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## 1. Introduction

A strong trade mark can be instrumental in winning new customers when establishing a brand in China. Because you invest time and money into building the reputation of your company, it would be very damaging to your business if someone else began using your name to sell their own products or services.

It is important to note that China uses the 'first-to-file' system, meaning that you may lose legal protection in China if a similar mark has already been registered in China. Therefore it is essential for you to register your trade marks in China before entering into the market, so as to diminish the risk of trade marks being registered by someone else first, or in other words 'hijacked'. It is equally important to register early, as this process can take up to 12 months (9 months for examination and 3 months for possibilities of opposition after publication in the Chinese Trademark Gazette) for a domestic application and possibly even longer for an international registration. It is important to note that a trade mark, with the exception of well-known trademarks, can only be protected in China once the registration has been completed. China is a member of the Paris Convention and the World Trade Organization (WTO), so European businesses need to file in China within six months of filing the same mark in Europe in order to keep the original application date, or "priority date."

### What is a trade mark?

A trade mark is a sign that serves the specific and primary purpose of identifying the goods or services of a producer, thus allowing the consumers to distinguish goods or services of one producer from those of another. The sign may be composed of words, devices, letters, numerals, three-dimensional signs (shapes), combinations of colours, sound, or any combination thereof.

In the case of the registration of sound, the sound shall be described on a musical stave or through numbered musical notations, accompanied by a textual description. In case the sound cannot be described on a musical stave or through numbered notation, the applicant will need to describe it in words.

In order to be eligible for registration, the following points must be adhered to:

- It must be legal - it must not be identical or similar to the name or flag of a State, names and logos of Chinese Central Government agencies, the logo and theme song of the Chinese Army, and the specific locations or landmark buildings where they are seated, the Red Cross or other international organisations, have discriminative content against a nationality, or consist of exaggerated and fraudulent advertising etc.;
- It must be distinctive - the signs must be easy to distinguish and be capable of distinguishing the goods/services of one person from those of another person;
- It must not be functional - this requirement applies, in particular, to three-dimensional shapes that cannot be registered as trade marks if they:
  - Originate only from the nature of the goods/services, i.e. a trade mark that is simply a model of the product itself; the shape of an apple cannot be used as a mark for a company selling apples because generic names need to be free for all to use.
  - Exist in order to achieve a certain technical effect, which would prevent a competitor from producing a product that achieved the same technical effect. For example, the Müller yoghurt pot containing two separate compartments could not be registered as the design served a practical function.
  - Enable the goods to acquire their substantive value; i.e. the design of the trade mark, rather than the product itself, adds value because it is so well designed.
- It must be available for registration: The China Trade Mark Office's (CTMO) official trade mark database is available online (see related links section) and can be used to search existing trade marks. The database includes preliminary approvals, approvals, renewals, modifications etc. of all trade marks and is available in Chinese. As of the publication of this guide, the official database is only available in Chinese. Please contact the Helpdesk if you want us to perform a free trade mark search to see whether your trade mark is still available.

## 2. How to register your trade mark

A trade mark can be registered through the 'national' or 'international' system and can only be effectively protected in China once it has been registered. China has a centralised registration system, the assessment and registration process is outlined below.

### National Registration System

Foreign applicants without residency or a foreign enterprise intending to apply for trade mark registration in China, has to authorise a legally formed trade mark agency to do so. A list of the qualified trade mark agents can be found on the CTMO's official website (see the 'Related Links' section). The Helpdesk provides a guide on how to find a trade mark agent, that can be downloaded from here.

China uses the International Classification of Goods and Services under the Nice Agreement. A separate trade mark application must be filed for each class in which the applicant wishes to obtain protection. The cost for registration, excluding legal representation fees, is RMB 600 (approximately EUR 80) for one class, and includes 10 items of goods/services. An extra RMB 60 (approximately EUR 8) is charged per additional item. It is also possible to register a multi-class application, which allows one to file trade mark applications for goods and/or services in several different classes. Trade mark classes and sub-classes in China are explained in more detail later on in this guide.



### Trade mark certificates:

It is recommended to request the CTMO to issue a certificate of an international trade mark registration valid in China. Such a certificate can provide valuable evidence of your right when enforcing the trade mark.

### International Registration System

Trade marks registered in European countries are not protected in China unless they have also been registered in China. The international registration system is available under the Madrid Protocol through the World Intellectual Property Organization (WIPO). China and Member States of the European Union are party to the Madrid Protocol.

Under the Madrid Protocol, the application for extension to China is based either on the trade mark application or registration. Your trade mark agent will file your applications with the national trade mark office in the home country of the applicant, which then passes the application on to WIPO. The international application should be filed in English, French or Spanish. Upon receipt of the application, WIPO will conduct a formality examination\* and will notify all Madrid Protocol members in which the applicant wishes to obtain protection. If, within eighteen months, from the notification made by WIPO to China, no objection is made; your trade mark is registered. But please note: if there are objections concerning the registration of your trade mark you will need to mandate a local Chinese trade mark agent to handle the case. Renewals and modifications will also be handled through the international system.

### Comparisons: National vs. International Registration System

- **Validity:** The national Chinese trade mark registration and the international trade mark registration are both valid for ten years and can be prolonged for a subsequent 10-years protection period. However, application for renewal must be made within 6 months before the expiration. If the owner fails to do so within that period of time, an extension period of 6 months may be granted. If no application is filed before the extension period expires, the registered trade mark will be cancelled.
- **Language of application:** If you use the international system, you can make your application in English, French or Spanish, however, if you follow the national system the application can only be made in Chinese. As a foreign company, you will have to use a Chinese trade mark agent.
- **Coverage:** The basic fee for the international system covers more than one country at the same time and up to three classes of goods or services. Under the Chinese national system a separate application can be filed per class, or the multiclass application can be filed.
- **Certificates:** In theory there is no difference in the type of protection offered by international and national trade mark registrations, however, for practical reasons you may wish to apply through the national system in China. By doing so you will also obtain a Chinese language certificate which can be useful when undertaking any enforcement action in China, and will help speed up proceedings when dealing with local authorities. If you use the international system you will need to request a Chinese language certificate from the CTMO to certify an international trade mark, which can take three months or longer to obtain following the request. Only with a trade mark certificate can you enforce your rights in China, as administrative authorities and courts will ask for this document as proof of your trade mark right. Therefore, when following the international registration route, be advised to

apply for this certificate at the CTMO.

- **Classifications:** Both the Chinese and the European trade mark registration systems use the International Classification of Goods and Services under the Nice Agreement, however Chinese classes also include sub-classes which are not used in Europe.
- **Cost:** Under the Chinese National Registration System the cost of registration is RMB 800 (approximately EUR 110) plus any lawyer's fees including up to 10 items, then RMB 60 (approximately EUR 8) per additional item. For the schedule of fees for International Registrations, please see: <http://www.wipo.int/madrid/en/fees/>.

#### File in all product and service classes and sub-classes

The exclusive right to use a trade mark is limited in scope to identical and similar goods or services. For convenience, products and services are classified into 45 product and service classes. China is unique in further dividing these classes into sub-classes. Products in the same sub-class are often treated as identical or similar. It is important when registering a trade mark that the registration covers products and services in each of the sub-classes containing products and services that may be relevant to your business. It is good practice to register products and services in each sub-class that makes up a class, even if the products and services in a sub-class are only marginally related to your business. This will prevent competitors or infringers from registering an identical or similar mark in the sub-class and using the mark to undermine the brand.



#### Watch out for the subclasses!

Make sure to register your trademark for the correct class and subclasses. To explain the subclasses more, we give the example of class 29. In the EU and in China products of class 29 include, amongst others, eggs, milk, milk products, edible oils and fat. In the EU your trademark will be covering all the products in this class. However, in China it depends on which subclass you have designated. For example, butter falls in subclass 2907.2 whereas peanut butter falls in subclass 2904.1. This means that you might not be protected for peanut butter, but you are protected for butter. It is important to carefully select the subclasses as otherwise it is the CTMO Chinese examiner who will decide which subclasses registration you will receive. If you do opt for the international registration instead of the domestic Chinese registration, please make sure that you designate all the desired subclasses for your trademark, as not designating them might result in a trademark that does not protect your products or services in the desired way.

#### 'Well-known' trade marks

In specific circumstances it is also possible to apply for the 'well-known' status of a trade mark (within China) in trade mark infringement and opposition cases. However, there is no official registry of well-known trade marks, and recognition of the well-known status of a trade mark is made on a case-by-case basis, by the administrative or judicial authorities. Once an administrative or judicial decision has been made, stating that the trade mark is well-known and ruling in favour of its owner, a record is kept and the owner may use such decision(s) in future cases in order to enjoy additional advantages, such as receiving higher levels of damages and more easily preventing the registration of similar trade marks. Although this status exists, in practice it is very difficult to gain, especially for the European companies. For example, while L'Oreal and Gillette hold this status, Louis Vuitton were unsuccessful in their application in China. The SAIC Provisions on the Determination of Well-Known Trademarks state the main content and process of obtaining a well-known trade mark. The Provisions can be found on the website of IP Key: <http://www.ipkey.org/en/resources/china-ip-law/13-general-ip-protection-and-enforcement/3145-provisions-on-the-determination-and-protection-of-well-known-trademarks-2014-revision>

### 3. Register trade marks in Chinese

Because the registration of a trade mark in roman characters does not automatically protect the trade mark against the use or registration of the same or similar trade mark written in Chinese, it is highly advisable to register a Chinese version of a foreign trade mark. Furthermore, if there is no existing Chinese character name for a foreign brand, it is very likely that one will be adopted by local consumers either by way of translation or by transliteration, and not necessarily with the right connotations or image that the foreign company would wish to convey.

As China requires Chinese names on products, not registering the Chinese character name of your product that is mentioned on your product, leaves one vulnerable to bad faith registrations of trade marks in China. As China is a first to file country, the person or company that registers your trade mark first for China, will ultimately get the protection. As a result you can be banned from using that Chinese name. Below we will explain how you can make a Chinese character trade mark.

*In 2015, New Balance, the producer of sporting shoes and goods, lost a trade mark case where a Chinese individual had registered the Chinese name "新百伦" (Xin Bailun). As New Balance also used this name for their Chinese goods, the Guangzhou Intermediate Court ruled that New Balance infringed upon the rights of the Chinese individual and that New Balance had to pay RMB 98 million (approximately EUR 13.5million) in damages, issue a public apology and was not allowed to use the Chinese name "新百伦" anymore. These situations can be avoided by checking that your Chinese name is still available for trade mark registration in China, and by registering the trade mark. In the case that the Chinese trade mark is already registered for the same or similar goods and services, SMEs are advised to rebrand with a different Chinese name for the Chinese market.*

#### Chinese consumers and foreign trade marks

One quarter of the world's consumers is Chinese, and therefore foreign trade mark owners should choose their Chinese character trade marks wisely. When choosing a Chinese name, it is a good idea to enlist the help of trade mark attorneys, marketing managers, as well as local, native-Chinese staff in order to give your brand the right image in China and to avoid costly mistakes from the start.

Choosing a Chinese trade mark equivalent is particularly important, not only because of the meaning, but also the sound,

1 NB. Malta is not part of the Madrid Protocol, however Maltese companies can extend the application through the Office for Harmonization in the Internal Market (OHIM). A full list of members of the Madrid Protocol can be found on WIPO's official website (see the 'Related Links' section).

tone and even look of the Chinese characters chosen for a trade mark name can affect the brand's reputation. For example, Quaker Oatmeal and Ralph Lauren are two well-known brands that did not create a Chinese trade mark when entering the Chinese market. Therefore, the general public created their own names for the two brands, based on their logos. Quaker Oatmeal gained the nickname 'Lao Ren Pai' (老人牌) which literally translates to 'old man brand'; while Ralph Lauren discovered that their brand was known as 'San Jiao Ma' (三脚马) in China, which translates as 'three legged horse'. The Chinese language has unique characteristics, and therefore your Chinese equivalent trade mark should be carefully developed with the help and guidance of trade mark, marketing and PR experts, as well as native speakers and translators.



### Three ways to choose a Chinese trade mark name

#### a) Create a literal translation

A literal translation works when the trade mark has a distinctive meaning. For example, Apple Computers chose the brand name 'Ping Guo' (苹果), which is Chinese for 'apple'. Similarly, Palmolive is known as 'Zong Lan' (棕榄), a combination of the exact translation of 'palm' and 'olive'. The disadvantage of this method is that the Chinese characters will sound different from the original trade mark. This means that marketing time and money will need to be spent on building the association between the Roman character trade mark and the Chinese character trade mark.

#### b) Create a phonetic translation

A phonetic translation involves creating a Chinese character name that sounds like the trade mark. Pinyin is the official Chinese phonetic alphabet that uses Roman characters, which can be used to create the transliteration. For example, 'McDonald's' is known as 'Mai Dang Lao' (麦当劳), to local Chinese consumers. 'Siemens' goes by the name of 'Xi Men Zi' (西门子), 'KFC' is known as 'Ken De Ji' (肯德基) to locals, and 'Audi' is known as 'Ao Di' (奥迪). This method is preferable when the trade mark already has a reputation amongst Chinese speaking consumers. However, care must be taken when choosing a phonetic version of a foreign mark, because the Chinese characters may have an undesirable meaning in one or more of the six major Chinese dialects.

#### c) Combine a literal and phonetic translation

The best trade marks are those that sound the same and also make reference to a defining characteristic of the brand or have a positive meaning in Chinese culture. For example, after considering hundreds of combinations of the four syllables that make up its name, Coca-Cola finally settled with 'Ke Kou Ke Le' (可口可乐), which means 'taste and be happy'. The German brand 'Fuchs' which in German means 'fox' is translated into 'Fu Si' (福斯) which translates to 'good luck and blessing'.

### 4. Bad-faith trade mark registrations in China: Be aware!

As China uses a first-to-file system, many SMEs are caught out

because they fail to register their trade mark in China, and then at the time they want to do business there, they find out that their trade mark has already been granted to a Chinese company. Very often the Chinese company in these cases registers the mark with the intention of selling it back to the foreign company at an inflated price. These tactical trade mark registrations are commonly called 'bad-faith registrations', and are a significant problem that many European companies encounter in China. They can limit the foreign company's freedom to operate by restricting its ability to enter the China market, or even to source goods from China, because the Chinese trade mark holder is able to intercept goods bearing the trade mark at Chinese customs.

It is important to understand that bad faith registrations, according to Chinese law, are considered to be in bad faith if there is any kind of relationship between the person or company that registered the trade mark in China and the EU SME. Therefore it is crucial to record business dealings with Chinese companies, but even better to register a Chinese trade mark as soon as possible.

#### Actions with the Chinese Trade Mark Office

##### *What to do when a trademark is refused?*

When a trademark is refused for registration by the CTMO, the applicant has fifteen days to have a Chinese trademark agent file an opposition with the TRAB. The TRAB has 9 months to make a decision, which can at maximum be extended by three more months.

##### *What if you find out that somebody filed a trademark that you do not want to have registered?*

In such a case you can file for an opposition against the trademark with the CTMO against such a trademark. Be aware that this needs to be done within three months after the official publication of the trademark and after preliminary approval in the Trademark Gazette. Opposition has to be based on clear facts, sound grounds and needs to be supported by two copies of relevant material evidence (see also link IP Key Trademark Roadmap) If you want to produce additional evidence, please be aware that such a statement needs to be made in the original opposition, and the extra evidence needs to be provided within three months of the date of the opposition. The period an opposition procure decision can be expected to take ranges from 1 year to 1.5 years. If opposition fails, the trademark will be registered and the only recourse you have is to invalidate it at the TRAB.

##### *What if the trademark you want is already registered and you want to have it?*

In such cases you can try to invalidate the trademark, for example, if it is registered by fraud or other improper means (such as bad faith), or because it infringes upon a prior right you have. You have to file for invalidation through a Chinese trademark agent with the TRAB.

Another option to get back a trademark is by revocation at the CTMO. Revocation can be used if a trademark holder does not use their trademark in three years, or if the trademark has become a generic name. When your Chinese trademark agent files for revocation, the CTMO gives the trademark holder two months to produce evidence that the trademark is used. It is important to notice here that the use of a third party that is authorised to use the trademark also counts as use of the trademark (see also link IP Key Trademark Roadmap). Appeal to a decision of revocation of the CTMO can be made within 15 days through a Chinese trademark agent at the TRAB.

**Register trade marks in China if manufacturing in China (OEM)**

It is still a grey area under Chinese law if you can manufacture goods in China bearing a trade mark that is destined for export only if somebody else has registered that trade mark. Courts, administrative authorities and customs deal differently with such issues in different cities or regions of China. Showing your trade mark registration of the country you are exporting to might be enough to get the products past customs. However, the best way to make sure that your SME is protected, is to register the trade mark for China. Furthermore, this could help you to stop companies that want to produce fake goods in China with your trade mark on it, which they might want to sell in China or abroad. Please be aware that in such a case you should use the trade mark in China within three years.

**Trade mark trading**

It is important to note that it is legal for the owner of a registered trade mark to sell it. In fact, in China there is an internet-based platform for selling trade marks, a so-called 'trade mark supermarket' (see the 'Related Links' section), which is affiliated to the China Technology Exchange and is approved by the State Council.

But what happens if a European company finds its trade mark on the 'trade mark supermarket' website in China? Selling a trade mark is legal, but what about selling one that has originally been 'hijacked' from its owner? The Trade Mark Law of China outlines what action to take concerning the revocation of disputed trade marks. If any of the trade marks on the mentioned website are found to be sold in violation of the law, action can be taken to have those trade marks cancelled. The company operating the website may be selling trade marks that are valid, but it is highly possible that they were bought and/or registered in bad-faith in order to profit from selling them. Obtaining evidence will provide grounds for invalidating those trade marks.

**Invalidating trade marks due to non-use**

Another very basic rule of the trade mark law in many countries is its use. This implies that a registered trade mark must be used after a certain 'starting period', otherwise it can be revoked (for example this period is five years in Germany, and 3 years in China following its registration). Use of a trade mark could be proved by its use on goods, packages or containers, or on trading documents, in advertising, an exhibition or any other business activities in order to avoid a request for cancellation of the trade mark due to non-use from a third party. One can assume that a significant portion of 'hijacked trade marks' are not used, and a request for revocation can be filed.

**What to do when your trade mark is already registered in China by somebody else?**

In China, trade marks (except well-known trade marks) practically have no protection if they are not registered. Therefore, EU SMEs are advised to register their trade marks for China. Nevertheless, if your company is confronted with the situation in which somebody else has already registered your desired trade mark for China, there might still be a way to battle it.

It will be necessary to collect evidence specific to each case and compile a dossier detailing:

- Information gathered on each infringing trade mark, including details of the company's trade mark such as its current registration status, whether it is registered in China, the extent to which the trade mark is used in China (if it is used on goods or products manufactured or sold there)
- Information on the channels of distribution
- Information on the scope of the infringement (items sold)
- All information gathered should be legalised/notarised and original copies provided

In all such cases where a specific trade mark right is registered in bad faith, appropriate action should be taken to get the trade mark back. According to Chinese law it is prohibited for agents or representatives to register a trade mark in their own name, without the authorisation of the rightful owner. Also, if an EU SME has any contractual, business or other relationship with the party that registers their trade mark in China, and that party knows the existence of the unregistered trade mark, the trade mark shall not be registered upon opposition from the EU SME. Please be aware that opposition needs to be filed within three months from the trademark's publication and after its examination with the Chinese Trademark Gazette. After that there is still the chance to file invalidity actions.

Prior rights, such as trade marks, design rights, copyrights, geographical indications, can be used to counter a bad faith registration. With regard to prior copyrights it is important to have notarised evidence or a registered copyright. Even though copyright exists the moment it is created, it is hard to prove that you are the copyright owner in China, without having notarized evidence or a Chinese copyright registration of this. In case a Chinese person or company registers the same logo you have used for your EU SME for many years, there might be copyright on that logo, and you might be able to use a prior right to get your trade mark for China back. However, as the CTMO will need to see proof of the original sketches of the design and documents with regard to the author, it might be hard to prove this. EU SMEs are therefore encouraged to register their copyright in China, as this can provide valuable evidence if you do enter into a dispute.

It is important for European SMEs to be aware of bad-faith registrations, because these registrations occur frequently in China and are a growing concern. Currently, if a company succeeds in registering these trade marks to offer for sale, they can make a lot of money; but on the other hand, if such registrations are invalidated they will lose nothing more than the cost of the trade mark. Trade mark agents usually provide a 'watch service' for their clients whereby they monitor attempted registrations of trade marks similar to their clients'. Because some infringing trade marks may be filed in Chinese, it is highly recommended that this service, as well as the assessment and advice, be entrusted to Chinese speaking professionals and conducted in Chinese. SMEs that encounter bad-faith registrations of their trade marks, should seek the advice of a lawyer who will be able to assess each trade mark and the strength of each case a request for revocation must be filed with the Trade Mark Review and Adjudication Board (TRAB). This procedure can also be handled by a registered trade mark agent.

**Watch the Trade mark Gazette and oppose registrations**

In case of oppositions it is crucial that the correct evidence is used, as there is only one chance for opposition. If the opposition fails, the trade mark goes straight into registration. The only recourse available then would be to commence invalidation proceedings against the trade mark.



### SME Case Study

#### Background:

In 2009 there was a major trade mark infringement case in China where a European company was sued RMB 40 million (about EUR 5.4 million) for compensation. The European company had been using a worldwide brand which it tried to register in China in 2003, but found that a Shenzhen based company already owned this trade mark. An application for cancellation of the Chinese trade mark based on non-use failed because the Shenzhen company had used the trade mark and had stores in Shenzhen with similar products.

#### Action Taken:

The European company took the decision to rebrand – meaning that it abandoned use of the brand on its products worldwide, and introduced a totally new trade mark.

#### Lesson learnt:

The cost to register is often cited as a reason for not registering IPR in China or for not registering in additional trade mark classes. However, far from saving money, such a strategy has time and again proven to be more costly. The issue is not limited to European companies but is also an issue domestically. For example, Harbin 'Zheng Yang He' Soy Sauce saved RMB 1,000 (approximately EUR 140) official fee plus some additional trade mark agent fees by not registering its trade mark, only to lose RMB 500,000 (approximately EUR 86,600) by buying it back later. Foreign companies should think ahead and consider registering trade marks in China even if they don't intend to manufacture goods there or enter that market immediately.

sale, storage, etc.), detailing the trade mark rights owned (with a copy of the trade mark registration certificate), and evidence of the infringement which has been identified (such as samples of the infringing product).

This form of action can be considered a practical one, with the goal being the investigation and seizure of infringing products. After the conclusion of the raid, the AIC will evaluate the potential infringement and, if satisfied that an infringement has taken place, will order the infringer to cease these acts and should, in principal, confiscate and destroy all goods and tools specifically used in the production of the infringing articles.

Additionally, as a consequence of infringement the AIC may also impose a fine; however the amount is relative to the illegal business conducted, and cannot be more than five times the amount of the illegal business. In cases where no fine can be calculated, a fixed amount will be imposed by the AIC of up to RMB 250,000 (approximately EUR 34,300).

In the resolution of infringement cases, the AIC is a mediator and cannot grant compensation. Therefore the assessment and granting of compensation is exclusively the domain of the Chinese People's Courts.

#### Administration of Quality Supervision Inspection and Quarantine (AQSIQ)

The AQSIQ is responsible for the monitoring of the quality of products, development and definition of national standards, certification of product quality, and administration of anti-counterfeit and poor quality goods actions. Since the main issue is related to quality, and not the protection of an intellectual property right, any person may go to AQSIQ and complain without having to justify a personal interest.

In order to file a complaint one of two conditions must be met: Goods are of a sub-standard quality. Goods are sold in packaging containing false or misleading names and addresses.

AQSIQ has the same powers as AIC during a raid. The fine for fake and poor quality goods is, in most cases, between 2-5 times the value of the original goods. To watch a short video documenting a case study where a raid was carried out by a European SME in China, please see the Helpdesk's Youtube channel at <http://www.youtube.com/smechinaipr>.

#### Civil procedure

##### a) Protection of trade marks

In order to undertake a civil procedure the following steps must be applied:

- A complaint must be filed with the civil division of the People's Courts.
- The court sets a date for a pre-trial hearing, during which evidence will be examined and discussed by the parties before the court.
- Whilst it is possible that the court may act as fact finder and order inspection, in reality evidence is usually put forward by the parties themselves.
- Before concluding proceedings the court will provide the parties involved with the opportunity to settle the dispute.
- The pronouncement of the judgment can take a few months, however the specific length depends largely on the complexity of the case.

##### b) Remedies as a result of civil procedure

The court may lay down the following actions:

- An injunction to cease the infringements.
- Confiscation of all infringing goods, as well as the machinery

## 5. Enforce your rights

While there are still challenges, trade mark protection through the Chinese court system has markedly improved, particularly in large cities like Beijing, Shanghai and Guangzhou where there are now IPR courts, which are relatively inexpensive compared to litigation costs in other jurisdictions. Administrative enforcement (including customs enforcement) and criminal action is also available. These enforcement routes can also be combined to achieve a successful outcome.

#### Before you start any official action: collect evidence!

In China, evidence obtained by yourself, that could serve as proof of infringement, is not regarded as evidence under Chinese law. Generally only evidence that is notarised by a Chinese notary public will be allowed by Chinese courts, and other administrations. Therefore, make sure that when you find an infringement, you first obtain notarised proof of the infringement through a Chinese notary public.

Trade fairs, for example, can also be a platform for obtaining evidence of IP infringement. For detailed information on this process, consult the China IPR SME Helpdesk guide "How to Collect Effective Evidence at Trade Fairs".

#### Lodging a Complaint: Administration for Industry and Commerce (AIC)

A complaint can be lodged with the local trade mark bureau of the Administration for Industry and Commerce (AIC), above the local level where the infringement is committed (manufacture,

- and equipment used to produce these.
- Impose damages to be paid by the infringing party to the trade mark owner.

#### c) Damages in trade mark infringement cases are determined in relation to:

- The IP owner's losses.
- The profits gained through the infringement.
- Time of the royalties of the registered trade mark when both the losses and the infringers actual interest obtained are hard to determine.
- Where calculation of the above three points is hard, the court can, based upon the circumstances of the infringement, impose damages of up to RMB 3,000,000 (approximately EUR 411,500).

#### Customs enforcement

The General Administration of Customs (GAC) is a centralised authority and can apply their control at the border to merchandise coming in but also to merchandise going out. This is very useful for stopping containers, which are carrying infringing goods, from leaving the country. Registration (recordal\*) of the trade mark with GAC is not a pre-requisite, but it is highly recommended, and, if in place, the GAC will take the initiative to detain suspicious goods without the need for a specific request from the trade mark holder. For more information on how to use customs for enforcement please consult our guide to using customs to protect your IPR in China.

#### Criminal procedure

##### a) What acts constitute a trade mark infringement?

The activities concerned are:

- Producing or knowingly selling counterfeit products.
- Producing forged or unauthorised representations of trade marks.

##### b) Criminal enforcement/Penalties for Trade mark crimes

In general it is necessary to report a crime with the People's Procuratorate\* in order to bring a criminal case before the court. The public security have the power to detain suspects and interrogate them and also search and inspect premises without restraint.

The penalties for a trade mark crime are fixed term imprisonment of up to 3 years or detention and/or fine where conditions are "serious" or the sales are "large" and three to seven years fixed term imprisonment where the conditions are deemed "extremely serious" or the sales are "huge". For more information on how to enforce your rights in China please consult our Guide to IPR enforcement in China.

#### Guide Glossary\*

**Formality examination** – see Madrid System for the International Registration of Marks – under General information: <http://www.wipo.int/madrid/en/general/#para8>

**People's Procuratorate** – The people's procuratorates in China are state organs of legal supervision. Their organization corresponds to that of the people's courts. <http://www.china.org.cn/english/features/China2005/142017.htm>

**Recordal** – The process of recording different forms of intellectual property rights.



#### Take-away messages

- Take steps to register any key trade marks and logos as soon as possible in China, and seek the advice of a lawyer or trade mark agent to ensure adequate protection in related classes.
- Register broadly in China – don't just consider the immediate class for the product to be sold in, but consider whether the same trade mark could be used on related items or on packaging, advertising or even merchandising.
- Because the registration of a trade mark in roman characters does not automatically protect the trade mark against the use or registration of the same or similar trade mark written in Chinese, consider registering key trade marks in Chinese to: (a) pre-empt unwanted Chinese registrations and (b) to prepare the way for sales in China at a future date. Be sure to think about the Chinese translation of your trade mark carefully, and enlist the help of native speakers and marketing experts.
- Understand that different rights cover different aspects of IPR and that each has its limitations (e.g. design patents have a relatively narrow focus), so try to avoid using only one kind, and instead take a combined approach.
- In the case of 'trade mark hijacking', consider buying back the trade mark using a Chinese law firm to negotiate on your behalf. In some cases using a Chinese lawyer may allow you to buy it back cheaper than by going directly to the seller yourself.
- All types of enforcement actions can be combined to achieve optimal results: an administrative raid can be followed by a civil litigation and a negotiation 'stimulated' by the threat of a criminal action.

#### Related Links

##### China IPR SME Helpdesk Resources

How to Find and Intellectual Property Agent - [http://www.china-iprhelpdesk.eu/docs/publications/How\\_to\\_find\\_an\\_IP\\_Agent.pdf](http://www.china-iprhelpdesk.eu/docs/publications/How_to_find_an_IP_Agent.pdf)

Using Customs to Protect Your IP China - <http://www.china-iprhelpdesk.eu/sites/all/docs/publications/Customs.pdf>

Intellectual Property Systems – China/Europa Comparison - [http://www.china-iprhelpdesk.eu/sites/all/docs/publications/Intellectual\\_Property\\_Systems\\_China\\_Europa\\_Comparison.pdf](http://www.china-iprhelpdesk.eu/sites/all/docs/publications/Intellectual_Property_Systems_China_Europa_Comparison.pdf)

E-learning Module on Trade Marks - <http://www.china-iprhelpdesk.eu/content/helpdesk-elm-1-trademarks-0>

##### External Resources

List of qualified trade mark agents, from the China Trade Mark Office (CTMO) official website - <http://sbj.saic.gov.cn/sbdl/zmd/>

Members of the Madrid Protocol, from the World Intellectual Property Office (WIPO) official website - [www.wipo.int/export/sites/www/treaties/en/documents/pdf/madrid\\_marks.pdf](http://www.wipo.int/export/sites/www/treaties/en/documents/pdf/madrid_marks.pdf)

State Administration for Industry and Commerce (SAIC) - <http://www.saic.gov.cn>

Trade Mark Office (TMO) - <http://www.ctmo.gov.cn>

General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) - <http://www.aqsiq.gov.cn>

State Intellectual Property Office (SIPO) - <http://www.sipo.gov.cn>

Trade mark 'supermarket' - <http://www.gbicom.cn>

People's Procuratorate - <http://www.china.org.cn/english/features/China2005/142017.htm>

IP Key - <http://www.ipkey.org/en/resources/ip-information-centre>

IP Key Updated Roadmap for Trademark Protection in China (2015) - <http://www.ipkey.org/en/component/flexicontent/25-trademarks/3805-2015-trademark-protection-roadmap>

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For free, confidential, business-focused IPR advice within three working days  
E-mail: [question@china-iprhelpdesk.eu](mailto:question@china-iprhelpdesk.eu)

The China IPR SME Helpdesk provides free, confidential, business-focused advice relating to China IPR to European Small and Medium Enterprises (SMEs).

**Helpdesk Enquiry Service:** Submit further questions to the Helpdesk via phone, email ([question@china-iprhelpdesk.eu](mailto:question@china-iprhelpdesk.eu)) or in person and receive free and confidential first-line advice within three working days from a China IP expert.

**Training:** The Helpdesk arranges training on China IPR protection and enforcement across Europe and China, including Hong Kong, Macao and Taiwan, tailored to the needs of SMEs.

**Materials:** Helpdesk business-focused guides and training materials on China IPR issues are all downloadable from the online portal.

**Online Services:** Our multi-lingual online portal ([www.china-iprhelpdesk.eu](http://www.china-iprhelpdesk.eu)) provides easy access to Helpdesk guides, case studies, E-learning modules, event information and webinars.

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