

China

Contributing firm
Wan Hui Da Law Firm & Intellectual Property Agency

Author
Huang Hui
Senior partner



1. Legal framework

After many years of accumulating knowledge, particularly since liberalization, China has now established an effective legal system for the protection of trademark rights. The key piece of legislation is the Trademark Law. In addition, the following pieces of legislation, among others, apply:

- the Regulation for Implementation of the Trademark Law;
- the Regulations for Approbation and Protection of Well-Known Trademarks; and
- the Measures for the Implementation of the Madrid System for the International Registration of Marks.

Furthermore, the Supreme People's Court has issued many judicial interpretations on the issues raised by trademark cases.

In order to bring its legislation up to international standards, China is a signatory to various international trademark treaties, for example:

- the Paris Convention for the Protection of Intellectual Property;
- the World Trade Organization Agreement on Trade-Related Aspects of Intellectual Property Rights;
- the Madrid Agreement concerning the International Registration of Marks;
- the Protocol relating to the Madrid Agreement concerning the International Registration of Marks; and
- the Nice Agreement concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks.

All the laws, regulations and international treaties combine organically to comprise the legal basis of the Chinese trademark protection system. In addition, at the time of writing, the Chinese government is collecting opinions to prepare for the third revision of the Trademark Law, which should develop the trademark protection system further.

2. Unregistered trademarks

In China, a party can enjoy the exclusive right to use a trademark only if it seeks registration.

However, an unregistered trademark may be protected if certain requirements are met. Where the unregistered mark is recognized as the specific name of a well-known product, it may fall under the scope of protection of the Anti-unfair Competition Law. If an unregistered mark is well known, it can be used to prohibit a third party from registering and using a mark that constitutes a reproduction, imitation or translation of the unregistered trademark. Where the mark has been genuinely used and has achieved a certain reputation (a lower standard than being well known), it may prohibit a third party's pre-emptive registration in bad faith.

3. Registered trademarks

Any individual person, legal person or other organization can apply to register a trademark. Applications may be made individually, jointly by two or more persons or even collectively. An individual seeking registration should be engaged in production and business.

To file an application, an applicant may appoint an agency to handle the application, but there is no obligation to do so. However, a foreign person or foreign enterprise with no continuous residence or place of business in China must appoint an organization designated by the state to act as agent. If an agency is appointed, a power of attorney should be submitted. Notarization and legalization of the power of attorney and other relevant certificates from a foreign person or foreign enterprise will be recognized based on the principle of reciprocity.

In China, a sign composed of words, devices, letters, numerals, three-dimensional signs (shapes), a combination of colours or any combination of the above can be registered as a trademark. However, the sign must be visually perceptible – that is, a sign which cannot be seen but can only be heard or smelt cannot be registered in China. The Trademark Law lists some examples of illegal signs that cannot be used or registered, for example:

- those identical or similar to the name of the state or a state emblem; and
- those with a nature of exaggeration and fraud in advertising goods.

The law also prohibits the registration of a sign lacking distinctiveness. Furthermore, the following cannot be registered as a three-dimensional mark:

- a shape derived from the goods themselves;
- a shape required for obtaining technical effect; or
- a shape that gives the goods substantive value.

In addition, no sign that conflicts with a prior right can be registered. Such prior rights include an identical or similar prior trademark, or a prior copyright, design, personal name or company name.

4. Procedures

Ordinary procedures

An applicant should apply directly to the China Trademark Office (CTMO) in order to register a trademark in China.

Searches: Free searches may be carried out on the CTMO website (<http://sbj.saic.gov.cn>). Alternatively, an applicant may pay the TONG DA Trademark Service Centre, which is affiliated with the State Administration of Industry and Commerce (SAIC), to carry out a more detailed and accurate search. Whether the search is free or not, the result is limited to a list of marks meeting the requirements – it provides no legal opinions and has no legal force.

For a normal trademark search, the fees are as follows:

- Chinese character or number mark – Rmb60;
- English character mark – Rmb100; and
- device mark – Rmb120.

For an urgent trademark search, the fees are as follows:

- Chinese character or number mark – Rmb120;
- English character mark – Rmb200; and
- device mark – Rmb240.

Examination: If an application and the correct fee are filed, the CTMO will start the procedure with a formal examination. If the formal requirements of the application are

met and the application form is filled out according to the relevant rules, the CTMO will accept the application and notify the applicant in writing. If not, the CTMO will reject the application and notify the applicant in writing with an explanation.

Following the formal examination, the CTMO will conduct a substantial examination to verify whether the trademark application conforms with the Trademark Law. The examination includes verification of conformity with the legality, distinctiveness and non-functionality requirements, and whether the trademark application is identical or similar to other prior trademarks.

Preliminary approval and publication: If the examination reveals that the trademark application is in conformity with the law and that there is no other prior conflicting trademark, the CTMO will preliminarily approve the trademark application and the pending approval will be published in the *Official Gazette*.

Registration: If no opposition has been filed after the expiration of three months from the date of publication, the registration will be approved. A certificate of trademark registration is then issued and the trademark is published. The period of validity of a registered trademark is 10 years from the date of approval of the registration.

Renewal: If the registrant intends to continue to use the registered trademark beyond the expiration of the period of validity, an application for renewal of the registration must be made in the six months before the expiration date. If no application is filed within that period, a grace period of six months may be allowed. The period of validity of each renewal of registration is 10 years.

Special procedures

Refusal: If a trademark application is refused, the CTMO notifies the applicant or its agent of the decision. If the applicant wishes to appeal the refusal, it must file an application for review with the Trademark Review and Adjudication Board (TRAB) within 15 days. The TRAB operates as an ‘appeal court’ for all CTMO decisions.

Opposition: Any person may, within three months of the date of the publication of a

preliminarily approved trademark, file an opposition against the trademark.

If no opposition has been filed by the expiration of the three-month period, the CTMO will make a decision to approve the registration. Any party which is dissatisfied with this decision may apply to the TRAB for re-examination within 15 days of receipt of the notification.

Invalidation: Invalidation may occur when:

- the trademark is found to fall under one of the absolute grounds for refusal;
- the trademark registration has been obtained by fraud or any other improper means; or
- the trademark is in conflict with a prior right.

The invalidation procedure may be launched by the CTMO *ex officio* or by the TRAB upon request. When a trademark is invalidated, it is deemed never to have existed.

Revocation for non-use: Once registered, a trademark registrant should use the trademark. The CTMO will cancel a registered trademark if the mark has not been used for three consecutive years, calculated from the date of registration or, if the trademark was approved for registration following an opposition, calculated from the date of publication of the opposition adjudication. If the trademark owner or other interested party is not satisfied with the CTMO decision, it can appeal to the TRAB within 15 days.

Judicial review: If either the trademark owner or an interested party is not satisfied with the decision of the TRAB concerning refusal, opposition, invalidation or revocation, it may, within 30 days of receipt of the notification, commence legal proceedings in the people's court.

5. Enforcement

If a rights holder learns of an act that violates its trademark rights, it may seek relief through the following means.

Administrative procedures

SAIC procedures: The SAIC may take action against a trademark infringement *ex officio* or

at the request of the trademark owner or an interested party.

If the SAIC is satisfied that an infringement has been committed, it may order the infringer to cease the infringing acts immediately. In principle, the SAIC should systematically confiscate and destroy the infringing goods and any tools used for manufacturing the infringing goods or labels. The SAIC may also impose fines – the amount of the fine depends on the worth of the illegal business, but it cannot exceed three times that amount. If the fine cannot be easily calculated, a fixed amount may be decided by the SAIC up to a maximum of Rmb100,000.

Customs procedures: In China, trademark rights can be protected by Customs during both import and export. The trademark rights holder may record its trademark right with the General Administration of Customs to put it on notice to look out for infringing goods. However, although recordal allows Customs to take action *ex officio*, it is not necessary in order for a trademark to be protected by customs procedures.

Customs will confiscate suspect goods if they are determined to infringe trademark rights. If the confiscated goods are deemed suitable for public welfare, Customs will transmit the goods to the relevant public welfare utility. If the trademark owner wishes to purchase the goods, Customs may transfer the goods to the trademark owner in return for adequate compensation. If the infringing goods are not fit for public welfare purposes and the trademark owner has no desire to purchase them, Customs may auction the goods after removing the infringing characteristics. In the event that the infringing characteristics cannot be removed, Customs shall destroy the confiscated goods.

Administrative litigation: Decisions taken by the SAIC or Customs may be reviewed by instituting legal proceedings before the people's court within three months of notification of the decisions. Applications for review are filed increasingly frequently and are usually initiated by the defendant, which challenges the finding of infringement or the amount of the fine. Such cases are handled by the administrative section of the people's courts.

Civil procedures

There are no specific trademark or IP courts in China. Trademark infringement cases are usually heard by the IP Tribunal or one of the civil adjudication tribunals.

The plaintiff should file a complaint with the competent court, which may accept or decline the complaint. If the complaint is accepted, the court will decide on a date for a court hearing, during which evidence is examined and discussed by the parties. The judgment is delivered within a few months of the hearing, depending on the complexity of the case. There is no time limit for the trial of cases involving a foreign element.

The court may:

- order the cessation of the infringement (an injunction);
- confiscate the infringing goods as well as the materials, tools and equipment used to produce the infringing goods; or
- order the payment of damages.

If necessary, the court may also deliver an order of injunction or preservation of the evidence or property.

The amount of damages for infringing a trademark is calculated according to:

- the losses suffered by the IP owner;
- the profits gained by the infringer from the infringement; or
- an amount of damages not exceeding Rmb500,000 where it is difficult to determine the illicit profit that the infringer has earned or the loss suffered by the injured party.

The amount of damages shall include the expenses incurred by the IP owner in stopping the infringement (eg, attorney fees).

Criminal procedures

Generally, criminal cases are brought before the court by a bill of indictment of the People's Procuratorate. In the event of suspected criminal activity, Customs and the SAIC will also transfer a case to the Public Security Authority for determination, after which the case will be transferred to the People's Procuratorate for public prosecution. Trademark holders can also initiate criminal proceedings directly before a court without involving the police or the

People's Procuratorate. However, if a case is considered to present a serious danger to public order and state interests, it should be initiated by the People's Procuratorate.

Once the police have concluded that the infringement may be qualified as a crime, the case is then transferred to the People's Procuratorate for examination. If the qualification as a crime is confirmed, the People's Procuratorate shall change the status of the suspects from 'detained' to 'arrested' and begin the prosecution until the persons concerned are brought to the Criminal People's Court.

The penalties for trademark crimes include imprisonment of up to three years and/or a fine where conditions are serious or the number of sales is large, or imprisonment of three to seven years where the conditions are deemed extremely serious or the sales are very extensive.

6. Ownership changes and rights transfers

A trademark, whether registered or pending registration, may be assigned. When applying for assignment of a registered trademark, the trademark registrant shall assign all identical or similar trademarks registered in respect of the same or similar goods. The assignor and assignee must conclude a contract for the assignment and jointly file an application with the Trademark Office. The assignee guarantees the quality of the goods in respect of which the registered trademark is used. The assignment of a registered trademark shall be published after approval, and the assignee enjoys the exclusive right to use the trademark from the date of publication.

A registered trademark may also be licensed to a third party. The trademark licence contract shall be submitted to the Trademark Office for recordal. The licensor retains the right to supervise the quality of the goods in respect of which the licensee uses its registered trademark – therefore, the licensee must guarantee the quality of the goods in respect of which the registered trademark is used. Where a registered trademark is used in respect of goods that have been poorly manufactured or are of inferior quality (such

that consumers are deceived), the SAIC shall, according to the circumstances, order rectification of the situation within a specified period and may circulate a notice of criticism or impose a fine. In addition, the Trademark Office may cancel the trademark registration.

7. Related rights

In China, there are areas of overlap between trademark rights and other rights such as patent rights or copyrights. Different types of IP right may coexist in one work. For example, a work that enjoys copyright protection can also be registered as a trademark if it meets the requirements for trademark registration. Equally, a design which enjoys a patent right can also be registered as a trademark, and vice versa.

Furthermore, different types of IP right can complete each other. Even if an IP rights holder has not obtained a prior registered trademark, its copyright may be used to protect a device trademark that has artistic merit. However, the trademark right is the only type of right that can be permanently owned, provided that the rights owner renews it.

8. Online issues

In 2002 the Supreme People's Court released a judicial interpretation on the issues regarding the application of law in civil cases involving trademark disputes. According to the court, if one registers certain words that are identical or similar to another's registered trademark as a domain name and then carries out electronic commerce in the goods using this domain name, and if the domain name is likely to cause confusion among the relevant public, this will be recognized as trademark infringement. China also has dispute resolution policies regulating the country-code top-level domain which allow a rights holder to prevent the unauthorized use of its trademark in domain names.