

INTERNATIONAL TRADEMARK SYMPOSIUM

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Speaker:

Lian Yunze

Partner

Hylands Law Firm (China)

lianyz@hylandslaw.com

PART ONE

GENERAL STRUCTURE OF CHINA'S TRADEMARK, TRADE NAME AND DOMAIN NAME

CHINA'S TRADEMARK SYSTEM

Sources of trademark laws and regulations

- Trademark Law was made in 1982, revised twice, now under third revision
- Civil Law, Criminal Law, Product Liability law, etc.
- State AIC has made many regulations on trademark prosecutions and enforcement.
- Supreme Court has given many opinions on trademark disputes
- International IP conventions of which China is a member

Organizations of trademark law enforcement

- China Trade Mark Office (CTMO)
Registration, opposition, non-use cancellation, renewal, assignment
- Trademark Review and Adjudication Board (TRAB)
 1. Review on CTMO's decisions on refusal, opposition, non-use cancellation
 2. Trademark disputes and cancellation of registration in bad faith
- Court (1st & 2nd instances)
Litigations against TRAB's decisions
- Other law enforcement organizations for trademark matters
 1. Administration for Industry and Commerce
 2. Technical Supervision Bureau
 3. Food and Drug Administration Bureau
 4. Tobacco Administration Bureau
 5. Customs

Trademark registration and protection

- Principle of "First-to-File" supplemented by "First-to-Use"

- Protected marks: Normal marks, collective & certificate marks, 3D mark, color combination mark. Not protected marks: Sound mark, smell mark, single color
- International classification of goods: 45 classes with sub-classes
- Registration takes 1.5 year and valid for 10 years
- Special protection is given to:
 1. Well-known trademark
 2. Trademark with certain influence
 3. Prior rights, like copyright, design, trade name, etc.
- Dual protection against infringement by court and AIC, etc.

CHINA'S TRADE NAME SYSTEM

- Trade names are registered with local AIC.
- Identical names can be registered with different AIC and protected locally.
- Big companies can be registered with State AIC and protected throughout China.
- Trade names of foreign companies having no business in China can be protected only when they have certain market influence and being known by relevant public.

CHINA'S DOMAIN NAME AND KEYWORD SYSTEM

- Domain names (.cn) are registered with CNNIC.
- Keywords and wireless keywords are registered with KNET
- Policies on the resolution of domain names, keywords and wireless keywords.
 1. Similar to UDRP
 2. Dispute should be filed within two years
- Domain name dispute resolution centers:
 1. CIETAC Domain Name Dispute Resolution Centre
 2. Asian Domain Name Dispute resolution Centre

PART TWO

WHAT STEPS SHOULD BE TAKEN BY FOREIGN COMPANIES TO PROTECT THEIR TRADEMARK AND TRADE NAMES

- **Specialties, risks, traps to be watched and avoided**
- **Defensive steps to be taken**

Timely registration

Principle of "First-to-File": No registration, no protection. If you have no registration, you can not stop competitors to register and use your mark.

Mistakes of foreign companies:

- My mark is a well-known mark or has been used in China with certain fames and it should

be under special protection. I am not worried about timely registration. To claim well-known or with certain fame, you have to submit so many evidences to prove it. Many of them failed, because their evidences were not strong enough to be supported by the examiners. It is never an easy job to convince the examiners.

- Now I have no business in China. When I have, I will register my mark. Many Chinese competitors have their IP lawyers to search foreign well-known trademarks not registered in China. Then register them.

Registration in all the sub-classes of the same class

China adopts Nice classification of goods, but with her own sub-class. The registration on goods in one sub-classes do not extend to the goods in other classes. Goods in different sub-classes normally are not considered as similar goods. Class 25 has 13 sub-classes. Clothes are in sub-class 01, shoes in sub-class 07, headgears in sub-class 08, socks in sub-class 09, gloves in sub-class 10, ties in sub-class 11. Although they are all in the same Class 25, they are not considered as similar goods. That's why many Chinese competitors can easily register your mark in the same class.

Mistakes of foreign companies:

My mark is registered on one goods/services and I think it is also protected on all other goods/service in the same class. I do not want to spend more money on more registrations. Be careful, your Chinese competitors are keeping their eyes wide open on your marks not registered in other sub-classes.

Our suggestions:

Register your mark in all the sub-classes of the same class. When goods/services exceeding 10 items, extra official fee of RMB 100 will be paid. In order to save cost, you may choose only one goods/services from each sub-class. When you have full registrations, your door will be closed for your competitors.

Preventive registration

- Register similar marks on identical or similar goods/services as preventive mark. Many Chinese competitors register marks similar to your mark on identical or similar goods/services in order to share your fame.
- Register identical marks on dissimilar goods/services in other classes. (Registration in all 45 classes). Chinese competitors register or use your mark on dissimilar goods/service in order to share your fame. It is very hard to cancel their registration or stop their use unless you have enough evidence to convince the examiners or AIC officials that your mark is well-known. The registration of your mark in other classes by your competitors will dilute your mark.

Mistakes of foreign companies:

For cost reasons, I do not want to have more registration. My mark is well-known and it should be protected in all classes. I have no business for goods/services in other classes.

Our suggestions:

Have more registrations, which will save your money and prevent dilution. If you file oppositions or cancellations against competitor's marks, it will cost you lots of money in 7 years long procedures of CTMO, TRAB and courts. Such money is much more than that you spend on more registrations. Many well-known trademark owners have registered their marks in all the 45 classes.

Keep trademark gazette watching and searching for opposition

- Keep trademark gazette watching in all 45 classes for trademarks identical with or similar to your trademarks. Opposition will be filed upon their publication.
- Keep searching for identical or similar trademarks in pending applications for all 45 classes. When identical or similar trademarks are located, negotiation could be made with the applicant for their withdrawal.

Mistakes of foreign companies:

No watching and no opposition. Many similar or identical marks were registered. Much cost was spent in cancellation.

Apply for recognition of well-known trademark

When your mark is recognized as well-known trademarks, it will be protected against the following registration and use:

The registration of a trademark identical with or similar to your mark on non-identical or dissimilar goods in other classes. Such registration should be cancelled under Article 13 of the Trademark Law.

The use of a trademark identical with or similar to your mark on non-identical or dissimilar goods in other classes. Such use is considered as infringement and should be prohibited under Article 13 of the Trademark Law.

Article 13:

“A trademark that is applied for registration in non-identical or dissimilar goods shall not be registered and its use shall be prohibited, if it is a reproduction, an imitation or a translation, of a well-known mark which is registered in China, misleads the public, and the interests of the registrant of the well-known mark are likely to be damaged by such use”.

Well-known trademark can be recognized in the following procedures:

- Opposition with CTMO
- Cancellation with TRAB
- Complaint with AIC against infringement
- Lawsuit with courts

Mistakes of foreign companies:

1. They always think that their mark is well-known in their country or other countries, except China, it should be protected under well-known regulations in China. Only trademark well-known in China could be protected.
2. They have no good management of the evidence, which will be used to support the well-knownness of the mark.

Recordation of copyright for the trademark

If your mark is a device mark, it will be protected under our Copyright Law. Copyright is generated upon the completion of the work.

Your device mark is protected against the registration or use of it on non-identical or dissimilar goods. Under Article 31 of the Trademark Law, no trademark application shall infringe upon another party's existing prior rights. This prior rights refers to copyright, patent and other rights. If device mark is registered by another party on non-identical or dissimilar goods, this registration will be cancelled on the ground that the registration infringes the prior copyright of device mark.

In order to prove your prior copyright of the device mark, it is necessary to have your device mark recorded with China Copyright Protection Center, which will issue a certificate of copyright recordation for the device mark.

Mistakes of foreign companies:

No registration of copyright. Certificate of copyright recordation could not be submitted to CTMO or TRAB. Failed the cancellation or opposition against a mark identical or similar to your device mark.

File customs recordation

To protect your trademarks against the import and export of the counterfeit goods, it is necessary to file customs recordation. When your marks are recorded with the customs, the customs will watch the trademarks against the import and export of the counterfeit goods. When counterfeits are found, they will be seized by the customs. The duration of validity for

recordation is 10 years.

Mistakes of foreign companies:

No recordation. Counterfeit goods were exported.

Use the mark against non-use cancellation

Your registered mark is subject to cancellation if it has not been used for three consecutive years. The use of a mark includes the use of the mark on goods, packages or containers of the goods or in trading documents, and the use of the mark in advertising, exhibition or any other business activities.

Mistakes of foreign companies:

They did not use the mark for three consecutive years after registration. Or they have used it, but did not keep the use evidences. Their mark was cancelled.

Our suggestion:

If you do not use it, you may reregister the mark every three years.

Register Chinese characters of the mark

- Promote sales
China has a huge population of 1.3 billion, but the majority does not understand Latin language. They do shopping by reading marks in Chinese characters only and marks in Latin letters means nothing to them. In order to promote the sales of the goods, it is necessary to have Latin marks translated or transliterated into Chinese.
- Against counterfeiting
Well-known marks are always the target of the counterfeiters. When they know the well-known marks have no Chinese version, they will have them translated or transliterated into Chinese and then have them registered.

Mistakes of foreign companies:

They do not quite care about the Chinese character. It is translated or transliterated and registered by competitors.

Register trademark for internet protection

- Register trademark as domain names.
- Register trademark as keyword or wireless keyword.

China's Internet Keyword is a technique to realize the visitation of the browser by establishing

a corresponding relationship between a word (Internet Keyword) and URL. To realize visiting a website by China's keyword:

1. The keyword should be registered, and set the connection with a website/web page when registering the keyword;
2. Software should be installed in the computer. Now most computers in China have installed the software.

The registration of your trademark as domain name, keywords or wireless keywords will best protect your trademark against cyber squatters.

Mistakes of foreign companies:

1. They do not quite care about dot.cn or have no knowledge of keywords and wireless keyword. Cyber squatters are very active in China. They always watch your trademarks and ready to register them. Then come back to you to sell the domain name.
2. You may have received letters from Chinese domain name registrar, telling you that your trademark is being registered as domain name by other people, if you do not register it, they will let other people register it. Please note that these registrars are liars.
3. If you fail to file dispute within in two years against the domain name shuttered, you will lost your right to file dispute.

Protection of trade name

- Register your trade name
 1. Article 8 of Paris Convention
A trade name shall be protected in all the countries of the Union without the obligation of filing or registration.
 2. No registration, no protection. Register your trade name when you set up companies in China
 3. Your trade name is protected even if it is not registered in China based on the fact that you have business in China and it has certain market influence and being known by relevant public.
- Register your trade name as trademark
- Your trade name is registered as trademark by competitors, you may file cancellation based on the following principle:
 1. Your trade name is registered earlier
 2. Your trade name is well-known
 3. There is confusion
- Register your trade name as domain name or keyword or wireless key word

PART THREE

WHAT STEPS SHOULD BE TAKEN AGAINST INFRINGEMENT

Trademark protection against infringement can be obtained through administrative procedure and judicial procedure.

How can I stop infringement in few days ?

You can stop infringement or counterfeiting in few days by filing complaints with the administrative organizations, which take raid actions against the factories, warehouses and shops. This is the feature of Chinese trademark protection against infringement, which does not exist in other countries. In other countries trademark infringement are stopped by courts. In China most of the infringement is stopped by the administrative organizations.

Mistakes of foreign companies:

1. You have no power of attorney notarized and legalized, which is required by AIC. It will take few months to complete the notarization and legalization. Please have a long term of such power, e.g. two years. You could submit the power as soon as you file the complaint. If you have no such power, it will delay your complaint.
2. The name and address of the infringers are not specific or correct. The infringers could not be found and raided.

How much shall I pay for stopping infringement?

The cost is very low, as the administrative organizations have no official charges for their raid actions. It normally cost about US \$3000, plus disbursement. Different firms will charge differently and it may be more or less.

Who are the administrative organizations ?

1. Administration for Industry and Commerce (AIC)

AIC are responsible for raid actions against infringement. AIC are very popular in China. There is one national AIC (State AIC), located in Beijing, responsible only for very important cases and give instructions to local AIC in respect of their cases. The local AIC includes Provincial AIC, City AIC, District AIC, County AIC and Town AIC. AIC carry out raid actions against both the manufacturers and the distributors. Complaint should be filed with County AIC or District AIC or City AIC, which has jurisdiction over the infringers.

3. Technical Supervision Bureau, (TSB)

TSB is responsible for raid actions against infringement. They carry out raid action against manufacturers other than distributors.

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4. Food and Drug Administration Bureau (FDAB)

FDAB carry out raid actions against both manufacturers and distributors in the food and drug fields.

5. Tobacco Administration Bureau (TAB)

TAB carry out raid actions against both manufacturers and distributors in tobacco fields.

6. Customs

The customs action is to stop the export and import of the infringement and counterfeiting goods.

What steps AIC will take in their raid action ?

When petition is filed, the officials will carry out raid action on the same day or in few days. They will first form a raid party of several officials. In some very serious and dangerous cases, policemen are requested to join in the raid party. In most of the cases, the petitioners or their agents are permitted to watch the raid action, but not permitted to take pictures.

In the raid action AIC will search the factory buildings, including the workshops, warehouses, office, sample rooms and etc. When infringement products are found, AIC will take the following steps:

1. Order the infringer to immediately stop production and sales;
2. Seal, seizure and confiscation of the infringement products, trademark label, or tools for producing the products, such as moulds, plates for printing the trademarks. The products, moulds and printing plates will be destroyed;
3. The account books, sales contracts, invoices will be checked and the responsible person will be interrogated in order to know the quantity and value of the infringement products;
4. Impose fine of three times of the illegal business or impose fine of RMB100,000 if the illegal business could not be defined;
5. If the case is so serious as to constitute crime, the responsible person will be reported to Public Security Bureau for criminal prosecution.

Mistakes of foreign companies:

1. You have not used your mark for three consecutive years. When you file complaint, the infringers will file cancellation against your mark for non-use. AIC will stop their raid action. Please make sure that your mark has been used before you file the complaint. If not used, we suggest to immediately reregister it.
2. When your mark is registered in China through international registration, if you do not

apply, CTMO will not issue you the certificate of trademark registration. If you have no this certification, AIC will refuse your complaint for raid action. Please always apply for this certificate after international registration.

3. The manufacturer produced counterfeit products in their past production, but presently it has no production of counterfeits. In order to catch them red handed, you place trap order. This is illegal. AIC will not handle your case in the future. The manufacturer may sue you.
4. You must know that some investigator place trap order to start raid action.

What shall I do if I am not satisfy with AIC's raid action decision ?

If you are not dissatisfied with AIC's decision, you may either file appeal with higher level AIC or birng lawsuit with court within15 days upon receipt of the decision.

If the infringer does not make performance of the decision in the absence of appeal and lawsuit, AIC will request the court for compulsory execution.

Can I get compensation after raid action ?

You may claim for compensation through AIC, but AIC is not in a legal position to order the infringers to make compensation. AIC may try to persuade the infringers to make compensation, but their request is not compulsory. AIC act as mediator. Therefore in most of the cases, compensation could not be received.

To get compensation, you should go to courts.

To stop infringement, shall I go to AIC or go to courts ?

Go to AIC:

Advantages:

- Efficient: Immediately stop manufacturing and selling; seize and destroy good
- Time-saving: Counterfeiting could be stopped in few days
- Cost-saving: USD \$3,000, plus disbursements
- Impose fine: 3 times of the goods volume or RMB 100,000
- Transfer for criminal prosecution

Disadvantages: No compensation

Go to courts:

Advantages: Compensation could be received

Disadvantages:

- Not easy to get evidence and property preservation and preliminary injunction.
- Long time and high cost: 6 - 12 months, US \$30,000 min
- No fine
- No transfer for criminal prosecution

Our suggestions:

Go to AIC to immediately stop infringement. Upon receipt of AIC's punitive decisions, which is the strong evidence of infringement, go to court for compensation.

How can I stop the exportation of infringement goods by customs

1. Detain the infringement goods by application

If your mark is not recorded with the customs, you can also file complaint with the local customs to stop the exportation of the goods. You should pay a deposit and then bring lawsuit for detention in 20 days.

2. Detain the infringement goods by ex-officio

You should record your mark before the customs. After recordation, when the officials find infringement goods, they will notify you. If you want for detention you should pay in 3 days a deposit of up to RMB100,000. The customs will then make investigation in 30 days and make decision. They will seize the goods and make punishment, including imposing fine of not more than 30% of the goods value.

Mistakes of foreign companies:

1. As they do not file recordal, the customs officials could not stop the infringement goods.
2. When the customs inform them of the infringement goods, they failed to make verification or pay deposit within 3 days. The customs has to release the goods.

What steps shall I take to stop infringement on internet ?

Take steps to find them

Step 1: Online monitoring

- Monitoring infringing links in B2B or B2C websites
- Searching in the search engine, such as GOOGLE and BAIDU, with your brand as keyword

Step 2: Finding contacting information of the website:

- Searching domain name registration information.
- Searching contact information in the website.
- Searching in internet with keywords of the emails and phone numbers of the website.
- Searching in the internet to see whether the website has done some promotional work and leave contact information.

Step 3: Contacting sellers or website operators to get his address

- Communicate with the sellers or operators via email, phone, or “online service” of the website.
- Purchase goods from the website.
- Try to meet the seller or operator to trace his address.

Step 4: Trace the sellers or operators’ suppliers.

Take steps to stop them.

Goals:

- To remove infringing web links
- To shut down the website
- To raid the counterfeiter

Steps:

- Sending cease and desist letter to internet sellers or website operators
- Filing complaint with website operators or the server providers
- Filing complaint with the Administration for Industry and Commerce
- Bringing lawsuit.

How Can I put the infringers into jail ?

After AIC’s raid action, if you find that the value of the counterfeit goods are big enough to meet criminal criteria, you may request AIC to transfer the case to PSB for criminal prosecution. Or contact PSB directly for criminal prosecution. After criminal investigation, they will transfer the case to the procuratorial organs, which will bring lawsuit. The court will make a criminal judgment, sentencing the counterfeiters into imprisonment for up to seven years, plus imposing fine.

How can I judge that the value of the counterfeit goods is big enough to meet criminal criteria ?

The followings are the criminal criteria:

1. Counterfeiting a registered trademark and the illegal business turnover reaches RMB 50,000 or the illegal gains reaches RMB30,000;
2. Counterfeiting two or more than two registered trademarks and the illegal business turnover reaches RMB 30,000 or the illegal gains reaches RMB20,000;
3. Selling counterfeit goods intentionally and the illegal business turnover reaches RMB 50,000;

4. Counterfeiting, making or selling representations of one registered trademark of another party without authorization, and the quantity reaches 20,000 pieces, or the illegal business turnover reaches RMB 50,000 or the illegal gains reaches RMB30,000;
5. Counterfeiting, making or selling representations of two or more than two registered trademarks of another party without authorization, and the quantity reaches 10,000 pieces, or the illegal business turnover reaches RMB 30,000 or the illegal gains reaches RMB20,000;

The above value is for individuals. For companies, its is three times of the above value.
(Exchange rate: US \$1.00 = RMB 6.3)

Can I file complaint directly with PSB ?

If you have the evidence to prove that the value of the counterfeit goods are huge (much higher than the criminal criteria), you may file complaint directly with PSB, which will carry out raid action. PSB will take the following steps:

1. Order the counterfeiters to immediately stop counterfeiting;
2. Seal, seizure and confiscation of the products;
3. detain the counterfeiters;
4. transfer the case to procuratorial organs for criminal prosecution.

One of PSB's work is to prevent, investigate and raid counterfeiting and crimes. It has the power to make criminal investigation and raid counterfeiters. Their raid action is based on crime. After investigation, they will transfer the case to the procuratorial organs for criminal prosecution.

What steps can I request courts to take to stop infringement ?

You may request courts to take the following steps before the lawsuit:

1. Evidence Preservation

To bring lawsuit, there must be strong evidence to prove that the infringer has committed the infringement. The evidence includes samples, pictures of the samples, sales contract, invoice, account books, moulds and etc. If the evidence could not be obtained before the lawsuit or the evidence may disappear when lawsuit is brought, you should apply for evidence preservation. Upon receipt of the application, the court should make a decision within 48 hours. If the court decides to make preservation, they will start immediately. They will search the infringer's factory building, including the workshops, warehouses, office, sample rooms and etc. to obtain the samples, sales contract, invoice, account books and moulds. They will also take pictures or videos and interrogate the workers and responsible persons.

2. Property Preservation

When there is evidence to prove that the infringer is committing or will commit the infringement, which will cause great damages to you if it is not stopped, you should apply for property preservation. The damages includes the followings:

- (1) When the infringement products are sold, it will cause damage to your reputation or decrease your market share;
- (2) When the infringer's property are moved away or concealed, you could not receive the compensation, which should be paid by the infringer.

Upon receipt of the application, the court should make a decision within 48 hours. If the court decides to make preservation, they will start immediately. They will seal, detain and freeze the infringer's property, including their bank account. The court may also freeze the infringer's trademark and patent, informing the Trademark Office and Patent Office not to approve the infringer's assignment of his trademark and patent. The freeze period is six months for patent and two years for trademark.

To make the court start the preservation, you are required to make property guarantee. The value of the guarantee should be the same as the value of the preservation.

3. Advanced Injunction

When there is evidence to prove that the infringer is committing or will commit the infringement, which will cause great damages to you if it is not stopped, you should apply for advanced injunction. For lawsuit it takes a long time for the court to make a verdict. During such a long time the infringement has been completed. In order to immediately stop the infringement, the court will make decision within 48 hours upon receipt of the application. If they decide to make injunction, they will immediately order the infringer to stop the infringement.

How much compensation can I claim ?

The amount of compensation is the profit that the infringer has earned, or the damages you have suffered, including all the cost occurred for stopping the infringement, such as investigation fee and attorney's fee. When it is difficult to decide the amount of the damages, the court will make a judgment for compensation of not exceeding 500,000RMB Yuan (US \$79,000) according the seriousness of the case. Royalty might be considered as compensation criteria.

How could the courts execute their judgment?

1. Search, freeze and transfer the infringer's deposit in the bank;
2. Detain, draw their income;
3. Seal, detain, freeze and sell their property;
4. Search for the concealed property;

5. Enforce the infringer to transfer their property;
6. Enforce the infringer to assign their trademark and patent. The Trademark Office and the Patent Office will approve the assignment upon receipt of the court's notification;
7. Enforce the infringer to stop their infringement;
8. Seize and destroy the infringement products and the tools;
9. Enforce the infringer to express their apology newspapers or TV.