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The Latest Development of China’s Trademark Legal System

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Based on the need of the development of China’s socialist market economy and to adapt to the requirement of China’s accession to WTO, the 24th Session of the Standing Committee of the Ninth National People’s Congress approved the Decision on the Revision of the Trademark Law of the People’s Republic of China (hereinafter referred to as the Trademark Law) and amended the Trademark Law. The amended Trademark Law came into force on December 1, 2001. Accordingly, the State Council amended the Regulations for the Implementation of the Trademark Law of the People’s Republic of China (herein after referred to as the Implementing Regulations) on Aug. 3rd, 2002, and the amended regulations came into force on Sept. 15, 2002.

According to the provisions under the Trademark Law and its Implementing Regulations, the State Administration for Industry and Commerce (SAIC) amended 3 decrees in September 2002 and April 2003: Rules on Trademark Review and Adjudication (hereinafter referred to as SAIC Decree No.3), Provisions on the Determination and Protection of Well-known Marks (Herein after referred to as SAIC Decree No.5) and Measures for the Registration and Administration of Collective Marks and Certification Marks (hereinafter referred to as SAIC Decree No.6). SAIC also promulgated a new decree: Measures for the Implementation of International Registration of Marks under Madrid System (hereinafter referred to as SAIC Decree No.7). Moreover, after the amendment of the Trademark Law, the Supreme People’s Court also issued several related judicial interpretations. Up to this point, the amendment of trademark legal system has been finished in respect of law, administrative regulations, SAIC decrees and judicial interpretations (hereinafter, “this amendment” will include all these four aspects). The trademark legal system has been further perfected.

The content of this amendment involves many aspects, not only including 4 levels of law, administrative regulations, SAIC decrees and judicial interpretations, but also involving the substance and procedure of trademark registration and administration. It can mainly be categorized into the following 11 aspects:

I. Enlarged the subject for trademark application

The old Trademark Law provided that a foreign natural person and legal person could apply for trademark registration in China but Chinese natural persons, except that he is an individual trader, could not apply for trademark registration. The amended Trademark Law provides that Chinese natural persons can apply for trademark registration (Article 4), which is of great importance in that it greatly offered convenience for parties concerned to acquire trademark rights.

II. Enlarged the protected objects

On what can constitute a trademark, the old Trademark Law limited it to words, devices or their combinations (Article 7), while the amended Trademark Law made three-dimensional trademarks and combinations of colors eligible for the protected objects (Article 8), which enlarged the scope of protection under the Trademark Law.

III. Perfected the registration procedure

1. Perfected the grounds for refusal

The grounds for refusal of trademark registration include absolute grounds and relative grounds. Article 8 under the old Trademark Law did not differentiate the two categories of grounds. The present Trademark Law perfected this point by stipulating 9 absolute grounds for refusal (Article 10) and 4 circumstances under which a sign shall not be registered (Article 11 and 12). Apart from these, it also provided 3 circumstances under which a sign shall not be registered and its use shall be prohibited (Article 13, 15 and 16).

2. Increased provisions on protection of prior rights and on prohibition of registering in an unfair means a mark that is already in use by another party
As for how to solve the dispute when a sign that is applied for trademark registration is in conflict with another party’s prior rights, the old Trademark Law only provided procedure for cancellation of improperly registered marks but it was not clear enough. Apart from this, registering in an unfair means a mark that is already in use by another party has long been a focus concerned by the public. The current Trademark Law made specific provisions on these two issues: “No trademark application shall infringe upon another party’s existing prior rights. Nor shall an applicant register in an unfair means a mark that is already in use by another party and has certain influence” (Article 31), which provides legal basis for solving these two problems.

3. Strengthened judicial supervision

Under the old Trademark Law, the decisions and rulings made by the Trademark Review and Adjudication Board (TRAB) were final. Parties concerned could not institute legal proceedings with the people’s court on the decisions or rulings made by TRAB. The current law made amendment on this point by providing that if any party concerned is dissatisfied with the decision or ruling of TRAB, he or it may, within 30 days from receipt of the notice, institute legal proceedings with the people’s court. In this way, the decision power of determining trademark rights is granted to the people’s court (According to the principle of jurisdiction under the Administrative Litigation Law, these cases shall, in general, be under the jurisdiction of Beijing NO.1 Intermediate Court and Beijing High People’s Court. If the retrial regime is initiated, the case can be reviewed up to the Supreme People’s Court).

IV. Strengthened the protection of the exclusive right to use a registered trademark

1. Perfected the definition of trademark infringement

Under the current Trademark Law, “selling goods that infringe the exclusive right to use a registered trademark (Article 52(2)) is also an infringement of the exclusive right to use a registered trademark, and the “knows or should know” provisions under the old Trademark Law and its Implementing Regulations were deleted. In this way the provisions on trademark infringement were perfected. Moreover, by stipulating that “replacing another party’s registered trademark, without authorization, and selling goods bearing such a replaced trademark” be an infringement, the amended Trademark Law provides legal basis for cases of this kind.

2. Strengthened administrative punishment for trademark infringement

Under the old Trademark Law, the administrative punishment for trademark infringement included “to order the infringer to immediately stop the infringing act” and “to impose a fine” (Article 39). The current Trademark Law has strengthened and improved the administrative punishment for trademark infringements by specifying the power of the administrative authorities for industry and commerce in dealing with infringement cases as to confiscate and destroy the infringing goods and any instruments specifically used to manufacture the infringing goods (Article 53). This amendment is good for preventing the rampant acts of trademark infringements and counterfeiting.

Besides, under the old Implementing Regulations an infringement might be imposed a fine of not exceeding 50% of the amount of the infringer’s illegal business or five times his profit earned in the infringement, while under the new Implementing Regulations, the amount of a fine imposed on an infringement shall be not more than three times of the volume of the illegal business, and if it is impossible to calculate the volume of the illegal business, the amount of the fine shall be not more than 100,000 Yuan (Article 52). Thus trademark infringements are more heavily fined.

3. Added some means of administrative investigation and handling

The old Trademark Law only stipulated that the administrative authorities for industry and commerce may order to stop the act of infringement, but it did not provide any specific measures. Although the old Implementing Regulations provided that the administrative authorities may “order to seal” the articles as related to the infringing act where necessary, yet it was far from enough in preventing the infringements. In order to further strengthen the cracking down on
trademark infringements, the current Trademark Law absorbed the essence of the relevant provisions and authorized the administrative authorities for industry and commerce the power to seal or take into custody articles which are proven to have infringed upon another party’s trademark rights. (Article 55)

4. Further increased the infringer’s liability for damages

The provisions for damages under the old Trademark Law was not adequate. The amended law stipulated that damages should include any reasonable expenses the infrigee has incurred in his or its efforts to stop the infringement, such as costs on investigations and lawyers (Article 56). Moreover, where the profit earned by the infringer or losses suffered by the infrigee through the infringement can not be determined, the amended Trademark Law stipulated, for the first time, the statutory damages, with the top limit being 500,000 Yuan RMB, which greatly protects the right owners’ legitimate rights.

V. Added injunction, evidence preservation and property preservation before litigation

There were no such provisions in the old Trademark Law. They are added into the amended law (Article 57, 58), which is in compliance with TRIPS, i.e. the judicial authorities shall have the authority to order prompt and effective provisional measures to prevent any delay that is likely to cause irreparable harm to the right holder or to prevent the risk of evidence being destroyed (Article 50).

VI. Provided further convenience for foreigners and foreign companies to apply for trademark registration

Under the current Trademark Law, trademark agencies eligible for dealing with foreign trademark matters was amended from “assigned by the State” into “approved by the State” (Article 18). In fact, in 2000, SAIC abolished the old practice that trademark agencies eligible for dealing with foreign trademark matters should be specifically appointed, saying that all the trademark agencies can deal with business concerning foreign trademark in China. This amendment legalized this provision, which is not only more convenient for foreign trademark applicants but also better for fairer competition among trademark agencies.

The current Implementing Regulations provides: “As mentioned in Article 18 of the Trademark Law, a foreigner or foreign enterprise refers to a foreigner or foreign enterprise having no habitual residence or place of business in China” (Article 7.3). This means those foreigners or foreign enterprises who have habitual residence or place of business in China do not belong to foreigners or foreign enterprises referred to in Article 18 and they can come to the Trademark Office to apply for trademark registration directly instead of being represented by a trademark agent.

VII. Perfected the provisions on the procedures of trademark review and adjudication

After the Trademark Law and its Implementing Regulations were amended, the system for trademark review and adjudication in China has greatly changed. As a result, SAIC also amended its Rules on Trademark Review And Adjudication made in 1995. Compared with the old Rules, the new Rules adjusted the scope of authority and functions of the Trademark Review and Adjudication Board, perfected the system of withdrawal and the rules for evidence, specified the system of panel decision and the procedure for public review and adjudication and was also adapted to the need of judicial review.

VIII. Expressedly stipulated to protect GI through trademark system

Early in 1994, authorized by the Implementing Regulations, SAIC promulgated Measures for the Registration and Administration of Collective Marks and Certificate Marks, stipulating that, for
The current Trademark Law expressly provides that GI is protected in China in the way of certificate marks (Article 3 and 16), specifying at the level of law that GI is protected under the trademark system. In order to improve the protection of GIs, the new Implementing Regulations further stipulates that a GI can be registered as a collective mark or a certificate mark (Article 6).

Based on the relative provisions under the Trademark Law and its Implementing Regulations, SAIC Decree No.6 stipulates the specific procedures for the registration of collective and certificate marks.

IX. Promulgated the measures for the implementation of international trademark registration

China joined the Madrid Agreement Concerning the International Registration of Marks on 4th Oct.1989 (now 52 members. French is working language) and the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks on December 1, 1995 (now 59 members. French and English are working languages). Statistics shows that up to the end of 2002, the number of registered trademarks foreign countries obtained in China through these two systems is 192,999. The number of Chinese applications in foreign countries through the two systems is 2,450.

In April 2003, SAIC revised the Measures for the Implementation of International Registration of Marks under Madrid System promulgated in 1996 and issued it as SAIC Decree No.7. The new Measures expressly stipulate the national basic registration or application, assignment/license/reduction/abandonment of lists of goods or services under the Madrid Agreement. It further perfected the implementation of the Madrid System in China.

X. Upgraded the protection of well-known marks to the level of national law

Having good reputations, great influence on consumers, strong competitive force in the market and high values, well-known marks are liable to infringements and counterfeiting. Therefore, protecting well-known marks is a key issue throughout the world. Article 6 bis under the Paris Convention and Article 16 under TRIPS provided protection for well-known marks. The Joint Recommendation for the Protection of Well-known Marks, approved by WIPO (179 members) and the Paris Union (164 member countries), recommended, in more details, their members to protect well-known marks.

The Implementing Regulations amended in 1993 provided the protection of well-known marks. Then SAIC issued its decree: Provisional Provisions on the Determination and Protection of Well-known Marks (Hereinafter referred to as Provisional Provisions), specifying the protection of well-know marks. In the latest amendment, the protection of well-known marks were added into the Trademark Law and its Implementing Regulations, upgrading the level of well-known marks’ protection from SAIC Decree to national law and administrative regulations and intensifying the strength of the protection of well-known marks.

The current Trademark Law provides: “A trademark that is applied for registration in identical or similar goods shall not be registered and its use shall be prohibited, if it is a reproduction, an imitation or a translation, of another party’s well-known mark that is not
registered in China and it is liable to create confusion.

A trademark that is applied for registration in non-identical or dissimilar goods shall not be registered and its use shall be prohibited, if it is a reproduction, an imitation or a translation, of a well-known mark which is registered in China, misleads the public, and the interests of the registrant of the well-known mark are likely to be damaged by such use.” (Article 13).

This provision clarifies the protection of unregistered well-known marks in identical or similar goods and the protection of registered well-known marks in non-identical or dissimilar goods. It expressly provides that this protection is that “it shall not be registered and its use shall be prohibited”. The law also stipulates the factors that should be considered while determining a mark is well-known or not (Article 14), providing legal basis for the determining authorities. Moreover, there is also the time limit for applying for the cancellation of another party’s registered trademarks (Article 41).

According to the provisions concerning the determination and protection of well-known marks under the Trademark Law, the Implementing Regulations stipulates: “Where the use of a trademark is in violation of the provisions of Article 13 of the Trademark Law, the party concerned may request the authority of administration for industry and commerce to prohibit such use. When filing an application for this purpose, the party shall submit evidence proving that its mark constitutes a well-known trademark. If the mark is determined as a well-known trademark by theTrademark Office pursuant to Article 14 of the Trademark Law, the authority of administration for industry and commerce shall order the infringer to stop the act of using the well-known trademark in violation of the provisions of Article 13 of the Trademark Law, seize and destroy the representations of the trademark; where it is impossible to separate the representations of the trademark from the goods involved, both of them shall be seized and destroyed.” (Article 45). It also defines what “use shall be prohibited” under Article 13 of the Trademark Law. Besides all these, there are also provisions on how to solve the conflicts between the enterprise names and well-known marks in the Implementing Regulations (Article 53).

According to the provisions under the Trademark Law and its Implementing Regulations, this April SAIC promulgated, on the basis of the old Provisional Provisions, the Provisions for the Determination and Protection of Well-known Marks (Shortened as SAIC Decree 5). Compared with the old Provisional Provision, the major amendments are: perfected the definition of well-known marks, adjusted the certifying documents the parties concerned should provide, stipulated the factors that should be considered while determining a well-known mark, specified the procedure for “prohibited use”, amended the old provision that a well-known mark did not need to be re-determined within 3 years once it was determined, reiterated the measures for solving the conflict between enterprise names and well-known marks, strengthened the functions of local administrative authorities for industry and commerce in determining well-known marks and provided that the distinctiveness and the extent of its being well-known shall be considered.

XI. Related judicial interpretations further perfected China’s trademark legal system

After the currentTrademark Law came into force, in order to solve the problems faced by the people’s court in the areas of law application and specific procedures, the Supreme Court released 3 judicial interpretations related with trademarks. They are: Judicial Interpretation by the Supreme Court on Jurisdictions Over Trademark Cases and the Scope of Law Applications, Jan.9, 2002, Judicial Interpretation by the Supreme Court on the Application of Law Concerning Stopping the Act of Infringing the Exclusive Right to Use a Register Trademark before Litigation and the Preservation of Evidences, Jan.9, 2002 and Judicial Interpretation by the Supreme Court on the Application of Law for Trials over Trademark Civil Disputes, Oct.16, 2002. As part of the major components of China’s Trademark legal system these interpretations defined the jurisdiction of
trademark cases, the principles for trial, and supplemented and detailed the relevant provisions under the Trademark Law.

In short, this amendment of Trademark Law, administrative regulations and SAIC decrees together with the issuance of the relevant judicial interpretations fulfilled China’s commitments on her accession to WTO and further perfected China’s trademark legal system. At present, a number of administrative regulations and SAIC decrees that are auxiliary for or in line with the Trademark Law or its Implementing Regulations are being researched and drafted. Moreover, a further amending of the Trademark Law has been in the legislation plan of the People’s Congress and the research and drafting for the amendment have been initiated.