

8 Key Revisions to Chinese Trademark Law: Promising Steps Toward IP Protection

China's significantly revised trademark laws streamline the application process, provide greater protection for well-known marks, and impose harsher penalties on infringers.

China has long been criticized for lax intellectual property protection and being a haven for piracy. Perhaps in response to such criticisms, the Standing Committee of the National People's Congress revised the Trademark Law of the People's Republic of China on August 30, 2013 to improve the efficiency of applying for or contesting trademark registrations, to provide greater protection for trademark owners, and to crack down on infringers and bad faith applications. The law goes into effect on May 1, 2014, but the practical import of the amendments will not become clear until they have been interpreted and implemented. In the meantime, key revisions include:

1. **Likelihood of confusion analysis.** The courts and trademark office will now conduct a likelihood of confusion analysis in determining infringement. While the government previously considered this analysis informally, it is now formally required by law. Though, how China's interpretation and application of this standard may differ from other countries' analysis remains to be seen.
2. **Penalties for infringement.** Chinese courts may now award significantly greater statutory damages in infringement cases ranging from RMB 500,000 to RMB3 million (roughly from US\$80,000 to US\$500,000). Statutory damages are awarded in the event the mark owner's actual damages, the benefit to the infringer and the royalties for the mark are difficult to calculate. If the infringement is in bad faith and damages are determined according to actual damages, profits or royalties, then damages may be multiplied up to three times. Mark owners are also entitled to the expenses incurred to halt the infringing activity.
3. **Streamlining the trademark process.** Trademark owners can now designate multiple classes in one application rather than filing separate applications for each class of goods. The trademark office must then provide its preliminary determination on registrability within nine months. Similarly, in most cases, opposition and invalidation proceedings must be complete within 12 and nine months, respectively.
4. **Well-known mark status.** The owners of "well-known" trademarks may now prevent others from using the mark on dissimilar goods if the use would likely cause confusion and potentially prejudice the owners of the well-known mark. The government can only confer "well-known status" in certain situations. For instance, owners can request "well-

known status” if they believe their rights have been violated in cases before the Trademark Office, the Trademark Review and Adjudication Board, or certain People’s Courts. Recognition as a well-known trademark depends on several factors, including the continuous use of the mark, breadth of publicity for the mark, protection of the mark and how well the relevant public knows the mark. However, owners of well-known marks cannot advertise that their marks are legally well-known, such as in a laudatory sense for marketing purposes.

5. **Limited discovery on damages.** If requested by the court, infringing parties must now provide documents to assist in the determination of damages. If the infringer refuses to provide relevant documents, the court can calculate damages based on the trademark owner’s evidence. This newly permitted request could take some pressure off trademark owners by placing a burden of producing these documents on the infringer and forcing them to disclose documents or risk allowing the trademark owners’ evidence to form the basis of the damages calculation.
6. **Cracking down on bad faith.** The registration and use of a trademark must now be in good faith, otherwise the government may impose fines or, in some cases, refuse to consider future applications from the violator. The amendments specifically target certain practices of trademark agencies, companies that are retained to register marks on behalf of clients but are the subject of significant concerns regarding bad faith registrations. Namely, the amendments prohibit agents from registering a mark if they know, or should know, that their client is seeking to register the mark in bad faith. Agents also cannot register marks on their own behalf without their principal’s authorization and cannot register marks that are the same as, or similar to, unregistered marks owned by a third person with whom the agency has a relationship sufficient to make the agency aware of the third person’s mark.
7. **Fair use and prior use.** Not all the amendments expanded protection for trademark owners. For example, the fair use defense was revised to include protection for generic use of a registered mark. Additionally, a trademark applicant cannot prevent a prior user of a mark who has acquired some influence through using the mark. The prior user, however, may have to add some material or a designation to distinguish their mark from the registered mark.
8. **Sounds registrable as trademarks.** Sounds may now be registered as trademarks, as long as they distinguish the mark owner’s goods. This revision could spur owners of sound trademarks in other jurisdictions, for instance, owners of certain US television jingles, to seek a registration in China.

Of the several significant changes contained within the amendments, the additional likelihood of confusion analysis as an official part of the infringement determination is likely the most notable revision. While this addition may make the infringement standards more analogous to other nation’s rules, just how the likelihood of confusion analysis will be applied in practice remains to be seen. For instance, implementation will likely determine whether, and to what extent, expert and survey evidence are relevant to proving a likelihood of confusion.

Moreover, trademark owners may need to adjust how they search for and monitor potentially infringing marks and applications to account for the injection of the likelihood of confusion analysis into Chinese law. While the revised law could bring those search techniques more in line with broader international

practices, differences in application will likely have a ripple effect in areas like trademark enforcement, requiring trademark owners to frequently adjust their strategies until the courts provide further guidance.

Given the potentially transformative nature of these amendments, trademark owners will need to closely monitor the implementation and interpretation of the new law. Whether or not these changes can be practically implemented or lead to real change, China has taken a positive step towards recognizing and protecting intellectual property rights in a manner consistent with international norms. Latham & Watkins' attorneys will continue to track these and other developments in Chinese trademark law to keep you informed of the latest developments.

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