

Shandong's Tech-driven Growth and IP Protection

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Business continues to boom in Shandong, with manufacturing dominating the economy; in the past the province has been a cradle for some of China's better known national champions, such as electronics manufacturers Haier and Hisense, and others are likely to soon follow. Machinery and component manufacture has been particularly important in driving the industrial development of Qingdao, and this has been boosted by the local government's efforts to attract high-tech foreign firms to Shandong, via special high-tech and export zones.

Qingdao and the other major industrial cities in Shandong (like Yantai, Zibo, Weifang, Jinan) are an attractive option for advanced manufacturing, not least because of their relatively cheap rent, easy access to a large concentration of suppliers, and well-established shipping routes. However, the threat of intellectual property theft, such as the copying of designs, patented inventions, or company trade marks, remains high throughout China and no less so in Shandong.

Technology and IP related issues in Shandong

Counterfeit industries can operate on a vast scale in China. An underground industry for fake mechanical bearings and fake medicine and medical products grew rapidly in Shandong until a recent crackdown by the local government. Bearings are essential moving-part components of many industrial and consumer machine goods, and rarely visible in a finished product, thus less easily spotted as fakes. Moreover, for the same reason it is much easier for these types of non-finished goods to enter supply chains.

In the majority of these cases, Chinese counterfeiters use well-established foreign trade marks to pass off lower quality products. The substandard quality of the goods can be devastating for foreign companies, damaging their reputation at the same time as eroding their customer base. However, the problem often partly stems from the foreign companies themselves assuming that for any component or machine goods the focus need only be on protecting inventions.

IP Protection

Protecting an invention or innovation through a patent is without doubt essential, but it is often just as important is to safeguard a company's brand through a trade mark. The process to register a trade mark in China is relatively simple and the system follows a 'first-to-file' rule, meaning the first company to apply for the mark will be granted use, rather than the first to use (even if it has been registered in other

countries). This has resulted in countless ‘bad faith’ registrations: registering a mark with the intention to make a profit from the rightful owner.

The ‘bad faith’ registration phenomenon is not restricted to smaller companies. Tesla recently offered RMB 2 million to buy the rights to the Tesla name from a Guangzhou-based business man who registered it in 2009. Castel wines from France, also battled against a registration of a Chinese-character phonetic equivalent of its name, eventually losing the legal dispute and having to pay a RMB 33.7 million fine, as well as rebrand its’ products in China.

Tips to protect your IP in Shandong

The lesson to be learned here is that registering a trade mark should be done as soon as possible. It doesn’t matter what it is, if it represents goods or services of decent quality that will earn a reputation among consumers, it is worth applying for long before entering the market. It is common for small- and medium-sized businesses to think that they are not at risk because they do not sell consumer goods and are not well-known amongst the general public, but this is a misconception, as in many ways it is easier for a counterfeiter to pass off fake components and intermediate goods. In the end prevention is the best cure when it comes to intellectual property rights.

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*The **China IPR SME Helpdesk** supports small and medium sized enterprises (SMEs) from European Union (EU) member states to protect and enforce their Intellectual Property Rights (IPR) in or relating to China, Hong Kong, Macao and Taiwan, through the provision of **free information and services**. The Helpdesk provides jargon-free, first-line, confidential advice on intellectual property and related issues, along with training events, materials and online resources. Individual SMEs and SME intermediaries can submit their IPR queries via email (question@china-iprhelpdesk.eu) and gain access to a panel of experts, in order to receive **free and confidential first-line advice** within **3 working days**.*

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