

# Roadmap

## for Intellectual Property Protection in China

### Trademark Protection in China

Suggested for use by trademark holders,  
particularly new entrants to the Chinese marketplace

Prepared Summer 2008

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# Overview

Use the existing system and make sure you meet all legal requirements in China as soon as your company decides to enter the market.

Not knowing or acting in time is not an acceptable excuse in Chinese courts; not more than it would be in Europe!

Chinese government agencies have worked actively over the past years to bring legislation up to international standard. This is particularly true for intellectual property rights, where trademark, patent and copyright laws and implementing regulations have all undergone a radical overhaul in 2000-2001. A further major trademark law reform is in progress.

While the legal framework covering IP is largely in place (a number of provisions such as time limits and limits on penalties and fines continue to cause foreign investors consternation), enforcement continues to cause significant problems to right owners, which is accentuated because of the size of the country and the cunning creativity of the infringers. This is particularly true for trademarks, where counterfeit products are manufactured and sold on a large scale. Yet, gathering evidence to support serious commercial or criminal cases continues to be relatively difficult, even for long-time investors and operators.

Successful companies are likely to find their trademark being infringed in China at some point in time, whether they are physically present in China or not. While there is no magic recipe that guarantees full protection, companies should take all legal and practical measures available in China to reduce risks, starting of course by having their rights registered.

## USE PEOPLE WHO UNDERSTAND THE LANGUAGE AND KNOW HOW TO OPERATE THE SYSTEM

This means a highly experienced intellectual property lawyer who has operated in China for several years and who may also be able to provide your firm with good government connections and some helpful insight into how to make the system work.

China-based "investigation" consultancies are particularly useful and knowledgeable. Their connections with government agencies, courts, police, and other key enforcement bodies can

be invaluable. These people are often the key operators and referrals from China-experienced lawyers are probably necessary for a newcomer on the Chinese market.

At the onset of your business dealings in China, when meeting your lawyers, come up with not only a legal but also a practical strategy for trademark protection. This may involve building provisions for monitoring and protection into a joint-venture agreement.

## UNDERSTAND WHO CAN DO WHAT IN CHINA

Most companies which find their trademark infringed in China spend months trying to resolve the infringement through their embassies, Chinese government connections, or through the Ministry of Commerce. While it is not a bad idea to pursue a political approach, embassy staff is not, for the most part, specialised in handling intellectual property cases and is deluged with similar cases, not to mention other responsibilities in China.

The political approach should be undertaken in parallel with a practical strategy which employs IPR-experienced lawyers and consultants, and which uses the system that is in place. Even when using a political approach, the fundamental question remains whether the right holder has fulfilled all legal obligations in China to protect his right. If this is not the case, even a political approach may lose its footing.

The Chinese Trademark Law provides for a trademark registration system, which sets out the legal foundation for trademark protection. As a prudent first step, companies should hire a lawyer with extensive experience regarding the Chinese trademark system to determine whether their trademarks can be legally registered in China. Since China has a centralised registration system, the assessment and registration process is fairly easy and straightforward.

It is important to note that China uses the "first-to-file" system, meaning that companies may lose legal protection in China if a similar mark has already been registered in China. China is a member of the Paris Convention and WTO, so make sure you file in China within six months of registration of the same mark at home if you want to keep the original application date!

# Part I: Acquisition and Maintenance of Trademark Rights

## WHAT IS A TRADEMARK?

A trademark is a sign that serves the specific purpose of identifying the goods or services of a producer or service provider and allowing the consumers to distinguish these goods or services from those of others.

## WHAT CAN BE REGISTERED AS A TRADEMARK?

The sign may be composed of words, devices, letters, numerals, three-dimensional signs (shapes), combinations of colours or any combinations of the above. But the sign must be visually perceptible. That is to say, a sign which cannot be "seen" but only heard or smelt cannot be registered in China.

## WHO CAN APPLY FOR REGISTRATION OF A TRADEMARK?

Any individual person, legal person or "other organisation" can apply for registration of a trademark. Applications may be made individually or jointly by two or more persons or even collectively. In the latter case, it is registered in the name of an organisation and is used by the members of the said organisation in their business with a view to indicating their membership of such an organisation.

## ON WHAT PRODUCTS OR SERVICES CAN A TRADEMARK BE REGISTERED?

The products and services the trademark is designated to can be classified into 45 classifications according to the Nice Classification (9th Edition – effective as of Jan 1, 2007).

## WHICH TRADEMARK CAN BE REGISTERED?

To apply for registration, the sign must comply with four requirements.

### 1. LEGALITY

Illegal signs are those that are identical with or similar to

- the Chinese State name, the national flag, the national emblem, the military flag or medals of the People's Republic of China, and the name of specific places where authorities of the Central Government are located or any name or design symbolising such places or buildings;
- the names of other States, their national flags, emblems or military flags;
- the names, flags, emblems of international organisations;
- official symbols or inspection marks indicating control or guarantee of quality (such as ISO, etc.);
- the Red Cross or the Red Crescent;

- have a discriminative content against a nationality;
- consist in exaggerated and fraudulent advertising of the goods;
- are detrimental to socialist morals or customs, or have other "unhealthy influences". There is no legal definition of the term "unhealthy influences". However, it could be compared to the concept of "public order", used in Western countries.

The geographical names of administrative divisions at or above the county level and the foreign geographical names well known to the public shall not be used as trademarks, except for geographical terms that have other meanings or are a part of collective marks/or a certification marks.

### 2. NON-FUNCTIONALITY

This requirement applies, in particular, to three-dimensional shapes that cannot be registered as trademarks if they originate only from the nature of the goods/services or exist necessarily for achieving a certain technical effect or enabling the goods to acquire their substantive value.

### 3. DISTINCTIVENESS

Distinctive means that the signs must be distinguishable and capable of distinguishing the goods/services of one person from those of another person. This requirement is not fulfilled by signs that are exclusively composed of generic names, designs or models describing the goods or the services, or contain exclusively a direct reference to the quality, the main raw material, the function, the use, the weight, the quantity or other features of the goods or services, and lack distinctive features. However, the above-mentioned "lack of distinctive features" may be overcome if the trademark can be proved to have become easily distinguishable and acquired distinctiveness through practical use.

### 4. NO CONFLICT WITH PRIOR RIGHT

Such prior rights of another person are: an identical or similar prior trademark (i.e. a trademark already registered or a trademark not yet registered but already preliminarily approved by the China Trademark Office (CTMO) of the State Administration of Industry and Commerce (SAIC), or a trademark already filed at CTMO on the same day but used before, or a well-known trademark (see below) for the same or similar class of goods or services). Prior right may also be a copyright; a design; a personal name; a company name, etc.

## TRADEMARKS IN THE CHINESE LANGUAGE

Chinese consumers are likely to find a Chinese name for foreign trademarks either by way of translation or by way of transliteration (sound alike). It is therefore advisable to register a Chinese version of a foreign trademark. Indeed, the registration of a trademark in roman characters does not automatically protect the trademark against the use or registration of the same or similar trademark written in Chinese.

There may be several possible ways to write a "roman" trademark in Chinese, by way of translation or by way of transliteration (sound alike), and in particular for the transliteration, there may be several available characters that sound alike and could be used.

This is why, unless the foreign word has a direct and only one translation in Chinese, the registration of the foreign word in roman characters is not enough to protect a Chinese equivalent, which is not just a translation!

If such a Chinese version already exists in another Asian country, in order to avoid confusion it is advisable to ensure that the Chinese version is the same.

## ORDINARY PROCEDURE TO REGISTER AND MAINTAIN A TRADEMARK

A trademark can be applied for either through the national way which means directly applying to CTMO, in accordance with the Chinese Trademark Law (National Way) or through the international way which means applying to the World Intellectual Property Organisation, pursuant to the Madrid Arrangement and/or Protocol for the International Registration of Trademarks (International Way).

### NATIONAL WAY

If companies apply to register a trademark directly at CTMO, they should do in accordance with the following procedure.

#### Application

##### Select a trademark agent from the official list

The involvement of a trademark agent for the filing of the trademarks at CTMO is advisable for all companies, particularly new entrants to the Chinese marketplace, and mandatory for foreigners without habitual residence or place of business in China.

##### Make one application for each class of products or services

Carefully list, for each class, the goods or services for which the trademark is to be protected. (The examiners refuse trademark applications that simply refer to all the products of a class as stated in the Nice Classification. It is necessary to actually reproduce the items of such list, and if certain goods or services are not included in the Nice Classification, a description of the same should be added.)

##### Pay the fee

The cost of the application depends on the number of goods mentioned in the application. The official fee is USD125 per application covering 10 goods/services. If the number of goods/services exceeds 10 in one application, an additional fee of USD12.5 is charged for each item.

##### Provide the following documents

Five copies, printed on smooth and clear paper, or replaced by photographs not larger than 10x5 cm; if colour is claimed, five copies in colour and one copy of the black and white design. For a three-dimensional or a colour-combination trademark, a specific statement indicating that the shape or the colour combination is claimed as a trademark, together with a literal description. For a collective or certification trademark, a statement and a certificate stating the relevant qualifications and/or regulating the use of the trademark. If the trademark is in a foreign language, or contains foreign language, a translation must be provided.

If the same trademark has already been filed in another country of the Paris Convention or WTO (and this is the first application for the trademark concerned), less than six months prior to the application in China, a declaration claiming priority should be made together with the trademark application.

The applicant should provide, within three months of the date of application (failing which it is deemed not to have requested the priority right), a duplicate copy of the relevant trademark certificate, certified by the relevant trademark authority, and indicating the application date and the application number.

If the same trademark has been used or displayed on the same goods in an international exhibition sponsored or recognised by the Chinese government that took place less than six months before the application, it is also possible to claim prior-

ity and make a specific declaration to that effect. The applicant should produce, within three months of the application date (failing which it is deemed not to have requested the priority), a certificate indicating the name of the exhibition, proving that the mark was used on the goods and the date of such use. Except for international exhibitions held in China, the applicant should provide a certificate legalised by the Administration for Industry and Commerce.

### **Formal examination**

Where the formal requirements of the application are fulfilled and the application form filled out according to the relevant rules, CTMO will accept the application and notify the applicant in writing.

Where the formal requirements are not fulfilled or the application form not filled out according to the relevant rules, CTMO will not accept it, and it shall notify the applicant in writing and explain the reason.

Where the formal requirements are basically fulfilled or the application form filled out basically according to the relevant rules, but amendments are required, CTMO shall notify the applicant to make the amendments and require him to do so according to the contents prescribed and re-submit it to CTMO within thirty days from the date on which he receives the notification.

Where the application is amended and re-submitted to CTMO within the time limit, the date of filing shall be retained. Where the application is not amended within the time limit, the application shall be deemed to have been abandoned, and CTMO shall notify the applicant in writing.

### **Substantial examination**

CTMO next verifies whether the trademark application is in conformity with the Trademark Law, which includes verification of legality), distinctiveness and non-functionality (absolute grounds of refusal); whether the trademark application is identical or similar to other trademarks that have already been registered, or preliminarily approved (but not yet registered), or that have been applied for (but not yet preliminarily approved).

### **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 trademark, CTMO examiner will preliminarily approve the trademark application and the trademark will be published in the Official Gazette. The examiner may consider that the trademark should be partially approved, i.e. for some of the designated goods only. In this case, partial refusal is notified to the applicant and the trademark is published as partially approved.

### **Registration**

If no opposition has been filed after the expiration of the three months from the date of the publication, the registration shall be approved, a certificate of trademark registration shall be issued and the trademark shall be published. The period of validity of a registered trademark shall be ten years, counted from the date of approval of the registration.

### **Renewal**

Where 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 shall be made within six months before the said expiration. Where no application therefore has been filed within the said period, a grace period of six months may be allowed. If no application has been filed at the expiration the grace period, the registered trademark shall be cancelled. The period of validity of each renewal of registration is ten years. Any renewal of registration shall be published after it has been approved.

### **License and Assignment**

A registered trademark may be licensed to a third party. There are three kinds of license agreements: "exclusive license", where the licensor himself is prevented from using the trademark in the agreed territory, "sole license", where the licensor retains the right to use the trademark in the territory, and "ordinary license", where the licensor may grant other licenses to others in the territory.

Attention should also be paid to the necessity to stipulate in the agreement that the licensor has the right to control the quality of the goods produced under the trademark. This distinction between the various types of licenses is used in particular when determining who has the right to act against infringers. A copy of the trademark license agreement should be filed for the record with CTMO. This is not a substantive

requirement for the validity of the agreement. However, it is required for enforcement purposes, and it is also recommended that the agreement be recorded in order to arrange for the transfer of funds relating to royalties.

A trademark, whether at the application stage or already registered, may be assigned and the assignment must be recorded at CTMO.

### **Renunciation**

The trademark registrant has the right to renounce its trademark. He could choose not to renew the trademark when it comes to its expiration date. Furthermore, the trademark registrant could apply for the removal of his registered trademark or the registration of his trademark in respect of a part of the designated goods when he thinks it necessary, even if the trademark does not come to expiration date. He shall send an Application for Trademark Renunciation and return the original Certificate of Trademark Registration to CTMO.

### **INTERNATIONAL WAY**

This possibility is only available to nationals of a state that is a party to the Madrid Arrangement or the Madrid Protocol. China is a member of the Madrid Arrangement (from 1989) and of the Madrid Protocol (from 1995).

### **Requirements**

For those which are members of the Madrid Arrangement, but not members of the Madrid Protocol, the application must be based on a trademark already registered in the state of origin, whereas for those which are members of the Madrid Protocol, the application may be based on a simple trademark application.

### **Procedure**

Upon receipt of the application for extension of protection, the World Intellectual Property Organisation (WIPO) issues a certificate, publishes the trademark in the International Trademark Gazette and notifies the Trademark Authority of the state concerned. A period of three months started from 1st day of the next month of reception of this Gazette will be the opposition period in China.

If no objection is made by the Trademark Authority of the countries concerned, within a period of one year to 18 months

(one year for Madrid Arrangement) from the trademark record in the International Register, the trademark is considered registered in such country, as from the date of the certificate issued by WIPO.

The subsequent procedure, such as renewal, modification, license or assignment can also be done through the international way.

## **COMPARISON BETWEEN NATIONAL AND INTERNATIONAL WAY**

### **Need for a trademark agent**

The use of a local trademark agent is compulsory for a Chinese national application from foreigners without habitual residence or place of business in China, but not compulsory for an international application.

### **Language**

An international application can be made in English or French while national applications can only be made in Chinese.

### **Cost**

The international application may cover more than one country at the same time and at the same cost, and the basic fee covers up to three classes of goods or services, whereas, for trademarks applied for directly in China, a separate application must be filed for each class.

### **Speed**

International registration is theoretically faster: the three-month period for oppositions starts with the publication in the international gazette, which occurs on receipt of the application, whereas, in the case of a national trademark application, the publication in the Chinese Trademark Gazette occurs only after preliminary approval by CTMO at the end of the preliminary examination which may take more than a year.

### **Duration of protection**

According to the Madrid Arrangement, international trademarks are protected for a (renewable) period of 20 years, whereas national registrations are protected for 10 years (renewable). However, since the duration of protection provided for in the Protocol is 10 years, fees must be paid in two instalments. Hence, for practical reasons, an international trademark should be regarded as due for renewal every 10 years.

## Trademark Certificate

Theoretically, there is no difference between an international and a national trademark registration. However, a Chinese-language registration certificate is only issued for a national registration. Given the fact that most enforcement actions are taken via the Chinese Administration of Industry and Commerce, throughout Chinese territory, it is in fact much easier to prove the existence and scope of a trademark and to “motivate” a local bureau of the Administration of Industry and Commerce by producing a Chinese registration certificate. Therefore, it is necessary to request CTMO to certify an international registration, which may take up to three months, and this may affect the speed of an enforcement action.

## SPECIAL PROCEDURE TO REGISTER, MAINTAIN OR CHALLENGE A TRADEMARK

### REFUSAL

Whether the trademark has been applied for through WIPO or directly at CTMO, it may be refused. In the case of refusal, CTMO notifies its decision to the applicant or (in the case of a foreign applicant) to its agent.

Within 15 days, the applicant may file an application (through its agent) with the Trademark Review and Adjudication Board (TRAB), under the State Administration for Industry and Commerce, which operates as a “court of appeal” for all decisions of CTMO. TRAB is located at the same address as CTMO.

Although the 15-day period is extremely short, no extension is possible. It is therefore particularly important to maintain close contact with the agent in charge of conducting the procedure. Meanwhile, the decision of TRAB may take several years.

### OPPOSITION

#### The right to oppose a trademark is open to any person, which includes...

the owner of a registered trademark; the holder of a preliminarily approved trademark; the owner of an unregistered well-known trademark (if the goods are identical or similar); the owner of a well-known trademark registered for non-identical or non-similar goods; the owner of a trademark, already used although not registered, which has acquired a certain influence when the other trademark applicant is using unfair means (the term “a certain influence” relates to trademarks that would not qualify for the status of “well-known”, but nevertheless are considered to deserve special protection in their field, provided

bad faith is proven); the holder of another property right, such as right of name, copyright, portrait, etc.; and any other person, even without any of the above rights.

#### The procedure is handled by a registered trademark agent.

It is possible to file a partial opposition against some of the designated goods only. Chinese trademark agents usually provide a watch service for their clients. It is highly recommended that this service be subscribed to, if only because some trademarks that should be opposed are in Chinese and the assessment and advice as to the opportunity of an opposition should be entrusted to Chinese-speaking professionals. Furthermore, it should be noted that “pirate” trademark applicants are becoming increasingly sophisticated in their attempts to escape the attention of trademark examiners and trademark owners. They might file applications for “half” designs, and then use them together, or file designs that, on paper, do not appear to constitute a risk of confusion, but that, in actual use, become obvious infringements.

Oppositions to the application may be filed at CTMO within three months of the date of publication of the trademark application in the official Trademark Gazette. In this case, it is necessary to prepare a defence. Alternatively, the trademark registrant may find out, by checking the Trademark Gazette, that others are attempting to register trademarks that are similar to its own registration (or application), and that it has to file an opposition against such attempt.

The opposition is filed in two copies and should be based on clear facts, sound grounds and supported by relevant material evidence. If the opponent wishes to produce additional evidence to support its opposition with additional evidence, it should make a statement to that effect in the opposition and should provide such evidence within three months of the date of the opposition.

CTMO notifies the applicant about the opposition in a “timely manner”, which in practice amounts to 3 months, and in some instances may be longer. The applicant should file a response within 30 days of notification of the opposition. If necessary, the applicant may file additional arguments and/or evidence within three months of the date of the response.

## INVALIDATION

Even after it has been registered, a trademark may still be invalidated, and deemed never to have existed.

Invalidation may be decided:

By the relevant authority on its own initiative (ex officio): in this case the decision is taken by CTMO.

### Invalidation may occur:

(1) when the trademark is found to fall under one of the absolute grounds for refusal (prohibited sign, lack of distinctiveness and functional three dimensional sign); (2) or when the trademark registration has been obtained by "improper means" (There is no clear definition of "improper means". Basically, this expression corresponds to "bad faith" or "fraud". It is a case-by-case situation.) or at the request of a third party: in this case, the decision is taken by TRAB; (3) or when the trademark is in conflict with prior right.

### Those entitled to file a request before the TRAB are:

Any person, if the request is based on the absolute grounds or on the "registration by fraud or other improper means". There is no time limit for filing a request based on such grounds.

Any trademark owner or interest party, in this case, the time limit for taking such action is five years. Where a well-known mark is registered in bad faith, the genuine owner thereof shall not be restricted by the five-year limitation.

### When a trademark is invalidated,

it is deemed not to have existed from the very beginning. However, when the invalidation is declared by TRAB in any of the above-mentioned situations, any judicial or administrative decision implementing the trademark in question that have been rendered in the past remains valid. In the case of bad faith where the rights of third parties have been prejudiced, a claim may be made for compensation.

## REVOCAION

Once registered, a trademark registrant should use his trademark. Use is defined as "use on the goods, packages or containers, or on trading documents, in advertising, an exhibition or any other business activities". It does not matter whether the goods are to be sold in China or are for export only.

When a request for non-use is made, CTMO notifies the trademark registrant and requests him to produce, within two months, evidence of the use of the trademark prior to the date of filing of the application for revocation, or otherwise a fair reason for such non-use. For the purpose of such evidence, the use of the trademark by an authorised third party is admitted as evidence of use.

Further, the trademark must be used exactly in the form in which it has been registered (in terms of style, words, etc.). If a trademark is modified in its use, CTMO may send a warning to the registrant ordering him to rectify it and may even revoke the trademark registration if no rectification is made.

Any change in the name of the registrant, its address or other registered matters must be recorded with CTMO. The local department of AIC may issue a warning and setting a time limit for making the rectification. If such rectification is not made the case may be referred to CTMO for revocation.

The trademark may also be revoked if it is used on bad quality products, or if its quality is replaced by an inferior quality, so that the consumers are deceived.

When the trademark owner or applicant of revocation is not satisfied with the CTMO decision, he can appeal to TRAB within 15 days.

When a registered trademark is revoked, the exclusive right is terminated from the date on which the CTMO makes the decision on revocation.

## JUDICIAL REVIEW

If one of the parties to the litigation is not satisfied with the decision of TRAB concerning refusal, opposition, invalidation or revocation, it may within thirty days from receipt of the notice, institute legal proceedings in the People's Court.

## PART II: Enforcement of Trademark Rights

### WHAT ACTS CONSTITUTE TRADEMARK COUNTERFEITING OR INFRINGEMENT?

A counterfeiting product usually designates a product bearing a trademark that is exactly identical or almost identical to a registered trademark and/or a product that is sold in a package bearing the name and address of another person (making believe that such person is the manufacturer).

An infringing product designates a product identical or similar bearing a trademark that is identical or similar to a registered trademark, including counterfeiting product.

This distinction has direct implications for the criminal aspect of judicial actions, where criminal prosecution can only be implemented in cases of counterfeiting.

### WHAT IS FAIR USE?

Where a registered trademark contains any generic name, device, model of the designated goods, or any word having direct reference to the quality, main raw materials, function, use, weight, quantity, and other features of the designated goods, or any geographical name, the owner of the exclusive right to use this registered trademark shall have no right to forbid other people from fair use of the same.

### PROTECT TRADEMARK IN ADMINISTRATIVE PROCEDURE ADMINISTRATION FOR INDUSTRY AND COMMERCE (AIC)

The Administration for Industry and Commerce (AIC) is the largest of all IPR enforcement agencies. It deals with not only the trademark issue, but also registration of businesses (individual and legal persons), regulation of the market (unfair competition). It is present at all administrative levels of the territory: national, provincial, county, municipality and employs over 500 000 people.

#### Who can take action?

Any person, and in particular the trademark owner or an interested party, may take action. The “interested party” is the licensee or the lawful successor of the trademark right.

If the trademark owner is not a resident of China, it should put matters in the hands of a Chinese trademark agent approved by the State.

#### What action should be taken?

In principle, cases should be resolved at the beginning through “consultation between the parties”. However, this is not an obligation and “if one of the parties refuses to consult...” the trademark owner may take action. Lodge a complaint with the local trademark bureau of AIC (above the county level) where the infringement is committed (manufacture, sale, storage, etc.), specifying the trademark rights of the owner (a copy of the trademark registration certificate) and providing any evidence of the infringement (sample of the infringing product, for example).

Since the action is mainly of a “practical” nature, and is aimed at investigating and seizing, it is always the place where the goods are made, or sold, that indicates the jurisdiction. The actual domicile or registered office, if different, of the infringing party (which, in fact, most of the time is unknown at the time of the complaint) is irrelevant. It is advisable to accompany the AIC team during the “raid”, in order to watch out for any useful evidence and make sure that all goods are seized.

#### What AIC can do

##### Upon arrival at the premises, AIC may exercise the following powers:

Interrogate the parties concerned, review and take copies of the documentary evidence (invoices, contracts, accounting books); this investigation, unfortunately, is often disappointing because infringers rarely keep accurate records of their illegal activities.

Investigate the premises where the infringement is committed; AIC can force the opening of industrial or commercial premises, but cannot force the opening of private locations. If necessary AIC will call the police (Public Security Bureau). AIC and the police usually have a good working relationship.

Examine and seal up or detain any goods considered to be infringements; sealing is used when AIC does not wish to take the goods away immediately. These are preservation measures. In fact, they should be followed immediately by confiscation.

**At the end of the raid, if AIC is satisfied that an infringement has been committed:**

AIC orders the infringer to stop the infringing acts immediately. In principle, AIC should systematically confiscate and destroy the infringing goods and the tools specially used for manufacturing the infringing goods or labels. Destruction is, now, a legal obligation for AIC (as indicated by the choice of the term “shall” and not “may” in the Trademark Law), resulting from the revision enacted in December 2001.

In practice, however, the trademark owner should be aware that it is not always easy to destroy stock, or to distinguish and destroy “specially used” equipment and tools. It seems that the old practice of destroying the goods only if it is not possible to separate them from the trademark representations is still being implemented.

**AIC may also impose fines...**

The amount of the fine depends on the size of the illegal business, and cannot exceed three times such amount. However, the calculation of the “illegal business” is not an easy matter since in most cases the infringer does not produce any accounting material, and reference to the price of authentic goods is still not as a rule accepted by the Chinese authorities. If the fine cannot be easily calculated, a fixed amount may be decided by AIC, with a maximum of RMB 100 000.

**What AIC can't do**

It cannot grant compensation, it can only act as a mediator; following the December 2001 revision of the Trademark Law, AIC can only act as a mediator between the infringer and the trademark owner, if it is requested to do so. Assessing and granting compensation is therefore within the exclusive jurisdiction of the People's Courts. If the mediation fails, the trademark owner may institute proceedings before the People's Court in accordance with the PRC Civil Procedure Law.

**ADMINISTRATION OF QUALITY SUPERVISION, INSPECTION AND QUARANTINE (AQSIQ)**

This administration is in charge of managing the quality of the products: setting out national standards, certifying the quality of products and taking anti-fake and shoddy goods actions. Their main purpose is to protect the consumer against the spread in the market of “fake and shoddy” goods, which includes goods bearing a counterfeited trademark and/or sold in a package bearing the name and address of another person.

**Who can take action?**

Since the main issue is a quality issue, and not the protection of an intellectual property right, any person may go to AQSIQ and complain without having to justify a personal interest. The advantage here is that it is not necessary to use the services and pay the fees of a trademark agent.

**On what grounds?**

It is necessary to base the claim on one of the two following grounds: the goods are of sub-standard quality and/or the goods are sold in a package bearing the name and address of another person. Most of the time, the goods are marked with a counterfeited trademark. In such a case, the trademark owner may complain to AQSIQ.

**What AQSIQ can do**

Basically, AQSIQ has the same powers as AIC during the raid. The fine for fake and shoddy goods is, in most cases, between two and five times the value of the goods (Articles 38 to 40 Product Quality Law). When the packaging falsifies the place of origin of products, falsifies or passes off the name and/or address of another party's factory or forges or passes off quality marks such as certification marks or bears a counterfeited trademark, the “illegal profits” are confiscated and a fine is imposed (no specific amount). AQSIQ is not in any way involved with compensation, even as a mediator. It would appear therefore that there is a certain degree of overlapping between the attributions and powers of AIC and those of AQSIQ. Where the goods are of bad quality and bear a counterfeited trademark, it would be possible to submit the case either to AIC or to AQSIQ. However, if the goods are such

that no “quality claim” would be justified, and the only issue is of a trademark nature, the claim should not be filed with AQSIQ but with AIC.

Whichever way is chosen should be decided on a case-by-case basis: AQSIQ is focused on fighting fake products, whereas AIC has other activities, which gives an advantage to AQSIQ, which in addition has the power to impose higher fines. On the other hand, AIC is better represented in the territory at all administrative levels and has more manpower at its disposal than AQSIQ.

## **CUSTOMS**

(Please see Roadmap for Intellectual Property Protection in China - Customs Enforcement in China)

## **ADMINISTRATIVE LITIGATION**

Review of the decision taken by AIC, AQSIQ or Customs is possible by instituting legal proceedings before the People’s Court within 15 days of notification of their decisions. Applications for review occur more and more frequently and are usually initiated by the defendant, who challenges the qualification of infringement or the amount of the fine. These cases are handled by the administrative division of the People’s Courts.

## **PROTECT TRADEMARK IN CIVIL PROCEDURE**

### **HOW TO INITIATE A CIVIL ACTION?**

The civil procedure is operated according to the following steps:

- A complaint needs to be filed with the civil division of the People’s Courts. Within five days, the court sends the complaint to the defendant. The defendant must file a written defence within 15 days after receipt (30 days for foreign defendants), which is served in the five following days by the court to the plaintiff. Parties should exchange their evidence.
- The court decides on a date for a pre-trial hearing, during which evidence is examined and discussed by the parties, before the court. Permissible evidence includes: documentary evidence, material evidence, statements by litigants, conclusions of experts, records of inspection. Most evidence, including expert evidence, is written. Evidence in a language other than Chinese must be translated, notarised and legalised to be admissible before the People’s Courts. As for the evidence materials which authenticity can be proved directly and primarily, such as publications from overseas etc., no notarisation and certification need to be done, unless the opposite party brings out effective questioning and the inducing party cannot effectively refute.
- In theory, the court may act as fact finder and order inspection, but usually, evidence is produced by the parties themselves. At the trial, the hearing starts with opening statements read by both parties, followed by oral debate on issues selected by the court.
- At the end of the hearing, the court asks the parties if they wish to settle the dispute. If they do, a settlement may be negotiated out of court, followed by a mere withdrawal of the case or signed in the presence of the court. In such case, the court endorses the agreement which shall then have an enforceable strength equivalent to that of a judgment.
- The judgment is delivered within a few months, depending on the complexity of the case. There is no time limit for the trial of the cases involving foreign element. In some complicated, or sensitive, cases, the decision shall be reviewed by a judicial committee composed of senior judges and other persons, but the parties do not get to be heard at such committee.

### **How to discover and collect evidence**

Prior to taking action, the trademark owner should conduct some preliminary investigation in order to ascertain, if possible, the whereabouts of the manufacturer of the infringing goods.

When the goods covered by the trademark are sold in retail stores, it is advisable to conduct periodical market surveys in various parts of China, in department stores and boutiques and wholesale markets and outdoor markets, etc.

If the infringer is not simply a seller (boutique or outdoor market) but a factory, it is essential to obtain as much information as possible on the factory (location, time of production of the infringing goods, etc.). There are, in China, a number of investigating agencies operating as consultancy firms, and some trademark agents maintain permanent investigating squads and networks.

### **WHAT REMEDIES CAN THE TRADEMARK HOLDER GET FROM CIVIL PROCEDURE?**

The court may apply the following measures: (1) order to cease the infringements (Injunction); (2) confiscate infringing goods, materials as well as the tools and equipment used in the production of the infringing goods; (3) pay damages.

The amount of damages for infringing a trademark right shall be calculated according to: (1) the losses suffered by the IP owner, or (2) the profits gained by the infringer out of the infringement, or (3) an amount of damages not exceeding RMB 500,000 where difficulties arise 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 appropriate expenses of the IP owner for stopping the infringement, such as attorney fees.

### **PROTECT TRADEMARK IN CRIMINAL PROCEDURE**

#### **WHAT ACTS CONSTITUTE A TRADEMARK CRIME?**

The activities concerned are manufacturing or knowingly selling counterfeits and forging or selling unauthorised representations of a trademark.

#### **WHAT IS THE THRESHOLD OF THE CRIME?**

In 2004, the Supreme People's Court and the Supreme People's Procuratorate jointly issued a judicial interpretation to stipulate

the definition of "serious", "extremely serious", "large" and "huge". In 2007, another judicial interpretation was issued by these two organs, further stipulating the standard of the crime committed by an enterprise.

### **WHAT ARE THE PENALTIES FOR TRADEMARK CRIMES?**

The penalties are: fixed-term imprisonment of up to 3 years or detention and/or fine where conditions are "serious" or the sales are "large", three to seven years fixed-term imprisonment where the conditions are deemed "extremely serious" or the sales are "huge".

### **HOW TO INITIATE A CRIMINAL PROCEDURE?**

#### **Public prosecution**

Generally, the criminal cases are brought before the court by a bill of indictment of the People's Procuratorate.

The public security organs have the power to detain suspects and interrogate them. They may also summon witnesses (such as employees) to come to their office and declare what they know about the infringing activity. They, of course, can search and inspect premises without restraint.

If a public security organ wishes to proceed in arresting a criminal suspect, it submits a request for approval of arrest to the People's Procuratorate. Once this has been examined, the People's Procuratorate will, according to the circumstances, decide to approve or disapprove an arrest. If it is approved, the arrest will be executed immediately by the public security organ. If not, the People's Procuratorate will explain the reasons and call for a supplementary investigation as necessary (see Article 66-68 of the Criminal Procedure Law of the P.R. China).

Within three days from the date of receiving the file of a case, the People's Procuratorate notifies the victim that he has the right to entrust an agent ad litem, for example a lawyer (see Article 44 of the Criminal Procedure Law of the P.R. China).

If the victim has suffered material losses as a result of the defendant's criminal act, he shall have the right to file an incidental civil action during the course of the criminal proceeding. If losses have been caused to State property or collective property, the People's Procuratorate may file an incidental civil action while initiating a public prosecution (see Article 77 of the Criminal Procedure Law of the P.R. China).

## Private prosecution

IPR holders can also directly initiate criminal proceedings before a court without involvement of the public security organs (police) or the People's Procuratorate. However, it shall be noticed that when the case is considered as presenting "serious danger to public order and state interests", it should be initiated by People's Procuratorate.

In fact, such direct action is practically seldom used, although it is encouraged by the court. It is, indeed, extremely difficult for an IP owner to gather and produce full evidence that the IPR violations constitutes a crime, i.e., that the threshold requirements are met.

The complaint is usually filed by the victim, but any 'work unit' or individual, upon the discovery of evidence of a crime related to infringement of an IP right has the right to report the case or provide information to a public security organ. In the criminal procedure, the IPR holder acts as a party of the procedure, say, a victim, and enjoys the legal rights.

## SPECIAL PROTECTION FOR WELL-KNOWN TRADEMARKS

### WHAT IS A WELL-KNOWN TRADEMARK?

Not every trademarks is well-known, a well-known trademark is a trademark that is "widely recognised" by the "relevant public", i.e. the current or potential consumers of a certain kind of goods or services designated by the trademark, the people who manufacture the aforementioned goods and who render the aforementioned services, and the relevant people involved in the distribution channels.

### BY WHAT WAY CAN A TRADEMARK BE RECOGNISED AS A WELL-KNOWN TRADEMARK?

#### When to apply for recognition as a well-known trademark?

It is only possible to apply in one of the following circumstances: The trademark is not registered in China, but is nevertheless well-known in China. If another trademark, identical or similar to such unregistered well-known trademark, is applied for, or used on, identical or similar goods, it will be refused. The trademark is already registered in China and is well-known in China. If another identical or similar trademark is applied for, or used on non identical or similar goods, it will be refused if it is likely to mislead consumers and damage the interest of the well-known trademark owner". This refers to Article 13 of the

Trademark Law which incorporates the provisions of Article 16 of the TRIPS Agreement relating to well-known trademarks.

In Article 13 para. 2 of the Trademark Law, there is, however, a slight confusion caused by the use of the expression "likely to mislead the public". There should be no reference to any sort of confusion or misleading representation, because in these circumstances, the goods or services on which the two trademarks are used are neither identical nor similar. Only the interest of the owner of the well-known trademark and not the possible confusion in the mind of the public is at issue.

### On what basis is the recognition decided?

"Well-known" status is recognised by the administrative or judicial authority on a case-by-case basis, based on the following factors: extent of awareness of the trademark in the relevant public sector, duration of use of the trademark, duration, extent and geographical scope of promotion of the trademark, any record (judicial or administrative decision) indicating that the trademark has been protected as a well-known trademark (including in other countries) and other factors concerning the reputation of the trademark (such as sales volume, sales area, etc. of the main commodities bearing the trademark), it being understood that it is not a precondition that the trademark conform to all the above criteria.

### Where to apply?

It depends on the circumstances: when filing an application for opposition against another trademark, the application for recognition is filed at the same time with CTMO; when filing an application for cancellation of another trademark, the application for recognition is filed at the same time with TRAB.

When organising a raid against the use of the trademark by another person, the application for recognition and protection is filed with AIC at the municipal (prefecture) or at the provincial level (and, after checking that the case qualifies as an "Article 13" case, as defined in the Trademark Law, AIC transfers the file to CTMO for a decision on the "well-known" status). The application may also be lodged in the course of a civil law suit before a People's Court.

### How long does it take to obtain recognition?

If the application is filed in the course of an opposition or cancellation procedure, the decision is dependent on such

procedure, which can take several years. On the other hand, if the application is made in the course of a raid by AIC, the decision of CTMO should be rendered within seven months, including the time for transfer of the file from AIC to CTMO.

### **What is the validity period of a “well-known” status?**

There is no time limit for the period of validity of a well-known trademark. However, when the party concerned requests protection for a well-known trademark where the scope of protection requested in the current case is different from that of another case, in which the trademark has been recognised as a well-known trademark, or if the other party objects to the said trademark being well known and at the same time produces evidence proving that the said trademark is not well known, CTMO or TRAB should re-examine the material relating to the recognition of the well-known status of the trademark and make a decision. In the case of People’s Court proceedings, this obligation to re-examine the case arises each time the defendant objects to the well-known status, even if he does not produce any evidence that the trademark is not well-known.

### **WHAT SPECIAL PROTECTION CAN A WELL-KNOWN TRADEMARK ACQUIRE?**

Once a trademark is recognised as well-known, its protection may be strengthened in the following respects:

1. prevent malicious registration and use of the trademark by others, even on non-similar goods or services;
2. extend the scope of protection against similar trademarks;
3. obtain higher damages;
4. easier to initiate criminal action;
5. prevent the registration of the trademark as an enterprise name (whereas if the trademark is not recognised as “well-known”, it is necessary to prove that the mark is used prominently in the enterprise name);
6. prevent the registration of the mark as a domain name (whereas for a “normal” mark it is necessary to prove that actual transactions under the disputed domain name have been conducted).

## China contact information

### STATE INTELLECTUAL PROPERTY OFFICE (SIPO)

[www.sipo.gov.cn](http://www.sipo.gov.cn) (Chinese & English)

### STATE ADMINISTRATION FOR INDUSTRY AND COMMERCE (SAIC)

[www.saic.gov.cn](http://www.saic.gov.cn) (Chinese & English)

#### China Trademark Office (CTMO)

[www.ctmo.gov.cn](http://www.ctmo.gov.cn) or <http://sbj.saic.gov.cn/> (Chinese & English)

### NATIONAL COPYRIGHT ADMINISTRATION OF CHINA (NCAC)

[www.ncac.gov.cn](http://www.ncac.gov.cn) (Chinese only)

### GENERAL ADMINISTRATION OF CUSTOMS OF CHINA (GACC)

[www.customs.gov.cn](http://www.customs.gov.cn) (Chinese & English)

#### Shanghai Customs

[www.shcus.gov.cn](http://www.shcus.gov.cn) (Chinese & English)

#### Guangzhou Customs

<http://guangzhou.customs.gov.cn> (Chinese & English)

#### Tianjin Customs

<http://tianjin.customs.gov.cn> (Chinese only)

### GENERAL ADMINISTRATION OF QUALITY SUPERVISION INSPECTION AND QUARANTINE (AQSIQ)

[www.aqsiq.gov.cn](http://www.aqsiq.gov.cn) (Chinese & English)

### MINISTRY OF PUBLIC SECURITY (MPS)

[www.mps.gov.cn](http://www.mps.gov.cn) (Chinese only)

### SUPREME PEOPLE'S COURT (SPC)

[www.court.gov.cn](http://www.court.gov.cn) (Chinese)

#### China IP Judicial Protection, IPR tribunal

[www.chinaiprlaw.cn](http://www.chinaiprlaw.cn) (Chinese & English)

### SUPREME PEOPLE'S PROCURATORATE (SPP)

[www.spp.gov.cn](http://www.spp.gov.cn) (Chinese only)

### MINISTRY OF COMMERCE (MOFCOM)

<http://www.mofcom.gov.cn> (Chinese & English)

#### IP Protection in China

[www.ipr.gov.cn](http://www.ipr.gov.cn) (Chinese & English)

#### Service Centres for IPR Protection, Reporting and Complaints

<http://jts.ipr.gov.cn/tousu/eHome.html> (English)

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IPR2 co-operates closely with the European Union's China IPR SME Helpdesk. The China IPR SME Helpdesk is a European Union initiative, which supports European small and medium-sized enterprises (SMEs) with free information, training and first-line advice about protecting and enforcing their intellectual property rights in China. The Helpdesk offers practical information, training and workshops in Europe and China in order to assist European SMEs to make the right business decisions with regard to their China IPR matters.

If you are a European SME or SME representative body, for further information contact the European Union's China IPR SME Helpdesk:

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The European Patent Office (EPO) is the European implementing organisation for IPR2, with the support of the EPO Member States in specific fields and the Office for the Harmonisation of the Internal Market (OHIM) on trademark and design.

[www.epo.org](http://www.epo.org)

[www.oami.europa.eu](http://www.oami.europa.eu)



中华人民共和国商务部

MINISTRY OF COMMERCE OF THE PEOPLE'S REPUBLIC OF CHINA

The Ministry of Commerce (MOFCOM) is the IPR2 Chinese implementing organisation.

[www.mofcom.gov.cn](http://www.mofcom.gov.cn)



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