

TRADEMARK PROTECTION STRATEGIES IN CHINA

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Executive Summary

As the economy of the People's Republic of China (PRC) continues to expand, an increasing number of foreign and multinational companies are entering the Chinese market. Among other key markers, evidence of this rapid growth in trade can be seen in the increased activity surrounding intellectual property rights and, in particular, trademark prosecution and enforcement.

Companies doing business in China frequently ask: "How do we develop an effective IP strategy to protect our trademarks, logos and brand names in China?" Some companies are very frustrated when they discover that their famous trademarks have already been registered as trademarks and/or domain names by an unrelated third party. They are eager to know if and by what process they can recapture their trademarks. Some multinational giants are becoming increasingly exhausted by the need to deal with an unending stream of fake/counterfeit products coming forth continuously. Trademark owners also face a variety of challenges in the PRC, ranging from the rush-register act and trademark piracy to the counterfeiting of registered trademarks. At present, the problem of trademark protection is a tactical and business issue, with a wide range of consumer and industrial goods being targeted by PRC infringers. Likewise, there is no uniform answer to the above questions, as the strategy for each company differs.

Virtually every company that enters the Chinese market will at some point need to register and/or protect its own trademarks, especially the core trademarks and/or house/master brand logo. To secure and exploit their intellectual property rights and protect against potential infringement in the PRC, businesses must have a fundamental understanding of the following: the trademark prosecution processes, including the trademark-registration process; options for responding to rejections of trademark applications; possible actions against pirate trademark applications/registrations; licensing or transfers of trademarks to local parties, well-known petitions for their core trademarks to obtain cross-class protection; and trademark enforcement actions, such as options of administrative action, civil litigation and criminal action.

According to Chinese authorities, in 2009 the Trademark Office (TMO) accepted a total of 830,000 trademark applications, 55,804 trademark renewal applications, 39,436 trademark opposition submissions, 64,517 applications for trademark transfer and 17,447 recordal applications for trademark licenses. Official statistics also note that the Trademark Review & Adjudication Board (TRAB) has reviewed a total of 37,002 appeal submissions, including 28,594 application reviews. Among these TRAB decisions, 1,843 were subsequently brought to court for further adjudication. Also in 2009, Administrative Industry & Commerce (AIC) bureaus at all levels conducted a total of 51,044 raids against local infringers, among which 10,259 cases involved foreign-related trademark infringements or counterfeit products.

This article provides a brief introduction to trademark protection in China and offers strategies and cost-effective solutions that can help smooth the process of prosecuting and enforcing trademarks. (The attached chart also provides a high-level summary of these processes.)

Trademark Prosecution Process

Trademark protection strategies typically begin with trademark prosecution procedures. Trademark prosecution includes trademark application and appeal, trademark opposition and appeal, trademark cancellation for non-use and bad faith, trademark renewal, trademark assignment and trademark licensing. To accomplish any of these actions, a Chinese trademark license is required; MWE China holds a trademark license and can provide all of the above services.

The TMO and the TRAB are independent administrative institutions under the State Administration of Industry and Commerce (SAIC). The TMO is mainly responsible for the examination of trademark applications, decision-making for trademark applications, and cancellation proceedings based on non-use ground for 3 successive years. The TRAB is preliminarily involved in handling appeal submissions for TMO's decisions on trademark applications and oppositions, as well as cancellation actions based on grounds other than non-use.

Trademark Application and Appeal

The first step in the trademark prosecution process is to ensure that the relevant trademark has been registered. In China, it currently takes approximately 18 months to two years for the TMO to issue preliminary approval of a trademark application. If the trademark application is rejected by the TMO for any reason, the applicant is entitled to file an appeal of the TMO's rejection with the TRAB. The typical waiting period before the TRAB hands down its final decision is approximately two years.

If the applicant is still not satisfied with the TRAB's decision, the applicant must bring the case to the People's Court (the Court) where the TRAB is located within 30 days of receipt of the TRAB's decision. Since the approval process from filing a trademark application to getting the TMO's approval for registration can take a long period of time, it is highly recommended that, before the launching of a trademark application, an official trademark search be conducted to determine whether the mark for registration is likely to be blocked by any other prior, identical or similar registrations or pending applications covering similar or identical goods in the same classes.

Trademark Opposition and Appeal

Any person, business or organization may file an opposition to a preliminarily approved trademark within three months of the gazette date of the application. The three-month period for opposition is non-extendable. The holder of the preliminarily approved trademark is entitled to provide supplemental, relevant evidence supporting the application within three months upon the filing date of the initial opposition. The typical waiting period before the TMO issues its decision on the opposition is approximately three to four years.

If any party is dissatisfied with the TMO's decision on the opposition, that party may apply for an appeal for the opposition decision with the TRAB. If a party is subsequently dissatisfied with the TRAB's decision, that party may institute proceedings with the Court within 30 days following receipt of the TRAB's decision.

Trademark Cancellation for Non-Use and Improper Registration

Where a PRC-registered trademark has not been used for more than three successive years, any party may file a non-use cancellation submission against the target registration with the TMO. The party filing the request is not required to provide evidence to support the cancellation submission. However, in order to defend against the non-use cancellation, the trademark owner may provide evidence to prove the use of the registered trademark in question.

If any party is of the opinion that an existing registration is registered improperly, it may proceed with cancelling the action with the TRAB on the grounds of improper registration. The Trademark Law stipulates the requirements for demonstrating improper registration; the registration is considered improper if it meets any of the conditions noted below:

- 1) A mark is not used as a trademark
- 2) A mark is not registered as a trademark
- 3) A mark of the same or similar commodity is a copy, imitation or translation of a well-known trademark of others which has not been registered in China; or a mark of a different or dissimilar commodity is a copy, imitation or translation of a well-known trademark of others which has been registered in China
- 4) A mark is owned by the principal or the representative registered by an agent or a representative in his/her own name without authorization
- 5) A mark contains the geographic mark of the commodities while the commodities do not come from the region indicated by that mark
- 6) A mark damages the existing rights of others obtained by priority

7) A mark to be rush registered is a mark that has been used by others and has become influential

The non-use cancellation shall be filed with the TMO and a decision is generally available within one to two years. The improper-registration cancellation shall be filed with the TRAB and a decision is generally available within three to four years.

Trademark Renewal

A registered trademark shall be valid for a period of 10 years from the approval date of the registration. The trademark owner may file a renewal application for the registered trademark within the six months prior to the expiration date of the period. If the trademark owner fails to file a renewal application within the aforementioned period, the Trademark Law grants a six-month grace period for renewal. If an application for renewal has not been filed upon expiration of the grace period, the registered trademark shall be cancelled.

Trademark Assignment

When a registered trademark is to be assigned, both the assignor and assignee shall jointly file an application with the TMO for assignment of the registered trademark. Where a registered trademark is to be assigned, the trademark registrant is required to assign to the assignee all identical or similar trademarks covering identical or similar specifications as a whole. If the assigner fails to do so, the TMO will notify the trademark registrant for rectification within a specified time stipulated by the TMO on a case-by-case basis. If the assigner still fails to comply with the TMO's assignment requirements within the specified time, the application for trademark assignment shall be considered abandoned.

Once a trademark assignment has been approved, notification of the assignment will be published in the Trademark Gazette. The assignee shall enjoy the exclusive right to use the trademark from the publication date. It generally requires approximately nine months to obtain approval of the application for trademark assignment.

Trademark License

The Trademark Law allows a trademark registrant, including non-Chinese individuals or companies to license a registered trademark to another party by entering into a trademark license agreement. The license agreement should be recorded with the TMO within three months of the date the agreement was signed, in order to facilitate payment (or payments) associated with the trademark license. This is of particular concern with respect to license agreements that involve foreign parties, as remittances of payments outside of China require a recordal certificate; if the trademark license agreement is not recorded with the TMO, problems may arise in making such payments.

Trademark Enforcement

Trademark enforcement in China concentrates on two key areas: (i) trademark anti-piracy initiatives (*e.g.*, issuance of warning letters, negotiation with infringers, filing of complaints with internet content providers (ICPs) and internet service providers (ISPs), and arranging on-site investigations), and (ii) trademark infringement claims (through administrative, civil and criminal enforcement actions).

Only lawyers with licenses to practice law in China are allowed to issue warning letters and engage in administrative actions, civil litigation and criminal enforcement. As a law firm licensed by the PRC, MWE China can provide all of the above-mentioned services.

Trademark Piracy

Certain Chinese applicants attempt to register a high volume of trademarks or regularly apply for registrations that are identical or similar to well-known trademarks already owned by other parties. These applications and registrations may be dealt with through oppositions against published applications and cancellations to registrations.

However, prior to initiating such formal requests, trademark anti-piracy strategies generally begin with issuing warning letters, negotiation with infringers, and filing complaints with ICPs and ISPs. Having an IP attorney hand-deliver a warning letter and negotiate face-to-face with the pirates may be sufficient to convince the infringers that the client is serious and willing to take any legal actions against him. Such actions may offer a cost-efficient resolution for IP disputes, if the infringers are cooperative.

Trademark Infringement

Chinese trademark law only provides protection to PRC-registered trademarks. If the concerned trademark has not been registered in the PRC, the relevant Chinese authorities might refuse to take action against the trademark infringers.

Where a trademark infringement has been identified, the trademark owner may take administrative actions or bring a civil lawsuit against the infringer for damages or other remedial measures.

ADMINISTRATIVE ACTIONS

- **AIC Remedies.** Chinese trademark law provides that an AIC bureau at any level may handle the administrative enforcement of a trademark infringement. The trademark owner and any interested party may launch a complaint with the local AIC providing necessary documentation and evidence to prove the existence of trademark rights and infringement. The AIC punishment decision may include the following remedies: (i) ordering immediate ceasing of the acts of infringement, (ii) confiscation of the seized goods, and/or (iii) a fine.
- **TSB Enforcement.** The Technical Supervision Bureau (TSB) may be asked to initiate an investigation and, possibly, a raid in cases involving production of counterfeit products, products that are inferior, or products that are marked with a forged business address or trade name of the infringers. Under the Chinese Product Quality Law, TSBs can confiscate infringing products and impose a fine.
- **Customs.** Under PRC customs regulations, an owner of intellectual property rights may apply for protection of such IP rights via an application for customs recordal. Once a client's trademark is recorded in the database of the General Customs Administration (GCA), if any Chinese customs official detects suspected counterfeit products branded with the recorded trademark at the stage of customs declaration, the customs official will detain the goods and inform the IP owner (or the owner's agent) of the shipments to confirm whether the goods in question are genuine. A customs recordal takes approximately 30 working days to complete and, typically, requires the following: (i) a formal

application letter, (ii) a copy of the applicant's certificate of incorporation, (iii) a trademark certificate of the trademarks under recordal, and (iv) documentation of applicable power of attorney.

- **Domain Name Dispute Resolution Proceedings (DRPs).** Domain name scam e-mail is becoming more and more rampant with electronic domain name ownership databases being easily accessible. Further, some local companies and individuals have registered one or more domain names containing the company's core trademark and/or have set up a website that interferes with the company's business interests in China. Any party, if he thinks the registration and/or use of the domain name ending in ".cn" or ".com" infringes his IP right, may file a complaint with the China International Economics & Trading Arbitration Center (CIETAC).

CIVIL LITIGATION

- Under current Chinese trademark law, trademark owners or materially interested parties are entitled to file with the People's Court civil litigation relating to TRAB decisions and trademark infringements.
- Chinese trademark law also allows a trademark owner or materially interested party to apply to the People's Court for an injunction against the infringing action and to obtain an order of preservation of property, if the applicant can provide evidence proving both of the following:
 - i) Another person is carrying out or about to carry out an act of infringement against the applicant's exclusive right to use the trademark.
 - ii) The failure to halt such act immediately would cause damage to the applicant's lawful rights and interests at a level that would be difficult to remedy.

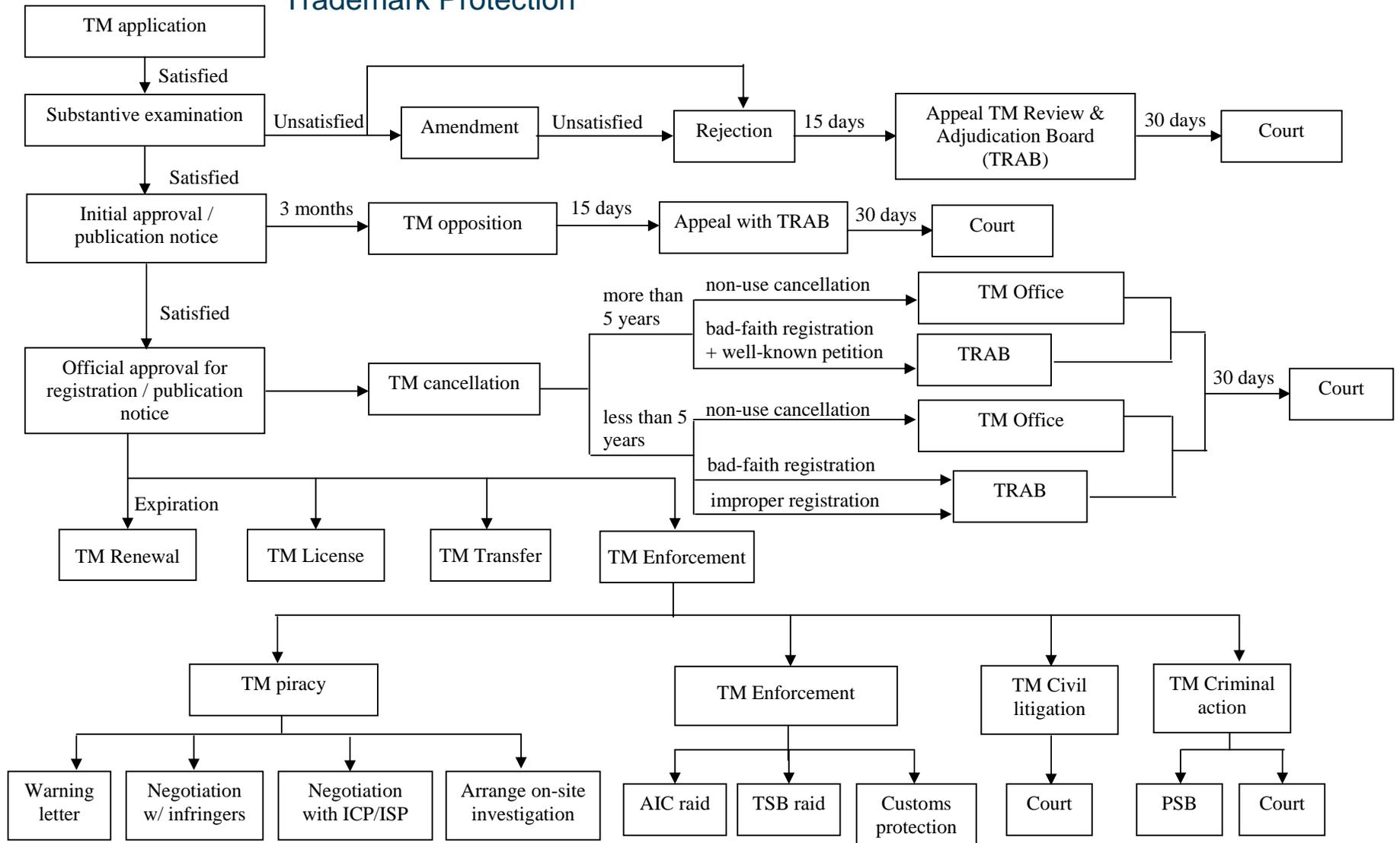
CRIMINAL ENFORCEMENT

- The Criminal Code of the PRC stipulates that the following three types of behaviors of trademark piracy shall constitute a crime:
 - i) Using an identical trademark on the same merchandise without permission of its registered owner, if the case is of a serious nature
 - ii) Knowingly selling merchandise under a fake trademark with a relatively large sales volume
 - iii) Forging or manufacturing without authority, or selling or manufacturing without authority, another party's registered trademarks or identifications, if the case is of a serious nature
- The above-noted crimes are punishable with imprisonment or criminal detention, in addition to fines.

Trademark Protection – An In-Depth Process to Protecting Marks

The following chart details the trademark protection process, providing a decision tree and outlining applicable timeframes associated with prosecuting and enforcing trademark-related intellectual property rights.

Trademark Protection



Conclusion

As international trade between Chinese and foreign companies continues to grow at a rapid pace, trademark prosecution and enforcement have become increasingly important components of any successful business strategy in China. Companies must be aware of the various processes involved in registering trademarks, licensing or transferring of trademark rights, and administrative and judicial options for resolving disputes with parties that seek to infringe upon these rights. Since certain of these processes may take months—even years—prosecution and enforcement efforts must be initiated in a timely manner.

Effective, local legal counsel is likewise essential, for two reasons: First, only domestic parties licensed by Chinese authorities are allowed to engage in trademark-related prosecution and enforcement activities. Second, local counsel understands both the Chinese business community and the Chinese governmental and administrative structure from the inside out. A Chinese law firm and its lawyers can provide invaluable guidance that may help streamline the process of protecting trademarks and other intellectual property rights, and minimize risks associated with delayed action—or no action at all.

For more information regarding trademarks contact your regular MWE China or McDermott Will & Emery lawyer or

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