

## Understanding Trademark Protection and the Revised Trademark Law of the PRC from 1 November 2019

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Although most foreign companies understand the need to protect their trademarks in China such as their company name, brand, and logo to **prevent trademark squatting and theft** prior to market entry, many still neglect to register in time and risk loss of control to outsiders.

Given China's **First-to-file System**, this can be a challenge as protecting and enforcing any trademark rights in China can only be done with a registered trademark in China.

Registering your trademark in China is a straightforward and inexpensive process that can **safeguard company revenue, reputation, and brand**.

### Revised Trademark Law of the PRC

Following sustained criticism by many foreign companies and governments on the lack of adequate trademark protection and enforcement in China, the revised **Trademark Law of the PRC** was announced on 23 April 2019 and took effect on **1 November 2019**.

The revised Trademark Law consists of **eight chapters and 73 articles** that define the principles, requirements, and procedures for safeguarding the exclusive rights of using trademarks while protecting the reputation and interests of consumers, manufacturers, and business operators.

According to **Article 8**, trademarks are: *“Any mark which can differentiate the commodities of a natural person, legal person, or any other organisation with the commodities of others, including text, graphics,*

*alphabets, numbers, three-dimensional marks, colour combinations and sound, etc., and a combination of the aforesaid elements, may be registered as a trademark.”.*

The language related to trademark infringement and related sanctions is stricter than before such as:

- **Article 4:** “... Any application for trademark registration that is *malicious* and is not filed for the purpose of use shall be rejected.”.
- **Article 7:** “Application for registration and use of trademarks shall comply with the principles of *honesty* and *trustworthiness*.”.
- **Article 44:** “Where... the registration is obtained by *fraudulent* means... the registered trademark shall be invalidated by the trademark bureau.
- **Article 68:** “Whoever *maliciously* applies for trademark registration shall be subject to a warning, a fine or any other administrative punishments, as the case may be;”.

### **Trademark Protection**

Whereas trademark law in countries like Australia, the US and Denmark follow the “**First-to-use**” system, other countries like Germany, Britain and China use the “**First-to-file**” system where trademark rights are only secured by registration.

This means that whoever applies first and gets the trademark registered will get the exclusive rights for its use no matter if they are the “rightful” owner or not.

According to the revised Trademark Law, the (China) Trademark Office (CTMO) at the State Administration for Industry and Commerce (SAIC) is responsible for trademark registration and administration in China.

On 29 August 2018, the State Intellectual Property Office of China (SIPO) was renamed the **China National Intellectual Property Administration (CNIPA)** and placed under the control of the newly established **State Administration of Market Regulation (SAMR)**.

### **Trademark Classifications**

China follows the International Classification of Goods and Services (Nice Agreement) which consists of **34 product classes and 11 service classes**.

China also divides the **45 classes** into several sub-classes with their own specified product items that are treated as identical or similar by the Chinese trademark examiners.

It is therefore important to register a trademark in as many sub-classes and product items of any chosen class to prevent others from potentially undermining the company trademark and brand in China.

## Trademark Application

Trademark applications can either be filed directly through CNIPA or via a local IP firm in a contracting member state of the Madrid system that will certify and forward it to WIPO.

In China, foreigners or foreign companies applying directly for trademark registration through CNIPA are required to use a Chinese trademark agency or law firm.

Within **six months** from the filing date of a trademark application overseas or from the date where a trademark is first used on goods displayed at an international exhibition organised or recognised by the Chinese Government, it is possible to claim **Pre-emptive Right** and get full trademark protection in China.

## Trademark Registration

After the filed trademark application has been filed, checked, and accepted by CNIPA, it will go through a **substantive examination**. The whole examination process typically takes **5-8 months**.

If no objections are raised by the public during the following **3-month Opposition Period**, the trademark will be published in the Trademark Gazette and the **Trademark Registration Certificate** issued in Chinese.

If a registered trademark has not been used by the registrant for **three years in a row**, others can apply for a **non-use cancellation** to get it revoked by CNIPA.

The registered trademark is valid for **ten years** and can be extended for successive ten-year periods without limitations. Applications for renewal shall be completed within **twelve months** prior to the expiry date of the registered trademark.

## Trademark Infringement

If your trademark has already been filed for registration or registered by others in China, it is possible to either file a **Trademark Opposition** or **Trademark Invalidation** with CNIPA to declare the application or registration void.

The Trademark Opposition shall be filed before the end the official 3-month opposition period in which a ruling will be made within **12 months** while the Trademark Invalidation can be filed during the validity of the registered trademark in which a ruling will be made within **10 months**.

If either party disagrees with the ruling by CNIPA, a lawsuit can be filed at the People's Court within **30 days** from the receipt of the notice.

## **Trademark Enforcement**

Before any official action can be taken to enforce your trademark rights in China, it is important to **gather and preserve evidence** of the infringement such as screenshots, hyperlinks, photos and purchased product samples that illegally use the trademark.

However, only evidence collected and notarized by a **Chinese public notary** is accepted by the local SAMR and admissible at the People's Court.

### **Local SAMR**

The quickest option is to file a complaint with the local SAMR where the alleged infringement is taking place (e.g., factory, exhibition, or shop) by submitting the issued Trademark Registration Certificate and presenting evidence such as collected/purchased product samples.

The local SAMR may then decide to conduct an onsite inspection of the premises, order the infringer to cease the illegal activities, and confiscate and destroy all the goods and tools used.

The local SAMR cannot award any compensation which is the exclusive right of the People's Court. But they can impose a fine on the infringer of up to **five times** the illegal turnover below RMB 50,000, and otherwise no more than **RMB 250,000**.

### **People's Court**

To seek damages, the trademark owner should file a lawsuit against the suspected infringer. This can be done through the **special IP Courts** in Beijing, Shanghai, or Guangzhou or one of the 18 **regional IP Tribunals** headed by specialized IP judges.

During the set pre-trial hearing, the evidence presented will be examined and discussed with the parties before the People's Court.

Before making their ruling, the People's Court will give the parties the opportunity to settle their dispute. Otherwise, a ruling will be made after some months depending on the complexity of the case.

If the People's Court rules that an infringement has been made, it can impose an injunction to stop the violation and preserve evidence, destroy all the infringing goods and equipment used and award damages.

The compensation amount is awarded based on the **actual losses** suffered by the trademark owner or according to the **profits made** by the infringer.

If neither can be determined, the People's Court can award statutory damages of up to **RMB 5.0 million**.

## **General Administration of Customs (GAC)**

To prevent an alleged infringer from exporting any illicit products overseas, companies can get their China registered trademarks recorded with the GAC that operates an **IP Recordal System** to help Customs officers identify and stop any infringing products.

Companies registered in China can apply to GAC directly or use a domestic lawyer while all others must use an authorized **local trademark agency/lawyer**.

After the required information and documents have been recorded online with GAC, the approval takes **30 days** and valid for **10 years** or for the duration of the registered trademark (whichever is shortest). This can later be renewed if the trademark is still valid.

If any suspected infringed goods are stopped at a Chinese port, the IPR holder must pay a **bond/deposit** of no less than the value of the goods but **maximum RMB 100,000** to be used for storage fee and disposal fee with the remainder returned afterwards.

GAC shall within **30 working days** after the detention of the alleged infringing goods investigate and determine whether the goods are infringing or not.

If the detained goods are confirmed to be infringing, GAC can **confiscate** the goods and impose administrative **penalties** on the importer/exporter of the infringing goods.

If the detained goods cannot be determined to be infringing, GAC shall within **three working days** notify the trademark owner to apply to the court for **judicial detention** of such goods.

## **Safeguarding Trademarks**

As more foreign companies and consumer brands are entering the Chinese market, local competition is intensifying to win favour with the Chinese consumers.

With the **revised Trademark Law of the PRC from 1 November 2019**, the Chinese authorities have taken important legal and administrative steps to further fight trademark infringement and theft in China by introducing more severe sanctions and higher penalties against unlawful and fraudulent acts.

No matter if you consider or plan to sell offline and/or online in China, you are strongly advised to register your trademarks before market entry or you risk loss of control to outsiders through (lawful) copying which can harm your company revenue, reputation, and brand in China.

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