



LOST IN TRANSLATION

...Safeguarding your brand in China

TRANSLATE YOUR BRAND BEFORE A PIRATE DOES.....

The problem of trademark piracy is well-known in China and because of China's first-to-file trademark system, trademark piracy continues to be a thorn in the side of brand owners. An additional and somewhat less well-known problem occurs where a Western brand owner has registered its Western brand but has not registered a Chinese equivalent.

Out of a total population of 1.4 billion, only around 10 million Chinese people speak English. Using a Western brand name in China will undoubtedly lead to the natural emergence of a Chinese version of the brand name adopted by Chinese locals. This "orphan" version can cause serious problems for the brand owner.

If a trademark pirate registers the equivalent Chinese brand first, the brand owner faces the threat of losing the Chinese brand and, worse still, being sued by the pirate for using it. This is what happened in a case involving the prestigious French winemaker Castel.

Castel entered the Chinese market using a Chinese equivalent of its Castel brand called "Ka Si Te". The "Ka Si Te" brand soon acquired a reputation with the Chinese public. Crucially, Castel only registered the "Castel" brand and not its Chinese equivalent, "Ka Si Te". A Chinese party managed to register the "Ka Si Te" mark. Castel tried to cancel the pirate "Ka Si Te" mark but, after a cancellation dispute lasting 6 years which was appealed as far as the Supreme People's Court, Castel failed.

Castel was finally ordered to pay compensation to the Chinese party of 33.7 million RMB (around US\$5 million) for using the Chinese mark it first introduced into China but which it crucially failed to register.

The **primary lesson** therefore is regardless of how famous and well-known a brand is elsewhere around the world, **time should be taken to devise a Chinese language equivalent of a brand and brand owners should invest time and money in registering the Chinese language brand** as well as the Western brand.

JUST BECAUSE YOU DON'T SELL GOODS IN CHINA DOESN'T MEAN YOUR BRAND IS SAFE

Recently we have seen an increase in the number of instances where Western businesses who source goods from China but do not sell goods in China have effectively had their global business held to ransom by trademark pirates. This occurs where businesses source goods from China but because they don't sell goods in China, they are under the misconception that they do not need to register their mark in China in either English or Chinese. The problem with this misconception is that trademarks can be registered with Chinese customs, who will then actively seize goods bearing the registered trademark, stopping them from leaving China.

Unscrupulous yet enterprising trademark pirates often specifically target Western businesses who source goods from China but have not registered their trademark in China. Following registration of the relevant trademark, the pirate will then register the trademark with customs in an attempt to cut-off the Western business supply chain. Perhaps unsurprisingly, the trademark and customs registrations are often shortly followed by a "ransom note". Western businesses are left with the prospect of applying to cancel the pirate mark which can take up to 2 – 3 years for an initial decision or pay the ransom to restore their supply chain.

WHAT DLA PIPER CAN OFFER YOU

Our specialist team of lawyers can help you by:

- devising suitable Chinese versions of your trademarks. This will be done by English and Chinese speaking trademark specialists to ensure that the Chinese mark does not have any negative connotations and is aligned with your brand values;
- providing detailed advice in relation to the goods and services your brands should be registered in respect of and ensuring that your brand does not fall victim to trademark piracy due to a lack of appreciation for the Chinese sub-class system and Chinese Trademark Office's (CTMO) mechanical assessment of similarity of goods and services (see our **When West Goes East brochure** for more details); and
- filing trademark applications in China and throughout the Asia-Pacific region.

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