

Contributing firm  
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### **Legal framework**

China's legislation governing the registration and protection of trademarks comprises:

- the Trademark Law;
  - the Trademark Implementing Regulations;
  - the Rules for Trademark Review and Adjudication;
  - the Provision for the Establishment and Protection of Well-Known Trademarks; and
  - other related implementing provisions promulgated by the State Administration for Industry and Commerce under which the Trademark Office and the Trademark Re-examination and Adjudication Board (TRAB) are established.
- China is a signatory to all major

international treaties relating to the registration and protection of trademarks, including:

- the Paris Convention for the Protection of Industrial Property;
- the Madrid Agreement concerning the International Registration of Marks;
- the Madrid Protocol; and
- the Nice Agreement concerning the International Classification of Goods and Services.

China's accession to these international treaties has helped to harmonise its trademark system with that of most other countries, thus facilitating the registration and protection of trademarks in China.

On August 30 2013 China passed a new amendment to its Trademark Law, which came into effect on May 1 2014. The amended Trademark Law emphasises that the registration and use of a mark shall comply with the

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principle of good faith; the law therefore includes, under various articles, a few new rules to embody the application of this principle in relation to the examination, opposition, invalidation, use and protection of a mark.

### Unregistered rights

Protection of unregistered marks against use and protection against registration must be considered separately.

#### Protection against use

Trademark rights in China are governed by a registration system. This means that, as a general rule, a mark should be registered to be protected. Consequently, unregistered marks warrant little protection, except for well-known marks, which are discussed in more details below.

In some circumstances, unregistered marks and other IP rights may be protected under other laws – for example, the Anti-unfair Competition Law. The acts of unfair competition specified in, and prohibited by, the Anti-unfair Competition Law include:

- misleadingly using an identical or similar name, packaging or decoration of another party's well-known branded goods; and
- misleadingly using another party's company name or personal name.

Some decorative elements and enterprise names may become distinctive features of, and closely associated with, the goods to which they relate through years of commercial use, thus acquiring the function of trademark. Unauthorised use of such decorative elements could be prohibited under the Anti-unfair Competition Law.

#### Protection against registration

Well-known unregistered marks, prior unregistered marks and other prior rights such as copyright, company names and industrial designs can be used as grounds to challenge the registration of a later filed trademark.

The Trademark Law provides that an unregistered right can be the basis of an opposition to a trademark registration if:

- the mark for which registration is sought infringes the prior unregistered right;
- the mark for which registration is sought

has already been used by another party and enjoys a certain reputation; or

- the mark for which registration is sought was filed by the mark owner's agent or representative, such as a sales agent or sales representative, in its own name without the authorisation of the mark owner.

The amended Trademark Law introduces another ground to oppose bad-faith registrations – namely, if an applicant files an application for a mark that is identical or similar to an unregistered mark used previously by another party on identical or similar goods, the opposition should be upheld if the applicant knew about the existence of the unregistered mark through a contractual, business or other relationship with the opponent.

#### Well-known marks

**Protection:** Both well-known registered and unregistered marks are protected in China, although they enjoy different scopes of protection. An unregistered well-known mark can be used to prevent others from registering or using a mark on goods or services that are identical or similar to those of the well-known mark if the mark at issue:

- is a reproduction, imitation or translation of the well-known mark; and
- is likely to cause confusion.

A registered well-known mark can be used to prevent others from registering or using a mark on goods or services that are dissimilar to those of the well-known mark if the mark at issue:

- is a reproduction, imitation or translation of the well-known mark; and
- is likely to mislead the public and damages the interests of the registrant of the well-known mark.

**Definition:** 'Well-known trademarks' refer to trademarks that are well known to the relevant public. 'Relevant public' refers to:

- the consumers of the goods or services concerned;
- other traders or providers of the goods or services concerned; and
- other people involved in the distribution and sale of the goods.

Because of the territoriality principle,

whether a trademark is well known needs to be considered in view of the relevant public in the Chinese market. Thus, an internationally well-known mark may be lesser known in China or evidence may be lacking to prove that it is well known in China. Even within China, some marks that are very popular and well known to the public in the relevant industry may not be well known to the public of another industry or to the general public due to the nature of the products or services.

Under Chinese law, when determining whether a mark is well known, consideration shall be given to the following aspects:

- recognition of the mark by the relevant public;
- time of continuous use of the mark, including commercial use and registration;
- time, extent and geographical scope of any publicity for the mark, including the means and quantity of the publicity;
- records of protection of the mark as a well-known mark, including such records in China and other countries and regions; and
- other factors demonstrating that the mark is well known, including the output, sales, sales revenue, profit and tax paid and geographical areas of sale of the goods.

The determination and protection of well-known marks depend on numerous variables. Such determination could also be affected by, among other things, the originality and the degree of fame of the well-known marks.

## **Procedures**

### **Examination**

**Authorisation documents:** Individuals or entities may, individually or jointly, apply for the registration of trademarks in China. When the applicant is not a Chinese resident, a power of attorney, signed by an authorised representative of the applicant to appoint a Chinese trademark agent, is required for each application. Usually, a photocopy of the executed power of attorney without notarisation and legalisation is sufficient for filing a trademark application in China.

**Relative and absolute grounds:** ‘Absolute grounds’ refer to the grounds of registrability of the mark itself, while ‘relative grounds’ refers to the grounds on which a trademark

registration may be refused, opposed or cancelled for conflicting with other parties’ prior rights or interests.

Relative grounds for refusal may be invoked when:

- the trademark is identical or similar to an earlier registered mark or application in respect of identical or similar goods or services;
- the mark infringes another party’s prior legitimate rights;
- the mark registered preemptively in bad faith had already been used by another party and enjoys a certain reputation;
- the application was filed by the mark owner’s agent or representative in its own name without the owner’s authorisation;
- the mark is a reproduction, imitation or translation of another party’s well-known mark, to be used on goods that are identical or similar to those to which the well-known mark applies;
- the mark is a reproduction, imitation or translation of another party’s well-known mark, to be used on goods that are dissimilar to those to which the well-known mark applies; or
- the mark contains a geographical indication of goods, but the goods are not originated from the place indicated, which would mislead the public.

Absolute grounds may be invoked if the mark includes prohibited signs, or if it lacks distinctiveness or is a functional feature without identifying characteristics.

**Registrable marks:** Marks eligible for registration include conventional signs such words, devices, letters and numerals, three-dimensional signs, combination of colours or any combination of such signs.

From May 1 2014 sounds are also registrable in China, bringing Chinese law and practice into line with those of many other countries.

### **Opposition**

Within three months of publication, anyone can file an opposition against a preliminarily approved mark based on any grounds that prohibit the registration of a mark – whether relative or absolute.

The amended Trademark Law stipulates that anyone may file an opposition or an invalidation request based on absolute grounds, while an opposition or an invalidation request based on relative grounds may be filed by the owners of prior rights or interested parties only.

### Removal from the register

**Non-use cancellation:** A trademark must be used in China after its registration. If a registered mark is not used in China for three consecutive years without justification, it becomes susceptible to a non-use cancellation action. Upon receipt of such an application, the Trademark Office will notify the mark registrant and require that it submit, within two months, either:

- evidence of use of the mark in the three years prior to the date of the application for cancellation; or
- justified reasons for its failure to use the mark.

If the registrant fails to submit such evidence or reasons, or the submitted evidence or reasons are ineffective or otherwise unacceptable to the Trademark Office, the Trademark Office will cancel the registration.

Use of a mark includes use by the registrant or an authorised licensee. Such use includes use of the mark in sales invoices or commercial advertisements, in trade or in any other commercial activities.

**Cancellation of generic marks:** Distinctiveness is an essential requirement for registration. Lack of distinctiveness would defeat the purpose of a trademark to distinguish the goods or services of one party from those of another. A mark is considered to lack distinctiveness if it is the generic name or figuration, or directly descriptive of the goods or services in respect of which the mark is to be registered. However, when a generic name or figuration is incorporated into a mark with other distinctive elements in such manner that makes the mark as a whole distinctive, the mark is registrable.

Whether a mark has become generic may become an issue post-registration; thus, the amended Trademark Law introduces a rule clearly stating that a registered mark may be cancelled when it has become a generic name for the goods to which it is affixed.

Consequently, mark owners should ensure that they use the mark, while also monitoring use by third parties and taking action promptly to prevent the mark from becoming generic.

### Cancellation of improperly registered marks:

Cancellation proceedings before the TRAB can be initiated by the Trademark Office *ex officio* or by any member of the public if:

- the registered mark violates absolute grounds of the Trademark Law; or
- the registration of the mark was obtained by fraud or any other inappropriate means.

Within five years of registration, an interested party may apply to the TRAB to cancel a trademark registration on relative grounds; the five-year limitation will not apply if the trademark was a bad-faith registration of another's well-known mark.

### Enforcement

#### Specialist IP tribunal

The Chinese court system comprises four levels:

- the Supreme Court;
- higher courts in each province;
- intermediate courts at city level; and
- district courts at county or district level.

Most trademark infringement cases are heard at first instance by intermediate courts; some district courts in major cities are also authorised to hear such cases. Most courts with jurisdiction have established specialist IP tribunals. Territorially, the court that has jurisdiction over a trademark infringement case is that of the place where the infringer is located or where the infringement occurred.

### Punitive damages

As in many other civil law countries, damages in China are used to compensate losses suffered by the trademark registrant; therefore, the amount of damage shall be equal to the losses of the mark owner, which includes reasonable expenses incurred in stopping the infringement. In practice, the amount of damages is calculated using:

- the actual losses suffered by the trademark registrant;
- the profits of the infringer; or
- a multiple of the trademark royalties.

If it is difficult to establish the amount of damages based on the above methods, the court may award, at its discretion, statutory damages not exceeding Rmb500,000, depending on the circumstances. If the seller of infringing goods can prove that the goods were obtained legitimately in good faith and disclose the source of the goods, it can be exempted from paying damages.

The amended Trademark Law introduces punitive damages to address serious bad-faith infringement, specifying that the compensation may be in the range of one to three times the damages as determined in the aforesaid manners. In addition, the maximum statutory damages are raised substantially to Rmb3 million, which is much higher than the statutory damages applicable to other IP infringement cases.

### Interim injunctions

When a trademark registrant has evidence that another party is infringing its registered mark or that such infringement is imminent, and that such infringement is likely to cause irreparable harm to the registrant, the registrant may apply to the court for interim measures, including preliminary injunction and property preservation measures. In addition, where evidence of infringement could be lost or would be difficult to obtain at a later time, the registrant or an interested party may apply to the court for preservation of evidence. After receiving an application for such interim measures, the court must a ruling within 48 hours.

### Ownership changes and rights transfers

#### Assignment of marks

When a mark registration or application is assigned, the assignor and the assignee should jointly file an application for assignment with the Trademark Office. Only the assignee is required to sign the power of attorney. If the assignor has existing registrations or pending applications for the same or a similar mark in respect of the same or similar goods, all such registrations or applications should be assigned to the same assignee.

### Recordation of licences

Under the Trademark Law, when a trademark registrant licenses another party to use its

registered mark, it should execute a written licence contract with the licensee. Within three months of the date of execution of a trademark licence, the licensor must record a copy of the contract with the Trademark Office.

While the recordation is not a precondition to the effectiveness of a licensing agreement, without it the licensee cannot enforce the licence against third-party good-faith users.

### Online issues

Although domain names are registered on a first come, first served basis, prior registered or used marks and company names still form an important basis for most actions against cybersquatting.

The China Internet Network Information Centre has implemented a domain name dispute policy, which allows an interested party to apply for arbitration with the China International Economic and Trade Arbitration Commission in Beijing or at the Hong Kong International Arbitration Centre. Domain name arbitration is fast and economical. However, an application for arbitration in respect of a disputed domain name must be filed within two years of registration of the disputed domain name. To recover an infringing domain name, the applicant must prove that a prior right to a domain name meets the following essential criteria:

- The disputed domain name is identical or confusingly similar to its brand name or mark;
- The disputed domain name holder has no right or legitimate interest in the domain name; and
- The disputed domain name was registered in bad faith. [WTR](#)

<b>Examination/registration</b>		
<b>Representative requires a power of attorney when filing? Legalised/notarised?</b>	<b>Examination for relative grounds for refusal based on earlier rights?</b>	<b>Non-traditional marks registrable?</b>
Yes/No ✓ / ✓ / ✗	Yes ✓	3D marks; sounds from May 1 2014. ✓

<b>Unregistered rights</b>		<b>Opposition</b>
<b>Protection for unregistered rights?</b>	<b>Specific/increased protection for well-known marks?</b>	<b>Can a registration be removed for non-use? Term and start date?</b>
Yes ✓	Yes ✓	Yes: three months. ✓

<b>Removal from register</b>		
<b>Can a registration be removed for non-use? Term and start date?</b>	<b>Are proceedings available to remove a mark that has become generic?</b>	<b>Are proceedings available to remove a mark that was incorrectly registered?</b>
Yes: three consecutive years' non-use from registration. ✓	Yes: from May 1 2014. ✓	Yes ✓

<b>Enforcement</b>		
<b>Specialist IP/trademark court?</b>	<b>Punitive damages available?</b>	<b>Interim injunctions available? Time limit?</b>
No: but specialist IP tribunal within most courts. ✗	Yes: from May 1 2014. ✓	Yes: before or during litigation proceedings. ✓

<b>Ownership changes</b>	<b>Online issues</b>	
<b>Mandatory registration for assignment/licensing documents?</b>	<b>National anti-cybersquatting provisions?</b>	<b>National alternative dispute resolution policy (DRP) for local ccTLD available?</b>
Yes ✓	Yes ✓	Yes ✓



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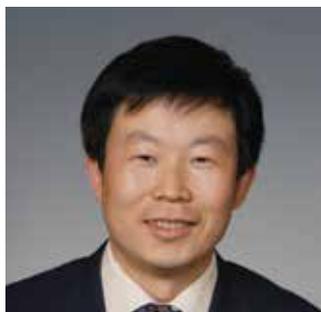
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Johnson Jiang Li is a patent attorney, trademark attorney and attorney at law at China Patent Agent (HK) Ltd. He received his BS in electromechanical engineering and LLB in IP law from prestigious Chinese universities. He also received further training at a US law firm on US patent litigation and licensing. His practice covers all aspects of contentious and non-contentious trademark issues (including, for the latter, litigation, licensing and contracts). In addition to his daily work as a lawyer, Mr Li is also active in legal research. He is a regular speaker at IP events.