

CHINA IP PROTECTION FOR THE FASHION INDUSTRY

Overseas fashion companies in the high-end market have a great potential to grow in China. As well as a production base, more and more overseas fashion companies consider China as an attractive consumer market.

Once a fashion company decides to place their products in the Chinese market has to consider the register of its Intellectual Property. This article explains how the overseas fashion industry can protect its Intellectual Property in China.

TRADEMARKS

The brand is a key asset for fashion companies, both large and small, the world over. Fashion brands are central to the marketing strategies of fashion companies enabling fashion companies to establish a bond with their customers and to expand their client base. The fashion companies fiercely protect these through registration of trademarks

What are the Law and Regulations applicable?

Applications for trademark registration are handled in accordance with China's Trademark Law and the Implementing Regulations of the Trademark Law.

Who is the government authority for registration?

The Trademark Office under the State Administration for Industry and Commerce (SAIC) is the government authority for the registration of trademarks in China. The *Trademark Review and Adjudication Board*, also under SAIC, is responsible for handling disputes related to trademarks.

Validity Period and Renewal of Registered Trademark

The period of validity of a registered trademark is 10 years, counted from the date of approval of the registration. If a registrant needs to continue to use the registered trademark after the period of validity expires, an application for renewal of registration must be made within six months before the expiration. If the registrant fails to make such an application within that period, an extension period of six months may be granted. If no application has been filed before the extension period expires, the registered trademark shall be cancelled. The period of validity for each

renewal of registration is ten years. After a renewal of registration has been approved, it shall be publicly announced.

Who can apply?

A natural person, a legal person and other organizations are qualified to register a trademark in their own name.

Two or more natural persons, legal persons or other organizations may jointly apply to the Trademark Office for the registration of the same trademark, and enjoy and exercise the right to exclusive use of that trademark jointly.

Any foreigner or foreign enterprise intending to apply for trademark registration in China must file an application in accordance with relevant agreements concluded between the country to which the applicant belongs and China, or according to relevant international treaties to which both countries are parties, or on the basis of the principle of reciprocity.

Foreign-invested enterprises (FIEs) may apply for trademark registration in China either directly or through trademark agents. Foreigners or foreign enterprises wishing to do the same must appoint agents designated by the state to handle trademark registration for foreign parties.

Application for Trademark Registration

China adopts the "Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks". The Nice Agreement classifies goods and services into 34 and 11 classes respectively. Each class is divided in several goods and services within the same nature.

The classification is available on:

www.wipo.int/classifications/fulltext/nice8/enmain.htm

The application must include the class and description of the goods included according to the prescribed classification. If an applicant intends to register the same trademark in different classes, a separate application in respect of each class must be filed.

If an already registered trademark needs to be used on other goods of the same class, a new application for registration must be filed.

If the mark (word or design) of a registered trademark needs to be changed, a new application for registration must be filed.

If a change needs to be made in the name, address or any other registered matter concerning the registrant of a registered trademark, an application to make the change must be filed.

The trademark application must be in Chinese, and supporting documents in a foreign language are required to have a Chinese translation attached. The applicant is required to tender the prescribed fees at the time of filing the application.

When applying for trademark registration, the following documents must be submitted to the Trademark Office:

1. Application for Trademark Registration
2. Power of attorney
3. 5 black and white copies of the reproductions of the trademark. The reproductions of the trademark must be clear, on smooth and durable paper, and must not exceed a length of 10 centimeters and a width of 5 centimeters. When applying for a registration of a colour trademark, 5 colour copies and 1 black and white copy are required and the applicant must state the same in the application and submit a text description.

Where trademark registration is applied for a three-dimensional mark, the applicant should state the same in the application and submit reproductions enabling determination of the three-dimensional shape.

Applications for trademark registration will be examined by the Trademark Office. Where an application has passed the examination, preliminary approval will be granted and the trademark will be published. Any person may, 3 months from the date of publication of the trademark, file an opposition against the trademark that has been granted preliminary approval. The Trademark Office will send the Application for Trademark Opposition to the opposed party for a response to be made within 30 days as from the receipt of notification. The Trademark Office will then make an adjudication based on the facts presented by both parties. Where no opposition has been filed against a trademark or the opposition is not justified, approval will be granted for the trademark to be registered. A certificate of registration will be issued and the trademark will be published. Where the opposition is justified, registration will be refused.

The Trademark Office will issue the official filing receipt in 2-3 months. Normally, it takes about 20-26 months for the Trademark Office to finish all the examination procedures and issue the registration certificate.

Right of Priority in Trademark Registration Application

If an applicant applies for the trademark registration of the same trademark for goods in the same class in China within 6 months from the day on which it filed the application for trademark registration of its trademark in a foreign country, it may enjoy the right of priority in accordance with the agreement concluded between that foreign country and China or the international treaty to which both countries are parties, or according to the principle of mutual acknowledgement of the right of priority.

The applicant that requests the right of priority in accordance with the preceding paragraph shall file a written declaration when filing the application for trademark registration, and shall submit a copy of the documents of application for trademark registration it firstly filed within 3 months; those failing to file the written declaration or failing to submit the copy of the documents of application for trademark registration within the prescribed time limit shall be regarded as having not requested for the right of priority.

What can be registered?

Any word, design or their combination that is distinctive may be registered as a trademark in China. Distinctiveness requires that the word, design or their combination be easily recognizable as a trademark and be different from the product itself.

The article 10 of the Trademark Law states that the following marks may not be used as trademarks:

- 1) Those identical with or similar to the national name, national flag, national emblem, military flag or medals of the People's Republic of China, as well as those identical with the names of the specific sites or the names and designs of the symbol buildings of the places where the central government agencies are located;

- 2) Those identical with or similar to the national name, national flag, national emblem or military flag of any foreign country, except with the consent of the government of that country;
- 3) Those identical with or similar to the name, flag, or emblem of any intergovernmental international organization, except with the consent of that organization and those unlikely to mislead the public;
- 4) Those identical with or similar to the official marks, inspection marks that indicate the controlling or providing guarantee, except with authorization;
- 5) Those identical with or similar to the name or symbol of the Red Cross or the Red Crescent;
- 6) Those having the nature of discrimination against any nationality;
- 7) Those constituting exaggerated advertising and are deceitful; and
- 8) Those detrimental to socialist morality or customs, or having other harmful influences.
- 9) The place names of the administrative districts at the level of county or above or the foreign place names known by the public may not be used as trademarks. However, the place names that have other meanings and those used as part of a collective mark or certification mark are exceptional; the registered trademarks that use place names shall continue to be valid.

The article 11 of the Trademark Law states that the following marks may not be registered as trademarks:

- 1) Those only having the generic names, designs and models of the commodities concerned;
- 2) Those simply directly indicating the quality, main raw materials, functions, use, weight, quantity or other characteristics of the commodities concerned; and
- 3) Those lacking distinctive characteristics. If the marks have, through usage, obtained distinctive characteristics and can be easily identified, they may be registered as trademarks.

The first to file rule recognized under the Trademark law provides that trademark registration should be granted to the applicant that files for registration first, rather than those that are first used but are not filed for registration or are filed later. The Trademark Law provides that, where two or more applicants apply for the registration of identical or similar trademarks for the same or similar goods, the first filed trademark shall be obtained for preliminary examination.

If two or more applicants apply for registration of identical or similar trademarks for the same or similar type of goods on the same day, each applicant is required to

supply the Trademark Office with evidence of the date of first use of the trademark. The trademark regulations require competing applicants that are unable to demonstrate first use to consult one another to mediate the dispute. If an agreement is reached through consultation, the competing applicants are required to submit a written agreement to the Trademark Office within 30 days. If no agreement is reached, the parties are required to draw lots under the supervision of the Trademark Office to determine which party is selected as the trademark holder.

Not well-known trademarks

The article 13 of the Trademark Law states that a trademark that is identical or similar to a registered trademark in China of another party with respect to the same or similar type of goods may not be registered.

Well-known trademarks

The well-known trademarks in China have a wider protection. The article 15 of the Trademark Law states that if a trademark, for which an application for registration is filed, of the same or similar goods is identical or similar of a well-known trademark of others which hasn't been registered in China, it shall not be registered and shall be prohibited from use.

If a trademark, for which an application for registration is filed, of a different or dissimilar goods is identical or similar of a well-known trademark of others which has been registered in China, it shall not be registered and shall be prohibited from use.

The following factors shall be taken into consideration in the determination of well-known trademarks:

- 1) How well is that trademark known by the relevant public;
- 2) The period during which that trademark has been in use;
- 3) The period, extent and geographic scope of any publicity of that trademark;
- 4) The record of protection of that trademark as a well-known trademark; and
- 5) Other factors for which that trademark is well-known.

Determination of Disputes Concerning Registered Marks

If a trademark that has been registered violates the provisions of Article 10 or Article 11 of the Trademark Law, or the registration of the trademark is obtained by deceitful means or other illicit means, the Trademark Office shall cancel that registered

trademark; and other units or individuals may request the Trademark Review and Adjudication Board to cancel that registered trademark.

If a trademark that has been registered violates the provisions of Article 13 or Article 15 of the Trademark Law, the owner or the interested persons of the trademark may, within 5 years from the day on which the trademark is registered, request the Trademark Review and Adjudication Board to revoke that registered trademark. The owner of a well-known trademark shall not be subject to the limit of 5 years to request the revocation of bad-faith registration.

Apart from the circumstances prescribed in the two preceding paragraphs, if there is any dispute over a registered trademark, an application may be filed with the Trademark Review and Adjudication Board for a ruling within 5 years from the day on which that trademark was registered upon approval.

The Trademark Review and Adjudication Board shall notify the parties concerned after receiving the application for ruling and request them to reply within a specified period.

After the Trademark Review and Adjudication Board has made the ruling of maintaining or revoking a registered trademark in dispute, it shall notify the parties concerned in writing. If a party refuses to accept the ruling of the Trademark Review and Adjudication Board, it may bring a suit before a people's court within 30 days from the day the notification is received. The people's court shall notify the opposite party of the trademark ruling proceedings to join in the case as the third party.

Determination of disputes concerning the Right to Exclusive Use of a Registered Trademark

Any of the following acts shall be an infringement upon the right to exclusive use of a registered trademark:

- 1) Using a trademark which is identical with or similar to the registered trademark on the same or similar goods without a license from the registrant of that trademark;
- 2) Selling the goods that infringe upon the right to exclusive use of a registered trademark;
- 3) Manufacturing without authorization the marks of a registered trademark of others, or selling the marks of a registered trademark manufactured without authorization;
- 4) Changing a registered trademark and putting the commodities with the changed trademark into the market without the consent of the registrant of that trademark; and

5) Causing other damage to the right to exclusive use of a registered trademark of another person.

In a dispute arises in the event of any of the acts listed above, the parties shall negotiate to settle it; if any party refuses to negotiate or the negotiation has failed, the registrant of that trademark or the interested persons may bring a suit before a people's court, either may they request the Trademark Review and Adjudication Board to handle the matter.

If the Trademark Review and Adjudication Board concluded that an infringement is constituted, it may order immediate stop of the infringement, and may confiscate or destroy the infringing goods and the tools especially used for the manufacturing of infringing goods and the forging of marks of the registered trademark, and may impose a fine in addition. If a party disagrees with this handling decision, it may bring a suit before a people's court within 15 days from the day of receiving the notification of handlings; if, at the expiration of such a period, the infringer has neither brought a lawsuit nor performed the decision after the period expires, the Trademark Review and Adjudication Board may apply to the people's court for compulsory enforcement of its order.

The Trademark Review and Adjudication Board handling the case may, upon the request of a party, conduct mediation over the amount of compensation for the infringement of the right to exclusive use of the trademark; if the mediation has failed, the party may bring a suit before a people's court according to the Civil Procedure Law of the People's Republic of China.

The Trademark Review and Adjudication Board shall have the right to investigate into and punish the acts infringing upon the right to exclusive use of a registered trademark; if a crime is suspected to be constituted, the case shall be promptly transferred to the judicial departments for handling according to law.

The Trademark Review and Adjudication Board may exercise the following powers when investigating into and punishing the acts that are suspected to infringe upon the right to exclusive use of a registered trademark of others based on the evidence for suspicion of illegal acts or the report made by other people:

- 1) Inquiring the parties concerned;
- 2) Consulting and copying the contracts, vouchers, account books and other relevant materials;
- 3) Conducting on-spot examination of the places where the party is suspected to have committed the infringing activities; and

4) Examining the articles relating to the infringing activities; and confiscate the infringing articles.

The parties shall assist and cooperate with the Trademark Review and Adjudication Board in exercising the powers prescribed in the preceding paragraph, and may not refuse or impede them.

The amount of compensation for infringing upon the right to exclusive use of a trademark shall be the proceeds obtained from the infringement during the period of infringement, or the losses suffered by the infringed due to the infringement during the period of being infringed, including the reasonable expenses paid by the infringed to stop the infringing acts.

If it is difficult to determine the proceeds obtained from the infringement referred to in the preceding paragraph, or it is difficult to determine the losses suffered by the infringed due to the infringement, the people's court shall determine a compensation of 500,000 Yuan or below according to the circumstances of the infringing acts.

If any person sells the commodities that have, not knowing the facts, infringed upon the right to exclusive right of a trademark and is able to prove that it has obtained those commodities legally and to specify the provider, it shall not bear liability for compensation.

Criminal responsibilities

Any person who uses on the same kind of commodities the trademark identical with a registered trademark without the permission of the registrant of that trademark and constitutes a crime, in addition to compensating for the losses suffered by the infringed, shall be investigated into for the criminal responsibilities according to law.

Any person who forges or manufactures without authorization the marks of a registered trademark of another person, or sells the marks of a registered trademark forged or manufactured without authorization, in addition to compensating for the losses suffered by the infringed, shall be investigated for the criminal responsibilities according to law.

Any person who knowingly sells the goods using the counterfeited registered trademark and constitutes a crime, in addition to compensating for the losses suffered by the infringed, shall be investigated into for criminal responsibilities according to law.

A person who violates the law is subject to imprisonment of up to 3 years; and in serious cases, including repeated incidents of infringements or where the sales volume of infringing goods is relative large, the term of imprisonment may be from 3 to 7 years.

The major cities in China have developed specialized intellectual property courts to address complicated IP-related issues. In 1993, the Beijing Intellectual Property Trial Division was established within the Beijing Intermediate People's Court and specifically authorized to hear cases concerning trademark, copyright and patent infringement. The IP division has exclusive jurisdiction for matters arising in the Beijing District for IP cases. By early 1994, analogous IP trial courts were established in Fujian, Haikou, Shanghai, Shenzhen and Xiamen.

Assignment of Registered Trademarks

When a registered trademark is to be assigned, the assignor and the assignee shall sign the agreement of assignment, and shall jointly file an application with the Trademark Office. The assignee shall guarantee the quality of the commodities on which the registered trademark is to be used.

After the assignment of a registered trademark has been approved, it shall be publicly announced. The assignee shall be entitled to the right of exclusive use of the trademark from the day of public announcement.

Licensing of Registered Trademarks

The licensor should file a copy of the trademark licensing contract with the Trademark Office and with the local administration for industry and commerce for the record within three months from the signing of the contract. Parties authorized to use the registered trademark of others must display the name of the licensee and the place of production of the goods on the goods using the licensed trademark.

A trademark registrant may, by concluding a trademark licensing contract, authorize another person to use its registered trademark, under some conditions. The licensor still maintains the ownership of the trademark. The licensor shall supervise the quality of the goods and the licensee shall guarantee the quality of the goods on which the registered trademark is to be used.

The trademark licensing contract shall be submitted to the Trademark Office within three months from the signing of the contract.

INDUSTRIAL DESIGN

What are the Law and Regulations applicable?

Applications for design registration are handled in accordance with China's Patent Law and the Implementing Regulations of the Patent Law.

The Patent Law and the Implementing Regulations of the Patent Law provide that "any new design of the shape, pattern, colour, or their combination, of a product, which creates an aesthetic feeling and is fit for industrial application" is subject to patent protection. The fashion design may relate to a three dimensional feature, such as the shape of a hat, or a two dimensional feature, such as a textile print.

The fashion industry invests large sums to create new and original designs each season. Despite this significant investment, few companies register their designs; a frequently cited explanation for not registering fashion designs is that the short product life cycle - often no more than one six-to-twelve month, season - does not justify the considerable time and financial cost involved. The arguments for registering a new design have to be considered on a case-by-case basis. Registering a design should help to deter others from copying it, and to fight unscrupulous competitors who do so. Moreover, design protection is not always a major financial burden, at least to begin with.

While fashion trends may come and go in the blink of an eye, some never pass. Many items become classical pieces. There is a one year waiting period at the French fashion house Hermès for the classic "Kelly" Bag, which grew to fame in 1956 after Princess Grace Kelly of Monaco appeared carrying the bag on the cover of LIFE Magazine. The classic Chanel suit - designed by Coco Chanel in the 1930s - is still sold today, for US\$5,000 a suit. Many fashion houses strive to create such classic design pieces. When they succeed, if they have not obtained the appropriate IP protection in time, imitators will be able to 'free ride' on their creative work. For fashion items with a long life span, filing an application for a registered industrial design may be the best way to prevent others from using the design.

The duration of patent right for designs in China is 10 years, counted from the date of filing of the patent application.

Application for a patent for design should be limited to one design incorporated in one product. Two or more designs which are incorporated in products belonging to the same class and are sold or used in sets may be filed as one application.

PATENTS

Patents may not immediately spring to mind when considering the fashion industry. Yet technical innovation can equally put a fashion business ahead of the competition. A portfolio of patents may, for example, reflect technical superiority in inventing new fabrics that do not crease, or are softer, or more weather-resistant, etc. Such a patent portfolio could help attract business partners or investors.

Novozymes, a Danish biotech company specializing in enzymes, pioneered the use of enzymes in the treatment of fabrics. Though not previously involved in the fashion industry, in 1987 the company developed and patented a technology for the treatment of denim. This technology is based on an enzyme called cellulase, which removes some of the indigo dye from denim so as to give the fabric a worn look. Within three years, most of the denim finishing industry was using cellulase under license from Novozymes Today Novozymes' technology for improving fabric finishing has been licensed worldwide.

Applications for patent for invention or utility model registration are handled in accordance with China's Patent Law and the Implementing Regulations of the Patent Law.

The duration of patent right for inventions in China is 20 years, counted from the date of filing of the patent application.

For more information or assistance in registration of designs, trademarks or patents please feel free to contact our office.

RHK Legal
Jing An China Tower
Suite 507, 1701 Beijing West Road
Shanghai 200040
Ph: 8621 62888821
Email: info@rhklegal.cn
www.rhklegal.cn