

## **Practical Tips on Trademark Matters in China**

**By Wen Peng and Tingxi Huo**

China has its own laws and rules relating to trademarks, different from those of the United States. Failure to note the discrepancies might result in trouble or losses. We have been working for domestic and international companies as trademark practitioners for many years and have noted some common pitfalls often overlooked by U.S. companies. In this article, we have summarized some practical tips for U.S. companies so that they can gain more and suffer less in the trademark arena of China.

### **Always File Trademark Applications as Early as Possible**

Contrary to the first-to-use policy of the United States, China adopts the fundamental first-to-file policy to determine the ownership of a trademark. Under this policy, it is always advisable to apply for trademarks at an earlier date, and if possible, claim the U.S. priority within six months of the U.S. filing.

Actual use of a trademark, though crucial in the United States, carries little weight in China. Many trademark squatters often take advantage of this policy and squat the legitimate owners' trademarks in China, even though the original owners are often the later filers or have not filed any application at all in China. A large number of U.S. companies have suffered trademark squatting and have paid heavy fines for these lessons.

The use of trademarks generally is not very helpful when determining ownership, save for three possible exceptions: (1) when the conflicting parties' trademarks are filed on the same day, the earlier user will be in an advantageous position if he or she can collect and file valid evidence; (2) when the later filed trademark was well known in China for at least three years before the earlier filed trademark's filing date, the later filer can claim well-known status in China and file valid evidence, which can be quite time- and resource-consuming; and (3) when the squatter files the trademark in unfair competition, but it is often very difficult to prove unfairness.

As explained above, filing as early as possible is the most crucial tip for U.S. companies.

### **Broaden the Scope of Protection When Filing New Applications**

When designing the specification of goods and services for filing trademarks in China, U.S. companies should often consider broadening their scopes and not limiting their specifications to only the actual business they are engaged in at present or plan to enter in the future.

A typical example is Toyota's CAMRY brand. In that case, Toyota registered the trademark CAMRY (No. 174468) in respect of automobiles and parts thereof in international class 12, but later on, another party registered a trademark containing CAMRY (No. 4004963) on bicycles, electric bicycles, and baby carts in the same class. China has designed a unique, smaller subclass system under the bigger international classes, according to which goods in the same subclass are normally considered similar, whereas goods in different subclasses, though in the same bigger class, are considered dissimilar. Toyota's automobiles fall into subclass 1202, whereas the other party's goods fall into subclasses 1204 and 1206. As a result, the relevant goods are dissimilar according to the similarity code, and the Chinese authorities concerned granted approval to both trademarks. Had Toyota understood the unique subclass system, it could have prevented this headache before it even started.

However, in a new application, the basic official fee can cover only 10 items of goods or services. Each item in excess of the basic 10 will incur an additional official fee of ¥60 (\$10). If the applicant decides to broaden its scope, extra fees should be put into consideration.

The class headings of international classes can also cause misunderstanding. Many professionals or applicants consider the class headings able to cover all goods and services in the relevant classes, which is not true in China. Take class 25 for example: the class heading "clothing, footwear, headgear" can cover only seven of the 13 subclasses. Therefore, it is always advisable to refer to the Chinese subclasses or rely on local trademark counsel to design a specification suitable for China.

### **Design Equivalent Chinese Trademarks, Preferably through Chinese Trademark Counsel**

Needless to say, Chinese consumers are more comfortable with brand names in Chinese characters. We strongly suggest that U.S. companies design Chinese equivalents for their non-Chinese brands so that local Chinese consumers can recognize and remember the brands more easily, thus allowing the products to be promoted and sold effectively in China.

Although the company's Chinese colleagues or marketing team can design a Chinese equivalent to one's trademark, it is more advisable to design the equivalent through the use of local professionals on the basis of the mark's concept and pronunciation, as well as the professionals' legal and commercial knowledge. In addition, after the equivalent is designed or decided upon, it is also advisable to conduct a professional search before use or registration, to be on the safe side.

### **Request a Chinese Registration Certificate for an Internationally Registered Trademark, and Be Cautious about the Specification**

A trademark can be registered in China through either direct national application or through international registration according to the Madrid Agreement or Protocol. An international registration is advantageous because of lower costs and more liberal specifications of goods or services. However, many owners of international registrations often overlook an important disadvantage.

When a mark is internationally registered in China, the Chinese Trademark Office (CTMO) usually issues a statement of protection in English, French, or occasionally Spanish. If the owner wishes to enforce the mark after registration, the owner needs to spend extra money and time requesting a Chinese registration certificate; this is because the Chinese courts and other authorities concerned only accept documentation in Chinese, the only official language in mainland China. Non-Chinese documentation will not be considered. However, while an owner requests a certificate in Chinese, it is possible for an infringer to run away or destroy infringing evidence. Therefore, it is highly advisable to request a Chinese certificate immediately after the 12-month waiting period under the Madrid Agreement or the 18-month period under the Madrid Protocol, if no rejection arises.

In addition, inconsistencies relating to international registration occasionally occur within the database of the CTMO, the United States Patent and Trademark Office (USPTO), and the World Intellectual Property Office (WIPO). The owners need to double check for and request corrections in a timely manner before such problems arise.

Another problem that needs to be noted is punctuation in specifications. The CTMO counts the volume of items by semicolon, which means the CTMO will automatically deem “a, b, c, d;” as an inseparable entirety, so if there is a prior obstacle obstructing only “a,” the whole item “a, b, c, d” will be rejected. In this regard, we suggest trying to divide the specification item by item.

With the above-mentioned issues, international registration might not be the best method of registering trademarks in China. Direct national filing is, in actuality, more reliable.

### **Keep Ownership of Similar Trademarks on Similar Goods or Services Consistent**

China considers similar or identical trademarks in respect of similar or identical goods as inseparable entireties that should be owned by the same entity or co-owned by the same entities. Therefore, if an owner wishes to assign its trademarks of this type to another entity, the owner should assign either all of the trademarks or none.

Furthermore, a single trademark registration must not be divided into parts for assignment. In this event, the relevant entities should consider co-ownership or special license agreement.

This inseparability can also give rise to headaches if the affiliated companies file similar trademarks for similar goods or services at different times. The later filed trademark(s) will be blocked by the earlier filed one. Although it is possible to solve this problem by submitting the earlier filer’s letter of consent, an appeal needs to be filed in the required format with the appeal board, namely the Trademark Review and Adjudication Board (TRAB), or the courts. However, the consent does not necessarily gain the TRAB’s or the courts’ acceptance.

### **Do Not Use the Registration Symbol ® in China before China’s Approval**

Before a trademark, pending or not applied for, is officially registered by the CTMO, the owner or applicant must not attach the registration symbol ® to its trademark. Otherwise, the

behavior will be considered false labeling and might incur punishment under article 52 of the Chinese Trademark Law. That is, the local Administration for Industry and Commerce (AIC) is empowered to stop the incorrect use or order rectification within a specified period of time, or discreetly fine the company up to 20 percent of the illegal turnover, not the profit.

U.S. companies should keep this risk in mind, particularly in two scenarios:

1. If the trademark is registered in the United States or other jurisdictions but not in mainland China and the U.S. companies ship their products to mainland China, the companies should refrain from using the symbol.
2. If a company's trademark is not registered in China, but a U.S. company entrusts a Chinese factory with production, the company should also refrain from using the symbol. Although the administrative authorities concerned might not have enough people to monitor the relevant factories or markets thoroughly, it is still possible for competitors to report the problem to the authorities.

From the above we can conclude that earlier registration is far safer and more cost-efficient than the potential costs of punishment in the long run.

### **Keep Evidence of a Trademark's Use**

Although China does not have use requirements, after a trademark is put into use, the owner should try to keep evidence of use for three reasons:

1. The evidence is crucial to keep a registered trademark in effect if another entity files for nonuse cancellation three years after registration. Without valid evidence of use, the registered trademark will be canceled.
2. If infringement arises and the owner of the registered trademark claims damages, the owner is, per the defendant's request, supposed to prove its use of the trademark three years beforehand. Otherwise, the court might merely stop the infringement without granting damages.
3. Trademarks well known or influential in China can enjoy stronger protection at different degrees. To prove well-known or influential status, valid evidence is a necessity. Evidence of use outside of China carries very little weight.

The valid evidence should singly or jointly prove five elements:

1. **Trademark:** the same as registered or basically the same;
2. **Goods or services:** the same or highly similar/associated goods or services shown in the registration certificate;
3. **User(s):** the owner or its licensees;
4. **Location:** anywhere in mainland China; and
5. **Date:** usually three to five years dependent on specific circumstances.

### **Register Copyright of the Originally Created Device Earlier**

China is a member of the Berne Convention. In theory, copyrights protected in any member countries of the Berne Convention should enjoy protection in China, registered or not. Nevertheless, we still suggest registering the copyright in China, as once the copyright is registered in China, the Copyright Protection Center of China (CPCC) will issue a copyright registration certificate, which can be used repeatedly in different cases, such as opposition cases, invalidation cases, intellectual property rights (IPR) customs recordations, and online IPR infringement complaints. Before the CTMO or the TRAB, a scanned copy of such certificate is sufficient; for the courts, an original or certified copy is required. However, if the owner does not register the copyright, though it can still enjoy protection in China, in each case it must file the notarized and legalized copy of the foreign copyright registration certificate, documented proof of the copyright ownership, such as the ownership of the agreement, **employment**, and authorized translations, all of which can be very costly.

Meanwhile, like trademark registration, it is also advisable to register the copyright as early as possible. If the owner registers the copyright later than the infringing acts or **opposing copyright's** filing date, in addition to the copyright registration certificate, the owner must also prove the original creation. The later the copyright is registered, the more evidence is needed. Furthermore, as the CPCC will not conduct substantial examination on copyright registration, it is possible that another party may preemptively register the copyright, and at that time, the legitimate owner will have to file a lawsuit to request that the court cancel the other party's copyright registration certificate, which will be much more time- and resource-consuming.

Therefore, we suggest registering copyright in China as early as possible, as copyright is a very useful weapon in China for self-protection.

### **Use the AIC to Enforce Trademarks**

Like most other countries, China can enforce registered trademarks through the courts, police (i.e., the Public Security Bureau (PSB)), and Customs. Unlike most other countries, however, China has its unique administrative organ, the AICs, to enforce registered trademarks. The AICs, with a staff of nearly half a million, are spread out all over the country at four levels, from the national level down to the county or district level. This organ is empowered to investigate infringement, stop infringement, confiscate or destroy infringing goods and tools, and/or fine the infringer, though it cannot handle criminal cases or grant damages, which are handled by the police and courts. If a U.S.-based company wishes to stop a case of trademark infringement immediately, use of the AIC should be a priority consideration.

In a case where we represented Metso Automation Oy to enforce its registered trademarks 耐莱斯 (NELES in Chinese characters) (No. 1705506) and NELES (International Registration No. 727139) against local company XND's infringement, we filed a complaint with the AIC of Xiamen, China, on November 27, 2010, and the Xiamen AIC swiftly raided the infringer the next day, seizing a huge number of counterfeit goods and punishing the infringer heavily, free of official charge.

## **Final Thoughts**

Last but not the least, the definition of China in this article refers only to mainland China, not including Hong Kong, Macao, or Taiwan, where special laws apply in these Chinese territories.

The above tips were summarized by us through many years of practice. We hope it can be useful for any U.S. companies doing business or preparing to do business in China.

## **BIO:**

Authors: If there is a length limitation or any other requirements regarding the Bios, please feel free to let us know.

## **Wen PENG**

### **Trademark Attorney**

#### **Working Experience**

2012-Present Trademark Attorney, Chofn Intellectual Property

#### **Education and Training**

2007-2011 Bachelor's degree in English Translation, Hunan Normal University, China

2011-2013 Master Degree of Translation and Interpretation, Hunan Normal University, China

2016 Studied EU trademark law in Germany

#### **Practice Area**

Experienced in prosecution and enforcement, including trademark filing, trademark search, appeal against rejection, opposition, cancellation, invalidation, investigation, administrative lawsuit, anti-Counterfeit, IP customs recordal, copyright and domain related prosecution and enforcement, etc. Represented many international companies in many cases successfully, such as Ford, Carlsberg, Suncor, SSAB, Metso, Kaufland, etc.

Consulting on corporate IP strategy and portfolio management

#### **Languages**

Chinese (native), English

#### **Memberships**

Member of International Trademark Association (INTA)

Member of Chinese Trademark Association (CTA)

## **Tingxi Huo**

### **Trademark Attorney/Managing Partner**

#### **Education Degree**

1989 Graduated from Henan University with a BA

2004-2006 China University of Political Science and Law

#### **Experience**

2010-Now Senior Partner of Beijing Chofn IP Agency

2004-2010 Partner of Peksung Intellectual Property

2003 Studying Japanese Trademark Law in AOTS

1998-2003 Trademark Agent of China Patent Agent (H.K.) Ltd.

1995-1998 Senior Translator & Manager of Translation Division of SinoFile Information Services Ltd.

1989-1997 Teacher of Armored Force Engineering Institute

Having been involved in applications for trademark registration, opposition, reexamination, investigation in infringement, litigation and strategic planning for enterprise trademark since 1998, Mr. Huo has delivered IP agency service to world-renowned enterprises like Nokia, Sony and Casio. In addition, with extensive knowledge of trademarks and years of experience, Mr. Huo has delivered several speeches at large conferences and at enterprises both at home and abroad. Besides intensive study in the classification of goods and services for registration of trademark, Mr. Huo is also the author of the *Classification of Similar Goods and Services for Registration of Trademarks in the People's Republic of China*, which has become a must-have reference book for domestic and overseas trademark agents and practitioners in related industries.

#### **Articles**

1. Classification of Similar Goods and Services for Registration of Marks in the People's Republic of China, 8th, 9th and 10th Edition of Nice Agreement
2. 中国 i 商標実務において特に注意すべきいくつかの点について
3. In China file national or international trademark registration
4. Comparison of old and new Chinese Trademark Law

#### **Awards**

1. Asia IP Expert, 2013-2016
2. WTR 1000, 2012-2016

#### **Memberships**

1. International Trademark Association (INTA) Enforcement Committee

2. MARQUES China Team
3. AIPPI
4. China Trademark Association (CTA)