China’s new trademark law strengthens position of trademark owners

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China’s new trademark law entered into force on 1 May 2014 and ushers in key changes in the areas of trademark registration, anti-piracy, well-known marks, proceedings and enforcement. This new law strengthens the position of trademark holders to act against infringement. And procedures will be shortened in time and carried out more efficiently. The new law is of great importance for companies that want to do business in China. However, there is much uncertainty amongst Chinese practitioners how the law will work in practice and what it will mean for the registration process. We will continue to monitor and report on developments.

China has long been criticised for being a safe harbour of counterfeit and trademark hijacking and for trademarks rights being violated on a large scale without repercussions. The rights of trademark holders will now be protected more effectively and efficiently. The new law is based on international standards, and De Brauw contributed to drafting the new law before the parliamentary committee in China. There are now substantial changes for rightsholders to strengthen their trademark protection and other new provisions, some of which are highlighted below.

Anti-Piracy – new good faith filing requirements
In order to deter the widely known practice of trademark squatting, the new law lays down that both the application and the use of the trademark must be in good faith. Trademark applications for goods that are identical or similar to those covered by a trademark that is already in use but not registered will be rejected if the applicant had knowledge of the existing trademark through a business or any other relationship. The addition of the term any other relationship greatly reduces the burden of proof on legitimate trademark owners.

Furthermore, trademark agents are prohibited from acting as representatives on any trademark application that demonstrates bad faith or infringes others’ prior rights.

Opposition
In order to curb ‘unmeritorious’ oppositions, the new trademark law allows only prior rights owners or interested parties to raise an opposition based on relative grounds, whereas previously basically anyone could do so.

However, there will be no possibility to appeal the decision once the opposition is rejected. The mark will automatically proceed to registration. The only option left for the opponent is to file an application to invalidate the registered mark. Brand owners should be aware of how important collecting as much as evidence as possible is for supporting their opposition claim.

Registration – multi-class filings

Traditionally, since a trademark could only be registered for one class, multiple individual filings were frequently needed. Now, one application can be filed for multi-classes. This will reduce costs and will ease the administrative burden in trademark portfolio management. Also, the requirement of a sign to be visually represented has been deleted. Sound marks can now be registered as trademarks.

Well-known trademarks
The new law also provides an explicit recognition of the protection of well-known trademarks. This is very important for right holders in their battle against bad faith filings and infringement cases.

Infringement
In infringement proceedings, the reversed burden of proof has been introduced, which the plaintiff will benefit from. China is trying to restrain trademark infringement by significantly raising the amount for statutory damages and administrative penalties.

With these new provisions, China has made progress in protecting trademarks. This will make the world’s largest market more attractive for brand owners to do business in. Foreign companies that participate in or want to enter the Chinese market should be aware of these changes when considering their IP protection strategy.

Still, there is much uncertainty amongst Chinese practitioners about how the law will work in practice and what it will mean for the registration process. De Brauw will continue to monitor and report on developments.