



What to think about  
to protect your  
intellectual property.

# IP basics for cross-strait business

**W**ith the greater economic openness across the Taiwan Strait at the same time as a global economic recession, many companies are considering their cross-Strait options. And with regards to intellectual property, there are some great success stories of manufacturing tempered by numerous cautionary tales of manufacturing deals gone wrong as well the counterfeiting of many famous instrument brands.

---

In the cross-Strait business environment, it's particularly important for European companies to understand what's going on at the ground level, both with regards to business partners as well as one's own employees. Time and time again, we've found that problematic infringers can spring up from former distributors, business partners and employees. In a recent notable case, a German advertising firm found its PRC operations had been taken over by a parallel company run by its own current employees.

There's also a strong trend for Asian companies to outsource products themselves – either in a middleman role or in working with their own subsidiaries or related entities elsewhere within Asia. This can mean that a party contracting with a Taiwanese head office may find that the products are being made somewhere in the PRC, Vietnam or elsewhere. And untangling the parties involved can be a huge headache if problems come up later, as similar-sounding company names may actually represent entities set up in a variety of countries. The tools for checking local business partners have become far more affordable and simple to use in recent years. In about one week it is often possible to use corporate research services get a snapshot look at your counterpart and to have some idea if they are who they say they are.

Even if simple commercial disputes within a contract are limited within the contract terms to a particular court and law, it should be clearly stated in the contract that your company can take action anywhere and use any system's laws if protection of IP or trade-secrets is at issue.

## The networks used by pirates, counterfeiters and other assorted infringers span regions and often move merchandise globally.

### Look For Gaps in IP Protections

With the growth of globalization and the internet, your brand – and its imitator – has a reach far beyond the distances likely or available even just five to ten years ago. The networks used by pirates, counterfeiters and other assorted infringers span regions and often move merchandise globally. Without the sorts of research, product-development, advertising or other costs associated with legitimate products, the copycats are in a position to throw discount products into markets worldwide rapidly and efficiently. What this means is that infringers are often swift to take full advantage of any gaps or lapses in your brand protection with results that can mushroom quickly. It's always good to have an IP expert take a look at your intellectual property rights landscape and see whether your patent and trademark filings are making good sense, as well as whether copyrighted materials (software, publications, manuals, etc.) should be registered in jurisdictions like the PRC, the US and elsewhere.

### The Forgotten Applications

Trademarks often are dealt with as an afterthought, a hassle to deal with, and an extra unwelcome cost: as if by their “intangible” nature they had no significant value. But where there are gaps in trademark coverage, manufacturers and importers of counterfeit products often move aggressively to file trademark applications in China, Taiwan and elsewhere in Asia, and sometimes those doing so are able to establish an alternate reality in which consumer confusion is maximized via misleading company registrations, domain-name registrations, and other falsified trappings of legitimacy.

Undoing these messes once they're been given an opportunity to grow and fester costs far more than taking remedial steps and ensuring appropriate applications are filed at the start. One such very bold PRC “fake” company included the original genuine Taiwan company address on its website with a statement to the effect that the genuine company was their “subsidiary.” When fake-company sales reps are crawling the world, talking to your customers, attending trade shows and otherwise offering “your” products at the steep discounts customary in the pirated-goods world, the economic losses can be very serious. We've often found these fake reps to be very knowledgeable because they're often disgruntled former distributors.

### Consistency of Chinese Trademarks

Chinese-language branding should be consistent across different jurisdictions, and if you don't choose a name then the customers (or your local distributors) will eventually pick one for you. One major household name in the electronics industry was stuck using different Chinese trademarks for its company name in Taiwan and the PRC for many years because they didn't consider the consistency of their branding. And across a wide variety of industries we find that, owing to sloppy past practices, companies may use register different sound-alike Chinese characters for their key trademark registrations in Taiwan, Hong Kong and the PRC – and even then use inconsistent Chinese-character transliterations of their company name in the registration documentation. One famous designer brand group

had its marks registered under three different Chinese transliterations of the same rights-holder company name. Situations like this only make it easier for counterfeiters and free-riders to muddy the waters and evade liability.

It is important not to let any local business partner register your trademarks or domain names under their company name. Parties entering Asian markets are sometimes so relieved to find a one-stop-shop who can handle their importation and distribution worries that somewhere in the back of their minds, they figure that it will be simpler, cheaper and perhaps even give the local partner some sense of “connection” in with their company to let the local partner handle all the trademark applications and domain-name registrations. The key to most of this problem is that local business partners, no matter how well intentioned, may never value your trademarks, your brand, your company's goodwill as much as you do. Also, some of the very “cheaper-smaller-faster” drive that makes Asia a great place to do business is not always so good for long-term brand-protection strategies.

### Application and Renewal Concerns

Local partners are often tempted to file trademark applications on their own without using trademark counsel and are not often knowledgeable enough to know when the applications are facing real trouble or what to do. Down the road, the local distributors may not adequately pay attention to renewal deadlines for registered marks and may not maintain files showing the use and growing fame of the marks over years. While it is possible for a foreign company to try to retain

some strategic control of trademark enforcement litigation matters when they are not the actual registrant, as a practical matter it is a long-term drain on costs. If the local distribution partner has control of the enforcement of your trademark, they will normally want swift resolution of local problems without caring for the global picture.

Personnel, relationships and markets change over time. A company that doesn't have its local marks registered under its own name will almost certainly find itself at a massive disadvantage if it wants to explore other import and distribution options down the road, whether it be moving to a closer relationship with a global or regional partner who can offer economies of scale or if it means entering the market directly themselves.

But what do you do when trademark registrations have been delegated to a local partner and you want to straighten it out? Brand-related problems are best fixed while there are not any major problems or business-relationship changes underway. First, the transfer of trademarks and domain names moves much more smoothly if it can be done with the full cooperation of your local business partner. Second, the costs and hassles of trying to straighten out a mess through forceful means once a relationship has gone sour can be terribly high.

If a mess has already emerged, then it is important to regain control of the situation and to get a realistic assessment of what can be done. Where applications have been filed without your consent, there are often provisions under Taiwan, PRC and other trademark laws to take action to protect yourself.

## Conclusions

The most important factor is to acknowledge that, despite being “intangible property,” your brand has (or will have) a tremendous value for the company in the future. Trademarks and domain names you use in the market do need to be registered and should be done so under your company's name. Agreements with local partners should be very specific about how and when marks can be used and spell out clearly when use of marks must be terminated. These trademark portfolios need to be maintained in a professional, organized

manner in a way that allows for timely renewals or the filling in of any gaps in coverage. Chinese trademarks and company names should be consistent across jurisdictions if possible. By retaining control of your brand and its use in the market, you set the stage for key future savings if and when the day comes that infringers arise or your business plans change. ■

*Article contributed by John Eastwood, a partner and attorney-at-law at Eiger Law in Taipei. He is also the co-chair of the Intellectual Property Rights Committee at the ECCT.*

