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## CLP: VICTORIA LEI IS VOTED RISING STAR

China Law and Practice recently published its nominees for its annual Beijing awards event. We are very proud to announce that one of R&P's associates, Ms. Victoria Lei, was nominated for the category "2013 Rising Star". Nominations are based exclusively on client recommendations, which is the kind of recognition that R&P and its lawyers thrive on. We are humbled by the continued vocal support from our clients, and look forward to continue meeting your high expectations.

Above all, the partners of R&P China Lawyers hereby wish to thank Victoria Lei for her hard work, and congratulate her for this very special achievement.

## NEW VISA POLICY – REVIEW YOUR PRACTICES!

New policies implement stricter requirements for expatriates that work in China for shorter or longer periods. The main changes are:

- The introduction of new types of visas, including the M-visa and a new F-visa. The main consequence holds that ***all foreigners who work in China*** (even for a short period) need a ***Z-visa***.
- ***Longer processing times*** for both the application and extension of your visa. Please note that the application or extension of your Z-visa in China can take up to 20 working days, during which international travel is not possible.
- ***Return to home country*** for the application for a first-time Z-visa.
- ***Higher punishments*** and ***more aggressive enforcement*** for living and/or working illegally in China.

For more information about the changes, please read the article "Foreigners residing in China: Important visa application and extension issues" by Maarten Roos and Robin Tabbers at <http://www.rplawyers.com/1355>

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[info@rplawyers.com](mailto:info@rplawyers.com)  
Tel (+86) 21 6173 8270

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# Blackmailed to Buy Back Your Trademark?

## The New Trademark Law and Practice against Trademark Squatting in China

*By Maarten Roos*

On 29 August 2013, China finally promulgated the amended of the PRC Trademark law. To become effective on 1 May 2014, the law can have a huge impact on how trademarks are applied for and enforced in China. This article deals with current law and practice, and what the new Trademark Law provides on the topic.

For many medium-sized companies who enter China for the first time, arguably the greatest challenge of China's trademark system is the difficulty to counter trademark squatting. China applies the first-to-file system, which means that if a Chinese competitor or third party hijacks a trademark by applying for its registration first, then this party will have the priority to obtain exclusive rights even if the trademark is identical to a trademark used by another party in other jurisdictions. The registering of foreign trademarks that are used in China but not yet registered, or that may become valuable to their international owners in the future, has become a business in itself; and this is creating major obstacles to foreign companies that want to develop their business in China. Under current law, companies

that own trademarks internationally (i.e. international owners) but find that Chinese applicants have applied for or registered their

**Not only has the Chinese owner of your foreign trademark the ability to prohibit you from using your trademark in China, he or she can even seize your products! As a result, timely registration of your trademark in China is of great importance.**

trademarks in China first (Chinese applicants) have several options on how to respond:

1. Oppose or cancel the trademark by proving the registration was made in bad faith (e.g. there was a prior business relationship between the international owner and the Chinese applicant);
2. Oppose or cancel the trademark by proving that the registered trademark is a violation of a prior right (e.g. copyright).
3. Oppose or cancel the trademark by proving that the international owner's trademark was well-known in China at the moment that the application was submitted;
4. Presuming that the Chinese applicant has not used the trademark, wait for three years after registration of the trademark and then file for cancellation based on 3-year non-use.

None of the above strategies is easy to implement successfully. Bad faith is difficult to prove, and well-known refers to being famous *in China* - usually not the case if the international company is new to the Chinese market. Cancellation for non-use is easy to apply for and turns the burden of proof on the Chinese applicant, but this strategy requires a lot of patience: if the trademark was only recently applied for or approved, the international owner will have to wait for (almost) three years before filing this application, all the while remaining in uncertainty on whether it will regain its trademark. Moreover, trademark squatters are getting smarter by creating use especially for the purpose of defending non-use cancellation actions.

Another challenge in China is that procedures - for opposition of trademark applications as well as cancellation of existing trademarks - take a relatively long time and can be appealed. All in all, not ideal for an international company that quickly needs a brand name under which to develop its China business.

## 2<sup>nd</sup> Draft of the PRC Trademark Law

Observers have expressed hope that improvements to the system would be introduced in the amendments to the PRC Trademark Law, which has been under discussion for a number of years and

was recently issued. Unfortunately, when it comes to tackling the hijacking of trademarks, the law disappoints:

1. The Law has deleted an amendment that was proposed in earlier drafts, which made specific reference to bad faith registrations. What is left:
  - An application for registration of a trademark shall be made in good faith. However the law does not provide details on how this should be applied.
  - A trademark application should be rejected where the trademark is similar or identical to another party's prior-used trademark for identical or similar commodities, and the applicant knows the existence of the other trademark due to a contractual, business or geographical relationship with that other party. This is a clarification of the bad-faith provision already applied.
  - Trademark applications shall not violate "other" prior rights obtained by other parties, which means that other rights such as copyright can be used by an international owner to oppose an application by a Chinese applicant. Again, nothing new.
  - An application for a trademark should be rejected where this trademark is a copy of another mark which possesses a certain level of distinctiveness and has acquired a certain level of fame with respect to similar goods or services, and is therefore likely to cause confusion. This reflects on well-known trademark status, but does not expand the geographical scope on *where* this trademark should be known.
2. Under current law, any party can oppose the registration of a newly applied trademark within the review period (3 months starting from publication date). Article 36 of the new Law however introduces a new restriction on filing oppositions: only parties with "prior rights" or "interested parties" are permitted to file an opposition. It remains to be seen how these terms will be interpreted, and whether owners of identical or similar

international trademarks meet these standards.

3. Article 38 of the new Law streamlines the opposition procedures. If an opposition is filed and the China Trademark Office (CTMO) rejects the opposition, then it shall issue the Trademark Certificate. Under current law, the opposing party has the opportunity to appeal the CTMO's decision with the TRAB (Trademark Review Board) *before* the trademark is registered and can be enforced. This change is designed to limit frivolous objections, but will also make things more difficult for bona fide parties who have seen their trademarks hijacked. One point of light: the CTMO has only nine months to approve and published the original filing, and twelve months to make a decision on the opposition.

All in all, the above articles are unlikely to make it much easier for international owners to get their trademarks back, and to some extent this is becoming more difficult. The best way for international owners to ensure that they will have the exclusive rights to their trademark in China once they are ready to develop their business, is to file an application for registration first.

### Registering Early *and* Avoiding Cancellation for Non-Use

Applying for registration of a trademark is straightforward and cheap, and is therefore widely accepted as the most efficient and effective way to prevent trademark squatters from blackmailing an international trademark owner. Although still not full-proof, if only companies decide to file for trademark registration on time, this will help them to avoid a lot of difficulties and costs.

Filing trademark applications well before their international owners expand into China also,

however, also poses a risk: if a registered trademark is not used for a consecutive period of three years, then it risks being cancelled for non-use. This problem is even more obvious for international companies that only register their trademarks in China to avoid Chinese companies from exporting infringing goods. Trademarks registered in China must be "used" (e.g. through sales or advertisement) to make it more difficult for concerned third parties to cancel.

The new Law does not consider this challenge, and so international owners must creatively develop strategies to ensure that their trademarks do not become vulnerable to non-use cancellation actions. Considering that "use" is a very broad, it is actually not so difficult to create use in China specifically to counter applications for cancellation, but clearly those steps should be made *before* trademarks are targeted for cancellation, rather than after.

### Conclusions

The protection of intellectual property rights remains a major challenge in China. The precondition to any kind of enforcement of IP rights is to "have" (in the case of trademarks, register) the IP right, but this could present international businesses that wants to expand into China.

By far the best strategy is to consider early-on which trademarks should be registered, and to file applications without delay; meanwhile to determine the optimal strategy to ensure that any applications for cancellation - whether for non-use or otherwise - can be defended. For companies that are too late there are always options, but it is not going to become any easier.

# The New Trademark Law: Main Amendments

The previous article stipulates the effects of the amended PRC Trademark Law on tackling the squatting trademarks. But there is more to the story as this law – that becomes effective on 1 May 2014 – introduces some important changes for trademark owners.

## 1. Specified periods

In order to solve the problem of long and uncertain periods for examination and review of trademark cases, the amended law specifies time limits. It introduces a specific time limit of 9 months and 3 months for trademark examination and raising oppositions respectively. It also establishes a time limit of 9 months for investigation and verification in opposition cases. The Trademark Review and Adjudication Board will face a time limit of 6 months when reviewing a rejection decision by the Trademark Office; in opposition cases, where the Trademark Office decided the opposition is not tenable, this will be 9 months.

## 2. Higher fines for infringements

Where the original draft already doubled the maximum amount from 500,000 RMB to 1,000,000 RMB, the amended law proposes a maximum fine of 2,000,000 RMB in order to offer a better prevention and protection mechanism for trademarks.

## 3. Prohibition of “well-known”

The amended law stipulates the prohibition of the use of the wording “well-known” onto products, product packages, and advertisements or in other related business and production activities.

**Please visit our website for more interesting articles such as the full version of:**

### ‘Time to Protect The Chinese Language Translations of International Trademarks’

*by Maarten Roos & Lisa Qin*

Foreign companies often fail to register the Chinese-language translations of their international trademarks, which severely limits their options to combat trademark squatting in China. Traditionally, Chinese courts have not shown much support to the argument that the Chinese language translation is “similar” to its international trademarks. In that case there is little that the foreign trademark owner can do against these competitors. Fortunately some hope can be drawn from the “Leroy-Somer” Trademark Infringement and Unfair Competition Case. This article enlightens the Court’s different view on similarity that has been prevalent in similar judicial cases and/or trademark administrative reviews.



# A Guide to Copyrights in China

By *Robin Tabbers*

Copyright protects the creator's ability to control the reproduction and alteration of his or her original creative expressions.

Copyright is a natural right that protects original work in the literary, artistic or scientific domain, as long as it can be reproduced in a tangible form. Copyright protects the expression of an idea and not the idea itself. Below some examples of works that are or are not protected in China under copyright laws (not an exhaustive list):

#### Copyright protection:

- Traditional creative works such as books, music, movies, paintings, plays, sculptures, photographs and many more;
- Computer software and games.
- Choreography;
- Databases and other compilations. These works enjoy copyrights with respect to selection and arrangement of their content;
- Industrial and graphic designs, calligraphy, applied art, architecture buildings;
- Websites, emails;

#### No copyright protection:

- Names and titles;
- Ideas, principles, concepts;
- Operational methods, forms, tables and formulas;

- Existing material and content that is already available in to the public;
- The law, regulations, judgments and other governmental documents that are meant to provide information to the public.

#### Why is it important?

Many believe that copyright is only relevant to content-producing businesses such as publishing firms or music distributors. Copyright, however, has a much broader scope and enables an owner of an original work to protect this work from others that want to take advantage. A well-known example of copyright infringement in China is that one can purchase illegal copies of DVDs and CDs at almost every corner of the street. But also a company that designs artistic Chinese fonts can face cheeky copyright infringement in case another party makes use of such a font.

#### How to obtain?

Copyright arises on the date the original work is created, even if the work is not created in China. The copyright may belong to the creator but could also

belong to the employer of the creator, depending on the terms agreed upon in the (employment) contract.

**“It is not necessary to register your copyright to make it enforceable in China, but enforcement will be much easier”**

It is not necessary to register copyright to make it enforceable in China; however, the enforcement process will be much easier for registered copyright. A copyright registration certificate is considered persuasive evidence of copyright ownership. Without registration, evidence that is sufficient to prove ownership typically requires the original work and blue prints, including the author’s name and date of creation, or a true copy and relevant contracts. However, these standards of evidence vary with the type of work.

## Registration and protection terms

It is important that companies take steps to identify their existing copyrights and consider the registration of the most important copyrights. Copyright registration applications are fulfilled within 30 working days after the Copyright Protection Centre of China (CPCC) accepts the application or, where required, within 30 working days of receipt of supplemental materials. In practice the registration application takes longer as the CPCC will conduct a pro forma check on the documents submitted and the official fee has to be paid before the CPCC issues an application acceptance notice; this will take around 15 to 30 days extra.

The term of protection of the publication right and the economic rights of publication generally are 50 years from the date of creation or publication. In the case of individuals, the period is the lifetime of the author plus 50 years.

## How to enforce your copyright?

In order to enforce its copyright, the owner first needs to identify the infringement and then gather and preserve evidence of the infringement. Whereupon the following five types of enforcement options are possible.

- i) Cease and desist letter
- ii) Customs
- iii) Court actions
- iv) Settlements
- v) Administrative actions

