

CHINA

Thinking Of Doing Business In China? Here Are A Few Facts You Should Know

China continues to be an important trading partner whether as a source of manufacture or an export market and priority should be given to protecting your Intellectual Property in China before trade commences. For example, there are still occurrences of Chinese companies and individuals hi-jacking a foreign company's established trade marks. When this happens, it is often the case that the foreign company has no legal recourse. Indeed, in these circumstances the only way that a foreign company could successfully re-claim its trade mark is if it can establish that the trade mark is "well known" in China. This is often difficult to prove, and extremely costly. Unfortunately, in these situations the fault nearly always lies with the foreign company itself because it has not taken the necessary steps to protect its own Intellectual property in China, thus leaving it vulnerable.

The fact that a company is merely having its products manufactured in China just for export does not in any way minimize the risks because once someone registers your trade mark in China, they then have the power to stop any goods bearing that trade mark at the border and prevent them from leaving China. As in all countries for a trade mark to be adequately protected it should be registered, and in China it is no different. A prudent company protects its trade marks before entering the Chinese market.

China is a "first to file" country, which means that the first person to file an application is deemed to be the owner of that trade mark in the eyes of the Chinese Trade Marks Office. It is not, therefore, difficult to understand how easy the misappropriation of marks which are well known outside of China is, and also, how easy it is to prevent it. The key to protecting your trade mark in China is actually very simple; it should be registered in China.

Obtaining a trade mark registration is relatively straightforward. The Chinese Trade Marks Office will register a trade mark providing it is distinctive and does not conflict with an existing earlier filed trade mark applications or registrations. However, the Chinese public, and thus the Chinese Trade Marks Office, often view English language names and Roman alphabet acronyms, as images. This means that words that an English speaking person would consider quite different, a Chinese person could consider similar. It is, therefore, prudent to have a search conducted of the Chinese Trade Marks Register before filing an application. This will help to identify any problematic marks and determine whether it will be possible overcome any likely objections.

The Chinese Trade Marks Office conducts an examination of the new trade mark application and if it is deemed acceptable, the Office publishes details of the new application. The application is then subject to a three month period for objection by third parties. If there are no objections or if the Chinese Trade Marks Office rejects any objections made, the trade mark is registered. The registration will last for a period of 10 years, renewable for like periods.

If the Chinese Trade Marks Office supports an objection, it will refuse the application. It is possible to file an appeal against such a decision with the Trade Mark Review and Adjudication Board and if that appeal is unsuccessful with the People's Court.

Obtaining a Chinese registration gives the owner the exclusive right to use its trade mark in China for the goods and services for which it is registered. A registered trade mark also:

- acts as a deterrent to others who may wish to use and/or register the same or similar mark in respect of the same or similar goods;
- prevents unscrupulous companies or individuals from usurping your trade mark;
- allows the owner to take legal action against a third party who is using an identical, or confusingly similar mark in respect of identical or similar goods to those protected by the registration in China

INFRINGEMENT

China has several avenues that a foreign company may utilise to stop and/or prevent infringement of its registered trade mark, these include:

ADMINISTRATIVE PROCEEDINGS

An action taken by the Administration for Industry and Commerce

A trade mark owner or any interested party (for example a Licensee) may file a complaint with the Administration for Industry and Commerce office for trademark infringement. The administrative procedure is generally quicker than the courts and often such cases can proceed to a conclusion within six months, depending upon the complexity of the issues at hand.

An Action taken by the General Administration of Customs

The Regulation on the Customs Protection of Intellectual Property Rights prohibits the import and export of goods, which infringe intellectual property rights, including trade marks. A Customs action is an effective means of stopping trade in infringing goods.

Upon discovering that a shipment of infringing goods are to be imported to, or exported from China, the owner of a Chinese trade mark registration has the right to apply to the relevant Customs office to detain the infringing goods. Alternatively, the owner of a Chinese trade mark registration may be proactive and request recordal of its registered trade mark with the General Administration of Customs. By doing so it notifies Customs of the registered trade mark and the goods for which it is registered. Customs Offices in different locations throughout China will then actively monitor shipments of goods for possible infringements. If an infringing shipment is discovered the registered owner (or its representative in China) will be notified. The trade mark owner will then be given the option to request detention of the infringing goods.

Once the infringing goods have been detained or seized the Customs Office will commence its investigations, and submit its findings to the trade mark owner. The remedies offered to the owner of a Chinese trade mark registration in Administrative proceedings include an order to stop the infringing act, an order for the destruction of the infringing goods and/or the imposition of a fine. No damages are available.

CRIMINAL PROSECUTION

In China it is a crime to intentionally use another party's registered trade mark. Criminal enforcement may be initiated at the request of a foreign company. The local prosecutors' office, once advised of the infringing activity, may raid the site where the infringing goods are being manufactured and confiscate said infringing goods and/or material and press charges against the infringing party. The remedies offered to the owner of a Chinese trade mark registration in Criminal proceedings include an injunction to prevent further infringing acts, compensatory and/or punitive damages. Furthermore, the infringing party may be imprisoned if found guilty.

Points to remember:

- China is a first to file country; this contrasts with those territories where the first user has a stronger claim on a mark than the first to file.
- China, as with most territories utilises the International Classification of goods and services to classify the scope of trade mark protection; but it also uses a system of sub-classes and so it is important that you protect all the goods and services of interest to you from the outset.
- If your trade mark includes a design, copyright can be a very useful tool in stopping unauthorised use of the trade mark; ensure that the ownership of the copyright is in good order.

The content of this fact sheet is intended to provide a general guide to the subject matter. We have experience of handling trade mark matters in China and work closely with a number of agents based in China who look after the trade mark interests of a variety of Clients.

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