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WAN HUI DA IP AGENCY

Enforcement lessons

IP owners need to think carefully about what they are trying to achieve when they launch an anti-counterfeiting campaign. **Bai Gang** of Wan Hui Da IP Agency explains why

The most notable characteristic of China's system of IP protection is the so-called double track system, which allows IP owners to choose whether to seek administrative protection or relief from the courts. Rights owners need to consider which option offers them the maximum level of protection in the circumstances.

Legal options

China has established IP tribunals in more than 450 Intermediate and Higher People's Courts to hear civil suits. The Criminal Code also gives IP owners who have suffered from the crime of counterfeiting the right to file a criminal case against the suspected infringer with the People's Court. IP owners can also ask the police to take up the case. The police are responsible for investigating counterfeiting cases that meet the criminal liability thresholds. After the police have carried out an investigation, they will report the case to the procurator if they think that there are grounds for a criminal action. The procurator will file a case before the criminal court.

Administrative protection

The following chart shows which administrative bodies are responsible for enforcing China's anti-counterfeiting rules.

Making the choice

There are a number of advantages and disadvantages to choosing judicial or administrative remedies.

Administrative advantages

The Administration for Industry and Commerce (AIC) has extensive resources. For example, there are AICs at the town level and divisions of the AIC set up at the county level. At present, there are more than 3,000 AIC offices around the country and 550,000 AIC staff. This

extensive network guarantees that the AIC has sufficient staff and can provide a substantial force. No other body can offer the same enforcement resources.

The AIC can offer a quick and efficient remedy. They do not normally need to follow the same complicated procedures that would be necessary prior to a legal action before they decide to launch an administrative raid. The AIC may undertake a raid within hours of accepting the petition and dispose of a case after one or two days' investigation.

The AIC can also be a cheap enforcement option. In theory, administrative authorities do not charge for taking action and can even take actions on their own initiative without having received a complaint from an IP owner. The only exception is Chinese Customs, who require IP owners to pay a bond and storage fees if they detain suspect goods.

Administrative authorities can also be relatively proactive. It is not only the AIC and AQSIQ that can take action on their own initiative against suspected IP violations. Chinese Customs has set up a well-organized system for supervising imports and exports which has proved to be very reliable and effective for tackling IP violations in the import and export of counterfeit commodities.

Administrative drawbacks

It is important to note that there are some disadvantages to seeking assistance from the administrative authorities. For example, the AIC is sometimes influenced by local protectionism and according to the administration litigation law, administrative decisions are not final and can be challenged if the alleged infringer chooses to appeal. As a result, the AIC now feels more cautious when dealing with IP infringement cases. In addition, AIC procedures can lack transparency when it comes to counterfeiting cases. For example, sometimes infringers do not pay their penalties, infringing goods are not

always destroyed and the AIC can be unwilling to transfer criminal cases to the police and procurators.

AQSIQ offers another enforcement option for IP owners and it can sometimes be more effective than the AIC because it is less likely to be influenced by local protectionism. However, the AQSIQ can only enforce the Product Quality Law, so the most an IP owner can hope for is that AQSIQ seizes and destroys the counterfeit goods.

Patent administration is another story: the authorities have limited enforcement resources and less power than China's other administrative bodies. Generally speaking, of all the administrative bodies, the patent administration body is the one that most resembles a court. It is less effective at enforcing the IP rules due to the complexity of patent cases. The same can be said about copyright administration.

Judicial advantages

Unlike the administrative enforcement bodies, the Chinese courts, like those in other countries, are the final and most authoritative bodies that can handle

cases of IP infringement. Both IP owners and alleged infringers are able to institute legal proceedings if they are unhappy with a decision made by an administrative agency. Alternatively, IP owners may bring a lawsuit directly to court without pursuing administrative procedures first. If the plaintiff can prove that the infringement was serious, then they can expect to win substantial damages from the courts. Not only do court decisions serve as the final verdict in a case, the courts can also issue guidelines for the administrative authorities to use when handling complex infringement cases.

Court failings

However, legal proceedings have their own disadvantages. They can take a long time, involve complicated procedures and are usually more expensive than administrative actions.

Criminal actions

The government has set up a special IP protection division within the ECID (Economic Crime Investigation Department) of the MPS (Ministry of Public Security). We expect that this will be repeated at all levels of the Public Security Bureau. Last year the MPS launched a campaign called Mountain Eagle, aimed at cracking down on IP infringement. The campaign was widely regarded as very successful.

It appears that the police are becoming an increas-

ingly positive and effective enforcement unit within the government's numerous anti-counterfeiting agencies.

The advantages of a PSB action are obvious: the police can take tough action and they have an extensive network, they have the power to undertake effective investigations, and the threat of being sent to jail acts as a strong deterrent. However, there are still some drawbacks: police resources are extremely limited, a criminal action can take a long time, and because the criminal case is brought by the Chinese state, it is hard for IP owners to get involved and supervise the process.

Strategy

In our experience, most trade mark owners choose to enforce their trade mark rights using administrative actions, on the grounds that it is usually cheaper and

AICs may undertake a raid within hours of accepting the petition and dispose of a case after one or two days' investigation

more efficient than bringing a civil action. In relatively simple cases, the AIC can stop the infringing activity very quickly (sometimes in one or two days), seize the goods and impose a penalty. In most cases this will solve the problem.

However, there are some complicated infringement cases that cannot easily be solved by the AIC. These are usually cases involving the use of a similar trade mark on the same or similar products, or the use of similar packaging at the same time as using the IP owner's trade mark as its corporate name. As infringers become more sophisticated, it is becoming clear that the AIC's power is becoming weaker. As a result, IP owners cannot always expect the administrative authorities to solve complex cases quickly and efficiently. In these kinds of complex infringement cases, we believe that it may be more appropriate to take the case to the civil courts.

Experience tells us that bringing a legal action is by far the best decision that IP owners can make in cases where the infringement is very serious or where the level of infringement meets the standard required for a criminal case. This is because the police only pursue large-scale counterfeiting activities. If the administrative authorities discover large quantities of counterfeit product during a raid, they can transfer the case to the police who will then start a criminal investigation. This can be very helpful to IP owners, who generally want infringers to face tougher, criminal penalties rather than just administrative ones. However, the AIC can sometimes be reluctant to transfer cases to the police, preferring

Administrative agencies in charge of intellectual property			
Administration	Laws	Target	Relief available
Administration for Industry and Commerce (AIC)	Trademark Law Anti-unfair Competition Law	Counterfeit trade marks and trade mark infringement Unfair competition	Order to stop, seizure, penalty and destruction or removal of infringing labels
Public Security Bureau (PSB)	Criminal Law	Counterfeit trade marks and patented goods, copyright infringement and trade secret infringement	Criminal investigation, detention and arrest
Administration of Quality Supervision, Inspection and Quarantine (AQSIQ)	Product Quality Law	Fake and shoddy goods	Seizure, penalty and destruction
Copyright Administrations	Copyright Law, Regulation for Computer Software	Copyright infringement	Order to stop, seizure and penalty
State Intellectual Property Office (SIPO)	Patent Law	Counterfeit patented products and patent infringement	Mediation and order to stop
Customs	Regulations of PRC for Customs Protection of Intellectual Property Rights	Counterfeit trade marks and trade mark infringement, counterfeit patented products and patent infringement, and copyright infringement	Detain, seizure, penalty and destruction

instead to handle the matter internally. This can be very frustrating for IP owners.

To conduct a full police criminal investigation is a very complicated and comprehensive procedure, which means that IP owners and the police need to check evidence very carefully and make many enquiries. It usually involves a lot of patience and some good luck, and can use up huge resources. Given that counterfeiters are using more sophisticated techniques and becoming increasingly organized and powerful, it can be difficult to identify and catch the guilty parties. The more information and concrete evidence that an IP owner can obtain through their own investigations, the more likely it is that the police will accept the case and prosecute the suspects.

At the moment, IP owners still rely heavily on administrative actions to tackle the problem of counterfeiting. However, if they launch too many simple and quick administrative actions it might affect their ability to find out who is really managing the counterfeiting operation further up the chain. IP owners and prosecutors need this kind of in-depth information if they are to launch a successful criminal prosecution against the ring leaders. Punishing the organizers is generally a far more effective way of destroying a counterfeiting network than carrying out repeated raids against small-time shopkeepers selling small amounts of fakes.

Recommendations

In practice, IP owners should deal with problems on a case-by-case basis. What measure will best protect an IP

owner's legal rights is determined by the capabilities and attitude of the local law enforcement bodies where the infringement is taking place and the influence of local protectionism operating there. IP owners need to analyze all the potential factors before making their decision about the best enforcement approach.

When dealing with IP-related issues in China, it is always better to separate the different problems and seek help from professionals who are best able to resolve each different issue. For example, when IP violations occur in the market or during distribution, IP owners should approach the local administrations such as the AIC or AQSIQ to launch raids or carry out market sweeps. These should deliver some quick results. When dealing with factories that produce counterfeits, if an administrative action does not stop the infringement, then IP owners should consider launching a civil action and try to obtain a judicial order and damages. IP owners should never forget the help that Customs can give when the infringement involves the import and export of fake products. Of course, a police investigation into the counterfeit network will always be the most effective way to resolve serious problems and make decisive progress.

Infringement activities are becoming more and more diversified and infringers are getting better at evading the law. The AIC's power is weakening, so it is difficult for administrative officials to deal with the most cutting-edge cases. For example, some infringers have been registering famous or well-known trade marks as corporate

names, which has caused IP owners serious problems. However, the AIC seems unable to do much to solve the problem. In these kinds of cases, we advise IP owners to institute legal proceedings with the courts directly and request the judge to make a decision. As far as we know, the courts have successfully stopped some infringers from using corporate names that incorporate famous or well-known trade marks.

IP owners are sometimes quick to say that the Chinese system does not tackle patent infringement effectively. However, we have seen a number of cases where the courts have dealt very capably with patent infringement, particularly when the plaintiff has enlisted the help of a patent specialist. Of course, a court injunction will act as a far more effective deterrent than any administrative measure.

Evaluation

IP owners must ask themselves how they will evaluate progress when they launch anti-counterfeiting campaigns. This will help them establish a coherent strategy that avoids them pouring money into an endless and frustrating fight.

We have noticed that an increasing number of IP owners are using a relatively simple and incoherent method to evaluate and organize their anti-counterfeiting strategies. That is, they evaluate the success of the work only in terms of the size and the value of seizures

but are unaware of even bigger infringement, and always pay more attention to the figures of the seizures than the sophisticated investigations and digging out works aimed on the network. This kind of approach makes them enthusiastic about pursuing statistics, which they want to do at lower and lower cost. In fact, this strategy has serious consequences: it can lead to investigators reporting fake figures and fake cases. At the same time, the IP owner will never tackle the underlying problem, particularly because counterfeiters are becoming increasingly devious and cautious. Believing that anti-counterfeiting work amounts to achieving certain statistics turns a sophisticated task into a kind of game, involving making nice charts to show head office and looking for ways to get a bigger budget, all while the underlying problems continue.

Some IP owners evaluate the success of the work only in terms of the size and the value of seizures but are unaware of even bigger infringements

If we consider counterfeiting to be a kind of disease, nobody wants the disease to be left untreated. We all want it to be cured as soon as possible. However, if we evaluate anti-counterfeiting by seizure figures alone, then it will do little to cure the underlying illness.

BAI Gang



Bai Gang is senior partner of Wan Hui Da IP Agency, which he helped establish in 1999. Before then, Bai Gang served as a trade mark attorney for seven years in two different IP firms, where he got extensive experience of issues relating to protecting and enforcing IP rights. In addition to working as a trade mark attorney, Bai Gang has also been appointed as an IP consultant to a number of multinational companies including Gillette, L'Oreal, Kodak, Danone and Lacoste. He has helped his clients achieve some outstanding successes, including advising them during important trade mark disputes involving both civil and criminal litigation.

In 2003, Bai Gang was invited to become a specialist with the EU-China Intellectual Property Rights Cooperation Programme and participated in the drafting of the programme's "Roadmap for Trademark Protection in China".

In 2005, Bai Gang was selected by the State Intellectual Property Right Strategy Working Conference as an expert and became a member of INTA's 2005 Enforcement: China Committee. He has been co-editor of the China Trademark Report since 2003.

China and the art of trade mark litigation

More and more trade mark owners are taking their cases to court in China. And as **HUANG Hui** and **HUANG Yibiao** of Wan Hui Da Intellectual Property Agency explain, with careful preparation and a clear strategy, the process need not be as daunting as many plaintiffs fear

Generally speaking, litigation is time-consuming and expensive and if not properly handled, there may be no way to back down. This is why most parties would rather follow Sun Tze's advice that "the worst policy of all is to besiege walled cities" and try to avoid litigation as much as possible.

Yet trade mark right holders in China are relatively lucky, because although trade marks are considered a kind of private right, they are also deemed to be related to product quality and therefore to the interests of consumers. As a result, trade mark registrants or interested parties can lodge complaints about alleged infringements to the Administration for Industry and Commerce (AIC). Alternatively, the AIC may initiate its own investigation into law-breaching acts and punish them. Where there is risk of entry or exit of infringing commodities into or out of China, trade mark owners holders may also apply to Customs for protection.

Getting the authorities on side

There are many advantages to the AIC carrying out administrative law enforcement to protect the rights of registered trade mark owners. A prime example is that the AIC can launch its own investigations and punish acts of trade mark infringement very quickly. Rights holders only need to provide basic evidence and only incur very small (if any) costs.

Growing opportunities for litigation

Of course, as the proverb goes, "the tree wants to remain quiet, but the wind won't stop". Remedies offered by the authorities cannot fully replace the remedies offered by civil actions. In certain circumstances, litigation is still the only practical option open to IP owners. This is because there is no guarantee of success in administrative cases. For example, if Customs detain goods and the party concerned does not accept their

decision and lodges a plea, the trade mark right holder must also go to court. Moreover, the administrative punishments meted out by the AIC or Customs are generally limited to imposing fines and confiscating property rather than to compensating rights owners. To get compensation, IP owners need to bring a lawsuit. Trade mark rights holders themselves sometimes have to take the initiative to launch a private prosecution or bring a civil suit in the wake of criminal proceedings brought by the procuratorate.

As far as trade mark prosecution cases are concerned, the Trademark Law (revised in 2001) abolished the Trademark Review and Adjudication Board's (TRAB) right of final decision and allowed parties to seek judicial review of its decisions in the courts.

Sometimes parties may find themselves stuck in a piece of litigation that they never really wanted. For example, if a party sends a warning letter to a rival about potential infringement, they may be forced to take their case to court if the other party responds with a non-infringement action.

Winning arguments for litigation

Litigation need not be dreadful. If well prepared, it also offers advantages that other remedies cannot offer.

First, preliminary actions can be used against unsuspecting parties. Under the Trademark Law, trade mark owners or other interested parties can apply to the people's courts to ask them to order the infringing party to stop any infringing acts and to conserve the property while it is preparing to launch a lawsuit. This is relevant to cases where the complainant has evidence to prove that others are committing or are about to commit an act that infringes their exclusive right to use the registered trade mark and where the act will cause damage to its lawful rights and interests if it is not stopped promptly.

Where evidence may get lost or is difficult to obtain, the trade mark registrant or interested parties may also apply to the court to ask them to order the other party to conserve the evidence. If the plaintiff has good reasons why they cannot collect evidence itself, they may also apply to the people's court to investigate and collect evidence.

A second advantage of litigation is that a party may ask for compensation to be awarded in a way that is

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best for him. The party concerned can choose whether to claim part of the gains that the infringing party made from the infringement or to claim the losses it suffered as a result of infringement. If it is difficult to determine either of these, the people's court may apply a statutory compensation of up to Rmb500,000 (\$60,400), either at the request of the plaintiff or on its own initiative.

Thirdly, a willingness to take part in litigation gives an IP owner the option of launching his own criminal action. In cases of counterfeiting which meet the criminal law threshold (but which are not deemed to have seriously harmed public order and national interests), then a judicial interpretation issued by the Supreme People's Court gives victims of trade mark counterfeiting the right to bring a private prosecution if the People's Procuratorate will not initiate a public prosecution.

Moreover, at the same time an IP owner brings a lawsuit before the people's court or asks the People's Procuratorate to investigate a trade mark crime, they can also institute a civil action to seek compensation for the damages they have suffered.

Strategy

Of course, when a party decides to bring a lawsuit, they should pursue a strict strategy and not expect to achieve everything at once. Instead, IP owners need to remember that they need to win first and then seek battle, rather than the other way around. In addition, even if a party decides to fight a battle in court, they need not simply pursue a court ruling. Instead, they should be prepared to negotiate with the other side at any time. To quote again from Sun Tze's *The Art of War*: "Therefore, the clever combatant imposes his will on the enemy, but does not allow the enemy's will to be imposed on him."

Getting the timing right

When a party brings a lawsuit, they need to first calculate the time limits and ensure that they stick to them to avoid being outside the statute of limitation. The statute of limitation for civil actions against infringement of an exclusive right to use a registered trade mark is two years. The period starts from the date that the trade mark owner or interested party became aware of, or should have become aware of, the infringing act. When

a trade mark owner or another interested party brings a suit after two years, then if the infringing act is continuing at the time of the lawsuit and falls within the term of validity of the trade mark's exclusive right, then the people's court can order

the defendant to stop the infringement. The court will calculate the amount of compensation by reference to the two year period immediately before the date that the rights holder brought the suit to the people's court.

In cases of administrative litigation, the party concerned must make a submission within three months of the date on which they became aware of the specific administrative act (unless the law stipulates otherwise). Where a party refuses to accept a decision made by the Trademark Review and Adjudication Board (TRAB), they can bring a suit before the people's court within 30 days of receiving notification of TRAB's decision. IP owners have five years in which to bring a private prosecution against an alleged infringer. The five-year time period starts from the date that the crime is alleged to have been perpetrated.

Filing appeals

There are also time limitations on appeals. When a party in a civil or administrative litigation refuses to accept a ruling made by the court of first instance, they have the right to lodge an appeal to the next highest people's court within 10 or 15 days of receiving the written adjudication or ruling. Parties who are not domiciled in China have 30 days to appeal.

Litigants should take time limits into account when devising their strategy because they can potentially be used as a way of forcing the other side to negotiate. Under China's Code of Civil Procedure Law, first instance litigation should not exceed six months, while second hearings should not last more than three months. These time limits do not apply to cases involving foreign parties.

Unless administrative litigation cases need to be extended due to special circumstances, the courts should issue a judgment within three months of the date

that the case was filed, and make a final adjudication within two months of the date that they receive notice of any appeal.

Choosing jurisdiction

Plaintiffs must choose their jurisdiction carefully or else the defendant is extremely likely to lodge an opposition to it, which inevitably delays proceedings. In civil actions against trade mark infringement, the court in the place where the infringement took place, or where the infringing goods are stored or detained, or where the defendant is domiciled is deemed to have jurisdiction.

For joint actions involving several defendants and where the infringing acts took place in several different places, a court where one of the defendant's infringing acts took place can have jurisdiction over the proceedings. In the event that action is only taken against one of the defendants, the court in the place where the infringement took place has jurisdiction. Joint actions include cases where there are several infringers involved in producing, wholesaling and retailing the same product and also cases where there is one producer and several parallel distributors.

Once territorial jurisdiction is determined, parties need to consider which level of court to bring their action before. Generally speaking, a party can bring a civil action to the people's court above the intermediate level or the district people's court in certain big cities as long as they have been ratified by the Supreme Court as being able to protect trade marks.

Parties to the action

Article 53 of the Trademark Law allows a trade mark registrant or another interested party to bring a lawsuit if they believed that a trade mark has been infringed. The definition of an interested party includes the licensee of a registered trade mark owner and the lawful inheritor of a registered trade mark's property rights.

Of course, different licensees have different rights: An exclusive licensee can file a suit in court, while a sole licensee can bring a joint suit along with the trade mark registrant. Alternatively, if the trade mark registrant does

not take action, the sole licensee can file a suit independently. An ordinary licensee can file a suit with specific authorization from the trade mark registrant.

On the defendant side, producers and distributors of infringing commodities can all be defendants in civil or criminal actions. The TRAB, the Trademark Office and the state or local AIC can all be defendants in administrative litigation.

Evidence

As the proverb goes, "army provisions should go before the army moves," and in litigation, evidence is the most important "provision". In particular, according to the rules on civil and administrative evidence, some overseas evidence can only be used after it has been notarized and certified. This process can take a long time and parties should start their preparations early.

In cases of administrative litigation relating to trade mark prosecution, evidence eventually brought to court cannot exceed the scope of the evidence used in the review and adjudication stage. Unless the party concerned can prove that its evidence is new evidence (this is the only situation in which evidence can be submitted after the term for producing and exchanging evidence is over) they may face the prospect of the other party refusing to cross-examine it.

HUANG HUI



Huang Hui received the first doctorate in trade mark law awarded in China. Before he joined Wan Hui Da in 2002, Huang Hui worked in the State Administration for Industry and Commerce for 12 years. His experience and knowledge in IP has given him excellent relations with government officials and intellectual property specialists. He is now mainly in charge of litigation and intellectual property law consultancy. He has published *Legal Protection of Well-Known and Famous Marks* and the textbook *Trademark Law* and translated the Intellectual Property Code of France into Chinese.

HUANG YIBIAO



Huang Yibiao has practised law for nine years after graduating from Beijing University Law School. He advises clients on intellectual property law, corporate legal affairs, real estate, labour and human resources law. His clients include multinational companies, financial institutions, major state owned enterprises and high-tech companies.

Huang Yibiao has published articles in *Intellectual Property* and *Beijing Lawyer* and has been invited to join panels on law-related programmes on CCTV, BTV and Central People's Radio Station. He has recent experience advising a domestic manufacturer on resolving trade mark infringement and unfair competition disputes nationwide (involving more than 20 lawsuits) and assisting a high-profile French apparel company in its legal proceedings concerning trade mark infringement by Chinese entities.

How to protect well-known trade marks

Hui Huang and **Haiyan Ren** of Wan Hui Da examine the different means of proving the well-known status of trade marks in China

The Chinese Trade Mark Law was first adopted on August 23 1982 and entered into effect on March 1 1983. The Law was later twice revised – on February 22 1993 and October 27 2001 – and re-entered into force on July 1 1993 and December 1 2001 respectively.

To facilitate the implementation of the new Chinese Trade Mark Law, the State Council issued, on August 3 2002, the Implementing Regulations under the Chinese Trade Mark Law, which became effective on September 15 2002.

Accordingly, the Supreme People's Court also promulgated, on October 12 2002, the Judicial Interpretation about the Application of Law for Trying Cases of Civil Disputes over Trade Marks. These judicial interpretations took effect on October 16 2002.

On April 17 2003, the State Administration for Industry and Commerce (SAIC) published the Rules on The Recognition and Protection on Well-Known Trade Marks (WKMR), which came into force on June 1 2003. The previous Provisional Regulations on Recognition and Administration on Well-Known Trade Marks published on August 14 1996 terminated at the same time.

Benefits of recognition as a well-known mark

Once a trade mark is recognized as a well-known mark, its protection may be strengthened in the following aspects:

- 1) The owner of a well-known trade mark not registered in China may prevent the malicious registration and use of the mark by others in respect of the same goods or services (this is the purpose of the regulation on the protection of well-known trade marks).
- 2) The owner of a well-known trade mark registered in China may prevent the application for or registration of a trade mark which is identical to its well-known trade mark in respect of non-similar goods or services.
- 3) It would be easier for the owner of a well-known trade mark to convince a court that another's trade mark is similar to its well-known mark when a dispute occurs. In the judicial interpretation issued by the Supreme People's Court, it is expressly stipulated that courts should take the distinctiveness and reputation of trade marks involved into consideration when assessing the similarity between two marks. The Rules on the Recognition and Protection of Well-Known Trade Marks also require the China Trade Mark Office (CTO), the Trade Mark Review and Adjudication Board (TRAB) and the local Administration for Industry and Commerce (AIC) to take the distinctiveness and reputation of the trade mark into consideration when conducting administrative enforcement to protect well-known trade marks.
- 4) The owner of a well-known trade mark would have a better chance of acquiring satisfactory compensation. The rule is that the more famous a trade mark is, the more prejudice it suffers and the more damages it should obtain.
- 5) Where criminal prosecution against an act of counterfeiting is considered, it would be easier to meet the requirements for prosecuting the case if it involved a well-known trade mark. For such a case, the required standard would be restricted not only by the amount of the illegal turnover, but also by the reputation of the mark involved.
- 6) It would be easier for the owner of a well-known trade mark to prevent another's registration of its well-known mark as a business name. If an ordinary trade mark is in conflict with a business name, the problem can only be resolved if it can be proved that the mark is used prominently in the business name, whereas, in the case of a well-known trade mark, the use (prominent or not) of the well-known trade mark will be prohibited.
- 7) The owner of a well-known trade mark would have

a stronger position to prevent the registration of its mark as a domain name. Usually when hearing a case concerning a domain name conflict, the court requires evidence proving that the actual transaction under the domain name in dispute has been conducted. However, for a well-known trade mark, this factor is not required.

Threshold to be a well-known mark

No clear definition of well-known trade marks is given in the Trade Mark Law. According to the WKMR, well-known trade marks refer to trade marks that are widely known to the relevant public and enjoy a relatively high reputation in China.

“The relevant public” includes current or potential consumers of a certain kind of goods or services designated by the trade mark, the people who manufacture the aforementioned goods and render the aforementioned services, together with the relevant people involved in the distribution channels.

Competent authorities

There are two channels by which a trade mark can be recognized as well-known: administrative and judicial.

When applying for recognition of a well-known trade mark through the administrative channel, the applications may be filed with different government agencies in accordance with different situations:

- 1) in an opposition procedure, an application for recognition of a well-known trade mark should be filed with the CTO simultaneously;
- 2) in a cancellation procedure, the application for recognition of a well-known trade mark should be filed with the TRAB simultaneously;
- 3) when organizing a raid against someone using a well-known trade mark, which is not registered in China, in respect of the same or similar goods/services, or the use of a registered well-known trade mark in respect of different goods/services, the application for recognition and protection of a well-known trade mark should be filed with the Administration for Industry and Commerce at the municipal or provincial level, who will submit the application to the CTO after preliminary examination.

When applying for recognition of a well-known trade mark through the judicial channel, the application for recognition of a well-known trade mark must be combined with a lawsuit against trade mark

infringement before the Intermediate People’s Court located at the place where the infringement activity takes place or has consequences.

Duration of different procedures

Generally, there is no prescribed time limit for the CTO and TRAB to deal with opposition and cancellation cases. Consequently, there is no prescribed time limit for them to rule on application for recognition of a well-known trade mark combined with the relevant opposition and cancellation. In practice, the time costs for opposition and cancellation procedure are as follows:

Well-known trade marks refer to trade marks that are widely known to the relevant public and enjoy a relatively high reputation in China

- 1) Opposition procedure with the CTO: Usually, it takes about two years for the CTO to issue a decision on a trade mark opposition, and if the opposite party files an application for review, another two years will be taken for the ruling on the review to be issued. If the party concerned is dissatisfied with the ruling on the review, it may appeal to the court, and at least one more year is necessary. In summary, the time recognition of a well-known trade mark through opposition takes about four to five years. Of course, it will be beneficial if the first decision from the CTO is positive.
- 2) Cancellation procedure with the TRAB: If the party concerned files an application for recognition of its well-known trade mark using the trade mark cancellation procedure, the decision will also take two years and the opposite party may also appeal to the court if dissatisfied with the ruling. Therefore, the final recognition of well-known trade marks may take several years.

Fortunately, the WKMR prescribed the time period for the AIC and CTO to make a ruling on well-known trade mark recognition, the application for which is filed through the local AIC combined with the request for administrative enforcement. It takes 15 days for the local AIC to submit the relevant materials to the provincial AIC, and another 15 days for the provincial AIC to report the submission to the CTO. The CTO will make a decision within six months from receiving the case and the relevant materials. Therefore, a decision could be expected within approximately eight months.

Concerning the judicial channel, it generally takes about two years for the court to make a judgment on an infringement case, which is also the time necessary for an application for recognition of a well-known trade mark linked with the lawsuit.

Evidence supporting an application

According to Article 14 of the Chinese Trade Mark Law, the following factors shall be taken into account in the identification of a well-known trade mark:

- 1) extent of the relevant public's awareness of the target trade mark;
- 2) duration of the use of the target trade mark;
- 3) duration, extent and geographical scope of any publicizing activities for the target trade mark;
- 4) records for the target trade mark being protected as a well-known trade mark;
- 5) other factors concerning the popularity of the target trade mark.

The WKMR further lists materials that can be used as evidence to prove the well-known status of a trade mark as follows:

- 1) documents certifying the extent to which the said trade mark is known to the relevant public;
- 2) documents certifying the duration of use for the said trade mark, including the relevant documents certifying the history and scope of use, and registration of the said trade mark;
- 3) documents certifying the duration, extent and geographical scope of any publicity activity for the said trade mark, including documents relating to the mode of advertising, publicity activity and promotional campaign, the territory, the type of media, and the investment in advertising, etc;

It generally takes about two years for the court to make a judgment on an infringement case

- 4) documents certifying the record of the said trade mark being protected as a well-known, including relevant documents certifying the fact that the said trade mark has been protected as well-known in China or other countries/regions; and
- 5) other documents certifying the well-known status of the trade mark, including materials showing the output, sales volume, sales revenue, profit and tax, as well as sales area, in the preceding three years, of the principal commodity bearing the said trade mark.

In addition, the WKMR also points out that, though

the CTO and TRAB should follow the criteria set forth in Article 14 of the Chinese Trade Mark Law, it does not mean that the recognition of a well-known trade mark should necessarily be based on the fulfilment of all the criteria mentioned in this Article.

The effect and re-examination of well-known status

The effect of administrative recognition is somewhat different to judicial recognition. As the well-known trade mark obtained through administrative recognition is recognized by the CTO under the State Administration for Industry and Commerce (SAIC), the only authority in the AIC system throughout the whole country responsible for the recognition, the decision made by the CTO is authoritative in the AIC system. The AIC branches at all levels will strengthen protection of the well-known trade marks recognized by the CTO.

As for the well-known trade mark recognized through an individual case before the court, it may be authoritative within the court system and the AIC branches at the place where the court making the decision is located. But its effectiveness before AIC offices at other places remains uncertain.

The conditions for re-examination of an already recognized well-known trade mark are different in different procedures.

With regard to court action, when the party concerned requests protection of a trade mark already recognized as a well-known by the administrative organization or by the court, and the opposite party does not object to the well-known status of the mark, the court will not make a re-examination. If there is an objection, the court will go through all the facts and evidence for

recognition pursuant to Article 14 of the Chinese Trade Mark Law, disregarding the recognition already made.

In the AIC system, when a trade mark has already been recognized as well-known, if the scope of protection requested in the case is basically the same as that

of the previous case and if the other party does not object to the said trade mark being well-known, or the other party objects but fails to produce evidence proving that the said trade mark is not well known, the AIC will base its decision on the previous recognition already made.

However, if the scope of protection requested in the current case is different from that of the previous case or if the other party objects to the said trade mark being well known and at the same time produces the sufficient

evidence, the CTO or TRAB should re-examine the materials relating to the recognition of the well-known status of the trade mark, and make a decision.

Practical considerations

Firstly, according to the stipulations of Article 13 of the Chinese Trade Mark Law, the applicant shall select an appropriate target case to initiate the process of recognition and protection; the target case must be recent, and whether it is a trade mark dispute or a trade mark infringement case, it should be *fresh*. And it is required that the evidential materials of the recent three years should be provided.

Secondly, the comprehensive evidential materials should be prepared very well, especially the evidence showing that the trade mark is widely recognized and enjoys a high reputation among the related public in China. Evidence from abroad is also considered as helpful. Concerning the relatively expensive cost for notarization, authentication and translation, the selection of evidence is very important. Records of recognition as a well-known trade mark in other countries/regions outside China will also be helpful.

Thirdly, while both an opposition (cancellation) and an administrative enforcement procedure could be taken, it might be necessary to weigh up the advantages and disadvantages of these two methods. Normally, the application for recognition of a well-known trade mark during the process of trade mark opposition or cancellation will be easier the CTO or the TRAB to accept. By contrast, if the application was filed through the process of an administrative enforcement case, the acceptance of the case will depend on the concrete nature of the case and even the experience or attitude of the staffs of the local AIC. More efforts need to be taken.

Nevertheless, if the case can be accepted by a local AIC without problem, the time period for the recognition is more likely to be guaranteed than the application

through the TMO/TRAB (as the opposition/cancellation process will last many years). Theoretically, the recognition result should be made within eight months in this way, and even if no substantial administrative decision against infringement is made after the recognition of the well-known trade mark, the recognition is still effective. Moreover, in this way, we do not see a practical opportunity for others to challenge the validity of the recognition, from which the applicant will take a lot of advantages.

Finally, it may also necessary to balance the advantages and disadvantages of having the well-known trade mark recognized through this administrative way or through the judicial way. At present, we do not know whether the recognition under a judicial jurisdiction will be accepted by the AIC, while we have to admit that the judicial jurisdiction is final and should be above administrative decisions. However, since the administrative recognition is made by either the TMO or the TRAB, which are the state level administration organizations, it might be easier for local AICs to accept their decisions as they have relationships with the SAIC.

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HUI HUANG



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Legislative moves extend definition of what can be registered

Amendments to China's original trade mark legislation means that applicants enjoy a high degree of protection. The new law also gives a trade mark owner extensive freedom to use their mark, explain **Huang Hui** and **Ren Haiyan**

Conditions of Registration

Under the new Chinese Trademark Law, any visual mark, consisting of words, devices, letters, numbers, three-dimensional marks, combined colours, or the combination of said factors, that can distinguish the goods of a natural person, legal person or other organization from those goods of others, can be applied for as a trade mark registration. According to this definition, only visual marks can be protected by the Chinese Trademark Law, and those non-visual marks such as auditory marks or olfactory marks shall not yet be registered as trade marks.

In addition, the trade mark registration applied for must meet the requirements for precedence, legitimacy, distinctiveness and non-functionality. The violation of the first item shall constitute a relative ground to exclude the trade mark registration applied for, and the violation of any of the rest three items shall form the absolute reason to exclude the trade mark registration applied for. Once any said reason is identified, the trade mark shall be rejected, opposed or cancelled.

Firstly, precedence refers to the non-infringement of other people's previously acquired legitimate rights such as right of name, right of portrait, copyright, patent for design, right of trade name, right of geographic mark, right of Olympic symbol, previously applied for or registered trade mark and well-known trade mark. Besides, without authorization, the agent or representative shall not be allowed to register the trade mark of the principal or the represented party.

Secondly, legitimacy means that the trade mark applied for shall not be allowed to violate the provisions of the Chinese Trademark Law and other relevant laws.

Especially, the applied for trade mark shall not be allowed to contain any of the following signs: the mark identical with or similar to the name, flag or emblem of China, other country or intergovernmental organization; the official sign or inspection mark indicating under control and guarantee or the mark identical with or similar to the Red Cross or the Red Crescent; the mark having the nature of discrimination against any nationality; exaggeration and fraud in advertising goods or an unhealthy effect detrimental to socialist morals and customs; and the geographical names of administrative divisions at or above the county level and the foreign geographical names well-known to the public. It shall be specially forbidden to obtain a trade mark registration by fraud or other illegal means.

Thirdly, distinctiveness means that the trade mark should have the function of identifying the origin of goods. Those trade marks only having the generic names, designs or models of the goods in respect of which the trade mark is used, those trade marks having direct reference to the quality, main raw materials, function, use, weight, quantity or other features of the goods in respect of which the trade mark is used, and those too simple or too complicated trade marks are usually considered to have no remarkable distinctiveness. However, said trade marks may be registered only when they have obtained distinctiveness and become distinguishable after practical use.

Fourthly, non-functionality is a special requirement for 3D trade marks. It is provided that those devices in the shape originating from the nature of the goods, existing to achieve the technical effect of the goods or enable the goods to keep substantive value shall not be allowed for registration.

History of China's trade mark legislation

August 23 1982:	The Chinese Trade Mark Law is first adopted
March 1 1983:	The Chinese Trade Mark Law enters into effect
February 22 1993:	The Chinese Trade Mark Law is revised
July 1 1993:	The Chinese Trade Mark Law re-enters into force
October 27 2001:	The Chinese Trade Mark Law is revised again
December 1 2001:	The Chinese Trade Mark Law enters into force again
January 21 2002:	The Supreme People's Court's Judicial Interpretation about Issues Concerning Jurisdiction and Application Scope of Law in Trying Trade Mark Cases comes into effect
January 22 2002:	The Supreme People's Court's Judicial Interpretation about Issues Concerning Application of Law for Stopping Infringement of Exclusive Right to Use A Registered Trade Mark and Preservation of Evidence before Lawsuit
August 3 2002:	The State Council issues Implementing Regulations under the Chinese Trade Mark Law
September 15 2002:	The Implementing Regulations come into effect
October 16 2002:	The Supreme People's Court's Judicial Interpretation about the Application of Law for Trying Cases of Civil Disputes over Trade Marks comes into effect

At present, China is a member country of such international trade mark-related treaties as the Convention Establishing the World Intellectual Property Organization, the Paris Convention for the Protection of Industrial Property, the Madrid Agreement Concerning the International Registration of Marks, the Protocols relative to the Madrid Agreement Concerning the International Registration of Marks, the Nice Agreement Concerning the International Classification of Goods and Services for the Purpose of the Registration of Marks, and the TRIPs Agreement.

Trade mark application for registration

In China, the basic way to obtain the exclusive right to use a trade mark is to apply to the China Trademark Office, directly or via a trade mark agency, for registration of a goods mark, service mark, collective mark or certification mark. Before filing a trade mark application, a search should be conducted at the China Trademark Office to find out prior trade marks. In China, the Nice International Classification of Goods or Services is followed. In a trade mark application, only one class of goods or services can be designated for one application.

If any foreigner or foreign enterprise intends to apply for registration of a trade mark or has other trade mark matters to attend to in China, he or it must entrust a Chinese trade mark agency with qualifications for foreign-related trade mark affairs to act on his behalf, unless he has a regular residence or a place of business. Of course, any foreign citizen and foreign enterprise may also extend the international registration of a trade mark to the territory of China in accordance with the

Any party dissatisfied with the ruling made by Trademark Office may launch an administrative lawsuit with Beijing First Intermediate People's Court within 30 days from the receipt of the official notification

Madrid Agreement Concerning the International Registration of Marks. If a trade mark was applied for registration in a foreign country or was displayed in an international exhibition within the past six months, priority can be claimed for the trade mark application in China according to the Paris Convention. The formalities for notarizing or authenticating the power of attorney shall be handled according to the principle of reciprocity.

Procedure of Examination

After a trade mark application is filed, the China Trademark Office will conduct a preliminary examination of the application. If the application conforms to

relevant legal provisions, an Official Filing Receipt will be issued. If any deficiency exists in the application, a certain period of time is given to the applicant to add the necessary supplements or corrections as advised. The application shall be deemed to have been withdrawn if the deficiency has not been overcome at the expiration of the given deadline.

It is provided that those devices in the shape originating from the nature of the goods, existing to achieve the technical effect of the goods or enable the goods to keep substantive value shall not be allowed for registration

After the preliminary examination, the China Trademark Office will conduct a substantive examination of the trade mark application, including the positive examination to find out any absolute ground and relative ground for the exclusion of the trade mark from registration because of conflict with any previously filed or registered trade mark. If the applied trade mark does not conform to relevant legal provisions as a whole, the trade mark shall be rejected. If only a certain part of the applied trade mark goes against the relevant legal provision, the inappropriate part shall be rejected and the rest shall be preliminarily approved. If the whole trade mark is in conformity with relevant provisions, the trade mark shall be preliminarily approved.

Opportunity to oppose and cancel

The preliminarily approved trade mark shall be published in the Trademark Gazette and any person may file an opposition against the published trade mark within three months from the publication date. If no opposition has been filed or the filed opposition is not justified, the China Trademark Office shall approve the trade mark for registration, issue a certificate of trade mark registration and publish the registered trade mark in the Trademark Gazette.

If the applicant or the opponent is dissatisfied with the decision on trade mark rejection or the ruling on trade mark opposition made by the China Trademark Office, he may request the Trademark Review and Adjudication Board (TRAB) to review the application or the opposition within 15 days from the receipt of the official notification. If there is any absolute reason for exclusion of a registered trade mark from registration, the China Trademark Office may take positive action to cancel the registration and any other unit or individ-

ual may also request Trad to make a ruling on cancelling the registered trade mark. If there exists any relative reason for the exclusion of a registered trade mark for registration, the owner of the registered trade mark or any party concerned may request, within five years from the registration date, Trad to cancel the registered trade mark. Any party dissatisfied with the ruling

made by Trad may launch an administrative lawsuit with Beijing First Intermediate People's Court within 30 days from the receipt of the official notification. If any party concerned is dissatisfied with the judgment made by said court, he may appeal to Beijing Higher People's Court.

Right to Renew, modify, assign and license

The valid period of a registered trade mark will be 10 years, but the valid period can be renewed an unlimited number of times. Each renewal will last for 10 years. The name, address or other registered particulars of a trade mark applicant or a trade mark registrant may be changed, but the formalities for the changes concerning the same registrant must be completed together. The trade mark application or trade mark registration may be independent of an enterprise or assigned together with an enterprise, but the same or similar trade marks must be assigned together. Besides, the exclusive right to use a registered trade mark may also be transferred due to any other reason than assignment. The assignee shall enjoy the exclusive right to use a registered trade mark from the date when the announcement is carried in the Trademark Gazette.

The registrant of a registered trade mark may permit other people to use the trade mark and relevant limitations of time, place or goods class may be imposed on such licensed use. Unless otherwise provided by the parties concerned, any assignment of a registered trade mark shall not influence the effect of any licence contract signed before the effective date of the assignment. The licence contract of a registered trade mark should be recorded with the China Trademark Office. Except otherwise provided by the parties concerned, the failure in recording the licence contract shall not influence the effect of the licence contract itself, but no conflict against any third party shall be allowed.

Requirement to use

The registrant of a registered trade mark shall have the obligation to use the trade mark in succession. If a registered trade mark has never been used or suspended from

use for more than three years, any person may request cancellation of this trade mark. The registrant of a registered trade mark shall be responsible for providing evidence of the use of the trade mark, including the use of the trade mark by the registrant or by the recorded licensee. The failure in using a registered trade mark without justified reason shall result in the cancellation of the trade mark registration. Several registered trade marks may be used together, but neither the unapproved change of the device, the registrant's name and address other registered matters concerning a registered trade mark nor the unapproved assignment of a registered trade mark shall be allowed. In addition, a registered trade mark shall not be used in respect of those goods which are manufactured in poor quality and are likely to deceive consumers. Otherwise, the registered trade mark shall be cancelled by the China Trademark Office. If the registrant is dissatisfied with the decision on cancellation, he may request the Trademark Office to review the case.

Safeguarding of well-known marks

Under the revised Chinese Trademark Law, two kinds of trade marks shall enjoy special protection. One kind refers to those trade marks in practical use and with certain notoriety. Such trade marks shall be invulnerable to any registration by fraud. The other kind refers to well-known trade marks. Those unregistered well-known trade marks shall be invulnerable to other people's trade mark application and registration in the procedure of opposition or cancellation. The owner of an unregistered well-known trade mark may directly forbid other people to use the trade mark. Under certain conditions, a well-known trade mark registered in respect of goods in a certain class may challenge other people's registration or use of the well-known trade mark in respect of different goods in other classes, and the registrant of the well-known trade mark may claim compensation for relevant damages.

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His monograph on trade mark law, *On the Legal Protection of Well-known Trademarks and Famous Trademarks*, published in 2001, was considered one of the remarkable achievements of research projects in the Chinese Academy of Social Sciences. In 1999 Dr. Huang translated the world first code of IP laws - French Code of IP Laws.

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Established in 1997, WAN HUI DA Intellectual Property Agency has now grown into one of the leading IPR firms in China, especially for its service in trademark procurement and anti-counterfeiting/anti-infringement practice. With its head office in Beijing dealing with patent and trademark procurement and litigation matters, it has branch offices in Shanghai, Ningbo, Guangzhou and Shenzhen and front stations in other coastline cities to allow more efficient tackling of IPR infringement activities which frequently operate along the coast.

Unlike other local IPR firms, WAN HUI DA prides itself as a provider of comprehensive and integrated services in IPR, from consultation to procurement and protection, either through enforcement actions or judicial actions. Seamless teamwork among over 100 seasoned attorneys-at-law, patent attorneys, trademark attorneys and investigators secures the best available service in all aspects of IPR.

A few of the landmark cases that WAN HUI DA had acted upon in the past few years include:

> Having the State Administration of Industry and Commerce (SAIC) recognize “Gillette” as a well-known trademark in China, the first time the SAIC recognises the well-known status of a foreign brand since the 2001 revised Trademark Law which offers special protection of well-known trademarks.	
> Lobbying China Trademark Office (CTO) to register Duracell “copper & black” as a trademark, the first time China accepts a color combination as a trademark	
> Through trademark opposition procedures, having the CTO recognize three trademarks: MICHELIN, the Chinese translation and the bibendum device, all as well-known.	MICHELIN_MICHELIN in Chinese & Bibendum Device
> The police crackdown on a multinational network of counterfeit Gillette Mach3 razors, which was praised as one of the “Ten Best Cases” of the “Mountain Eagle 2004” campaign organized by the State Council	
> The AIC raids and the consequent criminals prosecution of ZIPPO lighter counterfeiters, listed as one of the “SAIC Ten Key Cases in 2005”	
> The legal actions against “SU E”, listed in the “Ten Important Practices” of the State IPR Protection Office	vs. SUECLOTHING
> Having the courts recognize LACOSTE and the crocodile device as well-known trademarks in a series of legal actions against a very big infringer, which facilitated LACOSTE court actions against the other infringers	
> Having Wenzhou Court impose a preliminary injunction to effectively stop the patent infringement before civil actions in the Gillette razor patent infringement. This injunction is very rare in Wenzhou and established a precedent.	

IP International membership: INTA AIPPI

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