Key issues in brand localization in China

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Given the unique features of the China market and the growing importance of Chinese consumer tastes, it is important for brand owners to look at brand localization so as to maximize their performance in this market. Brand localization initiatives include China-only product and service lines, translations and adaptations of key marks and properties, as well as promotional campaigns adapted to China's dynamic social media and e-commerce landscape.

For brands undertaking or considering localization in China, we would highlight the following points:

The Chinese language translation of a brand's house mark is vital

For consumers in the Chinese market, the Chinese language translation of a brand name is as important as the foreign language original, and can be essential in developing recognition and goodwill. Where a foreign brand in China has no Chinese translation for its brand name, consumers in the Chinese market commonly will coin one on their own.

Brand owners thus should take control of the creation of their Chinese brand name, or file to register in their name the one which already exists. Failing to do this runs the risk that a malicious third party will do it first, creating a harmful risk of consumer confusion and potentially leading to a lengthy and costly battle for the brand owner to reclaim what is theirs.

Ensure that all registrable localized IP is filed for registration

In China, registrable IP includes trademarks (e.g., words, slogans, logos or devices), copyrights (e.g., logos or devices), and artistic and literary works (e.g., characters, storylines, and text). Filing for and obtaining registrations is of paramount importance in China, a high-risk IP jurisdiction where there are many sophisticated copycats, many of whom target foreign brands that have not yet completed their China market entry.

Localized IP is valuable and should be owned by the brand owner

Brand owners should ensure that their agreements with local partners ensure that all relevant localized IP properly belongs to the brand owner. This helps to avoid disputes down the line, and ensures that the brand owner has all necessary rights to commercialize and receive the benefit of such localized IP (including through licensing and merchandising).

Brand owners should also be vigilant about the activities of their local partners. It is not uncommon for local partners of foreign brand owners to devise and file localized IP in their own name without the brand owner's knowledge or consent, believing that the brand owner will not know or care what they are doing.

Localized IP requires localized IP clearance
IP clearance aims to identify the legal and practical risks of using certain IP in a market (the “freedom to operate”), including the risk of infringing third party rights. It is particularly important in China, and should be a key part of the development and use of localized IP in China.

Clearance is vital in the context of developing Chinese language marks. Since foreign language marks can be translated into Chinese in multiple ways, it is impossible to rely on clearance already conducted in respect of the foreign language original.

Clearance in China should also go beyond pure legal availability, and should check whether the use of certain IP (especially a translated brand name) will be received favorably in Chinese society and culture. A seemingly direct and innocuous translation may have undesirable connotations which could tarnish the brand. Local advice is essential, and especially advice from outside one’s own organization.

Localized IP requires localized enforcement

IP infringement in China is highly sophisticated, and enforcement measures taken in other jurisdictions may not necessarily succeed.

Automated trademark and infringement watches run on a global basis may need to be supplemented by dedicated watches tailored for China. Such watches may need to target Chinese language marks, as well as Chinese e-commerce and social media platforms (see below for further information).

Further, in comparison to many other jurisdictions, local administrative authorities in China play a uniquely important role in IP enforcement. While this can have benefits in terms of speed and cost, it can also result in inconsistencies between administrative jurisdictions. As such, local assistance and advice is essential.

Get to know China’s unique e-commerce and social media ecosystem

E-commerce and social media in China spans many industry sectors and aspects of everyday life, and may be more significant for brands in China than in their home jurisdictions. Importantly, branded goods and information about brands may be circulated online in China both with and without the knowledge and authorization of brand owners.

In this context, brand owners should identify which e-commerce and social media platforms are likely to be used by its target consumers. Besides taking such platforms into account in marketing and promotion initiatives, brand owners should be ready to monitor such platforms and take action against infringement of its IP.

Moreover, brands can find that consumers on e-commerce and social media are also sometimes a source of localized IP, such as where consumers use a Chinese language nickname or shorthand to refer to a brand or its products or services.

Closely guard trade secrets and confidential information

While trademarks are often the foremost concern in brand localization, localization often also requires sharing with local partners and personnel valuable confidential information, know-how or trade secrets relating to the underlying business. Brand owners should ensure that such partners and personnel in China are subject to robust non-disclosure and confidentiality obligations prior to confidential information being shared. Furthermore, brand owners should implement practical measures to protect such information, including limiting and recording access, security and encryption, and conducting appropriate personnel training.

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