
- ✓ Creativity : claimed design must be “substantially different from prior designs or a combination of features of prior designs”
- ✓ No conflict with other prior rights



No substantive examination

- ✓ Easy to obtain, within 4m to 8m

Term of protection: **10 year from the date of filing**

Need to apply for patent protection + Territoriality



Design patents covering packaging can be granted and enforced

- **Shanghai Number 2 Intermediate Court, 25 March 2013** - *Beauty Cosmetics vs. Mr Niu*
- **Containers for facial masks** similar to patented design
- Overall visual effects assessment of the packaging
- Front view of the packaging (presented to consumers)
 - ✓ high similarity to the design patented package
 - ✓ fell within its scope
- Design patent infringement
 - ✓ Injunctive relief
 - ✓ (limited) damages



Object of protection – broad

- Cover many features of your packaging
- Drawings, photographs, original shapes, logos, labels, ornamental features

Conditions for protection

- A “work” must be an **original** intellectual creation
- **Tangible form** (no protection of an abstract idea)

No registration necessary for protection

- **Automatic right** (protection upon the creation of the work)
- **Term of protection is long**: 50 years from first publication

Voluntary registration system

- **Prima facie evidence** of ownership and date of creation
- Essential to have in case of infringement (evidence purposes)
- Relatively cheap and fast



Copyrights covering packaging can be enforced

- Nanning Qingqiu District People's Court, January 18 2011
- Infringement of copyright covering **moon cake packaging** owned by Wise-plan Co Ltd (food packaging creator)
- Packaging samples sent to Wharton Restaurant Co Ltd
- Wharton commercialised moon cakes wrapped in similar containers → Copyright infringement
- Court analysed similarities and differences
 - ✓ Many similar elements
 - ✓ Minor and not discernible differences
 - ✓ Substantial similarity → infringement
- Injunctive relief and monetary damages were awarded

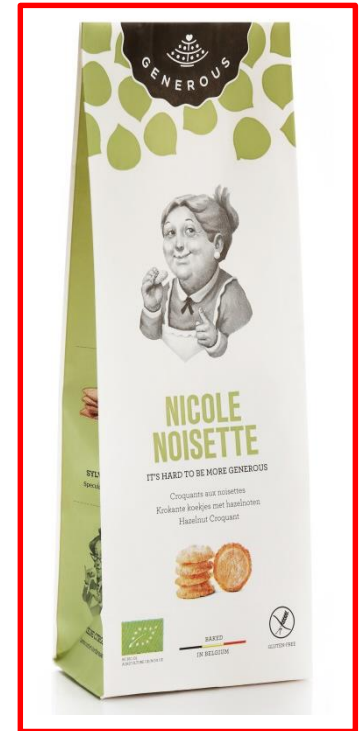


4. TRADE DRESS

- **Protection of the appearance of the packaging taken as a whole (trade dress)**
 - ✓ Use of identical or similar packaging is forbidden

- **Need to prove the packaging's appearance has**
 - ✓ Distinctive features
 - ✓ A reputation of its own
 - ✓ Acquired distinctiveness through market use
 - packaging must be perceived as identifying the source of the product

- **Trade dress protection → only after intensive use, extensive advertising and market success**



Trade dress protection of packaging has been recognized by Chinese courts

- Guizhou Higher People’s Court, 15 December 2011, *Sunstone v Shengde*
- Two local pharma companies using similar boxes (children’s medicine)
- Decision of the Court:
 - ✓ Original product is famous
 - ✓ Box/packaging is unique (distinguishing characteristics)
 - ✓ Risk of confusion (configurations, arrangements, colour schemes and similar distinctive features)

Original



Copy



- Unfair imitation of the original box (violation of art.5.2 of the Anti-unfair Competition Law)



LAW &
INTELLECTUAL
PROPERTY

To Conclude: what strategy to protect your packaging in China?

WHAT STRATEGY TO PROTECT YOUR PACKAGING IN CHINA?

(1.) Be PROACTIVE: measures can be taken to minimize the risks

- *Passivity is not an option*
- *Have a strategy and be ready to implement it*

(2.) Understand WHAT can be protected and HOW

- *Build an IP right portfolio: file, file and file!*
- *Register your IP rights before entering the Chinese market*
- *Layer your IP: the more IP rights you have, the better your protection*
- *Document your packaging creation, first use and reputation*

(3.) PRIORITIZE your filings (costs benefits approach)

- *Most distinctive trademarks*
- *Copyright registration in part or overall packaging*
- *New container shape as design patent*
- *Positive outcomes at reasonable price*

(4.) ADAPT your packaging and brands to the Chinese market

- *Packaging redesign might be required to meet Chinese protection criteria*
- *Involve various talents: legal team, marketing and creative teams*

(5.) Be vigilant and MONITOR the market and be ready to react



LAW &
INTELLECTUAL
PROPERTY

For any question, please contact:

Valentin de le Court

vdelecourt@hfgip.com

Chinese Mobile +86 157 2150 0100

European Mobile +32 (0) 492 86 93 25

HFG Law Firm & IP Practice