

Understanding Trademark Protection and the Revised Trademark Law of the PRC from 1 November 2019

- China.direct.biz, by Noam David Stern and Daisy Du (20 August 2019)



Although most overseas companies understand the need to protect their trademarks in China such as the company name, brand and logo to prevent trademark squatting and theft prior to market entry, many still neglect to register in time and risk loss of control. Registering your trademark in China is a relatively simple and inexpensive process that will safeguard company assets, revenue and reputation.

Revised Trademark Law of the PRC

Following sustained criticism by many foreign companies and governments on the lack of adequate trademark protection and enforcement in China, the revised Trademark Law of the PRC was announced on 23 April 2019 to take effect on **1 November 2019**.

The language related to trademark infringement and related sanctions is stricter than before such as:

- **Article 4:** "... Any application for trademark registration that is malicious and is not filed for the purpose of use shall be rejected."
- **Article 7:** "Application for registration and use of trademarks shall comply with the principles of honesty and trustworthiness."
- **Article 44:** "Where... the registration is obtained by fraudulent means... the registered trademark shall be invalidated by the trademark bureau;
- **Article 68:** "Whoever maliciously applies for trademark registration shall be subject to a warning, a fine or any other administrative punishments, as the case may be;"

According to **Article 8**, trademarks are: *“Any mark which can differentiate the commodities of a natural person, legal person or any other organisation with the commodities of others, including text, graphics, alphabets, numbers, three-dimensional marks, colour combinations and sound, etc., and a combination of the aforesaid elements, may be registered as a trademark.”*

Trademark Protection

Whereas trademark law in countries like Australia, Denmark and the US follow the “first-to-use” system, other countries like Germany, UK and China use the **“first-to-file”** system where trademark rights are only secured by registration.

This means that whoever applies first and registers the trademark will get the exclusive rights for its use regardless of whether they are the rightful trademark owner or not.

According to the revised Trademark Law, the (China) Trademark Office (CTMO) at the ‘State Administration for Industry and Commerce’ (SAIC) is responsible for trademark registration and administration in China.

However, on 29 August 2018, the ‘State Intellectual Property Office of China’ (SIPO) was renamed the **‘China National Intellectual Property Administration’** (CNIPA) and placed under the control of the newly established ‘State Administration of Market Regulation’ (SAMR). CNIPA is responsible for both patent and trademark registrations in China.

Trademark Classifications

China follows the International Classification of Goods and Services (Nice Agreement) which consists of 34 product classes and 11 service classes.

China also divides the **45 classes** into sub-classes with one or more items that are often treated as identical or similar by the Chinese trademark examiners.

It is therefore important to register a trademark in all the sub-classes and items of any chosen class even if they are not directly related to the company business to prevent others from potentially undermining the company brand and trademark.

Trademark Application

The filing of the trademark application can either be done directly through CNIPA or via the World Intellectual Property Organization (WIPO) in Switzerland. WIPO oversees the Madrid System for the international registration of trademarks which China is signatory of.

In China, foreigners or foreign companies applying directly for trademark registration through CNIPA are required to use a Chinese trademark agency or law firm with applications only done in Chinese.

Trademark Registration

After the trademark application has been filed to and accepted by CNIPA, it will go through a **preliminary examination** and if initially approved, a preliminary validation will be published. It will then go through a **substantial examination**. The entire process takes up to nine months.

If no objection is raised by the public within the following three months, the trademark will be published in the Trademark Gazette and the Trademark Registration Certificate issued to the applicant.

If a registered trademark has not been used by the registrant for three years in a row, others can apply for it to be revoked by CNIPA.

The registered trademark is valid for **ten years** and can be extended for successive ten-year periods without limitations. Applications for renewal shall be completed within twelve months prior to the expiry date or the registered trademark will be cancelled.

Within **six months** from the filing date of an overseas trademark application or from the date where a trademark is first used on goods displayed at an international exhibition organised or recognised by the Chinese Government, it is possible to apply for the **Right of Priority** and still get full trademark protection in China retroactively.

Trademark Infringement

If your trademark has already been filed for registration or registered by others in China, it is possible to either file a trademark **opposition** or trademark **invalidation** with the Trademark Review and Adjudication Board to declare the application or registration void.

If either party disagrees with the ruling for or against, a lawsuit can be filed at the People's Court within 30 days from the receipt of the notice.

As a last resort, companies can be forced to negotiate and buy the trademark back from the registered owner directly through an intermediary or maybe purchase it back on the state approved online 'trademark supermarket'. Trading registered trademarks in China is legal.

Trademark Enforcement

Before any official action can be taken to enforce your trademarks rights in China, it is important to collect evidence of the violation. But only evidence **notarized** by a Chinese public notary is accepted by the local SAMR and admissible at the People's Court. In Shanghai, Beijing and Guangzhou, special IPR courts exist.

Local SAMR

The simplest, quickest and cheapest option is to lodge a complaint with the local SAMR where the alleged infringement is taking place (factory, fair or shop) by specifying the owned trademark rights as stated in the Trademark Registration Certificate and presenting evidence such as collected/purchased product samples.

The local SAMR can then conduct an onsite inspection of the premises, order the infringer to cease the illegal activities, and confiscate and destroy all the goods and tools used.

The local SAMR can only act as a mediator and cannot award any compensation, which is the exclusive right of the People's Court. However, they can impose fines of up to **RMB 250,000** on the infringer where repeated or serious offenders are subject to severe punishment.

People's Court

To file a lawsuit, the rightful trademark owner can file a complaint with the People's Court. During the set pre-trial hearing, the evidence presented will be examined and discussed with the parties before the Court.

Before making their ruling, the People's Court will give the parties the opportunity to settle their dispute. Otherwise, a ruling will be made after some months depending on the complexity of the case.

If the People's Court rules that an infringement has been made, it can impose an injunction to stop the violation and preserve evidence, destroy all the infringing goods and equipment used and award damages.

The compensation amount is based on the actual losses suffered by the trademark right holder or the profits made by the infringer. If both are not feasible, the People's Court can award statutory damages of up to **RMB 5.0 million** which is double the amount of the current Trademark Law.

Recordal with Customs

Whereas the customs authorities in most other countries mainly focus on imported goods, the General Administration of Customs (GAC) in China also inspects goods for export with the authority to protect IPR by confiscating infringing goods and imposing fines.

Only trademarks, patents and copyrights registered in China can be recorded with GAC which is done online in Chinese. Companies registered in China can choose to do it on their own while all others must use a local authorized lawyer.

After the required information has been recorded online and the original copies of the business license, IPR certificate, photos and samples have been sent to GAC, the approval takes about 30 days and will be valid for **10 years** or for the duration of the registered trademark (whichever is shortest).

Safeguarding Trademarks

As more overseas companies and consumer brands are entering the Chinese market, local competition is intensifying to win favour with the Chinese consumers. As such, protecting your trademarks is essential to safeguard company assets and brand reputation.

With the revised Trademark Law of the PRC from **1 November 2019**, the Chinese authorities have taken important legal and administrative steps to further fight trademark infringement and theft in China by introducing more severe sanctions and higher penalties against unlawful and fraudulent acts.

Any overseas company considering or planning to sell their goods or services offline or online in China should register their trademarks before market entry or risk loss of control and revenue.

At China-direct.biz we have the required expertise and experience in applying for trademark registration, trademark opposition and trademark invalidation in China.

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